FaR PROPERTY

2019 Integrated annual report

# ADDING VALUE TO AFRICAN INFRASTRUCTURE

# CONTENTS



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 FaR Property Company Limited for the financial year 1 July 2018 to 30 June 2019, 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.

The directors can be contacted at the registered office of the company. Details of the directors are contained on pages 14 and 15.

The company's external auditor, PricewaterhouseCoopers (PwC), has provided assurance on the annual 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 CFO of FPC. The remaining content of the integrated annual report has been reviewed by the board but has not been externally assured.

The board acknowledges its responsibility to ensure the integrity of this integrated annual report.

**Ramachandran Ottapathu**
***Founder***

09 October 2019

# FaR 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 be a well-managed property company and provide value for money for tenants in sub-Saharan Africa.

## VALUES

- 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

## PERFORMANCE HIGHLIGHTS FY2019

| Delivering sustainable shareholder value | Growing a high-quality diversified portfolio | Optimising property assets through customised management |
|---|---|---|
| BWP145,48<br>▲ 8%<br>million revenue<br>(2018: BWP134,8 million) | 211<br>▲ 1%<br>properties across Botswana, South Africa and Zambia<br>(2018: 209) | 9,87%<br>5,2%<br>rent yield ratio<br>(2018: 9,38%) |
| BWP999,52<br>▲ 0,1%<br>million market capitalisation<br>(2018: BWP998.5 million) | BWP1,48<br>▲ 9%<br>billion portfolio value<br>(2018: BWP1,36 billion) | 95%<br>occupancy rate<br>(2018: 95%) |
| | 243 825m²<br>▲ 13%<br>GLA<br>(2018: 215 210m²) | 8,5%<br>weighted average rental escalation<br>(2018: 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 2019): 404 411 057

# CHAIRMAN'S REPORT

## FPC aims to deliver long-term stakeholder value through growing, developing and managing a diversified portfolio of properties in Southern Africa.

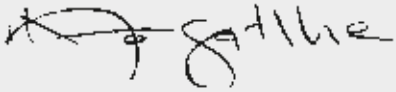
**FPC was founded in 2010** with the intention to provide spaces for retail stores and retail support, such as warehousing and distribution centres, across Southern Africa. The group has since evolved on the back of escalating tenant demand, from managing a portfolio of smaller shopping centres to an 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 FY19. Despite the challenging macro-economic backdrop, FPC grew net income from operations by 6% and the value of the portfolio by 9,0%. This translated to a distribution to unitholders of 17,60 (2018: 12.27) 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 including Pick n Pay, Clicks, Wimpy, Vodacom and Spar.

On behalf of the board I express our gratitude to everyone who supported FPC over the year. FPC's strong performance in the face of a troubled macro-economy 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***

09 October 2019

# OUR PORTFOLIO

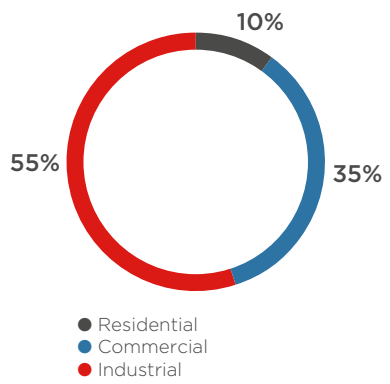
Our BWP1,48 billion diverse portfolio of 211 properties is well-balanced and risk defensive with a focus on different property segments, namely retail/commercial, industrial and residential.

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.

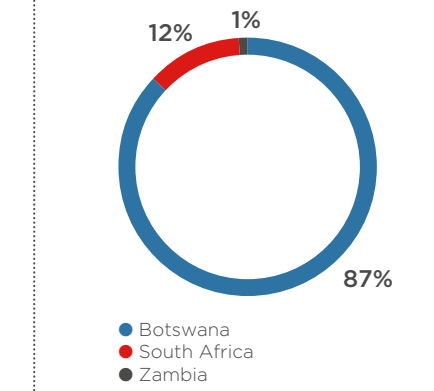
## PORTFOLIO BY SEGMENT

| Retail/commercial | Industrial | Residential |
|---|---|---|
| 68 properties | 59 properties | 84 properties |
| BWP0,731 billion | BWP0,571 billion | BWP0,179 billion |

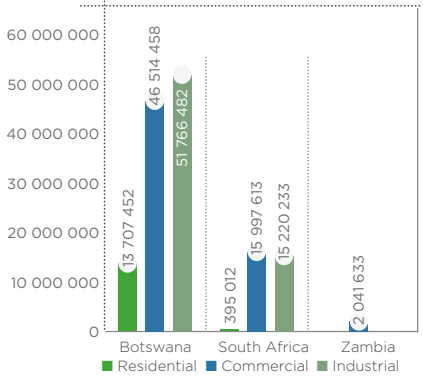
Portfolio by segment




Geographical location



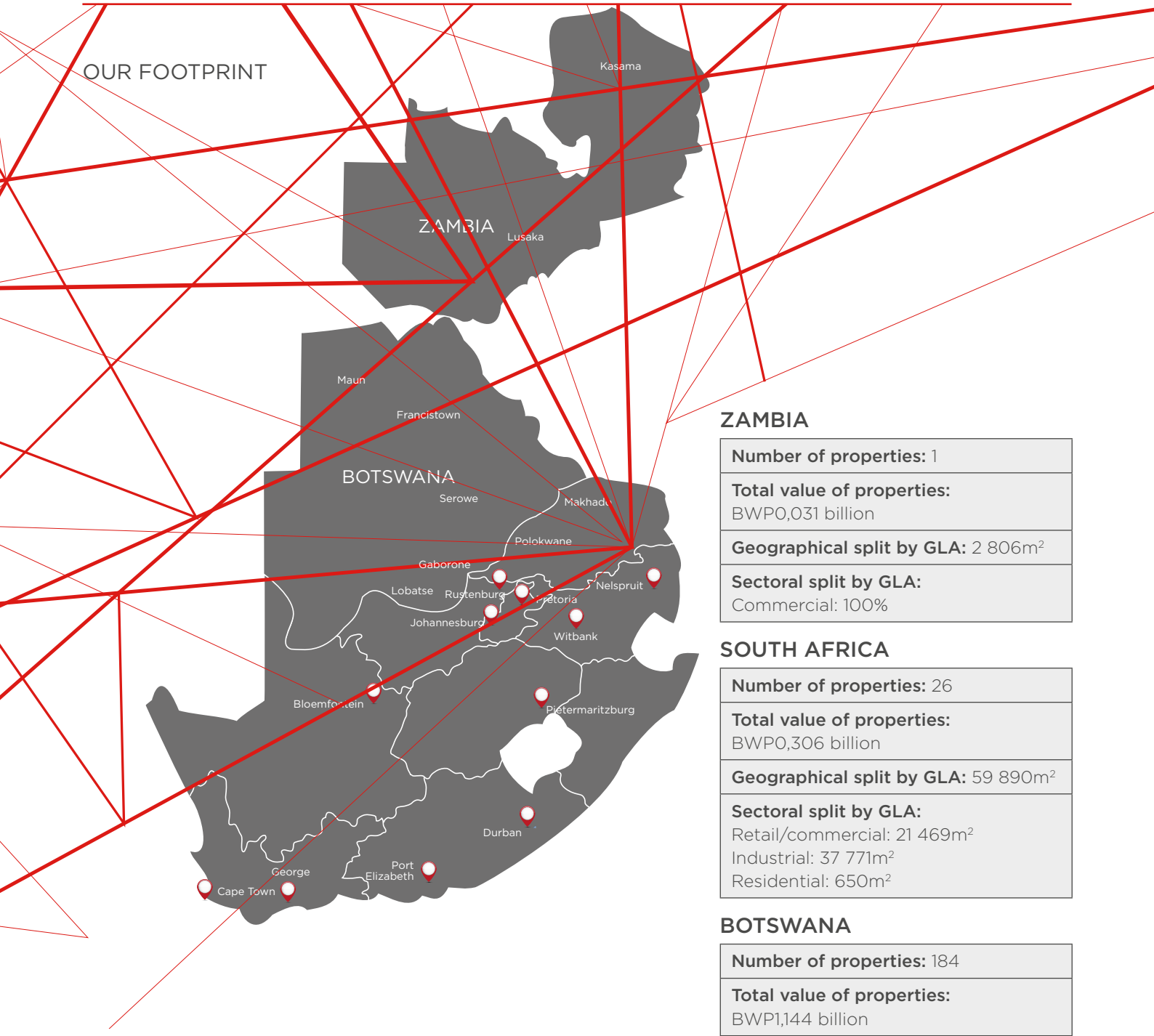

Geographical and sector profile by revenue (BWP)




## OUR PORTFOLIO DIFFERENTIATORS

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

# OUR PORTFOLIO FOOTPRINT




## ZAMBIA

| |
|---|
| **Number of properties:** 1 |
| **Total value of properties:** BWP0,031 billion |
| **Geographical split by GLA:** 2 806m² |
| **Sectoral split by GLA:** Commercial: 100% |

## SOUTH AFRICA

| |
|---|
| **Number of properties:** 26 |
| **Total value of properties:** BWP0,306 billion |
| **Geographical split by GLA:** 59 890m² |
| **Sectoral split by GLA:** Retail/commercial: 21 469m² Industrial: 37 771m² Residential: 650m² |

## BOTSWANA

| |
|---|
| **Number of properties:** 184 |
| **Total value of properties:** BWP1,144 billion |
| **Geographical split by GLA:** 181 129m² |
| **Sectoral split by GLA:** Commercial: 59 666m² Industrial: 97 293m² Residential: 24 170m² |

# WE SHAPE OUR BUILDINGS
## THEREAFTER THEY SHAPE US

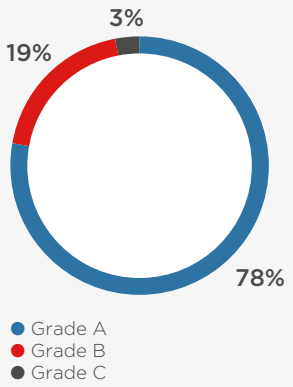
### VACANCY PROFILE BY SECTOR AND RENTABLE AREA

The information below comprises the anticipated vacancy rates for the next five years based on the lease agreements expiry details. However, the renewal clause in the lease agreement mitigates the risk of vacancies. The termination of leases and implementation of new leases on properties are negotiated well in advance.

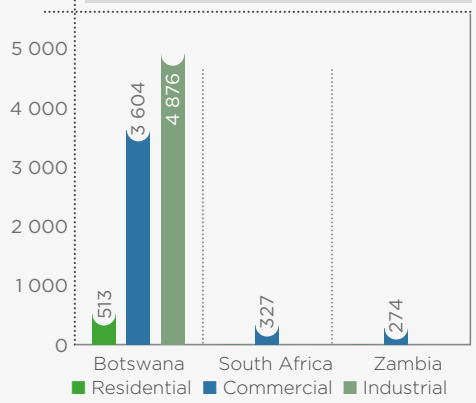
Tenant profile by grading in Botswana
(Tenants are graded as A, B or C)

| | | |
|---|---|---|
| Grade A | Premium tenants including national and international brands | 590 |
| Grade B | Local tenants and mid-sized business with well-established brands | 145 |
| Grade C | New start-up companies and small business operations | 21 |
| Total number of tenants | | 756 |

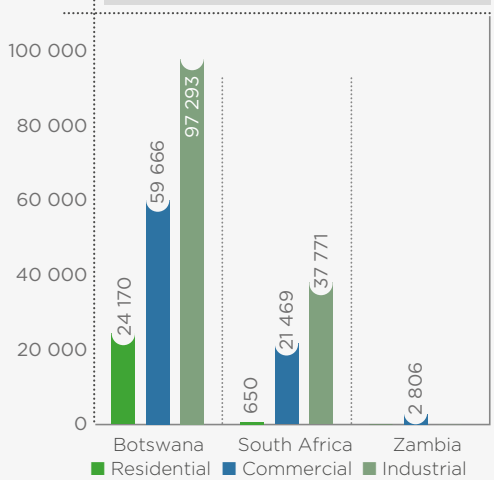
Tenant profile by grade



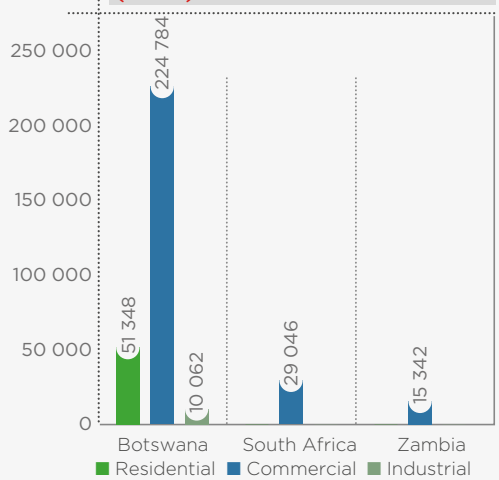

Vacancy profile by sector (m²)




Sectoral split by GLA (m²)




Vacancy profile by revenue (BWP)



# AN OVERVIEW OF OUR BUSINESS

Our principal objective is to generate return on investment for shareholders, through annual portfolio yields and capital appreciation of our assets over the longer term. Our commitment to delivering tailored first-rate services to our tenants, that enhance customer loyalty and create business opportunities, underpins the achievement of our primary objective.

# OUR OPERATING MODEL

## BOARD 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.

## ASSET MANAGEMENT

- Analysing, considering and predicting future industry trends
- Determining and recommending acquisition and disposal strategy based on income and cost
- Determining and recommending strategy for development, refurbishment and/or maintenance of properties
- Ensuring minimum disruption and losses during maintenance, repair and refurbishment.

## PROPERTY MANAGEMENT

- Letting
- Collecting rentals
- Administration of leases and other contracts
- Day-to-day management of property assets.

## FINANCIAL ACCOUNTING TEAM

- Accounting
- Implementing acceptable accounting practices and standards
- Reporting in accordance with IFRS
- Preparing annual budgets in respect of the portfolio for presentation to the board.

## INFORMATION SYSTEMS

- Using the MDA Property System for managing the portfolio. MDA is a recognised global IT system for real-time property management and is interactive and adaptive
- Accurately managing and accessing instant data on tenancies, leases, occupancies, rental income and expenses.

# OUR MARKET REVIEW

## BOTSWANA

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 fast rate and its demographic profile is both young and increasingly urbanised.

Towards the end of the year in review and in the current year, conditions are improving as the price of and demand for diamonds increase.

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.

## SOUTH AFRICA

FPC's South African assets comprise industrial and commercial properties in the North West. The portfolio remained resilient in the year despite the struggling local economy.

## ZAMBIA

FPC's Zambia assets comprise one commercial property in Lusaka. The portfolio remained stable throughout the year.

# OUR STAKEHOLDERS

Stakeholder relations are very important to us, as people are at the core of our ability to create value. Engaged stakeholders strengthen our portfolio, support our business activities and maintain our competitive advantage. Engaging with stakeholders is therefore crucial to managing the risks and capitalising on the opportunities arising from our business activities.

Key stakeholders in our group are shown below with the main issues that concern them:

## LINKED UNITHOLDERS

- Sustainable growth
- Linked unit price performance
- Risk and mitigation strategies
- Management stability and competence
- Distributable profit

## FINANCIERS

- Loan covenant compliance
- Solvency
- Quality of assets
- Adequate security
- Tenant quality

## TENANTS

- Anchor tenant stability, sustainability and quality
- Rental and occupancy costs
- Safety
- Quality property management

## INDUSTRY ASSOCIATIONS

- Market trends
- Industry developments

## INDEPENDENT VALUERS

- Property management
- Risk and mitigation strategies
- Quality of assets

## GOVERNMENT AND REGULATORS

- Tax payments
- Compliance with legislation

## COMMUNITIES

- Job creation
- Good corporate citizen

# MANAGEMENT OVERVIEW

FPC enjoyed a successful year marked by strong performances and significant achievements. We grew our portfolio from BWP1,36 billion to BWP1,48 billion, an appreciation in asset value of more than BWP123 million.

The growth was driven mainly by an increase in property valuations and acquisition of new properties. Property management remained robust. Focus on rental collection continues to be unwavering and we are pleased to report zero rental reversions or defaults in the year. Lease agreements continue to be well managed, 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

> Rental income up by 14% to BWP145,6 million.
> Rental yields improved by 5,2%
> Vacancies low at <5%.
> Net income from operations up by 6% to BWP87,414 million.
> EBITDA up by 11% to BWP133,33 million.
> Loan-to-asset ratio of 32,5%.

## FINANCIAL PERFORMANCE

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).

BWP145,48 million revenue for the year increased by 8% over BWP134,8 million for the previous year. Operating profit was up 6% to BPW133,335 million from BPW120,2 million. Profit before tax (PBT) was BWP94,331 million compared to BWP36,2 million in the previous year. FPC generated profit attributable to linked unitholders of BWP 109,293 million, 178% higher than BWP39,2 million in FY2018. Earnings per linked unit were BWP0.27 compared to BWP0,10. Net cash generated from operating activities to BWP79,897 million, from BWP86,4 million a year ago.

## DISTRIBUTION TO LINKED UNITHOLDERS

The board declared a distribution to unitholders of 17,60 (2018: 12,27) thebe for each unit, comprising 17,44 (2018: 12,16) thebe interest and 0,16 (2018: 0,11) thebe dividend.

## GROWING OUR ASSET BASE

We successfully concluded a number of acquisitions during the year and extracted value from existing properties through expansion and upgrade programmes. We also executed new developments, all as detailed below.

### ACQUISITIONS

| Property | Segment | Price | Yield* | Transfer date* |
|---|---|---|---|---|
| Pinetown, Durban (SA) | Industrial – Pick n Pay distribution centre | BWP75,262 million | 9,74 % | 03.09.2018 |
| Bloemfontein, Free State (SA) | Commercial – retail/chain store with a few small line shops | BWP16,9 million | Vacant | 05.10.2018 |

*Anticipated*

## DEVELOPMENTS

| Region | Segment | Property |
|---|---|---|
| Botswana | Industrial | Serowe Warehouse |
| | Commercial | Gumare – Shopping Mall |
| | Commercial | Kasane Filling Station |
| | Commercial | Modipane Filling Station |
| | Commercial | SSKA – hanger |
| South Africa | Industrial | Warehouse, North West |

## PROJECTS UNDER CONSTRUCTION

| Description of the development | Type of property | Land area ($m^2$) | Built-up area ($m^2$) | Expected completion date | Expected annual rent – net (BWP) | Annual rent escalation | Cost of the project | Cost incurred | Balance |
|---|---|---|---|---|---|---|---|---|---|
| Plot 4620 Gumare | Commercial | 2 450 | 1 770 | Sep-19 | 700 579 | 8% | 8 757 249 | 4 086 705 | 4 670 543 |
| Lot 2724 Extension 9 Hospital | Clinic | 1 100 | 1 000 | Mar-20 | 790 000 | 7% | 7 900 000 | – | 7 900 000 |
| **South African Properties** | | | | | | | | | |
| Erven 823 & 824 Westonaria | Industrial | 3 688 | 2 028 | Aug-19 | 604 624 | 7% | 8 637 487 | 7 199 196 | 1 438 291 |

## 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.

**Ramachandran Ottapathu**
***Director and founder***

09 October 2019

# TOP 10 PROPERTIES

## TATI RIVER MALL, LOT 903, FRANCISTOWN, BOTSWANA

An attractive, upmarket and fully let shopping mall developed on the banks of Tati River, Francistown.

| ANCHOR TENANT | OTHER KEY TENANTS | TYPE OF PROPERTY | GLA (m²) | VALUE AT 30 JUNE 2019 | LOCATION |
|---|---|---|---|---|---|
| Choppies Hyperstore | OK Furniture, DSTV MultiChoice, CIPA, BITC, Letshego, JB Sports, Liquorama | Commercial | 10 184 | BWP96 300 000 | Francistown |

## BOROGO JUNCTION, TRIBAL LOT 1301, KAZUNGULA, BOTSWANA

An attractive development in the heart of Kazungula located at the junction of Kazungula, serving Kasane and the borders of Zambia, Zimbabwe and Namibia.

| ANCHOR TENANTS | TYPE OF PROPERTY | GLA (m²) | VALUE AT 30 JUNE 2019 | LOCATION |
|---|---|---|---|---|
| Motovac, Liquorama, JB Sports, Diagnofirm | Commercial | 7 374 | BWP81 675 000 | Kazungula |

## PORTION 880 A PORTION OF PORTION 3 – 9 KO GICP, GABORONE

The property consists of five separate warehouses. It is fully tenanted with long-term lease agreements up to 2021.

| ANCHOR TENANTS | TYPE OF PROPERTY | GLA (m²) | VALUE AT 30 JUNE 2019 | LOCATION |
|---|---|---|---|---|
| Spark Capital, Choppies Distribution, Amphora, DCS Tropicana, Well Done, Motopi Holdings, Fours Cash and Carry. | Light industrial | 17 595 | BWP112 650 000 | Gaborone |

## PORTION 888 (A PORTION OF REMAINING EXTENT OF PORTION 3) OF FARM FOREST HILL – 9 KO GICP, GABORONE

This property is one of the notable large developments in GICP. It is a modern development built with the vision of being capable of being used for a wide range of possible tenants. The premises can be operated by a single tenant or be multi-tenanted. This flexibility restricts possible vacancies.

| ANCHOR TENANTS | OTHER KEY TENANTS | TYPE OF PROPERTY | GLA (m²) | VALUE AT 30 JUNE 2019 | LOCATION |
|---|---|---|---|---|---|
| BMS, Choppies and NBL | 17 595 | Light industrial | 11 949 | BWP62 750 000 | Gaborone |

## PORTION 212 (PORTION OF REMAINING EXTENT FARM PORTION 3.) FARM NO 9 K O, GABORONE

The hub of Choppies Distribution Centre for southern Botswana is tenanted in this property.

| ANCHOR TENANT | TYPE OF PROPERTY | GLA (m²) | VALUE AT 30 JUNE 2019 | LOCATION |
|---|---|---|---|---|
| Choppies Distribution | Light industrial | 11 706 | BWP55 600 000 | Gaborone |

### PLOT 20602, BROADHURST, BLOCK 3, BOTSWANA

An attractive modern industrial building with one of Gaborone's most popular industrial estates, with easy access to the city by-pass and also Nelson Mandela Drive. A further warehouse is being added to the side.

| ANCHOR TENANTS | TYPE OF PROPERTY | GLA ($m^2$) | VALUE AT 30 JUNE 2019 | LOCATION |
|---|---|---|---|---|
| Bag Piper<br>Arcee | Light industrial | 5 850 | BWP29 300 000 | Gaborone |

### PORTION 196 – 9 KO GICP, GABORONE, BOTSWANA

This is a custom-built industrial development catering for large operations. This property is capable of handling both manufacturing and distribution operations. The facility is equipped with a manufacturing plant.

| ANCHOR TENANT | TYPE OF PROPERTY | GLA ($m^2$) | VALUE AT 30 JUNE 2019 | LOCATION |
|---|---|---|---|---|
| Clover Botswana | Light industrial | 4 992 | BWP28 735 000 | Gaborone |

### ERF 13099 PINETOWN, EXTENSION 107, SOUTH AFRICA

The property comprises a large warehouse, with a double-storey office block at the front and visitor parking, providing good quality warehouse accommodation on a level commercial plot measuring approximately 22 138$m^2$ in extent.

| ANCHOR TENANT | TYPE OF PROPERTY | GLA ($m^2$) | VALUE AT 30 JUNE 2019 | LOCATION |
|---|---|---|---|---|
| Pick n Pay Retailers | Industrial | 12 350 | R98 300 000 | Durban |

### ERF 2282, RUSTENBURG, EXTENSION 9, SOUTH AFRICA

This is the largest development outside Botswana. It was custom built to cater for the needs of Choppies Warehousing Services (Proprietary) Limited.

| ANCHOR TENANTS | TYPE OF PROPERTY | GLA ($m^2$) | VALUE AT 30 JUNE 2019 | LOCATION |
|---|---|---|---|---|
| Choppies Supermarkets<br>Well-Done Transport | Industrial | 10 304 | R49 200 000 | Rustenburg |

### ERF 7185 RUSTENBURG, EXTENSION 9, SOUTH AFRICA

The property was improved by way of consolidation with two warehouses, located in the north west of South Africa.

| ANCHOR TENANTS | TYPE OF PROPERTY | GLA ($m^2$) | VALUE AT 30 JUNE 2019 | LOCATION |
|---|---|---|---|---|
| Choppies Supermarkets<br>Well-Done Transport | Industrial | 9406 | R54 900 000 | Rustenburg |

# LEADERSHIP

## Independent non-executive directors

### 01 Reetsang Willie Mokgatlhe (56) (Motswana)

**Qualifications:** *MSc, BCom*

**Appointed to the board:** December 2015; Member audit, risk and compliance committee; Chair remuneration committee

Willie has held senior positions in large private and parastatal organisations in Botswana, Namibia, South Africa and the Netherlands over 15 years, including chairman of the National Development Bank and director of Botswana Postal Services. He is currently a director of Botswana Development Corporation and Botswana Oil Limited, of which he was also the founding CEO. Willie has a wealth of experience in strategy development and business planning, finance, marketing and stakeholder management.

### 02 Ranjith Priyalal De Silva (64) (Sri Lankan)

**Qualifications:** *FCA (Bots), FCA (SL), ACMA (UK)*

**Appointed to the board:** 6 June 2019; Member audit, risk and compliance committee

Priyalal, a well-known Chartered Accountant in Botswana, retired as Audit Partner at PwC Botswana on 30 June 2016 after 36 years (19 years of which as Audit Partner). He also held the position of COO of PwC Botswana from 1 July 2007 until his retirement on 30 June 2016. His expertise is primarily in auditing, accounting, tax planning, financial investigations and financial management.

## Non-executive directors

### 03 Ramachandran (Ram) Ottapathu (55) (Motswana)

**Qualifications:** *BCom, CA*

**Appointed to the board:** July 2010

Ram has 25 years' experience in the retail industry both in 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 of the Institute of Chartered Accountants of India and associate member of the Botswana Institute of Chartered Accountants.

### 04 Faizel Ismail (37) (Motswana)

**Qualifications:** *IMM diploma*

**Appointed to the board:** June 2016

Faizel is MD 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.

### 05 Vidya Sanooj (36) (Indian)

**Qualifications:** *BCom, CA*

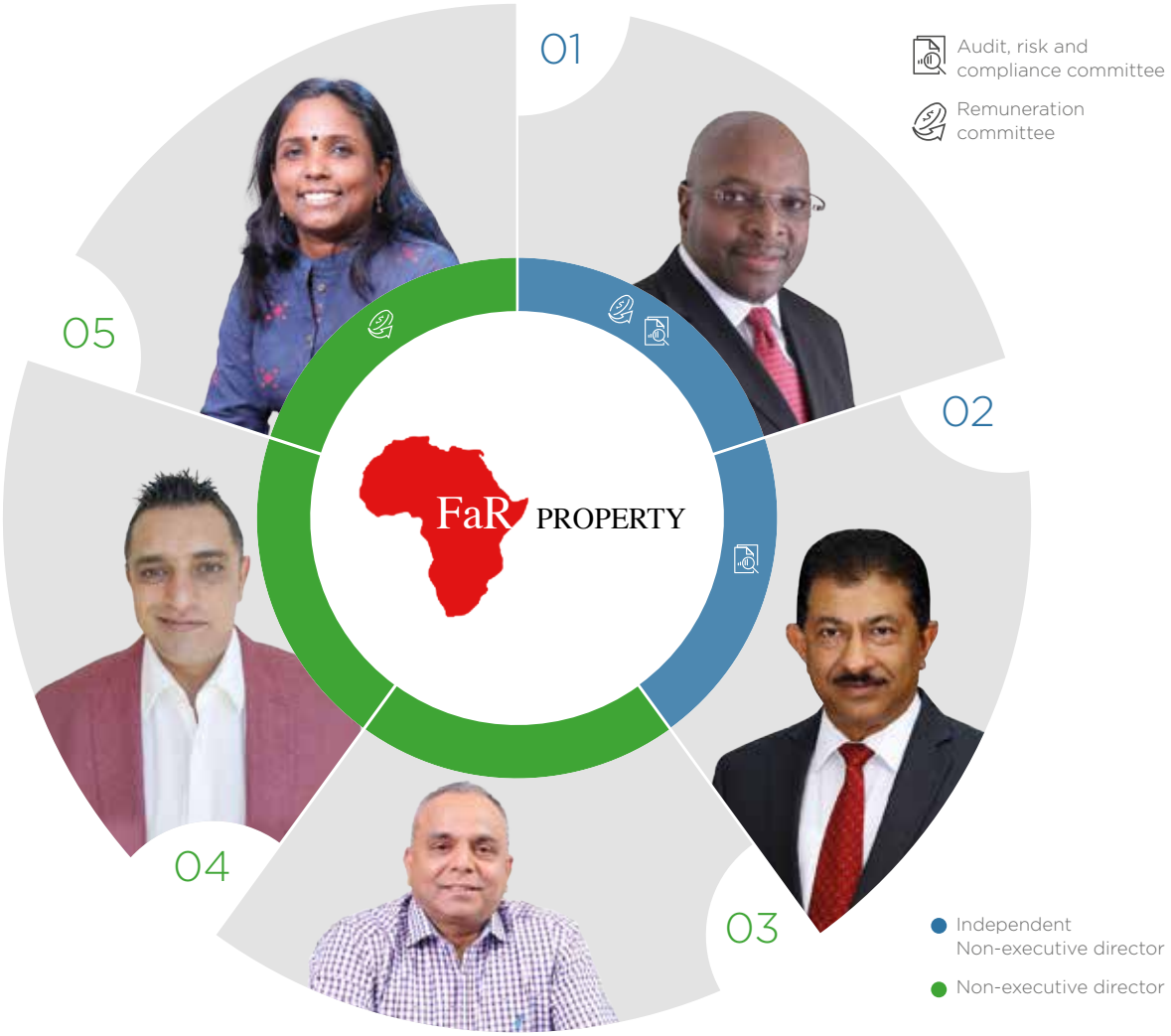
**Appointed to the board:** June 2015

Vidya has 10 years' 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.

*Robert Neil Matthews resigned on 27 May 2019*

*HE Festus Mogae resigned on 9th October 2019*

The board is the focal point of good governance and exercises sound judgement and leadership with integrity, guided by principles of responsibility, accountability, fairness and transparency. As a body the board has ultimate responsibility for the ethical culture of the company. FPC has a formalised code of conduct which includes whistleblowing and grievance policies. The contract of employment for each employee makes reference to the code of conduct and obliges each employee to abide therewith.




## Executive management

**Deon Bauermeister**

**Function:** *Property manager – South Africa*

Deon was MD of a multinational retailer in South Africa for six years, during which he was involved in the day-to-day running of the business and in growth and expansion. FPC operates under corporate governance policies that embrace the principles and recommendations set out in the BSE Corporate Code and the King III Report.

**Sreedharan Nair**

**Function:** *Property manager – Botswana*

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

**Shinu Joy**

**Function:** *Head of Finance and Operations*

**Qualifications:** *BCom, ACA, ACMA-(US)*

Shinu has been involved in operations and finance for more than 14 years in India, the Middle East and Africa within various industries and groups. He is well versed in the property market and joined FaR in December 2017.

**Afifa Patel**

**Function:** *Finance manager*

**Qualifications:** *ACCA*

Afifa joined FaR in August 2018 with her vast knowledge of accounts and finance, having worked with various service industries in Botswana and India.

# CORPORATE GOVERNANCE REPORT

## ATTENDANCE REGISTERS

| Director | Designation | Board | Audit, risk and compliance committee | Remuneration committee |
|---|---|---|---|---|
| **HE Festus G Mogae^^** | Independent non-executive chairman | ✓ ☐ ☐ ☐ Chairman | | |
| **Robert Matthews^** | Independent non-executive | ✓ ✓ ✓ ☐ | ✓ ✓ ☐ Chairman | |
| **Reetsang Willie Mokgatlhe** | Independent non-executive | ✓ ✓ ✓ ☐ | ✓ ✓ ✓ | ✓ Chairman |
| **Faizel Ismail** | Non-executive | ✓ ✓ ✓ ✓ | | |
| **Ramachandran Ottapathu** | Non-executive | ✓ ✓ ✓ ✓ | | |
| **Vidya Sanooj** | Non-executive | ✓ ✓ ✓ ✓ | ✓ ✓ ✓ | ✓ |
| **Ranjith Priyalal De Silva*** | Independent non-executive | ✓ | ✓ | |

** Appointed 6 June 2019.*
*^ Resigned effective 27 May 2019.*
*^^ Resigned effective 9 October 2019.*

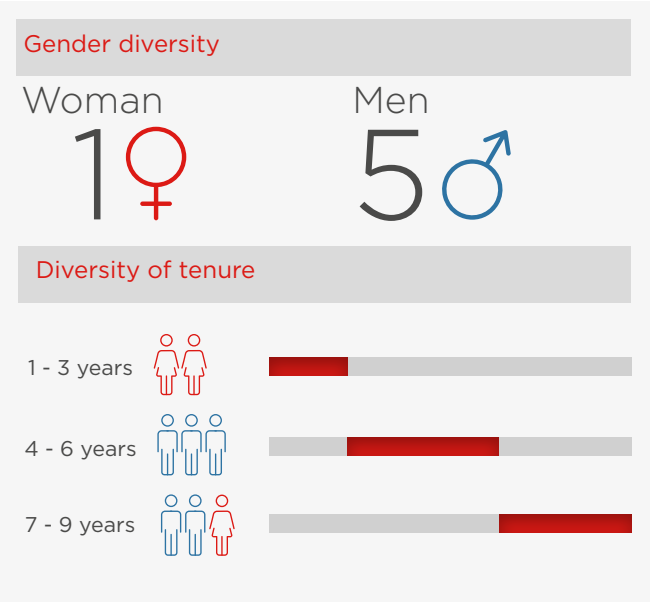
## LEADERSHIP

The board is the focal point of good governance and exercises sound judgement and leadership with integrity, guided by principles of responsibility, accountability, fairness and transparency. As a body the board has ultimate responsibility for the ethical culture of the company. FPC has a formalised code of conduct which includes whistleblowing and grievance policies. The contract of employment for each employee makes reference to the code of conduct and obliges each employee to abide therewith.

## COMPANY SECRETARY

The company secretary is Grant Thornton Business Services 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 Grant Thornton Business Services who perform the company secretarial functions, as well as the directors and shareholders, and is satisfied that there is an arm's length relationship between the company secretary and the board (which can remove the company secretary from office).

The board annually reviews the competence, qualifications and experience of the company secretary and reports on its satisfaction therewith. The board has determined that it is satisfied with Grant Thornton Business Services' current competence, qualifications and experience as company secretary.




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 legislation relevant to, or affecting the group.

# REMUNERATION COMMITTEE 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 increasing development of the group.

The remuneration committee comprises independent non-executive director, Reetsang Willie Mokgatlhe (chair) and non-executive director Vidya Sanooj. Other directors attend by invitation. Full attendance registers are set out on page 16.

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 financial 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 included the whistleblowing and grievance policy to formally address employee grievances. As part of strengthening governance, the contract of employment for each employee makes reference 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 BWP25 000 sitting fees for each 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 |
|---|---|---|
| HE Festus G Mogae^^ | – | 30 783 |
| Ramachandran Ottapathu | – | – |
| Faizel Ismail | – | – |
| Robert Neil Matthews* | – | 153 917 |
| Ranjith Priyalal De Silva^ | – | 66 667 |
| Reetsang Willie Mokgatlhe | – | 215 483 |
| Vidya Sanooj | 410 020 | – |
| Total: | 410 020 | 466 850 |

* *Resigned effective: 27 May 2019*
^ *Appointed effective: 6 June 2019*
^^ *Resigned effective: 9 October 2019*

**Reetsang Willie Mokgatlhe**
***Remuneration committee chairman***

09 October 2019

# AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

The audit, risk and compliance committee, appointed by the board of directors, 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, one of whom acts as chair. Senior management and the external auditor attend ARC meetings by invitation. Other executives 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 interactions with the head of finance team, the audit and risk committee is satisfied with the expertise, experience and competence of the head of finance team

## COMMITTEE MEMBERSHIP AND ATTENDANCE

| Name | Status | September 2018 | March **2019** | June **2019** | August **2019** |
|---|---|---|---|---|---|
| Robert N Matthews* | Non-executive director – Committee chair | Y | **Y** | **-** | **-** |
| Ranjith Priyalal De Silva^ | Chairman of committee Independent non-executive director | - | **-** | **Y** | **Y** |
| Reetsang Willie Mokgatlhe | Independent non-executive director | Y | **Y** | **Y** | **Y** |

** Resigned effective 27 May 2019.*
*^ Appointed effective 6 June 2019.*

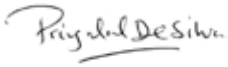
## MEETINGS AND ACTIVITIES OF THE COMMITTEE

Four meetings of the committee have been held since 1 July 2018, as reflected above.

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 2019.
> 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 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 reports on issues discussed at its meetings at the next board meeting following the committee meeting, and makes 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 integrated annual report
> proposed press releases
> application of the solvency test and the declaration of the distributions payable to linked unitholders including proposed capitalisation
> other matters considered to be of relevance to the deliberations of the board.



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

09 October 2019

# STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The directors of The FaR Property Company Limited are responsible for the consolidated annual 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 27 to 82 and the supplementary information on page 83, were authorised for issue by the board of directors on 20 September 2019 and are signed on its behalf by:

**Vidya Sanooj**
Director

**Ranjith Priyalal De Silva**
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 Commission all such returns as are required of a public company in terms of the Companies Act, and that all such returns are true, correct and up to date.

**Anjana Suresh**
Grant Thornton Business Services Proprietary Limited

09 October 2019

# DIRECTORS' REPORT

for the year ended 30 June 2019

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 2019.

## GENERAL INFORMATION

The company was incorporated on 29 June 2010 under registration number Co 2010/6009 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 28 to 83.

## STATED CAPITAL

In total, 404 million weighted average linked units, comprising ordinary shares that are indivisibly linked to variable rate debentures.

## DISTRIBUTION

Distribution number 4, amounting to 17,60 thebe, comprising 17,44 thebe interest and 0,16 thebe dividend, per linked unit for the year ended 30 June 2019. This distribution was declared as payable on 11 October 2019.

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 2019 are His Excellency Festus Gontebanye Mogae (Chair); Ramachandran Ottapathu; Reetsang Willie Mokgatlhe; Ranjith Priyalal De Silva; Faizel Ismail, and Vidya Sanooj. Details of directors are shown on pages 14 and 15.

# INDEPENDENT AUDITOR'S REPORT

## TO THE UNITHOLDERS OF THE FAR PROPERTY COMPANY LIMITED

### OUR OPINION

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of The FaR Property Company Limited (the "Company") and its subsidiaries (together the "Group") as at 30 June 2019, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

### WHAT WE HAVE AUDITED

The FaR Property Company Limited's consolidated and separate financial statements set out on pages 27 to 82 comprise:

> the consolidated and separate statements of financial position as at 30 June 2019;
> the consolidated and separate statements of comprehensive income for the year then ended;
> the consolidated and separate statements of changes in equity for the year then ended;
> the consolidated and separate statements of cash flows for the year then ended; and
> the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies.

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

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

#### Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") issued by the International Ethics Standards Board for Accountants 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 other ethical requirements applicable to performing audits of financial statements in Botswana.

### OUR AUDIT APPROACH

#### Overview


***Overall group materiality***

> Overall group materiality: P6 398 000, which represents 0,75% of consolidated net assets.

***Group audit scope***

> Group audit scope has been determined based on indicators such as the contribution to the consolidated net assets by each component. The Group consists of four components, which includes the Company and three wholly owned subsidiaries. We performed a full scope audit on the holding company, which we considered to be the single financially significant component. On the South African subsidiary, Qtique 79 (Proprietary) Limited, we performed audit procedures on certain account balances and transactions based on materiality and the risk associated with these account balances and transactions. Analytical review procedures were performed on the two insignificant components.

***Key audit matter***

> Valuation of investment property

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

### Materiality

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

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

| | |
|---|---|
| **Overall group materiality** | P6 398 000 |
| **How we determined it** | 0,75% of the consolidated net assets |
| **Rationale for the materiality benchmark applied** | We chose Group net assets as the benchmark because, in our view, the net asset value and the distribution yield, which is distribution divided by the net assets, are the key criteria against which the performance of the Group is most commonly measured by users. We chose 0,75%, which is lower than the normal quantitative materiality thresholds used for similar companies in this sector given that the Group has significant exposure to third-party liabilities, with related debt covenant requirements. |

### How we tailored our group audit scope

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

The Group consists of the Company and three wholly owned subsidiaries, all of which we considered to be individual components for purposes of our group audit. Our scoping assessment included consideration of the financial significance of each component as well as taking into consideration the sufficiency of work planned to be performed over material line items in the consolidated financial statements. We identified the Company to be the only financially significant component in the Group based on its contribution to the consolidated net assets. We also included the South African subsidiary, Qtique 79 (Proprietary) Limited, in the scope of our group audit based on indicators such as the subsidiary's contribution to consolidated net assets. The remainder of the components were considered to be insignificant to the Group individually and in aggregate.

For the financially significant component, which is the holding company, we performed a full scope audit and for the other in-scope component, we performed audit procedures on certain account balances and transactions based on materiality and the risk associated with these account balances and transactions. Analytical review procedures were performed on insignificant components. All audit work was performed by the Group engagement team and did not require involvement of component auditors. This, together with additional procedures performed at the group level, including testing of consolidation journals and intercompany eliminations, provided us the audit evidence we needed for our opinion on the consolidated financial statements as a whole.

# 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 financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Valuation of investment property**<br><br>The Group accounts for investment properties at fair value in both its consolidated and separate financial statements.<br><br>The carrying values of investment properties for the Group and Company at 30 June 2019 were P1 481 019 203 and P1 142 728 622, respectively (refer note 3 – investment property). The fair value adjustment recorded in net profit before tax in respect of investment properties for the Group and Company amounted to a P6 917 117 gain and a P10 643 564 loss, respectively.<br><br>At 30 June 2019, the Group's valuation of the portfolio of properties was based on valuations carried out by independent valuers, using valuation techniques such as the sales comparison, depreciated replacement cost and income capitalisation methods. These valuation techniques incorporate unobservable inputs such as future rental cash inflows, capitalisation rates, direct comparable sales, rent escalation rates, build rates and discount rates as set out in note 3 – investment property.<br><br>Significant judgement is required to determine the fair value of investment properties, especially with respect to the determination of unobservable inputs to be utilised. We therefore considered the valuation of investment property to be a matter of most significance to the current year audit due to the magnitude of the balances, combined with the significant assumptions associated with determining the fair values.<br><br>*This key audit matter relates to the consolidated and separate financial statements.* | We assessed the competence and capabilities of the independent valuers by verifying their qualifications and past experience. We also determined whether there are any matters that might have affected their objectivity or may have imposed scope limitations upon the work performed by them.<br><br>In doing so, we obtained written confirmation from the valuers that:<br>> all professional staff involved in the valuation process are in good standing with relevant professional bodies;<br>> they are free from any direct or indirect shareholding or financial interest in the Group;<br>> the Group did not place any restrictions on the valuation process; and<br>> they are not aware of any information relevant to the valuation which had been withheld by the Group.<br><br>We found no evidence to suggest that valuers are not appropriately qualified or experienced or that their objectivity in performance of the valuation was compromised.<br><br>We compared the valuation techniques used by the independent valuers against IFRS guidance and industry norms to confirm that the methodologies were appropriate under the circumstances. The valuation methods were comparable to those typically used in the market.<br><br>We tested a sample of data inputs used in the independent valuations. For example, we agreed future rental cash inflows and rent escalation rates to appropriate supporting documentation (such as rental agreements, business plans and historical performance) to assess the accuracy and completeness thereof. We also compared a sample of direct comparable sales values, rent escalation rates and build rates utilised in the valuation to those generally used in the market for similar properties and rates used in historical valuations. The data inputs used in the independent valuations were found to be reasonable and were applied consistently in comparison to the prior year.<br><br>We compared the capitalisation rates utilised in the valuation to those generally used in the market for similar properties, rates used in historical valuations, general market factors (such as comparable long-bond yield rates) and property specific risk factors. These inputs were found to be within a reasonable range. |

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "The FaR Property Company Limited consolidated and separate annual financial statements for the year ended 30 June 2019", which we obtained prior to the date of this auditor's report, and the other sections of the document titled "FaR Property 2019 integrated annual report", which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

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

> Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.

> Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

# INDEPENDENT AUDITOR'S REPORT continued

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

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

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

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

**PricewaterhouseCoopers**
Individual practising member: Rudi Binedell
Registration number: 20040091

20 September 2019
Gaborone

# CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

as at 30 June 2019

| | | Group | | Company | |
|---|---|---|---|---|---|
| *Figures in Pula* | Notes | **2019** | 2018 | **2019** | 2018 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Investment property | 3 | **1 481 019 203** | 1 357 665 459 | **1 142 728 622** | 1 134 808 771 |
| Property, plant and equipment | 4 | **627 733** | 802 202 | **349 418** | 497 354 |
| Investments in subsidiaries | 5 | **–** | – | **25 416 533** | 2 415 821 |
| Operating lease asset | 3 | **42 311 214** | 47 723 071 | **39 912 404** | 42 394 439 |
| Deferred income tax assets | 8 | **4 631 556** | 3 991 504 | **–** | – |
| | | **1 528 589 706** | 1 410 182 236 | **1 208 406 977** | 1 180 116 385 |
| **Current assets** | | | | | |
| Related party receivables | 6 | **9 095 734** | 5 218 299 | **102 770 264** | 101 767 284 |
| Operating lease asset | 3 | **11 017 855** | 6 072 690 | **8 765 105** | 5 327 286 |
| Trade and other receivables | 9 | **19 732 488** | 14 942 670 | **10 907 510** | 10 629 806 |
| Cash and cash equivalents | 10 | **13 738 493** | 15 315 488 | **7 694 618** | 11 258 351 |
| | | **53 584 570** | 41 549 147 | **130 137 497** | 128 982 727 |
| **Total assets** | | **1 582 174 276** | 1 451 731 383 | **1 338 544 474** | 1 309 099 112 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to equity holders of parent** | | | | | |
| Stated capital | 11 | **405 818 336** | 388 510 384 | **405 818 336** | 388 510 384 |
| Foreign currency translation reserve | | **(10 479 453)** | (11 133 459) | **–** | – |
| Retained income | | **457 779 166** | 419 996 382 | **374 887 337** | 351 703 188 |
| | | **853 118 049** | 797 373 307 | **780 705 673** | 740 213 572 |
| **Liabilities** | | | | | |
| **Non-current liabilities** | | | | | |
| Borrowings | 12 | **435 636 544** | 302 380 187 | **306 148 678** | 248 964 014 |
| Deferred income tax liabilities | 8 | **75 292 039** | 90 379 037 | **51 379 827** | 68 423 490 |
| | | **510 928 583** | 392 759 224 | **357 528 505** | 317 387 504 |
| **Current liabilities** | | | | | |
| Related party payables | 6 | **–** | – | **132 293** | 94 126 |
| Borrowings | 12 | **78 092 017** | 150 572 400 | **68 696 497** | 147 591 867 |
| Trade and other payables | 13 | **16 726 396** | 15 988 207 | **12 771 160** | 12 977 895 |
| Distribution payable | 29 | **71 510 176** | 49 004 494 | **71 510 176** | 49 004 494 |
| Current tax payable | | **4 598 885** | 5 402 834 | **–** | 1 198 737 |
| Bank overdraft | 10 | **47 200 170** | 40 630 917 | **47 200 170** | 40 630 917 |
| | | **218 127 644** | 261 598 852 | **200 310 296** | 251 498 036 |
| **Total liabilities** | | **729 056 227** | 654 358 076 | **557 838 801** | 568 885 540 |
| **Total equity and liabilities** | | **1 582 174 276** | 1 451 731 383 | **1 338 544 474** | 1 309 099 112 |

# CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2019

| | | Group | | Company | |
|---|---|---|---|---|---|
| *Figures in Pula* | Notes | **2019** | 2018 | **2019** | 2018 |
| **Revenue** | 15 | **145 481 001** | 134 833 002 | **112 860 176** | 107 165 965 |
| Other income | 21 | **21 617 152** | 16 105 400 | **15 721 334** | 11 482 681 |
| Operating expenses | | **(33 763 455)** | (30 732 826) | **(19 016 725)** | (17 382 367) |
| **Operating profit** | 16 | **133 334 698** | 120 205 576 | **109 564 785** | 101 266 279 |
| Finance income | 17 | **522 981** | 3 172 762 | **12 701 377** | 14 007 960 |
| Finance costs | 18 | **(46 443 852)** | (41 018 031) | **(32 939 159)** | (33 297 340) |
| **Net income from operations** | | **87 413 827** | 82 360 307 | **89 327 003** | 81 976 899 |
| Investment property fair value adjustment | 19 | **6 917 117** | (46 124 272) | **(10 643 564)** | (30 871 128) |
| **Profit before income tax** | | **94 330 944** | 36 236 035 | **78 683 439** | 51 105 771 |
| Income tax credit/(charge) | 20 | **14 962 016** | 3 013 924 | **16 010 886** | (107 786) |
| **Profit for the year attributable to linked unitholders** | | **109 292 960** | 39 249 959 | **94 694 325** | 50 997 985 |
| **Other comprehensive income, net of tax** | | | | | |
| *Items that may be subsequently reclassified to profit or loss* | | | | | |
| Exchange differences on translating foreign operations | | **654 006** | (2 585 403) | **–** | – |
| **Comprehensive income for the year attributable to linked unitholders** | | **109 946 966** | 36 664 556 | **94 694 325** | 50 997 985 |
| Weighted average linked units in issue at end of year | 30 | **404 411 057** | 394 764 190 | **404 411 057** | 394 764 190 |
| Basic earnings per linked unit attributable to linked unitholders | 30 | **0,27** | 0,10 | **0,23** | 0,13 |

# CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2019

| *Figures in Pula* | Stated capital | Foreign currency translation reserve | Retained income | Total equity |
|---|---|---|---|---|
| **GROUP** | | | | |
| **Balance at 1 July 2017** | 341 018 021 | (8 548 056) | 429 750 917 | 762 220 882 |
| Profit for the year | – | – | 39 249 959 | 39 249 959 |
| Other comprehensive income | – | (2 585 403) | – | (2 585 403) |
| Total comprehensive income for the year | – | (2 585 403) | 39 249 959 | 36 664 556 |
| Issue of shares | 47 492 363 | – | – | 47 492 363 |
| Distribution declared | – | – | (49 004 494) | (49 004 494) |
| **Balance at 30 June 2018** | 388 510 384 | (11 133 459) | 419 996 382 | 797 373 307 |
| **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** |
| **COMPANY** | | | | |
| **Balance at 1 July 2017** | 341 018 021 | – | 349 709 697 | 690 727 718 |
| Profit for the year | – | – | 50 997 985 | 50 997 985 |
| Total comprehensive income for the year | – | – | 50 997 985 | 50 997 985 |
| Issue of shares | 47 492 363 | – | – | 47 492 363 |
| Distribution declared | – | – | (49 004 494) | (49 004 494) |
| **Balance at 30 June 2018** | 388 510 384 | – | 351 703 188 | 740 213 572 |
| **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** |

# CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

for the year ended 30 June 2019

| | | Group | | Company | |
|---|---|---|---|---|---|
| *Figures in Pula* | Notes | **2019** | 2018 | **2019** | 2018 |
| **Cash flows from operating activities** | | | | | |
| Cash generated from operations | 22 | **127 895 114** | 127 831 743 | **103 619 725** | 52 656 171 |
| Finance income | 17 | **522 981** | 3 172 762 | **12 701 377** | 14 007 960 |
| Finance costs | | **(46 443 852)** | (44 574 839) | **(32 939 159)** | (34 864 769) |
| Tax paid | 23 | **(2 076 983)** | (4 837) | **(2 231 514)** | (4 837) |
| **Net cash generated from operating activities** | | **79 897 260** | 86 424 829 | **81 150 429** | 31 794 525 |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | 4 | **(79 000)** | (588 377) | **(79 000)** | (291 418) |
| Purchase of investment properties | 3 | **(117 072 664)** | (117 999 511) | **(20 363 415)** | (79 038 605) |
| Proceeds from disposal of property , plant and equipment | | **115 637** | 103 466 | **123 564** | 143 750 |
| Investment in subsidiary | 5 | **-** | - | **-** | (15 728) |
| Proceeds from disposal of investment properties | 3 | **1 800 000** | - | **1 800 000** | - |
| Funds advanced to subsidiaries | 6 | **-** | - | **(23 046 789)** | 13 627 988 |
| Repayment of loans to subsidiaries | 6 | **-** | - | **3 689 473** | - |
| **Net cash used in investing activities** | | **(115 236 027)** | (118 484 422) | **(37 876 167)** | (65 574 013) |
| **Cash flows from financing activities** | | | | | |
| Proceeds from borrowings | | **123 788 229** | 117 160 681 | **37 000 000** | 111 145 056 |
| Repayment of borrowings | | **(64 614 669)** | (163 737 932) | **(58 710 706)** | (159 418 370) |
| Distribution paid | 29 | **(31 696 542)** | (4 529 637) | **(31 696 542)** | (4 529 637) |
| **Net cash generated from/(used in) financing activities** | | **27 477 018** | (51 106 888) | **(53 407 248)** | (52 802 951) |
| **Net change in cash and cash equivalents** | | **(7 861 749)** | (83 166 481) | **(10 132 986)** | (86 582 439) |
| Cash and cash equivalents at beginning of year | | **(25 315 429)** | 58 246 995 | **(29 372 566)** | 57 209 873 |
| Effects of exchange rate changes on cash and cash equivalents | | **(284 499)** | (395 943) | **-** | - |
| **Cash and cash equivalents at end of year** | 10 | **(33 461 677)** | (25 315 429) | **(39 505 552)** | (29 372 566) |

# NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 30 June 2019

## 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 20 September 2019.

## 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 intragroup 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.

***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 effected 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:

***Investment property***
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 disclosed in note 3.

## 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 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.

## 1.4 Property, plant and equipment continued

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.

# NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

## 1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

### 1.4 Property, plant and equipment

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 derecognition 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 derecognition 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.

### 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 debt instruments:

> Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
> Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or

Financial liabilities:

> Amortised cost; or
> Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

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 or 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 timeframe 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.

*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, eg 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.

# NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

## 1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

### 1.6 Financial instruments: IFRS 9 continued

**Recognition and measurement** continued

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 and subsequently recorded at fair value.

**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 a fire 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 Financial instruments: IAS 39 comparatives

***Classification***

The company classifies financial assets and financial liabilities into the following categories:

> Loans and receivables.
> Financial liabilities measured at amortised cost.

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is reassessed on an annual basis.

***Initial recognition and measurement***

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments. The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are measured initially at fair value.

***Impairment of financial assets***

At each reporting date the company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of

financial assets has been impaired. For amounts due to the company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment. Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write-off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

***Trade and other receivables***
Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

***Trade and other payables***
Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

***Cash and cash equivalents***
Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

***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 loans and receivables. Loans from related companies are classified as financial liabilities measured at amortised cost.

***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.

## 1.8 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.

# NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

## 1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

### 1.8 Tax continued

***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.

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.

### 1.9 Leases

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.

***Operating leases-lessor***

Operating lease income is recognised as an income on a straight-line basis over the lease term.

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

Income for leases is disclosed as rental income under revenue in profit or loss.

### 1.10 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.

### 1.11 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.

### 1.12 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.

### 1.13 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 accounting period in which services are rendered.

### 1.14 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; and
> 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.

# NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

## 1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

### 1.15 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.

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 exchange rates at the dates of the transactions; 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.

### 1.16 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.

## 2. NEW STANDARDS AND INTERPRETATIONS

### (a) Standards and amendments to existing standards and interpretations effective on or after 1 July 2018 and adopted by the group:

Following new standards and amendments to existing standards and interpretations effective on or after 1 July 2018 and adopted by the group.

| Standard/ interpretation | Applicable for financial years beginning on or after | Content | Expected impact |
|---|---|---|---|
| IFRS 9 – *Financial Instruments* (2009 and 2010)<br>> Financial liabilities<br>> Derecognition of financial instruments<br>> Financial assets<br>General hedge accounting | Annual periods beginning on or after 1 January 2018 (published July 2014) | This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. | The adoption of this standard has not had a material impact on the results of the group, but has resulted in more disclosure than would have previously been provided in the financial statements. |
| Amendment to IFRS 9 – *Financial Instruments*, on general hedge accounting | Annual periods beginning on or after 1 January 2018 | The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.<br><br>Early adoption of the above requirements has specific transitional rules that need to be followed. Entities can elect to apply IFRS 9 for any of the following:<br>> The own credit risk requirements for financial liabilities.<br>> Classification and measurement (C&M) requirements for financial assets.<br>> C&M requirements for financial assets and financial liabilities.<br>> The full current version of IFRS 9 (that is, C&M requirements for financial assets and financial liabilities and hedge accounting).<br><br>The transitional provisions described above are likely to change once the IASB completes all phases of IFRS 9. | The impacts of these amendments are not material as the group does not have hedge accounting. |
| IFRS 15 – *Revenue from Contracts with Customers.* | Annual periods beginning on or after 1 January 2018 (published May 2014) | The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer. | Group's main revenue is rental income which is covered under IAS 17. Therefore, IFRS 15 is not applicable. |

# NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

## 2. NEW STANDARDS AND INTERPRETATIONS continued

### (a) Standards and amendments to existing standards and interpretations effective on or after 1 July 2018 and adopted by the group:

| Standard/ interpretation | Applicable for financial years beginning on or after | Content | Expected impact |
|---|---|---|---|
| Amendment to IFRS 15 *Revenue from Contracts with Customers.* | Annual periods beginning on or after 1 January 2018 (published April 2016) | The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard. | This is not applicable |
| Amendment to IAS 40 *Investment Property*<br><br>Transfers of investment property | Annual periods beginning on or after 1 January 2018 (published December 2016) | These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence. | The impacts of these amendments are not material. |
| IFRIC 22 *Foreign Currency Transactions and Advance Consideration* | Annual periods beginning on or after 1 January 2018 (published December 2016) | This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/ receipt is made as well as for situations where multiple payment/receipts are made. The guidance aims to reduce diversity in practice. | The impacts of these amendments are not material. |
| Annual improvements 2014 to 2016 | Annual periods beginning on or after 1 January 2018 (published December 2016) | These amendments impact 2 standards:<br>> IFRS 1 *First-time Adoption of IFRS*, regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10.<br>> IAS 28 *Investments in Associates and Joint Ventures* regarding measuring an associate or joint venture at fair value. IAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss (FVTPL). The board clarified that this election should be made separately for each associate or joint venture at initial recognition. | The impacts of these improvements are not material. |

**(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 2019 or later periods and are expected to be relevant to the group:

| Standard/ interpretation | Applicable for financial years beginning on or after | Content | Expected impact |
|---|---|---|---|
| Amendment to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* on the definition of material. | Annual periods beginning on or after 1 January 2020. | These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRS:<br>> use a consistent definition of materiality through IFRS and the Conceptual Framework for Financial Reporting;<br>> clarify the explanation of the definition of material; and<br>> incorporate some of the guidance in IAS 1 about immaterial information.<br><br>*"The amended definition is: Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."* | Unlikely there will be a material impact |
| Amendments to IAS 19 *Employee Benefits* on plan amendment, curtailment or settlement. | Annual periods on or after 1 January 2019 (issued February 2018) | These amendments require an entity to:<br>> Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and<br>> Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus (recognised or unrecognised). This reflects the substance of the transaction, because a surplus that has been used to settle an obligation or provide additional benefits is recovered. The impact on the asset ceiling is recognised in other comprehensive income, and it is not reclassified to profit or loss. The impact of the amendments is to confirm that these effects are not offset. | Unlikely there will be a material impact |

# NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

## 2. NEW STANDARDS AND INTERPRETATIONS continued

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

| 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:<br>> 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.<br>> 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. | Unlikely there will be a material 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.<br><br>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.<br><br>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.<br><br>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.<br><br>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*. | Unlikely there will be a material impact |

| Standard/ interpretation | Applicable for financial years beginning on or after | Content | Expected impact |
|---|---|---|---|
| Annual improvements cycle 2015 to 2017 | Annual periods beginning on or after 1 January 2019 (published December 2017) | These amendments include minor changes to:<br>> IFRS 3 *Business Combination* – a company remeasures its previously held interest in a joint operation when it obtains control of the business.<br>> 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.<br>> 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.<br>> 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. | Unlikely there will be a 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. | 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.

# NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

| *Figures in Pula* | Opening carrying value |
|---|---|

## 3. INVESTMENT PROPERTY

### GROUP

**Reconciliation of investment property – group 2019**

| | |
|---|---|
| Investment property | **1 357 665 459** |

**Reconciliation of investment property – group 2018**

| | |
|---|---|
| Investment property | 1 292 766 546 |

The addition to the investment property includes direct acquisitions amounting to P87 093 884 (2018: P52 560 130) and subsequent expenditure amounting to P29 978 780 (2018: P65 439 381).

### COMPANY

**Reconciliation of investment property – company 2019**

| | |
|---|---|
| Investment property | **1 134 808 771** |

**Reconciliation of investment property – company 2018**

| | |
|---|---|
| Investment property | 1 086 641 294 |

The addition to the investment property includes direct acquisitions amounting to Pnil (2018: P45 913 000) and subsequent expenditure amounting to P20 363 415 (2018: P33 125 605).

**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 values of the properties pledged as at year end are P767 million and P1,061 million respectively.

**Borrowing costs capitalised**

No borrowing cost was capitalised into the investment property during the year (2018: Pnil).

**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) |
|---|---|---|
| 70661 Broadhurst | Commercial | 6 925 000 |
| 6384 Lobatse | Land for development | 1 800 000 |

| Additions | Foreign exchange movements | Disposals | Fair value adjustments | Carrying value |
|---|---|---|---|---|
| **117 072 664** | **1 163 963** | **(1 800 000)** | **6 917 117** | **1 481 019 203** |
| 117 999 511 | (6 976 326) | – | (46 124 272) | 1 357 665 459 |
| **20 363 415** | **–** | **(1 800 000)** | **(10 643 564)** | **1 142 728 622** |
| 79 038 605 | – | – | (30 871 128) | 1 134 808 771 |

# NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

## 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 Royal Institute of Chartered Surveyors UK ("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 adopted the practice of obtaining external comprehensive independent valuation of its investment property once in every three years and desktop valuations are obtained for the interim 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 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 2019 for P1 191 406 131.

***Investment property portfolio in South Africa***

Properties owned by the subsidiary Qtique 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 P309 664 979 at 30 June 2019.

***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 P31 427 163 at 30 June 2019.

| *Figures in Pula* | Group 2019 | Group 2018 | Company 2019 | Company 2018 |
|---|---|---|---|---|
| **3. INVESTMENT PROPERTY** continued | | | | |
| **Amounts recognised in profit or loss for the year relating to investment property** | | | | |
| Rental income from investment property | **145 481 001** | 134 833 002 | **112 860 176** | 107 165 965 |
| Recoveries | **19 744 979** | 13 933 987 | **10 170 429** | 6 742 674 |
| Cleaning | **(987 164)** | (718 081) | **(714 527)** | (513 526) |
| Insurance | **(1 308 326)** | (1 190 361) | **(827 920)** | (883 932) |
| Repairs and maintenance | **(1 456 857)** | (1 083 744) | **(933 156)** | (806 966) |
| Security | **(1 032 009)** | (1 033 214) | **(692 822)** | (695 262) |
| Utilities | **(12 260 220)** | (10 208 089) | **(5 572 575)** | (4 689 059) |
| **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 | **1 534 348 272** | 1 411 461 220 | **1 191 406 131** | 1 182 530 496 |
| Recognised lease smoothening adjustment | **(53 329 069)** | (53 795 761) | **(48 677 509)** | (47 721 725) |
| | **1 481 019 203** | 1 357 665 459 | **1 142 728 622** | 1 134 808 771 |
| **Operating lease asset** | | | | |
| Current asset | **11 017 855** | 6 072 690 | **8 765 105** | 5 327 286 |
| Non-current asset | **42 311 214** | 47 723 071 | **39 912 404** | 42 394 439 |
| | **53 329 069** | 53 795 761 | **48 677 509** | 47 721 725 |

The total operating expenses incurred for the unoccupied properties amounting to P100 101 (2018: P17 596).

# NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

## 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 |
| **GROUP** | | | | | |
| Sales comparison | 276 147 122 | Sales price of per sqm of the property | Market value per sqm +/- 10% | (27 614 712) | 27 614 712 |
| Depreciated replacement cost | 40 187 849 | Construction cost per sqm | Build rate per sqm +/- 10% | (2 597 500) | 2 597 500 |
| Income capitalisation | 1 218 013 302 | Capitalisation rate | Capitalisation rate +/- 1% | (112 517 682) | 138 344 084 |
| Total | 1 534 348 272 | | | | |
| **COMPANY** | | | | | |
| Sales comparison | 239 165 245 | Sales price of per sqm of the property | Market value per sqm +/- 10% | (23 916 525) | 23 916 525 |
| Depreciated replacement cost | 26 241 608 | Construction cost per sqm | 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 | | | | |

## 3. INVESTMENT PROPERTY continued

### Information about fair value measurements using significant unobservable inputs (level 3) for 2018

| | | | | Sensitivity on estimates | |
|---|---|---|---|---|---|
| **Valuation technique** | Valuation | Input | Estimate | Impact lower | Impact higher |
| **GROUP** | | | | | |
| Sales comparison | 282 792 342 | Sales price of per sqm of the property | Market value per sqm +/- 10% | (28 279 234) | 28 279 234 |
| Depreciated replacement cost | 21 735 829 | Construction cost per sqm | Build rate per sqm +/- 10% | (2 597 500) | 2 597 500 |
| Income capitalisation | 1 106 933 049 | Capitalisation rate | Capitalisation rate +/- 1% | (101 758 148) | 125 024 321 |
| **Total** | 1 411 461 220 | | | | |
| **COMPANY** | | | | | |
| Sales comparison | 246 049 000 | Sales price of per sqm of the property | Market value per sqm +/- 10% | (24 604 900) | 24 604 900 |
| Depreciated replacement cost | 21 735 828 | Construction cost per sqm | Build rate per sqm +/- 10% | (2 173 583) | 2 173 583 |
| Income capitalisation | 914 745 668 | Capitalisation rate | Capitalisation rate +/- 1% | (84 840 913) | 104 483 382 |
| **Total** | 1 182 530 496 | | | | |

**Valuation techniques underlying estimation of fair value**

For all properties in Botswana, South Africa and Zambia with a total carrying amount of P1 534 348 272 (2018: P1 411 461 220), the valuation was determined using discounted cash flow ("DCF"), 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 2019

| *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 2017** | | | | | | |
| Cost | 358 707 | 439 163 | 331 104 | 329 818 | 367 049 | 1 825 841 |
| Accumulated depreciation | (337 653) | (417 036) | (107 141) | (329 818) | (125 570) | (1 317 218) |
| **Net book amount** | 21 054 | 22 127 | 223 963 | - | 241 479 | 508 623 |
| **Year ended 30 June 2018** | | | | | | |
| Opening net book amount | 21 054 | 22 127 | 223 963 | - | 241 479 | 508 623 |
| Additions | 75 200 | 47 897 | 446 504 | 18 776 | - | 588 377 |
| Disposal | - | - | (91 891) | - | - | (91 891) |
| Depreciation | (17 734) | (44 239) | (89 752) | (7 198) | (43 984) | (202 907) |
| **Closing net book amount** | 78 520 | 25 785 | 488 824 | 11 578 | 197 495 | 802 202 |
| **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** |

## 4. PROPERTY, PLANT AND EQUIPMENT continued

### GROUP

| *Figures in Pula* | Furniture and fixtures | IT equipment | Motor vehicles | Office equipment | Plant and machinery | Total |
|---|---|---|---|---|---|---|
| **At 30 June 2017** | | | | | | |
| Cost | 358 707 | 439 163 | 331 104 | 329 818 | 367 049 | 1 825 841 |
| Accumulated depreciation | (337 653) | (417 036) | (107 141) | (329 818) | (125 570) | (1 317 218) |
| **Net book amount** | 21 054 | 22 127 | 223 963 | – | 241 479 | 508 623 |
| **Year ended 30 June 2018** | | | | | | |
| Opening net book amount | 21 054 | 22 127 | 223 963 | – | 241 479 | 508 623 |
| Additions | 75 200 | 47 897 | 149 545 | 18 776 | – | 291 418 |
| Disposal | – | – | (132 175) | – | – | (132 175) |
| Depreciation | (17 734) | (44 239) | (57 357) | (7 198) | (43 984) | (170 512) |
| **Closing net book amount** | 78 520 | 25 785 | 183 976 | 11 578 | 197 495 | 497 354 |
| **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** |

# NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

| *Figures in Pula* | Country of operations | Group 2019 % holding | Group 2018 % holding | Company 2019 Carrying amount | Company 2018 Carrying amount |
|---|---|---|---|---|---|
| **5. INVESTMENTS IN SUBSIDIARIES** | | | | | |
| Qtique 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 (note 5.1) | Zambia | **100** | 100 | **23 016 440** | 15 728 |
| | | | | **25 416 533** | 2 415 821 |

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

**5.1** During the year, board of directors has passed a resolution to transfer the loan given to The FaR Property Company Zambia (Proprietary) Limited to equity investment.

| *Figures in Pula* | Group 2019 | Group 2018 | Company 2019 | Company 2018 |
|---|---|---|---|---|
| **6. RELATED PARTY RECEIVABLES/ (PAYABLES)** | | | | |
| **6.1 Loans to/(from) related companies** | | | | |
| Qtique 79 (Proprietary) Limited | | | **93 674 530** | 73 273 906 |
| FaR Property Company Zambia Limited (note 5.1) | | | **(9 697)** | 24 034 323 |
| The loans to group companies do not carry any specific terms. These balances are repayable on demand and are not secured. The loan to Qtique 79 (Proprietary) Limited carries interest at market interest rate of 15% (2018: 15%). | | | | |
| **6.2 Advances to/(from) related companies** | | | | |
| Eminent (Proprietary) Limited | **–** | – | **(122 596)** | (94 126) |
| Prime and Prestige (Proprietary) Limited | **–** | 843 000 | **–** | 843 000 |
| Nestral Systems Private Limited | **–** | 50 942 | **–** | 50 942 |
| Time Star (Proprietary) Limited | **3 462 031** | 2 081 661 | **3 462 031** | 2 081 661 |
| Medupe Bridge Fin Corp (Proprietary) Limited | **877 014** | 799 952 | **877 014** | 799 952 |
| Adams Apple (Proprietary) Limited | **–** | 283 000 | **–** | 283 000 |
| Admiral Touch (Proprietary) Limited | **–** | 400 500 | **–** | 400 500 |
| Strides of Success (Proprietary) Limited | **4 756 689** | – | **4 756 689** | – |
| Feasible Investments (Proprietary) Limited | **–** | 759 244 | **–** | – |
| | **9 095 734** | 5 218 299 | **102 637 971** | 101 673 158 |
| Advances from related companies | **–** | – | **(132 293)** | (94 126) |
| Advances to related companies | **9 095 734** | 5 218 299 | **102 770 264** | 101 767 284 |
| | **9 095 734** | 5 218 299 | **102 637 971** | 101 673 158 |
| The short-term advances to/from related parties are provided during 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. | | | | |
| 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 any impairment on these balances. | | | | |
| Amount due from related companies included in trade and other payables | **–** | 669 221 | **–** | 669 221 |

## 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* | **2019** | 2018 | **2019** | 2018 |
| ***Financial assets at amortised cost*** | | | | |
| Related party receivables (note 6) | **9 095 734** | 5 218 299 | **(102 770 264)** | 101 767 284 |
| Trade and other receivables (note 9) | **13 616 824** | 14 161 872 | **10 557 899** | 10 234 825 |
| Cash and cash equivalents (note 10) | **13 734 350** | 15 314 164 | **7 691 485** | 11 257 748 |
| | **36 446 908** | 34 694 335 | **(121 019 648)** | 123 259 857 |

## 8. DEFERRED TAX

| | | | | |
|---|---|---|---|---|
| **Deferred tax liability** | | | | |
| Accelerated capital allowances for tax purposes | **(44 158 289)** | (17 725 114) | **(21 224 446)** | (17 725 115) |
| Operating lease adjustment | **(11 687 421)** | (11 626 781) | **(10 709 052)** | (10 498 780) |
| Fair value adjustments | **(19 306 361)** | (60 420 017) | **(19 306 361)** | (39 700 499) |
| Prepaid expenses | **–** | (108 029) | **–** | – |
| Unrealised foreign exchange gains | **(139 968)** | (499 096) | **(139 968)** | (499 096) |
| | **(75 292 039)** | (90 379 037) | **(51 379 827)** | (68 423 490) |
| **Deferred tax asset** | | | | |
| Unrealised foreign exchange losses | **3 099 032** | 3 970 433 | **–** | – |
| Accelerated capital allowances for tax purposes | **1 147 162** | 12 256 | **–** | – |
| Allowance for doubtful accounts | **385 362** | – | **–** | – |
| Tax losses available for set off against future tax liabilities | **–** | 8 815 | **–** | – |
| | **4 631 556** | 3 991 504 | **–** | – |
| **Deferred tax liability (net)** | **(70 660 483)** | (86 387 533) | **(51 379 827)** | (68 423 490) |
| **Reconciliation of deferred tax asset/ (liability)** | | | | |
| At beginning of the year | **(86 387 533)** | (91 491 289) | **(68 423 490)** | (69 341 955) |
| Originating temporary difference on carried forward losses | **1 133 141** | – | **–** | – |
| Origination of deferred tax on foreign exchange differences | **(614 694)** | (1 546 000) | **359 128** | (2 166 386) |
| Originating temporary difference on operating lease adjustment | **(31 388)** | (1 260 179) | **(210 272)** | (1 091 277) |
| Originating temporary difference on capital allowances | **(3 508 980)** | (3 068 399) | **(3 499 331)** | (3 077 469) |
| Originating temporary difference on fair value adjustments | **18 725 433** | 10 366 631 | **20 394 138** | 7 253 597 |
| Originating temporary difference on allowance for doubtful accounts | **384 762** | – | **–** | – |
| Originating temporary difference on prepaid expenses | **110 684** | (56 496) | **–** | – |
| Effect of translation of foreign subsidiary deferred tax balances | **(471 908)** | 668 199 | **–** | – |
| | **(70 660 483)** | (86 387 533) | **(51 379 827)** | (68 423 490) |

# NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

| | Group | | Company | |
|---|---|---|---|---|
| *Figures in Pula* | **2019** | 2018 | **2019** | 2018 |
| **9. TRADE AND OTHER RECEIVABLES** | | | | |
| Trade receivables | **7 066 612** | 4 137 518 | **6 446 227** | 2 941 731 |
| Less: Loss allowance | **(372 131)** | - | **(372 131)** | - |
| | **6 694 481** | 4 137 518 | **6 074 096** | 2 941 731 |
| Other receivable | **2 759 443** | 2 018 232 | **682 195** | 1 234 312 |
| Deposits | **1 427 329** | 2 809 185 | **1 066 037** | 2 457 111 |
| Short term advances | **127 971** | 127 971 | **127 971** | 127 971 |
| Advance towards asset purchase | **2 607 600** | 5 068 966 | **2 607 600** | 3 473 700 |
| Prepayments | **6 113 137** | 778 271 | **347 084** | 392 454 |
| Value Added Tax | **2 527** | 2 527 | **2 527** | 2 527 |
| | **19 732 488** | 14 942 670 | **10 907 510** | 10 629 806 |
| **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 | **19 732 488** | 14 942 670 | **10 907 510** | 10 629 806 |
| At 30 June 2019, age analyses of trade receivables are as follows: | | | | |
| Less then 30 days | **937 442** | 1 215 192 | **644 584** | 940 605 |
| Between 31 and 60 days | **805 913** | 430 256 | **719 447** | 306 163 |
| Between 61 and 90 days | **746 158** | 289 331 | **677 940** | 218 492 |
| Between 91 and 120 days | **913 592** | 310 840 | **840 801** | 219 137 |
| More than 120 days | **3 663 507** | 1 891 899 | **3 563 455** | 1 257 334 |
| | **7 066 612** | 4 137 518 | **6 446 227** | 2 941 731 |
| **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 the beginning | **-** | - | **-** | - |
| Charge for the year | **(372 131)** | - | **(372 131)** | - |
| Balance at the end | **(372 131)** | - | **(372 131)** | - |

| *Figures in Pula* | Group 2019 | Group 2018 | Company 2019 | Company 2018 |
|---|---|---|---|---|
| **10. CASH AND CASH EQUIVALENTS** | | | | |
| Cash and cash equivalents consist of: | | | | |
| Bank balances | **8 436 693** | 10 041 066 | **2 393 828** | 5 984 650 |
| Short-term deposits | **5 297 657** | 5 273 098 | **5 297 657** | 5 273 098 |
| Cash in hand | **4 143** | 1 324 | **3 133** | 603 |
| | **13 738 493** | 15 315 488 | **7 694 618** | 11 258 351 |
| Bank overdraft | **(47 200 170)** | (40 630 917) | **(47 200 170)** | (40 630 917) |
| For the purpose of the statement of cash flows, cash, cash equivalents and bank overdrafts include total cash assets less bank overdrafts. | | | | |
| Cash and bank balances | **13 738 493** | 15 315 488 | **7 694 618** | 11 258 351 |
| Bank overdraft | **(47 200 170)** | (40 630 917) | **(47 200 170)** | (40 630 917) |
| | **(33 461 677)** | (25 315 429) | **(39 505 552)** | (29 372 566) |
| 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 | **5 005 571** | 2 446 280 | **–** | – |
| Standard Chartered Bank Botswana Limited | **(41 278 538)** | (33 691 236) | **(41 278 538)** | (33 691 236) |
| Bank of Baroda Botswana Limited | **–** | 201 489 | **–** | 201 489 |
| Barclays Bank Botswana Limited | **130 777** | 3 513 | **130 777** | 3 513 |
| First National Bank of Botswana Limited | **334 484** | 942 579 | **334 484** | 942 579 |
| Capital Bank Botswana Limited | **1 304 592** | 3 170 486 | **1 304 592** | 3 170 486 |
| Barclays Bank Zambia Limited | **1 037 294** | 1 610 136 | **–** | – |
| | **(33 465 820)** | (25 316 753) | **(39 508 685)** | (29 373 169) |

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 BBB+ (Fitch rating).

# NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

| | Group | | Company | |
|---|---|---|---|---|
| *Figures in Pula* | **2019** | 2018 | **2019** | 2018 |
| **11. STATED CAPITAL** | | | | |
| **Linked units** | **406 307 819** | 399 384 638 | **406 307 819** | 399 384 638 |
| **Reconciliation of number of linked units issued** | | | | |
| Balance at beginning of year | **399 384 638** | 380 000 000 | **399 384 638** | 380 000 000 |
| Issued during the year | **6 923 181** | 19 384 638 | **6 923 181** | 19 384 638 |
| Balance at end of year | **406 307 819** | 399 384 638 | **406 307 819** | 399 384 638 |
| **Movement in stated capital** | | | | |
| Balance at beginning of year | **388 510 384** | 341 018 021 | **388 510 384** | 341 018 021 |
| Issued during the year | **17 307 952** | 47 492 363 | **17 307 952** | 47 492 363 |
| Balance at end of year | **405 818 336** | 388 510 384 | **405 818 336** | 388 510 384 |
| **12. BORROWINGS** | | | | |
| **Held at amortised cost** | | | | |
| Standard Chartered Bank Botswana Limited | **95 978 954** | 149 413 627 | **95 978 954** | 149 413 627 |

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 equal to the three months Johannesburg Interbank Agreed Rate (JIBAR). As at date 30 June 2019, the applicable margin is 2.1% per annum.

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 date 30 June 2019, the applicable margin is 0% per annum.

| | Group | | Company | |
|---|---|---|---|---|
| *Figures in Pula* | **2019** | 2018 | **2019** | 2018 |
| **12. BORROWINGS** continued | | | | |
| First National Bank Botswana Limited | **30 721 165** | 35 997 198 | **30 721 165** | 35 997 198 |

The company has acquired a loan facility to the value of P50 million. This loan is repayable on demand. The interest rates are equal to bank's prime lending rate less 1.5%.

| | Group | | Company | |
|---|---|---|---|---|
| *Figures in Pula* | **2019** | 2018 | **2019** | 2018 |
| 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 principle 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 final principal amount of P40 million being repaid on 31 December 2022.

| | Group | | Company | |
|---|---|---|---|---|
| *Figures in Pula* | **2019** | 2018 | **2019** | 2018 |
| Investec Bank Limited | **138 883 386** | 56 396 706 | **–** | – |

The group has acquired a loan facility to the value of R82 million. This loan is repayable in 75-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 30 September 2014. The interest rate is equal to 0.6% below Investec's prime rate.

The group has acquired a loan facility to the value of R96 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 September 2018. The interest rate is equal to 0.5% 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.

# NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

| | Group | | Company | |
|---|---|---|---|---|
| *Figures in Pula* | **2019** | 2018 | **2019** | 2018 |
| **12. BORROWINGS** continued | | | | |
| Barclays Bank Botswana Limited | **148 145 056** | 111 145 056 | **148 145 056** | 111 145 056 |

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 and capital to be paid monthly in arrears, payable on expiry of the facility, commencing from 30 September 2018. The interest rate is equal to 2.35% below Barclays benchmark rate (currently the prime rate).

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 and capital to be paid monthly in arrears, payable on expiry of the facility, commencing from 27 June 2018 . The interest rate is equal to 0.75% above Barclays benchmark rate (currently the prime rate).

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 Barclays benchmark rate (currently the prime rate).

| | Group | | Company | |
|---|---|---|---|---|
| *Figures in Pula* | **2019** | 2018 | **2019** | 2018 |
| | **513 728 561** | 452 952 587 | **374 845 175** | 396 555 881 |

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

i. Joint and several personal guarantees from Ramanchandran 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.
vii. Assignment of marketable securities relating to company shares in various asset companies.
viii. Security over shares that company owns in Qtique 79 (Proprietary) Limited in South Africa.
ix. Lease receivable guarantee from Choppies Enterprises Limited for P160 million.

## 12. BORROWINGS continued

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 and 80 Thamaga, Tribal Lot 2162 Thamaga, Tribal Lot 649 Gumare, Tribal Lot 29 Shashe, Tribal Lot 2086 Moshupa, 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 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.

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 Tribal Lot 284 Gabane and Lease area No 5017-KO and 5025-KO.

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 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 extend 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 13099 Pinetown Ext 107 for an amount of R100 million.

vi. A first covering mortgage bond over remaining extent of Erf 24920 Bloemfontein for an amount of R11 million.

vii. 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.

viii. 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.

ix. Execution of a joint and several continuing suretyship by Finder Properties (Proprietary) Limited to R38 million plus interest and costs.

x. Cession in security of proceeds of Building Insurance Policy and SASRIA extension for the full asset value of the properties mortgaged.

xi. 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.

# NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

## 12. BORROWINGS continued

The loan from Barclays 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, Lot No 1571 Nata Shopping Mall, Plot No 1381 Pitsane

iii. Combined mortgage bond cover Plot No 173-9-KO, 196-KO 1246, 17981 Gaborone, Plot No. 2085 Serowe, Plot No: 7620, 471, 296 and 297, 7617 and 8 Lobatse, Plot No 213, 292 and 16825 Maun, Plot No. 28 and 29, 187 Pitsane, and Plot No. 15102 Ramotswa.

iv. Combined mortgage bond cover Plot No 39785, 39784, 39783, 39772, 39771, 39770, 39720, 39721, 39722, 39723, 39724,37839, 37990, 37991, 38000, 345493, 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 Magoditshane, Plot No.1967 Pikwe, Plot No. 11835, 18424 Francis Town, Plot No. 1167 Maun, Plot No. 1025 Tutume, Plot No. 45 Pitsane, Plot No. 3143 Kasane, Plot No. 3161 Kazangula, Plot No 27376 Kanye, Plot No 219 Ramotswa, Plot No 8506,8373,681 Tlokweng, Plot No 7568 Tzabong, Plot 1301 Kasane, Plot 103 Tlokweng, Plot 38567-38576 Block 6 Gaborone, Lot 4364 Thamaga, Plot 15102 Ramotswa, Plot No 4 and 9 Ghanzi, Plot 20602 Broadhurst, Plot 135 Modipane, Plot 32 Kang, Plot 4774 Metsimotlhabe, Plot 12043 Mogodisthane, Erf 2289/6 Rustenburg.

| | Group | | Company | |
|---|---|---|---|---|
| *Figures in Pula* | **2019** | 2018 | **2019** | 2018 |
| **Non-current liabilities** | | | | |
| At amortised cost | **435 636 544** | 302 380 187 | **306 148 678** | 248 964 014 |
| **Current liabilities** | | | | |
| At amortised cost | **78 092 017** | 150 572 400 | **68 696 497** | 147 591 867 |
| | **513 728 561** | 452 952 587 | **374 845 175** | 396 555 881 |

| | Group | | Company | |
|---|---|---|---|---|
| *Figures in Pula* | **2019** | 2018 | **2019** | 2018 |
| **13. TRADE AND OTHER PAYABLES** | | | | |
| Trade payables | **4 124 731** | 5 918 281 | **2 466 210** | 4 996 491 |
| Value added tax | **1 562 121** | 1 195 655 | **1 011 835** | 642 826 |
| Deposits received | **5 108 432** | 4 319 848 | **4 587 048** | 3 799 546 |
| Retention payable | **1 439 104** | 1 349 676 | **1 439 104** | 1 349 676 |
| Other payables | **4 492 008** | 3 204 747 | **3 266 963** | 2 189 356 |
| | **16 726 396** | 15 988 207 | **12 771 160** | 12 977 895 |
| 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 | **513 728 561** | 452 952 587 | **374 845 175** | 396 555 881 |
| Related party payables | **–** | – | **132 293** | 94 126 |
| Trade and other payables | **15 164 275** | 14 792 552 | **11 759 325** | 12 335 069 |
| Bank overdraft | **47 200 170** | 40 630 917 | **47 200 170** | 40 630 917 |
| | **576 093 006** | 508 376 056 | **433 936 936** | 449 615 993 |
| **15. REVENUE** | | | | |
| Rental income | **145 642 883** | 127 377 113 | **111 904 392** | 102 205 614 |
| Deferred lease adjustment | **(161 882)** | 7 455 889 | **955 784** | 4 960 351 |
| | **145 481 001** | 134 833 002 | **112 860 176** | 107 165 965 |
| **16. OPERATING PROFIT** | | | | |
| Operating profit for the year is stated after accounting for the following: | | | | |
| Legal expenses | **1 037 564** | 655 898 | **475 528** | 319 661 |
| Utilities | **12 260 220** | 10 208 089 | **5 572 575** | 4 689 059 |
| Depreciation on property, plant and equipment | **142 170** | 202 907 | **107 710** | 170 512 |
| **Auditor's remuneration** | | | | |
| Charge for the year | **760 553** | 798 670 | **658 000** | 664 280 |
| Underprovision for the prior year | **30 750** | – | **30 750** | – |
| | **791 303** | 798 670 | **688 750** | 664 280 |
| Directors' remuneration | **466 850** | 711 183 | **466 850** | 711 183 |

# NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

| | Group | | Company | |
|---|---|---|---|---|
| *Figures in Pula* | **2019** | 2018 | **2019** | 2018 |
| **17. FINANCE INCOME** | | | | |
| Interest income – banks | **36 983** | 42 296 | **31 250** | 42 296 |
| Interest income – subsidiaries | **–** | – | **12 033 910** | 8 640 867 |
| Interest income – other related parties | **–** | 3 056 180 | **–** | 3 056 180 |
| Foreign exchange gains | **485 998** | 74 286 | **636 217** | 2 268 617 |
| | **522 981** | 3 172 762 | **12 701 377** | 14 007 960 |
| **18. FINANCE COSTS** | | | | |
| Bank borrowings | **46 443 852** | 41 018 031 | **32 939 159** | 33 297 340 |
| **19. FAIR VALUE ADJUSTMENTS** | | | | |
| Investment property | **6 917 117** | (46 124 272) | **(10 643 564)** | (30 871 128) |
| **20. TAXATION** | | | | |
| **Income tax** | | | | |
| Income tax expense for the year | **974 522** | 1 421 635 | **770 358** | 1 026 251 |
| Prior year overprovision | **(172 486)** | – | **(172 486)** | – |
| Irrecoverable foreign withholding tax | **434 905** | – | **434 905** | – |
| | **1 236 941** | 1 421 635 | **1 032 777** | 1 026 251 |
| **Deferred income tax** | | | | |
| Deferred income tax | **(16 198 957)** | (4 435 557) | **(17 043 663)** | (918 465) |
| | **(16 198 957)** | (4 435 557) | **(17 043 663)** | (918 465) |
| | **(14 962 016)** | (3 013 924) | **(16 010 886)** | 107 786 |
| **Reconciliation of accounting profit and tax expense** | | | | |
| Accounting profit | **94 330 944** | 36 236 035 | **78 683 439** | 51 105 771 |
| Tax at the applicable tax rate of 22% | **20 752 808** | 7 971 928 | **17 310 357** | 11 243 270 |
| **Tax effect of adjustments on taxable income** | | | | |
| Income not subject to tax | **–** | – | **–** | – |
| Change in tax base of investment property | **(18 050 086)** | (466 669) | **(18 050 086)** | (466 669) |
| Effect of difference in country tax rates | **147 369** | (820 634) | **–** | – |
| Expenses allowed for tax purposes | **(15 590 648)** | (10 683 960) | **(15 590 648)** | (10 683 960) |
| Expenses not allowed for tax purposes | **(3 372 740)** | 1 131 271 | **57 072** | 15 145 |
| Prior year overprovision | **(172 486)** | – | **(172 486)** | – |
| Irrecoverable foreign withholding tax | **434 905** | – | **434 905** | – |
| Effect of differences in exchange rates | **595 547** | (71 640) | **–** | – |
| Effect of differences in tax base | **314 166** | (224 082) | **–** | – |
| Deferred tax not recognised on carried forward tax losses | **(20 851)** | 149 862 | **–** | – |
| | **(14 962 016)** | (3 013 924) | **(16 010 886)** | 107 786 |

| *Figures in Pula* | Group 2019 | Group 2018 | Company 2019 | Company 2018 |
|---|---|---|---|---|
| **21. OTHER INCOME** | | | | |
| Recoveries from tenants | **19 744 979** | 13 933 987 | **10 170 429** | 6 742 674 |
| Fuel rebates | **1 566 796** | 1 689 896 | **1 566 796** | 1 689 896 |
| Management fee | **–** | – | **3 706 867** | 2 667 282 |
| Miscellaneous income | **305 377** | 481 517 | **277 242** | 382 829 |
| | **21 617 152** | 16 105 400 | **15 721 334** | 11 482 681 |
| **22. CASH GENERATED FROM OPERATIONS** | | | | |
| Profit before taxation | **94 330 944** | 36 236 035 | **78 683 439** | 51 105 771 |
| **Adjustments for:** | | | | |
| Depreciation | **142 170** | 202 907 | **107 710** | 170 512 |
| Gain on disposal of property, plant and equipment | **(4 338)** | (11 575) | **(4 338)** | (11 575) |
| Finance income | **(522 981)** | (3 172 762) | **(12 701 377)** | (14 007 960) |
| Finance costs | **46 443 852** | 41 018 031 | **32 939 159** | 33 297 340 |
| Fair value adjustments | **(6 917 117)** | 46 124 272 | **10 643 564** | 30 871 128 |
| Movements in operating lease assets | **625 701** | (7 468 585) | **(955 784)** | (4 960 351) |
| **Changes in working capital** | | | | |
| Related party receivable | **(3 877 435)** | 3 646 713 | **(4 646 376)** | (46 833 189) |
| Related party payable | **–** | – | **38 167** | (114 039) |
| Trade and other receivables | **(3 063 871)** | 5 461 460 | **(277 704)** | (293 351) |
| Trade and other payables | **738 189** | 5 795 247 | **(206 735)** | 3 431 885 |
| | **127 895 114** | 127 831 743 | **103 619 725** | 52 656 171 |
| **23. TAX PAID** | | | | |
| Balance at beginning of year | **(5 402 834)** | (4 113 006) | **(1 198 737)** | (177 323) |
| Current tax for the year recognised in profit or loss | **(1 236 941)** | (1 421 635) | **(1 032 777)** | (1 026 251) |
| Effect of foreign currency translation | **(36 093)** | 126 970 | **–** | – |
| Balance at end of year | **4 598 885** | 5 402 834 | **–** | 1 198 737 |
| | **(2 076 983)** | (4 837) | **(2 231 514)** | (4 837) |
| **24. COMMITMENTS** | | | | |
| **Authorised capital expenditure** | | | | |
| Investment property – contracted and not provided for | **5 614 490** | 13 693 676 | **90 000** | 10 295 978 |
| This committed expenditures relates to investment properties and will be financed by available bank facilities. | | | | |
| **Operating leases – as lessor (income)** | | | | |
| *Minimum lease payments due* | | | | |
| – within one year | **155 706 412** | 124 143 525 | **118 569 131** | 99 983 471 |
| – more than one year | **521 877 117** | 468 885 430 | **412 889 425** | 432 525 886 |
| | **677 583 529** | 593 028 955 | **531 458 556** | 532 509 357 |

The group's investment property is held to generate rental income. Lease agreements are non-cancellable and have terms from 2 to 20 years. There are no contingent rents receivable.

# NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

## 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* | **2019** | 2018 | **2019** | 2018 |
| **Related party balances** | | | | |
| Investment in subsidiaries (note 5) | | | | |
| Related party receivables/payables (note 6) | | | | |
| **Related party transactions** | | | | |
| *Interest received from related party* | | | | |
| Qtique 79 (Proprietary) Limited | **–** | – | **12 033 910** | 8 640 867 |
| | **–** | – | **12 033 910** | 8 640 867 |
| **Management fee received from related party** | | | | |
| Qtique 79 (Proprietary) Limited | **–** | – | **3 706 867** | 2 667 282 |
| | **–** | – | **3 706 867** | 2 667 282 |
| **Loans given to related parties** | | | | |
| Qtique 79 (Proprietary) Limited | **–** | – | **8 349 345** | – |
| | **–** | – | **8 349 345** | – |
| **Advances given to related parties** | | | | |
| Feasible Investments (Proprietary) Limited | **–** | 2 421 845 | **–** | 1 662 601 |
| Strides of Success (Proprietary) Limited | **9 356 689** | 7 340 689 | **9 356 689** | 7 340 689 |
| Time Star (Proprietary) Limited | **2 052 500** | – | **2 052 500** | – |
| Medupe Bridge Fin Corp (Proprietary) Limited | **77 062** | – | **77 062** | – |
| | **11 486 251** | 9 762 534 | **11 486 251** | 9 003 290 |
| **Rental income received from related parties** | | | | |
| Aleris (Proprietary) Limited | **116 663** | 353 440 | **116 663** | 353 440 |
| Arcee (Proprietary) Limited | **931 208** | 590 754 | **931 208** | 590 754 |
| Bagpiper (Proprietary) Limited | **695 444** | 635 250 | **695 444** | 635 250 |
| Bakgatla Super Market (Proprietary) Limited | **191 635** | 172 295 | **191 635** | 172 295 |
| Balanced Fortune (Proprietary) Limited | **171 770** | 57 000 | **171 770** | 57 000 |
| Shaysons Investments (Proprietary) Limited *(formerly known as Balsam (Proprietary) Limited)* | **171 766** | 159 042 | **171 766** | 159 042 |
| Brasslock (Proprietary) Limited | **–** | 16 755 | **–** | 16 755 |
| Choppies Distribution Centre (Proprietary) Limited | **19 806 730** | 18 724 823 | **19 806 730** | 18 724 823 |
| | **22 085 216** | 20 709 359 | **22 085 216** | 20 709 359 |

| | Group | | Company | |
|---|---|---|---|---|
| *Figures in Pula* | **2019** | 2018 | **2019** | 2018 |
| **25. RELATED PARTIES** continued | | | | |
| **Rental income received from related parties** continued | **22 085 216** | 20 709 359 | **22 085 216** | 20 709 359 |
| Choppies Hyper Store Game City *(formerly known as High Land Haven (Proprietary) Limited)* | **–** | 131 925 | **–** | 131 925 |
| Choppies Hyper Westgate *(formerly known as Lisboa Trading (Proprietary) Limited)* | **–** | 626 289 | **–** | 626 289 |
| Choppies Hyper Store Francistown II *(formerly known as Monte Vista (Proprietary) Limited)* | **3 055 002** | 4 338 118 | **3 055 002** | 4 338 118 |
| Choppies Hyper North Gate *(formerly known as Smart Buy (Proprietary) Limited)* | **–** | 217 014 | **–** | 217 014 |
| Choppies Hyper Rail Park Mall *(formerly known as Summer Queen (Proprietary Limited)* | **–** | 131 397 | **–** | 131 397 |
| Choppies Superstore Thamaga *(formerly known as Accrete Investments (Proprietary) Limited)* | **841 155** | 847 394 | **841 155** | 847 394 |
| Choppies Plumbing, Refrigeration and Electrical *(formerly known as (Amphora (Proprietary) Limited)* | **1 272 721** | 1 703 792 | **1 272 721** | 1 703 792 |
| Choppies Superstore Kasane *(formerly known as Asklite (Proprietary) Limited)* | **–** | 85 318 | **–** | 85 318 |
| Choppies Superstore Shoshong *(formerly known as Bell Garden (Proprietary) Limited)* | **–** | 112 763 | **–** | 112 763 |
| Choppies Super Store Maun *(formerly known as Bestlite (Proprietary) Limited)* | **291 156** | 662 163 | **291 156** | 662 163 |
| Choppies Super Store Ghanzi *(formerly known as Bowerbird (Proprietary) Limited)* | **1 522 195** | 1 641 922 | **1 522 195** | 1 641 922 |
| Choppies Super Stores Phikwe Mall *(formerly known as Chatley (Proprietary) Limited)* | **972 000** | 1 353 164 | **972 000** | 1 353 164 |
| Choppies Super Store Tonota *(formerly known as Taffeta Roses (Proprietary) Limited)* | **–** | 111 034 | **–** | 111 034 |
| Choppies Supermarkets S.A. (Proprietary) Limited | **13 066 976** | 12 993 204 | **–** | – |
| Choppies Superstore Good Hope *(formerly known as Kings Rifle (Proprietary) Limited)* | **–** | 34 310 | **–** | 34 310 |
| Choppies Superstore Ilala Mall Mahalapye *(Formerly known as Enchanted Oaks (Proprietary) Limited)* | **–** | 24 000 | **–** | 24 000 |
| Choppies Super Store Meriting *(formerly known as Ganga (Proprietary) Limited)* | **–** | 19 875 | **–** | 19 875 |
| Choppies Superstore Nata *(formerly known as Best Strategy Nata (Proprietary) Limited)* | **1 154 445** | 1 220 699 | **1 154 445** | 1 220 699 |
| Choppies Superstore Ramotswa II *(formerly known as Tanglewood (Proprietary) Limited)* | **–** | 20 882 | **–** | 20 882 |
| | **44 260 866** | 46 984 622 | **31 193 890** | 33 991 418 |

# NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

| | Group | | Company | |
|---|---|---|---|---|
| *Figures in Pula* | **2019** | 2018 | **2019** | 2018 |
| **25. RELATED PARTIES** continued | | | | |
| **Rental income received from related parties** continued | **44 260 866** | 46 984 622 | **31 193 890** | 33 991 418 |
| Choppies Super Store Lobatse *(formerly known as Daisy Gardens (Proprietary) Limited)* | **486 058** | 489 893 | **486 058** | 489 893 |
| Choppies Super Stores – Fairground *(formerly known as Deluxe (Proprietary) Limited)* | **-** | 95 444 | **-** | 95 444 |
| Choppies Super Stores Busrank Lobatse *(formerly known as F & A Enterprises (Proprietary) Limited)* | **-** | 96 481 | **-** | 96 481 |
| Choppies Super Store Serowe CBD *(formerly known as Floating Idea (Proprietary) Limited)* | **-** | 48 398 | **-** | 48 398 |
| Choppies Superstore Station *(formerly known as Fresh Take (Proprietary) Limited)* | **-** | 132 881 | **-** | 132 881 |
| Choppies Super Store Namantle *(formerly known as Genuine Passions (Proprietary) Limited)* | **1 127 478** | 1 024 980 | **1 127 478** | 1 024 980 |
| Choppies Superstore –Jerusalama Moshupa *(formerly known as Gliftwood (Proprietary) Limited)* | **925 900** | 1 423 498 | **925 900** | 1 423 498 |
| Choppies Super Store Jwaneng *(formerly known as Gobrand (Proprietary) Limited)* | **-** | 110 246 | **-** | 110 246 |
| Choppies Superstore Hill Side *(formerly known as Godavari (Proprietary) Limited)* | **-** | 19 209 | **-** | 19 209 |
| Choppies Superstore Kanye Bus Rank *(formerly known as Gritnit (Proprietary) Limited)* | **-** | 127 293 | **-** | 127 293 |
| Choppies Super Store Francistown *(formerly known as Hoovernit (Proprietary) Limited)* | **-** | 30 300 | **-** | 30 300 |
| Choppies Super Store Village *(formerly known as Jarapino (Proprietary) Limited)* | **-** | 99 818 | **-** | 99 818 |
| Choppies Super Store Ramotswa *(formerly known as Jobfine (Proprietary) Limited)* | **-** | 49 434 | **-** | 49 434 |
| Choppies Superstore Mogoditshane *(formerly known as Kaar Distributors (Proprietary) Limited)* | **-** | 99 818 | **-** | 99 818 |
| Choppies Super Store Block 8 Mall *(formerly known as Leaf Motis (Proprietary) Limited)* | **-** | 103 081 | **-** | 103 081 |
| Choppies Superstore Selibe Phikwe *(formerly known as Macha Investments* (Proprietary) Limited) | **-** | 76 181 | **-** | 76 181 |
| Choppies Super Store Gabane Junction *(formerly known as Million Touch (Proprietary) Limited)* | **-** | 138 311 | **-** | 138 311 |
| Choppies Super Store Palapye *(formerly. known as Right Time (Proprietary) Limited)* | **-** | 237 460 | **-** | 237 460 |
| Choppies Super Store Loja Mall *(formerly known as Rigil (Proprietary) Limited)* | **-** | 47 100 | **-** | 47 100 |
| | **46 800 302** | 51 434 448 | **33 733 326** | 38 441 244 |

| | Group | | Company | |
|---|---|---|---|---|
| *Figures in Pula* | **2019** | 2018 | **2019** | 2018 |
| **25. RELATED PARTIES** continued | | | | |
| **Rental income received from related parties** continued | **46 800 302** | 51 434 448 | **33 733 326** | 38 441 244 |
| Choppies Super Store G West *(formerly known as S & F (Proprietary) Limited)* | **-** | 132 466 | **-** | 132 466 |
| Choppies Meat Distribution Centre *(formerly known as Sarfrosh Holdings (Proprietary) Limited)* | **-** | 100 282 | **-** | 100 282 |
| Choppies Superstore Maun 3 Boseja *(formerly known as Shoppers Paradise (Proprietary) Limited)* | **-** | 49 469 | **-** | 49 469 |
| Choppies Superstore Borakalalo Molepolole *(formerly known as Spin & Shine (Proprietary) Limited)* | **-** | 68 310 | **-** | 68 310 |
| Choppies Super Store Maruapula *(formerly known as Tampatrail (Proprietary) Limited)* | **-** | 110 562 | **-** | 110 562 |
| Choppies Super Store Phakalane *(formerly known as Top Shape (Proprietary) Limited)* | **-** | 122 881 | **-** | 122 881 |
| Choppies Super Store Tlokweng Centre *(formerly known as Torinby (Proprietary) Limited)* | **-** | 197 201 | **-** | 197 201 |
| Choppies Super Store Maun II *(formerly known as Velocity (Proprietary) Limited)* | **291 156** | - | **291 156** | - |
| Choppies Superstore Old Lobatse Road *(formerly known as Walrus (Proprietary) Limited)* | **1 892 587** | 1 784 556 | **1 892 587** | 1 784 556 |
| Choppies Super Stores Tutume *(formerly known as Whitebaite (Proprietary) Limited)* | **-** | 73 092 | **-** | 73 092 |
| Choppies Superstore Borogo Junction, Kazungula *(formerly known as Wolflakde (Proprietary) Limited)* | **2 170 808** | 3 293 134 | **2 170 808** | 3 293 134 |
| Choppies Supermarkets S.A. (Proprietary) Limited *(formerly known as Choppies Warehousing Services (Proprietary) Limited)* | **7 767 972** | 7 674 465 | **-** | - |
| DCS Tropicana (Proprietary) Limited | **1 339 790** | 18 601 | **1 339 790** | 18 601 |
| Distron Botswana (Proprietary) Limited | **101 940** | 5 270 | **101 940** | 5 270 |
| Serowe Choppies Multisave Super Store *(formerly known as Dostana (Proprietary) Limited)* | **-** | 53 436 | **-** | 53 436 |
| Feasible Investments (Proprietary) Limited | **546 943** | 554 254 | **546 943** | 554 254 |
| Choppies Super Store Station II *(formerly known as Freshtake (Proprietary) Limited)* | **-** | 112 763 | **-** | 112 763 |
| Gainville (Proprietary) Limited | **25 801** | 344 425 | **25 801** | 344 425 |
| Glenwally (Proprietary) Limited | **-** | 30 226 | **-** | 30 226 |
| Greenland (Proprietary) Limited | **64 000** | 45 000 | **64 000** | 45 000 |
| Honey Guide (Proprietary) Limited | **1 425 329** | 1 298 208 | **1 425 329** | 1 298 208 |
| | **62 426 628** | 67 503 049 | **41 591 680** | 46 835 380 |

# NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

| | Group | | Company | |
|---|---|---|---|---|
| *Figures in Pula* | **2019** | 2018 | **2019** | 2018 |
| **25. RELATED PARTIES** continued | | | | |
| **Rental income received from related parties** continued | **62 426 628** | 67 503 049 | **41 591 680** | 46 835 380 |
| Shaysons Investments (Proprietary) Limited *(formerly known as Hoplite (Proprietary) Limited)* | **451 257** | 417 830 | **451 257** | 417 830 |
| ILO Industries (Proprietary) Limited | **2 147 667** | 1 131 330 | **2 147 667** | 1 131 330 |
| Industrial Filling station (Proprietary) Limited | **1 519 883** | 1 269 619 | **1 519 883** | 1 269 619 |
| Inskip Investments (Proprietary) Limited | **224 246** | 244 312 | **224 246** | 244 312 |
| JB Sports (Proprietary) Limited *(formerly known as Ovais Investment (Proprietary) Limited)* | **1 144 235** | 1 175 207 | **1 144 235** | 1 175 207 |
| Kamoso Distribution (Proprietary) Limited | **–** | 22 965 | **–** | 22 965 |
| Keriotic Investments (Proprietary) Limited | **243 591** | 2 536 098 | **243 591** | 2 536 098 |
| Lubsoga (Proprietary) Limited | **151 096** | 37 337 | **151 096** | 37 337 |
| Shaysons Investments (Proprietary) Limited *(formerly known as Lumpsum Investments (Proprietary) Limited)* | **387 903** | 359 169 | **387 903** | 359 169 |
| Mont Catering (Proprietary) Limited | **–** | 40 500 | **–** | 40 500 |
| Shaysons Investments (Proprietary) Limited *(formerly known as Morava (Proprietary) Limited)* | **136 454** | 174 361 | **136 454** | 174 361 |
| Fruit and Veg Market *(formerly known as Motopi (Proprietary) Limited)* | **3 385 181** | 3 599 841 | **3 385 181** | 3 504 039 |
| Northgate Lodge (Proprietary) Limited | **724 730** | 691 787 | **724 730** | 691 787 |
| Cottenvale (Proprietary) Limited | **40 093** | 35 200 | **40 093** | 35 200 |
| Ovais Investments (Proprietary) Limited | **–** | 122 501 | **–** | 122 501 |
| Payless (Proprietary) Limited | **158 594** | 85 040 | **158 594** | 85 040 |
| Peacock Blue (Proprietary) Limited | **881 712** | 816 400 | **881 712** | 816 400 |
| Pennywise Investments (Proprietary) Limited | **174 701** | 157 594 | **174 701** | 157 594 |
| Pinestone (Proprietary) Limited | **87 492** | 81 389 | **87 492** | 81 389 |
| Pratham Holdings (Proprietary) Limited | **143 875** | 454 960 | **143 875** | 454 960 |
| Presprime Investments (Proprietary) Limited | **155 019** | 156 240 | **155 019** | 156 240 |
| Princieton (Proprietary) Limited | **321 207** | 337 959 | **321 207** | 337 959 |
| Prosperous People (Proprietary) Limited | **924 606** | 1 026 825 | **924 606** | 1 026 825 |
| Puko (Proprietary) Limited | **–** | 1 852 106 | **–** | 1 852 106 |
| RBV Consultants (Proprietary) Limited | **55 959** | 118 368 | **55 959** | 118 368 |
| Real Plastic (Proprietary) Limited | **208 151** | 850 482 | **208 151** | 850 482 |
| Royal Stag (Proprietary) Limited | **–** | 18 040 | **–** | 18 040 |
| Shaysons Investments (Proprietary) Limited | **2 072 819** | 1 616 213 | **2 072 819** | 1 616 213 |
| Mogoditshane Choppies Multisave Store *(formerly known as Smoothsail (Proprietary) Limited)* | **1 797 487** | – | **1 797 487** | – |
| Solace (Proprietary) Limited | **88 434** | 74 700 | **88 434** | 74 700 |
| Strides of Success (Proprietary) Limited | **574 181** | 555 012 | **574 181** | 555 012 |
| | **80 627 201** | 87 562 434 | **59 792 253** | 66 798 963 |

| | Group | | Company | |
|---|---|---|---|---|
| *Figures in Pula* | **2019** | 2018 | **2019** | 2018 |
| **25. RELATED PARTIES** continued | | | | |
| **Rental income received from related parties** continued | **80 627 201** | 87 562 434 | **59 792 253** | 66 798 963 |
| Choppies Value Store Woodhall *(formerly known as Sunrise (Proprietary) Limited)* | **370 270** | 373 733 | **370 270** | 373 733 |
| Supasave (Proprietary) Limited | **–** | 124 842 | **–** | 124 842 |
| Taj Supermarket (Proprietary) Limited | **–** | 1 057 435 | **–** | 1 057 435 |
| Teemane Plastics (Proprietary) Limited | **447 420** | 86 600 | **447 420** | 86 600 |
| Choppies Transport *(formerly known as Welldone (Proprietary) Limited)* | **3 228 587** | 3 295 963 | **3 228 587** | 3 295 963 |
| Atladis (Proprietary) Limited | **–** | 256 149 | **–** | 256 149 |
| Custody investment (Proprietary) Limited | **878 460** | 798 600 | **878 460** | 798 600 |
| Silver Light (Proprietary) Limited | **1 640 721** | 270 300 | **1 640 721** | 270 300 |
| Shine Star Lane (Proprietary) Limited | **827 099** | 780 982 | **827 099** | 780 982 |
| Texo (Proprietary) Limited | **47 251** | 76 230 | **47 251** | 76 230 |
| Tiger Square (Proprietary) Limited | **1 736 640** | 1 058 760 | **1 736 640** | 1 058 760 |
| Tim Tam (Proprietary) Limited | **375 133** | 308 446 | **375 133** | 308 446 |
| Vet Agric Suppliers(Proprietary) Limited | **135 168** | 137 828 | **135 168** | 137 828 |
| Weal (Proprietary) Limited | **496 278** | 461 516 | **496 278** | 461 516 |
| ZCX Investments (Proprietary) Limited | **790 567** | 1 103 972 | **790 567** | 1 103 972 |
| Electrometic Enterprises (Proprietary) Limited | **93 010** | – | **93 010** | – |
| Choppies Superstore Sebina | **253 500** | – | **253 500** | – |
| Choppies Superstore Metsimotlhabe | **203 313** | – | **203 313** | – |
| Choppies Superstore Pitsane | **1 057 916** | – | **1 057 916** | – |
| Choppies Supermarkets Limited (Zambia) | **1 161 170** | – | **–** | – |
| | **94 369 704** | 97 753 790 | **72 373 586** | 76 990 319 |

# NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

| | Group | | Company | |
|---|---|---|---|---|
| *Figures in Pula* | **2019** | 2018 | **2019** | 2018 |
| **25. RELATED PARTIES** continued | | | | |
| **Goods and services purchased from related parties** | | | | |
| Alpha Direct | **1 161 454** | 945 973 | **1 161 454** | 945 973 |
| Choppies Plumbing, Refrigeration and Electrical *(formerly known as Amphora (Proprietary) Limited)* | **1 260** | 20 630 | **1 260** | 20 630 |
| Choppies Distribution Centre (Proprietary) Limited | **16 268** | – | **16 268** | – |
| Electrometric Enterprises (Proprietary) Limited | **99 938** | 96 226 | **99 938** | 96 226 |
| Feasible Investment (Proprietary) Limited | **30 124** | – | **30 124** | – |
| Inskip Investment (Proprietary) Limited | **20 000** | – | **20 000** | – |
| Megatop (Proprietary) Limited | **7 500** | – | **7 500** | – |
| Pennywise (Proprietary) Limited | **125 239** | – | **125 239** | – |
| Choppies Transport *(formerly known as Welldone (Proprietary) Limited)* | **75 232** | 80 659 | **75 232** | 80 659 |
| | **1 537 015** | 1 143 488 | **1 537 015** | 1 143 488 |
| **Key management compensation** | | | | |
| Key management includes directors (executive and non-executive) and members of the executive committee. The compensation paid or payable to key management for employee services is shown below: | | | | |
| Directors' fee | **466 850** | 711 183 | **466 850** | 711 183 |
| Salaries and other short-term employment benefits | **410 020** | 343 999 | **410 020** | 343 999 |
| | **876 870** | 1 055 182 | **876 870** | 1 055 182 |

### Property mortgaged by the company owned by related parties

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 2019 and 2018 respectively were as follows:

| | | Group | | Company | |
|---|---|---|---|---|---|
| *Figures in Pula* | Note | **2019** | 2018 | **2019** | 2018 |
| **Total borrowings** | | | | | |
| Related party payable | 6 | **–** | – | **132 293** | 94 126 |
| Borrowings | 12 | **513 728 561** | 452 952 587 | **374 845 175** | 396 555 881 |
| Bank overdraft | 10 | **47 200 170** | 40 630 917 | **47 200 170** | 40 630 917 |
| Total debt | | **560 928 731** | 493 583 504 | **422 177 638** | 437 280 924 |
| *Less:* Cash and cash equivalents | 10 | **(13 738 493)** | (15 315 488) | **(7 694 618)** | (11 258 351) |
| Net debt | | **547 190 238** | 478 268 016 | **414 483 020** | 426 022 573 |
| Total equity | | **853 118 049** | 797 373 307 | **780 705 673** | 740 213 572 |
| Total capital | | **1 400 308 287** | 1 275 641 323 | **1 195 188 693** | 1 166 236 145 |
| Gearing ratio (%) | | **39** | 37 | **35** | 37 |

### 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 a group finance department under policies approved by the board. Group finance department identifies and evaluates financial risks in close co-operation 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 2019

## 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 P13 738 493. (2018: P15 315 488) 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 2019, group's current liabilities exceeds its current assets by P164,5 million. The liquidity gap is managed through P384 million undrawn facilities available to the group and the additional income to be generated from the 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 undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| *Figures in Pula* | Less than 1 year | Between 1 to 2 years | Between 2 to 5 years | Over 5 years |
|---|---|---|---|---|
| **GROUP - at 30 June 2019** | | | | |
| Borrowings | **110 374 005** | **156 925 311** | **323 162 775** | **-** |
| Trade and other payables | **16 726 396** | **-** | **-** | **-** |
| Bank overdraft | **47 200 170** | **-** | **-** | **-** |
| Distribution Payable | **71 510 176** | **-** | **-** | **-** |
| **GROUP - at 30 June 2018** | | | | |
| Borrowings | 180 588 555 | 337 827 640 | 13 256 782 | 82 034 084 |
| Trade and other payables | 15 988 207 | - | - | - |
| Bank overdraft | 40 630 917 | - | - | - |
| Distribution Payable | 49 004 494 | - | - | - |
| **COMPANY - at 30 June 2019** | | | | |
| Borrowings | **88 134 795** | **92 885 895** | **233 382 231** | **-** |
| Related party payables | **132 293** | **-** | **-** | **-** |
| Trade and other payables | **12 771 160** | **-** | **-** | **-** |
| Bank overdraft | **47 200 170** | **-** | **-** | **-** |
| Distribution Payable | **71 510 176** | **-** | **-** | **-** |
| **COMPANY - at 30 June 2018** | | | | |
| Borrowings | 147 591 867 | 117 645 649 | 98 501 948 | 44 369 819 |
| Related party payables | 94 126 | - | - | - |
| Trade and other payables | 12 977 895 | - | - | - |
| Bank overdraft | 40 630 917 | - | - | - |
| Distribution Payable | 49 004 494 | - | - | - |

## 26. RISK MANAGEMENT continued

### 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 the 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 or 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 the management. If interest rates on Pula denominated and Rand denominated borrowings had been 1% higher/lower with all other variables held constant, impact on profit for the year was as follows:

| | Impact lower | | Impact higher | |
|---|---|---|---|---|
| *Figures in Pula* | **2019** | 2018 | **2019** | 2018 |
| **COMPANY** | | | | |
| Pula-denominated borrowings | **3 702 008** | 2 453 858 | **(3 396 642)** | (2 796 626) |
| South African Rand-denominated borrowings | **513 487** | 939 912 | **(514 703)** | (938 349) |
| **GROUP** | | | | |
| Pula-denominated borrowings | **3 702 008** | 2 453 858 | **(3 396 642)** | (2 796 626) |
| South African Rand-denominated borrowings | **1 784 236** | 1 586 002 | **(1 804 669)** | (1 731 142) |

### 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.

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

# NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

## 26. RISK MANAGEMENT continued

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

| | Group | | Company | |
|---|---|---|---|---|
| *Figures in Pula* | **2019** | 2018 | **2019** | 2018 |
| **Financial instrument** | | | | |
| Related party receivables | **9 095 734** | 5 218 299 | **102 770 264** | 101 767 284 |
| Trade and other receivables | **13 616 824** | 14 161 872 | **10 557 899** | 10 234 825 |
| Cash and cash equivalents | **13 734 350** | 15 314 164 | **7 691 485** | 11 257 748 |

Credit risk with respect to trade receivables is minimised by the diverse tenant base. Credit checks are performed prior to concluding leases and arrears 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 2019, if the South African Rand that the group is exposed to had weakened or strengthened by 5% against the Botswana Pula with all other variables held constant, group profit for the year would have been P1 893 707 (2018: P2 717 327) higher/lower and the company profit for the year would have been P2 790 020 (2018: P946 368) higher/lower, mainly as a result of foreign exchange gains or losses on translation of foreign currency denominated assets and liabilities.

As at 30 June 2019, if the United States Dollar that the group is exposed to had weakened or strengthened by 5% against the Botswana Pula with all other variables held constant, group profit for the year would have been P80 513 (2018: P73 539) higher/lower and the company profit for the year would have been P26 044 (2018: Pnil) higher/lower, mainly as a result of foreign exchange gains or 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 | | |
|---|---|---|---|---|---|---|
| *Figures in Pula* | **Level 1** | **Level 2** | **Level 3** | **Level 1** | **Level 2** | **Level 3** |
| **2019** | | | | | | |
| Cash and cash equivalents | **13 738 493** | **–** | **–** | **7 694 618** | **–** | **–** |
| Bank overdrafts | **(47 200 170)** | **–** | **–** | **(47 200 170)** | **–** | **–** |
| **2018** | | | | | | |
| Cash and cash equivalents | 15 315 488 | – | – | 11 258 351 | – | – |
| Bank overdrafts | (40 630 917) | – | – | (40 630 917) | – | – |

There have been no transfers between any of the hierarchy levels during the year (2018: Pnil)

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.

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 | | |
|---|---|---|---|---|---|---|
| *Figures in Pula* | **Level 1** | **Level 2** | **Level 3** | **Level 1** | **Level 2** | **Level 3** |
| **2019** | | | | | | |
| **Assets** | | | | | | |
| Related party receivables | **–** | **–** | **9 095 734** | **–** | **–** | **102 770 264** |
| Trade and other receivables | **–** | **–** | **13 616 824** | **–** | **–** | **10 557 899** |
| **Liabilities** | | | | | | |
| Borrowings | **–** | **–** | **513 728 561** | **–** | **–** | **374 845 175** |
| Related party payables | **–** | **–** | **–** | **–** | **–** | **132 293** |
| Trade and other payables | **–** | **–** | **15 164 275** | **–** | **–** | **11 759 325** |
| **2018** | | | | | | |
| **Assets** | | | | | | |
| Related party receivables | – | – | 5 218 299 | – | – | 101 767 284 |
| Trade and other receivables | – | – | 14 161 872 | – | – | 10 234 825 |
| **Liabilities** | | | | | | |
| Borrowings | – | – | 452 952 587 | – | – | 396 555 881 |
| Related party payables | – | – | – | – | – | 94 126 |
| Trade and other payables | – | – | 14 792 552 | – | – | 12 335 069 |

# NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

## 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 measure 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 | | |
|---|---|---|---|---|---|---|
| *Figures in Pula* | **Level 1** | **Level 2** | **Level 3** | **Level 1** | **Level 2** | **Level 3** |
| **2019** | | | | | | |
| Investment property | **–** | **–** | **1 481 019 203** | **–** | **–** | **1 142 728 622** |
| **2018** | | | | | | |
| Investment property | – | – | 1 357 665 459 | – | – | 1 134 808 771 |

There have been no transfers between any of the hierarchy levels during the year (2018: Pnil).

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

Level 3 financials 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* | **2019** | 2018 | **2019** | 2018 |
| **29. LINKED UNITS DISTRIBUTION PAYABLE** | | | | |
| Balance at beginning of year | **49 004 494** | 52 022 000 | **49 004 494** | 52 022 000 |
| Amount declared during year | **71 510 176** | 49 004 494 | **71 510 176** | 49 004 494 |
| Amount paid during year | **(31 696 542)** | (4 529 637) | **(31 696 542)** | (4 529 637) |
| Scrip in lieu of distribution on linked units | **(17 307 952)** | (47 492 363) | **(17 307 952)** | (47 492 363) |
| Balance at end of year | **71 510 176** | 49 004 494 | **71 510 176** | 49 004 494 |
| Linked unit distribution per linked unit – declared during the year | **0,18** | 0,12 | **0,18** | 0,12 |

## 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* | **2019** | 2018 | **2019** | 2018 |
| Net profit for the year attributable to linked unitholders | **109 292 960** | 39 249 959 | **94 694 325** | 50 997 985 |
| Weighted average number of linked units in issue | **404 411 057** | 394 764 190 | **404 411 057** | 394 764 190 |
| Basic earnings per linked unit | **0,27** | 0,10 | **0,23** | 0,13 |

The company has no dilutive potential linked units, the diluted earnings per linked unit are the same as the basic earnings per linked unit.

## 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 of the company.

### 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 2019.

| | Pula |
|---|---|
| **Choppies Distribution Centre (Proprietary) Limited** | **19 806 730** |

This customer belongs to the industrial properties operating segment.

### Reportable segments

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

# NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

## 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:

| *Figures in Pula* | Residential | Commercial | Industrial | Other | Total |
|---|---|---|---|---|---|
| **COMPANY** | | | | | |
| Revenue | 13 623 452 | 46 514 458 | 51 766 482 | – | 111 904 392 |
| Tenant recoveries | 369 081 | 6 284 721 | 3 516 627 | – | 10 170 429 |
| Operating expenses | (1 249 191) | (6 284 721) | (3 516 627) | (7 966 186) | (19 016 725) |
| Finance income | – | – | – | 13 904 804 | 13 904 804 |
| Finance costs | – | – | – | (34 142 586) | (34 142 586) |
| Investment property fair value adjustment | (6 063 000) | 7 040 030 | (11 620 594) | – | (10 643 564) |
| Income tax credit | – | – | – | 16 010 886 | 16 010 886 |
| **Segment assets** | 180 612 164 | 576 957 018 | 433 836 949 | 147 138 343 | 1 338 544 474 |
| **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 | – | – | – | 102 770 264 | 102 770 264 |
| 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 | 147 138 343 | 1 338 544 474 |
| **Total liabilities** | – | – | – | 557 838 801 | 557 838 801 |

## 32. OPERATING SEGMENTS continued

The segment information provided to the board for the reportable segments for the year ended 30 June 2018 is as follows:

| *Figures in Pula* | Residential | Commercial | Industrial | Other | Total |
|---|---|---|---|---|---|
| **COMPANY** | | | | | |
| Revenue | 14 530 732 | 54 479 488 | 33 195 394 | – | 102 205 614 |
| Tenant recoveries | 563 742 | 3 674 177 | 2 504 755 | – | 6 742 674 |
| Operating expenses | (837 638) | (3 776 128) | (681 490) | (12 087 111) | (17 382 367) |
| Finance income | – | – | – | 14 007 960 | 14 007 960 |
| Finance costs | – | – | – | (33 297 340) | (33 297 340) |
| Investment property fair value adjustment | (518 928) | (8 107 922) | (22 244 278) | – | (30 871 128) |
| Income tax charge | – | – | – | (107 786) | (107 786) |
| **Segment assets** | 180 740 494 | 471 292 977 | 530 497 025 | 126 568 616 | 1 309 099 112 |
| **Reconciliation to total assets as reported in the statement of financial position** | | | | | |
| Property, plant and equipment | – | – | – | 497 354 | 497 354 |
| Investment property | 175 456 000 | 457 589 168 | 501 763 603 | – | 1 134 808 771 |
| Investments in subsidiaries | – | – | – | 2 415 821 | 2 415 821 |
| Related party receivables | – | – | – | 101 767 284 | 101 767 284 |
| Operating lease asset | 5 284 494 | 13 703 809 | 28 733 422 | – | 47 721 725 |
| Trade and other receivables | – | – | – | 10 629 806 | 10 629 806 |
| Cash and cash equivalents | – | – | – | 11 258 351 | 11 258 351 |
| **Total assets as reported in the statement of financial position** | 180 740 494 | 471 292 977 | 530 497 025 | 126 568 616 | 1 309 099 112 |
| **Total liabilities** | – | – | – | 568 885 540 | 568 885 540 |

# NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

## 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 | - |
| Tenant recoveries | 369 081 | 6 284 721 | 3 516 627 | - |
| 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) | - |
| Income tax | - | - | - | 16 010 886 |
| **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 |

The segment information provided to the Board for the reportable segments for the year ended 30 June 2018 is as follows:

| | Botswana | | | |
|---|---|---|---|---|
| | Residential | Commercial | Industrial | Other |
| **GROUP** | | | | |
| Revenue | 14 530 732 | 54 479 488 | 33 195 394 | - |
| Tenant recoveries | 563 742 | 3 674 177 | 2 504 754 | - |
| Operating expenses | (918 810) | (3 776 128) | (681 490) | (12 087 112) |
| Finance income | - | - | - | (14 007 960) |
| Finance costs | - | - | - | (33 297 340) |
| Investment property fair value adjustment | (1 118 928) | (8 107 922) | (22 244 278) | - |
| Loss on sale of investment property | - | - | - | - |
| Loss on disposal of subsidiary | - | - | - | - |
| Income tax | - | - | - | (107 786) |
| **Segment assets** | 182 590 494 | 471 292 977 | 530 497 025 | 27 603 810 |
| **Reconciliation to total assets as reported in the statement of financial position** | | | | |
| Property, plant and equipment | - | - | - | 497 354 |
| Investment property | 177 306 000 | 457 589 168 | 501 763 603 | - |
| Related party receivables | - | - | - | 5 218 299 |
| Operating lease asset | 5 284 494 | 13 703 809 | 28 733 422 | - |
| Trade and other receivables | - | - | - | 10 629 806 |
| Cash and cash equivalents | - | - | - | 11 258 351 |
| Deferred income tax assets | - | - | - | - |
| **Total assets as reported in the statement of financial position** | 182 590 494 | 471 292 977 | 530 497 025 | 27 603 810 |
| **Total liabilities** | - | - | - | 568 885 540 |

| South Africa | | | | Zambia | | | | |
|---|---|---|---|---|---|---|---|---|
| Residential | Commercial | Industrial | Other | Residential | Commercial | Industrial | Other | Total |
| 395 012 | 15 997 613 | 15 220 233 | - | - | 2 041 633 | - | - | 145 642 883 |
| 60 282 | 6 058 866 | 3 455 402 | - | - | - | - | - | 19 744 979 |
| (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 |
| - | - | - | (844 706) | - | (204 164) | - | - | 14 962 016 |
| 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 |
| - | - | - | 171 227 123 | - | - | - | - | 729 056 227 |

| South Africa | | | | Zambia | | | | |
|---|---|---|---|---|---|---|---|---|
| Residential | Commercial | Industrial | Other | Residential | Commercial | Industrial | Other | Total |
| 336 542 | 15 642 395 | 7 325 212 | - | - | 1 867 351 | - | - | 127 377 114 |
| 18 699 | 5 604 895 | 1 567 720 | - | - | - | - | - | 13 933 987 |
| (20 128) | (3 842 024) | (1 030 397) | (7 856 842) | - | (519 897) | - | - | (30 732 828) |
| - | - | - | 10 835 198 | - | - | - | - | (3 172 762) |
| - | - | - | (7 720 691) | - | - | - | - | (41 018 031) |
| (113 233) | (9 984 615) | (2 662 978) | - | - | (1 892 318) | - | - | (46 124 272) |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | 3 308 445 | - | - | - | (186 735) | 3 013 924 |
| 3 345 987 | 116 559 107 | 85 437 704 | 12 666 353 | - | 21 737 925 | - | - | 1 451 731 382 |
| - | - | - | 304 848 | - | - | - | - | 802 202 |
| 3 328 318 | 113 949 704 | 84 036 200 | - | - | 19 692 466 | - | - | 1 357 665 458 |
| - | - | - | - | - | - | - | - | 5 218 299 |
| 17 670 | 2 609 403 | 1 401 504 | - | - | 2 045 459 | - | - | 53 795 761 |
| - | - | - | 4 312 864 | - | - | - | - | 14 942 670 |
| - | - | - | 4 057 137 | - | - | - | - | 15 315 488 |
| - | - | - | 3 991 504 | - | - | - | - | 3 991 504 |
| 3 345 987 | 116 559 107 | 85 437 704 | 12 666 353 | - | 21 737 925 | - | - | 1 451 731 382 |
| - | - | - | 85 472 536 | - | - | - | - | 654 358 076 |

# DETAILED CONSOLIDATED AND SEPARATE INCOME STATEMENT

for the year ended 30 June 2019

| | | Group | | Company | |
|---|---|---|---|---|---|
| *Figures in Pula* | Notes | **2019** | 2018 | **2019** | 2018 |
| **Revenue** | | | | | |
| Rental income | | **145 642 883** | 127 377 113 | **111 904 392** | 102 205 614 |
| Deferred lease adjustment | | **(161 882)** | 7 455 889 | **955 784** | 4 960 351 |
| | | **145 481 001** | 134 833 002 | **112 860 176** | 107 165 965 |
| **Other income** | | | | | |
| Fuel rebates | | **1 566 796** | 1 689 896 | **1 566 796** | 1 689 896 |
| Recoveries | | **19 744 979** | 13 933 987 | **10 170 429** | 6 742 674 |
| Management fee | | **–** | – | **3 706 867** | 2 667 282 |
| Miscellaneous income | | **305 377** | 481 517 | **277 242** | 382 829 |
| Operating expenses | | **(33 763 455)** | (30 732 826) | **(19 016 725)** | (17 382 367) |
| **Operating profit** | | **133 334 698** | 120 205 576 | **109 564 785** | 101 266 279 |
| Finance income | 17 | **522 981** | 3 172 762 | **13 904 804** | 14 007 960 |
| Finance costs | 18 | **(46 443 852)** | (41 018 031) | **(34 142 586)** | (33 297 340) |
| **Net income from operations** | | **87 413 827** | 82 360 307 | **89 327 003** | 81 976 899 |
| Investment property fair value adjustment | | **6 917 117** | (46 124 272) | **(10 643 564)** | (30 871 128) |
| **Profit before income tax** | | **94 330 944** | 36 236 035 | **78 683 439** | 51 105 771 |
| Income tax credit/(charge) | 20 | **14 962 016** | 3 013 924 | **16 010 886** | (107 786) |
| **Profit for the year** | | **109 292 960** | 39 249 959 | **94 694 325** | 50 997 985 |
| **Operating expenses** | | | | | |
| Accounting fees | | **(358 387)** | (272 985) | **(296 397)** | (262 842) |
| Rates | | **(3 007 931)** | (1 258 290) | **(756 897)** | (466 892) |
| Auditor's remuneration | | **(791 303)** | (798 670) | **(688 750)** | (664 280) |
| Bank charges | | **(79 939)** | (56 527) | **(58 019)** | (37 370) |
| Cleaning | | **(987 164)** | (718 081) | **(714 527)** | (513 526) |
| Depreciation | | **(142 170)** | (202 907) | **(107 710)** | (170 512) |
| Insurance | | **(1 308 326)** | (1 190 361) | **(827 920)** | (883 932) |
| Legal expenses | | **(1 037 564)** | (655 898) | **(475 528)** | (319 661) |
| Professional charges | | **(1 907 702)** | (1 717 647) | **(758 485)** | (936 206) |
| Levies | | **(1 994 764)** | (1 168 550) | **(1 952 520)** | (1 166 574) |
| Commission | | **(88 793)** | (309 429) | **(42 898)** | (274 366) |
| Loss on disposal of investment property | | **(15 541)** | – | **(15 541)** | – |
| Repairs and maintenance | | **(1 456 857)** | (1 083 744) | **(933 156)** | (806 966) |
| Rentals | | **(410 081)** | (104 295) | **(320 135)** | – |
| Security | | **(1 032 009)** | (1 033 214) | **(692 822)** | (695 262) |
| SAT penalty interest | | **(17 644)** | – | **(17 644)** | – |
| Staff cost | | **(1 851 296)** | (1 947 135) | **(1 851 296)** | (1 947 135) |
| Impairment of trade receivable | | **(2 583 366)** | (4 252 521) | **(751 166)** | (1 862 190) |
| Utilities | | **(12 260 220)** | (10 208 089) | **(5 572 575)** | (4 689 059) |
| Directors' remuneration | | **(466 850)** | (711 183) | **(466 850)** | (711 183) |
| Other charges | | **(1 965 548)** | (3 043 300) | **(1 715 889)** | (974 411) |
| | | **(33 763 455)** | (30 732 826) | **(19 016 725)** | (17 382 367) |

This detailed income statement does not form part of the audited financial statements covered by the audit opinion on pages 22 to 26.

# ANALYSIS OF LINKED UNITHOLDERS

## SHAREHOLDER ANALYSIS – 2019

| SL No | | Number of shareholders 2019 | Number of shares held 2019 | Percentage of holding 2019 | Number of shareholders 2018 | Number of shares held 2018 | Percentage of holding 2018 |
|---|---|---|---|---|---|---|---|
| 1 | 1 – 1 000 | **385** | **125 893** | **0,03** | 388 | 128 345 | 0,03 |
| 2 | 1 001 – 10 000 | **141** | **560 618** | **0,14** | 140 | 557 542 | 0,14 |
| 3 | 10 001 – 100 000 | **65** | **2 338 707** | **0,58** | 65 | 2 382 569 | 0,6 |
| 4 | 100 001 – 1 000 000 | **19** | **5 846 132** | **1,44** | 21 | 6 488 182 | 1,62 |
| 5 | 1 000 001 and above | **8** | **397 436 469** | **97,82** | 7 | 389 828 000 | 97,61 |
| | **Total** | **618** | **406 307 819** | **100** | 621 | 399 384 638 | 100 |

### Top five shareholders

| SL No | Name of top five shareholders | Number of shares held 2019 | Percentage of holding 2019 | Number of shares held 2018 | Percentage of holding 2018 |
|---|---|---|---|---|---|
| 1 | Farouk Ismail | **159 561 419** | **39,27** | 157 611 278 | 39,46 |
| 2 | Ramachandran Ottapathu | **155 833 200** | **38,35** | 152 476 375 | 38,18 |
| 3 | Botswana Public Officers Pension Fund | **70 048 275** | **17,24** | 69 914 275 | 17,51 |
| 4 | Allan Gray Re Debswana Pension Fund | **8 271 349** | **2,04** | 8 256 349 | 2,07 |
| 5 | Stanbic Nominees Botswana Re: BURS Employee Pension Fund | **2 114 008** | **0,52** | | |
| | **Total** | **395 828 251** | **97,42** | | |

### List of shareholders holding above 5% – 2019

| SL No | Name of shareholders – 2019 | Number of shares held 2019 | Percentage of holding 2019 | Number of shares held 2018 | Percentage of holding 2018 |
|---|---|---|---|---|---|
| 1 | Farouk Ismail | **159 561 419** | **39,27** | 157 611 278 | 39,46 |
| 2 | Ramachandran Ottapathu | **155 833 200** | **38,35** | 152 476 375 | 38,18 |
| 3 | Botswana Public Officers Pension Fund | **70 048 275** | **17,24** | 69 914 275 | 17,51 |
| | **Total** | **385 442 894** | **94,86** | 380 001 928 | 95,15 |

| SL No | Details | Number of shareholders 2019 | Number of shares held 2019 | Percentage of holding 2019 | Number of shareholders 2018 | Number of shares held 2018 | Percentage of holding 2018 |
|---|---|---|---|---|---|---|---|
| 1 | Public | **607** | **32 791 681** | **8,07** | 611 | 31 326 993 | 4,62 |
| 2 | Directors (direct and indirect holding) | **9** | **316 363 150** | **77,86** | 8 | 311 038 657 | 77,88 |
| 3 | Shareholders holding above 5% excluding directors | **2** | **57 152 988** | **14,07** | 2 | 57 018 988 | 17,51 |
| | **Total** | **618** | **406 307 819** | **100** | 621 | 399 384 638 | 100 |

# ANALYSIS OF LINKED UNITHOLDERS continued

## SHAREHOLDER CLASSIFICATIONS – 2019

| SL No | Details | Number of shareholders 2019 | Number of shares held 2019 | Percentage of holding 2019 | Number of shareholders 2018 | Number of shares held 2018 | Percentage of holding 2018 |
|---|---|---|---|---|---|---|---|
| 1 | Individuals | **568** | **2 581 741** | **0,64** | 587 | 2 594 888 | 0,65 |
| 2 | Companies | **11** | **135 779** | **0,03** | 11 | 136 485 | 0,03 |
| 3 | Institutional investors | **30** | **87 227 149** | **21,47** | 29 | 85 614 608 | 21,44 |
| 4 | Directors | **9** | **316 363 150** | **77,86** | 11 | 311 038 657 | 77,88 |
| | **Total** | **618** | **406 307 819** | **100** | 638 | 380 000 000 | 100 |

| SL No | Directors' holdings | Number of shares held 2019 | Percentage of holding 2019 | Number of shares held 2018 | Percentage of holding 2018 |
|---|---|---|---|---|---|
| 1 | Robert Neil Matthews | **87 982** | **0,02** | 85 928 | 0,02 |
| 2 | FGM Holdings (Proprietary) Limited (HE Festus Mogae) | **537 234** | **0,13** | 525 470 | 0,13 |
| 3 | Faizel Ismail (through his family) | **159 561 419** | **39,27** | 157 611 278 | 39,46 |
| 4 | Ramachandran Ottapathu (including indirect holding) | **156 042 289** | **38,40** | 152 684 238 | 38,23 |
| 5 | Vidya Sanooj | **134 226** | **0,03** | 131 743 | 0,03 |
| 6 | Reetsang Willie Mokgatlhe | **–** | **–** | – | – |
| | **Total** | **316 363 150** | **77,86** | 311 038 657 | 77,88 |

# CORPORATE INFORMATION

## SECRETARY
Grant Thornton Business Services (Proprietary) Limited
Plot 50370
Acumen Park
Fairgrounds, Gaborone

## REGISTERED ADDRESS
Plot 50370
Acumen Park
Fairgrounds, Gaborone

## INDEPENDENT AUDITOR
PricewaterhouseCoopers
Plot 50371
Fairgrounds, Gaborone

## BANKERS
Bank of Baroda (Botswana) Limited
Barclays Bank of Botswana Limited
Capital Bank Botswana Limited
First National Bank Botswana Limited
Standard Chartered Bank Botswana Limited
BIFM Capital Investment Fund One Proprietary Limited
Investec Bank Limited
Standard Bank South Africa Limited

# NOTICE OF ANNUAL GENERAL MEETING

## THE FAR PROPERTY COMPANY LIMITED

Notice is hereby given that the 2019 annual general meeting of unitholders of The FaR Property Company Limited will be held at The FaR Property Conference Centre, Plot 880/3, Gaborone International Commerce Park, Gaborone, Botswana at 11:00 on Tuesday 26 November 2019 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 2019 together with the directors' and auditor's reports thereon.
3. To confirm distribution number 4 of 17,60 thebe to unitholders, comprising 17,44 thebe interest and 0,16 thebe dividend for the year ended 30 June 2019 as recommended by the board of directors it being noted that an additional 20 223 012 linked units were issued to unitholders, who elected to capitalise distribution number 4 in terms of the notice to unitholders dated 23 August 2019.
4. To ratify the appointment of Ranjith Priyalal De Silva who was co-opted by the board of directors on 7 June 2019.
5. To ratify appointment of Farouk Ismail who was appointed as an alternate director of the company, alternate to Faizel Ismail on 25 June 2019.
6. To re-elect Faizel Ismail, a director retiring by rotation in terms of clause 20.9.1 of the constitution of the company.
7. To consider and ratify the remuneration paid to independent directors for the year ended 30 June 2019 as set out on page 18 of the integrated annual report.
8. To approve the remuneration paid to the auditor, PricewaterhouseCoopers, for the year ended 30 June 2019.
9. To appoint Grant Thornton as the auditor for the ensuing financial year.
10. 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 Listings Requirements.
11. To take and respond to questions put by unitholders in respect of the affairs and the business of the company.
12. 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 (Proprietary) Limited, Plot 50370, Fairgrounds, Gaborone, Botswana not less than 48 hours before the meeting.

By order of the board

**Grant Thornton Business Services (Proprietary) Limited**
Company secretaries
Plot 50370, Fairgrounds
Gaborone, Botswana

09 October 2019

# FORM OF PROXY

## THE FaR PROPERTY COMPANY LIMITED

Plot 169, Gaborone International Commerce Park
East Gate Kgale View
Gaborone
Botswana
Private Bag 00278
Gaborone
Botswana

**For completion by the holders of linked units**

For use at the annual general meeting of unitholders of the company to be held at Gaborone on Tuesday 26 November 2019 at 11:00 at The FaR Property Conference Centre, Plot 880/3, Gaborone International Commerce Park, Gaborone, Botswana.

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 2018 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 | | | |

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 9 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 "chairman of the general meeting". The person whose name appears first on the form of proxy and whose name has not been deleted shall be entitled to act as proxy to the exclusion of those whose names follow.

2. 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 annual 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 |
| "the board" | Board of directors of FPC |
| "BSE" | Botswana Stock Exchange |
| "BWP" | Botswana Pula, the legal tender in Botswana |
| "Choppies" | Choppies Enterprises Limited, listed on the BSE and JSE |
| "the Choppies Group" | Choppies Enterprises Limited and its subsidiaries |
| "Constitution" | Constitution of FPC as registered by CIPA on 17 December 2015 |
| "FMCG" | Fast moving consumer goods |
| "FPC" | The FaR Property Company Limited, listed on the BSE |
| "GLA" | Gross lettable area, measured in square metres |
| "IFRS" | International Financial Reporting Standards |
| "King III Report" | King Report on Corporate Governance for South Africa 2009 |
| "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 |
| "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 |

# 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 board through 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 co-ordinated 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 an 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 stakeholders 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 |

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