



CRESTA  
MARAKANELO LIMITED



2021

INTEGRATED REPORT

## Performance Highlights

### Revenue

^ **12%**

**BWP216,4million**

Revenue for the year from continuing operations was P216.4 million, 12% higher than the P193.1 million achieved in the prior year.

### Cash Generated from Operations

^ **480%**

**BWP33,8million**

Cash generated from operations increased by 480% compared to prior year.

## General Information

### NATURE OF BUSINESS

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

### DIRECTORS

M K Lekaukau - Chairman  
J Y Stevens  
T G Ondoko  
O Majuru  
P Molefe  
G Sainsbury  
M Morulane - Managing Director



#### SECRETARY

P Mothoteng (resigned 4 August 2021)  
Wise Leadership (Pty) Ltd  
(appointed 19 August 2021)

#### TRANSFER SECRETARIES

Central Security Depository Botswana (CSDB)

#### REGISTERED OFFICE

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

#### INDEPENDENT AUDITORS

Deloitte & Touche

#### BANKERS

Absa Bank Botswana Limited  
Absa Bank Zambia Plc  
Bank Gaborone Limited  
First National Bank of Botswana Limited  
Stanbic Bank Botswana Limited

#### CURRENCY

Botswana Pula

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## Board of Directors



**Moathodi Lekaukau**  
Non-Executive Chairman



**John Yendall Stevens**  
Non-Executive -  
Lead Independent Director



**Tshepidi Moremong-Ondoko**  
Independent Non-Executive Director



**Gavin Sainsbury**  
Non-Executive Director



**Pius Komane Molefe**  
Independent Non-Executive Director



**Osborne Majuru**  
Non-Executive Director



**Mokwena Morulane**  
Executive Director - Managing Director

**Moatlhodi Lekaukau**  
**Non-Executive Chairman**

Appointed 30 November 2017

Member of the Human Resources and Nominations Committee

Mr Lekaukau is the Managing Director of Kalahari Capital and the Executive Chairman of YMH Media Group, a diversified

media holding company with interests in Botswana and Zambia. His previous roles include Acting Managing Director and Chief Investment Officer of Botswana Development Corporation, Chief Executive Officer of Standard Chartered Bank Botswana and Partner and Head of Mergers

and Acquisitions at Deloitte in South Africa. Mr Lekaukau is a member of the South African Institute of Chartered Accountants, a fellow member of the Botswana Institute of Chartered Accountants and holds a Bachelor of Commerce Degree and Postgraduate Diploma in Accounting from the University of Cape Town. Mr Lekaukau has served on several boards of listed and private companies and his current board memberships include Water Utilities Corporation.

**John Yendall Stevens**  
**Non-Executive Director - Lead Independent Director**

Appointed 22 January 2010

Chairman of the Finance, Risk and Audit Committee

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

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

**Tshepidi Moremong-Ondoko**  
**Non-Executive Director**

Appointed 30 November 2017

Member of the Finance, Risk and Audit Committee

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

**Gavin Sainsbury**  
**Non-Executive Director**

Appointed 1 September 2011

Mr Sainsbury was the Chief Executive Officer of Masawara Financial Services from 2015 to December 2021. Before joining Masawara, he was Chief Executive Officer of TA Holdings Limited, a company previously listed on the Zimbabwe Stock Exchange. Prior to that, he was the Managing Director of Colcom Holdings Limited from 2000 to 2010. Mr Sainsbury is a qualified Chartered Accountant and obtained his qualification in 1981 in both Zimbabwe and South Africa. Mr Sainsbury worked for Deloitte & Touche Zimbabwe from 1981 to 1998; he was appointed a Partner at Deloitte & Touche in 1989.

Mr Sainsbury served as a director on a number of Boards including Botswana Insurance Company, Zimnat Life Insurance Company Limited and Dandemutande Investments Pvt Limited.

**Pius Komane Molefe**  
**Non-Executive Director**

Appointed 15 January 2011

Chairman of the Human Resources and Nominations Committee

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

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

**Osborne Majuru**  
**Non-Executive Director**

Appointed 22 January 2010

Member of the Finance, Risk and Audit Committee

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

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

**Mokwena Morulane**  
**Executive Director**

Appointed 10 October 2017

Managing Director

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

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

Mr Morulane serves on the Boards of Minergy Limited, Masiela Trust Fund, Old Mutual Life and Senthaga Pension Fund.

# Chairman's Statement

On behalf of the Board of Directors of Cresta Marakanelo Limited, I present to you the Integrated Annual Report for the Group for the year ended 31 December 2021.

Revenue

^12%

**BWP216,4million**

Revenue for the year from continuing operations was P216.4 million, 12% higher than the P193.1 million achieved in the prior year.





## Financial Highlights

|   | Dec 2021<br>P'000 | Dec 2020<br>P'000 | %<br>Change |
|---|-------------------|-------------------|-------------|
| <b>From Continuing Operations</b>                 |                   |                   |             |
| Revenue   | 216,352           | 193,128           | 12%         |
| Operating loss                                    | (30,834)          | (34,587)          | 11%         |
| Loss before tax                                   | (52,920)          | (60,100)          | 12%         |
| Loss after tax                                    | (43,218)          | (51,118)          | 15%         |
| Profit/Loss from discontinued operations          | 3,024             | (11,901)          | 125%        |
| Loss for the year                                 | (40,194)          | (63,019)          | 36%         |
| Loss per share (thebe) from continuing operations | (23.89)           | (28.25)           | 15%         |
| Total assets                                      | 521,974           | 537,844           | (3%)        |
| Total shareholders' equity                        | 122,768           | 163,406           | (25%)       |
| Cash and cash equivalents                         | 53,241            | 56,693            | (6%)        |
| Cash generated from operations                    | 33,776            | 5,824             | 480%        |

### Overview of Operations

During the 2021 financial year, the Group continued to face challenges related to the impact of the COVID-19 pandemic on the travel and hospitality industry. In December 2020, the Government of Botswana introduced a number of measures to curb the spread of COVID-19. These included restrictions on inter-zonal travel, a ban on alcohol sales and limiting the number of conferencing delegates. These measures negatively impacted the business levels at all of the hotels during the greater part of the 2021 financial year. When the State of Emergency was lifted in October 2021 and a number of the COVID-19 restrictions were removed, the Group immediately had a marked increase in revenue across all the properties, with the fourth quarter revenues exceeding the third quarter by 62%. The revenue growth compared to prior year was also tempered during the first three quarters of the year, with modest growth of 6% being registered. Following the lifting of the COVID-19 restrictions, revenue growth registered during the fourth quarter was 24% compared to the same period in the prior year. This is also an indicator of a general improvement in travel sentiment locally as a result of increasing COVID-19 vaccination rates.

In a drive to reduce the operating leverage of the business, several measures were implemented including the below:

- Suspension of all non-critical capital expenditure projects;
- Freeze on all discretionary expenditure;
- Restructuring of the bank loan facility;
- Negotiations with strategic suppliers of the business to reduce contractual obligations;
- Where possible temporary closure of blocks or sections of the hotels to reduce related direct costs;
- Encouraging guests to postpone bookings rather than cancel; and
- Promotional rates towards cash generation and inducing demand at the hotels.

These costs containment and cash preservation measures will continue to be implemented in the business.

Revenue for the year was P216.4 million, 12% higher than the P193.1 million achieved in the prior year. The Group incurred a loss after tax from continuing operations of P43.2 million (2020: P51.1 million). The prior year results include P14.6 million wage subsidy from the Government, which was not available during the current year. If this is excluded, the overall reduction in the loss compared to prior year is 34%, as a result of the increased revenue and the cost control measures in place.

The Group continued to focus on its enhanced health and safety protocols, catering both for staff and guests. All the hotels adhere to the COVID-19 protocols as stipulated by the Botswana Governments and World Health Organisation. In addition, the Group has engaged the services of medical practitioners to offer medical advice, treatment, and psychological support to all our employees. Over and above these, the Group has reduced touch points in its booking processes where guests can check in and check out of the hotels contactless via a WhatsApp platform and use of a chatbot.

### Significant Event - Closure of the Zambia Hotel Operations

The Directors made the decision not to renew the lease for the Cresta Golfview Hotel in Lusaka Zambia, which was due to expire on 31 January 2022. The Group ceased operations at the hotel on 30 September 2021. The landlord of the property took over the operations of the hotel under a different brand name and hired a majority of the former Cresta staff members.

## Chairman's Statement (continued)

The Group has accounted for Cresta Golfview Hotel as a discontinued operation and as such, the hotel's results are excluded from the results of continuing operations and are presented as a single amount, as a profit or loss after tax from discontinued operations in the consolidated statement of comprehensive income.

The profit from discontinued operations of P3.0 million was primarily from the write back of the hotel lease liability, for the lease that was terminated early, on 30 September 2021, instead of on 31 January 2022.

### Going Concern and the Impact of COVID-19

For the financial year 2021, the Group incurred a net loss after taxation of P40 million (2020: P63 million) as a result of the continuing business disruptions caused by the COVID-19 pandemic on the travel and hospitality industry. The disruptions are expected to continue in varying degrees for the foreseeable future. It is not clear when the current operating environment and the remaining COVID-19 restrictions, in their relaxed state, will be fully lifted and return to 'normal' pre-pandemic levels. However, the Group has observed improved business levels towards the end of 2021 and into early 2022, particularly in the Northern region of the country. COVID 19 restrictions at the border still impact business levels due to cancellations but overall, improved occupancies and higher business levels are anticipated.

**The Group continued to focus on its enhanced health and safety protocols, catering both for staff and guests. All the hotels adhere to the COVID-19 protocols as stipulated by the Botswana Governments and World Health Organisation.**

As part of the Directors' consideration of the appropriateness of adopting the going concern basis in preparing the financial statements, a range of scenarios have been prepared and reviewed. The assumptions modelled in the scenarios are based on the estimated potential impact of COVID-19 restrictions and regulations, along with our proposed responses over the course of the next 15 months. These include a range of estimated impact primarily based on length of time various levels of restrictions are in place and the severity of the consequent impact of those restrictions. The range of scenarios include a scenario of a 23% reduced revenue compared to 2019 pre-COVID-19 levels as the best case scenario, to a base case scenario which has a further 7% decline in revenue compared to the best case scenario, to an extreme scenario of continued low occupancy throughout the 2022 financial year which results in a further 5% decline in revenue compared to the base case.

In addition, the following assumptions and considerations have been made by the Directors in preparing the cash flow forecasts;

- Increasing vaccination take up in source markets, regionally and locally;
- That foreign tourism arrivals will increase in 2022, albeit at levels significantly below the pre-pandemic levels;
- No further extended country lockdowns;
- Improved food and bar revenue following the easing of alcohol restrictions which will not be re-introduced and some level of increase in the level of conferencing.

Management performed a solvency and liquidity assessment for the 15-month forecast to 31 March 2023 and noted that the Group will be in a position to generate positive cashflows.

It is worth noting that when assessing solvency and liquidity of the Group from a current scenario and foreseeable future, the following observations were made:

- The Group and Company remain solvent with its assets exceeding its liabilities;
- The Company has not defaulted on any of its loan facilities and obligations and the forecasts indicate that the business will be able service its debts in future. Cash flow forecasts for the 15-month period to 31 March 2023 assume debt service will be made in accordance with the terms of the existing borrowings.
- The banking overdraft facility available to the Group as at 31 December 2021 is P10 million which has not been utilised and there is no reason why it will not remain available for the foreseeable future.
- Since the 2020 financial year, the Group's debt covenant requirements have been waived by the lender.



## Chairman's Statement (continued)

Should the improved trading environment not materialise as anticipated, Management will proactively reduce the operating leverage using cost containment and avoidance plus cash preservation measures, based on the past experiences of 2020 and 2021, as necessary.

Based on the reviews performed as outlined above, the Directors are satisfied that the Group has the ability to meet all obligations as they fall due and to trade as a going concern for a period of at least 12 months from the date of approval of the financial statements and is therefore of the opinion that the going concern assumption is appropriate in the preparation of the consolidated and separate financial statements.

### Statement of Financial Position

Total assets decreased by 3% compared to those as at 31 December 2020. The decrease in assets was primarily because of the capital expenditure freeze and the depreciation of assets. This decrease was partially offset by the increase in right of use assets, following the 10 year extension of the Cresta Mahalapye Hotel lease, as well as the increase in deferred tax assets recognised. Total liabilities increased following the recognition of P30 million Cresta Mahalapye lease liability as well as a P25 million working capital facility drawdown made during the year. The Group had cash resources of P53.2 million (2021: P56.7 million) at the end of the year.

### Cash Flow

During the year, P15.5 million was generated from operating activities, a significant improvement from the prior year when P8.8 million was utilised in operating activities. The improvement was due to the increase in revenues and the improvement in working capital management. Net cash utilised in investing activities amounted to P6.1 million (2020: P17.7 million utilised). The reduction in cash outflow on investing activities was due to the capital expenditure freeze as well as the inclusion in the prior year of P9million related to the acquisition of a hotel property. With regards to financing activities, P13.5 million (2020: P18.2 million) was utilised, split between bank loan repayments of P14.9 million (2020: P10.3 million) and leasing hotel properties P20.5 million (2020: P16.9 million). 2021 financing activities were lower because of a receipt of P25 million (2020: P9.0 million) bank loan proceeds.

### Subsequent Events

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

### Outlook

The Group's revenue in the 2022 financial year has been increasing steadily on a month-to-month basis and so far, the growth compared to the prior year is over 95%, while only 9% below the pre-COVID revenue levels in the 2019 financial year. This steady improvement in performance indicates the recovery trajectory of the hospitality and tourism. The Group expects to continue to see improved performance throughout the coming year. Despite these signs of the business rebounding, the Group will continue with its cash preservation measures, while building up cash resources for a phased refurbishment of the properties.

The Group believes in the future of the hospitality and tourism sector in Botswana and to that end has signed a lease for the development of a 62 roomed hotel in Mahalapye, that will complement the existing 64 roomed Cresta Mahalapye Hotel. The Group extended the lease for the existing Cresta Mahalapye Hotel, for an additional 10-year term, on 20 December 2021. Further to this, the Group is pursuing two additional leases, for developments in Botswana, which are expected to be signed during quarter two of 2022.

### Appreciation

I would like to commend staff, management and my fellow directors for their continued commitment during this challenging COVID-19 pandemic period. I would also like to thank all our valued guests and various stakeholders that continue to support our business.



**M K Lekaukau**  
Chairman

31 March 2022

# Executive Management



**Mokwena Morulane**  
Managing Director



**Rutendo Maziva**  
Chief Financial Officer



**Segomotso Banda**  
Group Human Resources Manager



**Karl Snater**  
Group Operations Manager



**Galeboe Mmesele**  
Group ICT Manager





We are grateful to our providers of finance for their continued support through these two difficult years. The Group managed to secure a Government Industry Support loan facility administered by the Botswana Development Corporation which has helped to strengthen its liquidity position.



# Managing Director's Report

The year under review, 2021, was the second year running with people and businesses across the globe contending the unforgiving winds of COVID-19.



## Financial Highlights

### Revenue

● **12%**  
above FY20

**P23.2 million** higher than FY20

- Lifting of the State of Emergency in October 2021 which removed ban on sale of alcohol, curfews and conferencing restrictions
- Increasing vaccination penetration rate which enhanced travel sentiment

### Sales and Distribution Expenses

● **8%**  
above FY20

**P0.48 million** higher than FY20

- Having significantly cut on sales and marketing activities in FY20, it was important to invest some money into the branding, sales and marketing to position the business for recovery.

### Cost of Sales, Administration and Operating Expenses

● **2%**  
more than FY20

Adverse to FY20 by **P4.9 million**

- Cost of sales was P19.4 million adverse to FY20 predominantly due to:
  - It being in line with the higher level of activity
  - Inflationary pressure on the supply side of the business which was not passed on to the guests

The last quarter of 2020 had promised some slight relief on the hotels' business prospects in Botswana with the new COVID-19 cases on a relative decline. This was to be short lived. The beginning of 2021 saw a surge in new cases in Botswana, presumably caused by inter-zonal travels during the Christmas festivities. The Government moved in swiftly, introducing more stringent measures in the form of a curfew to minimize movement and a ban on the sale of alcohol. These measures were slightly relaxed mid-February 2021, with a reduction in curfew hours and alcohol sales allowed albeit on a strictly take away basis. All of these measures had a negative impact on the Group's revenue generation during the first quarter of 2021. The Government's preference of introducing a curfew ahead of a hard lockdown can, to some reasonable extent, be indicative that the chances of hotels closure (due to hard lockdowns) in the foreseeable future are remote.

The second quarter saw some improvement in the level of business activity compared to the first quarter. This recovery soon stalled with the arrival of the COVID-19 Delta variant in the country, which intensified in the month of July. The COVID-19 daily new cases were rising at an increasing rate which resulted in the Government closing schools and tightening the curfew cut off time to 8pm amongst other measures. This resulted in a significant reduction in the already contracted conferencing and travelling market, but our people remained resolute, serving our remaining valuable guests with a smile. I am immensely proud of every one of our staff.

The Delta variant relented towards the end of August, subsequently leading to the Government lifting the State of Public Emergency (SOE) which had been in place since the start of the pandemic in Botswana. The lifting of the SOE enhanced the prospects for the industry as pandemic management measures such as ban on sale of alcohol, curfews, conferencing restrictions and interzonal travel restrictions towards holidays were lifted. Meanwhile, the vaccination penetration rate was rising which bolstered the travel sentiment for the domestic market. The business was cash generative in the last quarter of 2021.

We are grateful to our providers of finance for their continued support through these two difficult years. The Group managed to secure a Government Industry Support loan facility administered by the Botswana Development Corporation which has helped to strengthen its liquidity position.

With the top line under siege, Management was able to steer the business on robust cost control, judicious cash management; whilst also directing spend to bolster the top line. We were able to grow revenue by 12% compared to the prior year whilst cost of sales increased by a relatively low 2%.

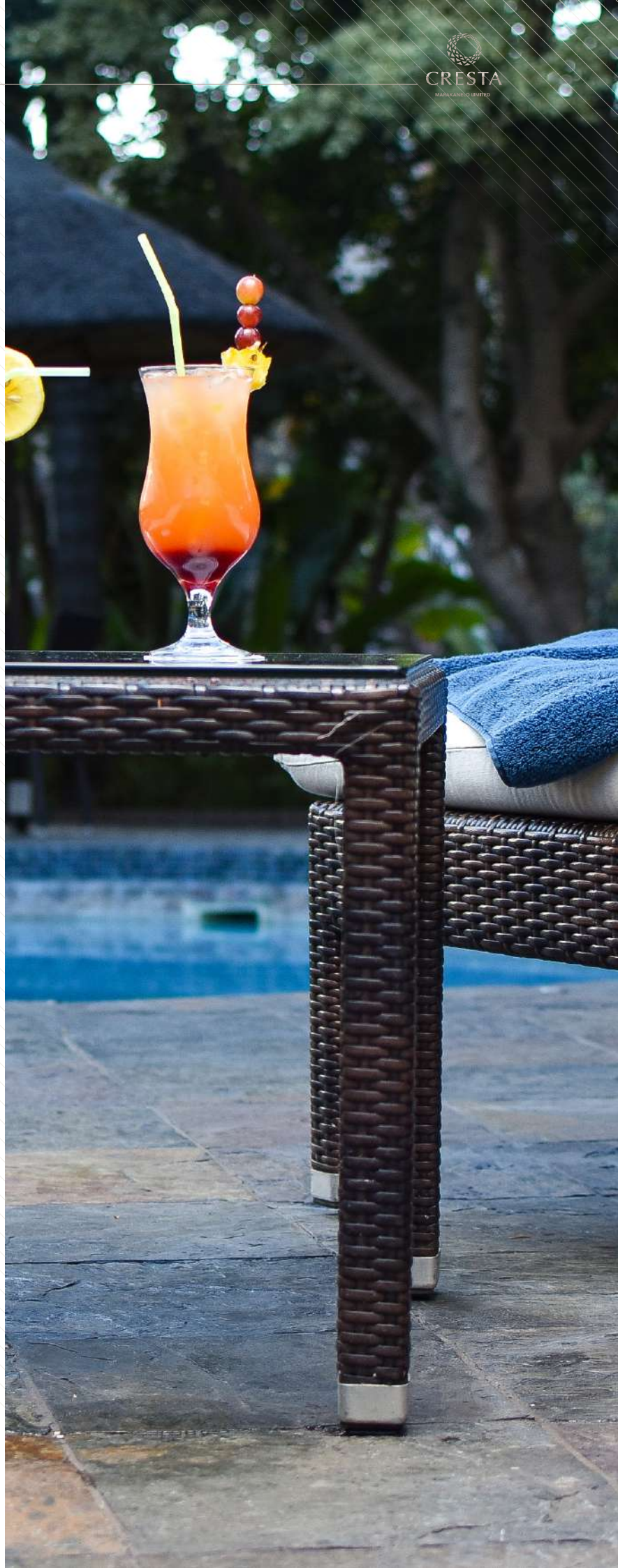
The Group recorded a Loss Before Taxation of P52.9 million from continuing operations compared to a Loss Before Taxation of P60.1 million incurred in the prior year. It was critical that the business preserve its cashflows which saw us closing the year with cash and cash equivalents of P53.2 million compared to P56.7 million (94%) of 2020.



Loss Before Taxation

**P52.9**  
**million**

The Group recorded a Loss Before Taxation of P52.9 million from continuing operations compared to a Loss Before Taxation of P60.1 million incurred in the prior year. It was critical that the business preserve its cashflows which saw us closing the year with cash and cash equivalents of P53.2 million compared to P56.7 million (94%) of 2020.





## Managing Director's Report (continued)

Capital expenditure spend amounted to P8.3 million for the year which was 93% lower than the prior year amount of P19.0 million, which included P9 million for the acquisition of a hotel property in February 2020.

The trading environment remained constrained, as was 2020, when compared to pre-COVID-19 era. According to the STR Africa Hotel Review statistics report for the year ended 31 December 2021, the hotel occupancy achieved in Botswana was 34% compared to 29% in 2020. The occupancy achieved in the country in 2019 was 58%.

### Our People

Our valued Staff agreed to take a salary deferral on a sliding scale with the executive and senior management being the highest at 40%. This helped the Company to protect jobs as the resultant cash flow savings ensured that there were no retrenchments instituted during the year. I am grateful to all our people for being amenable to this critical austerity measure without dropping the staff engagement levels.

I am pleased that most of our staff members have been vaccinated against COVID-19 which gives us confidence to serve our guests with pride. Adherence to COVID-19 protocols is a core pillar to our business and we do everything possible to ensure the health and safety of our guests.

### Non-renewal of Cresta Golfview Hotel lease

The Company ceased operations of the Cresta Golfview Hotel in Lusaka, Zambia on 30 September 2021. The lease was due to expire on 31 January 2022 and the landlord of the property took over the hotel operations. The consideration to not renew the lease, came after a review of the financial and operational viability of the business. The profit before tax registered in 2021 was mainly driven by the lease liability written back as a result of the non-renewal of the lease.

### While fighting for survival, its critical to not lose the strategic impetus

In the midst of grappling the COVID-19 headwinds, we have to look at life after the storm. As a Company, we have absolute belief that the future of the tourism industry in Botswana is as bright as ever. The rebound is certain and when that occurs, Cresta will have to be ready to grow its market share. It is on this strategic premise, that in December 2021, we signed a lease agreement for the expansion of Cresta Mahalapye Hotel, which will add 62 rooms to the existing 64 rooms. Construction is expected to commence during the second quarter of 2022 and planned to be completed and ready for occupation by June 2024.

### Outlook

The tourism industry recovery trajectory looks set, with high vaccination rates locally and in a number of the source markets. Most governments and the public seem to have found a way of managing the pandemic without hard lockdowns. Travel sentiment is on the rise globally. Cresta Mowana Safari Lodge & Spa has seen a return of international tour series business. These signs of recovery are encouraging, and we expect the rebound to gather in momentum as the 2022 year progresses.

The Company continues to actively look for growth opportunities in the country and the wider region in line with our vision of becoming a dominant regional African hospitality brand. As the level of activity rebounds, we have strategic intent to reinvest a significant amount of the recovery cash flows into refurbishments of the existing properties.

### Appreciation

I cannot thank our staff enough for standing firm in the face of the COVID-19 headwinds, consistently delivering value to our esteemed guests. We continue to rely on our team to steer the Company towards growth and leveraging the impending business recovery trajectory.

Our valued guests, I say thank you for your continued patronage. You are at the core of our existence, and the reason that we are able to overcome the pandemic headwinds. We take the feedback you give us at every stay very seriously and will continue to do our best in addressing your needs, ever improving our service delivery to your taste and preferences. We reaffirm our pledge to innovatively offer excellent service, filled with African heart and soul, exceeding your expectations.

My heartfelt gratitude to all Board members for the strategic oversight, empathy for our staff and your input in navigating through the challenging year. In February 2022, Mr. Gavin Sainsbury, retired from the Board having served the organisation for over 10 years. On behalf of the rest of the Board, Management and indeed my own behalf, I would like to express great thanks to him for the sterling service he gave to the business over the years. We wish him excellent health and a restful retirement.



**Mokwena Morulane**  
Managing Director

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



# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE

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### The Board

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

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

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



## Corporate Governance (continued)

### Composition of the Board

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

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

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

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

**Moatlhodi Lekaukau** – Non-Executive Chairman.  
**John Stevens** – Independent Non-Executive Director  
**Tshepidi Moremong-Ondoko** – Independent Non-Executive Director  
**Pius Molefe** – Independent Non-Executive Director  
**Osborne Majuru** – Non-Executive Director  
**Gavin Sainsbury** – Non-Executive Director (resigned 7 February 2022)  
**Mokwena Morulane** – Managing Director

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

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

### Board Evaluation

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

On 17 March 2022 the Board considered the competence, qualifications and experience of the Company Secretary, Ms Mpho Moletlo Kgosietsile of Wise Leadership (Pty) Limited and concluded that she is competent to carry out her duties, and that it is satisfied that an arm's length relationship exists between the Board and the Company Secretary as envisaged in the Botswana Stock Exchange Listings Requirements.

### Internal Control Systems

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

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

## Corporate Governance (continued)

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

### Board Delegated Committees

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

### 2021 Board and Sub-Committee Meetings Attendance

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

|                            | Board meetings   |          | Finance, Risk & Audit Committee meetings |          | Human Resources Committee meetings |          |
|----------------------------|------------------|----------|--|----------|------------------------------------|----------|
|                            | Maximum possible | Attended | Maximum possible                         | Attended | Maximum possible                   | Attended |
| Moatlhodi Lekaukau         | 5                | 5        | —  | —        | 4                                  | 4        |
| John Stevens               | 5                | 5        | 4  | 4        | —                                  | —        |
| Gavin Sainsbury            | 5                | 3        | —  | —        | —                                  | —        |
| Pius Molefe                | 5                | 4        | —  | —        | 4                                  | 4        |
| Osborne Majuru             | 5                | 3        | 4  | 4        | —                                  | —        |
| Tshepidi Moremong – Ondoko | 5                | 4        | 1  | 1        | —                                  | —        |
| Mokwena Morulane           | 5                | 5        | 4  | 4        | 4                                  | 4        |

### Finance, Risk and Audit Committee

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

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

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

### Mandate of the Committee:

- Assist the Board with the evaluation of adequacy and effectiveness of the internal control systems, accounting practices, information systems and auditing processes applied in the business.

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

## Corporate Governance (continued)

### Mandate of the Committee: (continued)

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

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

### Human Resources and Nominations Committee

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

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

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

### Remuneration Report

#### Directors' Remuneration

The basis for Directors' remuneration remained unchanged in 2021 compared to 2020. Non-executive Directors' are remunerated as follows:

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

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

The fees earned during the prior year were higher, due to the number of ad-hoc meetings held to discuss emergent COVID-19 matters. The Directors waived their fees for ad-hoc meetings held from April 2020 to October 2020.

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

|                            | 2021<br>Directors'<br>fees (P) | 2020<br>Directors'<br>fees (P) |
|----------------------------|--------------------------------|--------------------------------|
| Moatlhodi Lekaukau         | 160,500                        | 170,600                        |
| John Stevens               | 88,500                         | 129,500                        |
| Gavin Sainsbury            | 37,000                         | 30,000                         |
| Pius Molefe                | 82,500                         | 51,000                         |
| Bafana Molomo              | —                              | 50,000                         |
| Mbako Mbo                  | —                              | 51,250                         |
| Osborne Majuru             | 44,355                         | 88,021                         |
| Tshepidi Moremong – Ondoko | 37,000                         | 60,000                         |
| <b>Total</b>               | <b>449,855</b>                 | <b>630,371</b>                 |

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

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



## Corporate Governance (continued)

### Key Management Compensation

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

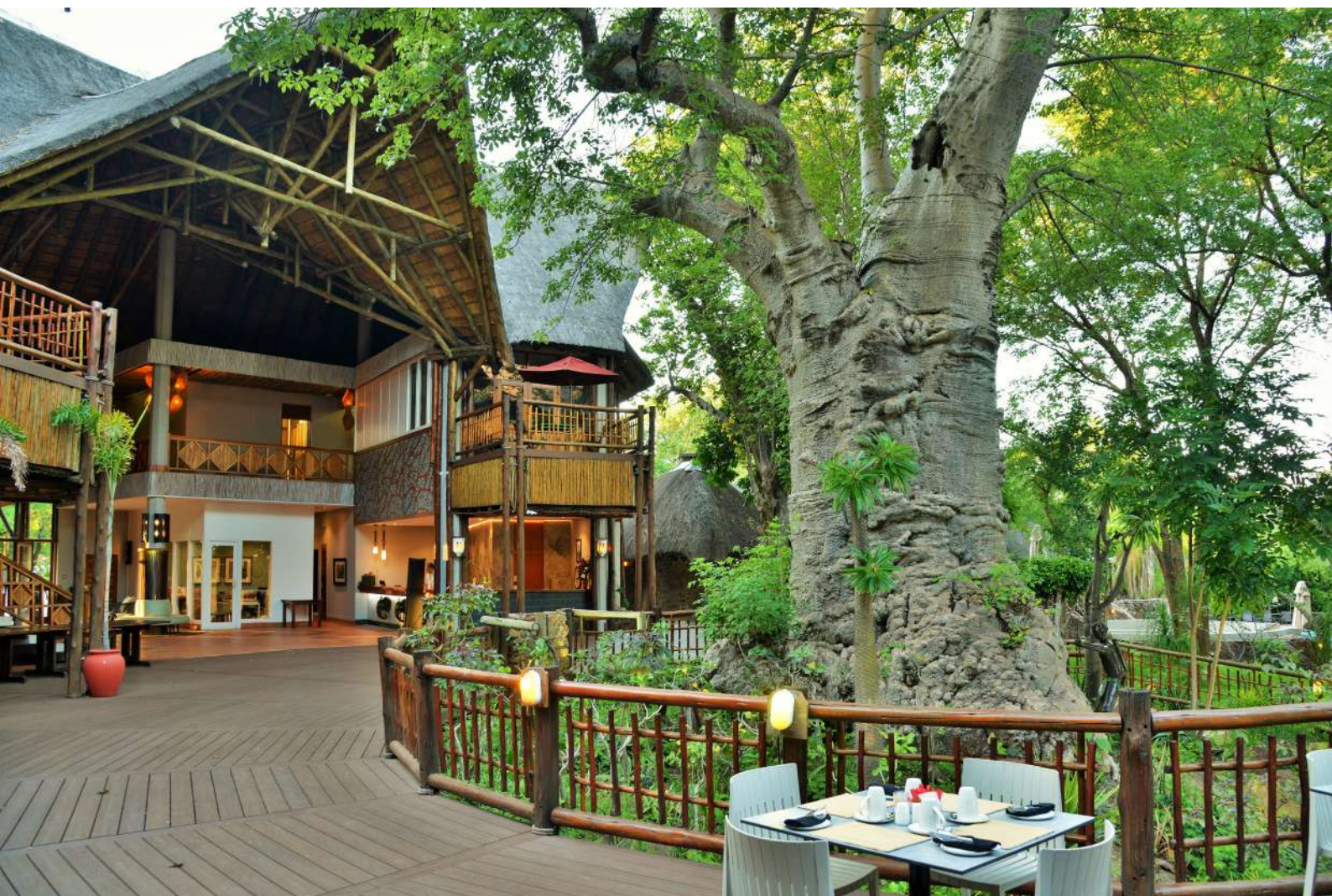
The guiding principles relating to the remuneration of key management are;

- Compensation arrangements shall emphasize performance-based remuneration and retention of key management.
- Compensation shall maintain an appropriate balance between base salary, long-term and annual incentive compensation.

- In approving remuneration, the recent remuneration history of key management, including special or unusual remuneration payments, shall be taken into consideration.
- Bonus cash incentives remuneration shall be linked to the agreed bonus formula, determined in relation to set annual targets.

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

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



## Corporate Governance (continued)

### King III compliance checklist

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

Key: ✓ Compliant # Partially compliant ✗ Non-compliant

|   | Status | Note   |
|---|--------|--------|
| <b>Ethical leadership and Corporate Citizenship</b>   |        |        |
| The board should provide effective leadership based on an ethical foundation  | ✓      |        |
| The board should ensure that the company is seen as a responsible corporate citizen   | ✓      |        |
| The board should ensure that the company's ethics are managed effectively   | ✓      |        |
| <b>Board and Directors</b>  |        |        |
| The board is the focal point for and the custodian of corporate governance  | ✓      |        |
| The board should appreciate that strategy, risk, performance and sustainability are inseparable   | ✓      |        |
| The board should ensure that the company is and is seen to be a responsible corporate citizen   | ✓      |        |
| The board should ensure that the company's ethics are managed effectively   | ✓      |        |
| The board should ensure that the company has an effective and independent audit committee   | #      | Note 3 |
| The board should be responsible for the governance of risk  | ✓      |        |
| The board should be responsible for information technology (IT) governance  | ✓      |        |
| The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards                    | ✓      |        |
| The board should ensure that there is an effective risk-based internal audit  | ✓      |        |
| The board should appreciate that the stakeholders' affect the company's reputation  | ✓      |        |
| The board should ensure the integrity of the company's integrated annual report   | ✓      |        |
| The board should report on the effectiveness of the company's systems of internal controls  | ✓      |        |
| The board and its directors should act in the best interests of the company   | ✓      |        |
| The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the act | ✓      |        |
| The board should elect a chairman of the board who is an independent non-executive director.  | #      | Note 1 |
| The CEO of the company should not also fulfil the role of chairman of the board.  |        |        |
| The board should appoint the chief executive officer and establish a framework for the delegation of authority  | ✓      |        |
| The board should comprise a balance of power, with a majority of non-executive directors.   | #      | Note 2 |
| The majority of non-executive directors should be independent   |        |        |
| Directors should be appointed through a formal process  | ✓      |        |
| The induction of and ongoing training and development of directors should be conducted through formal processes   | ✓      |        |
| The board should be assisted by a competent, suitably qualified and experienced company secretary   | ✓      |        |
| The evaluation of the board, its committees and the individual directors should be performed every year   | ✓      |        |
| The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities                                   | ✓      |        |
| A governance framework should be agreed between the group and its subsidiary boards   | ✓      |        |
| Companies should remunerate directors and executives fairly and responsibly.  | ✓      |        |
| Companies should disclose remuneration of each individual director and prescribed officer   | ✓      |        |
| Shareholders should approve the company's remuneration policy   | ✓      |        |



## Corporate Governance (continued)

### King III compliance checklist (continued)

Key: ✓ Compliant # Partially compliant ✗ Non-compliant

|  | Status | Note   |
|--|--------|--------|
| <b>Audit Committee</b>   |        |        |
| The board should ensure that the company has an effective and independent audit committee  | #      | Note 3 |
| Audit committee members should be suitably skilled and experienced independent non-executive directors   | #      | Note 3 |
| The audit committee should be chaired by an independent non-executive director   | ✓      |        |
| The audit committee should oversee integrated reporting  | ✓      |        |
| The audit committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities.           | ✓      |        |
| The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function                                 | ✓      |        |
| The audit committee should be responsible for overseeing of internal audit.  | ✓      |        |
| The audit committee should be an integral component to the risk management process   | ✓      |        |
| The audit committee is responsible for recommending the appointment of the external auditors and overseeing the external audit process                 | ✓      |        |
| The audit committee should report to the board and shareholders on how it has discharged its duties  | ✓      |        |
| <b>The Governance of Risk</b>  |        |        |
| The board is responsible for the governance of risk  | ✓      |        |
| The board should determine the levels of risk tolerance  | ✓      |        |
| The risk committee or audit committee assists the board in carrying out its risk responsibilities.   | ✓      |        |
| The board should delegate to management the responsibility to design, implement and monitor the risk management plan                                   | ✓      |        |
| The board should ensure that risk assessments are performed on a continual basis   | ✓      |        |
| The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks              | ✓      |        |
| The board should ensure management considers and implements appropriate risk responses   | ✓      |        |
| The board should ensure continual risk monitoring by Management  | ✓      |        |
| The board should receive assurance regarding the effectiveness of the risk management process  | ✓      |        |
| The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to shareholders | ✓      |        |
| <b>The Governance of Information Technology ("IT")</b>   |        |        |
| The board should be responsible for information technology (IT) governance   | ✓      |        |
| IT should be aligned with the performance and sustainability objectives of the company   | ✓      |        |
| The board should monitor and evaluate significant IT investments and expenditure   | ✓      |        |
| IT should form an integral part of the company's risk management   | ✓      |        |
| The board should ensure that the information assets are managed effectively  | ✓      |        |
| The risk committee and audit committee should assist the board in carrying out its IT responsibilities   | ✓      |        |

## Corporate Governance (continued)

### King III compliance checklist (continued)

Key: ✓ Compliant # Partially compliant ✗ Non-compliant

|   | Status | Note   |
|---|--------|--------|
| <b>Compliance with laws, codes, rules and standards</b>   |        |        |
| The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards                                    | ✓      |        |
| The board and its individual directors should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business | ✓      |        |
| Compliance risk should form an integral part of the company's risk management process   | ✓      |        |
| The board should delegate to management the implementation of an effective compliance framework and processes   | ✓      |        |
| <b>Internal Audit</b>   |        |        |
| The board should ensure that there is an effective risk based internal audit  | ✓      |        |
| Internal audit should follow a risk-based approach to its plan  | ✓      |        |
| Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management                                    | ✓      |        |
| The audit committee should be responsible for overseeing internal audit   | ✓      |        |
| Internal audit should be strategically positioned to achieve its objectives   | ✓      |        |
| <b>Governing Stakeholder Relationships</b>  |        |        |
| The board should appreciate that stakeholders' perceptions affect a company's reputation  | ✓      |        |
| The board should delegate to management to proactively deal with stakeholder relationships  | ✓      |        |
| The board should strive to achieve the appropriate balance between the various stakeholder groupings, in the best interests of the company                                  | ✓      |        |
| Companies should insure equitable treatment of shareholders   | ✓      |        |
| Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence  | ✓      |        |
| The board should ensure disputes are resolved as effectively, efficiently, and expeditiously as possible  | ✓      |        |
| <b>Integrated Reporting and Disclosure</b>  |        |        |
| The board should ensure the integrity of the company's integrated annual report   | ✓      |        |
| Sustainability reporting and disclosure is integrated with the company's financial reporting  | ✓      |        |
| Sustainability reporting and disclosure should be independently assured.  | #      | Note 4 |

### Notes

- Note 1.** Subsequent to the Chairman's appointment to the Board as an Independent Director, he accepted a role at Botswana Development Corporation ("BDC"), a significant shareholder of the Company. The Chairman resigned from that role at BDC during the 2021 financial year. In order to assist the Board to deal with any actual or perceived conflicts of interest, Mr John Stevens was appointed as the Lead Independent Director.
- Note 2.** The Board is comprised of one executive director and five non-executive directors. Of the non-executives, two directors are not deemed to be independent as they are either shareholder representatives or shareholder nominees. Of the three independent directors, Mr John Stevens is the Lead Independent Director. Subsequent to the year end, two independent directors were appointed to the Board.
- Note 3.** The Finance, Risk and Audit Committee members are suitably qualified, however the Committee includes one non-independent director.
- Note 4.** The Sustainability report has not been independently assured.



## Corporate Governance (continued)

### Communication with Stakeholders

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

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

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







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



# SUSTAINABILITY REPORT

## SUSTAINABILITY REPORT

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- 28** Key Risks
- 29** Our Response to COVID-19 Headwinds
- 30** Our Six Capitals
- 33** Our Key Stakeholders

### Basis of Preparation & Presentation

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

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

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

## Sustainability Report (continued)

### Company and Business Overview

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

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

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

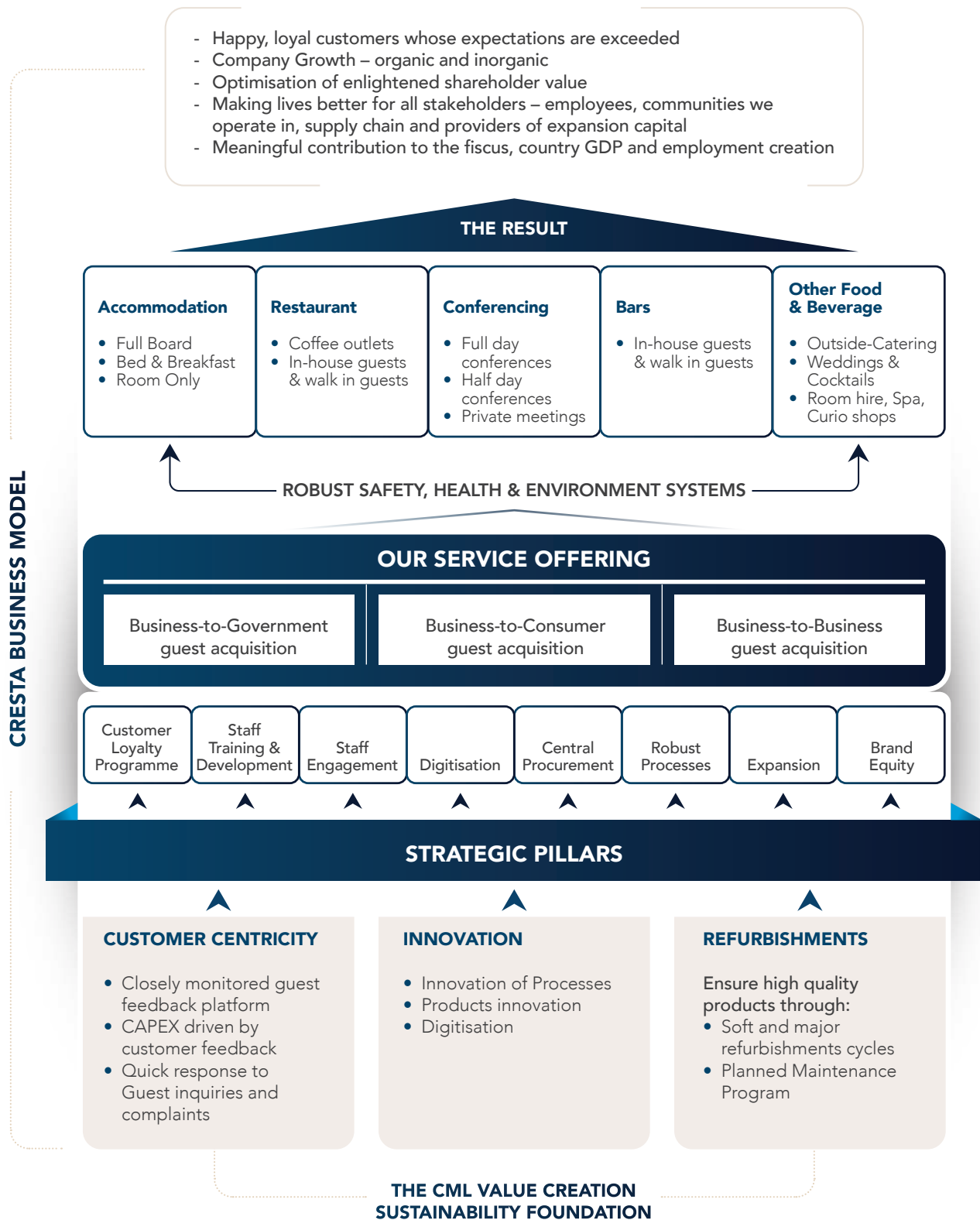
In Zambia, the Group operated Cresta Golfview in Lusaka for 9 months in 2021, until 30 September 2021 when it did not renew the lease agreement and exited the property.

### Relevant Laws and Regulations

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



## Sustainability Report (continued)





## Sustainability Report (continued)

### Key Risks

| Risk Category                    | Detailed Risk   | Potential Impact  | Risk Mitigation   |
|----------------------------------|---|---|---|
| COVID-19 related strategic risks | COVID-19 pandemic leading to travel and conferencing restrictions                     | Significant loss of revenue   | <ul style="list-style-type: none"> <li>- Strict COVID-19 hygiene protocols including thorough training of staff</li> <li>- Got into a partnership with a Medical Doctor who handles all COVID-19 related matters including establishment of preventive processes and staff training</li> <li>- Efficient cost management to reduce the impact of the lost revenues</li> </ul> |
|                                  | Concentration risk on Government business   | Loss of revenue base as government suspended conferencing                 |   |
|                                  | Rising price wars on the back of the shrunk market base                               | Under pressure Average Daily Rate   |   |
| Operational Risks                | Failure to adapt to the continuously evolving guests demands.                         | Market share loss from failure to adapt to the changing needs             | Constant research on the trends and customising where relevant  |
|                                  | Guests' perception of destination risk e.g. like disease outbreaks, recently COVID-19 | Unforeseen cancellation of bookings                                       | <ul style="list-style-type: none"> <li>- Crisis management framework on right sizing and lean operations</li> <li>- Continuous staff training and upskilling around topical key risk areas like COVID-19</li> </ul>   |
| IT Risks                         | Cyber attacks   | Lawsuits by infringed guests & brand reputation damage                    | <ul style="list-style-type: none"> <li>- Vulnerability tests conducted bi-annually</li> <li>- Staff training on cyber attacks</li> </ul>  |
|                                  | Social media easily and quickly spreading negative information about the business     | Damaged brand perception, low customer ratings leading to loss of revenue | Regular review of the social media pages, responding to queries and questions timely, crisis management framework in place  |
| Financial Risks                  | Distressed cash flows putting debt service under pressure                             | Breach of debt covenants; insufficient cash to fund operations            | Continuous engagement of providers of finance for debt restructuring as well as new lines of credit.  |

## Sustainability Report (continued)

### Our Response to COVID-19 Headwinds

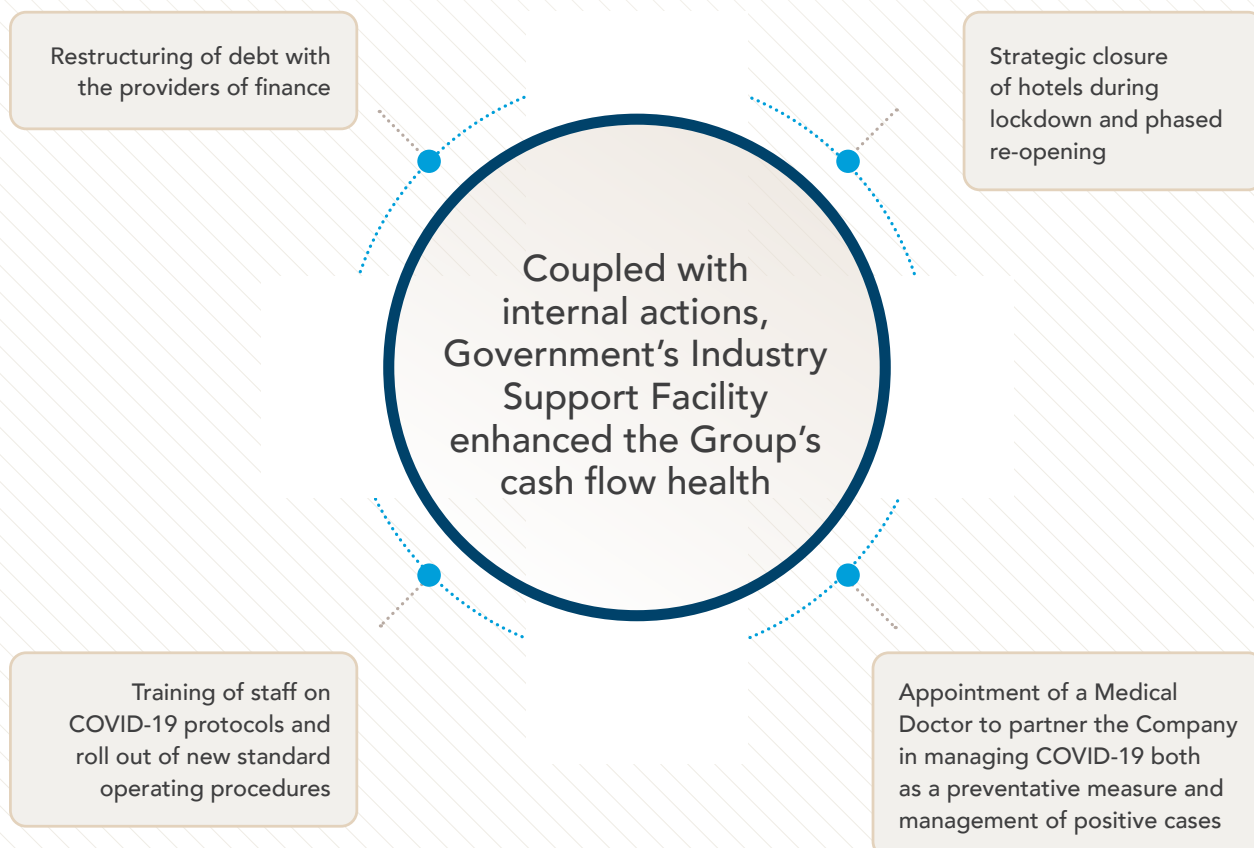
The COVID-19 headwinds which started in 2020, continued to negatively impact the Company in 2021.

As soon as the business started experiencing cancellations due to COVID-19 in March 2020, management was pro-active in reducing the operating leverage of the business. The following are highlights of the key actions taken:

- Management engaged with all key suppliers and landlords to agree on more favourable terms to preserve cash in the business.
- All non-critical and post lockdown capital expenditure was put on hold.
- All discretionary expenditure was put on hold.
- Significant reduction was made in marketing expenditure with a bias towards digital media.
- All guests especially the tour groups, were encouraged to postpone their trips rather than outright cancellations

With the rise in vaccination penetration rate and general improvement in how governments across the globe and general public deal and respond to new COVID-19 cases, it is reasonable for the business to forecast the future as better than the years 2020 and 2021. The business continues to adhere to COVID-19 protocols put in place. The CML staff members have been encouraged to get vaccinated and about 98% of the members received at least one jab.

Other key actions taken include:



## Sustainability Report (continued)

### Our Six Capitals

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

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

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

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

| CAPITAL                     | UTILISATION OF THE CAPITAL   |
|-----------------------------|--|
| <b>Manufactured Capital</b> | <p>The state of the properties operated by CML is a key success factor to its triple bottom line goals across its planning horizon. To achieve a sustainable bottom line, the Company is committed to drive its manufactured capital through:</p> <ul style="list-style-type: none"> <li>• Reinvestment in maintenance and enhancement of capacity with significant spend being allocated towards property refurbishments (soft and hard refurbishments) each financial year.</li> <li>• Expansion of capacity through: <ul style="list-style-type: none"> <li>o Adding room inventory on the existing properties</li> <li>o Developing new hotels (in partnership with Real Estate development partners) both domestically and regionally</li> </ul> </li> </ul> <p>The Company is set to introduce green efficiencies in its future builds.</p>                |
| <b>Intellectual Capital</b> | <p>The CML Intellectual Capital is the sum total value of the brand equity, company employee knowledge, skills, business training and processes which all consolidates into the business' competitive advantage.</p> <p>The CML core levers in keeping this capital efficient and effective are:</p> <ul style="list-style-type: none"> <li>• Brand maintenance.</li> <li>• Brand proliferation into gateways – Oasis, Urban Heartbeat, African Fingerprint and African Roots - to allow space to remain competitive in different customer segments. This enables price discrimination and optimisation of revenue from different markets.</li> <li>• Robust systems, processes and standard operating procedures, avoiding red tape through quarterly reviews of systems as first line of defence and internal audits as the second line of defence.</li> </ul> |



## Sustainability Report (continued)

### Our Six Capitals (continued)

| CAPITAL                                | UTILISATION OF THE CAPITAL   |
|--|--|
| <b>Social and Relationship Capital</b> | <p>The Company is deliberate in developing and maintaining sound mutually beneficial business relationships with stakeholders – customers, investors, shareholders, employees and trade unions, government, financial institutions, suppliers including landlords and the communities we operate in.</p> <p>This capital is being propagated by:</p> <ul style="list-style-type: none"> <li>• Compliance with the laws and regulations and honouring contracts and agreements in all spheres of operation. Management maintains a Compliance Checklist and quarterly audits are performed which includes testing of compliance.</li> <li>• Enhanced turnaround time on responses to customer feedback and as far as practical, meeting the raised needs.</li> <li>• Stakeholder engagement between CML Executive Management and the Labour Unions on an annual basis plus the regular Works Council Meetings between staff and Management.</li> <li>• Negotiation policy underpinned by a desire for win-win agreements with our suppliers</li> <li>• CML is involved in Corporate Social Responsibility activities including: <ul style="list-style-type: none"> <li>Empowering the Youth in the education sector through: <ul style="list-style-type: none"> <li>o Graduate Traineeship Programs</li> <li>o Being a Botswana Institute of Chartered Accountants (BICA) Authorised Training Employer</li> </ul> </li> </ul> </li> </ul> |
| <b>Natural Capital</b>                 | <p>In its decision-making process, CML actively considers the impact of natural resources onto the business – both renewable and non-renewable. This has been significant in getting the Company to holistically identify and manage its Risk Universe and opportunities available for appropriation.</p> <p>Key utilisation of this capital has been driven by the underscored:</p> <ul style="list-style-type: none"> <li>• Water harvesting - for example Cresta Maun runs entirely on non-municipal water</li> <li>• Our arrangement of planting 2 000 indigenous trees every year across our hotels. (The nursery is at Cresta Mowana).</li> <li>• Energy preservation initiatives – LED lighting across all hotels and conducting feasibility on solar powered hotels</li> <li>• Water saving inventiveness – water regulation devices in all showers, central laundry at city / town level and rolling out of dry gardens.</li> </ul>   |







## Sustainability Report (continued)

### Our Six Capitals (continued)

| CAPITAL                  | UTILISATION OF THE CAPITAL   |
|--------------------------|--|
|                          | <p>Having put together all the other capitals, the Board and management are well cognisant for the need of funding to spearhead strategy and effectively realise value out of the other capitals.</p> <p>CML strive to have access to reasonably priced debt capital or equity contributions to fund its inorganic expansion strategy as well as financing some of the projects out of cash generated from operations.</p>   |
| <b>Financial Capital</b> | <p>The Company pays special attention to the following:</p> <ul style="list-style-type: none"> <li>• Judicious working capital management to ensure continued going concern and ability to finance organic growth</li> <li>• Observance of the strategy and resource allocation process in place via quarterly board meetings to review the progress on strategy execution.</li> <li>• Active management of cashflows to ensure adherence to the debt covenants and periodic business update engagements with the lender.</li> </ul>   |
| <b>Human Capital</b>     | <p>CML prides itself in the engine that drives the optimisation of all the other five identified capitals – Our People. The Company places importance on its staff engagement levels to ensure there is always adequate highly skilled talent to deliver on the strategy.</p> <p>Core Human Capital keys to CML are:</p> <ul style="list-style-type: none"> <li>• Recruitment and retention of top skills.</li> <li>• Employee engagement surveys and implementation of recommendations or corrective actions</li> <li>• Succession planning for key positions</li> <li>• Fair and sustainable remuneration with annual performance-based bonus.</li> <li>• Career growth opportunities for our staff underpinned by internal promotions whenever possible</li> <li>• Investing in staff training and development programs.</li> </ul> |

### Our Key Stakeholders





## Sustainability Report (continued)

### Our Key Stakeholders (continued)

| Stakeholder Group  | Point of Engagement with stakeholder   | Stakeholder Expectations of Us   | Our Engagement method with stakeholder   | The Engagement Expected Outcome  |
|--|--|--|--|--|
| <b>Guests</b><br>are at the heart of our existence   | We endeavour to accurately identify our guests needs, their view of our brand and spending patterns  | <ul style="list-style-type: none"> <li>- Hygienic facilities with strict COVID-19 compliant protocols</li> <li>- Warm staff for a friendly stay</li> <li>- Uninterrupted bandwidth experience</li> <li>- Value for money</li> <li>- Loyalty recognition</li> </ul> | <ul style="list-style-type: none"> <li>- Feedback mechanisms are in place</li> <li>- Management check-ups while guests are in-house</li> <li>- 24/7 Reception Help Desk</li> <li>- Cresta Pride Loyalty Card which offers up to 50% discount</li> </ul>            | <ul style="list-style-type: none"> <li>- Happy and brand loyal customer, leading to repeat revenue</li> <li>- Customer word of mouth advertising</li> </ul>                              |
| <b>Potential Guests</b><br>Market wide customers not yet staying with Cresta hotels.         | Understanding their needs, perception of our brand and service, any feedback from our existing clients, what would make our potential guests patronise our properties. | <ul style="list-style-type: none"> <li>- Increased awareness of our product offerings and value proposition</li> <li>- Better rates than their current service provider</li> </ul>   | <ul style="list-style-type: none"> <li>- Reference to the Trip Advisor and other social media positive feedback</li> <li>- Word of mouth from existing guests whose expectations are continuously exceeded</li> <li>- Marketing efforts and sales calls</li> </ul> | <ul style="list-style-type: none"> <li>- New business</li> <li>- Enhanced brand perception based on experience</li> <li>- Market word of mouth advertising</li> </ul>                    |
| <b>Staff</b><br>are the engine driving the business model, exceeding our guests expectations | Empathising in their socio-economic needs, career aspirations and training needs   | <ul style="list-style-type: none"> <li>- Job security given the COVID-19 induced going concern scare</li> <li>- Avoiding salary cuts which have been the norm in the industry due to the COVID-19 headwinds</li> <li>- Friendly environment</li> </ul>             | <ul style="list-style-type: none"> <li>- Open door policy up to the office of the Managing Director</li> <li>- Staff engagement surveys</li> <li>- Reassurance town hall meetings with the Executive Management team</li> </ul>                                    | <ul style="list-style-type: none"> <li>- Reassured staff members who are enabled to consistently exceed guests expectations</li> <li>- Innovation and creativity</li> </ul>              |
| <b>Landlords</b><br>Strategic partners in delivering Cresta standard properties              | Identification of salient features of the lease agreements and adherence to them   | <ul style="list-style-type: none"> <li>- Adherence to the lease agreements duties and responsibilities</li> <li>- Business going concern</li> <li>- Timely payment of lease obligations</li> </ul>   | <ul style="list-style-type: none"> <li>- Scheduled periodic meetings plus ad-hoc engagements from time to time</li> </ul>  | <ul style="list-style-type: none"> <li>- Secured tenure beyond stated lease period to foster long-term business sustainability</li> <li>- Remission of lease payments on time</li> </ul> |

## Sustainability Report (continued)

### Our Key Stakeholders (continued)

| Stakeholder Group  | Point of Engagement with stakeholder  | Stakeholder Expectations of Us   | Our Engagement method with stakeholder   | The Engagement Expected Outcome  |
|--|---|--|--|--|
| <b>Shareholders, including potential investors</b><br>Providers of equity capital. | Understanding their business growth vision and required return on investment              | <ul style="list-style-type: none"> <li>- Business going concern</li> <li>- Growth, both organic and inorganic</li> <li>- Consistent dividend payment</li> <li>- Transparent and ethical management</li> </ul>                                      | <ul style="list-style-type: none"> <li>- Annual General Meetings</li> <li>- Press Releases, whenever necessary</li> <li>- Website, more especially the investor relations tab</li> <li>- Publishing Audited Financial Statements and Reports</li> <li>- Results presentation meetings</li> </ul> | <ul style="list-style-type: none"> <li>- Enhanced market capitalisation</li> <li>- Sought after counter on Botswana Stock Exchange</li> <li>- Dividend payments</li> <li>- Increasing profitability</li> </ul> |
| <b>Suppliers</b><br>Strategic partners in delivering the Cresta guest promise      | Gathering information on their going concern, price fairness and products quality         | <ul style="list-style-type: none"> <li>- Objectivity on tender adjudication and placing of orders</li> <li>- Fairness on pricing and payments terms</li> <li>- Timely payments of amounts due to them</li> <li>- Business going concern</li> </ul> | <ul style="list-style-type: none"> <li>- Communication of tender adjudication results</li> <li>- Supplier by supplier meetings</li> <li>- Three quotations system on orders</li> <li>- Tipoff forum, independently managed by Internal Audit</li> </ul>  | <ul style="list-style-type: none"> <li>- Fair pricing and payment terms</li> <li>- Strong brand equity and perception</li> <li>- Reciprocal business and word of mouth advertising</li> </ul>                  |
| <b>Communities</b><br>Providers of natural resources in our space                  | Understanding their points of needs – ecological and socio-economic.                      | <ul style="list-style-type: none"> <li>- Ecological approach to business, conserving and preserving natural resources</li> <li>- Payback to the Communities we are doing business in</li> </ul>  | <ul style="list-style-type: none"> <li>- Corporate Social Responsibility engagements</li> <li>- Donations</li> </ul>   | <ul style="list-style-type: none"> <li>- Enhanced goodwill within communities</li> <li>- Building brand equity</li> </ul>  |
| <b>Media</b><br>Partners in reaching our markets and guests                        | Engage them to ensure dissemination of the correct, objective narrative about the Company | <ul style="list-style-type: none"> <li>- Providing content for various media channels</li> <li>- Transparency and honest response to questions</li> <li>- Advertising spend</li> </ul>   | <ul style="list-style-type: none"> <li>- Radio appearances</li> <li>- Active social media presence</li> <li>- Press releases</li> <li>- Advertising spend</li> </ul>   | <ul style="list-style-type: none"> <li>- Information enriched market</li> </ul>  |



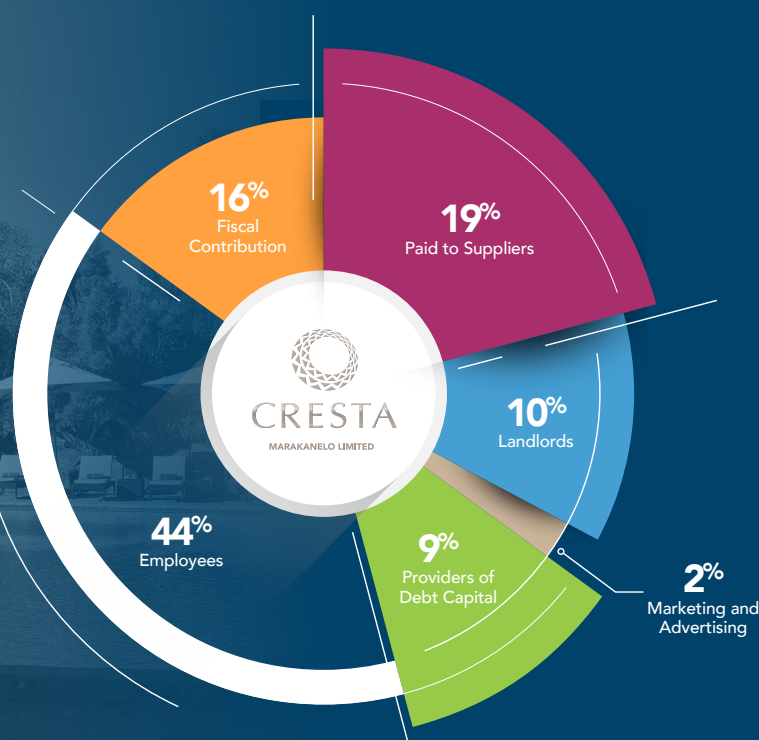
## Sustainability Report (continued)

### Our Key Stakeholders (continued)

| Stakeholder Group   | Point of Engagement with stakeholder   | Stakeholder Expectations of Us  | Our Engagement method with stakeholder   | The Engagement Expected Outcome  |
|---|--|---|--|--|
| <b>Governments</b><br>Sets the tourism policy parameters within which Cresta operates | Consistency of economic policies and even more especially Tourism policy is critical to the sustainable success of Cresta business | <ul style="list-style-type: none"> <li>- Compliance to laws and regulations</li> <li>- Contribution to the fiscus in taxation</li> <li>- Contribution to Gross Domestic Product (GDP)</li> <li>- Employment creation</li> </ul> | <ul style="list-style-type: none"> <li>- Engagement through the hospitality industry body from time to time</li> <li>- Annual returns filing</li> <li>- Taxation returns</li> <li>- Co-Marketing the Country during the global and regional tourism expos</li> </ul> | <ul style="list-style-type: none"> <li>- Tourism friendly and consistent policies</li> </ul>                             |
| <b>Financial Institutions</b><br>Providers of debt capital                            | Banks from time to time fund Cresta's organic and inorganic growth.  | <ul style="list-style-type: none"> <li>- Adherence to debt covenants</li> <li>- Sustainable company performance</li> <li>- Meeting debt repayment obligations</li> </ul>  | <ul style="list-style-type: none"> <li>- Periodic business update meetings</li> <li>- Sharing periodic financial reports</li> </ul>  | <ul style="list-style-type: none"> <li>- Favourable cost of capital</li> <li>- Access to expansionary capital</li> </ul> |

Value Created for Our Stakeholders

**P196 million**



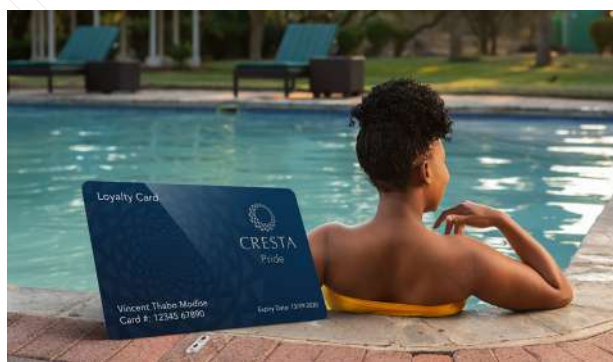
## Sustainability Report (continued)

### Our Key Stakeholders (continued)

#### Cresta Pride Card Loyalty Programme

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

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



#### Cresta Pride Card members reconciliation as at 31 December 2021

|   | Loyal Customers |
|---|-----------------|
| Members as at 1 January 2020                              | 20,580          |
| Additions   | 5,686           |
| Exits   | (27)            |
| Total Number of Pride Card Members as at 31 December 2020 | <b>26,239</b>   |
| Members as at 1 January 2021                              | 26,239          |
| Additions   | 1,894           |
| Exits   | (88)            |
| Total Number of Pride Card Members as at 31 December 2021 | <b>28,045</b>   |

There was a net growth of 7% Cresta Pride Card holders in 2021.

#### Guest Satisfaction Surveys

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

The Feedback is collected on the following:

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

The Overall Guest Feedback Ratings at 88% for the year, was the same with that achieved in 2020.

#### Staff Training & Development

At the onset of the COVID-19 pandemic, the Company rolled out intensive training on the COVID-19 protocols and updated standard operating procedures in line with the guidelines from World Health Organisation and the Botswana Ministry of Health and Wellness.

81% of our training budget was allocated towards operations with a focus on operational excellence and the health and wellness of both our staff and guests

#### Investment in Staff Training & Development

|                         | 2021<br>BWP'000 | 2020<br>BWP'000 |
|-------------------------|-----------------|-----------------|
| Investment for the year | <b>868</b>      | 996             |
| Operations focus        | <b>703</b>      | 747             |
| Support functions       | <b>91</b>       | 149             |
| Risk training           | <b>74</b>       | 100             |

#### Staff compliment demographics

|  | Head Count |      |
|--|------------|------|
|  | 2021       | 2020 |
| The composition of our staff compliment is:              | <b>873</b> | 978  |
| - Males  | <b>420</b> | 532  |
| - Females  | <b>453</b> | 446  |
| Of the total number of employees, total non-citizens is: | <b>8</b>   | 10   |
| - Males*   | <b>6</b>   | 8    |
| - Females  | <b>2</b>   | 2    |

\* In 2020 Cresta Golfview in Zambia, had two (2) non-citizen who were males.



Our purpose as one of the leading tourism and hospitality industry operators in the country is to help create positive change in the communities in which we operate. In a year of striking challenges, we still came together to deliver on our purpose.



# CORPORATE SOCIAL RESPONSIBILITY

## CORPORATE SOCIAL RESPONSIBILITY

- 40 9,000 Masks Drive
- 40 Uhuru TeamBW 2021
- 40 Mma Bontle Circle Mentorship Moment
- 40 Journey of Hope

One of our major priorities, is to always ensure that we play a role in developing and supporting various community projects. This provides the foundation in improving the lives of citizens, thereby creating strong, diverse communities and that are empowered to overcome issues that arise.

CML pledges P1 per room night sold towards the CSR Fund. It is through the proceeds of this fund, that we can give back to the community. Through our targeted initiatives, we aim to make a positive, sustainable impact on the communities in which CML operates.

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

## Corporate Social Responsibility (continued)

The overriding principles are to advance interest in:

- Education;
- Women and Vulnerable Children (OVCs) and
- Environmental Sustainability.

In 2021, we focused our efforts on the fight against Covid-19 and contributed to society by embarking in the following initiatives:

### 9,000 Masks Drive

The 9,000 Mask Drive initiative was birthed in a bid to enhance protection for students around the country from contracting COVID-19.

Schools were faced with the challenge of providing sufficient essential items such as face masks for students and CML pledged to supply masks to schools across Botswana. The public was invited to choose schools that would benefit from this initiative and over a period of 20 weeks we accomplished the mission. Schools such as Makopong Primary School in the Kgalagadi region and Kgagodi Primary, School which is in the Mmadinare region, benefited from this.

### Uhuru TeamBW 2021

Uhuru TeamBW 2021, a group of individuals who came together to raise awareness about the effects of rape on the mental health of survivors partnered with CML to achieve this goal. CML sponsored the team with accommodation and working space as they prepared to Summit Mount Kilimanjaro.

We gave the Uhuru TeamBW 2021 full support on their journey to raising awareness on the impact of rape as it is aligned with our CSR policy on Women and vulnerable children. We will continue supporting this campaign as this is a concerning issue that resonates with the CML values.

### Mma Bontle Circle Mentorship Moment

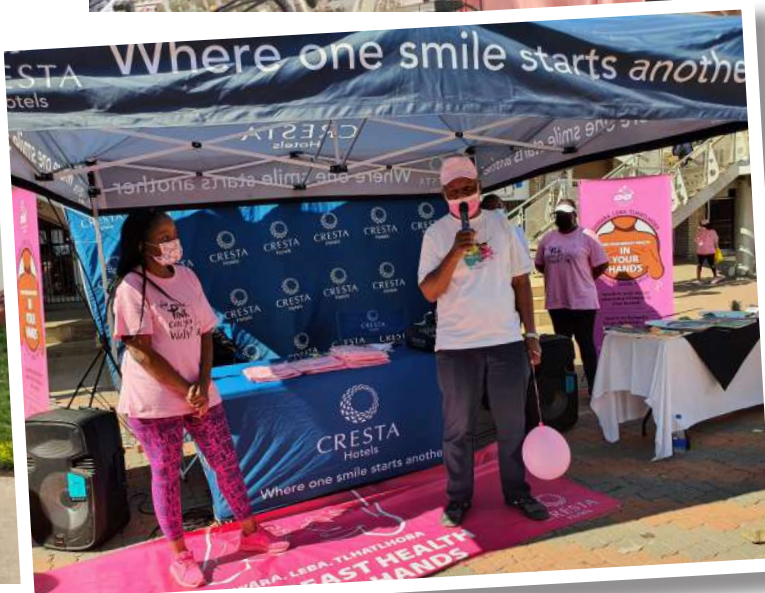
In October 2021, CML hosted the Mma Bontle Circle Mentorship Moment for Miss Botswana Top 16. The Mentorship Moment was aimed to impart invaluable knowledge and experience in the areas of leadership, Botswana's economy and gender issues.

### Journey of Hope

We ended off the year in support of Journey of Hope, which is an NGO aimed at promoting the awareness of Breast Cancer. CML participated in the fundraising lunch, and the "How Pink Can You Walk" fundraising walk.

### State of Emergency (SOE) Employee Retention

We prioritise our staff as they are our most valuable asset. Because of this, we made the decision to preserve our team and did not embark on any retrenchment exercise post SOE. We believe in teamwork, employee development and progressions, and we live by this creed.





## Corporate Social Responsibility (continued)









# CONSOLIDATED FINANCIAL STATEMENTS

## FINANCIAL STATEMENTS

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# Directors' Statement of Responsibility and Approval Of The Financial Statements

for the year ended 31 December 2021

## Directors' statement of responsibility

The Board of Directors of Cresta Marakanelo Limited ("the Company") and its subsidiary ("the Group") are required by the Botswana Companies Act, 2003 to maintain adequate accounting records and to prepare financial statements for each financial year which show a true and fair view of the state of affairs of the Company and Group at the end of the financial year and of the results and cash flows for the period. In preparing the accompanying Company and Group financial statements, International Financial Reporting Standards have been followed, suitable accounting policies have been used and, and reasonable and prudent judgements and estimates have been made. Any changes to accounting policies are approved by the Group's Board of Directors and the effects thereof are fully explained in the financial statements. The financial statements incorporate full and responsible disclosure in line with the significant accounting policies of the Group noted on pages 53 - 70.

Due to a rise in COVID-19 cases, additional restrictions were introduced by the Government at the end the financial year 2020, to curb the spread of COVID 19 which included introduction of a nationwide curfew and ban on the sale and consumption of alcohol in public places such as restaurants. The State of Emergency which had been imposed in 2020 came to an end on 30th September 2021. An improvement in business levels has been noted towards the end of 2021 with occupancies increasing across the hotels.

For the financial year 2021, the Group incurred a net loss of P40 million (2020: P63 million), as a result of disruptions caused by COVID-19 on the travel and hospitality industry.

The Directors have reviewed the Group budgets and cash flow forecasts for the year to 31 December 2022 and the period 1 January 2023 to 31 March 2023. On the basis of this review, and in the light of the current financial position, existing borrowing facilities of the Group and the effects of COVID-19 (Note 32), the directors are satisfied that Cresta Marakanelo Limited Company and Group are a going concern and have continued to adopt the going concern basis in preparing the financial statements.

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

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

The effectiveness of the internal financial control systems is monitored through management reviews, comprehensive reviews and testing by the internal auditors and the external auditors' review and testing of appropriate aspects of the internal financial control systems during the course of their statutory examinations of the Company and Group. The Group's external auditors, Deloitte & Touche, have audited the financial statements and their audit report appears on pages 45 to 48 of the financial statements.

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

## Directors' approval of the financial statements

The financial statements for the year ended 31 December 2021, which appear on pages 49 to 105 were approved for issue by the Board of Directors on 31 March 2022 and are signed on its behalf by:



**Moatlhodi Lekaukau**  
Chairman



**Mokwena Morulane**  
Managing Director



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

### Report on the Audit of the Consolidated and Separate Financial Statements

#### Opinion

We have audited the consolidated and separate financial statements of Cresta Marakanelo Limited (the Company) and its subsidiaries (the Group) set out on pages 49 to 105, which comprise the consolidated and separate statements of financial position as at 31 December 2021, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group and Company as at 31 December 2021, and their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### Basis for Opinion

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

#### Key Audit Matters

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



Partners: CV Ramatlapeng (Botswana) P Naik (Zimbabwe) MJ Wotherspoon (South Africa)

Associate of Deloitte Africa, a member of Deloitte Touche Tohmatsu Limited

## Independent Auditor's Report (continued)

To the Shareholders of Cresta Marakanelo Limited

| Key Audit Matter   | How the matter was addressed in the audit   |
|--|---|
| <b>Assessment of recoverability of Hotel Units (CGUs) and impairment assessment of Goodwill attributed to Cresta Jwaneng Cash Generating Unit ("CGU") (Group and Company)</b>  |   |
| <p>The Group and the Company comprises of various Hotel Units (CGUs), For the past two years the operations at the CGUs have been impacted by disruptions caused by the COVID-19 pandemic on the travel and hospitality industry. The disruptions are expected to continue in varying degrees into the future. As a result, this may impact on the recoverable amounts of the CGUs.</p> <p>The Group and Company have goodwill attributed to the Cresta Jwaneng CGU amounting to P 5 274 000. In terms of the requirements of IAS 36: Impairment of Assets ("IAS 36") an annual impairment assessment should be performed for the goodwill.</p> <p>Significant judgement and estimates are required by the directors in assessing the recoverability of the CGUs as well as the impairment assessment of the goodwill which are determined with reference to the value in use, including the key assumptions into the discounted cash flow ("DCF") model for the CGUs. The DCF Model relies on the accuracy of the budgeted and projected net cash flows and the appropriateness of the discount rate used for the CGUs. Because of the level of judgement involved and the significance of the amount of goodwill, we identified the assessment of the recoverability of the CGUs and goodwill as a Key Audit Matter.</p> <p>Related disclosures in the consolidated and separate financial statements:</p> <ul style="list-style-type: none"> <li>• Note 3.1 – Critical Accounting Estimates and Judgements, Estimated Impairment of Goodwill</li> <li>• Note 15 – Goodwill</li> </ul> | <p>We performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Tested the design and implementation of the controls associated with the directors' assessment of the recoverability of the CGUs;</li> <li>• Challenged the calculations prepared by the directors and assessed the reasonableness of the assumptions applied in the recoverability and impairment assessments;</li> <li>• Reviewed the future projected cash flows used in the directors' "value in use" calculations to determine whether they are reasonable;</li> <li>• Compared the projected cash flows against historical performance to test the reasonableness of the directors' projections;</li> <li>• Assessed the key inputs used in the computations, which include the future growth rates, and the discount rate;</li> <li>• Performed independent sensitivity analysis of key inputs (discount rate and the future growth rates) used in the "value in use" computation;</li> <li>• Recalculated the "value in use" and compared the amount to the directors' computations; and</li> <li>• Reviewed the related disclosures for compliance with the requirements of IAS 36 with regard to the goodwill.</li> </ul> <p>In conclusion, we considered the judgements and estimates used for the assessment of the recoverability of the CGUs and the goodwill impairment assessment and related disclosures to be appropriate.</p> |



## Independent Auditor's Report (continued)

To the Shareholders of Cresta Marakanelo Limited

### Other Information

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

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

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

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

### Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

## Independent Auditor's Report (continued)

To the Shareholders of Cresta Marakanelo Limited

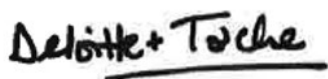
### Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements (continued)

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

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

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

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



**Deloitte & Touche**

Certified Auditors

Practicing Member: Pragnaben Naik (CAP 007 2022)

Gaborone

31 March 2022

# Statements of Profit and Loss and Other Comprehensive Income

for the year ended 31 December 2021

|   |       | CONSOLIDATED  |               | COMPANY       |               |
|---|-------|---------------|---------------|---------------|---------------|
|   | Notes | 2021<br>P'000 | 2020<br>P'000 | 2021<br>P'000 | 2020<br>P'000 |
| Continuing Operations   |       |               |               |               |               |
| Revenue   | 4     | 216,352       | 193,128       | 216,352       | 193,128       |
| Cost of sales   | 5     | (162,270)     | (142,899)     | (162,270)     | (142,899)     |
| Gross profit  |       | 54,082        | 50,229        | 54,082        | 50,229        |
| Sales and distribution expenses   | 5     | (6,323)       | (5,844)       | (6,323)       | (5,844)       |
| Administration and operating expenses   | 5     | (78,593)      | (93,562)      | (78,593)      | (93,562)      |
| Government wage subsidy   | 5     | —             | 14,590        | —             | 14,590        |
| Operating loss  |       | (30,834)      | (34,587)      | (30,834)      | (34,587)      |
| Finance income  | 7     | 2,182         | 1,080         | 2,182         | 1,080         |
| Finance expense   | 7     | (24,268)      | (26,593)      | (24,268)      | (26,593)      |
| Impairment of investment in subsidiary  | 10    | —             | —             | (3,117)       | (10,572)      |
| Loss before income tax  |       | (52,920)      | (60,100)      | (56,037)      | (70,672)      |
| Income tax credit   | 8     | 9,702         | 8,982         | 9,702         | 8,982         |
| Loss for the year from continuing operations  |       | (43,218)      | (51,118)      | (46,335)      | (61,690)      |
| Discontinued Operations   |       |               |               |               |               |
| Profit/(loss) for the year from discontinued operations                                   | 12    | 3,024         | (11,901)      | —             | —             |
| Loss for the year   |       | (40,194)      | (63,019)      | (46,335)      | (61,690)      |
| Other comprehensive loss  |       |               |               |               |               |
| Currency translation differences (subject to subsequent recycling through profit or loss) |       | (444)         | (932)         | —             | —             |
| Other comprehensive loss for the year   |       | (444)         | (932)         | —             | —             |
| Total comprehensive loss for the year   |       | (40,638)      | (63,951)      | (46,335)      | (61,690)      |
| Earnings per share  |       |               |               |               |               |
| Basic and diluted loss per share (thebe)  | 9     | (22.21)       | (34.83)       |               |               |
| Loss per share from continuing operations   | 9     | (23.89)       | (28.25)       |               |               |



# Statements of Financial Position

At 31 December 2021

|                                      |       | CONSOLIDATED  |               | COMPANY       |               |
|--------------------------------------|-------|---------------|---------------|---------------|---------------|
|                                      | Notes | 2021<br>P'000 | 2020<br>P'000 | 2021<br>P'000 | 2020<br>P'000 |
| ASSETS                               |       |               |               |               |               |
| Non-current assets                   |       |               |               |               |               |
| Property, plant and equipment        | 13    | 353,373       | 381,640       | 353,373       | 381,640       |
| Right-of-use-assets                  | 14    | 76,708        | 59,132        | 76,708        | 59,132        |
| Intangible assets                    |       |               |               |               |               |
| Goodwill                             | 15    | 5,274         | 5,274         | 5,274         | 5,274         |
| Lease rights/Software                | 15    | 418           | 1,119         | 418           | 1,119         |
| Deferred tax asset                   | 21    | 17,821        | 8,119         | 17,821        | 8,119         |
| Total non-current assets             |       | 453,594       | 455,284       | 453,594       | 455,284       |
| Currents assets                      |       |               |               |               |               |
| Inventories                          | 17    | 2,027         | 2,300         | 2,027         | 2,059         |
| Trade and other receivables          | 18    | 12,810        | 23,353        | 13,489        | 22,657        |
| Current income tax assets            | 27    | 302           | 214           | 302           | 214           |
| Cash and cash equivalents            | 19    | 53,241        | 56,693        | 52,452        | 56,076        |
| Total current assets                 |       | 68,380        | 82,560        | 68,270        | 81,006        |
| Total assets                         |       | 521,974       | 537,844       | 521,864       | 536,290       |
| EQUITY                               |       |               |               |               |               |
| Capital and reserves                 |       |               |               |               |               |
| Stated Capital                       | 20    | 18,500        | 18,500        | 18,500        | 18,500        |
| Treasury shares                      | 16    | (5,915)       | (5,915)       | (2,105)       | (2,105)       |
| Foreign currency translation reserve |       | —             | (1,222)       | —             | —             |
| Retained earnings                    |       | 110,183       | 152,043       | 106,373       | 152,708       |
| Total equity                         |       | 122,768       | 163,406       | 122,768       | 169,103       |
| LIABILITIES                          |       |               |               |               |               |
| Non-current liabilities              |       |               |               |               |               |
| Lease liabilities                    | 14    | 81,843        | 64,389        | 81,843        | 63,982        |
| Borrowings                           | 22    | 236,627       | 237,500       | 236,627       | 237,500       |
| Total non-current liabilities        |       | 318,470       | 301,889       | 318,470       | 301,482       |
| Current Liabilities                  |       |               |               |               |               |
| Trade and other payables             | 23    | 31,500        | 29,260        | 31,390        | 27,707        |
| Borrowings                           | 22    | 27,597        | 16,428        | 27,597        | 16,428        |
| Lease liabilities                    | 14    | 13,064        | 18,774        | 13,064        | 13,926        |
| Contract liabilities                 | 24    | 8,575         | 8,087         | 8,575         | 7,644         |
| Total current liabilities            |       | 80,736        | 72,549        | 80,626        | 65,705        |
| Total liabilities                    |       | 399,206       | 374,438       | 399,097       | 367,187       |
| Total equity and liabilities         |       | 521,974       | 537,844       | 521,864       | 536,290       |

# Statements of Changes in Equity

for the year ended 31 December 2021

|   | Stated<br>capital<br>P'000 | Treasury<br>shares<br>P'000 | Foreign<br>currency<br>translation<br>reserve<br>P'000 | Retained<br>earnings<br>P'000 | Total<br>equity<br>P'000 |
|---|----------------------------|-----------------------------|--|-------------------------------|--------------------------|
| <b>CONSOLIDATED</b>                           |                            |                             |  |                               |                          |
| Balance at 1 January 2020                     | 18,500                     | (5,915)                     | (290)  | 215,062                       | 227,357                  |
| Total comprehensive loss for the year         | —                          | —                           | (932)  | (63,019)                      | (63,951)                 |
| Loss for the year                             | —                          | —                           | —  | (63,019)                      | (63,019)                 |
| Other comprehensive loss for the year         | —                          | —                           | (932)  | —                             | (932)                    |
| <b>Balance at 31 December 2020</b>            | <b>18,500</b>              | <b>(5,915)</b>              | <b>(1,222)</b>   | <b>152,043</b>                | <b>163,406</b>           |
| <b>Year ended 31 December 2021</b>            |                            |                             |  |                               |                          |
| Balance at 1 January 2021                     | 18,500                     | (5,915)                     | (1,222)  | 152,043                       | 163,406                  |
| Total comprehensive loss for the year         | —                          | —                           | (444)  | (40,194)                      | (40,638)                 |
| Loss for the year                             | —                          | —                           | —  | (40,194)                      | (40,194)                 |
| Other comprehensive loss for the year         | —                          | —                           | (444)  | —                             | (444)                    |
| Transfer of reserves                          | —                          | —                           | 1,666  | (1,666)                       | —                        |
| <b>Balance at 31 December 2021</b>            | <b>18,500</b>              | <b>(5,915)</b>              | <b>—</b>   | <b>110,183</b>                | <b>122,768</b>           |
| <b>COMPANY</b>                                |                            |                             |  |                               |                          |
| <b>Impairment of investment in subsidiary</b> |                            |                             |  |                               |                          |
| Balance at 1 January 2020                     | 18,500                     | (2,105)                     | —  | 214,398                       | 230,793                  |
| Total comprehensive loss for the year         | —                          | —                           | —  | (61,690)                      | (61,690)                 |
| <b>Balance at 31 December 2020</b>            | <b>18,500</b>              | <b>(2,105)</b>              | <b>—</b>   | <b>152,708</b>                | <b>169,103</b>           |
| <b>Year ended 31 December 2021</b>            |                            |                             |  |                               |                          |
| Balance at 1 January 2021                     | 18,500                     | (2,105)                     | —  | 152,708                       | 169,103                  |
| Total comprehensive loss for the year         | —                          | —                           | —  | (46,335)                      | (46,335)                 |
| <b>Balance at 31 December 2021</b>            | <b>18,500</b>              | <b>(2,105)</b>              | <b>—</b>   | <b>106,373</b>                | <b>122,768</b>           |

# Statements of Cash Flows

for the year ended 31 December 2021

|   |       | CONSOLIDATED    |                 | COMPANY         |                 |
|---|-------|-----------------|-----------------|-----------------|-----------------|
|   | Notes | 2021<br>P'000   | 2020<br>P'000   | 2021<br>P'000   | 2020<br>P'000   |
| <b>Cash flows from operating activities</b>                       |       |                 |                 |                 |                 |
| Cash generated from operations                                    | 27    | 33,776          | 5,824           | 33,610          | 5,824           |
| Interest paid   | 7     | (18,047)        | (19,479)        | (18,047)        | (19,479)        |
| Tax refund/(paid)   | 27    | (88)            | 5,068           | (88)            | 4,865           |
| Cashflows from discontinued operations                            | 12    | 3,403           | 2,223           | —               | —               |
| <b>Net cash generated from/(utilised in) operating activities</b> |       | <b>19,044</b>   | <b>(6,364)</b>  | <b>15,475</b>   | <b>(8,790)</b>  |
| <b>Cash flows utilised in investing activities</b>                |       |                 |                 |                 |                 |
| Purchase of property, plant and equipment                         | 13    | (8,309)         | (18,033)        | (8,309)         | (18,033)        |
| Purchase of computer software                                     | 15    | (22)            | (928)           | (22)            | (928)           |
| Proceeds on disposal of plant and equipment                       |       | 7               | 166             | 7               | 166             |
| Interest received   | 7     | 2,182           | 1,080           | 2,182           | 1,080           |
| Cashflows from discontinued operations                            |       | —               | (74)            | —               | —               |
| <b>Net cash utilised in investing activities</b>                  |       | <b>(6,142)</b>  | <b>(17,789)</b> | <b>(6,142)</b>  | <b>(17,715)</b> |
| <b>Cash flows utilised in financing activities</b>                |       |                 |                 |                 |                 |
| Interest paid finance lease                                       | 7     | (6,221)         | (7,114)         | (6,221)         | (7,114)         |
| Repayment of lease liabilities                                    |       | (14,245)        | (9,807)         | (14,245)        | (9,807)         |
| Repayment of borrowings   |       | (14,941)        | (10,306)        | (14,941)        | (10,306)        |
| Proceeds from borrowings  |       | 25,000          | 9,000           | 25,000          | 9,000           |
| Loan to subsidiary  |       | —               | —               | (3,117)         | —               |
| Cashflows from discontinued operations                            |       | (3,700)         | (3,420)         | —               | —               |
| <b>Net cash utilised in financing activities</b>                  |       | <b>(14,107)</b> | <b>(21,647)</b> | <b>(13,524)</b> | <b>(18,227)</b> |
| <b>Net decrease in cash and cash equivalents</b>                  |       |                 |                 |                 |                 |
| Cash and cash equivalents at beginning of year                    |       | 56,693          | 103,138         | 56,076          | 100,749         |
| Exchange (loss)/gain on cash and bank balances                    |       | (2,247)         | (645)           | 567             | 59              |
| <b>Cash and cash equivalents at end of year</b>                   | 19    | <b>53,241</b>   | <b>56,693</b>   | <b>52,452</b>   | <b>56,076</b>   |



# Summary of Significant Accounting Policies

for the year ended 31 December 2021

## General information

Cresta Marakanelo Limited ("the Company") and its wholly owned subsidiary Cresta Golfview Hotel Limited (together "the Group") is a public limited company listed on the Botswana Stock Exchange and primarily operates hotels and related services in Botswana and Zambia. The Company ceased operations at Cresta Golfview Hotel in Zambia on 30 September 2021 (Note 12). Of the 11 properties, 6 are owned (Mowana Safari and Spa, Marang Gardens, Thapama Hotel, President Hotel, Cresta Lodge, and Rileys Hotel), 5 are leased from different landlords (Maun Hotel, Mahalapye Hotel, Jwaneng Hotel, Botsalo Hotel and Marang Residency). Most hotels are operated as business hotels and they offer accommodation and conferencing facilities except for Mowana Safari Resort and Spa which is a leisure property, offering accommodation and conferencing facilities, health and beauty spa, curio shop, game drives and boat cruises.

The consolidated Group financial statements and separate Company financial statements for the year ended 31 December 2021 have been approved for issue by the Board of Directors on 31 March 2022.

## Summary of significant accounting policies

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

### 1.1 Basis of preparation

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

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

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

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

The Cresta Marakanelo Limited accounting policies are described in the notes to the financial statements. The accounting policies adopted by the Group are in line with International Financial Reporting Standards (IFRS). In the current year, the following applicable new or revised Standards issued by the International Accounting Standards Board (IASB) and effective for annual reporting periods beginning on or after 1 January 2021 were adopted by the Group.

### Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

# Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2021

## 1.1 Basis of preparation (continued)

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

#### Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases.

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.

However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

#### New and revised IFRS Standards in issue but not yet effective

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

##### IFRS 17 Insurance Contracts

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

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

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

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9.

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

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

# Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2021

## 1.1 Basis of preparation (continued)

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

#### Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

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

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

#### Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

#### IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The amendment is not expected to have a material impact on the Group.



## Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2021

### 1.1 Basis of preparation (continued)

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

##### IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

##### IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Group.

##### Definition of Accounting Estimates - Amendments to IAS 8

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

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

The amendments are not expected to have a material impact on the Group.

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

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

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

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

## Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2021

### 1.2 Basis of consolidation

#### (a) Subsidiaries

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

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

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

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

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

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

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

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

#### (c) Disposal of subsidiaries

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

#### (d) Discontinued operations

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

## Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2021

### 1.3 Foreign currency translation

#### (a) Functional and presentation currency

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

#### (b) Transactions and balances

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

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

#### (c) Group companies

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

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

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

### 1.4 Revenue recognition

The Group recognises revenue from the following major sources:

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

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

**Revenue is recognised as follows:**

#### (a) Provision of services – accommodation and other revenues

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



## Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2021

### 1.4 Revenue recognition (continued)

**Revenue is recognised as follows:** (continued)

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

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

**(c) Interest income**

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

**(d) Dividend income**

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

**(e) Customer loyalty programme**

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

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

### 1.5 Leases

**The Group as a lessee**

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

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

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

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

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

## Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2021

### 1.5 Leases (continued)

#### The Group as a lessee (continued)

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

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

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

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

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

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

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

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

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

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

#### The Group as lessor

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

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

## Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2021

### 1.5 Leases (continued)

#### The Group as lessor (continued)

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

### 1.6 Dividend distribution

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

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

### 1.7 Property, plant and equipment

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

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

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

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

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

#### Gains and losses

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

#### Impairment

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



## Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2021

### 1.8 Intangible assets

#### (a) Goodwill

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

#### (b) Trademarks and licenses

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

#### (c) Lease rights

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

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

#### (d) Computer software

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

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

### 1.9 Impairment of non-financial assets

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

### 1.10 Financial instruments

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

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

## Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2021

### 1.10 Financial instruments (continued)

#### Financial assets

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

#### Classification of financial assets

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

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

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

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

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

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

#### (i) Amortised cost and effective interest method

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

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

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

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

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

## Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2021

### 1.10 Financial instruments (continued)

#### Financial assets (continued)

##### Classification of financial assets (continued)

##### (ii) Debt instruments classified as at FVTOCI

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

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

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

A financial asset is held for trading if:

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

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

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

##### (iv) Financial assets at FVTPL

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

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

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



## Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2021

### 1.10 Financial instruments (continued)

#### Financial assets (continued)

##### Classification of financial assets (continued)

##### (iv) Financial assets at FVTPL (continued)

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

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

##### Impairment of financial assets

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

##### (i) Definition of default

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

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

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

##### (ii) Credit impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event (see (ii) above);
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

##### (iii) Write off policy

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

## Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2021

### 1.10 Financial instruments (continued)

#### Financial assets (continued)

##### Impairment of financial assets (continued)

##### (iv) Measurement and recognition of expected credit losses

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

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

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

##### Derecognition of financial assets

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

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

##### Financial liabilities

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

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

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

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

## Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2021

### 1.10 Financial instruments (continued)

#### Financial assets (continued)

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

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

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

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

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

##### Financial liabilities measured subsequently at amortised cost

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

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

##### Derecognition of financial liabilities

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

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



## Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2021

### 1.11 Inventories

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

### 1.12 Cash and cash equivalents

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

### 1.13 Stated capital

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

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

### 1.14 Related parties

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

### 1.15 Borrowings

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

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

### 1.16 Trade payables

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

### 1.17 Cost of sales

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

## Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2021

### 1.18 Income tax

#### a) Income tax

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

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

#### b) Deferred tax

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

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

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

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

### 1.19 Employee benefits

#### a) Pension obligations

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

#### b) Termination benefits

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

## Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2021

### 1.19 Employee benefits (continued)

#### c) Other benefits

##### (i) Severance payments and gratuities

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

##### (ii) Leave pay

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

##### (iii) Profit sharing and bonus plans

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

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

##### (iv) Medical aid

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

### 1.20 Earnings per ordinary share

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

### 1.21 Segmental report

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

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

### 1.22 Contingent liabilities

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



# Financial Risk Management

for the year ended 31 December 2021

## 2. Financial risk factors

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

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

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

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

### 2.1 Market risk

#### i) Foreign currency risk

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

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

#### ii) Cash flow and fair value interest rate risk

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

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

#### Interest rate sensitivity analysis

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

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

If the rates had been 50 basis points higher/lower and all other variables were held constant, The Group's profits for the year ended 31 December 2021 would increase/decrease by P1,177,000 (2020: P1,303,562).

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

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

However, considering the short-term maturity for these deposits, these risks are minimised. There were no fixed deposits at the current year end.

## Financial Risk Management (continued)

for the year ended 31 December 2021

### 2.1 Market risk (continued)

#### ii) Cash flow and fair value interest rate risk (continued)

##### Interest rate sensitivity analysis (continued)

| 2021                 |                                   |                       | GROUP                           | COMPANY                         |
|----------------------|-----------------------------------|-----------------------|---------------------------------|---------------------------------|
| Financial Instrument | Name of the financial institution | Current interest Rate | Due in less than one year P'000 | Due in less than one year P'000 |
| Fixed deposits       | Botswana Savings Bank             | 4%                    | 15,016                          | 15,016                          |

### 2.2 Credit risk

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

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

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

#### Credit trading relationship

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

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

|   | CONSOLIDATED  |               | COMPANY       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2021<br>P'000 | 2020<br>P'000 | 2021<br>P'000 | 2020<br>P'000 |
| Trade and other receivables excluding prepayments | 12,249        | 14,852        | 11,224        | 14,195        |
| Amount due from related parties (note 28)         | 52            | 12            | 731           | 16            |
| Absa Bank Limited (Botswana & Zambia)             | 35,525        | 55,147        | 34,736        | 54,530        |
| Botswana Savings Bank Limited                     | 15,016        | —             | 15,016        | —             |
| First National Bank of Botswana Limited           | 2,601         | 1,511         | 2,601         | 1,511         |
| Stanbic Bank Botswana Limited                     | 99            | 35            | 99            | 35            |

## Financial Risk Management (continued)

for the year ended 31 December 2021

### 2.3 Liquidity risk

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

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

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

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

|  | 2021<br>P'000 | 2020<br>P'000 |
|--|---------------|---------------|
| <b>Group</b>                                     |               |               |
| <b>Cash at bank and short-term bank deposits</b> |               |               |
| Absa Bank Limited (Botswana & Zambia)            | 35,525        | 55,147        |
| Botswana Savings Bank Limited                    | 15,016        | —             |
| First National Bank of Botswana Limited          | 2,601         | 1,511         |
| Stanbic Bank Botswana Limited                    | 99            | 35            |
|  | <b>53,241</b> | <b>56,693</b> |
| <b>Company</b>                                   |               |               |
| <b>Cash at bank and short-term bank deposits</b> |               |               |
| Absa Bank Limited (Botswana & Zambia)            | 34,736        | 54,530        |
| Botswana Savings Bank Limited                    | 15,016        | —             |
| First National Bank of Botswana Limited          | 2,601         | 1,511         |
| Stanbic Bank Botswana Limited                    | 99            | 35            |
|  | <b>52,452</b> | <b>56,076</b> |

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



## Financial Risk Management (continued)

for the year ended 31 December 2021

### 2.3 Liquidity risk (continued)

|                               | Less than<br>1 year<br>P'000 | Between<br>1 and 2<br>Years<br>P'000 | Between<br>2 and 5<br>years<br>P'000 | Over<br>5 Years<br>P'000 | Total<br>P'000 |
|-------------------------------|------------------------------|--------------------------------------|--------------------------------------|--------------------------|----------------|
| <b>CONSOLIDATED</b>           |                              |                                      |                                      |                          |                |
| <b>As at 31 December 2021</b> |                              |                                      |                                      |                          |                |
| Trade and other payables      | 26,354                       | —                                    | —                                    | —                        | 26,354         |
| Borrowings                    | 27,597                       | 90,740                               | 132,300                              | 13,587                   | 264,224        |
| Lease liabilities             | 18,629                       | 35,392                               | 36,763                               | 35,579                   | 126,362        |
|                               | <b>72,580</b>                | <b>126,132</b>                       | <b>169,063</b>                       | <b>49,166</b>            | <b>416,940</b> |
| <b>As at 31 December 2020</b> |                              |                                      |                                      |                          |                |
| Trade and other payables      | 20,831                       | —                                    | —                                    | —                        | 20,831         |
| Borrowings                    | 16,428                       | 16,267                               | 110,616                              | 110,617                  | 253,928        |
| Lease liabilities             | 25,297                       | 34,356                               | 27,789                               | 18,293                   | 105,735        |
|                               | <b>62,556</b>                | <b>50,623</b>                        | <b>138,405</b>                       | <b>128,910</b>           | <b>380,494</b> |
| <b>COMPANY</b>                |                              |                                      |                                      |                          |                |
| <b>As at 31 December 2021</b> |                              |                                      |                                      |                          |                |
| Trade and other payables      | 26,764                       | —                                    | —                                    | —                        | 26,764         |
| Borrowings                    | 27,597                       | 90,740                               | 132,300                              | 13,587                   | 264,224        |
| Lease liabilities             | 18,629                       | 35,392                               | 36,763                               | 35,579                   | 126,362        |
|                               | <b>72,990</b>                | <b>126,132</b>                       | <b>169,063</b>                       | <b>49,166</b>            | <b>417,350</b> |
| <b>As at 31 December 2020</b> |                              |                                      |                                      |                          |                |
| Trade and other payables      | 19,934                       | —                                    | —                                    | —                        | 19,934         |
| Borrowings                    | 16,428                       | 16,267                               | 110,616                              | 110,617                  | 253,928        |
| Lease liabilities             | 20,123                       | 33,924                               | 27,789                               | 18,293                   | 100,129        |
|                               | <b>56,485</b>                | <b>50,191</b>                        | <b>138,405</b>                       | <b>128,910</b>           | <b>373,991</b> |

### 2.4 Analysis of financial instruments

#### 2.4.1 Financial instruments by category

|                             | Financial liabilities<br>at amortised cost |                |
|-----------------------------|--|----------------|
|                             | 2021<br>P'000                              | 2020<br>P'000  |
| <b>CONSOLIDATED</b>         |  |                |
| Trade and other payables    | 24,636                                     | 20,163         |
| Borrowings                  | 264,224                                    | 253,928        |
| Amount due to related party | 1,718                                      | 668            |
| Lease liabilities           | 94,908                                     | 83,163         |
|                             | <b>385,486</b>                             | <b>357,922</b> |
| <b>COMPANY</b>              |  |                |
| Trade and other payables    | 25,046                                     | 19,314         |
| Borrowings                  | 264,224                                    | 253,928        |
| Amount due to related party | 1,718                                      | 620            |
| Lease liabilities           | 94,908                                     | 77,908         |
|                             | <b>385,896</b>                             | <b>351,770</b> |

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

## Financial Risk Management (continued)

for the year ended 31 December 2021

### 2.4 Analysis of financial instruments (continued)

#### 2.4.1 Financial instruments by category (continued)

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

|   | Financial assets<br>at amortised cost |               |
|---|---------------------------------------|---------------|
|   | 2021<br>P'000                         | 2020<br>P'000 |
| <b>GROUP</b>                                      |                                       |               |
| Cash and cash equivalents                         | 53,241                                | 56,693        |
| Trade and other receivables excluding prepayments | 12,249                                | 14,852        |
| Amounts due from related parties                  | 52                                    | 12            |
|   | <b>65,542</b>                         | <b>71,557</b> |
| <b>COMPANY</b>                                    |                                       |               |
| Cash and cash equivalents                         | 52,452                                | 56,076        |
| Trade and other receivables excluding prepayments | 11,224                                | 14,195        |
| Amounts due from related parties                  | 731                                   | 15            |
|   | <b>64,407</b>                         | <b>70,286</b> |

All financial instruments are measured at amortized cost.

#### 2.4.2 Credit quality of financial assets

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

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

|  |                  | CONSOLIDATED  |               | COMPANY       |               |
|--|------------------|---------------|---------------|---------------|---------------|
|  | Ratings          | 2021<br>P'000 | 2020<br>P'000 | 2021<br>P'000 | 2020<br>P'000 |
| Trade receivables and other receivables<br>excluding Prepayments | Not rated        | 12,249        | 14,852        | 11,224        | 14,195        |
| <b>Cash at bank and short-term deposits</b>                      | <b>Not rated</b> | <b>53,241</b> | 56,693        | <b>52,452</b> | 56,076        |
| Absa Bank Limited  | Not rated        | 35,525        | 55,147        | 34,736        | 54,530        |
| Botswana Savings Bank Limited                                    | Not rated        | 15,016        | —             | 15,016        | —             |
| First National Bank of Botswana                                  | Not rated        | 2,601         | 1,511         | 2,601         | 1,511         |
| Stanbic Bank Botswana Limited                                    | Not rated        | 99            | 35            | 99            | 35            |

## Financial Risk Management (continued)

for the year ended 31 December 2021

### 2.5 Capital risk management

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

While the capital allocation policy will remain in place for the long term, as a result of the impact of COVID-19 the Board reviewed actions to safeguard the business as a temporary modification to the policy. As a result, the Board decided to not declare a dividend for the year ended 31 December 2020 and until there is greater visibility on market recovery.

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

The capital structure at 31 December 2020 and 2019 are as follows:

|  | 2021<br>P'000  | 2020<br>P'000 |
|--|----------------|---------------|
| <b>GROUP</b>                             |                |               |
| Total borrowings (note 22)               | 264,224        | 253,928       |
| Less: Cash and cash equivalent (Note 19) | (53,241)       | (56,693)      |
| <b>Net debt</b>                          | <b>210,983</b> | 197,235       |
| Total equity                             | 122,768        | 163,406       |
| <b>Total capital</b>                     | <b>333,751</b> | 360,641       |
| <b>COMPANY</b>                           |                |               |
| Total borrowings (note 22)               | 264,224        | 253,928       |
| Less: Cash and cash equivalent (Note 19) | (52,452)       | (56,076)      |
| <b>Net debt</b>                          | <b>211,772</b> | 197,852       |
| Total equity                             | 122,768        | 169,103       |
| <b>Total capital</b>                     | <b>334,540</b> | 366,955       |



# Critical Accounting Estimates and Assumptions

for the year ended 31 December 2021

## 3 Critical accounting estimates and judgements

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

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

### 3.1 Estimated impairment of goodwill

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

### 3.2 Income taxes

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

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

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

### 3.4 Impairment of investment in subsidiary

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

### 3.5 Impairment of assets

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

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

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

## Critical Accounting Estimates and Assumptions (continued)

for the year ended 31 December 2021

### 3.6 Contract liabilities

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

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

At 31 December 2021, the contract liabilities were estimated based on an expected redemption rate of 48% (2020: 45%) of total accumulated points. Had the estimated redemption rate been 10% higher/(lower), the contract liabilities recognised at the balance sheet date would have been P642,107 (2020: P483,700) higher/ (lower). The increase in the expected redemption rate is based on management expectation that more points would have been earned due to targeted promotions which will result in a high number of redemptions.

### 3.7 Going concern

Management assessed the impact of COVID-19 on the Group's ability to continue as a going concern with additional disclosures on the assumptions and judgements included in Note 32.

# Notes to the Financial Statements

for the year ended 31 December 2021

|   | CONSOLIDATED   |                | COMPANY        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2021<br>P'000  | 2020<br>P'000  | 2021<br>P'000  | 2020<br>P'000  |
| <b>4 Revenue</b>  |                |                |                |                |
| Accommodation revenue                                   | 130,610        | 114,893        | 130,610        | 114,893        |
| Food revenue  | 64,442         | 56,185         | 64,442         | 56,185         |
| Bar revenue   | 11,323         | 11,819         | 11,323         | 11,819         |
| Other   | 9,977          | 10,231         | 9,977          | 10,231         |
|   | <b>216,352</b> | <b>193,128</b> | <b>216,352</b> | <b>193,128</b> |
| External revenue by timing:                             |                |                |                |                |
| Services transferred at a point in time                 | 130,610        | 114,893        | 130,610        | 114,893        |
| Goods transferred at a point in time                    | 85,742         | 78,235         | 85,742         | 78,235         |
|   | <b>216,352</b> | <b>193,128</b> | <b>216,352</b> | <b>193,128</b> |
| <b>5 Expenses by nature</b>                             |                |                |                |                |
| Inventory consumed                                      | 26,893         | 25,720         | 26,893         | 25,720         |
| Employee benefit expense (note 6)                       | 86,355         | 69,566         | 86,355         | 69,566         |
| Transport expenses                                      | 1,474          | 1,522          | 1,474          | 1,522          |
| Operating lease payments                                | —              | 349            | —              | 349            |
| Lease concessions                                       | (252)          | (1,328)        | (252)          | (1,328)        |
| Depreciation of right-of-use assets                     | 13,333         | 14,151         | 13,333         | 14,151         |
| Auditor's remuneration                                  |                |                |                |                |
| - Audit fee   | 1,020          | 904            | 1,020          | 904            |
| Depreciation of property, plant and equipment (note 13) | 34,075         | 35,835         | 34,075         | 35,835         |
| Amortisation of intangible assets (note 15)             | 723            | 1,001          | 723            | 1,001          |
| Provision for impairment of trade debtors (note 18)     | (141)          | 1,284          | (141)          | 1,284          |
| Internal audit costs                                    | 1,133          | 1,460          | 1,133          | 1,460          |
| Directors' fees   | 450            | 630            | 450            | 630            |
| Management fees (note 28)                               | 6,473          | 5,778          | 6,473          | 5,778          |
| Water and electricity                                   | 16,828         | 15,708         | 16,828         | 15,708         |
| Marketing and promotion                                 | 3,825          | 3,711          | 3,825          | 3,711          |
| Repairs and maintenance                                 | 8,219          | 8,729          | 8,219          | 8,729          |
| Impairment of investment in subsidiary                  | —              | —              | 3,117          | 10,572         |
| Other expenses  | 37,884         | 33,951         | 37,884         | 33,951         |
| Insurance   | 4,159          | 4,020          | 4,159          | 4,020          |
| Legal   | 510            | 432            | 510            | 432            |
| Telephone   | 3,789          | 3,782          | 3,789          | 3,782          |
| Travel expenses   | 436            | 510            | 436            | 510            |
|   | <b>247,186</b> | <b>227,715</b> | <b>250,302</b> | <b>238,287</b> |
| Analysed as:  |                |                |                |                |
| Cost of sales   | 162,270        | 142,899        | 162,270        | 142,899        |
| Sales and distribution expenses                         | 6,323          | 5,844          | 6,323          | 5,844          |
| Administration and operating expenses                   | 78,593         | 93,562         | 78,593         | 93,562         |
| Government wage subsidy                                 | —              | (14,590)       | —              | (14,590)       |
| Impairment of investment in subsidiary                  | —              | —              | 3,117          | 10,572         |
|   | <b>247,186</b> | <b>227,715</b> | <b>250,303</b> | <b>238,287</b> |

## Notes to the Financial Statements (continued)

for the year ended 31 December 2021

|  | CONSOLIDATED   |                | COMPANY        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2021<br>P'000  | 2020<br>P'000  | 2021<br>P'000  | 2020<br>P'000  |
| <b>6 Staff costs</b>   |                |                |                |                |
| Pension contributions  | 3,542          | 3,684          | 3,542          | 3,684          |
| Gross salaries and wages   | 82,813         | 80,472         | 82,813         | 80,472         |
| Government wage subsidy  | —              | (14,590)       | —              | (14,590)       |
|  | <b>86,355</b>  | <b>69,566</b>  | <b>86,355</b>  | <b>69,566</b>  |
| <p>The wage subsidy received from the Government of the Republic of Botswana for the 2020 financial year which went a long way in cushioning the Company from payroll costs during the COVID-19 pandemic. As at end of 2020, P3.2million of the subsidy was yet to be received. P1.6 million was received in 2021 leaving a balance of P1.6 million which has been fully provided for as a bad debt by the Group..</p> |                |                |                |                |
| Number of employees  | 842            | 893            | 842            | 893            |
| <b>7 Finance income and expenses</b>   |                |                |                |                |
| Finance income   | (2,182)        | (1,080)        | (2,182)        | (1,080)        |
| Interest on bank overdrafts and loans  | 18,047         | 19,479         | 18,047         | 19,479         |
| Interest expense on lease liabilities  | 6,221          | 7,114          | 6,221          | 7,114          |
| <b>Finance costs</b>   | <b>24,268</b>  | <b>26,593</b>  | <b>24,268</b>  | <b>26,593</b>  |
| <b>8 Income tax expense</b>  |                |                |                |                |
| Company tax  | —              | —              | —              | —              |
| Deferred tax credit - note 21  | (9,702)        | (8,982)        | (9,702)        | (8,982)        |
| <b>Tax (credit)/charge</b>   | <b>(9,702)</b> | <b>(8,982)</b> | <b>(9,702)</b> | <b>(8,982)</b> |
| <p>The tax on the loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the company as follows:</p>  |                |                |                |                |
| Loss before income tax from continuing operations  | (52,920)       | (60,100)       | (56,037)       | (70,672)       |
| Tax calculated at current tax rates - 22%  | (11,642)       | (13,222)       | (12,328)       | (15,548)       |
| Expenses not deductible for taxation   | 1,940          | 4,240          | 2,626          | 6,566          |
| Tax credit   | (9,702)        | (8,982)        | (9,702)        | (8,982)        |



## Notes to the Financial Statements (continued)

for the year ended 31 December 2021

### 9 Earnings per share

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

|  | CONSOLIDATED  |               | COMPANY       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2021<br>P'000 | 2020<br>P'000 | 2021<br>P'000 | 2020<br>P'000 |
| Total operating loss attributable to shareholders          |               |               |               |               |
| Continuing Operations                                      | (43,218)      | (51,118)      |               |               |
| Discontinued Operations                                    | 3,024         | (11,901)      |               |               |
| Weighted average number of ordinary shares in issue ('000) | 180,934       | 180,934       |               |               |
| - Total number of shares issued                            | 185,000       | 185,000       |               |               |
| - Less: Treasury shares (Note 16)                          | (4,066)       | (4,066)       |               |               |
| <b>Basic and diluted loss earnings per share (thebe)</b>   |               |               |               |               |
| Continuing Operations                                      | (23.89)       | (28.25)       |               |               |
| Discontinued Operations                                    | 1.67          | (6.58)        |               |               |

### 10 Investment in subsidiary

|                                       | 2021<br>%<br>Holding | 2020<br>%<br>Holding | 2021<br>P'000 | 2020<br>P'000 |
|---------------------------------------|----------------------|----------------------|---------------|---------------|
| <b>Company</b>                        |                      |                      |               |               |
| Held directly:                        |                      |                      |               |               |
| Cresta Golfview Hotel Limited, Zambia |                      | 100%                 |               |               |
| <b>Opening balance</b>                |                      |                      | —             | 10,572        |
| Impairment                            |                      |                      | —             | (10,572)      |
| <b>Closing balance</b>                |                      |                      | —             | —             |

#### Impairment test on investment in subsidiary

The investment in subsidiary was tested for impairment on an annual basis. The recoverable amount of an investment in subsidiary was determined based on value-in-use calculations. Due to the impact of COVID-19 on the business in 2020 the investment in the subsidiary was impaired in full.

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

### 11 Cresta Employee Scheme

The Company operates an Employee Scheme which was approved at the Annual General Meeting held on the 26th June 2015. Only employees who have been with Cresta Marakanelo Limited for a period of not less than two years and who are not serving notice are eligible for participation in the scheme distributions. The persons who may participate in the Employee Scheme are such Qualifying Employees as the Board from time to time in its absolute discretion considers to be contributing to the growth and profitability of the Company and who have been employed by the Company for at least two years. Qualifying Employees who are entitled to benefit under the Scheme do not become shareholders in the Company and have no voting rights. The Scheme is a cash bonus payment which is determined on the dividends payable based on the Scheme Shares. 2% (3 700 000 shares) of the stated share capital of Cresta Marakanelo Limited is enjoyed by the Qualifying Employees through the Scheme. During the year there were no dividends paid (2020: nil).

# Notes to the Financial Statements (continued)

for the year ended 31 December 2021

## 12 Discontinued Operations

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

The results of Cresta Golfview Hotel for the year are presented below:

|  | 2021<br>P'000 | 2020<br>P'000   |
|--|---------------|-----------------|
| Revenue  | 6,211         | 9,477           |
| Expenses   | (6,934)       | (19,033)        |
| <b>Operating income /(loss)</b>  | <b>(723)</b>  | <b>(9,556)</b>  |
| Write back of lease  | 4,008         | —               |
| Finance costs  | (260)         | (2,345)         |
| <b>Profit /(loss) before tax from discontinued operations</b>                | <b>3,024</b>  | <b>(11,901)</b> |
| Tax benefit/(expense):   |               |                 |
| Related to pre-tax profit/(loss) from the ordinary activities for the period | —             | —               |
| <b>Profit/(loss) for the year from discontinued operations</b>               | <b>3,024</b>  | <b>(11,901)</b> |

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

|   | 2021<br>P'000 | 2020<br>P'000  |
|---|---------------|----------------|
| Operating   | 3,403         | 2,223          |
| Investing   | —             | (74)           |
| Financing   | (3,700)       | (3,420)        |
| <b>Net cash outflow</b>                             | <b>(297)</b>  | <b>(1,271)</b> |
| <b>Earnings per share</b>                           |               |                |
| Basic and diluted (loss) earnings per share (thebe) | 1.67          | (6.58)         |

## Notes to the Financial Statements (continued)

for the year ended 31 December 2021

### 13 Property, Plant and Equipment

|                                    | Leasehold<br>land and<br>buildings<br>P'000 | Furniture,<br>fixtures<br>and<br>fittings<br>P'000 | Motor<br>vehicles<br>P'000 | Computers<br>P'000 | Operating<br>equipment<br>P'000 | Capital<br>work in<br>progress<br>P'000 | Total<br>P'000 |
|------------------------------------|---|--|----------------------------|--------------------|---------------------------------|---|----------------|
| <b>CONSOLIDATED</b>                |   |  |                            |                    |                                 |   |                |
| <b>Year ended 31 December 2020</b> |   |  |                            |                    |                                 |   |                |
| Opening net book amount            | 345,120                                     | 45,480   | 372                        | 2,070              | 10,111                          | 1,398                                   | 404,551        |
| Reclassified expenses              | —   | —  | —                          | —                  | —                               | (202)                                   | (202)          |
| Exchange difference                | 104   | 23   | (7)                        | 20                 | (78)                            | —                                       | 62             |
| Impairment of subsidiary assets    | (414)                                       | (682)  | —                          | (22)               | (380)                           | —                                       | (1,497)        |
| Additions                          | 11,313                                      | 3,188  | 218                        | 383                | 1,103                           | 1,901                                   | 18,106         |
| Disposals - at cost                | (433)                                       | (2,705)  | —                          | (413)              | —                               | —                                       | (3,551)        |
| Depreciation on disposals          | 429   | 2,596  | —                          | 407                | —                               | —                                       | 3,432          |
| Transfers from WIP                 | 1,196                                       | —  | —                          | —                  | —                               | (1,196)                                 | —              |
| Depreciation                       | (21,472)                                    | (13,141)   | (213)                      | (1,402)            | —                               | —                                       | (36,228)       |
| Usage of operating equipment       | —   | —  | —                          | —                  | (3,034)                         | —                                       | (3,034)        |
| Closing net book value amount      | 335,843                                     | 34,761   | 370                        | 1,043              | 7,722                           | 1,901                                   | 381,640        |
| <b>At 31 December 2020</b>         |   |  |                            |                    |                                 |   |                |
| Cost                               | 412,321                                     | 178,724  | 2,069                      | 16,713             | 7,722                           | 1,901                                   | 619,450        |
| Accumulated depreciation           | (76,478)                                    | (143,963)  | (1,699)                    | (15,670)           | —                               | —                                       | (237,810)      |
| Net book amount                    | 335,843                                     | 34,761   | 370                        | 1,043              | 7,722                           | 1,901                                   | 381,640        |
| <b>Year ended 31 December 2021</b> |   |  |                            |                    |                                 |   |                |
| Opening net book amount            | 335,843                                     | 34,761   | 370                        | 1,043              | 7,722                           | 1,901                                   | 381,640        |
| Additions                          | 3,583                                       | 3,150  | —                          | 652                | 869                             | 54                                      | 8,309          |
| Disposals - at cost                | (108)                                       | (2,698)  | —                          | (801)              | —                               | —                                       | (3,607)        |
| Depreciation on disposals          | 88  | 2,627  | —                          | 793                | —                               | —                                       | 3,509          |
| Transfers from WIP                 | 1,901                                       | —  | —                          | —                  | —                               | (1,901)                                 | —              |
| Depreciation                       | (21,091)                                    | (11,873)   | (190)                      | (921)              | —                               | —                                       | (34,075)       |
| Usage of operating equipment       | —   | —  | —                          | —                  | (2,402)                         | —                                       | (2,402)        |
| <b>Closing net book amount</b>     | <b>320,217</b>                              | <b>25,967</b>                                      | <b>180</b>                 | <b>766</b>         | <b>6,189</b>                    | <b>54</b>                               | <b>353,373</b> |
| <b>At 31 December 2021</b>         |   |  |                            |                    |                                 |   |                |
| Cost                               | 417,353                                     | 170,995  | 1,425                      | 14,588             | 6,189                           | 54                                      | 610,605        |
| Accumulated depreciation           | (97,136)                                    | (145,028)  | (1,245)                    | (13,821)           | —                               | —                                       | (257,232)      |
| <b>Net book amount</b>             | <b>320,217</b>                              | <b>25,967</b>                                      | <b>180</b>                 | <b>766</b>         | <b>6,189</b>                    | <b>54</b>                               | <b>353,373</b> |

Leasehold and freehold land and buildings with a net book value of P 233,000,000 are secured as indicated in Note 22.

## Notes to the Financial Statements (continued)

for the year ended 31 December 2021

### 13 Property, Plant and Equipment (continued)

|                                    | Leasehold<br>land and<br>buildings<br>P'000 | Furniture,<br>fixtures<br>and<br>fittings<br>P'000 | Motor<br>vehicles<br>P'000 | Computers<br>P'000 | Operating<br>equipment<br>P'000 | Capital<br>work in<br>progress<br>P'000 | Total<br>P'000 |
|------------------------------------|---|--|----------------------------|--------------------|---------------------------------|---|----------------|
| <b>COMPANY</b>                     |   |  |                            |                    |                                 |   |                |
| <b>Year ended 31 December 2020</b> |   |  |                            |                    |                                 |   |                |
| Opening net book amount            | 344,747                                     | 44,559   | 365                        | 2,030              | 9,601                           | 1,196                                   | 402,498        |
| Additions                          | 11,313                                      | 3,166  | 218                        | 377                | 1,058                           | 1,901                                   | 18,033         |
| Disposals - at cost                | (433)                                       | (2,705)  | —                          | (413)              | —                               | —                                       | (3,551)        |
| Depreciation on disposals          | 429   | 2,596  | —                          | 407                | —                               | —                                       | 3,432          |
| Transfers from WIP                 | 1,196                                       | —  | —                          | —                  | —                               | (1,196)                                 | —              |
| Depreciation                       | (21,409)                                    | (12,855)   | (213)                      | (1,358)            | —                               | —                                       | (35,835)       |
| Usage of operating equipment       | —   | —  | —                          | —                  | (2,937)                         | —                                       | (2,937)        |
| Closing net book value amount      | 335,843                                     | 34,761   | 370                        | 1,043              | 7,722                           | 1,901                                   | 381,640        |
| <b>At 31 December 2020</b>         |   |  |                            |                    |                                 |   |                |
| Cost                               | 411,977                                     | 170,543  | 1,425                      | 14,737             | 7,722                           | 1,901                                   | 608,305        |
| Accumulated depreciation           | (76,134)                                    | (135,782)  | (1,055)                    | (13,694)           | —                               | —                                       | (226,665)      |
| Net book amount                    | 335,843                                     | 34,761   | 370                        | 1,043              | 7,722                           | 1,901                                   | 381,640        |
| <b>Year ended 31 December 2021</b> |   |  |                            |                    |                                 |   |                |
| Opening net book amount            | 335,843                                     | 34,761   | 370                        | 1,043              | 7,722                           | 1,901                                   | 381,640        |
| Additions                          | 3,583                                       | 3,150  | —                          | 652                | 869                             | 54                                      | 8,309          |
| Disposals - at cost                | (108)                                       | (2,698)  | —                          | (801)              | —                               | —                                       | (3,607)        |
| Depreciation on disposals          | 88  | 2,627  | —                          | 793                | —                               | —                                       | 3,509          |
| Transfers from WIP                 | 1,901                                       | —  | —                          | —                  | —                               | (1,901)                                 | —              |
| Depreciation                       | (21,091)                                    | (11,873)   | (190)                      | (921)              | —                               | —                                       | (34,075)       |
| Usage of operating equipment       | —   | —  | —                          | —                  | (2,402)                         | —                                       | (2,402)        |
| <b>Closing net book amount</b>     | <b>320,217</b>                              | <b>25,967</b>                                      | <b>180</b>                 | <b>766</b>         | <b>6,189</b>                    | <b>54</b>                               | <b>353,373</b> |
| <b>At 31 December 2021</b>         |   |  |                            |                    |                                 |   |                |
| Cost                               | 417,353                                     | 170,995  | 1,425                      | 14,588             | 6,189                           | 54                                      | 610,605        |
| Accumulated depreciation           | (97,136)                                    | (145,028)  | (1,245)                    | (13,821)           | —                               | —                                       | (257,232)      |
| <b>Net book amount</b>             | <b>320,217</b>                              | <b>25,967</b>                                      | <b>180</b>                 | <b>766</b>         | <b>6,189</b>                    | <b>54</b>                               | <b>353,373</b> |

Leasehold and freehold land and buildings with a net book value of P 233,000,000 are secured as indicated in Note 22.



## Notes to the Financial Statements (continued)

for the year ended 31 December 2021

### 13 Property, Plant and Equipment (continued)

The Company owns the following properties:

#### Mowana Safari Lodge

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

#### Cresta Marang Hotel

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

#### Cresta President Hotel

Lot 1168/9 - Freehold property, Plot measuring 2002 meter squared, in the Gaborone Extension No. 3 - The Mall.

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

#### Cresta Lodge

Lot 50719 - Plot measuring 3,5697 Ha, in the Gaborone Administrative District with a 50 year fixed State Grant No. 1613/90, first registered on the 6 December 1990.

#### Cresta Riley's Hotel

Tribal Lot 141 Maun - Plot measuring 2,4815 Ha, in the Batawana Tribal Territory with 50 year fixed State lease, first registered on the 9 August 1998.

#### Cresta Thapama Hotel

Lot 6348 - Plot measuring 2,5085 Ha, in the Francistown Administrative District with fixed State Grant No. 548/84, first registered on the 22 November 1984.

#### Cresta Bosele Hotel

Lot 19267 - Selebi Phikwe - Plot measuring 2,9812 Ha, in the Selebi Phikwe (Cadastre 466) in Selebi Phikwe Administrative district with fixed State Grant of 50 years, first registered on the 28 June 1973.

## Notes to the Financial Statements (continued)

for the year ended 31 December 2021

### 14 Right of Use Assets and Lease Liabilities

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

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

|                                 | Right-of-use assets |                            |                |
|---------------------------------|---------------------|----------------------------|----------------|
|                                 | Buildings<br>P'000  | Motor<br>vehicles<br>P'000 | Total<br>P'000 |
| <b>CONSOLIDATED</b>             |                     |                            |                |
| <b>Cost</b>                     |                     |                            |                |
| As at 1 January 2020            | 98,276              | 2,104                      | 100,380        |
| Additions                       | —                   | 596                        | 596            |
| Lease re-measurement            | (1,226)             | —                          | (1,226)        |
| Exchange loss                   | (2,520)             | —                          | (2,520)        |
| <b>As at 31 December 2020</b>   | <b>94,530</b>       | <b>2,700</b>               | <b>97,230</b>  |
| Additions                       | 30,594              | 314                        | 30,908         |
| <b>As at 31 December 2021</b>   | <b>125,124</b>      | <b>3,014</b>               | <b>128,138</b> |
| <b>Accumulated depreciation</b> |                     |                            |                |
| As at 1 January 2020            | 17,048              | 1,047                      | 18,095         |
| Charge for the year             | 16,159              | 801                        | 16,960         |
| Impairment                      | 3,043               | —                          | 3,043          |
| <b>As at 31 December 2020</b>   | <b>36,250</b>       | <b>1,848</b>               | <b>38,098</b>  |
| Charge for the year             | 13,071              | 261                        | 13,333         |
| <b>At 31 December 2021</b>      | <b>49,321</b>       | <b>2,109</b>               | <b>51,431</b>  |
| <b>Carrying amount</b>          |                     |                            |                |
| <b>At 31 December 2021</b>      | <b>75,803</b>       | <b>905</b>                 | <b>76,708</b>  |
| <b>At 31 December 2020</b>      | <b>58,280</b>       | <b>852</b>                 | <b>59,132</b>  |
| <b>COMPANY</b>                  |                     |                            |                |
| <b>Cost</b>                     |                     |                            |                |
| As at 1 January 2020            | 86,248              | 2,104                      | 88,352         |
| Additions                       | —                   | 596                        | 596            |
| Lease re-measurement            | (1,226)             | —                          | (1,226)        |
| <b>As at 31 December 2020</b>   | <b>85,022</b>       | <b>2,700</b>               | <b>87,722</b>  |
| Additions                       | 30,594              | 314                        | 30,908         |
| <b>At 31 December 2021</b>      | <b>115,616</b>      | <b>3,014</b>               | <b>118,630</b> |
| <b>Accumulated depreciation</b> |                     |                            |                |
| As at 1 January 2020            | 13,392              | 1,047                      | 14,439         |
| Charge for the year             | 13,350              | 801                        | 14,151         |
| <b>As at 31 December 2020</b>   | <b>26,742</b>       | <b>1,848</b>               | <b>28,590</b>  |
| Charge for the year             | 13,071              | 261                        | 13,333         |
| <b>As at 31 December 2021</b>   | <b>39,813</b>       | <b>2,109</b>               | <b>41,922</b>  |
| <b>Carrying amount</b>          |                     |                            |                |
| <b>At 31 December 2021</b>      | <b>75,803</b>       | <b>905</b>                 | <b>76,708</b>  |
| <b>As at 31 December 2020</b>   | <b>58,280</b>       | <b>852</b>                 | <b>59,132</b>  |

# Notes to the Financial Statements (continued)

for the year ended 31 December 2021

## 14 Right of Use Assets and Lease Liabilities (continued)

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

### Cresta Mahalapye Hotel

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

### Cresta Jwaneng Hotel

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

### Cresta Head Office

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

### Cresta Maun Resort

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

### Cresta Marang Gardens (Residency)

The company has a lease agreement with Knight Bridge Proprietary Limited in respect of a Hotel for plot 6218 portion of lot 931, Francistown. The lease is for 10 years commencing on 1 July 2017 and renewable at the option of Cresta Marakanelo Limited for a further 10 year period. Annual lease rentals amount to P2,160,000 for the first year with annual escalation of 5%.

### Motor vehicles

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

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

### Amounts recognised in the profit and loss

|   | CONSOLIDATED  |               | COMPANY       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2021<br>P'000 | 2020<br>P'000 | 2021<br>P'000 | 2020<br>P'000 |
| Depreciation expense of right-of-use assets       | 13,333        | 14,151        | 13,333        | 14,151        |
| Interest expense on leased buildings              | 6,126         | 6,993         | 6,126         | 6,993         |
| Interest expense on leased vehicles               | 95            | 121           | 95            | 121           |
| <b>Total interest expense</b>                     | <b>6,221</b>  | <b>7,114</b>  | <b>6,221</b>  | <b>7,114</b>  |
| Rent expense - short-term lease buildings         | 32            | 349           | 32            | 349           |
| Rent expense - short-term lease vehicles          | —             | 152           | —             | 152           |
| <b>Total amounts recognised in profit or loss</b> | <b>19,586</b> | <b>21,766</b> | <b>19,586</b> | <b>21,766</b> |

## Notes to the Financial Statements (continued)

for the year ended 31 December 2021

### 14 Right of Use Assets and Lease Liabilities (continued)

#### Lease liabilities

|                                    | CONSOLIDATED  |               | COMPANY       |               |
|------------------------------------|---------------|---------------|---------------|---------------|
|                                    | 2021<br>P'000 | 2020<br>P'000 | 2021<br>P'000 | 2020<br>P'000 |
| Analysed as:                       |               |               |               |               |
| Non Current                        | 81,843        | 64,389        | 81,843        | 63,982        |
| Current                            | 13,064        | 18,774        | 13,064        | 13,926        |
|                                    | 94,908        | 83,163        | 94,908        | 77,908        |
| Maturity analysis                  |               |               |               |               |
| Year 1                             | 18,629        | 25,297        | 18,629        | 20,123        |
| Year 2                             | 18,188        | 19,735        | 18,188        | 19,303        |
| Year 3                             | 17,203        | 14,621        | 17,203        | 14,621        |
| Year 4                             | 18,376        | 13,422        | 18,376        | 13,422        |
| Year 5                             | 18,387        | 14,367        | 18,387        | 14,367        |
| Onwards                            | 35,579        | 18,293        | 35,579        | 18,293        |
|                                    | 126,362       | 105,735       | 126,362       | 100,129       |
| Less: Unearned interest            | 31,454        | 22,573        | 31,454        | 22,222        |
|                                    | 94,908        | 83,163        | 94,908        | 77,907        |
| The unearned interest analysed as: |               |               |               |               |
| Non Current                        | 24,307        | 16,049        | 24,307        | 16,024        |
| Current                            | 7,148         | 6,524         | 7,148         | 6,198         |
|                                    | 31,454        | 22,573        | 31,454        | 22,222        |

### 15 Intangible assets

|  | CONSOLIDATED  |               | COMPANY       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2021<br>P'000 | 2020<br>P'000 | 2021<br>P'000 | 2020<br>P'000 |
| Goodwill   |               |               |               |               |
| Opening and closing net book amount  | 5,274         | 5,274         | 5,274         | 5,274         |
| Arising out of acquisition of business from United Promotional Enterprises (Proprietary) Limited T/A Cezar Hotel | 5,274         | 5,274         | 5,274         | 5,274         |
| Closing net book amount  | 5,274         | 5,274         | 5,274         | 5,274         |

In 2013, the Group entered into an agreement with United Promotional Enterprise (Proprietary) Limited (t/a Cezar Hotel), a company registered in Botswana, to acquire the hotel business which operated within Jwaneng township. As a result of the acquisition, the Group recognised goodwill arising from customer relationships related to the location of the hotel premises.



# Notes to the Financial Statements (continued)

for the year ended 31 December 2021

## 15 Intangible assets (continued)

|   | CONSOLIDATED  |               | COMPANY       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2021<br>P'000 | 2020<br>P'000 | 2021<br>P'000 | 2020<br>P'000 |
| <b>Impairment test of goodwill</b>  |               |               |               |               |
| For the purpose of impairment testing, goodwill is attached to the following Cash Generating Units ("CGU"): |               |               |               |               |
| Cresta Jwaneng Hotel opening and closing net book amount  | <b>5,274</b>  | 5,274         | <b>5,274</b>  | 5,274         |
| <b>The key assumptions use in the calculation of recoverable amounts are as follows:</b>                    |               |               |               |               |
| Growth rate beyond the budget period of 2021 to 2025 years (terminal value growth rate)                     | <b>2.00%</b>  | 2.00%         | <b>2.00%</b>  | 2.00%         |
| Discount rate (pre-tax)   | <b>12.90%</b> | 17.36%        | <b>12.90%</b> | 17.36%        |
| Discount rate (after tax)   | <b>11.70%</b> | 14.00%        | <b>11.70%</b> | 14.00%        |
| Recoverable amount of the goodwill (P'000)  | <b>14,919</b> | 15,086        | <b>14,919</b> | 15,086        |
| Headroom %  | <b>38%</b>    | 36%           | <b>38%</b>    | 36%           |

For the current year, if the discount rate is at 13.7% (2020: 15.3%) headroom will be 31% (2020 : 28%).

For the initial 5 year forecast period, if the revenue growth rate is reduced from 5% (2020: 5%) to 2.3% (2020: 2.3%) the headroom will be 20% (2020 : nil).

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

**Recoverable amount:** The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate of 2%. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. An uncertainty exists related to the impact of COVID-19 on the future cashflows utilised in the computations of the value in use for the Cresta Jwaneng CGU, which may result in future impairments, refer to note 32. The following approaches were taken in determining the future cash flows:

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

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

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

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

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

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

## Notes to the Financial Statements (continued)

for the year ended 31 December 2021

### 15 Intangible assets (continued)

|   | CONSOLIDATED  |               | COMPANY       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2021<br>P'000 | 2020<br>P'000 | 2021<br>P'000 | 2020<br>P'000 |
| <b>Software</b>   |               |               |               |               |
| Opening net book amount                                   | 1,119         | 1,805         | 1,119         | 1,194         |
| Additions   | 22            | 513           | 22            | 928           |
| Disposal cost   | —             | (78)          | —             | (2)           |
| Amortisation charge                                       | (723)         | (1,014)       | (723)         | (1,001)       |
| <b>Closing net book amount</b>                            | <b>418</b>    | <b>1,126</b>  | <b>418</b>    | <b>1,119</b>  |
| Cost  | 4,633         | 3,914         | 4,633         | 4,714         |
| Accumulated amortisation                                  | (4,215)       | (2,689)       | (4,215)       | (3,595)       |
| <b>Net book amount</b>                                    | <b>418</b>    | <b>1,225</b>  | <b>418</b>    | <b>1,119</b>  |
| Net book amount of intangible assets (excluding goodwill) | 418           | 1,225         | 418           | 1,119         |

### 16 Treasury Shares

|                             |       |       |       |       |
|-----------------------------|-------|-------|-------|-------|
| Opening and closing balance | 5,915 | 5,915 | 2,105 | 2,105 |
|-----------------------------|-------|-------|-------|-------|

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

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

### 17 Inventories

|   | CONSOLIDATED  |               | COMPANY       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2021<br>P'000 | 2020<br>P'000 | 2021<br>P'000 | 2020<br>P'000 |
| Foods, beverages and tobacco  | 1,500         | 1,692         | 1,500         | 1,479         |
| Curio shop and stationery   | 527           | 608           | 527           | 580           |
|   | 2,027         | 2,300         | 2,027         | 2,059         |
| The cost of inventories recognised as expense included in 'cost of sales' amounted to | 26,893        | 25,720        | 26,893        | 25,720        |

## Notes to the Financial Statements (continued)

for the year ended 31 December 2021

### 18 Trade and other receivables

|   | CONSOLIDATED  |               | COMPANY       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2021<br>P'000 | 2020<br>P'000 | 2021<br>P'000 | 2020<br>P'000 |
| Trade receivables   | 12,044        | 12,002        | 12,044        | 11,417        |
| less: expected credit loss  | (1,314)       | (2,249)       | (1,314)       | (1,966)       |
| Trade receivables - net   | 10,731        | 9,754         | 10,730        | 9,451         |
| Prepayments   | 613           | 4,769         | 613           | 4,725         |
| Amount due from related parties (note 28)                             | 52            | 12            | 731           | 16            |
| VAT receivable  | 921           | 3,721         | 921           | 3,721         |
| Government wage subsidy receivables                                   | —             | 3,180         | —             | 3,180         |
| Other receivables (sundry debtors, trade deposits and unpaid cheques) | 494           | 1,918         | 494           | 1,564         |
|   | 12,810        | 23,353        | 13,489        | 22,657        |

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

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

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

#### 2021

| Aging brackets (days)                              | 30-90 | >90  | >120  | Total |
|--|-------|------|-------|-------|
| Average expected credit loss % as per age analysis | 2.7%  | 8.9% | 12.3% |       |
| Company - loss allowance                           | 138   | 83   | 1,093 | 1,314 |
| Group - loss allowance                             | 138   | 83   | 1,093 | 1,314 |

#### 2020

| Aging brackets (days)          | 30-90 | >90   | >120  | Total |
|--------------------------------|-------|-------|-------|-------|
| Average expected credit loss % | 4.7%  | 15.2% | 22.1% |       |
| Company - loss allowance       | 329   | 83    | 1,554 | 1,966 |
| Group - loss allowance         | 516   | 112   | 1,621 | 2,249 |

## Notes to the Financial Statements (continued)

for the year ended 31 December 2021

### 18 Trade and other receivables (continued)

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

|                               | CONSOLIDATED  |               | COMPANY       |               |
|-------------------------------|---------------|---------------|---------------|---------------|
|                               | 2021<br>P'000 | 2020<br>P'000 | 2021<br>P'000 | 2020<br>P'000 |
| <b>Movement of impairment</b> |               |               |               |               |
| Opening balance               | 2,249         | 1,113         | 1,966         | 1,042         |
| (Release)/Charge for the year | (141)         | 1,507         | (141)         | 1,284         |
| Bad debts written off         | (794)         | (371)         | (511)         | (360)         |
| <b>Closing balance</b>        | <b>1,314</b>  | <b>2,249</b>  | <b>1,314</b>  | <b>1,966</b>  |

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

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

### 19 Cash and cash equivalents

|   | CONSOLIDATED  |               | COMPANY       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2021<br>P'000 | 2020<br>P'000 | 2021<br>P'000 | 2020<br>P'000 |
| Cash at bank and in hand  | 37,416        | 56,076        | 37,416        | 56,076        |
| Short-term bank deposits  | 15,036        | —             | 15,036        | —             |
|   | <b>52,452</b> | <b>56,076</b> | <b>52,452</b> | <b>56,076</b> |
| Short-term bank deposits have an average maturity of not more than 90 days. Cash and bank overdrafts include the following for the purposes of the cash flow statement. |               |               |               |               |
| Cash and cash equivalents   | 52,452        | 56,076        | 52,452        | 56,076        |
| Bank overdrafts   | —             | —             | —             | —             |
|   | <b>52,452</b> | <b>56,076</b> | <b>52,452</b> | <b>56,076</b> |
| Cash at banks and short term deposits attributable to discontinued operations   | 789           | 617           |               |               |
| Cash and cash equivalents   | <b>53,241</b> | <b>56,693</b> |               |               |

Included within the cash and cash equivalent is P25,173,960 held in a USD call account with Absa Bank Botswana Limited.

### 20 Stated Capital

|  | CONSOLIDATED  |               | COMPANY       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2021<br>P'000 | 2020<br>P'000 | 2021<br>P'000 | 2020<br>P'000 |
| 185,000,000 ordinary shares of no par value issued and fully paid: |               |               |               |               |
| At the end of the year   | <b>18,500</b> | <b>18,500</b> | <b>18,500</b> | <b>18,500</b> |



# Notes to the Financial Statements (continued)

for the year ended 31 December 2021

## 21 Deferred tax

|   | CONSOLIDATED    |                | COMPANY         |                |
|---|-----------------|----------------|-----------------|----------------|
|   | 2021<br>P'000   | 2020<br>P'000  | 2021<br>P'000   | 2020<br>P'000  |
| <b>Deferred tax assets/(liabilities)</b>  |                 |                |                 |                |
| Beginning of the year   | 8,119           | (863)          | 8,119           | (863)          |
| Income statement credit - note 8  | 9,702           | 8,982          | 9,702           | 8,982          |
| <b>End of the year</b>  | <b>17,821</b>   | <b>8,119</b>   | <b>17,821</b>   | <b>8,119</b>   |
| <b>Comprising:</b>  |                 |                |                 |                |
| Deferred tax assets   | 17,821          | 8,119          | 17,821          | 8,119          |
| <b>The deferred tax arises from:</b>  |                 |                |                 |                |
| Accelerated tax depreciation on property, plant, equipment and software, lease rights | (3,027)         | 261            | (3,027)         | 261            |
| Right of use assets   | 10,145          | 13,009         | 10,145          | 13,009         |
| Operating equipment   | 1,362           | 1,699          | 1,362           | 1,699          |
| Lease liabilities   | (14,197)        | (17,140)       | (14,197)        | (17,140)       |
| Unrealised exchange gain  | 556             | —              | 556             | —              |
| Tax losses recognised   | (10,696)        | (5,948)        | (10,696)        | (5,948)        |
| Interest restriction  | (1,963)         | —              | (1,963)         | —              |
|   | <b>(17,821)</b> | <b>(8,119)</b> | <b>(17,821)</b> | <b>(8,119)</b> |

The Company has tax losses that arose of P10.7 million (2020: P5.9 million) that are available for offsetting over a period up to five years against future taxable profits of the Company.

Deferred tax assets have not been recognised in respect of restricted interest on borrowings as the Company does not have taxable income to offset these against. If the Group were able to recognise all unrecognised deferred tax assets, the net loss would decrease by P1.9 million.

## 22 Borrowings

|  | CONSOLIDATED   |                | COMPANY        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2021<br>P'000  | 2020<br>P'000  | 2021<br>P'000  | 2020<br>P'000  |
| <b>Borrowings at amortised cost</b>  |                |                |                |                |
| <b>Non-current</b>   |                |                |                |                |
| Absa Bank of Botswana Limited  | 218,162        | 237,500        | 218,162        | 237,500        |
| Botswana Development Corporation Limited   | 18,465         | —              | 18,465         | —              |
| <b>Total</b>   | <b>236,627</b> | <b>237,500</b> | <b>236,627</b> | <b>237,500</b> |
| <b>Current</b>   |                |                |                |                |
| Absa Bank of Botswana Limited  | 20,825         | 16,428         | 20,825         | 16,428         |
| Botswana Development Corporation Limited   | 6,772          | —              | 6,772          | —              |
| <b>Total</b>   | <b>27,597</b>  | <b>16,428</b>  | <b>27,597</b>  | <b>16,428</b>  |
| <b>The carrying amount and fair value of the non-current borrowings is as follows:</b> |                |                |                |                |
| Bank borrowings  | 236,627        | 237,500        | 236,627        | 237,500        |

# Notes to the Financial Statements (continued)

for the year ended 31 December 2021

## 22 Borrowings (continued)

### Borrowings at amortised cost (continued)

**Facility 1:** An unsecured loan of P25 million received from Botswana Development Corporation Limited ("BDC") in two tranches; P13 million received in September 2021 and P12 million received in December 2021. This loan was acquired through the Botswana Government Industry Support Facility, which was a COVID-19 initiative to assist companies with their working capital. The loan has a 6 months moratorium on interest payments and capital repayments. Interest is charged at prime rate (5.25%) and the loan term is 30 months. The total outstanding debt is to be repaid in 8 quarterly instalments with the first repayment scheduled on the 9th month following the loan advance date. The transaction costs for the new loan were expensed in full in the current financial year.

**Facility 2:** A loan limit of P260 million to acquire properties from Letlole La Rona with the first drawdown of P251 million made in June 2019, second drawdown of P9 million in February 2020. The loan is repayable by 2029, with a 12 month moratorium on capital payments on the first year (2019), which then increases over the period of the loan. Interest rate - variable interest rate based on the profitability of the company, varying from Prime plus 1.75% to Prime plus 0.25%. The capital balance outstanding as at 31 December 2021 is P239million (2020: P254million).

**Security** - First, second and third Covering Mortgage Bonds totalling P47,000,000 of remaining Lots 930 in Francistown and remaining Extent of Lot 931 Francistown and Lot 21367 Francistown, Tribal lot 141 in Maun for P31,200,000, Lot 50719 in Gaborone for P84,000,000, Lot 634 in Francistown for P72,800,000, Lot 1169 in Gaborone for P76,700,000 and Lot 19267 in Selebi-Phikwe for P21,200,000. The pledged properties have a total net book value of P233,000,000.

- Cession of material damage policies covering the properties listed above.
- Unlimited suretyship by Cresta Marakanelo Limited.
- Since the 2020 financial year, the Group's debt covenant requirements have been waived by the lender

The banking overdraft facilities available to the Company as at year end is P10,000,000 which has not been utilised by the Company. The bank overdraft is unsecured and bears interest at prime plus 0.5%. The prime rate at 31 December 2021 was 5.25% (2020: 5.25%).

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

|  | CONSOLIDATED  |               | COMPANY       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2021<br>P'000 | 2020<br>P'000 | 2021<br>P'000 | 2020<br>P'000 |
| <b>Undrawn facilities:</b>                                 |               |               |               |               |
| <b>Unsecured bank overdraft</b>                            |               |               |               |               |
| Amount used  | —             | —             | —             | —             |
| Amount unused  | 10,000        | 10,000        | 10,000        | 10,000        |
| <b>Secured loan facilities with various maturity dates</b> |               |               |               |               |
| Amount used  | 285,000       | 260,000       | 285,000       | 260,000       |
| Amount unused  | —             | —             | —             | —             |

## Notes to the Financial Statements (continued)

for the year ended 31 December 2021

### 23 Trade and other payables

|   | CONSOLIDATED  |               | COMPANY       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2021<br>P'000 | 2020<br>P'000 | 2021<br>P'000 | 2020<br>P'000 |
| Trade payables                          | 17,344        | 11,881        | 17,344        | 11,510        |
| Amount due to related parties (note 28) | 1,718         | 668           | 1,718         | 620           |
| Other accrued expenses                  | 2,173         | 5,298         | 2,173         | 2,026         |
| VAT payable                             | 820           | 4,415         | 820           | 4,279         |
| Payroll accruals (note 23.1)            | 4,326         | 4,014         | 3,806         | 3,494         |
| Other payables                          | 5,528         | 2,984         | 5,528         | 5,778         |
|   | 31,500        | 29,260        | 31,390        | 27,707        |

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

#### 23.1 Payroll accruals

|                                   |              |              |              |              |
|-----------------------------------|--------------|--------------|--------------|--------------|
| Balance at beginning of the year  | 4,014        | 4,238        | 3,494        | 3,550        |
| Accrued during the year           | 3,559        | 1,485        | 3,559        | 1,372        |
| Payments made during the year     | (3,247)      | (1,709)      | (3,247)      | (1,438)      |
| <b>Balance at end of the year</b> | <b>4,326</b> | <b>4,014</b> | <b>3,806</b> | <b>3,494</b> |

### 24 Contract liabilities

|   |       |       |       |       |
|---|-------|-------|-------|-------|
| Arising from customer loyalty programme (i)                                 | 2,575 | 2,201 | 2,575 | 2,182 |
| Amounts received in advance of provision of services and sale of goods (ii) | 6,000 | 5,886 | 6,000 | 5,462 |
|   | 8,575 | 8,087 | 8,575 | 7,644 |

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

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

## Notes to the Financial Statements (continued)

for the year ended 31 December 2021

### 25 Operating Lease Arrangements

#### The Company as a lessor

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

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

|  | CONSOLIDATED  |               | COMPANY       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2021<br>P'000 | 2020<br>P'000 | 2021<br>P'000 | 2020<br>P'000 |
| <b>Maturity analysis of operating lease payments:</b>                    |               |               |               |               |
| Year 1   | 1,542         | 2,088         | 1,542         | 2,088         |
| Year 2   | 1,212         | 1,948         | 1,212         | 1,948         |
| Year 3   | 617           | 988           | 617           | 988           |
| Year 4   | 459           | 528           | 459           | 528           |
| Year 5   | 23            | 26            | 23            | 26            |
| Year 6 and onwards   | —             | —             | —             | —             |
| <b>Total</b>   | <b>3,853</b>  | <b>5,578</b>  | <b>3,853</b>  | <b>5,578</b>  |
| <b>The following tables presents amounts reported in profit or loss:</b> |               |               |               |               |
| Gross expected rent income   | 1,542         | 1,829         | 1,542         | 1,829         |
| Less: lease concessions  | —             | (316)         | —             | (316)         |
| <b>Net lease income on operating leases</b>                              | <b>1,542</b>  | <b>1,513</b>  | <b>1,542</b>  | <b>1,513</b>  |

As set out above net property rental income earned during the year is P1,542,000 and is included in other revenue. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period. As a result of COVID-19, some tenants terminated their leases, while some were given discounts during the year.

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

|                   | CONSOLIDATED  |               | COMPANY       |               |
|-------------------|---------------|---------------|---------------|---------------|
|                   | 2021<br>P'000 | 2020<br>P'000 | 2021<br>P'000 | 2020<br>P'000 |
| Within one year   | 1,542         | 2,088         | 1,542         | 2,088         |
| Two to five years | 2,311         | 3,490         | 2,311         | 3,490         |
| After five years  | —             | —             | —             | —             |
| <b>Total</b>      | <b>3,853</b>  | <b>5,578</b>  | <b>3,853</b>  | <b>5,578</b>  |



# Notes to the Financial Statements (continued)

for the year ended 31 December 2021

## 26 Operating Leases

### The Company as a lessee

|  | CONSOLIDATED  |               | COMPANY       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2021<br>P'000 | 2020<br>P'000 | 2021<br>P'000 | 2020<br>P'000 |
| Minimum lease payments under operating leases recognised as an expense in the year | —             | 349           | —             | 349           |
| Sub-lease payments received  | (59)          | (58)          | (59)          | (58)          |

## 27 Cash generated from operations

|   |          |          |          |          |
|---|----------|----------|----------|----------|
| Operating loss  | (30,834) | (34,587) | (30,834) | (34,587) |
| Adjustments:  |          |          |          |          |
| - Depreciation  | 34,075   | 35,835   | 34,075   | 35,835   |
| - Operating equipment usage and write off                   | 2,402    | 2,937    | 2,402    | 2,937    |
| - Amortisation of intangible assets                         | 723      | 1,001    | 723      | 1,001    |
| - Right of use depreciation                                 | 13,333   | 14,151   | 13,333   | 14,151   |
| - Lease discounts and deferral                              | —        | (1,669)  | —        | (1,669)  |
| - Loss/(gain) on disposal of plant and equipment - proceeds | 91       | (47)     | 99       | (47)     |
|   | 19,789   | 17,622   | 19,797   | 17,621   |
| Changes in working capital:                                 |          |          |          |          |
| - Inventories   | 272      | 473      | 32       | 473      |
| - Trade and other receivables                               | 10,543   | 1,551    | 9,168    | 1,551    |
| - Trade and other payables                                  | 2,240    | (9,690)  | 3,683    | (9,690)  |
| - Movement in contract liabilities                          | 931      | (4,132)  | 931      | (4,132)  |
| Cash generated from operations                              | 33,776   | 5,824    | 33,610   | 5,824    |
| Taxation paid   |          |          |          |          |
| Opening balance   | 214      | 5,282    | 214      | 5,079    |
| Charge for the year   | —        | —        | —        | —        |
| Closing balance   | 302      | 214      | 302      | 214      |
| Taxation refund/(paid)                                      | (88)     | 5,068    | (88)     | 4,865    |

## 28 Related party transactions

Related companies are companies under common control, directors or ownership. The following are related parties: Botswana Development Corporation Limited ("BDC") - Shareholder with 26% interest. Cresta Holdings Proprietary Limited - Management company and shareholder with 24% interest. Letlole La Rona Limited ("LLR") subsidiary of BDC and used to be landlord to Cresta Marakanelo Limited. Cresta Marakanelo Limited acquired properties from LLR in June in 2019, with the last property from LLR being transferred in February 2020. Cresta Holdings Proprietary Limited is part of the Masawara Holdings Group, which owns Cresta Lodge Harare Hotel and Cresta Hotels in Johannesburg, South Africa. Cresta Golfview Hotel Limited, Zambia, was previously a wholly owned subsidiary to Cresta Marakanelo Limited and ceased trading in September 2021 and has been classified as a discontinued operation.

# Notes to the Financial Statements (continued)

for the year ended 31 December 2021

## 28 Related party transactions (continued)

|  | CONSOLIDATED  |               | COMPANY       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2021<br>P'000 | 2020<br>P'000 | 2021<br>P'000 | 2020<br>P'000 |
| <b>i) Purchase of services</b>   |               |               |               |               |
| Management services - fees   |               |               |               |               |
| - Management fees - Cresta Holdings Proprietary Limited  | 6,473         | 5,778         | 6,473         | 5,778         |
| The Group Managing Director and Group Chief Financial Officer are employees of Cresta Holdings Proprietary Limited who are seconded to the Group in accordance with a management contract.   |               |               |               |               |
| Rent paid  |               |               |               |               |
| - Letlole La Rona Limited  | —             | 349           | —             | 349           |
| Interest Paid  |               |               |               |               |
| - BDC  | 237           | —             | 237           | —             |
| <b>ii) Year-end balances arising from sales/purchases of services:</b>   |               |               |               |               |
| Amount due from related parties  |               |               |               |               |
| - Cresta Golfview Hotel Limited Zambia (note 18)   | —             | —             | 679           | 4             |
| - Masawara Holdings  | 52            | 12            | 52            | 12            |
|  | 52            | 12            | 731           | 16            |
| Amount due to related parties  |               |               |               |               |
| - Cresta Lodge - Harare  | 3             | 14            | 3             | 14            |
| - Cresta Holdings Proprietary Limited  | 704           | 396           | 704           | 349           |
| - Cresta Hotels - Johannesburg   | 1,011         | 257           | 1,011         | 257           |
|  | 1,718         | 668           | 1,718         | 620           |
| <b>iii) Year-end balances arising from Loans received:</b>   |               |               |               |               |
| Amount due to related parties  |               |               |               |               |
| - BDC - Industry Support Loan  | 25,237        | —             | 25,237        | —             |
| <b>iv) Directors' fees and costs</b>   |               |               |               |               |
| - Costs  | 59            | 18            | 59            | 18            |
| - Fees   | 450           | 630           | 450           | 630           |
|  | 509           | 648           | 509           | 648           |
| <b>v) Transfer of balances from discontinued operation</b>   |               |               |               |               |
| Cresta Golfview Hotel Limited  | (778)         | —             | (778)         | —             |
| <b>vi) Funding of Cresta Golfview Hotel</b>  |               |               |               |               |
|  | —             | —             | 3,117         | —             |
| <b>vii) Key management compensation</b>  |               |               |               |               |
| Key management for the Company includes the Group Operations Manager, Group ICT Manager and Group Human Resource Manager, and for the Group, includes compensation paid to Cresta Golfview Hotel Limited Zambia key management. The compensation paid or payable to key management for employee services is shown below: |               |               |               |               |
| Salaries and other short-term employee benefits  | 4,072         | 5,434         | 4,072         | 4,199         |
| Terminal benefits  | 1,119         | 460           | 1,119         | 207           |

## Notes to the Financial Statements (continued)

for the year ended 31 December 2021

### 29 Commitments

|  | CONSOLIDATED  |               | COMPANY       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2021<br>P'000 | 2020<br>P'000 | 2021<br>P'000 | 2020<br>P'000 |
| <b>a) Capital commitments</b>  |               |               |               |               |
| <b>Not yet contracted:</b>   |               |               |               |               |
| Furniture and Fittings   | 11,856        | 4,273         | 11,856        | 4,273         |
| The furniture and fittings will be financed through internal resources.  |               |               |               |               |
| <b>Contracted:</b>   |               |               |               |               |
| As at the end of 31 December contracted capital commitments which are financed through internal resources were - Furniture & Fittings: | 143           | 1,023         | 143           | 1,023         |

### 30 Segmental information

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

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

#### Cresta Urban Oasis

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

#### Cresta Urban Heartbeat

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

#### Cresta African Roots

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

#### Cresta African fingerprint

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

#### Control unit

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

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

# Notes to the Financial Statements (continued)

for the year ended 31 December 2021

## 30 Segmental information (continued)

|   | Cresta<br>Urban<br>Oasis<br>P'000 | Cresta<br>Urban<br>Heartbeat<br>P'000 | Cresta<br>African<br>Roots<br>P'000 | Cresta<br>African<br>Fingerprint<br>P'000 | Control<br>Unit<br>P'000 | Combined<br>P'000 |
|---|-----------------------------------|---------------------------------------|-------------------------------------|---|--------------------------|-------------------|
| <b>CONSOLIDATED</b>                                 |                                   |                                       |                                     |   |                          |                   |
| <b>Year ended 31 December 2021</b>                  |                                   |                                       |                                     |   |                          |                   |
| <b>Revenue</b>                                      | 44,197                            | 48,585                                | 79,750                              | 42,650                                    | 1,171                    | 216,352           |
| Accommodation revenue                               | 26,359                            | 30,572                                | 49,701                              | 24,371                                    | (393)                    | 130,610           |
| Food revenue  | 13,756                            | 13,665                                | 24,307                              | 12,713                                    | —                        | 64,442            |
| Bar revenue   | 2,171                             | 2,205                                 | 3,930                               | 3,018                                     | —                        | 11,323            |
| Other revenue                                       | 1,912                             | 2,142                                 | 1,812                               | 2,547                                     | 1,564                    | 9,977             |
| Cost of sales                                       | (29,293)                          | (26,289)                              | (48,581)                            | (34,870)                                  | (23,237)                 | (162,270)         |
| Gross profit/(loss)                                 | 14,904                            | 22,297                                | 31,169                              | 7,780                                     | (22,066)                 | 54,082            |
| Sales and distribution costs                        | (1,076)                           | (515)                                 | (1,069)                             | (887)                                     | (2,777)                  | (6,323)           |
| Administration and operating expenses               | (18,757)                          | (25,387)                              | (32,104)                            | (25,072)                                  | 22,727                   | (78,593)          |
| <b>Operating loss</b>                               | <b>(4,930)</b>                    | <b>(3,605)</b>                        | <b>(2,005)</b>                      | <b>(18,179)</b>                           | <b>(2,116)</b>           | <b>(30,836)</b>   |
| Finance income                                      | —                                 | —                                     | —                                   | —   | 2,182                    | 2,182             |
| Finance expense                                     | (1,210)                           | (19)                                  | (2,437)                             | (2,399)                                   | (18,203)                 | (24,268)          |
| <b>Reportable segment loss before tax</b>           | <b>(6,140)</b>                    | <b>(3,624)</b>                        | <b>(4,442)</b>                      | <b>(20,578)</b>                           | <b>(18,137)</b>          | <b>(52,920)</b>   |
| Income tax credit                                   |                                   |                                       |                                     |   |                          | 9,702             |
| <b>Loss for the year from continuing operations</b> |                                   |                                       |                                     |   |                          | <b>(43,218)</b>   |
| Profit from discontinued operations                 |                                   |                                       |                                     |   |                          | 3,024             |
| <b>Loss for the year</b>                            |                                   |                                       |                                     |   |                          | <b>(40,194)</b>   |
| <b>Total assets</b>                                 | 112,946                           | 136,397                               | 68,406                              | 102,355                                   | 101,760                  | 521,864           |
| <b>Total liabilities</b>                            | 18,726                            | 3,619                                 | 30,677                              | 35,369                                    | 310,707                  | 399,097           |
| <b>Capital expenditure</b>                          | 4,905                             | 322                                   | 1,524                               | 1,170                                     | 388                      | 8,309             |
| <b>Depreciation</b>                                 | 6,197                             | 9,351                                 | 7,551                               | 10,635                                    | 341                      | 34,075            |
| <b>Amortisation</b>                                 | 77                                | 22                                    | 145                                 | 25  | 454                      | 723               |



# Notes to the Financial Statements (continued)

for the year ended 31 December 2021

## 30 Segmental information (continued)

|   | Cresta<br>Urban<br>Oasis<br>P'000 | Cresta<br>Urban<br>Heartbeat<br>P'000 | Cresta<br>African<br>Roots<br>P'000 | Cresta<br>African<br>Fingerprint<br>P'000 | Control<br>Unit<br>P'000 | Combined<br>P'000 |
|---|-----------------------------------|---------------------------------------|-------------------------------------|---|--------------------------|-------------------|
| <b>COMPANY</b>                            |                                   |                                       |                                     |   |                          |                   |
| <b>Year ended 31 December 2021</b>        |                                   |                                       |                                     |   |                          |                   |
| <b>Revenue</b>                            | 44,197                            | 48,585                                | 79,750                              | 42,650                                    | 1,171                    | 216,352           |
| Accommodation revenue                     | 26,359                            | 30,572                                | 49,701                              | 24,371                                    | (393)                    | 130,610           |
| Food revenue                              | 13,756                            | 13,665                                | 24,307                              | 12,713                                    | —                        | 64,442            |
| Bar revenue                               | 2,171                             | 2,205                                 | 3,930                               | 3,018                                     | —                        | 11,323            |
| Other revenue                             | 1,912                             | 2,142                                 | 1,812                               | 2,547                                     | 1,564                    | 9,977             |
| Cost of sales                             | (29,293)                          | (26,289)                              | (48,581)                            | (34,870)                                  | (23,237)                 | (162,270)         |
| Gross profit/(loss)                       | 14,904                            | 22,297                                | 31,169                              | 7,780                                     | (22,066)                 | 54,082            |
| Sales and distribution costs              | (1,076)                           | (515)                                 | (1,069)                             | (887)                                     | (2,777)                  | (6,323)           |
| Administration and operating expenses     | (18,757)                          | (25,387)                              | (32,104)                            | (25,072)                                  | 22,727                   | (78,593)          |
| <b>Operating loss</b>                     | <b>(4,929)</b>                    | <b>(3,605)</b>                        | <b>(2,005)</b>                      | <b>(18,179)</b>                           | <b>(2,116)</b>           | <b>(30,834)</b>   |
| Impairment of subsidiary                  | —                                 | —                                     | —                                   | —   | (3,117)                  | (3,117)           |
| Finance income                            | —                                 | —                                     | —                                   | —   | 2,182                    | 2,182             |
| Finance expense                           | (1,210)                           | (19)                                  | (2,437)                             | (2,399)                                   | (18,203)                 | (24,268)          |
| <b>Reportable segment loss before tax</b> | <b>(6,139)</b>                    | <b>(3,624)</b>                        | <b>(4,442)</b>                      | <b>(20,578)</b>                           | <b>(21,254)</b>          | <b>(56,037)</b>   |
| Income tax credit                         |                                   |                                       |                                     |   |                          | 9,702             |
| <b>Loss for the year</b>                  |                                   |                                       |                                     |   |                          | <b>(46,335)</b>   |
| <b>Total assets</b>                       | 112,946                           | 136,397                               | 68,406                              | 102,355                                   | 101,760                  | 521,864           |
| <b>Total liabilities</b>                  | 18,726                            | 3,619                                 | 30,677                              | 35,369                                    | 310,707                  | 399,097           |
| <b>Capital expenditure</b>                | 4,905                             | 322                                   | 1,524                               | 1,170                                     | 388                      | 8,309             |
| <b>Depreciation</b>                       | 6,195                             | 9,351                                 | 7,551                               | 10,635                                    | 343                      | 34,075            |
| <b>Amortisation</b>                       | 77                                | 22                                    | 145                                 | 25  | 454                      | 723               |

# Notes to the Financial Statements (continued)

for the year ended 31 December 2021

## 30 Segmental information (continued)

|   | Cresta<br>Urban<br>Oasis<br>P'000 | Cresta<br>Urban<br>Heartbeat<br>P'000 | Cresta<br>African<br>Roots<br>P'000 | Cresta<br>African<br>Fingerprint<br>P'000 | Control<br>Unit<br>P'000 | Combined<br>P'000 |
|---|-----------------------------------|---------------------------------------|-------------------------------------|---|--------------------------|-------------------|
| <b>CONSOLIDATED</b>                                 |                                   |                                       |                                     |   |                          |                   |
| <b>Year ended 31 December 2020</b>                  |                                   |                                       |                                     |   |                          |                   |
| <b>Revenue</b>                                      | 40,942                            | 47,005                                | 66,094                              | 37,601                                    | 1,487                    | 193,128           |
| Accommodation revenue                               | 24,232                            | 28,912                                | 40,262                              | 21,342                                    | 145                      | 114,893           |
| Food revenue  | 12,632                            | 12,914                                | 19,601                              | 11,038                                    | —                        | 56,185            |
| Bar revenue   | 2,004                             | 2,655                                 | 4,395                               | 2,765                                     | —                        | 11,819            |
| Other revenue                                       | 2,074                             | 2,524                                 | 1,835                               | 2,456                                     | 1,342                    | 10,231            |
| Cost of sales                                       | (30,178)                          | (26,120)                              | (47,122)                            | (31,632)                                  | (7,847)                  | (142,899)         |
| Gross profit/(loss)                                 | 10,764                            | 20,885                                | 18,972                              | 5,969                                     | (6,360)                  | 50,229            |
| Sales and distribution costs                        | (789)                             | (644)                                 | (1,081)                             | (949)                                     | (2,381)                  | (5,844)           |
| Administration and operating expenses               | (23,962)                          | (25,105)                              | (30,792)                            | (26,883)                                  | 13,180                   | (93,562)          |
| Government wage subsidy                             | —                                 | —                                     | —                                   | —   | 14,590                   | 14,590            |
| <b>Operating profit/(loss)</b>                      | <b>(13,987)</b>                   | <b>(4,864)</b>                        | <b>(12,901)</b>                     | <b>(21,864)</b>                           | <b>19,029</b>            | <b>(34,587)</b>   |
| Finance income                                      | —                                 | —                                     | —                                   | —   | 1,080                    | 1,080             |
| Finance expense                                     | (1,323)                           | (27)                                  | (2,938)                             | (2,568)                                   | (19,737)                 | (26,593)          |
| <b>Reportable segment loss before tax</b>           | <b>(15,310)</b>                   | <b>(4,891)</b>                        | <b>(15,839)</b>                     | <b>(24,432)</b>                           | <b>(10,200)</b>          | <b>(60,100)</b>   |
| Income tax credit                                   |                                   |                                       |                                     |   |                          | 8,982             |
| <b>Loss for the year from continuing operations</b> |                                   |                                       |                                     |   |                          | <b>(51,118)</b>   |
| Loss from discontinued operations                   |                                   |                                       |                                     |   |                          | (11,901)          |
| <b>Loss for the year</b>                            |                                   |                                       |                                     |   |                          | <b>(63,019)</b>   |
| <b>Total assets</b>                                 | 121,714                           | 147,213                               | 87,768                              | 117,707                                   | 63,442                   | 537,844           |
| <b>Total liabilities</b>                            | 19,369                            | 4,177                                 | 39,164                              | 35,758                                    | 275,970                  | 374,438           |
| <b>Capital expenditure</b>                          | 1,229                             | 650                                   | 12,984                              | 2,947                                     | 223                      | 18,033            |
| <b>Depreciation</b>                                 | 6,598                             | 9,968                                 | 8,096                               | 10,853                                    | 321                      | 35,835            |
| <b>Amortisation</b>                                 | 118                               | 48                                    | 241                                 | 84  | 510                      | 1,001             |

# Notes to the Financial Statements (continued)

for the year ended 31 December 2021

## 30 Segmental information (continued)

|   | Cresta<br>Urban<br>Oasis<br>P'000 | Cresta<br>Urban<br>Heartbeat<br>P'000 | Cresta<br>African<br>Roots<br>P'000 | Cresta<br>African<br>Fingerprint<br>P'000 | Control<br>Unit<br>P'000 | Combined<br>P'000 |
|---|-----------------------------------|---------------------------------------|-------------------------------------|---|--------------------------|-------------------|
| <b>COMPANY</b>                                      |                                   |                                       |                                     |   |                          |                   |
| Year ended 31 December 2020                         |                                   |                                       |                                     |   |                          |                   |
| <b>Revenue</b>                                      | 40,942                            | 47,005                                | 66,094                              | 37,601                                    | 1,487                    | 193,128           |
| Accommodation revenue                               | 24,232                            | 28,912                                | 40,262                              | 21,342                                    | 145                      | 114,893           |
| Food revenue  | 12,632                            | 12,914                                | 19,601                              | 11,038                                    | —                        | 56,185            |
| Bar revenue   | 2,004                             | 2,655                                 | 4,395                               | 2,765                                     | —                        | 11,819            |
| Other revenue                                       | 2,074                             | 2,524                                 | 1,835                               | 2,456                                     | 1,342                    | 10,231            |
| Cost of sales                                       | (30,178)                          | (26,120)                              | (47,122)                            | (31,632)                                  | (7,847)                  | (142,899)         |
| Gross profit/(loss)                                 | 10,764                            | 20,885                                | 18,972                              | 5,969                                     | (6,360)                  | 50,229            |
| Other income  | —                                 | —                                     | —                                   | —   | —                        | —                 |
| Sales and distribution costs                        | (789)                             | (644)                                 | (1,081)                             | (949)                                     | (2,381)                  | (5,844)           |
| Administration and operating expenses               | (23,962)                          | (25,105)                              | (30,792)                            | (26,883)                                  | 13,180                   | (93,562)          |
| Government wage subsidy                             | —                                 | —                                     | —                                   | —   | 14,590                   | 14,590            |
| <b>Operating profit/(loss)</b>                      | <b>(13,987)</b>                   | <b>(4,864)</b>                        | <b>(12,901)</b>                     | <b>(21,864)</b>                           | <b>19,029</b>            | <b>(34,587)</b>   |
| Finance income                                      | —                                 | —                                     | —                                   | —   | 1,080                    | 1,080             |
| Finance expense                                     | (1,323)                           | (27)                                  | (2,938)                             | (2,568)                                   | (19,737)                 | (26,593)          |
| Impairment of Investment in subsidiary              | —                                 | —                                     | —                                   | —   | (10,572)                 | (10,572)          |
| <b>Reportable segment loss before tax</b>           | <b>(15,310)</b>                   | <b>(4,891)</b>                        | <b>(15,839)</b>                     | <b>(24,432)</b>                           | <b>(10,200)</b>          | <b>(70,672)</b>   |
| Income tax credit                                   | —                                 | —                                     | —                                   | —   | —                        | 8,982             |
| <b>Loss for the year from continuing operations</b> |                                   |                                       |                                     |   |                          | <b>(61,690)</b>   |
| Total assets  | 121,714                           | 147,213                               | 87,768                              | 117,707                                   | 61,889                   | 536,290           |
| Total liabilities                                   | 19,369                            | 4,177                                 | 39,164                              | 35,758                                    | 268,719                  | 367,187           |
| Capital expenditure                                 | 1,229                             | 650                                   | 12,984                              | 2,947                                     | 223                      | 18,033            |
| Depreciation  | 6,598                             | 9,968                                 | 8,096                               | 10,853                                    | 321                      | 35,835            |
| Amortisation  | 118                               | 48                                    | 241                                 | 84  | 510                      | 1,001             |

## Notes to the Financial Statements (continued)

for the year ended 31 December 2021

### 31 Events after the reporting period

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

### 32 Going concern and the impact of COVID-19

For the financial year 2021, the Group and Company incurred a net loss after taxation of P40 million (2020: P63 million) and P46 million (2020: P62 million) respectively, as a result of the continuing disruptions caused by the COVID-19 pandemic on the travel and hospitality industry. The disruptions are expected to continue in varying degrees for the foreseeable future. It is not clear when the current operating environment and restrictions will return to 'normal' pre-pandemic levels. However the Group has observed improved business levels towards the end of 2021 and into early 2022, particularly in the Northern region of the country. COVID 19 restrictions at the border still impact revenue levels due to cancellations but overall, improved occupancies and higher business levels are anticipated.

As soon as the business started experiencing cancellations due to COVID-19 during the 2020 financial year, Management was pro-active in reducing the operating leverage of the business. The following are highlights of the key actions taken:

- Management engaged with all key suppliers and landlords to agree on more favourable terms to preserve cash in the business;
- All non-critical and post lockdown capital expenditure was put on hold;
- All discretionary expenditure was put on hold;
- Significant reduction was made in marketing expenditure with a bias towards digital media;
- All guests especially the tour groups, were encouraged to postpone their trips rather than outright cancellations; and
- A staff recruitment freeze was implemented.

The above cost containment and cash preservation measures will continue to be implemented in the business. As part of the Directors' consideration of the appropriateness of adopting the going concern basis in preparing the financial statements, a range of scenarios have been reviewed. The assumptions modelled in the scenarios are based on the estimated potential impact of COVID-19 restrictions and regulations, along with our proposed responses over the course of the next 15 months. These include a range of estimated impacts primarily based on length of time various levels of restrictions are in place and the severity of the consequential impact of those restrictions. The range of scenarios include a scenario of a 23% reduced revenue compared to 2019 pre-COVID-19 levels as the best case scenario, to a base case scenario which has a further 7% decline in revenue compared to the best case scenario, to an extreme scenario of continued low occupancy throughout the 2022 financial year which results in a further 5% decline in revenue compared to the base case.

In addition, the following assumptions and considerations have been made by the Directors in preparing the cash flow forecasts;

- Increasing vaccination take up in source markets, regionally and locally;
- That foreign tourism arrivals will increase in 2022, albeit at levels significantly below the pre-pandemic levels;
- No further extended country lockdowns;
- Improved food and bar revenue following the easing of alcohol restrictions which will not be re-introduced and some level of increase in the level of conferencing.



## Notes to the Financial Statements (continued)

for the year ended 31 December 2021

### 32 Going concern and the impact of COVID-19 (continued)

Management performed a solvency and liquidity assessment for the 15 months forecast to 31 March 2023 and noted that the Group will be in a position to generate positive cashflows.

It is worth noting that when assessing solvency and liquidity of the Group from a current scenario and foreseeable future, the following observations were made:

- The Group and Company remain solvent with its assets exceeding its liabilities.
- The Company has not defaulted on any of its facilities and obligations and from the forecast no defaults are anticipated.

Cash flow forecasts for the 15 month period to 31 March 2023 assume repayments are made in accordance with the terms of the existing borrowings.

- The banking overdraft facility available to the Group as at 31 December 2021 is P10 million which has not been utilised and there is no reason why it will not remain available for the foreseeable future.
- Since the 2020 financial year, the Group's debt covenant requirements have been waived by the lender.

Should the improved trading environment not materialise as anticipated, Management will proactively reduce the operating leverage using cost containment and cash preservation measures, based on the past experiences of 2020 and 2021, as necessary.

Based on the reviews performed as outlined above, the Directors are satisfied that the Group has the ability to meet all obligations as they fall due and to trade as a going concern for a period of at least 12 months from the date of approval of these financial statements and is therefore of the opinion that the going concern assumption is appropriate in the preparation of the consolidated and separate financial statements.

## Shareholder Information

as at 31 December 2021

### TOP 10 SHAREHOLDERS

|   | SHARES<br>HELD | %<br>HOLDING |
|---|----------------|--------------|
| BOTSWANA DEVELOPMENT CORPORATION LIMITED                              | 50,283,958     | 27.18%       |
| CRESTA HOLDINGS PROPRIETARY LIMITED                                   | 46,179,583     | 24.96%       |
| BIHL INSURANCE COMAPNY T/A LEGAL GUARD                                | 18,691,588     | 10.10%       |
| LHG MALTA HOLDING LIMITED   | 15,759,850     | 8.52%        |
| MOTOR VEHICLE ACCIDENT FUND   | 9,250,010      | 5.00%        |
| SCBN(PTY) LTD RE: BPOPF LOCAL EQUITIES ACTIVE PORTFOLIO CO ALLAN GRAY | 8,294,479      | 4.48%        |
| BOTSWANA INSURANCE COMPANY LIMITED                                    | 5,607,812      | 3.03%        |
| MASAWARA HOSPITALITY MAURITIUS LIMITED                                | 3,680,000      | 1.99%        |
| ALLAN GRAY: DEBSWANA PENSION FUND                                     | 2,190,117      | 1.18%        |
| STANBIC NOMS BW (PTY) LTD RE: BPOPF EQUITY PORTFOLIO C                | 1,994,551      | 1.08%        |

### PUBLIC AND NON-PUBLIC SHAREHOLDERS

|   | NUMBER OF<br>SHAREHOLDERS | SHARES<br>HELD     | %<br>HOLDING   |
|---|---------------------------|--------------------|----------------|
| <b>NON-PUBLIC SHAREHOLDERS</b>                                    |                           |                    |                |
| Shareholder holding more than 10%, associates and treasury shares | 6                         | 128,349,014        | 69.38%         |
| Directors   | 2                         | 211,996            | 0.11%          |
| PUBLIC SHAREHOLDERS   | 3,029                     | 56,438,990         | 30.51%         |
| <b>TOTAL</b>  | <b>3,037</b>              | <b>185,000,000</b> | <b>100.00%</b> |
| <b>SHAREHOLDER SPREAD</b>   |                           |                    |                |
| 1 – 10 000 shares   | 2,762                     | 4,269,829          | 2.31%          |
| 10 001 – 100 000 shares   | 237                       | 6,615,244          | 3.58%          |
| 100 001 – 1 000 000 shares  | 26                        | 7,276,163          | 3.93%          |
| 1 000 001 shares and above  | 12                        | 166,838,764        | 90.18%         |
| <b>TOTAL</b>  | <b>3 037</b>              | <b>185,000,000</b> | <b>100.00%</b> |

# AGM Notice

## Notice of Annual General Meeting

Notice is hereby given that the 2021 Annual General Meeting of members will be held on Tuesday, 21 June 2022 at 0900hrs at the Cresta Lodge Gaborone Conference Room, to transact the following business:

1. To receive, consider and adopt the audited annual financial statements for the year ended 31 December 2021 together with the directors' and auditors' reports thereon.
2. To approve the remuneration of the external auditors, Deloitte for the year ended 31 December 2021.
3. To approve the appointment of Deloitte & Touche as external auditors for the year ending 31 December 2022 and to authorize the Board of Directors to determine their remuneration.
4. To approve the Remuneration report for the year ended 31 December 2021.
5. To approve the Directors' remuneration for the year ended 31 December 2021.
6. To re-elect **Mr John Stevens** who retires by rotation pursuant to section 20.10.1 of the Constitution of the Company, and who, being eligible, offers himself for re-election as a Director. Mr Stevens served Deloitte in South Africa and Botswana for over 33 years. Eight of those years were as partner in charge of Deloitte Botswana. Mr Stevens retired from Deloitte in 2007 and took up the challenge of private consultancy. He holds a B.Comm Degree from Rhodes University, is a fellow member of the Botswana Institute of Chartered Accountants, a member of the South African Institute of Chartered Accountants and a member of the Institute of Chartered Accountants of England and Wales. Mr Stevens also serves as a director on the Board of Standard Chartered Bank Botswana Limited.
7. To re-elect **Mr Pius Molefe** who retires by rotation pursuant to section 20.10.1 of the Constitution of the Company, and who, being eligible, offers himself for re-election as a Director. Mr Molefe is the Chief Executive Officer of BBS Limited. He holds a Post Graduate Diploma in Economics from the University of Sussex in the United Kingdom. Mr Molefe previously worked for Barclays Bank of Botswana and Ministry of Finance among others. At the Ministry of Finance, he was involved in the handling of all development projects. Mr Molefe was further involved in the development of policies regulating the financial services sector. He was involved in the establishment of the Botswana Stock Exchange and also served as a member in the exchange.
8. To approve the appointment of **Ms Angelica Bojosi** as a Director on the Company Board. Ms Bojosi holds a Bachelor of Arts degree and a Bachelor of Laws degree from the University of Cape Town and a Master of Law degree from the University of Queensland (Australia). She is admitted as an attorney of the High Courts of Botswana and as a solicitor of the Supreme Court of England and Wales. Angelica has over 18 years of experience practicing law specialising in corporate finance, compliance and general commercial law in both Botswana and the United Kingdom. Ms Bojosi worked for eight years in the United Kingdom, including as General Counsel for Quadriga Worldwide Limited, a leading multinational organisation that provides a range of services for the hospitality industry. Ms Bojosi is now the managing partner at Bojosi Law, a niche law firm operating in Gaborone, Botswana specialising in Corporate Finance, Banking, Regulatory and general Commercial Law.
9. To approve the appointment of **Mr Ditiwa Mphoeng** as a Director on the Company Board. Mr Mphoeng is a graduate of Coventry University (United Kingdom) having attained a BEng (Hons) Degree in Electrical and Electronics specialising in Telecommunications. Mr Mphoeng is a well experienced ICT practitioner with a wealth of management experience across various industries in Botswana. Mr Mphoeng is currently the Managing Director of Newline Technologies Ltd, an ICT company he founded and continues to run. Mr Mphoeng brings along a wealth of Board experience having served in the founding Board of Botswana Fibre Networks and Botswana Railways. He currently serves on the Board of Mining Development Company of Botswana.

## AGM Notice (continued)

### Notice of Annual General Meeting (continued)

10. To approve the appointment of **Mr Joseph Hundah** as a Director on the Company Board. Mr Hundah is the Group Chief Operating Officer of the Masawara Group, a diversified investment holding company operating across Africa. He is an experienced executive and entrepreneur who over his career has worked across the African continent building and growing organisations in both the private and public sector. His prior experience spans various organisations including Philips SA, and numerous subsidiaries under Naspers Limited's media arm. Joseph is also founder of Najora, an advisory, venture capital, and consulting firm. Joseph is passionate about creating, financing and transforming African businesses in the digital age into dominant local, regional and international brands.

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

Any member entitled to attend and vote is entitled to appoint a proxy or proxies to attend, speak, and vote in his/her stead, and such proxy need not be a member of the Company. The instrument appointing such a proxy along with the shareholder's request for the link to attend the Webinar must be sent to Mpho Kgosietsile by email at [mkgosietsile@wiseleadership.co.bw](mailto:mkgosietsile@wiseleadership.co.bw) not less than 48 hours before the meeting.

A copy of this proxy form is available for download at [www.crestamarakanelo.com](http://www.crestamarakanelo.com) or is available via email from [mkgosietsile@wiseleadership.co.bw](mailto:mkgosietsile@wiseleadership.co.bw).

By Order of the Board  
**Wise Leadership (Pty) Ltd**  
Company Secretary  
19 May 2022



## Proxy Form

(Please complete in block letters)

I/We\* \_\_\_\_\_

Of \_\_\_\_\_

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

1. \_\_\_\_\_ or failing him/her

2. \_\_\_\_\_ or failing him/her

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

|                               | NUMBER OF ORDINARY SHARES |         |         |
|-------------------------------|---------------------------|---------|---------|
|                               | FOR                       | AGAINST | ABSTAIN |
| _____                         |                           |         |         |
| Ordinary Resolution Number 1  |                           |         |         |
| Ordinary Resolution Number 2  |                           |         |         |
| Ordinary Resolution Number 3  |                           |         |         |
| Ordinary Resolution Number 4  |                           |         |         |
| Ordinary Resolution Number 5  |                           |         |         |
| Ordinary Resolution Number 6  |                           |         |         |
| Ordinary Resolution Number 7  |                           |         |         |
| Ordinary Resolution Number 8  |                           |         |         |
| Ordinary Resolution Number 9  |                           |         |         |
| Ordinary Resolution Number 10 |                           |         |         |

Signed: \_\_\_\_\_ on this \_\_\_\_\_ day of \_\_\_\_\_ 2022

COMPANY STAMP

Please read the notes on the following page.

## Proxy Form (continued)

### Proxy Form Notes

1. A shareholder may insert the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the Chairman of the Annual General Meeting". The person whose name appears first on the form of proxy and whose name has not been deleted will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate space provided. Failure to comply herewith will be deemed to authorize the proxy to vote at the Annual General Meeting as he/she deems fit in respect of the shareholder's votes exercisable thereat, but where the proxy is the Chairman, failure to comply will be deemed to authorize the proxy to vote in favor of the resolution. A shareholder or his/her proxy is obliged to use all the votes exercisable by the shareholder or by his/her proxy.
3. Forms of proxy must be lodged at or posted to the Company Secretary at P/Bag 00272, Plot 74538 Marula House, Prime Plaza, New CBD, Gaborone; or emailed to the Company Secretary not later than 48 hours before the time fixed for holding the meeting.
4. The Chairman of the Annual General Meeting may reject or accept any form of proxy not completed and/or received other than in accordance with these notes provided that he/she is satisfied as to the manner in which the shareholder concerned wishes to vote.
5. An instrument of proxy shall be valid for the Annual General Meeting as well as for any adjournment thereof, unless the contrary is stated thereon.
6. A vote given in accordance with the terms of a proxy shall be valid, notwithstanding the previous death or insanity of the shareholder, or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the ordinary shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company not less than one hour before the commencement of the Annual General Meeting or adjourned Annual General Meeting at which the proxy is to be used.
7. The authority of a person signing the form of proxy under a power of attorney or on behalf of a company must be attached to the form of proxy, unless the authority or full power of attorney has already been registered by the Company or the Transfer Secretaries.
8. Where ordinary shares are held jointly, all joint shareholders must sign.
9. A minor must be assisted by his/her guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company.





**CRESTA MARAKANELO LIMITED**

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**Phone:** +267 391 2222



**Fax:** +267 397 4321



**Website:** [www.crestamarakanelo.com](http://www.crestamarakanelo.com)



**CRESTA**  
MARAKANELO LIMITED