FaR PROPERTY

INTEGRATED ANNUAL REPORT 2020

"The infrastructure for today, tomorrow and forever."

Contents

These reports together with other supporting documents are available online at www.farproperties.co.bw

About this report

FAR Property Company Limited ("FPC") is a property investment company with an internally managed, diversified portfolio of retail, commercial, industrial and residential properties in Botswana, South Africa and Zambia.

Listed on the BSE, FPC offers investors capital and income growth from a large, stable portfolio of investment properties, well positioned for future growth and expansion across Africa.

This integrated annual report presents the performance and activities of FPC for the financial year 1 July 2019 to 30 June 2020, from financial, economic, and governance perspectives. It aims to demonstrate how FPC will create and sustain value for stakeholders over the short, medium and long term. The report is primarily aimed at linked unitholders and providers of capital. The scope and boundary of the information contained in this integrated annual report encompass and enclose the Group's business activities and property portfolios in Botswana, South Africa and Zambia.

The integrated annual report is prepared in accordance with IFRS, the BSE Listings Requirements, the Botswana Companies Act, the BSE Code of Corporate Governance and the King III Report on Corporate Governance. In line with the recommendations of King III this report was prepared with consideration of the International Integrated Reporting Council's Framework.

ASSURANCE

The Company's external auditor, Grant Thornton, has independently audited the annual financial statements for the year ended 30 June 2020. They have provided assurance on the financial statements and expressed an unqualified audit opinion. The annual financial statements have been prepared under the supervision of Shinu Joy ACA, ACMA-(US), the head of finance and operations of FPC. The remaining content of the integrated annual report has been reviewed by the board but has not been externally assured.

Business process	Nature of assurance	Assurance provider
Consolidated annual financial statements	External audit	Grant Thornton
Health, safety, environmental and community audits	Compliance reviews	Board of directors
BSE requirements	Compliance reviews	Management
Lender due diligence	Legal and compliance reviews	Board of directors and management
Insurance due diligence	Independent risk reviews	Board of directors

RESPONSIBILITY STATEMENT

The audit and risk committee acknowledges its responsibility on behalf of the board to ensure the integrity of this integrated annual report. The committee has applied its mind to the report and believes that it appropriately and sufficiently addresses FPC performance for the year within the scope and boundary outlined above. The audit and risk committee recommended this integrated annual report to the board for approval which then approved it.

The board acknowledges its responsibility to ensure the integrity of this integrated annual report. The directors can be contacted at the registered office of the Company. Details of the directors are contained on page 18.

Ramachandran Ottapathu
Founder

21 September 2020

FPC in snapshot

Our commitment to delivering customised first-rate services to our tenants, which enhance customer loyalty and create business growth opportunities, underpins the achievement of our primary objective to create long-term value for stakeholders.

VISION

- To develop a property portfolio fund with sustainable growth
- To create favourable environments for tenants
- To strategically develop properties to meet current and future market demand
- To accelerate local economic growth by developing properties that enhance economic activity
- To provide good standard properties and nurture strong relationships with tenants to maintain high occupancy levels

MISSION

To develop and maintain a balanced and sustainable portfolio for tomorrow.

VALUES

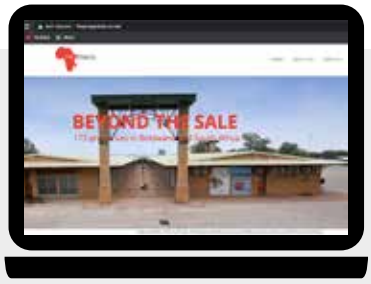
- **Knowledgeable.** We strive to understand our markets and our clients' needs
- **Connected.** Relationships are everything to us; we connect people to their homes and to their communities
- **Passionate.** We believe that working with "all heart" can change the world
- **Playful.** We love what we do and it shows
- **Upstanding.** Our clients' needs and best interests are at the heart of everything we do
- **Effective.** We set a high bar and move mountains to exceed expectations

OUR VALUES TRANSLATE TO

- Professionalism above all
- Pleasing our tenants
- A realistic optimistic approach
- Unwavering focus on growth and sustainability
- Adding value for the benefit of all our stakeholders
- Giving back to communities

PROPERTY PORTFOLIO HIGHLIGHTS

Delivering sustainable shareholder value	Growing a high-quality diversified portfolio	Optimising property assets through customised management
BW132.97 million **revenue** (2019: BWP145.48 million)	203 **properties across Botswana, South Africa and Zambia** (2019: 211)	10.98% ▲ 11% **rent yield ratio** (2019: 9.85%)
BWP85.64 million **net income from operations** (2019: BWP87.41 million)	BWP1.36 billion **portfolio value** (2019: BWP1.48 billion)	95% **occupancy rate** (2019: 95%)
BWP1 023.67 million ▲ 2.41% **market capitalisation** (2019: BWP999.52 million)	239 140 m² **GLA** (2019: 243 825 m²)	8.5% **weighted average rental escalation** (2019: 8.5%)



WWW.FARPROPERTIES.CO.BW

NAVIGATING THIS REPORT

Further information can be found on other pages in this report

Further information can be found on the website

CORPORATE DATA

The FAR Property Company Limited
Company number: Co 2010/6009
Incorporated in the Republic of Botswana on 29 June 2010
Listed on BSE: 4 May 2016
Share code: FPC
ISIN: BW0000001551
Linked units (at June 2020): 426 530 831

Chairman's report

FPC's primary aim – delivering long-term stakeholder value through annual portfolio yields and capital appreciation of assets – is reflected in the Group's performance for FY20.

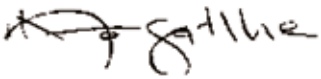
FPC was founded in 2010 with the intention to provide spaces for retail stores and retail support, such as warehousing and distribution centres, across Southern Africa. The Group has since evolved on the back of escalating tenant demand, from managing a portfolio of smaller shopping centres to an expanding manager and developer of retail, commercial, industrial and residential real estate, listed on the BSE. The Group's agility in adapting to the ever-changing demands of tenants underpins FPC's exponential growth to date.

FPC's primary aim – delivering long-term stakeholder value through annual portfolio yields and capital appreciation of assets – is reflected in the Group's performance for FY20. Despite the challenging macroeconomic backdrop and COVID-19, FPC's net income from operations remained stable whilst the value of the portfolio decreased by 7% due to the disposal of the Durban property by the Company's South African subsidiary. This performance translated into a distribution to unitholders of 16.80 (2019: 17.60) thebe per linked unit.

The Group also boasts a strong pipeline intended to generate further income, further diversify risk, and offer more efficient levels of leverage. The Company will continue identifying and evaluating opportunities for acquisition and development.

In Zambia, FPC has capitalised on one of the fastest growing populations in Africa combined with retailers' strategy of targeting the underserved market which has little formal retail penetration. FPC has also enjoyed rapid growth in South Africa, where the Company has provided store space and supporting infrastructure to major retailers.

On behalf of the board I express our gratitude to everyone who supported FPC over the year. FPC's performance in the face of troubled macro-economic conditions was made possible by the people who actively participate in our value creation process. In this light I also thank my fellow board members for their wise contribution.



Reetsang Willie Mokgatlhe
Independent chairman

21 September 2020

Our portfolio footprint

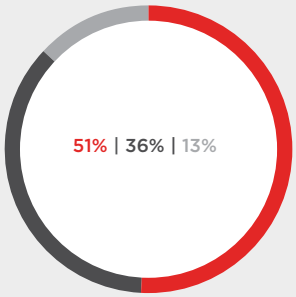
Our diverse BWP1.36 billion portfolio of 203 properties is well-balanced and risk defensive with a focus on different property segments, namely retail/commercial, industrial and residential.

Our properties are supported by long-term leases with a majority of Grade A tenants and strong ongoing demand that results in consistently low vacancies. We further own a considerable land bank for future development.

PORTFOLIO BY SEGMENT

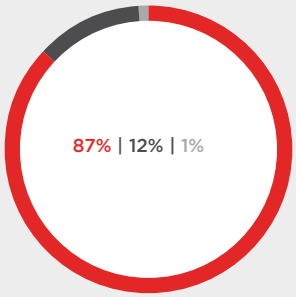
Retail/commercial	Industrial	Residential
68	58	77
PROPERTIES	PROPERTIES	PROPERTIES
BWP0.693 billion	BWP0.493 billion	BWP0.178 billion

Portfolio by segment



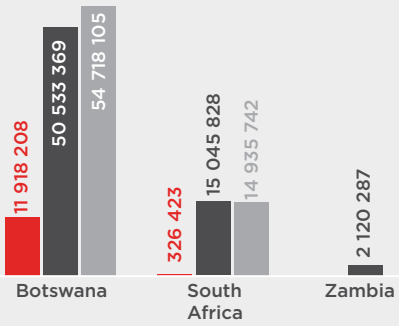
Retail/commercial | Industrial | Residential

Geographical location by portfolio value (BWP) billion



Botswana | South Africa | Zambia

Revenue (BWP by geography and segment)



Residential | Commercial | Industrial

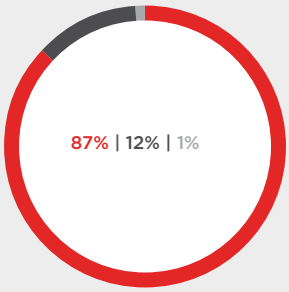
OUR PORTFOLIO DIFFERENTIATORS

1. Diversified spread of investment properties
2. "Fit for purpose" properties to service diverse tenant needs, ranging from studio shops to large-scale warehousing and distribution centres
3. Stable and complementary tenant mixes
4. Proactive lease management systems that reduce vacancies and realise escalations
5. Proven capital growth per annum
   - Inherent future earnings and capital growth potential
   - Value enhancement and ROI
6. Net income yields resilient to inflationary pressures

Our portfolio footprint continued

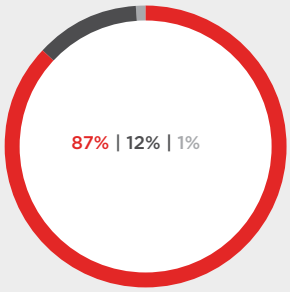
OUR PORTFOLIO FOOTPRINT

Geographical split by GLA (%)

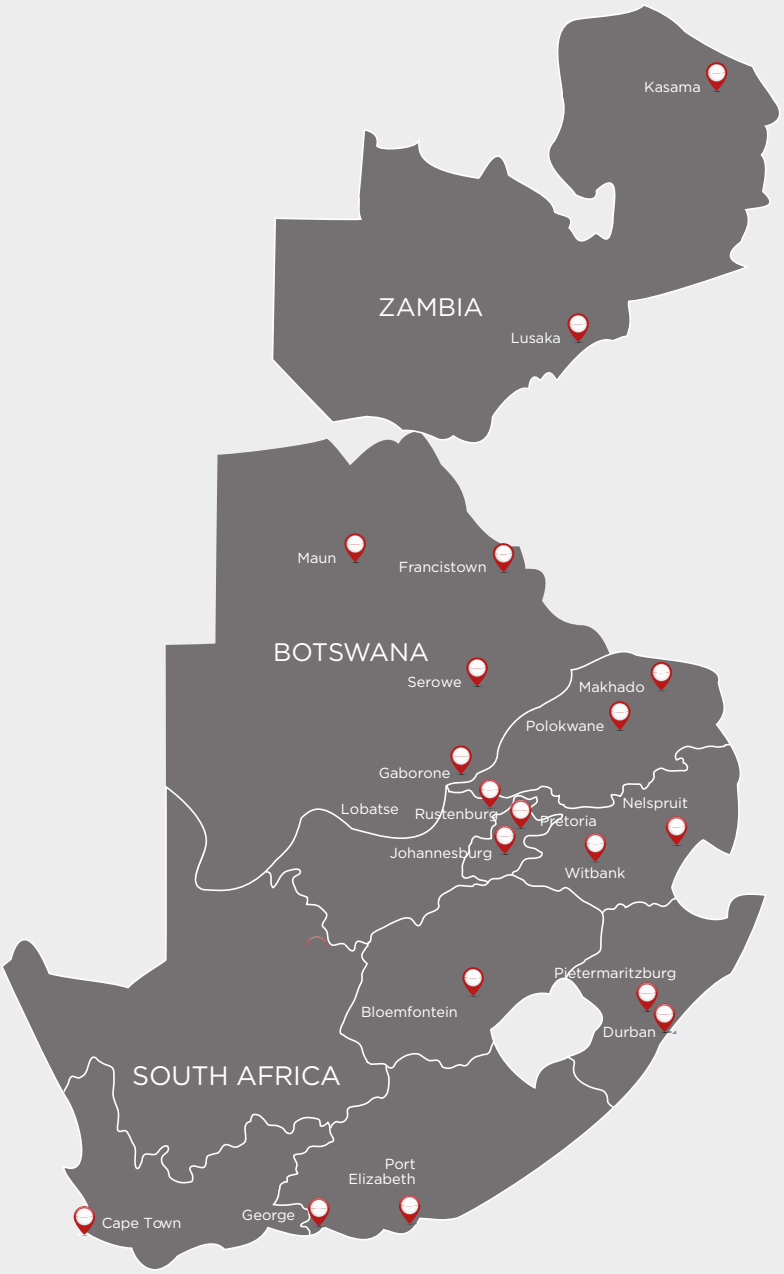


Botswana | South Africa | Zambia

Geographical location by number of properties



Botswana | South Africa | Zambia



BOTSWANA

Number of properties:
177

Total value of properties:
BWP1.146 billion

Geographical split by GLA:
190 487 m²

Sectoral split by GLA:
Commercial: 62 861 m² 33%
Industrial: 104 768 m² 55%
Residential: 22 858 m² 12%

SOUTH AFRICA

Number of properties:
25

Total value of properties:
BWP0.193 billion

Geographical split by GLA:
45 843 m²

Sectoral split by GLA:
Retail/commercial: 23 380 m² 51%
Industrial: 22 005 m² 48%
Residential: 458 m² 1%

ZAMBIA

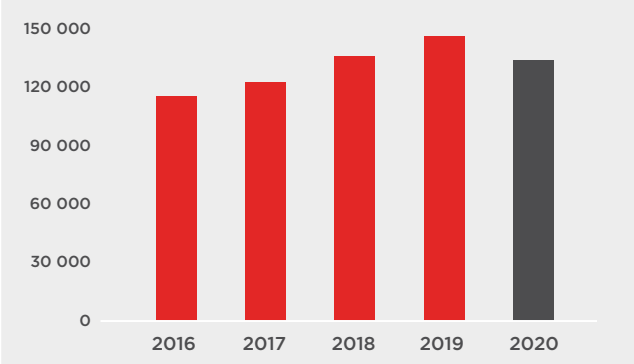
Number of properties:
1

Total value of properties:
BWP0.025 billion

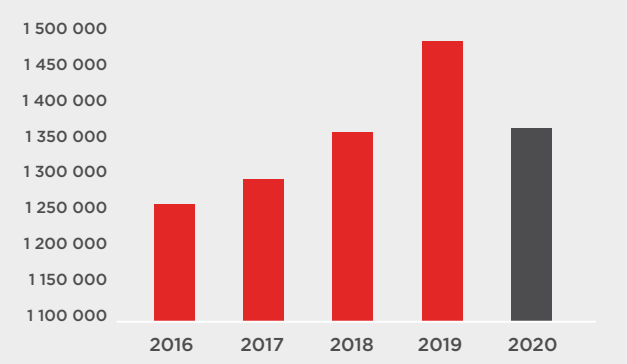
Geographical split by GLA:
2 810 m²

Sectoral split by GLA:
Commercial

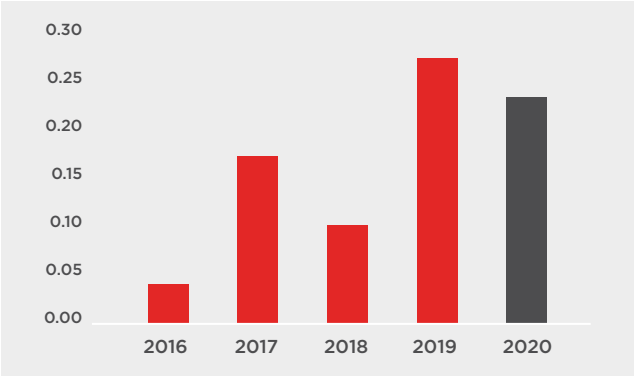
Revenue growth over years BWP ('000)



Value of the portfolio BWP ('000)



Basic earnings per linked unit



Our portfolio footprint continued

We shape our buildings. Thereafter they shape us.

Renewal clauses in our lease agreements mitigate the risk of vacancies, and this is negotiated well in advance of lease expiry.

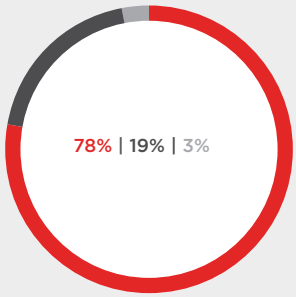
TENANT PROFILE BY GRADING

(Tenants are graded as A, B or C)

Grade A	Premium tenants including national and international brands
Grade B	Local tenants and mid-sized business with well-established brands
Grade C	New start-up companies and small business operations

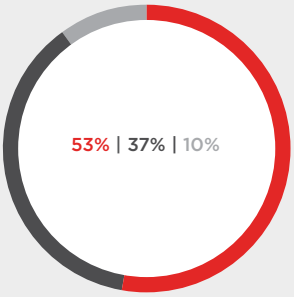
590	**Total number of tenants**
145	756
21	

Tenant profile by grade (%)



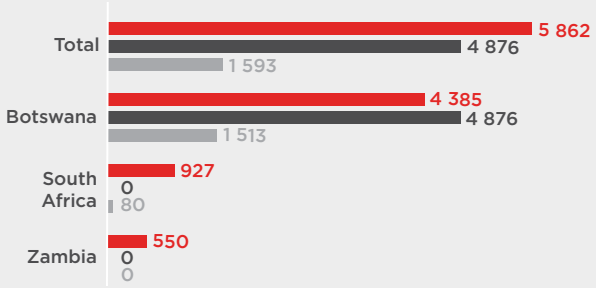
Grade A | Grade B | Grade C

Zoning by usage



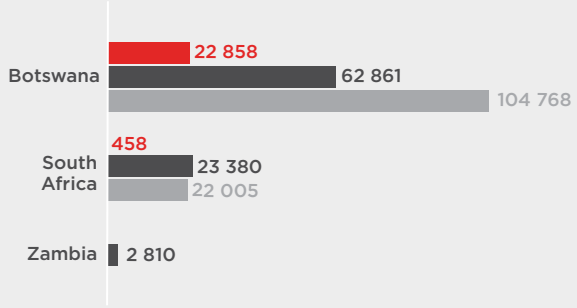
Industrial | Commercial | Residential

Vacancy profile by sector (m²)



Residential | Commercial | Industrial

Sectoral split by GLA (m²)



Residential | Commercial | Industrial

Vacancy profile by revenue (BWP)

Residential | Commercial | Industrial

Our top properties

TATI RIVER MALL, LOT 903 FRANCISTOWN

The property comprises a brand new retail complex which opened for Christmas trading in 2016. Choppies Hyper is the food anchor and there are 24 line shops plus the two-storey food court of some 20 restaurants overlooking the Tati River.

Anchor tenants
Choppies Hyper Francistown
OK Furniture

Other key tenants
MultiChoice Botswana, CIPA, BITC, Letshego, JB Sports, Liquorama

Type of property
Retail

GLA (m^2)
10 184 m^2

Value at 30 June 2020
BWP90 920 000

Location
Francistown, Botswana

PORTION 888 OF FARM FOREST HILL – 9 KO GICP, GABORONE

The property is located in Gaborone's newest industrial estate in the south of the city and is less than 500 m from the A1 highway. The property comprises one modern warehouse divided into two buildings of similar size.

Anchor tenants
NBL Botswana, Choppies Distribution Centre, BMS Foods

Type of property
Industrial

GLA (m^2)
11 494 m^2

Value at 30 June 2020
BWP67 850 000

Location
Gaborone, Botswana

Our top properties continued

TRIBAL LOT 1301 KAZUNGULA

The property is located in a prominent road location on the A33 main road close to the Kazungula ferry crossing which opens up traffic into Kasane at the border post from Zambia and central Africa further north.

Anchor tenants
Choppies Hyper, Caltex filling station, Motovac, Liquorama, JB Sports

Other key tenants
Botswana Post, Tekkie Town

Type of property
Retail

GLA (m²)
7 374 m²

Value at 30 June 2020
BWP80 335 000

Location
Kazungula, Botswana

ERF 6162 (MAFIKENG, NORTH WEST PROVINCE, SOUTH AFRICA)

The property comprises two single storey retail buildings with customer parking providing average quality retail accommodation within a level commercial plot.

Anchor tenants
Choppies Supermarket (SA) Pty Ltd, Clicks Retailers (Pty) Ltd.

Other key tenants
Gia's Enterprises and line shops

Type of property
Retail

GLA (m²)
5 176 m²

Value at 30 June 2020
R45 600 000

Location
Mahikeng (previously Mafikeng), North West province, South Africa

ERF 7185 RUSTENBURG EXTENSION 9 (NORTH WEST PROVINCE, SOUTH AFRICA)

The property is located along Cobalt Street approximately 6 kilometres west from Rustenburg CBD. The area is utilised as a major industrial zone with mining activities and comprises two warehouses.

Main warehouse
Choppies Supermarket (SA) Pty Ltd

Type of property
Commercial

GLA (m^2)
9 406 m^2

Value at 30 June 2020
R56 400 000

Location
Rustenburg, North West province, South Africa

ERF 2282 RUSTENBURG EXTENSION 9, NORTH WEST PROVINCE

The property comprises a large modern warehouse, with a double storey office block and visitor parking at the front. It provides good quality warehouse accommodation on a level commercial plot.

Anchor tenant
Choppies Supermarket (SA) Pty Ltd

Type of property
Commercial

GLA (m^2)
10 304 m^2

Value at 30 June 2020
R51 100 000

Location
Rustenburg, North West province, South Africa

Our top properties continued

PORTION 196 – 9 KO GICP, GABORONE

The property is south of the city close to the by-pass and Gaborone-West industrial areas. It comprises a modern industrial complex purpose built and adapted by Cadbury as a chewing gum factory.

Anchor tenant
Clover Botswana

Type of property
Commercial

GLA (m²)
4 992 m²

Value at 30 June 2020
BWP30 300 000

Location
Gaborone, Botswana

PLOT 43517 (PORTION OF LOT 43544) FRANCISTOWN

The property is south of the city in a new industrial area north of the BMC circle. It is less than 1 km west of the Tonota to Francistown dual carriage way. There is a main warehouse that extends to an additional two-storey office.

Anchor tenant
Choppies Distribution Centre Francistown

Type of property
Industrial

GLA (m²)
4 928 m²

Value at 30 June 2020
BWP20 150 000

Location
Francistown, Botswana

Management overview

Despite the negative impact of global markets' headwinds on the African continent and the adverse impact of COVID-19 we have managed to achieve positive results. FPC enjoyed a successful year marked by strong performances and significant achievements. Our primary focus on improving operational efficiencies through property management remained robust. Notwithstanding the adverse conditions rental collections continued to be unwavering.

FPC aims to deliver long-term stakeholder value through growing, developing and managing a diversified portfolio of properties. The disposal of the Durban, South Africa property negatively affected the total revenue of the Group. We continued to implement lease agreements management with annual escalations incorporated. All expired leases were either renewed or leased to new tenants in the year, preserving our low vacancy rates.

FINANCIAL HIGHLIGHTS

- Contractual rental income increased by 3 %
- Revenue decreased by 8.6%
- Rental yields increased by 11%
- Vacancies low at <5%
- Loan-to-asset ratio of 25%

FINANCIAL PERFORMANCE

We have seen a decline in operating profits which also reflected in the earnings per linked unitholder being lower than the previous year. Fair value adjustment is based on the independent professional valuers' reports on the entire portfolio. These reports are broadly based on expected rental returns and reflect theoretical values with no actual impact on FPC's financial performance. The fair value adjustment in the year increased profit after tax (PAT).

The board declared and approved a distribution to unitholders of 16.80 (2019: 17.60) thebe for each unit, comprising 16.65 (2019: 17.44) thebe interest and 0.15 (2019: 0.16) thebe dividend.

OPERATIONS

With the prevalence of COVID-19, we continue to prioritise the health and wellbeing of our employees across the Group. Our business continuity plan has yielded positive results with the Company recording zero positive cases.

This year we continued to grow our base by successfully extracting value from existing properties through expansion and upgrade programmes as well as new developments. Our six new developments in Botswana in the year under review signal the growth trajectory of the Company.

DEVELOPMENTS

Region	Segment	Property
Botswana	Industrial	Supermarket and filling station project in Serowe
	Commercial	Shopping Mall in Gumare Filling station in Modipane Filling station and supermarket in Hukuntsi Clinic project in Gaborone Warehouse project in Lobatse

ACQUISITION

Region	Segment	Property
Botswana	Commercial	Shopping mall in Tribal Lot 4003 Letlhakeng

LOOKING AHEAD

We have two projects under construction with a combined value of BWP16.6 million, comprising a commercial property and a clinic. Once complete, these projects are expected to aid in generating additional revenue for the Company.

The current challenging economic conditions are expected to continue for the short to medium term.

APPRECIATION

I would like to express my sincere gratitude to our team for their dedication and hard work during the year, and to our board for their shrewd guidance. I would also like to thank our tenants and service providers for their ongoing support.

Shinu Joy
Acting CEO

21 September 2020

Our operating model

We manage over 200 properties spanning three countries with 13 employees through our efficient and streamlined operating model. We operate on a triple net lease basis which means in terms of the lease agreement tenants pay all real estate taxes, maintenance costs and utilities.

Our maintenance system

PRIORITY SYSTEM

Ensures the most important work is done most cost-efficiently. Scheduled and preventive maintenance ensures decreased need for on-demand work

Priorities:

- Emergencies
- Vacancy preparations
- Scheduled operations and services
- Resident on-demand request

LONG-TERM PLANNING

A long-term maintenance plan is in place including property specific long-term plans

DEVELOP PROCEDURES

The maintenance manager ensures clear procedures are in place

TRAINING

Staff are provided with appropriate training to refine technical skills, increase and expand craft skills and learn new procedures

DEVELOP PERFORMANCE STANDARDS AND GOALS

The maintenance manager establishes measures to ensure effectiveness in line with local housing codes, housing quality standards and job descriptions

WORK ORDER SYSTEM

A comprehensive work order system is in place tracking source of request, priority, location, completion date, etc.

The tenant is responsible for all maintenance work ensuring FPC can focus on longer term maintenance and new tenant maintenance. Third party contractors are engaged if it is deemed to be more cost-effective or specialist skills are required. If more cost-effective, staff will be trained in the required specialist skills.

How we maintain the properties

EMERGENCIES

- Highest priority
- Emergency response system is in place

RESIDENT ON-DEMAND SERVICE

All tenant generated work requests

PREPARING VACANT UNITS FOR RE-OCCUPANCY

- Ensure we can reoccupy units as soon as possible
- Prompt notification from management to ensure fast and accurate inspection of unit
- Special teams created for vacancy turnaround

SCHEDULED ROUTINE MAINTENANCE

- Pest control
- Landscaping
- Building exteriors and interior common areas

PREVENTIVE MAINTENANCE PROGRAMME

Forms part of planned and scheduled maintenance plan
Anticipate maintenance requirements and ensure they are addressed cost effectively
Areas of focus:

- Roofs
- Vehicle and equipment
- Lead-based paint (control of hazard)
- Life safety systems (eg fire alarms, generators, smoke detectors)

INSPECTION PROGRAMME

Maintenance staff follow a unit inspection programme and perform specified preventative and routine maintenance tasks
Any other work is noted on the inspection form
Regular inspections are conducted of:

- Dwelling units
- Building and grounds

Our market review

The majority of FPC's assets are located in our home market of Botswana, mostly in urban or peri-urban areas. The portfolio is well-balanced in terms of types of properties and revenue. FPC continues to benefit from extensive knowledge of the local market, established networks with tenants, and on-the-ground market intelligence.

The macro and domestic economy remained subdued in the year, suffering a knock as the commodity market declined. Despite this, rapid population growth and urbanisation continued to drive property market activity in the region. The Botswanan population is growing at a faster rate than that of any other global region and its demographic profile is both young and increasingly urbanised.

Due to the impact of COVID-19 and the subsequent lockdown, the global economy has slowed considerably. Property is expected to be among the most impacted sectors as many businesses will not be able to afford their rent should they not earn revenue.

As these lockdowns are extended, they push more companies and individuals into financial distress, causing wide-scale unemployment and bankruptcies across the board. This is anticipated to severely hamper long-term economic recovery. Within real estate, the lockdown will severely hamper near-term rent collections and the longer-term demand dynamics for real estate space.

Demand for retail space continued to wane as consumers increasingly felt the pinch of tough economic conditions, resulting in weaker consumer spending. Demand for larger industrial space is still predominantly driven by retailers requiring prominent properties, which fits with FPC's offering.

BOTSWANA

The global slowdown in demand and increased trade restrictions in light of the COVID-19 pandemic is expected to have a profound impact on Botswana's economy, particularly on the diamond industry and tourism.

Botswana has enjoyed strong and stable growth since independence, with sizeable fiscal buffers and prudent policies playing a key role in shielding the economy, despite diamond market weakness and volatility. However, more recently the limitations of Botswana's diamond-led development model have become more apparent: growth is slower, inequality remains high and job creation is limited.

With the diamond industry still an important driver of growth, being the single largest contributor to government revenues and accounting for 80% of export earnings, the expected reduction in activity is estimated to result in a 1.2% growth contraction in 2020. Growth is predicted to stabilise at just over 4% by 2022 as global demand recovers and thus creates conditions for a reduction in extreme poverty levels. The authorities' ability to implement a new growth model focusing on export diversification strategy as outlined in the National Development Plan 11 (NDP 11) and much needed business reforms will play a critical role in Botswana's economic performance.

SOUTH AFRICA

The World Bank projects 2019 growth at 1.3%, accelerating further to 1.7% in 2020. Given population growth, GDP per capita growth has been close to nil since 2014, leaving little room to reduce poverty. Commodity prices remain important for South Africa, a major exporter of minerals and importer of oil. Strengthening investment, including foreign direct investment, will be critical to propel growth and create jobs.

GDP is set to shrink notably this year as feeble global demand constrains the external sector and lockdown measures hammer domestic activity. Weak fiscal metrics and elevated government debt levels, which threaten the country's credit rating, represent additional risks. In 2021, GDP is seen rebounding as the global economy recovers from the pandemic.

ZAMBIA

After 15 years of significant socio-economic progress and achieving middle-income status in 2011, Zambia's economic performance has stalled in recent years. Between 2000 and 2014, the annual real GDP growth rate averaged 6.8% and it slowed to 3.1% per annum between 2015 and 2019, mainly attributed to falling copper prices and declines in agricultural output and hydro-electric power generation due to insufficient rains. In 2019, economic growth declined significantly, from 4% (2018) to 1.4%. The services sector remained the country's key driver of growth, growing by 3.5% in 2019, but primary and secondary sectors decreased significantly.

The COVID-19 pandemic has exacerbated Zambia's macroeconomic vulnerabilities. The country is Africa's second largest copper producer; depressed commodity markets have pushed copper prices down by about 14% through May 2020. The supply chain breakdown in major trading partners such as China and South Africa is negatively affecting domestic production and consumption. The Kwacha has depreciated by 30% since the beginning of the year, increasing external debt servicing costs and domestic inflationary pressures. Falling revenues and increased COVID-19-related spending will worsen the 2020 fiscal position, and falling exports and capital inflows will put additional pressure on foreign exchange reserves.

As a result, the economy is projected to contract by about 4.5% in 2020. Mining and services sectors will be impacted by the global commodities demand and price outlook and increased social distancing measures to contain the COVID-19 outbreak. The current account deficit is expected to worsen to 3.4% of GDP, while lower copper export earnings and capital inflows will put pressure on reserves and the Kwacha.

Domestically, increases in the number of COVID-19 cases and related social distancing measures could overwhelm the health system and result in massive business and job losses, especially in the urban informal sector.

ECONOMIC GROWTH (GDP, ANNUAL VARIATION IN %)

	2015	2016	2017	2018	2019
Botswana	(1.7)	4.3	2.9	4.5	3.0
South Africa	1.2	0.4	1.4	0.8	0.2
Zambia	2.9	3.8	3.5	4.0	–

Sources: World Bank, FocusEconomics, Sanlam Investments

Managing our material sustainability issues

OUR PEOPLE

13 employees

3 countries

The success of our business is directly linked to our human capital resources and our people are critical to the delivery of shareholder value. Our workforce currently stands at 13 people across three countries.

HEADCOUNT	
Botswana	13
South Africa	0
Zambia	0

We strive to attract and retain high-calibre employees as our frontline brand ambassadors, who are integral to our success and sustainability. Employing locally has proven highly successful and we focus on creating employment in high unemployment rural areas. FPC is an equal opportunities employer and discrimination at any level is not tolerated.

We believe in recognising and rewarding high performers who are committed to their work, our organisation and the community. Annual appraisals are conducted based on performance indicators and are used to assess increases and incentives.

Skills development

Our chief operating officer is responsible for skills development and training throughout the Company.

Training empowers our employees, develops their skills and keeps our entire workforce abreast of changing industry trends. This is especially important as technology catalyses quicker change and disruption in the retail industry.

Training, wherever applicable, also intends to formalise and fast track skills transfer within the organisation.

SAFETY AND HEALTH

Our employees and tenants regard us as the custodians of their health and safety in our operations, and trust us to provide them with quality products. We implement effective quality control measures to prioritise the safety and security of our employees and tenants.

Safety, health and environment policy

FPC has a safety, health and environment ("SHE") policy. The Company has received no significant fines for non-compliance with environmental laws and regulations this year.

The safety of our employees and partners is a top priority. FPC subscribes to a zero-harm policy and we are committed to preventing accidents that may affect our employees, equipment, facilities or customers. This year no worker-related injuries were reported.

Energy efficiency

During the year, the Company continued with its focus on water and energy efficiency and reusing and recycling waste material where possible.

Ethical leadership

FPC is committed to upholding the highest standards of ethics, transparency and good governance in the interest of all our stakeholders and we adopt stringent compliance measures.

The Group's governance, ethics and values are the sole responsibility of the board and are supported through management. The board is obligated to lead ethically and effect leadership within a framework of prudent and effective control, thereby ensuring that ethics are managed and that FPC is a responsible corporate citizen.

The board supports the principles of King III as a BSE listed company and derives its rights and duties from the board charter. FPC revised the board charter in the year under review to ensure absolute compliance with the principles of King III. FPC complies with the principles of King III as set out in our application on page 26 to 30.

All FPC employees are expected to disclose any conflicts of interest and vetting is undertaken at the point of appointment. Ethics, bribery and anti-corruption policies are in place to which all employees are required to adhere. No other contraventions of the codes and policies were reported during the year.

Directorate

Reetsang Willie Mokgatlhe (58)
(Botswana)
Independent non-executive chairman
Appointed: December 2015
MSc, BCom

Willie has held senior positions in large private and parastatal organisations in Botswana, Namibia, South Africa and the Netherlands over the past 15 years, including chairman of the National Development Bank and director of Shell Namibia Ltd, Shell Botswana, National Development Bank Botswana Postal Services and Air Botswana. Willie has a wealth of experience in strategy development and business planning, finance, marketing and stakeholder management.

Skills brought to FPC: Leadership, management, finance, board and committee experience, strategy development, marketing, stakeholder management

Ranjith Priyalal De Silva (65)
(Sri Lanka)
Independent non-executive director
Appointed: June 2019
FCA(Bots), FCA(Sri Lanka), ACMA(UK)

Priyalal is a well-known Chartered Accountant whose expertise covers auditing, accounting, taxation, financial management and corporate governance. Now retired, he has over 36 years of experience in the professional accounting field mainly at PricewaterhouseCoopers (PwC) Botswana where he was an Audit Partner for 19 years. He also held the position of Chief Operating Officer of PwC Botswana from 1 July 2007 until his retirement on 30 June 2016.

Skills brought to FPC: Leadership, accounting, auditing, taxation, financial management and corporate governance

Bafana Kgotla Molomo (38)
(Botswana)
Independent non-executive director
Appointed: November 2019
MBA, BCom, Post-graduate Diploma in Business

Currently Bafana is the Co-founder and Managing Partner of Aleyo Capital. Prior to this, he was the Lead Transaction Advisor at Botswana Development Corporation Limited, having also served as the Chief Investment Officer in the same organisation. Bafana has held various positions within the finance and investment industry in South Africa, Botswana, Namibia and Mozambique from which he brings a wealth of experience to FPC.

Skills brought to FPC: Management, corporate advisory, finance, leadership, finance, technical.

Ramachandran "Ram" Ottapathu (56)
(Botswana)
Non-executive director
Appointed: July 2010
BCom, CA (ICAI), FBICA

Ram has more than 30 years' experience in the retail industry in both finance and operations, and further experience in other industries such as manufacturing, packaging, milling and medical distribution. He combines entrepreneurial and commercial acumen with excellent management skills. Ram is a Fellow Member of the Institute of Chartered Accountants of India and Associate Member of the Botswana Institute of Chartered Accountants.

Skills brought to FPC: Retail, finance, operations management, entrepreneurial, accounting, management, leadership.

Faizel Ismail (38) (Botswana)
Non-executive director
Appointed: June 2016
IMM diploma

Faizel is the Managing Director of Chicken Licken Botswana. He previously worked as a purchasing manager for many years and brings a wealth of business and marketing experience to the Group.

Skills brought to FPC: Management, marketing, technical.

Vidya Sanooj (37) (India)
Executive director
Appointed: June 2015
BCom, CA (ICAI), FBICA

Vidya has over 15 years of experience in accounting, finance, corporate restructuring and mergers and acquisitions. Her experience has involved working with the CEO of a multinational merchandise retailer and its related entities. She is a Fellow of the Institute of Chartered Accountants of India and of the Botswana Institute of Chartered Accountants.

Skills brought to FPC: Accounting, finance, corporate restructuring, retail.

Risk management

FPC regards risk management as an integral part of the Company's growth strategy and sustainability. Risk management further ensures our strategic objectives are met by balancing the risks and value creation. The risk management policy is in accordance with industry practice and specifically prohibits FPC from entering into any derivative transactions that are not in the normal course of the Company's business.

The board assessed the organisation and functioning of the internal risk management and control systems and the outcome of this assessment was discussed with the audit and risk committee.

RISK APPETITE

The board is responsible for setting risk appetite and tolerance. FPC's growth strategy within a well-defined asset class as well as the acquisition criteria and geographic targets are clearly defined and outlined. Within this defined strategy FPC is prepared to take risks in a responsible and sustainable way that is in line with the interests of all stakeholders.

In assessing risk appetite FPC considers its key values which include performance excellence. By embedding this into our culture on a day-to-day basis ensures that we are able to deliver expected returns and meet the expectations of our stakeholders. Any risk deemed medium to low is considered within tolerance levels.

Underpinned by its key value of transparency FPC strives to comply with laws and regulations in all the jurisdictions in which it is active. This further sets the parameters of the Group's risk appetite. FPC considers it crucial that it correctly applies the relevant tax laws and industry specific standards while also fully complying with these laws as to their object and purpose. FPC involves specialist teams (both internal and external) for complex topics and advice to minimise the risk of non-compliance.

FPC adopts a conservative financial policy ensuring proper equity and debt management and maintenance of a strong financial profile. The Company's appetite for any finance related risk is low and FPC is willing to mitigate the risk factors involved.

The Group's policy is to hedge the interest rate risk to the extent where the hedging costs do not exceed the forecasted risk exposure for each particular borrowing. The Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount.

The Group is exposed to foreign currency risk on receivables and payables denominated in a currency other than Pula, being the functional and the presentation currency. The Group's policy is to hedge expected significant transactions in currencies other than Pula, such as dividend payments, in order to minimise the impact of exchange rate fluctuations to the extent where the hedging cost does not exceed the forecasted risk exposure for each particular transaction.

KEY RISK

The key risks and steps we take to mitigate these are set out below. None of these risks had a significant impact during the year.

STRATEGIC RISK DASHBOARD

RANK	RISK NAME	RISK CATEGORY	RISK APPETITE	RISK RESPONSE
1	General market risk	Inherent risk	Medium/low	Mitigation/transference
2	Vacancy risks	Residual risk	High/medium	Monitor and prepare
3	Bad locations	Inherent risk	High/medium	Avoidance
4	Bad tenants	Inherent risk	Medium/low	Avoidance

Corporate governance report

The board is the main custodian of good corporate governance and plays a prominent role in the strategic development, risk management and sustainability processes of the Group. The board understands that adhering to the highest standards of corporate governance is fundamental to sustaining the FPC business and all business practices are conducted in good faith and in the best interest of the Company and all its stakeholders.

We are committed to maintaining the highest standards of governance and adopt stringent compliance practices. Our disclosure standards are regulated by the Botswana Companies Act, BSE Listings Requirements, BSE Code of Best Practice on Corporate Governance, South African Companies Act and King III (as required by the BSE). The board appreciates that effective governance is a key driver of sustainability and acknowledges its responsibility in this regard. This includes reporting on its operations and results to stakeholders in a timely manner.

The Group's application of King III can be found on pages 26 to 30.

The board has established standing committees, as set out in the governance framework to promote independent judgement, assist with the balance of power and assist the board with effectively fulfilling its responsibilities in accordance with the provisions of its board charter.

GOVERNANCE STRUCTURE

Board members

Reetsang Willie Mokgatlhe+ (Chairman)
Ranjith Priyalal De Silva+
Bafana Kgotla Molomo+
Faizel Ismail*
Ramachandran Ottapathu*
Vidya Sanooj#

**Non-executive +Independent non-executive #Executive*

RESPONSIBILITIES

- Organisational development
- Selecting, remunerating and evaluating executive management
- Evaluating management's actions in ensuring the integrity and reliability of the Group's financial systems and financial reporting
- Reviewing and approving the annual budget
- Compliance with good corporate governance
- Distributions to linked unitholders
- Assurance procedures and policies
- Organisational policies
- Succession planning
- Considering the investment strategies and appraisals for future investments

Audit, risk and compliance committee

Ranjith Priyalal De Silva (Chairman)
Bafana Kgotla Molomo
Vidya Sanooj
For more information see page 18

Remuneration and governance committee

Reetsang Willie Mokgatlhe (Chairman)
Vidya Sanooj
Ranjith Priyalal De Silva
For more information see page 18

BOARD COMPOSITION

The board consists of six directors, five of whom are non-executive directors with three of these being independent.

The board values independent judgement and requires that each board member prepare, participate and contribute at each meeting. Board members are provided with relevant information, including information on the Group's strategies, plans, and performance and are required to devote sufficient time and effort in preparation for meetings. Agendas of meetings are prepared by the company secretary in accordance with approved annual work plans and in consultation with the respective chairmen.

Attendance register	Board	Audit, risk and compliance committee	Remuneration and governance committee
Reetsang Willie Mokgatlhe (Chairman)	4		1
Ramachandran Ottapathu	2	2	
Vidya Sanooj	3	3	1
Faizel Ismail	4		
Ranjith Priyalal De Silva	4	4	1
Bafana Kgotla Molomo	3	3	

EXECUTIVE MANAGEMENT

The role and responsibilities of both the board and executive management have been clearly defined and are distinct. The independent chairman is responsible for ensuring proper governance of the board and its committees, ensuring that the interests of all stakeholders are protected and facilitating constructive relations between the executive and the board.

Shinu Joy, head of finance and operations, is responsible for the overall finance management and operations of the Group and implementation of the strategy and objectives as adopted by the board. He has over 14 years in finance and operations in India, the Middle East and Africa within various industries and groups. He holds a BCom, ACA, and ACMA (US). He is well versed in the property market and joined FPC in December 2017.

Afifa Patel, finance manager, is responsible for management of accounts and finance and has experience in various service industries in Botswana and India. She is an ACCA and joined FPC in August 2020.

Sreedharan Nair, property manager, joined FPC in 2010 and is responsible for property management including preparing annual budgets.

FPC operates under corporate governance policies that embrace the principles and recommendations set out in the BSE Corporate Code and the King III Report.

APPOINTMENT AND ROTATION OF DIRECTORS

Directors are appointed in accordance with a formal and transparent appointment policy. Board members are formally appointed for a period of three years and retire on a rotation basis. Retiring directors may make themselves available for re-election provided they remain eligible.

No directors will be retiring by rotation and standing for re-election at the upcoming annual general meeting.

INTERNAL CONTROL

The financial and operational systems of internal control are designed to provide reasonable assurance that transactions are concluded in accordance with management's authority, that the assets are adequately protected against material losses, unauthorised acquisition, use or disposal, and that transactions are properly authorised and recorded.

Corporate governance report continued

Management monitors the operation of the internal control systems in order to determine if there are deficiencies. Corrective actions are taken where appropriate. The head of finance and operations and chief internal audit executive play key roles in this regard. The board, operating through the audit, risk and compliance committee, oversees the internal control environment and financial reporting process. An effective internal control system provides reasonable assurance with respect to financial statement preparation and the safeguarding of assets.

INTERNAL AUDIT FUNCTION

Internal audit is governed by a board-approved charter which enshrines the independence of the function. The board has decided to outsource this function and will engage an independent firm of accountants to provide this service. Internal audit will mainly focus on operational activities.

COMPANY SECRETARY

The company secretary is Kingsway Proprietary Limited, a suitably qualified, competent and experienced professional firm. The company secretary representative is not a director of the Company. The board has considered the individuals at Kingsway Proprietary Limited who perform the company secretarial functions and is satisfied that there is an arm's length relationship between the company secretary and the board. The board also reviews the competence, qualifications and experience of the company secretary annually.

The company secretary provides the directors, collectively and individually, with guidance as to their duties, responsibilities and powers and ensures that the directors are aware of all laws and relevant legislations.

INDEPENDENT ADVICE

All non-executive directors have unrestricted access to management at any time as well as to the group's external auditor. Further, all directors are entitled to seek independent professional advice on any matters pertaining to the Group as they deem necessary at the Group's expense.

IT GOVERNANCE

Our IT governance ensures that information in all its forms – written, spoken, recorded electronically or printed will be protected from accidental or intentional unauthorised modification, destruction or disclosure throughout its lifecycle. This protection includes an appropriate level of security over the equipment and software used to process, store, and transmit that information.

An IT governance function is in place and is regularly monitored by management in terms of the efficiency of IT controls, policies and processes. All policies and procedures are documented and provided to the relevant employees.

All the documentation is retained for at least six years after initial creation, or, pertaining to policies and procedures, after changes are made. All documentation is periodically reviewed for appropriateness and currency, a period of time to be determined by each entity within the FPC group.

All departmental policies must be consistent with this policy. All systems implemented after the effective date of these policies are expected to comply with the provisions of this policy where possible. Existing systems are expected to be brought into compliance where possible and as soon as practical.

A business continuity plan and disaster recovery plan is in place.

Remuneration and Governance report

The remuneration committee is responsible for assisting the board in setting the remuneration policy for the Group and ensuring that this and recruitment align with the overall business strategy. Attracting and retaining skilled employees is a key factor in the development of the Group.

The remuneration committee comprises independent non-executive chairman Reetsang Willie Mokgatlhe, independent non-executive director Ranjith Priyalal De Silva, and executive director Vidya Sanooj. Other directors attend by invitation. Full attendance registers are set out on page 20.

The committee's terms of reference are reviewed annually. The committee chair reports to the board at each scheduled board meeting, providing feedback and recommendations. The members of the committee have full access to all financially relevant information relating to any employee in respect of whom the committee will be making its remuneration recommendations.

During the year under review, the committee reviewed and recommended to the board of directors the following items for approval:

- The introduction of the code of conduct which includes the whistleblowing and grievance policy. As part of strengthening governance, the contract of employment for each employee refers to the code of conduct and obligation of each employee to abide by the code.
- The organisational structure, as it was recognised that the Company needed adequate human capital and a structure that would best position it for achieving the strategic objectives. The position of chief operating officer was introduced in order to support the design principle of ensuring depth of capability for business continuity planning.

The board of directors in order to ensure compliance with BSE Listings Requirements are in the process of adopting a policy on the promotion of gender diversity in the nomination and appointment of directors.

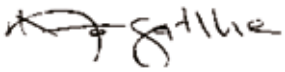
Performance appraisals of staff are carried out in June every year. Increases in remuneration levels are based on these appraisals. The committee considers the proposed annual increases as part of its mandate.

DIRECTORS' REMUNERATION

Independent non-executive directors are paid a sitting fee of BWP25 000 (net of taxes) for each and every meeting attended, including board, audit, risk and compliance committee, remuneration committee and linked unitholders' meetings. Any increase in directors' remuneration must be submitted to linked unitholders at an annual general meeting for consideration and approval or ratification.

In BWP	Salary	Sitting fees
Reetsang Willie Mokgatlhe	–	345 834
Ramachandran Ottapathu	–	–
Ranjith Priyalal De Silva	–	333 333
Bafana Kgotla Molomo*	–	200 000
Vidya Sanooj	379 500	–
Faizel Ismail	–	–
Total	**379 500**	**879 167**

**Appointed effective 15 November 2019*



Reetsang Willie Mokgatlhe
Remuneration committee chairman

21 September 2020

Audit, risk and compliance committee report

The audit, risk and compliance committee is appointed by the board of directors and operates within the terms of reference as defined in its charter, which is approved by the board. The committee consists of two independent non-executive directors and one executive director. Senior management and the external auditors also attend ARC meetings by invitation. Other executive directors may also be requested to attend sections of meetings as required.

The composition of the committee complies with advised corporate governance credentials and members of the committee have the expected levels of expertise and experience. Based on their regular interaction with the head of the finance team, the audit, risk and compliance committee is satisfied with the expertise, experience and competence of the head of the finance team.

FINANCE FUNCTION

- Consider the expertise and experience of the chief financial officer; and
- Consider the expertise, experience and resources of the Group's finance function.

INTERNAL AUDIT

- Oversee the functioning of the internal auditor and approve the appointment and performance assessment of the internal auditor;
- Approve the annual internal audit plan; and
- Ensure the internal audit function is subject to independent quality review as appropriate.

RISK MANAGEMENT

- Ensure the Group has an effective policy and plan for risk management;
- Oversee the development and annual review of the risk management policy and plan;
- Make recommendations to the board on levels of risk tolerance and risk appetite;
- Ensure risk management is integrated into business operations;
- Ensure risk management assessments are conducted on a continuous basis;
- Ensure frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks;
- Ensure that management considers and implements appropriate risk responses;
- Express the committee's opinion in the effectiveness of the system and process of risk management; and
- Ensure risk management reporting in the integrated annual report is comprehensive and relevant.

EXTERNAL AUDIT

- Nominate the external auditor for appointment by the shareholders;
- Approve the terms of engagement and remuneration of the auditor;
- Ensure the appointment of the auditor complies with relevant legislation;
- Monitor and report on the independence of the external auditor;
- Define a policy for non-audit services which the auditor may provide and approve non-audit service contracts;
- Review the quality and effectiveness of the external audit process; and
- Ensure a process is in place for the committee to be informed of any reportable irregularities identified by the external auditor.

IT GOVERNANCE

- Ensure that the Company's governance and management system provides the means to institutionalise the enablers of good corporate governance through the integration of people, process, technology and information and management systems to enable the creation of value and support the achievement of the business' and organisation's strategic goals; and
- Ensure that there are adequate mechanisms to safeguard the Company's information and that the Group has measures in place to recover from any technological disruptions.

MEETINGS AND ACTIVITIES OF THE COMMITTEE

Four meetings of the committee have been held since 1 July 2019.

The major topics dealt with by the committee were:

- Review of the audit, risk and compliance committee charter.
- Planning for the external audit process, including discussions on key issues related to the external audit, the proposed fee for the audit and other related matters.
- Year-end planning for clearance of the audited annual financial statements and review of the external audit reports on issues related to the external audit process.
- Consideration of the distribution to linked unitholders, including solvency test in relation thereto, for recommendation to the board.

- Consideration of the offer to unitholders of the capitalisation of distribution related to the year ended 30 June 2020.
- Review of the integrity of the integrated annual report.
- Review of press releases related to trading updates, half yearly and annual financial results reporting.
- Consideration of budget forecasts and related investment strategy.
- Review of management accounts and related activity reports.
- Consideration of key risks related to the Group's strategic and operational risks and updating of the risk register.
- Oversight over the governance of information technology.
- Consideration of the internal financial controls.
- Compliance with the BSE Code of Best Practice on Corporate Governance, specifically with regard to adoption of King III requirements.
- Compliance with regulatory issues relating particularly to the Botswana Securities Exchange, the Companies Act, EIA regulations and the Income Tax Act.

REPORTING TO THE BOARD

The committee also periodically meets separately with the external and internal auditors, without members of executive management being present. The effectiveness of the committee is assessed as part of the annual board and committee self-evaluation process.

Reports of the meetings of the committee, except those recording private meetings with the external and internal auditors, are circulated to all directors and supplemented by an update from the committee chairman at each board meeting.

Matters requiring action or improvement are identified and appropriate recommendations are made to the board. The chairman of the committee attends all statutory shareholder meetings to answer any questions on the committee's activities.

The committee reports on issues discussed at its meetings at the next board meeting following the committee meeting.

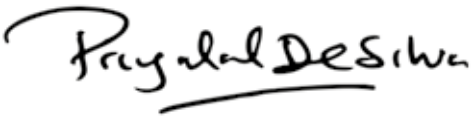
Reporting to the board is on all relevant key issues, making recommendations on topics that require board approval. Such topics include external audit recommendations, clearance of non-audit work and the approval of fees paid to the external auditor internal controls; progress of the corporate governance model; information technology governance issues; key risks related to strategic and operational risks; budgets and their relationship with investment strategy; recommendation for adoption of the annual report; proposed press releases; application of the solvency test and the declaration of the distributions payable to linked unitholders including proposed capitalisation, and other matters considered to be of relevance to the deliberations of the board.

CHIEF FINANCIAL OFFICER AND FINANCE FUNCTION

The committee is satisfied that the expertise and experience of Shinu Joy, head of finance and operations, is appropriate to meet the responsibilities of the position. This is based on the qualifications, levels of experience and the board's assessment of the financial knowledge of the chief financial officer. The committee is also satisfied as to the appropriateness, expertise and adequacy of resources of the finance function and the experience of senior members of management responsible for the finance function.

COMBINED ASSURANCE

- Ensure that the combined assurance model addresses all significant risks facing the Group; and
- Monitor the relationship between external and internal assurance providers and the Group.



Ranjith Priyalal De Silva
Chair – audit, risk and compliance committee

21 September 2020

King III compliance checklist

Key:	
Y	Compliant
U	Under review
X	Non-compliant
P	Partially compliant
N/A	Not applicable

CHAPTER 1: ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP			
1.1	The board should provide effective leadership based on an ethical foundation		Y
1.2	The board should ensure that the Company is and is seen to be a responsible corporate citizen		Y
1.3	The board should ensure that the Company's ethics are managed effectively		Y
CHAPTER 2: BOARDS AND DIRECTORS			
2.1	The board should act as the focal point for and custodian of corporate governance		Y
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable		Y
2.3	The board should provide effective leadership based on an ethical foundation		Y
2.4	The board should ensure that the Company is and is seen to be a responsible corporate citizen		Y
2.5	The board should ensure that the Company's ethics are managed effectively		Y
2.6	The board should ensure that the Company has an effective and independent audit committee		Y
2.7	The board should be responsible for the governance of risk		Y
2.8	The board should be responsible for information technology (IT) governance		Y
2.9	The board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards		Y
2.10	The board should ensure that there is an effective risk-based internal audit	No separate internal audit department. External consultants will be utilised to carry out specific assignments as and when required	X
2.11	The board should appreciate that stakeholders' perceptions affect the Company's reputation		Y
2.12	The board should ensure the integrity of the Company's integrated annual report		Y

2.13	The board should report on the effectiveness of the Company's system of internal controls		Y
2.14	The board and its directors should act in the best interests of the Company		Y
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the Company is financially distressed as defined in the Act		Y
2.16	The board should elect a chairman of the board who is an independent non-executive director. The CEO of the Company should not also fulfil the role of chairman of the board		Y
2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority		Y
2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent		Y
2.19	Directors should be appointed through a formal process		Y
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes	Exists informally	P
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary		Y
2.22	The evaluation of the board, its committees and the individual directors should be performed every year		Y
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities		Y
2.24	A governance framework should be agreed between the Group and its subsidiary boards		N/A
2.25	Companies should remunerate directors and executives fairly and responsibly		Y
2.26	Companies should disclose the remuneration of each individual director and certain senior executives		Y
2.27	Shareholders should approve the Company's remuneration policy	Approved by the board through the remuneration committee	X

King III compliance checklist continued

CHAPTER 3: AUDIT COMMITTEES			
3.1	The board should ensure that the Company has an effective and independent audit committee		Y
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors		Y
3.3	The audit committee should be chaired by an independent non-executive director		Y
3.4	The audit committee should oversee integrated reporting		Y
3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	As internal audit is not in existence, the combined assurance model is, to some extent, dependent on the roles of the audit committee and the external auditor	P
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the Company's finance function		Y
3.7	The audit committee should be responsible for overseeing of internal audit	No specific internal audit function	X
3.8	The audit committee should be an integral component of the risk management process		Y
3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process		Y
3.10	The audit committee should report to the board and shareholders on how it has discharged its duties		Y
CHAPTER 4: THE GOVERNANCE OF RISK			
4.1	The board should be responsible for the governance of risk		Y
4.2	The board should determine the levels of risk tolerance		Y
4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities		Y
4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan		Y
4.5	The board should ensure that risk assessments are performed on a continual basis. Board and audit committee are responsible for risk	There is a risk register which is an agenda item at all meetings	Y

4.6	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks		Y
4.7	The board should ensure that management considers and implements appropriate risk responses		Y
4.8	The board should ensure continual risk monitoring by management		Y
4.9	The board should receive assurance regarding the effectiveness of the risk management process		Y
4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders		Y
CHAPTER 5: THE GOVERNANCE OF INFORMATION TECHNOLOGY			
5.1	The board should be responsible for IT governance		Y
5.2	IT should be aligned with the performance and sustainability objectives of the Company		Y
5.3	The board should delegate to management the responsibility for the implementation of IT		Y
5.4	The board should monitor and evaluate significant IT investments and expenditure		Y
5.5	IT should form an integral part of the Company's risk management		Y
5.6	The board should ensure that information assets are managed effectively		Y
5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities		Y
CHAPTER 6: COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS			
6.1	The board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards		Y
6.2	The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the Company and its business		Y
6.3	Compliance risk should form an integral part of the Company's risk management process		Y
6.4	The board should delegate to management the implementation of an effective compliance framework and processes		Y

King III compliance checklist continued

CHAPTER 7: INTERNAL AUDIT			
7.1	The board should ensure that there is an effective risk-based internal audit	No internal audit department	N/A
7.2	Internal audit should follow a risk-based approach to its plan		N/A
7.3	Internal audit should provide a written assessment of the effectiveness of the Company's system of control and risk management		N/A
7.4	The audit committee should be responsible for overseeing internal audit		N/A
7.5	Internal audit should be strategically positioned to achieve its objectives		N/A
CHAPTER 8: GOVERNING STAKEHOLDER RELATIONSHIPS			
8.1	The board should appreciate that stakeholders' perceptions affect a Company's reputation		Y
8.2	The board should delegate to management to proactively deal with stakeholder relationships and the outcomes of these dealings		Y
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company (Fund)		Y
8.4	Companies should ensure the equitable treatment of shareholders		Y
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence		Y
8.6	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible		Y
CHAPTER 9: INTEGRATED REPORTING AND DISCLOSURE			
9.1	The board should ensure the integrity of the Company's integrated annual report		Y
9.2	Sustainability reporting and disclosure should be integrated with the Company's financial reporting	Sustainability reporting has not, as yet, been adopted	X
9.3	Sustainability reporting and disclosure should be independently assured	No reporting in IAR	X

Contents

Statement of responsibility by the board of directors

for the year ended 30 June 2020

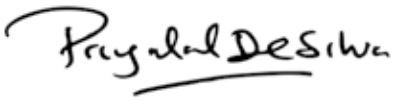
The directors of The FAR Property Company Limited (FPC) are responsible for the consolidated and separate financial statements and all other information presented therewith. Their responsibility includes the maintenance of true and fair financial records and the preparation of annual financial statements in accordance with International Financial Reporting Standard ("IFRS") issued by the International Accounting Standards Board.

The Group maintains systems of internal control, which are designed to provide reasonable assurance that the records accurately reflect its transactions and to provide protection against serious misuse or loss of Group assets. The directors are also responsible for the design, implementation, maintenance and monitoring of these systems of internal financial control. Nothing has come to the attention of the directors to indicate that any significant breakdown in the functioning of these systems has occurred during the year under review.

The going concern basis has been adopted in preparing the consolidated and separate financial statements. The directors have no reason to believe that the Company and Group will not be a going concern in the foreseeable future based on forecasts and available cash resources.

Our external auditors conduct an examination of the financial statements in conformity with International Standards on Auditing, which include tests of transactions and selective tests of internal accounting controls. Regular meetings are held between management and our external auditors to review matters relating to internal controls and financial reporting. The external auditors have unrestricted access to the board of directors.

The financial statements set out on pages 39 to 92 and the supplementary information on Annexure I, were authorised for issue by the board of directors on 21 September 2020 and are signed on its behalf by:



Ranjith Priyalal De Silva
Director

Vidya Sanooj
Director

Declaration by the company secretary

We declare that to the best of our knowledge, the company has lodged with the Companies and Intellectual Property Authority, all such returns as are required of a public company in terms of the Companies Act, and that such all returns are true, correct and up-to-date.

We also confirm that the board of directors comprises mainly of non-executive directors and is chaired by an independent chairman.

The board is ably supported by the audit and risk committee which comprises of three highly qualified members in finance, auditing, accounting and risk management. The board chairperson is not a member of this committee.

Additionally, the remuneration committee provides the necessary support to the board in looking after compensation related matters for the company and all the governance structures.

We declare that the board and all its committees carried out their responsibilities to the best of their ability and continue to grow from strength to strength in improving the governance structures of the company.

Jethro Kamutsi
Kingsway (Pty) Ltd
21 September 2020

Directors' report

for the year ended 30 June 2020

The directors have pleasure in presenting their report and the group and company annual financial statements of The FAR Property Company Limited for the year ended 30 June 2020.

GENERAL INFORMATION

The company was incorporated on 29 June 2010 under registration number UIN BW 00000942235 and remains domiciled in the Republic of Botswana. It was listed on the Botswana Stock Exchange (BSE) on 4 May 2016 as a variable rate loan stock company with 394 million issued linked units.

Nature of business

The primary business of the group is property owning, management and development, currently active in Botswana, South Africa and Zambia. It has investments in commercial, industrial, retail and residential properties.

Financial position and results

The financial position and results for the year are reflected in these financial statements set out on pages 39 to 92.

Stated capital

In total, BWP 420 million weighted average linked units, comprising ordinary shares that are indivisibly linked to variable rate debentures.

Distribution

Distribution number 5, amounting to 16.80 thebe, comprising 16.65 thebe interest and 0,15 thebe dividend, per linked unit for year ended 30 June 2020. This distribution was declared as payable on 13 November 2020.

To support the company's continued growth, the board has offered unitholders the option of receiving linked units in lieu of a cash distribution.

Events after reporting date

The directors are not aware of any matters or circumstances arising since the close of the financial year to the date of this report, not already dealt with in the annual financial statements, which would have a material effect on the financial results, position or operations of the group and company.

Directors

The directors at 30 June 2020 are Reetsang Willie Mokgatlhe (Chair); Ramachandran Ottapathu; Ranjith Priyalal De Silva; Faizel Ismael; Bafana Kgotla Molomo and Vidya Sanooj. Details of directors are shown on page 18.

Independent auditor's report

Chartered Accountants

Grant Thornton
Acumen Park, Plot 50370
Fairgrounds, Gaborone
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Gaborone, Botswana

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Independent Auditor's Report

To the shareholders of The FAR Property Company Limited

Opinion
We have audited the consolidated and separate annual f inancial statements of The FAR Property Company Limited (the "company") and its subsidiaries (together the "Group) set out on pages 35 to 92, which comprise the consolidated and separate statement of financial position as at 30 June 2020, and the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate annual financial Statements give a true and fair view of, the consolidated and separate financial position of The FAR Property Company Limited as at 30 June 2020, 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.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Annual 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 (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Botswana. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters
We draw attention to note 34 to the financial statements which deals with going concern, specifically the possible effects of the future implications of COVID-19 on The FAR Property Company Limited future prospects and performance. The effect the COVID-19 have been evaluated and require no adjustment or disclosure in the annual financial statements. There are no other events that occurred after the reporting period that may require adjustment or disclosure in the annual financial statements. Our opinion is not modified in respect of this matter.

Botswana Accountancy Oversight Authority registration number: FAP 005 2016 (Audit Firm of Public Interest Entity)
Botswana Institute of Chartered Accountants membership number: MeFBW11013 (Audit and Non-Audit)

Partners
Kalyonaraman Vijay (Managing)*, Dinesh R Mallan (Deputy Managing)*, Aswin Vaidyanathan*, Madhavan Venkatachary*, Narayanaswamy Narasimhan*, Anthony Quashie, Sunny K Mulakulam*, Aparna Vijay* (*Indian)

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Independent auditor's report continued

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 annual financial Statements of the current period. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and the report below is not intended to constitute separate opinions on those key audit matters.

Key audit matter	How the matter was addressed in our audit
Valuation of the investment property The holding company and subsidiary owns a portfolio of retail, industrial, commercial and residential property valued at BWP1 144 150 235 for the holding company and BWP219 203 830 for the subsidiaries as disclosed under note 3 of the annual financial statements. The valuation of the property portfolio is a significant judgment area and is underpinned by assumptions including estimated future rental and yields. The group uses professionally qualified external valuers to perform the fair value of the properties. Disclosures on the investment properties are under note 3 to the financials.	We met with the external valuers to discuss the valuation process, performance of the portfolio and evaluate significant assumptions and critical judgement areas, includingestimated rental values, yields, future net operating income and discount rates. We assessed the competence, independence and integrity of the external valuers. We performed audit procedures to assess the integrity of information provided to the external valuers including rental schedules on a sample basis to underlying lease agreement. As per group instructions provided, the component auditors assessed the integrity of the information provided to the external valuers and through audit procedures evaluated the assumptions used in the valuations. We also noted that the valuation is reported on the basis of 'material valuation uncertainty' per VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty- and a higher degree of caution should be attached to the external valuers valuation than would normally be the case. Since the future impact that COVID-19 might have on the real estate market is still unknown, its recommend by the external valuers that the valuation of the properties are kept under frequent review.
Recognition of revenue During the year the holding company has revenue from continuing operations of BWP102 313 276 and subsidiaries of BWP30 651 807 as disclosed under note 15 of the annual financial statements. The holding company's main source of revenue is rental income from retail, industrial, commercial and residential property located in Botswana. The subsidiaries' main source of income is from retail, industrial and commercial property located in South Africa and Zambia. The rental amount is agreed on the terms of the lease agreement signed between the Group and the tenant. Any variations to the lease agreement during the lease term is done through an addendum to the lease agreement. The recognition of revenue is done in accordance with the principles outlined in IFRS 16: Leases.	We have performed walkthroughs and test of controls on the revenue cycle to gain an understanding of when the revenue is recognised. This testing includes the verification of the lease agreement details approvals and changes to the lease terms and upload of this information to the Group's management system. We have assessed the design effectiveness of the controls and performed controls testing on the billings done through operating system. We have obtained the rental income schedule from the operating system and determined that rental income has been appropriately recorded in the general ledger. We selected a sample of lease agreements to verify that the rental has been appropriately recognised in the operating system and the operating lease asset has been computed appropriately. We have obtained the monthly schedule of rental income for each property and reviewed the variations of rental income to the budgets to identify any unusual trends. We have reviewed the group's credit policy on trade debtors and assessed that appropriate provision is made on overdue accounts where the recoverability of the balances was doubtful as per IFRS 9.

Other matter
The consolidated and separate financial statements of the Group for the year ended 30 June 2019, were audited by another auditor who expressed an unmodified opinion on those statements on 20 September 2019.

Other information
The directors are responsible for the other information . The other information comprises the Directors report, which we obtained prior to the date of this report and the annual report which is expected to be made available to us after that date. Other information does not include the annual financial statements and our auditor's report thereon.

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

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual 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 we have obtained prior to the date of this auditors 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 Annual Financial Statements
The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the group's financial reporting process.

Auditor's responsibilities for the audit of the Consolidated and Separate Annual 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 International Standards on Auditing 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 annual financial statements.

Independent auditor's report continued

As part of an audit in accordance with International Standards on Auditing, 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 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 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 subsidiaries 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 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 year 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.

GRANT THORNTON
Chartered Accountants
Certified Auditor: Mr. Sunny Mulakulam (Memb No: 20050097)
Certified Auditor of Public Interest Entity
Certificate Number: CAP 0034 2020

21 SEPT 2020
Gaborone

Consolidated and separate statements of financial position

as at 30 June 2020

		Group		Company	
Figures in Pula	Notes	**2020**	2019	**2020**	2019
ASSETS					
Non-current assets					
Investment property	3	**1 363 354 065**	1 481 019 203	**1 144 150 235**	1 142 728 622
Property, plant and equipment	4	**559 867**	627 733	**354 377**	349 418
Investments in subsidiaries	5	**–**	–	**25 416 533**	25 416 533
Operating lease asset	3	**32 622 822**	42 311 214	**31 038 588**	39 912 404
Deferred income tax assets	8	**3 302 834**	4 631 556	**–**	–
		1 399 839 587	1 528 589 706	**1 200 959 733**	1 208 406 977
Current assets					
Related-party receivables	6	**7 475 171**	9 095 734	**107 644 597**	102 760 567
Operating lease asset	3	**3 485 337**	11 017 855	**2 822 998**	8 765 105
Trade and other receivables	9	**38 917 479**	19 732 488	**30 172 913**	10 907 510
Cash and cash equivalents	10	**26 005 679**	13 738 493	**22 935 463**	7 694 618
Current tax receivable		**–**	–	**145 880**	–
		75 883 666	53 584 570	**163 721 851**	130 127 800
Assets included in disposal group classified as held for sale	33	**6 612 789**	–	**–**	–
Total assets		**1 482 336 042**	1 582 174 276	**1 364 681 584**	1 338 534 777
EQUITY AND LIABILITIES					
Equity attributable to equity holders of parent					
Stated capital	11	**455 971 406**	405 818 336	**455 971 406**	405 818 336
Foreign currency translation reserve		**(39 685 793)**	(10 479 453)	**–**	–
Retained income		**483 163 427**	457 779 166	**402 361 622**	374 887 337
		899 449 040	853 118 049	**858 333 028**	780 705 673
Liabilities					
Non-current liabilities					
Borrowings	12	**235 433 102**	435 636 544	**235 433 102**	306 148 678
Deferred income tax liabilities	8	**61 461 893**	75 292 039	**43 137 558**	51 379 827
Lease liability	35	**2 228 965**	–	**2 228 965**	–
		299 123 959	510 928 583	**280 799 625**	357 528 505
Current liabilities					
Related-party payables	6	**–**	–	**97 691**	122 596
Borrowings	12	**136 714 046**	78 092 017	**90 550 562**	68 696 497
Trade and other payables	13	**17 802 771**	16 726 396	**13 411 034**	12 771 160
Distribution payable	29	**71 657 180**	71 510 176	**71 657 180**	71 510 176
Current tax payable		**490 050**	4 598 885	**–**	–
Bank overdraft	10	**49 700 220**	47 200 170	**49 700 220**	47 200 170
Lease liability	35	**132 245**	–	**132 245**	–
		276 496 511	218 127 644	**225 548 931**	200 300 599
Total liabilities		**575 620 470**	729 056 227	**506 348 556**	557 829 104
Liabilities included in disposal group classified as held for sale	33	**7 266 532**	–	**–**	–
Total equity and liabilities		**1 482 336 042**	1 582 174 276	**1 364 681 584**	1 338 534 777

Consolidated and separate statements of comprehensive income

for the year ended 30 June 2020

		Group		Company	
Figures in Pula	Notes	**2020**	2019	**2020**	2019
Revenue	15	**132 965 083**	145 481 001	**102 313 276**	112 860 176
Other income	21	**31 363 402**	21 617 152	**26 380 432**	15 721 334
Operating expenses		**(36 856 443)**	(33 763 455)	**(24 585 428)**	(19 016 725)
Operating profit	16	**127 472 042**	133 334 698	**104 108 280**	109 564 785
Finance income	17	**160 359**	522 981	**12 424 998**	12 701 377
Finance costs	18	**(41 991 372)**	(46 443 852)	**(31 511 693)**	(32 939 159)
Net income from operations		**85 641 028**	87 413 827	**85 021 584**	89 327 003
Foreign exchange gain/(loss)		**(5 098 516)**	–	**2 702 506**	–
Impairment adjustment	3	**(10 463 757)**	–	**(10 463 757)**	–
Fair value adjustment	19	**16 403 560**	6 917 117	**14 721 858**	(10 643 564)
Profit before income tax		**86 482 315**	94 330 944	**91 982 191**	78 683 439
Income tax credit/(charge)	20	**10 559 126**	14 962 016	**7 149 274**	16 010 886
Profit for the year attributable to linked unitholders		**97 041 441**	109 292 960	**99 131 465**	94 694 325
Other comprehensive income, net of tax					
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translating foreign operations		**(29 206 340)**	654 006	**–**	–
Comprehensive income for the year attributable to linked unitholders		**67 835 101**	109 946 966	**99 131 465**	94 694 325
Weighted average linked units in issue at end of year	30	**420 713 252**	404 411 057	**420 713 252**	404 411 057
Basic earnings per linked unit attributable to linked unitholders	30	**0.23**	0.27	**0.24**	0.23
Headline earnings per linked unit attributable to linked unitholders	30	**0.25**	0.27	**0.26**	0.24
Distribution per linked unit	29	**0.17**	0.18	**0.17**	0.18

Consolidated and separate statements of changes in equity

for the year ended 30 June 2020

Figures in Pula	Stated capital	Foreign currency translation reserve	Retained income	Total equity
GROUP				
Balance at 1 July 2018	388 510 384	(11 133 459)	419 996 382	797 373 307
Profit for the year	–	–	109 292 960	109 292 960
Other comprehensive income	–	654 006	–	654 006
Total comprehensive income for the year	–	654 006	109 292 960	109 946 966
Issue of shares	17 307 952	–	–	17 307 952
Distribution declared	–	–	(71 510 176)	(71 510 176)
Balance at 30 June 2019	405 818 336	(10 479 453)	457 779 166	853 118 049
Balance at 1 July 2019	**405 818 336**	**(10 479 453)**	**457 779 166**	**853 118 049**
Profit for the year	**–**	**–**	**97 041 441**	**97 041 441**
Other comprehensive income	**–**	**(29 206 340)**	**–**	**(29 206 340)**
Total comprehensive income for the year	**–**	**(29 206 340)**	**97 041 441**	**67 835 101**
Issue of shares	**50 153 070**	**–**	**–**	**50 153 070**
Distribution declared	**–**	**–**	**(71 657 180)**	**(71 657 180)**
Balance at 30 June 2020	**455 971 406**	**(39 685 793)**	**483 163 427**	**899 449 040**
COMPANY				
Balance at 1 July 2018	388 510 384	–	351 703 188	740 213 572
Profit for the year	–	–	94 694 325	94 694 325
Total comprehensive income for the year	–	–	94 694 325	94 694 325
Issue of shares	17 307 952	–	–	17 307 952
Distribution declared	–	–	(71 510 176)	(71 510 176)
Balance at 30 June 2019	405 818 336	–	374 887 337	780 705 673
Balance at 1 July 2019	**405 818 336**	**–**	**374 887 337**	**780 705 673**
Profit for the year	**–**	**–**	**99 131 465**	**99 131 465**
Total comprehensive income for the year	**–**	**–**	**99 131 465**	**99 131 465**
Issue of shares	**50 153 070**	**–**	**–**	**50 153 070**
Distribution declared	**–**	**–**	**(71 657 180)**	**(71 657 180)**
Balance at 30 June 2020	**455 971 406**	**–**	**402 361 622**	**858 333 028**

Consolidated and separate statements of cash flows

for the year ended 30 June 2020

		Group		Company	
Figures in Pula	Notes	**2020**	2019	**2020**	2019
Cash flows from operating activities					
Cash generated from operations	22	**127 285 830**	127 895 114	**102 232 774**	103 619 725
Tax paid	23	**(4 356 971)**	(2 076 983)	**(1 238 875)**	(2 231 514)
Net cash generated from operating activities		**122 928 859**	125 818 131	**100 993 900**	101 388 211
Cash flows from investing activities					
Purchase of property, plant and equipment	4	**(102 510)**	(79 000)	**(102 510)**	(79 000)
Purchase of investment properties	3	**(13 260 503)**	(117 072 664)	**(8 606 296)**	(20 363 415)
Proceeds from disposal of property, plant and equipment		**-**	115 637	**-**	123 564
Investment in subsidiary	5	**-**	-	**-**	-
Proceeds from disposal of investment properties	3	**78 041 830**	1 800 000	**13 686 695**	1 800 000
Funds advanced to subsidiaries	6	**-**	-	**(15 948 475)**	(23 046 789)
Repayment of loans from subsidiaries	6	**-**	-	**9 443 882**	3 689 473
Finance income	17	**160 359**	522 981	**12 424 998**	12 701 377
Net cash from/(used in) investing activities		**64 839 176**	(114 713 046)	**10 898 294**	(25 174 790)
Cash flows from financing activities					
Movement in lease liabilities		**(123 593)**	-	**(123 593)**	-
Proceeds from borrowings		**-**	123 788 229	**-**	37 000 000
Repayment of borrowings		**(112 896 409)**	(64 614 669)	**(45 534 608)**	(58 710 706)
Distribution paid	29	**(21 357 106)**	(31 696 542)	**(21 357 106)**	(31 696 542)
Finance costs		**(41 991 372)**	(46 443 852)	**(31 511 693)**	(32 939 159)
Net cash flow from/(used in) financing activities		**(176 368 480)**	(18 966 834)	**(98 527 000)**	(86 346 407)
Net change in cash and cash equivalents		**11 399 555**	(7 861 749)	**13 365 193**	(10 132 986)
Cash and cash equivalents at beginning of year		**(33 461 678)**	(25 315 429)	**(39 505 552)**	(29 372 566)
Effects of exchange rate changes on cash and cash equivalents		**(624 396)**	-	**(624 396)**	-
Effects of exchange rates on translation of foreign operations		**(1 008 021)**	(284 499)	**-**	-
Cash and cash equivalents at end of year	10	**(23 694 541)**	(33 461 678)	**(26 764 757)**	(39 505 552)

Notes to the consolidated and separate financial statements

for the year ended 30 June 2020

GENERAL INFORMATION

The FAR Property Company Limited ("the Company") engages in the business of property rental and asset management. The Company is a limited liability company incorporated and domiciled in Botswana. The physical address of the Company's registered office is Plot 50370, Acumen Park, Fairgrounds office park, Gaborone.

The financial statements set have been approved by the board of directors on 21 September 2020.

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards. The consolidated and separate annual financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). The consolidated annual financial statements have been prepared on the historical cost basis, except for the measurement of investment properties and certain financial instruments at fair value and incorporate the principal accounting policies set out below. They are presented in the Group's functional currency, Botswana Pula. These accounting policies are consistent with the previous period unless otherwise stated.

1.1 Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the consolidated annual financial statements of the Company and all entities, which are controlled by the Company.

Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal. Adjustments are made when necessary to the consolidated annual financial statements of subsidiaries to bring their accounting policies in line with those of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Transactions which result in changes in ownership levels, where the Group has control of the subsidiary both before and after the transaction, are regarded as equity transactions and are recognised directly in the statement of changes in equity.

Where a subsidiary is disposed of, the investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest.

Business combinations

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Contingent consideration is included in the cost of the combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the Group assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for Group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Goodwill

The excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. The carrying amount of goodwill is assessed annually for impairment. An impairment loss recognised on goodwill is not reversed in a subsequent period.

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2020

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

1.1 Consolidation continued

Common control transactions

Business combinations which result from transactions between the holding company and its subsidiaries or between subsidiaries of the Company are defined as common control transactions and are accounted for using the predecessor method of accounting.

Under the predecessor method of accounting, the results of the entities or business under common control are presented as if the business combination had been affected from the effective date. The assets and liabilities combined are accounted for prospectively, based on the carrying amounts applying the Company's accounting policies at the date of transfer. On consolidation, the cost of the business combination is cancelled with the values of the net assets received. Any resulting differences are classified as equity.

1.2 Significant judgements and sources of estimation uncertainty

In preparing consolidated and separate annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated and separate annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated and separate annual financial statements. Significant judgements include:

Fair value estimation

In calculating the fair value, valuers have adopted various valuation techniques generally used by independent valuers. The key assumptions underlying the valuation techniques are based on unobservable inputs and accordingly result in the valuations being classed as level 3 in terms of the fair value hierarchy. Sensitivity of fair value measurements using significant unobservable inputs are disclosed in note 3.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Useful lives of property, plant and equipment

The Group and company review the estimated useful lives and residual values of property plant and equipment at the end of each annual reporting period.

1.3 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is a property held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Any gain or loss resulting from either a change in the fair value or the sale of investment property is immediately recognised in profit or loss, net of rental straight-line adjustment, within change in the fair value of the investment property.

Rental income and operating expenses from investment property are reported within revenue and other expenses respectively, and are recognised in the statement of comprehensive income.

Subsequent to initial measurement investment property is measured at fair value. A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

1.4 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

It is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Plant and machinery	6 – 7 years
Furniture and fixtures	10 years
Motor vehicles	5 years
Office equipment	10 years
IT equipment	3 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset. The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in profit or loss when the item is de-recognised. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.5 Investments in subsidiaries

In the Company's separate annual financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Company; plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2020

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

1.6 Financial instruments: IFRS 9

Financial instruments held by the Group are classified in accordance with the provisions of IFRS 9: Financial Instruments. Broadly, the classification possibilities, which are adopted by the Group, as applicable, are as follows:

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income.

Financial assets which are debt instruments:

- Amortised cost.

Financial liabilities:

- Amortised cost.

Note 26: Financial instruments and risk management presents the financial instruments held by the Group based on their specific classifications.

Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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. The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Company are presented below:

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost. They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Company's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the Company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any. They are subsequently measured at amortised cost. The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment

The Company recognises a loss allowance for expected credit losses on trade and other receivables. The amount of expected credit losses is updated at each reporting date. The company measures the loss allowance for trade and other receivables which do not contain a significant financing component at an amount equal to lifetime expected credit losses (lifetime ECL), when there has been a significant increase in credit risk.

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

1.6 Financial instruments: IFRS 9 continued

Measurement and recognition of expected credit losses

The Company makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate. The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in operating expenses in profit or loss.

Write-off policy

The Company writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Trade and other payables

Classification

Trade and other payables, excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the Company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any. They are subsequently measured 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.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs. Trade and other payables expose the Company to liquidity risk and possibly to interest rate risk.

Trade and other payables denominated in foreign currencies

When trade payables are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Pula equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value. Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially recorded at fair value and subsequently measured at amortised cost.

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2020

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

1.6 Financial instruments: IFRS 9 continued

Related-party receivable/payable

These include loans to and from subsidiaries and related companies and are recognised initially at fair value plus direct transaction costs. Loans to related companies are classified as financial assets at amortised cost. Loans from related companies are classified as financial liabilities measured at amortised cost.

For related-party receivable that are repayable on demand, expected credit losses are based on the assumption that repayment of the receivable is demanded at the reporting date. If the related party has sufficient accessible highly liquid assets in order to repay the balance if demanded at the reporting date, the expected credit loss is accepted to be immaterial and no impairment provision is raised.

If the related party did not have sufficient accessible highly liquid assets to repay amounts owing to the Company or Group if demanded at the reporting date, the Group considers the expected manner of recovery to measure expected credit losses.

This might be a "repay over time" strategy (which allows the related party time to pay), or on sale of less liquid assets. If the recovery strategies indicate that the Company or Group would fully recover the outstanding balance, the expected credit loss is limited to the effect of discounting the amount due on the related party receivable (at the loan's effective interest rate) over the period until cash is likely to be realised.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

1.7 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates that have been enacted by the end of the reporting period.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

The carrying value of the Group's investment property is assumed to be realised by sale at the end of use. The capital gains tax rate applied is that which would apply on a direct sale of the property recorded in the statement of financial position regardless of whether the Company/Group would structure the sale via the disposal of the subsidiary holding the asset, to which a different tax rate may apply. The deferred tax is then calculated based on the respective temporary differences and tax consequences arising from recovery through sale.

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

1.7 Tax continued

***Deferred tax assets and liabilities** continued*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income; or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income. Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.8 Leases

The Company assesses whether a contract is, or contains a lease, at the inception of the contract. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Company has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgements and sources of estimation uncertainty section of these accounting policies.

Group as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Company is a lessee, except for short-term leases of 12 months or less, or leases of low-value assets. For these leases, the Company 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 asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date and the cost of dismantling the leasehold improvements at the end of the lease term, discounted by using the incremental borrowing rate because the rate implicit in the contract is not readily available. Lease payments used in the measurement of the lease liability are contractual lease payments at the commencement date.

Details of leasing arrangements where the Company is a lessee are presented in note 35: Leases liability.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses.

The lease liability is presented as a separate line item on the 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 lease payments made. Interest charged on the lease liability is included in finance costs.

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2020

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

1.8 Leases continued

***Group as lessee** continued*

The initial right-of-use asset comprises the initial measurement of the corresponding lease liability adjusted for by any prepaid or accrued lease payments at the date of recognition.

The right-of-use asset is subsequently measured at fair value, and revalued annually with resulting gains and losses recognised in profit and loss.

On the statement of financial position, right-of-use of asset has been included as investment property.

Group as lessor

The Group's accounting policy under IFRS 16 has not changed from the comparative period.

Accounting policy applicable before 1 July 2019

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease and is recorded under revenue.

Group as lessee

Operating lease payments are recognised as an 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. 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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.9 Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

1.10 Stated capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care) are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

1.12 Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties such as value added taxes. The Group recognises the revenue when it transfers control of service to a customer.

Rental income from the investment properties and recoveries as per the terms of contract are earned from letting out properties in the normal course of business. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest is recognised, in profit or loss, using the effective interest rate method. Services and recoveries are recognised in the accounting period in which services are rendered.

Dividend income is recognised when the shareholders' right to receive payment has been established and is measured gross of withholding tax.

1.13 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings;
- weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.14 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Pula, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous consolidated annual financial statements are recognised in profit or loss in the period in which they arise.

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2020

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

1.14 Translation of foreign currencies continued

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Pula by applying to the foreign currency amount the exchange rate between the Pula and the foreign currency at the date of the cash flow.

Investments in subsidiaries

The results and financial position of a foreign operation are translated into the functional currency using the following procedures:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each item of profit or loss are translated at the average exchange rates for the period; and
- all resulting exchange differences are recognised to other comprehensive income and accumulated as a separate component of equity.

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially to other comprehensive income and accumulated in the translation reserve. They are recognised in profit or loss as a reclassification adjustment through to other comprehensive income on disposal of net investment.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation.

The cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

1.15 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its chief operating decision-maker is the board of directors of the Company.

1.16 Related party

Related parties are defined as those parties:

(a) directly, or indirectly through one or more intermediaries, if the party:

i. controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);

ii. has an interest in the entity that gives it significant influence over the entity; or

(b) that are members of the key management personnel of the entity, including close members of the family.

All dealings with related parties are transacted on an arm's length basis and accordingly included in total comprehensive income for the year.

1.17 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for distribution to owners when the entity is committed to distribute the asset or disposal group to the owners. This condition is regarded as met only when the distribution is highly probable and the asset (or disposal group) is available for immediate distribution in its present condition, provided the distribution is expected to be completed within one year from the classification date.

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in profit or loss.

2. NEW STANDARDS AND INTERPRETATIONS

(a) Standards and amendments to existing standards and interpretations effective on or after 1 July 2019 and adopted by the Group:

Following new standards and amendments to existing standards and interpretations effective on or after 1 July 2019 and adopted by the Group.

Standard/ Interpretation	Applicable for financial years beginning on or after	Content	Expected impact
Amendments to IFRS 9: Financial Instruments on prepayment features with negative compensation and modification of financial liabilities	Annual periods beginning on or after 1 January 2019	The narrow-scope amendment covers two issues: • The amendments allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met – instead of at fair value through profit or loss. It is likely to have the biggest impact on banks and other financial services entities. • How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 today and will affect all kinds of entities that have renegotiated borrowings.	Impact not material

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2020

2. NEW STANDARDS AND INTERPRETATIONS continued

Standard/ Interpretation	Applicable for financial years beginning on or after	Content	Expected impact
IFRS 16: Leases	Annual periods beginning on or after 1 January 2019 – earlier application permitted if IFRS 15 is also applied (published January 2016)	This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 supersedes IAS 17: Leases, IFRIC 4: Determining whether an Arrangement contains a Lease, SIC 15: Operating Leases – Incentives, and SIC 27: Evaluating the Substance of Transactions Involving the Legal Form of a Lease.	Material impact on Group, refer to note 3.

2. NEW STANDARDS AND INTERPRETATIONS continued

Standard/ Interpretation	Applicable for financial years beginning on or after	Content	Expected impact
Annual improvements cycle 2015 – 2017	Annual periods beginning on or after 1 January 2019 (published December 2017)	These amendments include minor changes to: • IFRS 3: Business Combination – a company remeasures its previously held interest in a joint operation when it obtains control of the business. • IFRS 11: Joint Arrangements – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business. • IAS 12: Income Taxes – the amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. • IAS 23: Borrowing Costs – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.	No material impact
IFRIC 23: Uncertainty over Income Tax Treatments	Annual periods beginning on or after 1 January 2019 (published 7 June 2017)	IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The interpretation provides specific guidance in several areas where previously IAS 12 was silent. The interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the interpretation and consider the impact on income tax accounting.	No material impact

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2020

2. NEW STANDARDS AND INTERPRETATIONS continued

(b) New standards, amendments and interpretations issued, but not yet effective

The following new and amended standards and interpretations have been issued and are mandatory for the Group's accounting periods beginning on or after 1 July 2020 or later periods and are expected to be relevant to the Group:

Standard/interpretation	Applicable for financial years beginning on or after	Expected impact
Conceptual Framework for Financial Reporting	Annual periods beginning on or after 1 January 2020	Unlikely there will be a material impact
IFRS 3: Definition of a Business (amendments to IFRS 3)	Annual periods beginning on or after 1 January 2020	Unlikely there will be a material impact
IAS 1 and IAS 8: Definition of Material (amendments to IAS 1 and IAS 8)	Annual periods beginning on or after 1 January 2020	Unlikely there will be a material impact

(c) Early adoption of standards

The Group did not early adopt any new or amended standards in the current year.

2.1 Changes in accounting policy

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Application of IFRS 16: Leases

In the current year, the Company has adopted IFRS 16: Leases (as issued by the IASB in January 2016) with the date of initial application being 1 July 2019. IFRS 16 replaces IAS 17: Leases, IFRIC 4: Determining whether an Arrangement contains a Lease, SIC-15: Operating Leases – Incentives, and SIC 27: Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low-value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in the accounting policy for leases. The impact of the adoption of IFRS 16 on the Company's annual financial statements is described below.

The Company has applied the practical expedient available in IFRS 16 which provides that for contracts which exist at the initial application date, an entity is not required to reassess whether they contain a lease. This means that the practical expedient allows an entity to apply IFRS 16 to contracts identified by IAS 17 and IFRIC 4 as containing leases; and to not apply IFRS 16 to contracts that were not previously identified by IAS 17 and IFRIC 4 as containing leases.

IFRS 16 has been adopted by applying the modified retrospective approach, whereby the comparative figures are not restated.

Instead, cumulative adjustments to retained earnings have been recognised in retained earnings as at 1 July 2019, where required.

2. NEW STANDARDS AND INTERPRETATIONS continued

2.1 Changes in accounting policy continued

Leases where Company is lessee

Leases previously classified as operating leases

The Company undertook the following at the date of initial application for leases which were previously recognised as operating leases:

- recognised a lease liability, measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate at the date of initial application.
- recognised right-of-use assets measured on a lease-by-lease basis, at either the carrying amount (as if IFRS 16 applied from commencement date but discounted at the incremental borrowing rate at the date of initial application) or at an amount equal to the lease liability adjusted for accruals or prepayments relating to that lease prior to the date of initial application.

The Company applied IAS 36 to consider if these right-of-use assets are impaired as at the date of initial application.

The Company applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases in terms of IAS 17. Where necessary, they have been applied on a lease-by-lease basis:

- when a portfolio of leases contained reasonably similar characteristics, the Company applied a single discount rate to that portfolio;
- leases which were expiring within 12 months of 1 July 2020 were treated as short-term leases, with remaining lease payments recognised as an expense on a straight-line basis or another systematic basis which is more representative of the pattern of benefits consumed;
- initial direct costs were excluded from the measurement of right-of-use assets at the date of initial application;
- hindsight was applied where appropriate. This was specifically the case for determining the lease term for leases which contained extension or termination options.

Leases where Company is lessor

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in the leased assets. These additional disclosures have been made by the Company.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17). Because of this change, the Company has reclassified certain of its sublease agreements as finance leases. As required by IFRS 9, an allowance for expected credit loss has been recognised on the finance lease receivables.

COVID-19 – Related Rent Concessions – Amendment to IFRS 16

The COVID-19 pandemic has resulted in an amendment to IFRS 16: Leases which was issued by the IASB on 28 May 2020. The Company has elected to apply the practical expedient made available by the amendment. In cases where the Company is lessee, it has elected not to assess whether a rent concession that meets the conditions in paragraph 46B is a lease modification. As a result, all changes in lease payments have been accounted for in the same way as other changes which are not lease modifications. This practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payment affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

There is no material impact on the financial statements.

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2020

Figures in Pula	Opening carrying value	Additions	Foreign exchange movements
3. INVESTMENT PROPERTY			
Group			
Reconciliation of investment property – Group 2020			
Investment property	**1 481 019 203**	**13 260 503**	**(54 500 674)**
Right-of-use asset	**–**	**2 484 803**	**–**
	1 481 019 203	**15 745 306**	**(54 500 674)**
Reconciliation of investment property – Group 2019			
Investment property	1 357 665 459	117 072 664	1 163 963
Right-of-use asset	–	–	–
	1 357 665 459	117 072 664	1 163 963

The addition to the investment property includes direct acquisitions amounting to P4 402 487 (2019: P87 093 884) and subsequent developments to the properties amounting to P8 858 016 (2019: P29 978 780).

Company			
Reconciliation of investment property – Company 2020			
Investment property	**1 142 728 622**	**8 606 296**	**–**
Right-of-use asset	**–**	**2 484 803**	**–**
Total	**1 142 728 622**	**11 091 099**	**–**
Reconciliation of investment property – Company 2019			
Investment property	1 134 808 771	20 363 415	–
Right-of-use asset	–	–	–
	1 134 808 771	20 363 415	–

The addition to the investment property includes direct acquisitions amounting to P0 (2019: P0) and subsequent developments to the properties amounting to P8 606 296 (2019: P20 363 415).

The Group has leases for three properties, included above as right-of-use assets. The remaining terms of these leases range from 10 to 22 years.

Pledged as security

The investment property of the Group have been pledged as security, towards various facilities availed by the Group. The Company's and Group's carrying value of the properties pledged as at year-end are P877 million and P1 083 million respectively.

Borrowing costs capitalised

No borrowing cost was capitalised into the investment property during the year (2019: nil).

Carrying values of the properties of which the titles have not been transferred

The following properties have been taken under the investment property, but the title deeds have not been transferred to the Group. However, the Group has occupancy, has been earning rental from these properties and has been maintaining the properties for the full period of ownership, with no disputes or claims being raised on this.

Name of the property	Type of property	Carrying value (P)
6384 Lobatse	Land for development	1 800 000

Disposals	Classified as held for sale	Amortisation	Impairment	Fair value adjustments	Carrying value
(78 166 830)	**(6 566 851)**	**–**	**(10 463 757)**	**17 772 471**	**1 362 354 065**
–	**–**	**(115 892)**	**–**	**(1 368 911)**	**1 000 000**
(78 166 830)	**(6 566 851)**	**(115 892)**	**(10 463 757)**	**16 403 560**	**1 363 354 065**
(1 800 000)	–	–	–	6 917 117	1 481 019 203
–	–	–	–	–	–
(1 800 000)	–	–	–	6 917 117	1 481 019 203
(13 811 695)	**–**	**–**	**(10 463 757)**	**16 090 769**	**1 143 150 235**
–	**–**	**(115 892)**	**–**	**(1 368 911)**	**1 000 000**
(13 811 695)	**–**	**(115 892)**	**(10 463 757)**	**14 721 858**	**1 144 150 235**
(1 800 000)	–	–	–	(10 643 564)	1 142 728 622
–	–	–	–	–	–
(1 800 000)	–	–	–	(10 643 564)	1 142 728 622

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2020

3. INVESTMENT PROPERTY continued

Details of valuation

In view of the fact that the fair value of the investment property was arrived at taking into account the present value of future revenue, the fair value gain was reduced by the operating lease asset amount in order to avoid over-valuation.

The properties were valued in accordance with guidance notes prepared by RICS and International Valuation Standards for open market basis using sales comparable, depreciable replacement cost, discounted cash flow and income capitalisation approaches.

Valuers have assumed that the properties have been maintained at a reasonable state of repair and condition as noted on their inspection notes. None of the accredited valuers is connected to the Company. They have adequate experience in location and category of the investment property being valued.

The Group has engaged independent professional valuers in determining the fair value of investment properties of the Group. Independent professional valuers perform comprehensive valuation once in three years and desktop valuation for the intervening period.

Investment property portfolio in Botswana

The independent valuation was performed by Mr David James Watson of Knight Frank Botswana (Proprietary) Limited ("Knight Frank"). He holds recognised relevant professional qualifications and he is a member of the Real Estate Institute of Botswana ("MREIB") and Royal Institute of Chartered Surveyors UK ("RICS"). The valuer has relevant experience for the investment property valued.

The Botswana Property Portfolio was valued by Knight Frank based on information supplied by the Company in June 2020 for P1 179 489 325. Included in this amount is P1 750 000 from the subsidiary Eminent (Pty) Ltd.

Investment property portfolio in South Africa

Properties owned by the subsidiary Q-Tique 79 (Proprietary) Limited in South Africa was valued by Ms Susan Turner of Knight Frank Western Cape (Proprietary) Limited ("Knight Frank WC"). She holds recognised relevant professional qualifications and she is a member of the Council for Valuers Profession in South Africa and Institute of Valuers in South Africa. The valuer has relevant experience for the investment property valued. These properties were valued by Knight Frank WC for P201 316 460 at 30 June 2020. Included in the valuation is an amount of P6 612 789 classified as held for sale as per note 33.

Investment property portfolio in Zambia

Property owned by the subsidiary FAR Property Company Zambia (Proprietary) Limited in Zambia was valued by Mr Jonas Chilonga of Classic Property Consultant Limited for P24 996 732 at 30 June 2020.

3. INVESTMENT PROPERTY continued

	Group		Company	
Figures in Pula	**2020**	2019	**2020**	2019
Amounts recognised in profit and loss for the year relating to investment property				
Rental income from investment property	**132 965 083**	145 481 001	**102 313 276**	112 860 176
Recoveries	**19 231 425**	19 744 979	**10 954 204**	10 170 429
Cleaning	**(637 830)**	(987 164)	**(457 533)**	(714 527)
Insurance	**(1 445 126)**	(1 308 326)	**(937 413)**	(827 920)
Repairs and maintenance	**(1 130 120)**	(1 456 857)	**(1 020 418)**	(933 156)
Security	**(1 111 133)**	(1 032 009)	**(690 897)**	(692 822)
Utilities	**(13 276 182)**	(12 260 220)	**(8 310 297)**	(5 572 575)
Adjusted valuations				
The following valuations were adjusted for consolidated annual financial statements purposes to avoid double counting:				
Valuation as per financial statements:				
Investment property as per valuation	**1 405 756 580**	1 534 348 272	**1 177 739 325**	1 191 406 131
Held for sale	**(6 566 851)**	–	**–**	–
Recognised lease smoothening adjustment	**(35 835 664)**	(53 329 069)	**(33 589 090)**	(48 677 509)
	1 363 354 065	1 481 019 203	**1 144 150 235**	1 142 728 622
Operating lease asset				
Current asset	**3 485 337**	11 017 855	**2 822 998**	8 765 105
Non-current asset	**32 622 822**	42 311 214	**31 038 588**	39 912 404
	36 108 159	53 329 069	**33 861 586**	48 677 509

The total operating expenses incurred for the unoccupied properties amounting to P512 636 (2019: P100 101)

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2020

3. INVESTMENT PROPERTY continued

Information about fair value measurements using significant unobservable inputs (level 3) for 2020:

			Sensitivity on estimates		
Valuation technique	**Valuation**	**Input**	**Estimate**	**Impact lower**	**Impact higher**
GROUP					
Sales comparison	**300 131 690**	Sales price per square metre of the property	Market value per sqm ±10%	**(30 013 169)**	**30 013 169**
Depreciated replacement cost	**26 337 405**	Construction cost per square metre	Build rate per sqm ±10%	**(2 633 741)**	**2 633 741**
Income capitalisation	**1 079 287 484**	Capitalisation rate	Capitalisation rate ±1%	**(100 493 916)**	**123 490 685**
Total	**1 405 756 579**				
COMPANY					
Sales comparison	**260 244 825**	Sales price per square metre of the property	Market value per sqm ±10%	**(26 024 483)**	**26 024 483**
Depreciated replacement cost	**22 144 500**	Construction cost per square metre	Build rate per sqm ±10%	**(2 214 450)**	**2 214 450**
Income capitalisation	**895 350 000**	Capitalisation rate	Capitalisation rate ±1%	**(84 530 151)**	**104 206 450**
Total	**1 177 739 325**				

Information about fair value measurements using significant unobservable inputs (level 3) for 2019:

			Sensitivity on estimates		
Valuation technique	Valuation	Input	Estimate	Impact lower	Impact higher
GROUP					
Sales comparison	276 147 122	Sales price per square metre of the property	Market value per sqm ±10%	(27 614 712)	27 614 712
Depreciated replacement cost	40 187 849	Construction cost per square metre	Build rate per sqm ±10%	(4 018 785)	4 018 785
Income capitalisation	1 218 013 302	Capitalisation rate	Capitalisation rate ±1%	(112 517 682)	138 344 084
Total	1 534 348 272				

3. INVESTMENT PROPERTY continued

Information about fair value measurements using significant unobservable inputs (level 3) for 2019:

			Sensitivity on estimates		
Valuation technique	Valuation	Input	Estimate	Impact lower	Impact higher
COMPANY					
Sales comparison	239 165 245	Sales price per square metre of the property	Market value per sqm ± 10%	(23 916 525)	23 916 525
Depreciated replacement cost	26 241 608	Construction cost per square metre	Build rate per sqm ± 10%	(2 624 161)	2 624 161
Income capitalisation	925 999 278	Capitalisation rate	Capitalisation rate ± 1%	(85 184 661)	104 634 081
Total	1 191 406 131				

Valuation techniques underlying estimation of fair value

For all properties in Botswana, South Africa and Zambia with a total carrying amount of P1 363 354 065 (2019: P1 481 019 203), the valuation was determined using depreciated replacement cost ("DRC"), sales comparison and income capitalisation based on significant unobservable inputs.

Key unobservable inputs

Future rental cash inflows	based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties;
Capitalisation rates	based on actual location, size and quality of the properties and taking into account market data at the valuation date;
Direct comparable sales	based on the data on recently transacted properties duly adjusted to reflect the subject asset's uniqueness;
Build rate	the current market cost of reproduction or replacement of an asset specific to the nature of the property, components and structure of the property;
Rent escalation rates	based on the actual rent escalations as to the location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rent escalation for similar properties.

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2020

Figures in Pula	Furniture and fixtures	IT equipment	Motor vehicles	Office equipment	Plant and machinery	Total
4. PROPERTY, PLANT AND EQUIPMENT						
GROUP						
At 30 June 2018						
Cost	433 907	487 060	685 717	348 594	367 049	2 322 327
Accumulated depreciation	(355 387)	(461 275)	(196 893)	(337 016)	(169 554)	(1 520 125)
Net book amount	78 520	25 785	488 824	11 578	197 495	802 202
Year ended 30 June 2019						
Opening net book amount	78 520	25 785	488 824	11 578	197 495	802 202
Additions	–	–	79 000	–	–	79 000
Disposal	–	–	(111 299)	–	–	(111 299)
Depreciation	(17 735)	(25 785)	(52 788)	(1 878)	(43 984)	(142 170)
Closing net book amount	60 785	–	403 737	9 700	153 511	627 733
At 30 June 2019						
Cost	433 907	487 060	653 418	348 594	367 049	2 290 028
Accumulated depreciation	(373 122)	(487 060)	(249 681)	(338 894)	(213 538)	(1 662 295)
Net book amount	60 785	–	403 737	9 700	153 511	627 733
Year ended 30 June 2020						
Opening net book amount	**60 785**	**–**	**403 737**	**9 700**	**153 511**	**627 733**
Additions	**–**	**6 249**	**95 221**	**1 040**	**–**	**102 510**
Disposal	**–**	**–**	**–**	**–**	**–**	**–**
Depreciation	**(17 734)**	**(174)**	**(66 853)**	**(1 564)**	**(43 984)**	**(130 309)**
Effect of foreign exchange movement	**–**	**–**	**(40 067)**	**–**	**–**	**(40 067)**
Closing net book amount	**43 051**	**6 075**	**392 038**	**9 176**	**109 527**	**559 867**
At 30 June 2020						
Cost	**433 907**	**493 309**	**748 639**	**349 634**	**367 049**	**2 392 538**
Accumulated depreciation	**(390 856)**	**(487 234)**	**(316 534)**	**(340 458)**	**(257 522)**	**(1 792 604)**
Effect of foreign exchange movement	**–**	**–**	**(40 067)**	**–**	**–**	**(40 067)**
Net book amount	**43 051**	**6 075**	**392 038**	**9 176**	**109 527**	**559 867**

Figures in Pula	Furniture and fixtures	IT equipment	Motor vehicles	Office equipment	Plant and machinery	Total
4. PROPERTY, PLANT AND EQUIPMENT continued						
COMPANY						
At 30 June 2018						
Cost	433 907	487 060	348 474	348 594	367 049	1 985 084
Accumulated depreciation	(355 387)	(461 275)	(164 498)	(337 016)	(169 554)	(1 487 730)
Net book amount	78 520	25 785	183 976	11 578	197 495	497 354
Year ended 30 June 2019						
Opening net book amount	78 520	25 785	183 976	11 578	197 495	497 354
Additions	–	–	79 000	–	–	79 000
Disposal	–	–	(119 226)	–	–	(119 226)
Depreciation	(17 735)	(25 785)	(18 328)	(1 878)	(43 984)	(107 710)
Closing net book amount	60 785	–	125 422	9 700	153 511	349 418
At 30 June 2019						
Cost	433 907	487 060	308 248	348 594	367 049	1 944 858
Accumulated depreciation	(373 122)	(487 060)	(182 826)	(338 894)	(213 538)	(1 595 440)
Net book amount	60 785	–	125 422	9 700	153 511	349 418
Year ended 30 June 2020						
Opening net book amount	**60 785**	**–**	**125 422**	**9 700**	**153 511**	**349 418**
Additions	**–**	**6 249**	**95 221**	**1 040**	**–**	**102 510**
Disposal	**–**	**–**	**–**	**–**	**–**	**–**
Depreciation	**(17 734)**	**(174)**	**(34 095)**	**(1 564)**	**(43 984)**	**(97 551)**
Closing net book amount	**43 051**	**6 075**	**186 548**	**9 176**	**109 527**	**354 377**
At 30 June 2020						
Cost	**433 907**	**493 309**	**403 469**	**349 634**	**367 049**	**2 047 368**
Accumulated depreciation	**(390 856)**	**(487 234)**	**(216 921)**	**(340 458)**	**(257 522)**	**(1 692 991)**
Net book amount	**43 051**	**6 075**	**186 548**	**9 176**	**109 527**	**354 377**

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2020

			Group		Company	
	Figures in Pula	**Country of operations**	**2020 % holding**	2019 % holding	**2020 carrying amount**	2019 carrying amount
5.	**INVESTMENTS IN SUBSIDIARIES**					
	Q Tique 79 (Proprietary) Limited	South Africa	**100**	100	**93**	93
	Eminent (Proprietary) Limited	Botswana	**100**	100	**2 400 000**	2 400 000
	The FAR Property Company Zambia (Proprietary) Limited	Zambia	**100**	100	**23 016 440**	23 016 440
					25 416 533	25 416 533

The carrying amounts of subsidiaries are shown net of impairment losses, if any.

			Group		Company	
	Figures in Pula		**2020**	**2019**	**2020**	**2019**
6.	**RELATED-PARTY RECEIVABLES/ (PAYABLES)**					
	6.1	**Loans to/(from) related companies**				
		Q Tique 79 (Proprietary) Limited			**100 162 639**	93 674 530
		The FAR Property Company Zambia Limited (note 5.1)			**6 787**	(9 697)
		The loans to Group companies do not carry any specific terms. These balances are repayable on demand and are not secured. The loan to Q Tique 79 (Proprietary) Limited carries interest at market interest rate of 15% (2019: 15%) per annum.				
	6.2	**Advances to/(from) related companies**				
		Eminent (Proprietary) Limited	**-**	-	**(97 691)**	(122 596)
		Prime and Prestige (Proprietary) Limited	**-**	-	**-**	-
		Nestral Systems Private Limited	**-**	-	**-**	-
		Time Star (Proprietary) Limited	**1 771 550**	3 462 031	**1 771 550**	3 462 031
		Medupe Bridge Fin Corp (Proprietary) Limited	**1 053 578**	877 014	**1 053 578**	877 014
		Adams Apple (Proprietary) Limited	**-**	-	**-**	-
		Admiral Touch (Proprietary) Limited	**-**	-	**-**	-
		Strides of Success (Proprietary) Limited	**4 650 042**	4 756 689	**4 650 042**	4 756 689
		Feasible Investments (Proprietary) Limited	**-**	-	**-**	-
			7 475 171	9 095 734	**107 546 905**	102 637 971
		Advances from related companies	**-**	-	**(97 691)**	(132 293)
		Advances to related companies	**7 475 171**	9 095 734	**107 644 597**	102 770 264
			7 475 171	9 095 734	**107 546 905**	102 637 971

The short-term advances to/from related parties are provided during the normal course of business and do not carry any specific terms. These balances are repayable on demand, not secured and do not carry any interest.

The Group has assessed the recoverability of these balances and noted that these companies either have sufficient cash to settle the balances if demanded or recovery of these balances could be possible by realising the properties within a shorter period. Therefore, there is no impairment on these balances.

7. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below. The carrying amounts of the financial assets in each category are as follows:

	Group		Company	
Figures in Pula	**2020**	2019	**2020**	2019
Financial assets at amortised cost				
Related-party receivables (note 6)	**7 475 171**	9 095 734	**107 644 597**	102 770 264
Trade and other receivables (note 9)	**28 338 721**	13 616 824	**20 023 877**	10 557 899
Cash and cash equivalents (note 10)	**26 001 129**	13 734 350	**22 934 341**	7 691 485
	61 815 020	36 446 908	**150 602 814**	121 019 648

8. DEFERRED TAX

Deferred tax liability				
Accelerated capital allowances for tax purposes	**(41 557 194)**	(44 158 289)	**(23 932 335)**	(21 224 446)
Operating lease adjustment	**(8 019 665)**	(11 687 421)	**(7 449 549)**	(10 709 052)
Fair value adjustments	**(11 161 123)**	(19 306 361)	**(11 161 123)**	(19 306 361)
Prepaid expenses	**(129 360)**	–	**–**	–
Unrealised foreign exchange gains	**(594 551)**	(139 968)	**(594 551)**	(139 968)
	(61 461 893)	(75 292 039)	**(43 137 558)**	(51 379 827)
Deferred tax asset				
Unrealised foreign exchange losses	**2 085 049**	3 099 032	**–**	–
Accelerated capital allowances for tax purposes		1 147 162	**–**	–
Allowance for doubtful accounts	**73 535**	385 362	**–**	–
Tax losses available for set off against future tax liabilities	**1 144 250**	–	**–**	–
	–	–	**–**	–
	3 302 834	4 631 556	**–**	–
Deferred tax liability (net)	**(58 159 059)**	(70 660 483)	**(43 137 558)**	(51 379 827)
Reconciliation of deferred tax asset/(liability)				
At beginning of the year	**(70 660 483)**	(86 387 533)	**(51 379 827)**	(68 423 490)
Originating temporary difference on carried forward losses	**108 484**	1 133 141	**–**	–
Origination of deferred tax on foreign exchange differences	**(1 212 069)**	(614 694)	**(454 584)**	359 128
Originating temporary difference on operating lease adjustment	**3 590 956**	(31 388)	**3 259 503**	(210 272)
Originating temporary difference on capital allowances	**(54 747)**	(3 508 980)	**(3 361 514)**	(3 499 331)
Originating temporary difference on fair value adjustments	**8 798 864**	18 725 433	**8 798 864**	20 394 138
Originating temporary difference on allowance for doubtful accounts	**(288 735)**	384 762	**–**	–
Originating temporary difference on prepaid expenses	**(135 492)**	110 684	**–**	–
Effect of translation of foreign subsidiary deferred tax balances	**1 694 163**	(471 908)	**–**	–
	(58 159 059)	(70 660 483)	**(43 137 558)**	(51 379 827)

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2020

		Group		Company	
	Figures in Pula	**2020**	2019	**2020**	2019
9.	**TRADE AND OTHER RECEIVABLES**				
	Trade receivables	**17 793 056**	7 066 612	**10 133 251**	6 446 227
	Less: Loss allowance	**(2 858 651)**	(372 131)	**(2 425 550)**	(372 131)
		14 934 405	6 694 481	**7 707 701**	6 074 096
	Other receivable	**12 202 436**	2 759 443	**11 418 812**	682 195
	Deposits	**1 073 909**	1 427 329	**769 393**	1 066 037
	Short-term advances	**127 971**	127 971	**127 971**	127 971
	Advance towards asset purchase	**9 623 523**	2 607 600	**9 623 523**	2 607 600
	Prepayments	**952 709**	6 113 137	**522 987**	347 084
	Value added tax	**2 527**	2 527	**2 527**	2 527
		38 917 479	19 732 488	**30 172 913**	10 907 510
	Advance towards asset purchase relates to advance given towards purchase of property in Letlhakeng.				
	Trade and other receivables pledged as security				
	Trade and other receivables were pledged as security for loan facilities of the Group as disclosed under note 12.				
	Fair value of trade and other receivables				
	Trade and other receivables	**38 917 479**	19 732 488	**30 172 913**	10 907 510
	At 30 June 2020, age analyses of trade receivables are as follows:				
	Less than 30 days	**3 677 570**	937 442	**1 254 151**	644 584
	Between 31 and 60 days	**4 363 865**	805 913	**1 895 501**	719 447
	Between 61 and 90 days	**3 713 209**	746 158	**1 399 377**	677 940
	Between 91 and 120 days	**1 367 447**	913 592	**1 161 921**	840 801
	More than 120 days	**4 670 964**	3 663 507	**4 422 301**	3 563 455
		17 793 056	7 066 612	**10 133 251**	6 446 227
	Credit quality of financial assets				
	The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.				
	Movement in loss allowance				
	Balance at beginning of year	**(372 131)**	–	**(372 131)**	–
	Net movement for the year	**(2 486 520)**	(372 131)	**(2 053 419)**	(372 131)
	Balance at end of year	**(2 858 651)**	(372 131)	**(2 425 550)**	(372 131)

		Group		Company	
	Figures in Pula	**2020**	2019	**2020**	2019
10.	**CASH AND CASH EQUIVALENTS**				
	Cash and cash equivalents consist of:				
	Bank balances	**20 678 736**	8 436 693	**17 611 948**	2 393 828
	Short-term deposits	**5 322 393**	5 297 657	**5 322 393**	5 297 657
	Cash in hand	**4 550**	4 143	**1 122**	3 133
		26 005 679	13 738 493	**22 935 463**	7 694 618
	Bank overdraft	**(49 700 221)**	(47 200 170)	**(49 700 221)**	(47 200 170)
	For the purpose of the statement of cash flows, cash, cash equivalents and bank overdrafts include total cash assets less short-term borrowings.				
	Cash and bank balances	**26 005 679**	13 738 493	**22 935 463**	7 694 618
	Bank overdraft	**(49 700 221)**	(47 200 170)	**(49 700 221)**	(47 200 170)
		(23 694 542)	(33 461 677)	**(26 764 758)**	(39 505 552)
	Security information of bank overdraft facility from Standard Chartered Bank is disclosed in note 12.				
	Credit quality of cash at bank and short-term deposits, excluding cash on hand				
	The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. Credit risk attached to the Group's cash and cash equivalents is minimised by only investing cash resources with reputable financial institutions.				
	Cash at bank				
	Standard Bank South Africa Limited	**1 431 710**	5 005 571	**-**	-
	Standard Chartered Bank Botswana Limited	**(43 469 752)**	(41 278 538)	**(43 469 752)**	(41 278 538)
	Bank of Baroda Botswana Limited	**-**	-	**-**	-
	Absa Bank Botswana Limited	**57 277**	130 777	**57 277**	130 777
	First National Bank of Botswana Limited	**718 353**	334 484	**718 353**	334 484
	First Capital Bank Botswana Limited	**15 928 242**	1 304 592	**15 928 242**	1 304 592
	Absa Bank Zambia Limited	**1 635 078**	1 037 294	**-**	-
		(23 699 092)	(33 465 820)	**(26 765 880)**	(39 508 685)

There are no credit ratings available in Botswana for financial institutions. The above banks are reputed banks and have reported sound financial results and continued compliance with minimum capital adequacy requirements.

Standard Bank South Africa Limited is listed on the Johannesburg Stock Exchange and has a credit rating of BB- (Fitch rating).

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2020

		Group		Company	
	Figures in Pula	**2020**	2019	**2020**	2019
11.	**STATED CAPITAL**				
	Linked units	**426 530 831**	406 307 819	**426 530 831**	406 307 819
	Reconciliation of number of linked units issued:				
	Balance at beginning of year	**406 307 819**	399 384 638	**406 307 819**	399 384 638
	Issued during the year	**20 223 012**	6 923 181	**20 223 012**	6 923 181
	Balance at end of year	**426 530 831**	406 307 819	**426 530 831**	406 307 819
	Movement in stated capital				
	Balance at beginning of year	**405 818 336**	388 510 384	**405 818 336**	388 510 384
	Issued during the year	**50 153 070**	17 307 952	**50 153 070**	17 307 952
	Balance at end of year	**455 971 406**	405 818 336	**455 971 406**	405 818 336
12.	**BORROWINGS**				
	Held at amortised cost				
	Standard Chartered Bank Botswana Limited	**53 081 148**	95 978 954	**53 081 148**	95 978 954

The Company has acquired a loan facility to the value of R160 million. The total loan is repayable in 23 quarterly instalments commencing from 30 September 2015 with equal capital instalments of R6 956 521 and accrued interest. The interest rate is equal to 8.2%.

The Company has acquired a loan facility to the value of P100 million. The total loan is repayable in 12 quarterly instalments commencing from 30 June 2018 with equal capital instalments of P8 333 333 and accrued interest. The interest rates are equal to prime rate less the applicable margin, and shall accrue on the basis of a 360 day year. As at 30 June 2020, the applicable margin on the prime is 0% per annum.

	Group		Company	
Figures in Pula	**2020**	2019	**2020**	2019
First National Bank Botswana Limited	**27 356 740**	30 721 165	**27 356 740**	30 721 165

The Company has acquired a loan facility to the value of P50 million. This loan is repayable in 120 monthly instalments. The interest rates are equal to the bank's prime lending rate 5.75% less 1.5% as at 30 June 2020.

	Group		Company	
Figures in Pula	**2020**	2019	**2020**	2019
BIFM Capital Investment Fund One (Proprietary) Limited	**100 000 000**	100 000 000	**100 000 000**	100 000 000

The Company has acquired a loan facility to the value of P100 million. The principal amount shall be paid in full together with interest at an interest rate of 9.10% per annum. Interest is payable every six months starting 30 June 2013 until 31 December 2022. The principal amount shall be repaid in stages with the first principal amount of P30 million being repaid on 31 December 2020, P30 million being repaid on 31 December 2021 and the final principal amount of P40 million being repaid on 31 December 2022.

	Group		Company	
Figures in Pula	**2020**	2019	**2020**	2019
Investec Bank Limited	**46 163 484**	138 883 386	**–**	–

The Group has acquired a loan facility to the value of R82 million. This loan is repayable in 75 monthly instalments commencing from 30 September 2014. Instalments representing interest and capital to be paid monthly in arrears, amortising to a 75% residual amount of R61.5 million, payable on expiry of the facility. The interest rate is equal to 0.6% below Investec's prime rate.

The Group has acquired a loan facility to the value of R10.7625 million. This loan is repayable in 60 monthly instalments. Instalments representing interest and capital to be paid monthly in arrears, amortising to a 75% residual amount, payable on expiry of the facility, commencing from 1 October 2018. The interest rate is equal to 0.25% below Investec's prime rate.

	Group		Company	
Figures in Pula	**2020**	2019	**2020**	2019
12. BORROWINGS continued				
Absa Bank Botswana Limited	**145 545 776**	148 145 056	**145 545 776**	148 145 056

The Company has acquired a loan facility to the value of P31.145 million. This loan is repayable in 90 months with accrued interest payable on expiry of the facility. Instalments representing interest to be paid monthly in arrears, payable on expiry of the facility, commencing from 30 September 2018. The interest rate is equal to prime rate plus 1.5%.

The Company has acquired a loan facility to the value of P80 million. This loan is repayable in 84 months with accrued interest payable on expiry of the facility. Instalments representing interest to be paid monthly in arrears, payable on expiry of the facility, commencing from 27 June 2018. The interest rate is equal to prime plus 1.5%.

The Company has acquired a loan facility to the value of P37 million. This loan is repayable in 84 months with accrued interest payable on expiry of the facility. Instalments representing interest and capital to be paid monthly in arrears, payable on expiry of the facility, commencing from 21 September 2018 . The interest rate is equal to 0.75% above Absa benchmark rate (currently the prime rate).

	Group		Company	
Figures in Pula	**2020**	2019	**2020**	2019
	372 147 148	513 728 561	**325 983 664**	374 845 175

The loan from Standard Chartered Bank Botswana Limited is secured as follows:

i. Joint and several personal guarantees from Ramachandran Ottapathu and Farouk Ismail.
ii. An assignment over the lease receivables.
iii. A cession over the current and future fixed assets of the borrower and the subsidiaries with an asset cover of 1.6 times.
iv. Charge over the Pula collection account into which the above receivables are paid.
v. Negative pledge.
vi. Covering mortgage bond over the properties Lot 185 Jwaneng, Lot 3618 Mochudi, Lot 1801 Molepolele, Lot 2690 Mogoditshane, Lot 8372 Serowe, Lot 8757 Palapye, Lot 6094 Mahalapye, Lot 212 Jwaneng, Lot 4674 Gaborone, Lot 146 Molepolele, Tribal Grant 2763-KO Otse, Lots 349/350 Selebi Phikwe, Lot 212 Gaborone International Commerce Park (GICP), Lease area 1779 -KO Gaborone, Plot 322 Gaborone, Lot 46 GICP, Lot 292 Lobatse, Lease area 1932-KO Gaborone, Plot 880 GICP, Portion 74 Crocodile Pools, Lot 7587 Lobatse, Lot 547 Lobatse, Lot 7603 Lobatse, Lot 13225 Gaborone, Lot 1275 Gaborone, Lot 39269 Gaborone, Lot 689 Tlokweng, Lot 7780 Tlokweng, Lots 309/310 Lobatse, Tribal Lot 176 Kumukwane, Tribal Grant 162-KP Bokka, Lot 18390 Francistown, Lot 20602 Gaborone, Lot 1760 Pitsane and Plot 17489 Gaborone, Plot 38805 (1779) and 1932 Gaborone, Plot 219 Ramotswa.
vii. Assignment of marketable securities relating to Company shares in various asset companies.
viii. Security over shares that the Company owns in Q Tique 79 (Proprietary) Limited in South Africa.
ix. Lease receivable guarantee from Choppies Enterprises Limited for P160 million.

The loan from First National Bank Botswana Limited is secured as follows:

i. First covering mortgage bond by the borrower over the properties Plot 2610 Lobatse, Tribal Lot 79 & 80 Thamaga, Tribal Lot 2162 Thamaga, Tribal Lot 649 Gumare, Tribal Lot 29 Shashe, Tribal Lot 2086, Lot 9 Nata, Tribal Lot 7722 Tlokweng, Lot 4490 Gaborone, Plot 5778 and Plot 4120, 4121, 4124 Mogoditshane in favour of First National Bank Botswana Limited.
ii. Cession of all current and future rental streams, dividends and insurance claims arising under the insurance cover over all bonded properties in favour of First National Bank of Botswana Limited.
iii. Cession and pledge of credit balances on all collection accounts held with First National Bank Botswana Limited.
iv. Letter of unlimited suretyship by Ottapathu Ramachandran and Farouk Ismail.

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2020

12. BORROWINGS continued

The loan from BIFM Capital Investment Fund One (Proprietary) Limited is secured as follows:

i. Cession of 33 333 333 Choppies Enterprises Limited shares held by Mr Ottapathu Ramachandran.
ii. Cession of both comprehensive insurance and lease rentals over the mortgaged properties.
iii. First mortgage bond over Lots 5461, 5462, 5463, 53836, 39374, 39375, 37882, 43103, 42796 and 37883 Gaborone, Lot 2676 Selebi-Phikwe, Lots 7588, 7589 and 350 Lobatse, Tribal Lot 2177 Thamaga, Lot 1366 Mogoditshane and Lease area No 5017-KO and 5025-KO, Plot 30 and 31 Ghanzi, Plot 38 Ghanzi, Plot 42796 and 43103 Phakalane, Plot 1381 Pitsane, Tribal Lot 1571 Natal.

The loan from Investec Bank Limited is secured as follows:

i. Covering mortgage bond over Erf 934 Koster, Erf 676 Rodeon, Erf 2282 Rustenburg Ext 9, Erf 2288 Rustenburg Ext 9, Erf 7185 Rustenburg Ext 9, Erf 16914 Boitekong, Erf 41 Magaliesburg, Erf 2973 Nylstroom and Portion 12 of Farm Leeuwkopje 415 for an amount of R119 million.
ii. A first covering mortgage bond over Erven 2858 and 1341 Odendaalsrus Ext 2 for an amount of R10 million.
iii. Covering mortgage bond over remaining extent of Erf 41 Magaliesburg for an amount of R13.9 million.
iv. A first covering mortgage bond over Erven 2858 and 1341 Odendaalsrus Ext 2 for an amount of R10 million.
v. A first covering mortgage bond over remaining extent of Erf 24920 Bloemfontein for an amount of R11 million.
vi. A first covering mortgage bond by Finder Properties (Proprietary) Limited over notarial deed of lease over Erf 6162 Mafikeng for an amount of R38 million.
vii. Execution of a joint and several continuing guarantee by Mr Farouk Ismail and Mr Ottapathu Ramachandran and the FAR Property Company Limited to R50 million plus interest and costs, in favour of Investec.
viii. Execution of a joint and several continuing suretyship by Finder Properties (Proprietary) Limited to R38 million plus interest and costs.
ix. Cession in security of proceeds of Building Insurance Policy and SASRIA extension for the full asset value of the properties mortgaged.
x. Execution of a cession of all present and future rights, title, benefit and interest in, to and under the agreements in respect of the mortgaged properties.

The loan from Absa Bank Botswana Limited is secured as follows:

i. A first cover mortgage bond over Portion 196 of the farm Forest Hill No 9 KO.
ii. First mortgage bond over Lots 4490, 2728 Gaborone , Plot No 1107, 1109 and 10 Lobatse Plot No 2032 Moshupa, Nata Lodge, Plot No 9 Nata Filling Station,
iii. Combined Mortgage Bond cover Plot No 173-9-KO, 196-KO, 1246, 17981 Gaborone, Plot No 2085 Serowe, Plot No 7620, 471, 296 & 297, 7617 & 8 Lobatse, Plot No 213, 292 & 16825 Maun, Plot No 28 & 29, 187 Pilane, and Plot No 15102 Ramotswa.
iv. Combined Mortgage Bond cover Plot No. 39720, 39721, 39722, 39723, 39724, 37839, 37990, 37991, 38000, 493, 37185, 37187, 41128, 15800, 61312, 5063-KO N1, 5064-KO N2, 5065-KO N3, 5075-KO N13, 5007-KO M9, 5008-KO M10, 5009-KO M11, 5025-KO J1, 5017-KO flats in Gaborone, Plot No 375 Mogoditshane, Plot No 1967 Phikwe, Plot No 11835, 18424 Francistown, Plot No 1167 Maun, Plot No 1025 Tutume, Plot No 45 Pitsane, Plot No 3143 Kasane, Plot No 3161 Kazungula, Plot No 27376 Kanye, Plot No 219 Ramotswa, Plot 103 Tlokweng, Plot 38567-38576 Block-6 Gaborone, Plot 15102 Ramotswa, Plot No 4 & 9 Ghanzi, Plot 4774 Metsimotlhabe, Plot 903 Francistown, Tribal Lot 7598 Tsabong, Plot 1246 Extension 6 Gaborone and Tribal Lot 5690 Pitsane.

	Group		Company	
Figures in Pula	**2020**	2019	**2020**	2019
Non-current liabilities				
At amortised cost	**235 433 102**	435 636 544	**235 433 102**	306 148 678
Current liabilities				
At amortised cost	**136 714 046**	78 092 017	**90 550 562**	68 696 497
	372 147 148	513 728 561	**325 983 664**	374 845 175

		Group		Company	
	Figures in Pula	**2020**	2019	**2020**	2019
13.	**TRADE AND OTHER PAYABLES**				
	Trade payables	**6 821 228**	4 124 731	**4 909 304**	2 466 210
	Value added tax	**1 255 812**	1 562 121	**1 023 538**	1 011 835
	Deposits received	**5 452 838**	5 108 432	**4 962 437**	4 587 048
	Retention payable	**1 399 683**	1 439 104	**1 399 683**	1 439 104
	Other payables	**2 873 210**	4 492 008	**1 116 072**	3 266 963
		17 802 771	16 726 396	**13 411 034**	12 771 160
	The fair value of trade and other payables closely approximates the carrying value.				
14.	**FINANCIAL LIABILITIES BY CATEGORY**				
	The accounting policies for financial instruments have been applied to the line items below. The carrying amounts of the financial liabilities in each category are as follows:				
	Financial liabilities at amortised cost				
	Borrowings	**372 147 148**	513 728 561	**325 983 664**	374 845 175
	Related-party payables	**–**	–	**97 691**	122 596
	Trade and other payables	**16 546 959**	15 164 275	**12 387 496**	11 759 325
	Bank overdraft	**49 700 221**	47 200 170	**49 700 221**	47 200 170
		438 394 328	576 093 006	**388 169 072**	433 927 266
15.	**REVENUE**				
	Rental income	**149 597 962**	145 642 883	**117 129 199**	111 904 392
	Deferred lease adjustment	**(16 632 879)**	(161 882)	**(14 815 923)**	955 784
		132 965 083	145 481 001	**102 313 276**	112 860 176
16.	**OPERATING PROFIT**				
	Operating profit for the year is stated after accounting for the following:				
	Legal expenses	**1 082 066**	1 037 564	**225 376**	475 528
	Utilities	**13 276 182**	12 260 220	**8 310 297**	5 572 575
	Depreciation on property, plant and equipment	**246 201**	142 170	**213 443**	107 710
	Auditor's remuneration				
	Charge for the year	**775 731**	760 553	**475 200**	658 000
	Under-provision for the prior year	**4 306**	30 750	**4 306**	30 750
		780 037	791 303	**479 506**	688 750
	Directors' remuneration	**879 167**	466 850	**879 167**	466 850
17.	**FINANCE INCOME**				
	Interest income – banks	**160 359**	36 983	**36 249**	31 250
	Interest income – subsidiaries	**–**	–	**12 388 749**	12 033 910
	Foreign exchange gains	**–**	485 998	**–**	636 217
		160 359	522 981	**12 424 998**	12 701 377

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2020

		Group		Company	
	Figures in Pula	**2020**	2019	**2020**	2019
18.	**FINANCE COSTS**				
	Bank borrowings	**41 991 372**	46 443 852	31 511 693	32 939 159
		41 991 372	46 443 852	31 511 693	32 939 159
19.	**FAIR VALUE ADJUSTMENTS**				
	Investment property	**16 403 560**	6 917 117	14 721 858	(10 643 564)
20.	**TAXATION**				
	Income tax				
	Income tax expense for the year	**1 305 024**	974 522	1 092 995	770 358
	Prior year under/(over) provision	**(1 056 888)**	(172 486)	–	(172 486)
	Irrecoverable foreign withholding tax	**–**	434 905	–	434 905
		248 136	1 236 941	1 092 995	1 032 777
	Deferred income tax				
	Deferred income tax	**(10 807 262)**	(16 198 957)	(8 242 269)	(17 043 663)
		(10 807 262)	(16 198 957)	(8 242 269)	(17 043 663)
		(10 559 126)	(14 962 016)	(7 149 274)	(16 010 886)
	Reconciliation of accounting profit and tax expense:				
	Accounting profit	**86 482 315**	94 330 944	91 982 191	78 683 439
	Tax at the applicable tax rate of 22%	**19 026 109**	20 752 808	20 236 082	17 310 357
	Tax effect of adjustments on taxable income				
	Income not subject to tax	**(5 517 421)**	–	(3 238 809)	–
	Change in tax base of investment property	**(8 798 863)**	(18 050 086)	(8 798 863)	(18 050 086)
	Effect of difference in country tax rates	**(251 009)**	147 369	–	–
	Expenses allowed for tax purposes	**(15 622 698)**	(15 590 648)	(15 622 698)	(15 590 648)
	Expenses not allowed for tax purposes	**1 409 787**	(3 372 740)	275 014	57 072
	Prior year over-provision	**(1 056 888)**	(172 486)	–	(172 486)
	Irrecoverable foreign withholding tax	**–**	434 905	–	434 905
	Effect of differences in exchange rates	**52 939**	595 547	–	–
	Effect of differences in tax base	**172 355**	314 166	–	–
	Deferred tax not recognised on carried forward tax losses	**26 563**	(20 851)	–	–
		(10 559 126)	(14 962 016)	(7 149 274)	(16 010 886)
21.	**OTHER INCOME**				
	Recoveries from tenants	**19 231 425**	19 744 979	10 954 204	10 170 429
	Fuel rebates	**1 609 554**	1 566 796	1 609 554	1 566 796
	Management fee	**–**	–	3 315 512	3 706 867
	Sundry income	**10 522 423**	305 377	10 501 162	277 242
		31 363 402	21 617 152	26 380 432	15 721 334

		Group		Company	
	Figures in Pula	**2020**	2019	**2020**	2019
22 .	**CASH GENERATED FROM OPERATIONS**				
	Profit before taxation	**86 482 315**	94 330 944	**91 982 191**	78 683 439
	Adjustments for:				
	Depreciation	**246 201**	142 170	**213 443**	107 710
	Gain on disposal of property, plant and equipment	**–**	(4 338)	**–**	(4 338)
	Finance income	**(160 359)**	(522 981)	**(12 424 998)**	(12 701 377)
	Finance costs	**41 991 372**	46 443 852	**31 511 693**	32 939 159
	Foreign exchange movement	**5 098 516**	–	**(2 702 506)**	–
	Impairment of investment property	**10 463 757**	–	**10 463 757**	–
	Fair value adjustments	**(16 403 560)**	(6 917 117)	**(14 721 858)**	10 643 564
	Movements in operating lease assets	**16 632 879**	625 701	**14 815 923**	(955 784)
	Loss on disposal of investment property	**125 000**	–	**125 000**	–
	Changes in working capital:				
	Related-party receivable	**1 620 563**	(3 877 435)	**1 620 563**	(4 636 679)
	Related-party payable	**–**	–	**(24 905)**	28 470
	Trade and other receivables	**(19 533 790)**	(3 063 871)	**(19 265 403)**	(277 704)
	Trade and other payables	**722 935**	738 189	**639 874**	(206 735)
		127 285 830	127 895 114	**102 232 774**	103 619 725
23.	**TAX PAID**				
	Balance at beginning of year	**(4 598 885)**	(5 402 834)	**–**	(1 198 737)
	Current tax for the year recognised in profit or loss	**(248 136)**	(1 236 941)	**(1 092 995)**	(1 032 777)
	Effect of foreign currency translation	**–**	(36 093)	**–**	–
	Balance at end of year	**490 050**	4 598 885	**(145 880)**	–
		(4 356 972)	(2 076 983)	**(1 238 875)**	(2 231 514)
24.	**COMMITMENTS**				
	Authorised capital expenditure				
	Investment property – contracted and not provided for	**9 623 523**	5 614 490	**9 623 523**	90 000
	This committed expenditure relates to investment properties and will be financed by available bank facilities or available cash resources				
	Operating leases – as lessor (income)				
	Minimum lease payments due				
	• within one year	**129 113 377**	155 706 412	**113 644 255**	118 569 131
	• more than one year	**425 840 445**	521 877 117	**406 491 750**	412 889 425
		554 953 822	677 583 529	**520 136 005**	531 458 556

The Group's investment property is held to generate rental income. Lease agreements are non-cancellable and have terms from two to 20 years. There are no contingent rents receivable.

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2020

25. RELATED PARTIES

Mr Ottapathu Ramachandran and Mr Farouk Ismail were directors and shareholders of the companies in the Group.

Related parties comprise entities sharing common shareholders and directors with the Company. Mr Ottapathu Ramachandran is a director and a shareholder of the following companies. The following transactions were carried out with the related parties:

	Group		Company	
Figures in Pula	**2020**	2019	**2020**	2019
Related-party balances				
Investment in subsidiaries (note 5)				
Related-party receivables/payables (note 6)				
Related-party transactions				
Interest received from related party				
Q Tique 79 (Proprietary) Limited	**-**	-	**12 388 749**	12 033 910
	-	-	**12 388 749**	12 033 910
Management fee received from related party				
Q Tique 79 (Proprietary) Limited	**-**	-	**3 315 512**	3 706 867
	-	-	**3 315 512**	3 706 867
Loans given to related parties				
Q Tique 79 (Proprietary) Limited	**-**	-	**13 897**	8 349 345
	-	-	**13 897**	8 349 345
Advances given to related parties				
Strides of Success (Proprietary) Limited	**-**	9 356 689	**-**	9 356 689
Time Star (Proprietary) Limited	**23 920**	2 052 500	**23 920**	2 052 500
Medupe Bridge Fin Corp (Proprietary) Limited	**176 564**	77 062	**176 564**	77 062
Eminent (Proprietary) Limited	**-**	-	**48 905**	-
	200 484	11 486 251	**249 389**	11 486 251
Rental income received from related parties				
Aleris (Proprietary) Limited	**395 978**	116 663	**395 978**	116 663
Arcee (Proprietary) Limited	**834 324**	931 208	**834 324**	931 208
Bagpiper (Proprietary) Limited	**905 445**	695 444	**905 445**	695 444
Balanced Fortune (Proprietary) Limited	**252 935**	171 770	**252 935**	171 770
Shaysons Investments (Proprietary) Limited	**3 177 823**	3 220 199	**3 177 823**	3 220 199
Choppies Distribution Centre (Proprietary) Limited	**50 062 063**	47 105 645	**50 067 064**	46 105 645
Choppies Supermarkets Limited (Zambia)	**1 212 612**	1 161 170	**-**	-
Choppies Supermarkets S.A. Proprietary Limited	**19 485 558**	20 834 948	**-**	-
Distron Botswana (Proprietary) Limited	**139 500**	101 940	**139 500**	101 940
Feasible Investments (Proprietary) Limited	**565 748**	546 943	**565 748**	546 943
Honey Guide (Proprietary) Limited	**1 478 553**	1 425 329	**1 478 553**	1 425 329
ILO Industries (Proprietary) Limited	**1 690 838**	2 147 667	**1 690 838**	2 147 667
Industrial Filling station (Proprietary) Limited	**1 991 117**	1 519 883	**1 991 117**	1 519 883
JB Sports (Proprietary) Limited	**1 228 332**	1 144 235	**1 228 332**	1 144 235
Keriotic Investments (Proprietary) Limited	**155 617**	243 591	**155 617**	243 591
	83 576 442	81 366 635	**62 883 273**	58 370 517

	Group		Company	
Figures in Pula	**2020**	2019	**2020**	2019
25. RELATED PARTIES continued				
Rental income received from related parties continued	**83 576 442**	81 366 635	**62 883 273**	58 370 517
Lubsoga (Propriety) Limited	**656 017**	151 096	**656 017**	151 096
Northgate Lodge (Proprietary) Limited	**765 514**	724 730	**765 514**	724 730
Cottonvale (Proprietary) Limited	**42 899**	40 093	**42 899**	40 093
Peacock Blue (Propriety) Limited	**952 249**	881 712	**952 249**	881 712
Pennywise Investments (Proprietary) Limited	**199 548**	174 701	**199 548**	174 701
Pinestone (Proprietary) Limited	**15 000**	87 492	**15 000**	87 492
Presprime Investments (Proprietary) Limited	**149 332**	155 019	**149 332**	155 019
Princieton (Proprietary) Limited	**339 655**	321 207	**339 655**	321 207
Prosperous People (Proprietary) Limited	**1 185 652**	924 606	**1 185 652**	924 606
RBV Consultants (Proprietary) Limited	**12 999**	55 959	**12 999**	55 959
Real Plastic (Proprietary) Limited	**79 380**	208 151	**79 380**	208 151
Solace (Proprietary) Limited	**–**	88 434	**–**	88 434
Strides of Success (Proprietary) Limited	**61 315**	574 181	**61 315**	574 181
Tim Tam (Proprietary) Limited	**339 035**	375 133	**339 035**	375 133
Vet Agric Suppliers (Proprietary) Limited	**137 185**	135 168	**137 185**	135 168
Weal (Proprietary) Limited	**535 980**	496 278	**535 980**	496 278
ZCX Investments (Proprietary) Limited	**716 859**	790 567	**716 859**	790 567
Electrometric Enterprises (Proprietary) Limited	**165 527**	93 010	**165 527**	93 010
Auto World (Proprietary) Ltd	**2 297 447**	–	**2 297 447**	–
	92 228 035	87 644 172	**71 534 866**	64 648 054
Goods and services purchased from related parties				
Alpha Direct Insurance Company (Proprietary) Limited	**426 522**	1 161 454	**426 522**	1 161 454
Choppies Distribution Centre (Proprietary) Limited	**115 930**	92 760	**115 930**	92 760
Electrometric Enterprises (Proprietary) Limited	**101 833**	99 938	**101 833**	99 938
Feasible Investment (Proprietary) Limited	**24 116**	30 124	**24 116**	30 124
Pennywise (Proprietary) Limited	**109 678**	125 239	**109 678**	125 239
Cottonvale (Proprietary) Limited	**22 601**	–	**22 601**	–
Balanced Fortune (Proprietary) Limited	**50 371**	–	**50 371**	–
	851 051	1 509 515	**851 051**	1 509 515

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25. RELATED PARTIES continued

Key management compensation

Key management includes directors (executive and non-executive) and members of the Executive Committee. The directors are paid P25 000 (2019: P25 000) net of tax, per sitting. The compensation paid or payable to key management for employee services is shown below:

	Group		Company	
Figures in Pula	**2020**	2019	**2020**	2019
Directors' fees	**879 167**	466 850	**879 167**	466 850
Salaries and other short-term employment benefits	**379 500**	410 020	**379 500**	410 020
	1 258 667	876 870	**1 258 667**	876 870

Property mortgaged by the Company owned by related parties

The Company has mortgaged Tribal Lot 176 Kumakwane and Tribal Grant 2763 Otse owned by Time Star Investments (Proprietary) Limited for the loan facility obtained from Standard Chartered Bank Botswana Limited.

Securities provided by related parties

Cession of 33 333 333 Choppies Enterprises Limited shares by Mr Ottapathu Ramachandran for loan facility obtained from BIFM Capital Investment Fund One (Proprietary) Limited.

Mr Farouk Ismail and Mr Ottapathu Ramachandran have given joint and several personal guarantees for loan facilities obtained from Standard Chartered Bank Botswana Limited and letter of unlimited suretyship for First National Bank Botswana Limited.

Mr Farouk Ismail, Mr Ottapathu Ramachandran and FAR Property Company Limited have executed a joint and several continuing guarantee of R50 million plus interest and costs, in favour of Investec.

26. RISK MANAGEMENT

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 debt, which includes the borrowings disclosed in notes 12 and 10, cash and cash equivalents disclosed in note 10 and equity as disclosed in the consolidated statement of financial position.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to unitholders, return capital to unitholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the statement of financial position plus net debt.

The gearing ratio at 2020 and 2019 respectively were as follows:

Figures in Pula	Note	**2020**	2019	**2020**	2019
Total borrowings					
Related-party payable	6	**–**	–	**97 691**	122 596
Borrowings	12	**372 147 148**	513 728 561	**325 983 664**	374 845 175
Bank overdraft	10	**49 700 220**	47 200 170	**49 700 221**	47 200 170
Total debt		**421 847 367**	560 928 731	**375 781 576**	422 167 941
Less: Cash and cash equivalents	10	**(26 005 679)**	(13 738 493)	**(22 935 463)**	(7 694 618)
Net debt		**395 841 688**	547 190 238	**352 846 113**	414 473 323
Total equity		**899 449 040**	853 118 049	**858 333 028**	780 705 673
Total capital		**1 295 290 728**	1 400 308 287	**1 211 179 141**	1 195 178 996
Gearing ratio		**31%**	39%	**29%**	35%

Financial risk management

Overview

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, cash flow interest rate risk), credit risk and 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 the Group finance department under policies approved by the board. The Group finance department identifies and evaluates financial risks in close cooperation with the Group's operating units. The board provides 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.

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2020

26. RISK MANAGEMENT continued

Liquidity risk

The Group's risk to liquidity is a result of the funds available to cover future commitments. The Group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the Group held cash and cash equivalents of P26 005 679 (2019: P13 738 493) that are expected to readily generate cash inflows for managing liquidity risk. The Group maintains flexibility in funding by maintaining availability under committed credit lines. As at 30 June 2020, the Group's current liabilities exceed its current assets by BWP200.6 million. The liquidity gap is managed with the cash flow generated from the contractual rental income.

Management monitors rolling forecasts of the Group's liquidity reserve comprising the undrawn borrowing facilities and cash and cash equivalents (note 10) on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the Group in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual discounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Group – at 30 June 2020				
Borrowings	**136 714 046**	**36 389 309**	**199 043 792**	**–**
Trade and other payables	**17 802 771**	**–**	**–**	**–**
Bank overdraft	**49 700 220**	**–**	**–**	**–**
Distribution payable	**71 657 180**	**–**	**–**	**–**
Group – at 30 June 2019				
Borrowings	110 374 005	156 925 311	323 162 775	–
Trade and other payables	17 802 771	–	–	–
Bank overdraft	47 200 220	–	–	–
Distribution payable	71 510 176	–	–	–

26. RISK MANAGEMENT continued

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Company – at 30 June 2020				
Borrowings	**90 550 562**	**36 389 309**	**199 043 792**	**–**
Related-party payables	**97 691**	**–**	**–**	**–**
Trade and other payables	**13 411 034**	**–**	**–**	**–**
Bank overdraft	**49 700 220**	**–**	**–**	**–**
Distribution payable	**71 657 180**	**–**	**–**	**–**
Company – at 30 June 2019				
Borrowings				
Related-party payables	88 134 795	122 596	92 885 895	233 382 231
Trade and other payables	12 771 160	–	–	–
Bank overdraft	47 200 170	–	–	–
Distribution payable	71 510 176	–	–	–

Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings at variable rate were denominated in Pula and Rand. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift.

The scenarios are run only for liabilities that represent the major interest-bearing positions. The simulations done do not have an impact on the current period's reported figures due to the relatively short duration. The simulation is done on a quarterly basis to verify that the maximum loss potential is within the limit given by management. If interest rates on Pula denominated and Rand denominated borrowings had been 1% higher/lower with all other variables held constant, the impact on profit before tax for the year was as follows:

	Impact lower		Impact higher	
Figures in Pula	**2020**	2019	**2020**	2019
COMPANY				
Pula denominated borrowings	**2 919 137**	3 702 008	**(2 919 137)**	(3 396 642)
South African Rand denominated borrowings	**282 965**	513 487	**(282 965)**	(514 703)
GROUP				
Pula denominated borrowings	**2 919 137**	3 702 008	**(2 919 137)**	(3 396 642)
South African Rand denominated borrowings	**1 477 202**	1 784 236	**(1 194 237)**	(1 804 669)

Credit risk

Credit risk is the risk that a counterparty may cause financial loss to the Group by failing to discharge an obligation.

Credit risk consists mainly of cash deposits, cash equivalents, and trade debtors. The Company only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Notes to the consolidated and separate financial statements continued

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26. RISK MANAGEMENT continued

Credit risk continued

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

Financial assets exposed to credit risk at year-end were as follows:

	Group		Company	
Figures in Pula	**2020**	2019	**2020**	2019
Financial instruments				
Related party receivables (note 6)	**7 475 171**	9 095 734	**107 644 597**	102 760 567
Trade and other receivables (note 9)	**28 338 721**	13 616 824	**20 023 877**	10 557 899
Cash and cash equivalents (note 10)	**26 001 129**	13 734 350	**22 934 341**	7 691 485

Credit risk with respect to trade receivables is minimised by the diverse tenant base. Credit checks are performed prior to concluding leases and arrear rentals are actively managed.

Credit risk attached to the Group's cash and cash equivalents is minimised by only investing cash resources with reputable financial institutions.

Credit quality of financial assets are disclosed in notes 9 and 10.

Foreign exchange risk

Foreign exchange rate risk is the current or prospective risk to earnings and capital arising from adverse movements in currency exchange rates. The potential for loss arises from the process of revaluing foreign currency positions on both on- and off-balance sheet items, in Botswana Pula terms.

As at 30 June 2020, if the South African Rand that the Group is exposed to had weakened or strengthened by 5% against the respective functional currencies with all other variables held constant, Group profit for the year would have been P1 862 140 (2019: P1 893 707) higher/lower and the Company profit for the year would have been P2 702 506 (2019: P2 790 020) higher/lower, mainly as a result of foreign exchange gains and losses on translation of foreign currency denominated assets and liabilities.

27. FINANCIAL INSTRUMENTS – FAIR VALUE HIERARCHY

This analysis categorises the financial instruments carried at fair value into different levels based on the level of subjectivity applied in determining the inputs used in the determination of fair value. This assessment is determined based on the lowest level of input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input into the fair value measurement in its entirety requires judgement, considering the factors specific to the asset or liability. If a fair value uses observable inputs that require significant adjustment based on unobservable inputs or any other significant unobservable inputs, that measurement is a level 3 measurement.

The fair value hierarchy is measured as follows:
Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: inputs for the asset or liability that are not based on observable market data, that is unobservable inputs.

The Group's financial assets and liabilities carried at fair value as at the year-end were classified as follows:

	Group			Company		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
2020						
Cash and cash equivalents	**26 005 679**	**–**	**–**	**22 935 463**	**–**	**–**
Bank overdraft	**(49 700 220)**	**–**	**–**	**(49 700 220)**	**–**	**–**
2019						
Cash and cash equivalents	13 738 493	–	–	7 694 618	–	–
Bank overdraft	(47 200 170)	–	–	(47 200 170)	–	–

There have been no transfers between any of the hierarchy levels during the year (2019: nil).

Level 1 financial assets include only cash and cash equivalents and bank overdrafts that are based on actual values invested at the relevant financial institutions.

27. FINANCIAL INSTRUMENTS – FAIR VALUE HIERARCHY continued

While not carried at fair value, the fair value of the following financial instruments were disclosed, and the analysis below reflects the fair value hierarchy relative to these instruments:

	Group			Company		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
2020						
Assets						
Related-party receivables	**–**	**–**	**7 475 171**	**–**	**–**	**107 644 597**
Trade and other receivables	**–**	**–**	**37 962 243**	**–**	**–**	**29 647 399**
Liabilities						
Borrowings	**–**	**–**	**372 147 148**	**–**	**–**	**325 983 664**
Related-party payables	**–**	**–**	**–**	**–**	**–**	**97 691**
Trade and other payables	**–**	**–**	**16 546 959**	**–**	**–**	**12 387 496**
2019						
Assets						
Related-party receivables	–	–	9 095 734	–	–	102 760 567
Trade and other receivables	–	–	15 164 275	–	–	11 759 325
Liabilities						
Borrowings	–	–	513 728 561	–	–	374 845 175
Related-party payables	–	–	–	–	–	122 596
Trade and other payables	–	–	15 164 275	–	–	11 759 325

Notes to the consolidated and separate financial statements continued

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28. NON-FINANCIAL INSTRUMENTS – FAIR VALUE HIERARCHY

This analysis categorises the non-financial instruments carried at fair value into different levels based on the level of subjectivity applied in determining the inputs used in the determination of fair value. This assessment is determined based on the lowest level of input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input into the fair value measurement in its entirety requires judgement, considering the factors specific to the asset or liability. If a fair value uses observable inputs that require significant adjustment based on unobservable inputs or any other significant unobservable inputs, that measurement is a level 3 measurement.

The fair value hierarchy is measured as follows:
Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: inputs for the asset or liability that are not based on observable market date, that is unobservable inputs.

The Group's non-financial assets and liabilities carried at fair value as at the year-end were classified as follows:

	Group			Company		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
2020						
Investment property	**–**	**–**	**1 363 354 065**	**–**	**–**	**1 144 150 235**
2019						
Investment property	–	–	1 481 019 203	–	–	1 142 728 622

There have been no transfers between any of the hierarchy levels during the year (2019: nil).

No non-financial assets carried at fair value are classified as level 1 or 2.

Level 3 financial assets comprise the investment property portfolio more fully described in note 3. The significant inputs used in determining this value are set out in note 1.2 and note 3.

The fair value for the Company's investment in its subsidiary companies are similarly disclosed and are classified as a level 3 hierarchy in view that it is being based on the net underlying asset values which include level 3 inputs for the investment property as set out above.

	Group		Company	
Figures in Pula	**2020**	**2019**	**2020**	**2019**
29. LINKED UNITS DISTRIBUTION PAYABLE				
Balance at beginning of year	**71 510 176**	49 004 494	**71 510 176**	49 004 494
Amount declared during year	**71 657 180**	71 510 176	**71 657 180**	71 510 176
Amount paid during year	**(21 357 106)**	(31 696 542)	**(21 357 106)**	(31 696 542)
Scrip in lieu of distribution on linked units	**(50 153 070)**	(17 307 952)	**(50 153 070)**	(17 307 952)
Balance at end of year	**71 657 180**	71 510 176	**71 657 180**	71 510 176
Linked unit distribution per linked unit – declared during the year	**0.17**	0.18	**0.17**	0.18

30. EARNINGS PER LINKED UNIT

Basic earnings per linked unit is calculated by dividing the net profit attributable to linked unitholders by the weighted average number of linked units outstanding during the year.

	Group		Company	
Figures in Pula	**2020**	2019	**2020**	2019
Net profit for the year attributable to linked unitholders	**97 041 441**	109 292 960	**99 131 465**	94 694 325
Weighted average number of linked units in issue	**420 713 252**	404 411 057	**420 713 252**	404 411 057
Basic earnings per linked unit	**0.23**	0.27	**0.24**	0.23
Basic headline earnings per linked unit	**0.25**	0.27	**0.26**	0.24
The Company has no dilutive potential linked units, the diluted earnings per linked unit are the same as the basic earnings per linked unit.				
Reconciliation between earnings and headline earnings				
Net profit for the year attributable to linked unitholders	**97 041 441**	109 292 960	**99 131 465**	94 694 325
Remeasurement:				
(Profit)/loss on disposal of plant and equipment	**125 000**	15 541	**125 000**	15 541
Impairment losses	**12 843 926**	751 166	**12 843 926**	751 166
Tax effect on remeasurement	**(2 825 664)**	(165 257)	**(2 825 664)**	(165 257)
	107 184 703	109 894 410	**109 274 727**	95 295 775

31. EVENTS AFTER THE REPORTING PERIOD

There were no material events that occurred after the reporting date that required disclosure in or adjustment to the financial statements.

32. OPERATING SEGMENTS

The Company and the Group adopted IFRS 8: Operating Segments. This has resulted in a number of reportable segments presented. In addition, segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Company has determined that its chief decision-maker is the board of directors.

Information about major customers

The revenue of the following customer amounts to more than 10% of the Company's total revenue for the year ended 30 June 2020:

Choppies Enterprises Limited	**70 765 234**

This customer belongs to the "industrial properties" operating segment.

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2020

32. OPERATING SEGMENTS continued

Reportable segments

Management has determined the operating segments based on the reports reviewed by the board in making strategic decisions and the board considers the business on the following operating decisions:

- "Residential properties" – properties occupied for residential purposes
- "Commercial properties" – properties occupied for commercial purposes
- "Industrial properties" – properties occupied for industrial purposes
- "Other" – includes other activities not included in other segments

The segment information provided to the board for the reportable segments for the year ended 30 June 2020 is as follows:

	Residential	Commercial	Industrial	Other	Total
COMPANY					
Revenue	11 877 725	50 533 369	54 718 105	(14 815 923)	102 313 276
Tenant recoveries	1 038 959	6 551 490	3 363 755	–	10 954 204
Other income	–	1 609 554	–	13 816 674	15 426 228
Operating expenses	(1 268 241)	(7 784 936)	(3 749 019)	(11 783 232)	(24 585 428)
Finance income	–	–	–	12 424 998	12 424 998
Finance costs	–	–	–	(31 511 693)	(31 511 693)
Foreign exchange gain/(loss)	–	–	–	2 702 506	2 702 506
Impairment adjustment	–	(10 463 757)	–	–	(10 463 757)
Investment property fair value adjustment	(7 765 000)	9 896 433	12 590 425	–	14 721 858
Total from continuing operations	3 883 443	50 342 153	66 923 266	(29 166 670)	91 982 192
Profit before tax					91 982 192
Segment assets	176 673 920	573 088 746	428 249 156	186 669 763	1 364 681 585
Reconciliation to total assets as reported in the statement of financial position					
Property, plant and equipment	–	–	–	354 377	354 377
Investment property	172 856 000	563 114 000	408 180 235	–	1 144 150 235
Investments in subsidiaries	–	–	–	25 416 533	25 416 533
Related-party receivables	–	–	–	107 644 597	107 644 597
Operating lease asset	3 817 920	9 974 746	20 068 921	–	33 861 586
Trade and other receivables	–	–	–	30 172 913	30 172 913
Current tax receivable	–	–	–	145 880	145 880
Cash and cash equivalents	–	–	–	22 935 463	22 935 463
Total assets as reported in the statement of financial position	176 673 920	573 088 746	428 249 156	186 669 763	1 364 681 584
Total liabilities	–	–	–	506 348 556	506 348 556

32. OPERATING SEGMENTS continued

The segment information provided to the board for the reportable segments for the year ended 30 June 2019 is as follows:

	Residential	Commercial	Industrial	Other	Total
COMPANY					
Revenue	13 623 452	46 514 458	51 766 482	955 784	112 860 176
Tenant recoveries	369 081	6 284 721	3 516 627	–	10 170 429
Other income	–	1 566 796	–	3 984 109	5 550 905
Operating expenses	(1 249 191)	(6 284 721)	(3 516 627)	(7 966 186)	(19 016 725)
Finance income	–	–	–	12 701 377	12 701 377
Finance costs	–	–	–	(32 939 159)	(32 939 159)
Investment property fair value adjustment	(6 063 000)	7 040 030	(11 620 594)	–	(10 643 564)
Total for continuing operations	6 680 342	55 121 284	40 145 888	(23 264 075)	78 683 439
Profit before tax					78 683 439
Segment assets	180 612 164	576 957 018	433 836 949	147 128 646	1 338 534 777
Reconciliation to total assets as reported in the statement of financial position					
Property, plant and equipment	–	–	–	349 418	349 418
Investment property	175 310 000	560 643 806	406 774 816	–	1 142 728 622
Investments in subsidiaries	–	–	–	25 416 533	25 416 533
Related-party receivables	–	–	–	102 760 567	102 760 567
Operating lease asset	5 302 164	16 313 212	27 062 133	–	48 677 509
Trade and other receivables	–	–	–	10 907 510	10 907 510
Cash and cash equivalents	–	–	–	7 694 618	7 694 618
Total assets as reported in the statement of financial position	180 612 164	576 957 018	433 836 949	147 128 646	1 338 534 777
Total liabilities	–	–	–	557 829 104	557 829 104

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2020

32. OPERATING SEGMENTS continued

The segment information provided to the board for the reportable segments for the year ended 30 June 2020 is as follows:

	Botswana			
	Residential	Commercial	Industrial	Other
GROUP				
Revenue	11 918 208	50 533 369	54 718 105	(14 815 923)
Tenant recoveries	1 038 959	6 551 490	3 363 755	–
Other income	–	1 609 554	–	10 522 423
Operating expenses	(1 329 464)	(7 784 936)	(3 749 019)	(12 280 391)
Finance income	–	–	–	–
Finance costs	–	–	–	(31 511 693)
Foreign exchange gain/(loss)	–	–	–	2 702 506
Impairment adjustment	–	(10 463 757)	–	–
Investment property fair value adjustment	(7 665 000)	9 896 433	12 490 425	28 241
Total from continuing operations	3 962 703	50 342 153	66 823 266	(45 383 078)
Profit before tax				
Segment assets	178 423 920	573 088 746	428 249 156	61 021 255
Reconciliation to total assets as reported in the statement of financial position				
Property, plant and equipment	–	–	–	354 377
Investment property	174 606 000	563 114 000	408 180 235	–
Related-party receivables	–	–	–	7 475 171
Operating lease asset	3 817 920	9 974 746	20 068 921	–
Trade and other receivables	–	–	–	30 256 245
Cash and cash equivalents	–	–	–	22 935 463
Assets included in disposal group classified as held for sale	–	–	–	–
Deferred income tax assets	–	–	–	–
Total assets as reported in the statement of financial position	178 423 920	573 088 746	428 249 156	61 021 255
Total liabilities excluding disposal group	–	–	–	506 348 556

	South Africa				Zambia				
	Residential	Commercial	Industrial	Other	Residential	Commercial	Industrial	Other	Total
	326 423	15 045 828	14 935 742	(1 183 760)	–	2 120 287	–	(633 196)	132 965 083
	31 563	5 273 795	2 971 863	–	–	–	–	–	19 231 425
									12 131 977
	(105 916)	(5 314 331)	(3 015 019)	(2 102 701)	–	(1 174 665)	–	–	(36 856 442)
	–	–	–	160 359	–	–	–	–	160 359
	–	–	–	(10 479 679)	–	–	–	–	(41 991 372)
	–	–	–	(8 401 309)	–	–	–	600 287	(5 098 516)
									(10 463 757)
	–	1 020 265	–	–	–	633 196	–	–	16 403 560
	280 311	16 025 556	14 892 586	(22 007 090)	–	1 578 818	–	(32 909)	86 482 316
									86 482 316
	3 196 344	112 915 521	85 204 595	12 786 154	–	27 450 351	–	–	1 482 336 041
	–	–	–	205 490	–	–	–	–	559 867
	3 173 539	105 040 070	84 596 200	–	–	24 644 021	–	–	1 363 354 065
	–	–	–	–	–	–	–	–	7 475 171
	22 805	1 262 662	608 395	–	–	352 711	–	–	36 108 159
	–	–	–	7 845 700	–	815 534	–	–	38 917 478
	–	–	–	1 432 131	–	1 638 085	–	–	26 005 679
	–	6 612 789	–	–	–	–	–	–	6 612 789
	–	–	–	3 302 834	–	–	–	–	3 302 834
	3 196 344	112 915 521	85 204 595	12 786 154	–	27 450 351	–	–	1 482 336 042
	–	–	–	68 750 328	–	–	–	521 586	575 620 470

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2020

32. OPERATING SEGMENTS continued

The segment information provided to the board for the reportable segments for the year ended 30 June 2019 is as follows:

	Botswana			
	Residential	**Commercial**	**Industrial**	**Other**
GROUP				
Revenue	13 707 452	46 514 458	51 766 482	955 784
Tenant recoveries	369 081	6 284 721	3 516 627	–
Other income		1 566 796		277 242
Operating expenses	(1 269 019)	(6 284 721)	(3 516 627)	(7 966 186)
Finance income	–	–	–	3 529 055
Finance costs	–	–	–	(34 142 586)
Investment property fair value adjustment	(6 063 000)	7 040 030	(11 620 594)	–
Total from continuing operations	6 744 514.00	55 121 284.00	40 145 888.00	(37 346 691)
Profit before tax				
Segment assets	182 462 164	576 957 018	433 836 949	28 102 280
Reconciliation to total assets as reported in the statement of financial position				
Property, plant and equipment	–	–	–	349 418
Investment property	177 160 000	560 643 806	406 774 816	–
Related-party receivables	–	–	–	9 095 734
Operating lease asset	5 302 164	16 313 212	27 062 133	–
Trade and other receivables	–	–	–	10 962 510
Cash and cash equivalents	–	–	–	7 694 618
Deferred income tax assets	–	–	–	–
Total assets as reported in the statement of financial position	182 462 164	576 957 018	433 836 949	28 102 280
Total liabilities	–	–	–	557 838 801

	South Africa				Zambia				
	Residential	Commercial	Industrial	Other	Residential	Commercial	Industrial	Other	Total
	395 012	15 997 613	15 220 233	(1 117 666)	–	2 041 633	–	–	145 481 001
	60 282	6 058 866	3 455 402	–	–	–	–	–	19 744 979
				28 135					1 872 173
	(60 282)	(6 058 867)	(3 834 896)	(4 244 046)	–	(528 811)	–	–	(33 763 455)
	–	–	–	2 270 751	–	(5 276 825)	–	–	522 981
	–	–	–	(12 301 266)	–	–	–	–	(46 443 852)
	(14 621)	3 849 384	(1 112 457)	–	–	14 838 375	–	–	6 917 117
	380 391	19 846 996	13 728 282	(15 364 092)	–	11 074 372	–	–	94 330 944
									94 330 944
	3 470 978	212 543 826	93 650 174	18 260 381	–	32 890 506	–	–	1 582 174 276
	–	–	–	278 315	–	–	–	–	627 733
	3 431 812	210 145 540	92 593 452	–	–	30 269 777	–	–	1 481 019 203
	–	–	–	–	–	–	–	–	9 095 734
	39 166	2 398 286	1 056 722	–	–	1 157 386	–	–	53 329 069
	–	–	–	8 344 573	–	425 405	–	–	19 732 488
	–	–	–	5 005 937	–	1 037 938	–	–	13 738 493
	–	–	–	4 631 556	–	–	–		4 631 556
	3 470 978	212 543 826	93 650 174	18 260 381	–	32 890 506	–		1 582 174 276
	–	–	–	171 217 426	–	248 136	–	–	729 056 227

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2020

33. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

As at March 2020, the directors decided to sell the property – Erf 24920 Bloemfontein. Consequently, assets and liabilities allocable to Erf 24920 Bloemfontein (included in the commercial segment) were classified as a disposal group.

The carrying amounts of assets and liabilities in this disposal group are summarised as follows:

	Group		Company	
Figures in Pula	**2020**	2019	**2020**	2019
Current assets:				
Investment property	**6 566 851**	–	**–**	–
Deferred interest asset	**45 938**	–		–
Assets classified as held for sale	**6 612 789**	–	**–**	–
Current liabilities:				
Borrowings	**7 266 532**	–	**–**	–
Liabilities classified as held for sale	**7 266 532**	–	**–**	–

There is no current or expected cash flow from the asset held for sale, the property will be sold voetstoots.

34. GOING CONCERN

On 11 March 2020, the World Health Organization declared COVID-19, the novel Coronavirus, a pandemic which has severely impacted many economies around the globe. Management is closely monitoring the evolution of this pandemic, including how it may affect the Group, the economy and general population.

Management is not aware of any cases of COVID-19 infection among its staff and the outbreak has not had a significant impact on the Group's operations to date. Management currently has an appropriate response plan in place and will continue to monitor and assess the ongoing developments and will respond accordingly.

The directors are of the view that the Group remains a going concern and that there are no material uncertainties that would impact the financial statements as at the reporting date.

	Group		Company	
Figures in Pula	**2020**	2019	**2020**	2019
35. LEASE LIABILITY				
Non-current liabilities				
At amortised cost	**2 228 965**	–	**2 228 965**	–
Current liabilities				
At amortised cost	**132 245**	–	**132 245**	–
	2 361 210	–	**2 361 210**	–

The Group entered in into three lease agreement to sublet land. The lease agreement details are summarised below;
> The lease terms vary between 10 and 25 years
> There is an option to renew leases for a further five years
> Rental escalates by 7% per annum

Lease commitments

The lease commitment for the financial year ended 30 June 2020 were as follows: amount due within one year was P132 245 and amount due after one year was P4 683 975.

Detailed consolidated and separate income statement

for the year ended 30 June 2020

		Group		Company	
Figures in Pula	Notes	**2020**	2019	**2020**	2019
Revenue					
Rental income		**149 597 962**	145 642 883	**117 129 199**	111 904 392
Deferred lease adjustment		**(16 632 879)**	(161 882)	**(14 815 923)**	955 784
		132 965 083	145 481 001	**102 313 276**	112 860 176
Other income					
Fuel rebates		**1 609 554**	1 566 796	**1 609 554**	1 566 796
Recoveries		**19 231 425**	19 744 979	**10 954 204**	10 170 429
Management fee		**–**	–	**3 315 512**	3 706 867
Sundry income		**10 522 423**	305 377	**10 501 162**	277 242
Operating expenses		**(36 856 443)**	(33 763 455)	**(24 585 428)**	(19 016 725)
Operating profit		**127 472 042**	133 334 698	**104 108 280**	109 564 785
Finance income	17	**160 359**	522 981	**12 424 998**	13 904 804
Finance costs	18	**(41 991 372)**	(46 443 852)	**(31 511 693)**	(34 142 586)
Net income from operations		**85 641 028**	87 413 827	**85 021 584**	89 327 003
Foreign exchange gain/(loss)		**(5 098 516)**	–	**2 702 506**	–
Investment property impairment adjustment		**(10 463 757)**	–	**(10 463 757)**	–
Investment property fair value adjustment		**16 403 560**	6 917 117	**14 721 858**	(10 643 564)
Profit before income tax		**86 482 315**	94 330 944	**91 982 191**	78 683 439
Income tax credit/(charge)	20	**10 559 126**	14 962 016	**7 149 274**	16 010 886
Profit for the year		**97 041 441**	109 292 960	**99 131 465**	94 694 325
Operating expenses					
Accounting fees		**(393 039)**	(358 387)	**(334 586)**	(296 397)
Rates		**(2 939 469)**	(3 007 931)	**(241 898)**	(756 897)
Auditor's remuneration		**(780 037)**	(791 303)	**(479 506)**	(688 750)
Bank charges		**(93 966)**	(79 939)	**(63 915)**	(58 019)
Cleaning		**(637 830)**	(987 164)	**(457 533)**	(714 527)
Depreciation		**(246 201)**	(142 170)	**(213 443)**	(107 710)
Insurance		**(1 445 126)**	(1 308 326)	**(937 413)**	(827 920)
Legal expenses		**(1 082 066)**	(1 037 564)	**(225 376)**	(475 528)
Professional charges		**(1 300 055)**	(1 907 702)	**(1 027 693)**	(758 485)
Levies		**(1 908 599)**	(1 994 764)	**(1 858 223)**	(1 952 520)
Commission		**(389 277)**	(88 793)	**(47 600)**	(42 898)
Loss on disposal of investment property		**(150 000)**	(15 541)	**(150 000)**	(15 541)
Repairs and maintenance		**(1 130 120)**	(1 456 857)	**(1 020 418)**	(933 156)
Rentals on sublease		**(958 214)**	(410 081)	**(450 850)**	(320 135)
Security		**(1 111 133)**	(1 032 009)	**(690 897)**	(692 822)
SAT penalty interest		**(83 271)**	(17 644)	**–**	(17 644)
Staff cost		**(2 018 585)**	(1 851 296)	**(2 018 585)**	(1 851 296)
Impairment of trade receivable		**(3 132 574)**	(2 583 366)	**(2 380 169)**	(751 166)
Utilities		**(13 276 182)**	(12 260 220)	**(8 310 297)**	(5 572 575)
Directors' remuneration		**(879 167)**	(466 850)	**(879 167)**	(466 850)
Other charges		**(2 901 532)**	(1 965 548)	**(2 797 859)**	(1 715 889)
		(36 856 443)	(33 763 455)	**(24 585 428)**	(19 016 725)

This detailed income statement does not form part of the audited financial statements covered by the audit opinion on pages 35 to 38.

Analysis of linked unitholders

for the year ended 30 June 2020

SHAREHOLDER ANALYSIS – 2020

SL No		Number of shareholders 2019	Number of shares held 2019	Percentage of holding 2019	**Number of shareholders 2020**	**Number of shares held 2020**	**Percentage of holding 2020**
1	1 – 1 000	385	125 893	0.03	**380**	**123 327**	**0.03**
2	1 001 – 10 000	141	560 618	0.14	**133**	**514 496**	**0.12**
3	10 001 – 100 000	65	2 338 707	0.58	**61**	**2 245 140**	**0.52**
4	100 001 – 1 000 000	19	5 846 132	1.44	**20**	**6 049 631**	**1.42**
5	1 000 001 and above	8	397 436 469	97.82	**10**	**417 598 237**	**97.91**
	Total	618	406 307 819	100.00	**604**	**426 530 831**	**100.00**

Top five shareholders

SL No	*Name of top five shareholders*	Number of shares held 2019	Percentage of holding 2019	**Number of shares held 2020**	**Percentage of holding 2020**
1	Farouk Ismail	159 561 419	39.27	**123 755 648**	**29.01**
2	Ramachandran Ottapathu	155 833 200	38.35	**119 998 333**	**28.13**
3	Platinum Compass (Pty) Ltd	–	–	**92 000 000**	**21.57**
4	Botswana Public Officers Pension Fund	70 048 275	17.24	**70 271 895**	**16.48**
5	Allan Gray Re Dedswana Pension Fund	8 271 349	2.04	**4 837 924**	**1.13**
	Total	393 714 243	96.90	**410 863 800**	**96.33**

List of shareholders holding above 5% – 2020

SL No	*Name of shareholders – 2019*	Number of shares held 2019	Percentage of holding 2019	**Number of shares held 2020**	**Percentage of holding 2020**
1	Farouk Ismail	159 561 419	39.27	**123 755 648**	**29.01**
2	Ramachandran Ottapathu	155 833 200	38.35	**119 998 333**	**28.13**
3	Platinum Compass (Pty) Ltd			**92 000 000**	**21.57**
4	Botswana Public Officers Pension Fund	70 048 275	17.24	**70 271 895**	**16.48**
	Total	385 442 894	94.86	**406 025 876**	**95.20**

SL No	*Details*	Number of share-holders 2019	Number of shares held 2019	Percentage of holding 2019	**Number of share-holders 2020**	**Number of shares held 2020**	**Percentage of holding 2020**
1	Public	607	32 791 681	8.07	**593**	**19 648 014**	**4.58**
2	Directors (direct and indirect holding)	9	316 363 150	77.86	**8**	**336 610 922**	**78.92**
3	Shareholders holding above 5% excluding directors	2	57 152 988	14.07	**3**	**70 271 895**	**16.48**
	Total	618	406 307 819	100.00	**604**	**426 530 831**	**100**

SHAREHOLDERS CLASSIFICATIONS – 2020

SL No	*Details*	Number of share-holders 2019	Number of shares held 2019	Percentage of holding 2019	**Number of share-holders 2020**	**Number of shares held 2020**	**Percentage of holding 2020**
1	Individuals	568	2 581 741	0.64	**549**	**2 470 966**	**0.58**
2	Companies	11	135779	0.03	**14**	**185 136**	**0.04**
3	Institutional investors	30	87 227 149	21.47	**33**	**87 263 807**	**20.46**
4	Directors	9	316 363 150	77.86	**8**	**336 610 922**	**78.92**
	Total	618	406 307 819	100.00	**604**	**426 530 831**	**100.00**

	Directors' holdings	Number of shares held 2019	Percentage of holding 2019	**Number of shares held 2020**	**Percentage of holding 2020**
1	FGM Holdings (Pty) Limited (HE Festus Mogae)^^	537 234	0.13	**571 870**	**0.13**
2	Faizel Ismail (through his family)	159 561 419	39.27	**169 755 648**	**39.80**
3	Ramachandran Ottapathu	156 042 289	38.40	**165 998 333**	**38.92**
4	Vidya Sanooj	134 226	0.03	**285 071**	**0.07**
5	Reetsang Willie Mokgatlhe	–	–	**–**	**–**
6	Ranjith Priyalal De Silva	–	–	**–**	**–**
8	Bafana Kgotla Molomo*	–	–	**–**	**–**
	Total	316 363 150	77.84	**336 610 922**	**78.92**

^^ Resigned effective 9 October 2019
** Appointed effective 15 November 2020*

Company information

for the year ended 30 June 2020

Country of incorporation and domicile	Botswana
Nature of business and principal activities	Property and asset management
Directors	Reetsang Willie Mokgatlhe (Chair) Ramachandran Ottapathu Faizel Ismail Ranjith Priyalal De Silva Bafana Kgotla Molomo Vidya Sanooj
Registered office	Plot 50370 Acumen Park Fairgrounds Office Park Gaborone Botswana
Business address	Plot 880 Gaborone International Commerce Park East Gate Kgale View Gaborone Botswana
Company secretary	Kingsway Proprietary Limited BDO House, 28 Kgale Mews Gaborone International Finance Park PO Box 1839, Gaborone, Botswana
Independent auditor	Grant Thornton Acumen Park, Plot 50370, Fairgrounds PO Box 1157, Gaborone, Botswana

Postal address	P.O. Box AD65 AEG, Station Gaborone Botswana
Bankers	Absa Bank Botswana Limited First Capital Bank Botswana Limited First National Bank of Botswana Limited Standard Chartered Bank Botswana Limited Investec Bank Limited Standard Bank South Africa Limited Absa Bank Zambia Limited
Registration number	UIN BW 00000942235
Functional currency	Botswana Pula "P"

Notice of annual general meeting

THE FAR PROPERTY COMPANY LIMITED

Notice is hereby given that the 2020 Annual General Meeting of unitholders of The FAR Property Company Limited will be held at Plot No 196 Innovation Hub at Gaborone International Commerce Park, Gaborone, Botswana at 09:30 am on Wednesday, 16 December 2020 for the purpose of transacting the following business and considering and if thought fit to adopt with or without amendment the resolutions proposed:

AGENDA

1. To read the notice convening the meeting
2. To receive, consider and adopt the audited annual financial statements for the year ended 30 June 2020 together with the directors' and auditor's reports thereon.
3. To confirm distribution number 5 of 16.80 thebe to unitholders, comprising 16.65 thebe interest and 0.15 thebe dividend for the year ended 30 June 2020 as recommended by the Board of Directors, it being noted that an additional 21 180 007 linked units were issued to unitholders, who elected to capitalise distribution number 5 in terms of the notice to unitholders dated 28 September 2020.
4. To ratify the appointment of Bafana Kgotla Molomo who was co-opted by the Board of Directors on 15 November 2019.
5. To ratify the appointment of Rajesh Jayrajh who was co-opted by the Board of Directors on 21 October 2020.
6. To re-elect Ramachandran Ottapathu, a director retiring by rotation in terms of clause 20.9.1 of the constitution of the company.
7. To re-elect Reetsang Willie Mokgatlhe, a director retiring by rotation in terms of clause 20.9.1 of the constitution of the company.
8. To consider and ratify the remuneration paid to independent directors for the year ended 30 June 2020 as set out on page 23 of the integrated annual report.
9. To approve the remuneration paid to the auditor Grant Thornton, for the year ended 30 June 2020.
10. To re-appoint Grant Thornton as the auditor for the ensuing financial year.
11. To place linked units equal to an aggregate of 15% of the number of linked units in issue at any time under the control of the directors for allotment and issue for cash or for the acquisition of immovable property until the next Annual General Meeting, subject to limitations in terms of BSE listing requirements.
12. To consider and if deemed fit, pass with or without amendment the following resolution, as a special resolution: To specially resolve in terms of section 128 of the Companies Act Cap 42:01 and ratify the donation of BWP1 Million paid to Covid 19 relief fund for the year ended 30 June 2020.
13. To take and respond to questions put by unitholders in respect of the affairs and the business of the company.
14. To close the meeting

PROXIES

A member entitled to attend and vote may appoint a proxy to attend and vote for him/her on his/her behalf and such a proxy need not also be a member of the company. The instrument appointing such a proxy must be deposited at the registered office of the company, c/o Grant Thornton Business Services (Pty) Limited, Plot 50370, Fairgrounds, Gaborone, Botswana not less than 48 hours before the meeting.

By order of the board

Kingsway (Pty) Ltd
Company Secretaries
Plot 113, Unit 28 Kgale Mews
Gaborone International Finance Park
Gaborone, Botswana

4 November 2020

Proxy form

For completion by the holders of linked units

For use at the Annual General Meeting of unitholders of the Company to be held at Plot no 196 Innovation Hub at Gaborone International Commerce Park, Gaborone, Botswana at 09:30 am on Thursday, 16 December 2020.

Please read the notes overleaf before completing this form

I/We

(name/s in block letters)

of (address)

hereby appoint:

1. or failing him/her, appoint

2. or failing him/her appoint

3. The chairman of the meeting as my/our proxy to act for me/us at the 2020 Annual General Meeting, to vote for or against the resolutions and/or abstain from voting in respect of the linked units registered in my/our name in accordance with the following instructions:

Number of linked units		For	Against	Abstain
Ordinary resolution 1	Agenda item number 2			
Ordinary resolution 2	Agenda item number 3			
Ordinary resolution 3	Agenda item number 4			
Ordinary resolution 4	Agenda item number 5			
Ordinary resolution 5	Agenda item number 6			
Ordinary resolution 6	Agenda item number 7			
Ordinary resolution 7	Agenda item number 8			
Ordinary resolution 8	Agenda item number 9			
Ordinary resolution 9	Agenda item number 10			
Ordinary resolution 10	Agenda item number 11			
Special resolution 1	Agenda Item Number 12			

Signed at Date

Signature

Assisted by (where applicable)

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

Please read notes 1 to 8 on the reverse side hereof.

Notes to the form of proxy

1. A unitholder must insert the names of two alternative proxies of the unitholder's choice in the space provided with or without deleting "the chairman of the meeting". The person whose name appears first on the form of proxy and whose name has not been deleted shall be entitled to act as proxy to the exclusion of those whose names follow.

2. If the unitholder does not have a proxy, the chairman shall be deemed appointed the proxy. A unitholder must indicate the linked units/votes exercisable by the unitholder in the appropriate space provided.

3. A unitholder must indicate how the proxy is to vote on a resolution in the space provided. Failure to comply herewith will be deemed to authorise the proxy to vote at the General Meeting as he/she deems fit in respect of the unitholder's votes exercisable thereat. A unitholder or his/her proxy is obliged to use all the votes exercisable by the unitholder or by his/her proxy.

4. The completion and lodging of this form will not preclude the relevant unitholder from attending the General Meeting.

5. 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 unitholder concerned wishes to vote.

6. 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.

7. The authority of a person signing the form of proxy under power of attorney or on behalf of a company must be attached to the form of proxy.

8. Where linked units are held jointly, all unitholders must sign.

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

Definitions

"Act" or "Companies Act"	Companies Act 2003 (No 32 of 2004) of Botswana, as amended or replaced from time to time
"AGM"	Annual general meeting
"the board"	Board of directors of FPC
"BSE"	Botswana Stock Exchange
"BWP"	Botswana Pula, the legal tender in Botswana
"CEO"	Chief executive officer of FAR Property Company Limited
"CFO"	Chief financial officer of FAR Property Company Limited
"Choppies"	Choppies Enterprises Limited, listed on the BSE and JSE
"the Choppies Group"	Choppies Enterprises Limited and its subsidiaries
"COVID-19"	An infectious disease caused by a newly discovered Coronavirus
"Constitution"	Constitution of FPC as registered by CIPA on 17 December 2015
"Dividends per share (cents)"	Total dividends paid to ordinary shareholders divided by the number of ordinary shares issued calculated in cents.
"EBITDA"	Earnings before interest, tax depreciation and amortisation
"FCMG"	Fast moving consumer goods
"FPC" or "FAR"	The FAR Property Company Limited, listed on the BSE
"GDP"	Gross domestic product
"GLA"	Gross lettable area, measured in square metres
"Headline earnings per share" ("HEPS") (cents)	Headline earnings divided by the weighted number of ordinary shares calculated in cents
"IFRS"	International Financial Reporting Standards
"IT"	Information technology
"King III Report"	King Report on Corporate Governance for South Africa 2009
"KPI"	Key performance indicator
"Last year"	The year ended 30 June 2019
"Linked unit"	One ordinary share indivisibly linked to one debenture of the Company
"Linked unitholders"	Holders of linked units in FPC
"Listing date"	4 May 2016
"Listing"	The listing of FPC's linked units on the BSE
"Listings Requirements"	The BSE Listings Requirements
"NAV"	Net asset value
"Net asset value per share" (cents)	Equity attributable to equity holders of Choppies Enterprises Limited, divided by the total shares in issue, including treasury shares calculated in cents
"NOI"	Net operating income
"PAT/PBT"	Profit after tax/Profit before tax
"Return on equity (%)"	Net income after tax attributable to equity holders of Choppies Enterprises divided by equity attributable to equity holders of Choppies Enterprises Limited
"Return on investment (%)"	Net income after tax attributable to the investment divided by the cost (equity and loans) of the investment
"This year"	The year ended 30 June 2020
"Q Tique"	Q Tique 79 (Proprietary) Limited, a company incorporated with limited liability according to the laws of South Africa under Company No 2006/012884/07, a wholly owned subsidiary of FPC
"Variable rate loan stock company"	A company where the share capital of a company is divided into "linked units" (which are listed on the BSE) each comprising an ordinary share that is indivisibly linked to a variable rate debenture
"ZAR"	South African Rand, the legal tender in South Africa

FORWARD-LOOKING STATEMENTS

This integrated annual report contains forward-looking statements that, unless otherwise indicated, reflect the Group's expectations as at year-end. Actual results may differ materially from the Group's expectations. The Group cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these. The Group disclaims any intention and assumes no obligation to revise any forward-looking statement even if new information becomes available, other than as required by the BSE Listings Requirements or any other applicable regulations.

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