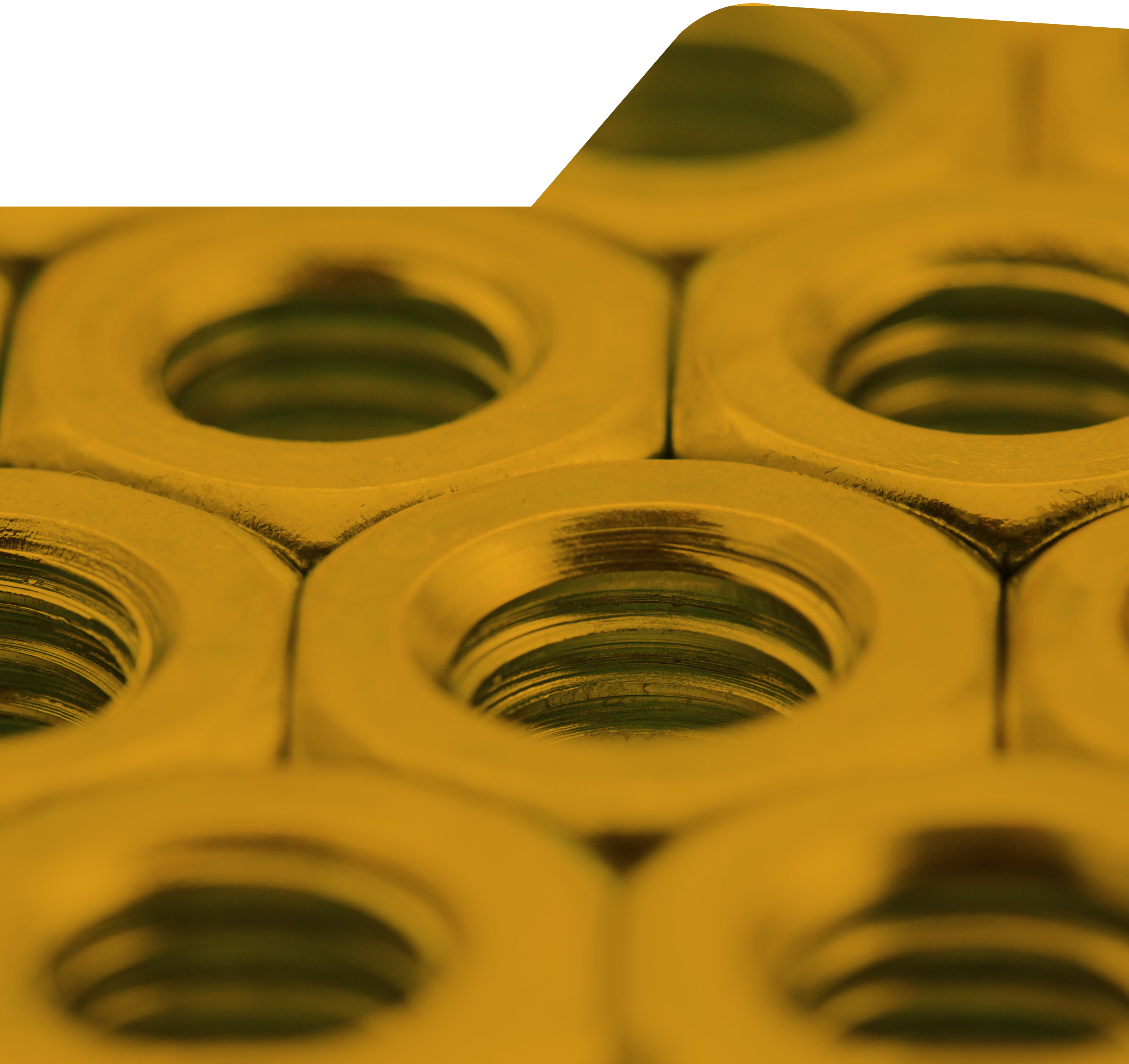
BDC

Botswana Development Corporation

2018 ANNUAL REPORT

PROMOTING AND FACILITATING ECONOMIC DEVELOPMENT AND DIVERSIFICATION



PROMOTING AND FACILITATING ECONOMIC DEVELOPMENT AND DIVERSIFICATION

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CORPORATE PROFILE

Overview of BDC

- Established in 1970 as a private company
- Wholly owned by the Government of Botswana
- Provides debt and equity funding to investors (Local and foreign) for commercially viable projects
- Funding starts from P30 Million
- Has made a mandate to invest outside of Botswana's borders
- Promotes and facilitates economic development and diversification
- Investments across 10 industries including manufacturing, services, property, agriculture
- Consolidated balance sheet of P4 Billion and a portfolio worth over P3.1 Billion

Our mandate

The Corporation derives its mandate from its incorporation documents such as the constitution. The Corporation's constitution, as per the Companies Act 2003, sets out its objectives, the issue and transfer of shares, declaration of dividends, powers reserved for the shareholder and meetings, and powers and duties of the directors including meetings and appointment provisions. As enshrined in its mandate, the Corporation's focus is to promote and facilitate the economic development of Botswana by identifying opportunities for development of new and existing industrial, commercial, and agricultural business undertakings as well as property development and the preparation, implementation and execution of plans for the establishment or improvement of such undertakings by whatever means appropriate.

This includes but not limited to direct financial investment in such undertakings, procurement of financial or management assistance, active participation therein with persons, local or externally based firms or companies.

Principal Objective and Development Outcomes

Funding provided to businesses is directed at driving the industrialisation of the country by providing financial assistance to investors with commercially viable projects.

Principal Objective

To become a leading innovative and sustainable development finance institution.

Development Outcomes

- Pioneer new industries
- Unlock value in existing industries
- Stimulate private sector growth and foster linkages with the local and foreign industry
- Drive diversification and exports
- Create significant employment
- Generate wealth from outside the country

Mission M

To provide, facilitate and support financing of commercially viable enterprises in order to contribute to the sustainable development and economic growth of the Botswana economy.

Vision V

To be an innovative and sustainable development finance institution.

Values V

- Enterprising
- Collaboration
- Integrity

Products P

- Equity Funding
- Debt Funding

Contacts

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Website: www.bdc.bw

THE BDC BRAND

Our Brand Promise is by extension the mandate of our brand. The BDC Brand promise is:

To promote and facilitate economic development for Botswana.

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BDC has been in existence for 48 years. Our Corporate Brand values, Enterprising, Collaboration and Integrity, are a benchmark to measure the behaviour and performance of Botswana Development Corporation and its employees. They are a code by which employees pride themselves on and are known for. Our logo is the visual representation of who we are and what we do: a graphic representation of BDC and the important role which we play as a development finance institution.

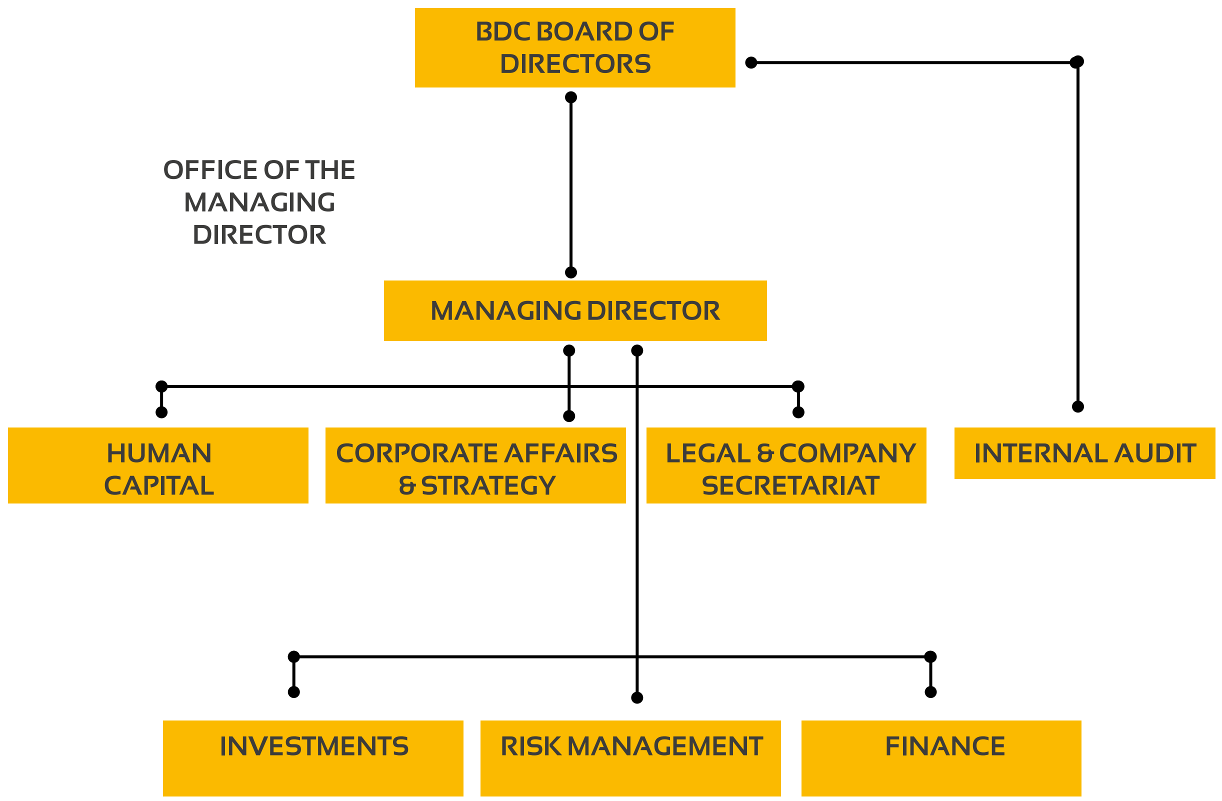
The BDC logo represents four"pillars "of Botswana Development Corporation and a "round table". The "pillars"element represent the Corporation's continued support as local and foreign investors through providing financial support to commercially viable projects, for the benefit of Botswana's economic development. The pillars identify and reinforce Botswana Development Corporation as a commercial and industrial development agency that occupies a central and responsible position in Botswana. The "roundtable" depicts a discussion type atmosphere where viable partnerships are forged, cementing lasting relationships meant to improve the quality of life, and strengthen the Corporation's brand values and promise.

The Botswana Development Corporation Brand Differentiator, "Your Investment Partner", puts emphasis on the mutual cooperation and responsibility of both the Corporation and its stakeholders towards a sphere of common interest. It depicts Botswana Development Corporation as a leader in equity investments and as an agency that is worthy of its stakeholders' trust to improve their quality of life.

OUR BRAND PILLARS

COLLABORATION	INTERGRITY	ENTERPRISING	SUSTAINABILITY	COMMERCIAL FOCUS
teamwork synergy cooperation partnership concert	honesty fairness accountability equality decency transparency trustworthiness	resourceful innovative creative enthusiastic energetic imaginative	future-focused credibility coherence consistency	efficient profit-oriented cost-effecient productive professional reliable responsive

ORGANISATIONAL STRUCTURE



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VALUE CREATED 2009 - 2018

	2009	2010	2011	2012 Restated	2013	2014	2015	2016	2017 Restated	2018
Income from trade	156,082	294,738	431,162	172,084	151,600	211,182	310,689	380,662	291,276	286,623
Less: Cost of supplies and services	18,865	33,212	37,893	79,481	25,849	109,075	54,103	21,610	34,114	(6,230)
Total Value Added	137,217	261,526	393,269	92,603	125,751	102,107	256,586	359,052	257,162	292,853
Distributed as follows:										
To employees payroll cost	31,540	35,089	45,703	33,312	33,660	33,787	31,036	40,752	43,666	52,522
To providers of finance interest on loans	36,179	33,670	31,108	33,023	46,964	50,588	58,211	44,152	55,266	45,740
Company taxation on profits	7,733	14,494	73,140	(22,877)	(2,459)	10,491	20,405	15,744	6,699	16,262
Dividends to shareholder	12,000	-	33,000	-	-	-	-	25,000	20,000	25,000
Available for sale investments reclassified to profit and loss	-	-	-	-	-	-	-	-	(37,390)	(92,053)
Depreciation and provisions against investments	197,349	21,986	86,753	202,242	267,278	84,822	57,533	25,163	(30,420)	18,077
Profit retained	(147,584)	156,287	123,565	(153,097)	(219,692)	(77,581)	89,401	208,241	199,341	227,305
Total Value Added	**137,217**	**261,526**	**393,269**	**92,603**	**125,751**	**102,107**	**256,586**	**359,052**	**257,162**	**292,853**

FINANCIAL HIGHLIGHTS

Company Profit Before Tax

18% ▲ 2018 P244 MIL
2017 P206 MIL

Group Profit Before Tax

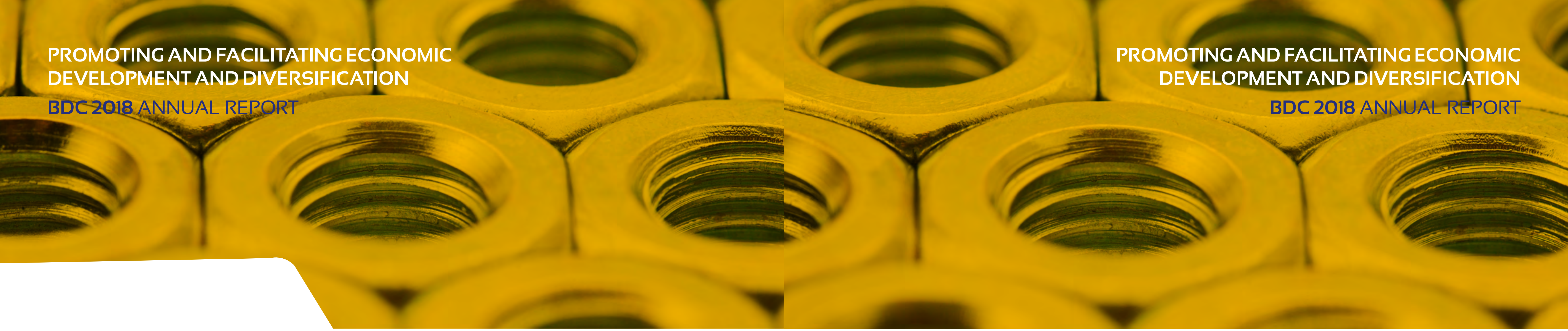
39% ▲ 2018 P187 MIL
2017 P135 MIL

Group Asset Base

5% ▲ 2018 P4.1 BIL
2017 P3.9 BIL

Company Asset Base

8% ▲ 2018 P2.6 BIL
2017 P2.4 BIL



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OUR INVESTMENT APPRAISAL PROCESS

The investment appraisal process can be split into 5 stages as follows and as shown in the chart below. This process applies for both new and existing opportunities.

STAGE I
Deal Origination

- Identification of investment opportunities (deals)
- Minimum deal size BWP30 million
- Sectors: all sectors of the economy except large scale mining
- Tenure: 5 to 15 years

STAGE II
All opportunities are reviewed on a weekly basis by the Investment team. Collation of data to conduct preliminary analysis and financial modelling.

- Initial project screening
- Preliminary due diligence and financial modelling
- High level term sheet and initial negotiations

STAGE III
Engagement with Risk and Legal team for their input.

- Preparation of a brief Memorandum and financial model to share with Risk for input
- Indicative term sheet preparation and negotiations for Risk and Legal input before sharing with client.

STAGE IV
In depth due diligence performed (financial, technical, tax, legal and environmental depending on the project) is outsourced.

- Full and comprehensive due diligence

STAGE V
Analyses and collates all the gathered information from the above stages into an investment appraisal paper incorporating input from Risk and Legal for approval based on approval limits.

- Credit and Investment committee Approval (investments not exceeding BWP50 million)
- Board Risk and Investment Approval (investments not exceeding BWP150 million)
- Board Approval (investments exceeding BWP150 million)

OUR INVESTMENT PORTFOLIO

SUBSIDIARIES
S

Fairgrounds Holdings (Proprietary) Limited
LP Amusement Centre (Pty) Ltd
Malutu Enterprises (Proprietary) Limited
Export Credit Insurance and Guarantee Company (Botswana) (Proprietary) Limited
Lobatse Clay Works (Proprietary) Limited
Commercial Holdings (Proprietary) Limited
Western Industrial Estate (Proprietary) Limited
Botswana Hotel Development Company (Proprietary) Limited
Talana Farms (Proprietary) Ltd
Phakalane Property Development (Proprietary) Limited
Residential Holdings (Proprietary) Limited

ASSOCIATES
A

Milk Afric (Proprietary) Limited
Marekisetso A Morogo Wa Rona (Pty) Ltd
TransUnion (Proprietary) Limited
Peermont Global Botswana (Limited)
Nampak DivFood Botswana (Proprietary) limited
Transport Holdings Limited
Mashatu Nature Reserve (Proprietary) Limited
Investec Asset Management Botswana (Proprietary) Limited

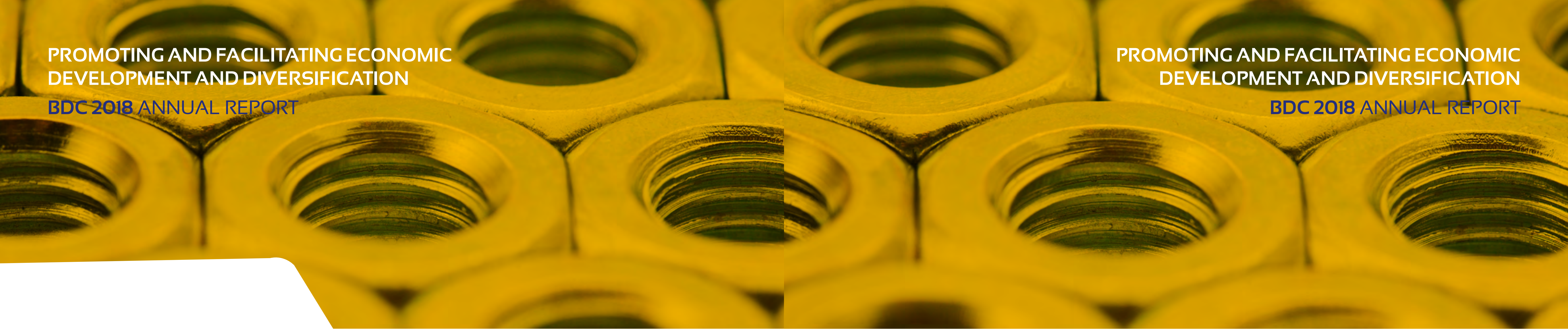
NON- ASSOCIATES
N

Crates & Pallets Botswana (Pty) Ltd
Ba Isago University (Proprietary) Limited
Philisa Day Care Centre (Pty) Ltd
Sidilega Private Hospital
Gloryland Guest Lodge (Pty) Ltd
Thakadu & Kwena Hotels Co. (Proprietary) Limited
Pasdec Automotive Technologies (Botswana) (Proprietary) Limtied

QUOTED INVESTMENTS
Q

Cresta Marakanelo Limited
Sechaba Brewery Holdings Limited
Letlole La Rona Limited

CORPORATE GOVERNANCE



CHAIRMAN'S STATEMENT

for the Year ended June 2018

"I am pleased to report another solid performance for the Corporation in the year ended June 2018. Growth across almost all our key performance indicators is testament to the success and robustness of our strategic plan. During the year BDC bedded down the final elements of our transformation programme which started in 2014 and has continued to deliver tangible and sustainable results." This has allowed us to play our role as the investment partner of choice in Botswana."

BDC is a self-funding entity and we generally operate three distinct but related functions: raising funds, deploying funds, and optimising our portfolio. This year I am pleased to report that we made measurable progress across all these three fronts.

During the year, the Corporation embarked on an aggressive fund-raising campaign to ensure that not only were all our commitments fully funded, but also that we were preparing for the ensuing year of commitments. With the help of our partners we have raised all the requisite funds to fund not just current operations but also future growth. Underpinning our fundraising has been our Moody's investment grade rating of Baa2/Prime-2 with a Stable Outlook. This rating was re-affirmed in May 2018 leading to increased confidence in our business by our funders. This has led to more efficient borrowings allowing us to fund more aggressively and to seek greater impact in our investments.

With solid funding and an ambitious pipeline of P1.6 Billion worth of strong projects, BDC approved P560 million in funding to new projects. While our conversion rate was slower than the previous year, we are pleased that we have revamped our processes and built integrated teams to accelerate pipeline conversion and drive higher project disbursement without taking on undue risk. This has led to new investments in the Transportation, Agro-Business and Property sectors. In line with our mandate, these investments are based on solid commercial principles and support the shareholder's strategies concerning the Economic Diversification Drive and driving private sector led growth.

During the year, significant milestones were also achieved in portfolio clean-up and portfolio optimisation exercises, thus releasing resources tied up in sub-optimal assets. In addition, improving asset quality has led to improved underlying performance of the Group as seen by a growth in both dividend and interest income. The result of these initiatives has been positive, with the Corporation achieving solid results across the Group. Total Group Assets experienced a 5% year-on-year growth to P4.1 billion and Group Income closed the year at P444 million.

I am also pleased to report that BDC has seen a steady growth in revenue and profits derived from on-going operations. This is reflective of a strong underlying business and signifies attainment of sustainable growth beyond growth from non-recurring events. This is a trend forecasted to continue during the next year.

Governance

As important as stakeholder engagement is, so is sound corporate governance. This safeguards the Corporation's sustainability. The Corporation continues to enhance its governance structures, policies and procedures to ensure alignment with best practice as well as adapt to changes in business requirements. The Board is also ultimately accountable for the effective management of risks within the Corporation and has adopted an Enterprise Risk Management (ERM) approach to managing risk exposures. This involves the embedding of frameworks, policies, methodologies, processes and systems for managing all risk exposures inherent in the Corporation's strategies, operations and business processes. I would like to thank all the members of the Board for their wise counsel in challenging times and look forward to their continued valuable contribution in the year ahead.

Conclusions

We emphasise our commitment to building and strengthening quality relationships with our stakeholders. We are thankful for the support and collaboration from our Shareholder - the Government of Botswana - our clients, partners and staff, as well as the communities in which we operate. We are confident that our strategic direction and ambitions will further drive shareholder value and deliver the desired impact in our economy. In an effort to deliver increased growth the for the Shareholder, I am pleased that BDC has declared a dividend to the Shareholder for the third year in a row.

To conclude, I must emphasise that we are a people business and our only real assets are the talented men and women who work for BDC. I commend the Managing Director, Mr Bashi Gaetsaloe, his executive team, as well as the management and staff of BDC for going the extra mile in every endeavour to be a robust front that desires to win, presenting the tenacity and professionalism that is testament of the business finesse of world-changing enterprises. We have successfully grown the right team, made the right changes and possess the right and healthy appetite for taking on projects that challenge us, our contribution towards economic growth and buttress investor confidence in the Botswana growth story today and into the future.

Mr. B. Marole
Chairperson of the Board

BOARD OF DIRECTORS

BLACKIE MAROLE
Board Chairman

An Economist by profession, Mr. Marole was previously the Managing Director of Debswana Diamond Company (Pty) Ltd. Prior to this, Mr. Marole spent 21 years in the civil service, rising to the position of Permanent Secretary at the Ministry of Energy, Water and Minerals Resources. Mr. Marole holds a Master of Arts Degree in Economics from the Williams College, Massachusetts, United States. He also attained a Bachelor of Arts Degree in Economics from the University of Botswana, and an Economic Institute Diploma from the University of Colorado, USA.

BASHI GAETSALOE
Managing Director

Mr Bashi Gaetsaloe is the Managing Director of Botswana Development Corporation, a role he assumed in April 2014. At BDC, Mr Gaetsaloe is tasked with driving the execution of the corporate strategy with specific focus on ensuring organisational performance. He is also responsible for ensuring the development of policies and strategies that pro-actively promote economic development, diversification of the national economy and achieve the mandate of BDC. Bashi has successfully led the BDC Transformation Programme which led to a substantial turn-around for the business and re-positioned it for sustainable growth. He holds a Masters of Arts Degree in Economics from Yale University, New Haven, USA and a Bachelor of Arts in Economics from Connecticut College, New London, USA.

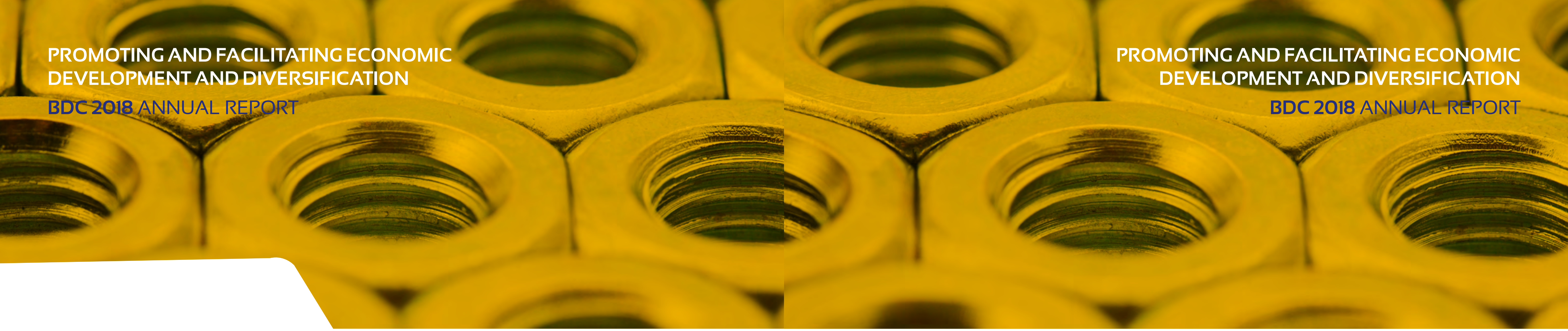
PEGGY SERAME
Board Member

Ms. Peggy Onkutlwile Serame is the Permanent Secretary of the Ministry of Investment Trade and Industry (MITI) assisting the Minister in providing oversight of Parastatals under her ministry. Amongst other duties she oversees the coordination of Cooperatives Development, Industrial Development and Trade Facilitation Laws, Policies, Strategies and Implementation thereof for wealth and employment creation, as well as economic diversification.

Ms. Serame holds a Master of Arts Degree in Economics from the University of Botswana (Electives on International Trade; and Policy Analysis and Economic Management) and a Bachelor of Arts degree in Economics and Statistics also from the University of Botswana.

SOLOMON M. SEKWAKWA
Board Member

An economist, Mr. Sekwakwa, is the Permanent Secretary of the Ministry of Finance and Development Planning. He started his career as an Industrial Planner at BCL mine in 1979, and subsequently joined the Southern District Council, first as an Assistant Economist and rose to the position of Senior Economist. Mr. Sekwakwa holds a Master of Arts Degree in Development Economics from the University of Sussex, UK, and a Bachelor of Arts Degree in Economics and Sociology from the University of Botswana.



BOARD OF DIRECTORS

NEO BOGATSU
Board Member

Ms. Neo Bogatsu is a business leader with 20 years working experience in the financial services industry not limited to auditing, accounting, taxation and compliance. She is currently employed by Botswana Insurance Fund Management (BIFM), as Chief Executive officer. She joined BIFM in 2011 as Chief Finance Officer, in 2013 she became Chief Finance and Operations Officer. Previous roles include; Barclays Bank of Botswana-Head of Business Performance and Analytics, Financial Accountant and Management Accountant as well as Ernst & Young - Audit Supervisor.

Ms Bogatsu serves on a number of boards nationally and regionally including African Life Financial Services Zambia, Feune Pty Ltd, Khumo Properties, HealthCare and Private Property Botswana. She is a professional member of the Association of Chartered Certified Accountants (ACCA), Botswana Institute of Accountants and Botswana Institute of Bankers. Ms Bogatsu holds an Executive MBA from the University of Chicago Booth School of Business, Association of Chartered Certified Accountant (ACCA) from Botswana Accountancy College and Bachelor of Commerce Degree, (Accounting Major) from the University of Botswana

ABEL MONNAKGOTLA
Board Member

Mr. Abel Monnakgotla is a prominent entrepreneur, especially in the Transport, Insurance and Leisure/Tourism industries where he presides over a successful group of enterprises. As an entrepreneur, Mr. Monnakgotla has actively participated in Business Botswana activities (Formerly BOCCIM) as the Transport Sector Chairperson and is the Founding Chairperson of the Botswana Road Transport Society. He is currently the Deputy Chair of Masiela Trust Fund and the Chairperson of the Emmanuel Parish (Gaborone) of the Evangelical Lutheran Church in Southern Africa.

ODUETSE VINOLIA TEBOGO
Board Member

Ms. Tebogo has over 20 years of extensive experience in the Real Estate industry, cutting across diverse environments of Housing Development and Management; Telecommunications as well as Banking. She is currently running a progressively growing real estate enterprise of which she serves as Managing Director. Ms. Tebogo holds a BA in Planning and Sociology from the University of Botswana, an Masters of Science in Real Estate from the University of Reading, UK. She is a member of both the Botswana Institute of Development Professions, and the Real Estate Institute of Botswana.

RICHARD CHILISA
Board Member

Mr. Chilisa is currently the Corporate Risk Manager at Water Utilities Corporation (WUC), assisting the Board of Directors and Management with oversight and management of enterprise risks. Mr. Chilisa holds a Masters of Science in Strategic Management from University of Derby (UK), Post Graduate Certificate in Enterprise Risk Management from Botswana Accountancy College and a Bachelor of Engineering from Carleton University (Canada).

THULAGANYO A. W. MOLEBATSI
Board Member

Mr Molebatsi has more than fourteen years' of experience in the Financial Services Industry (Actuarial Consultancy, Life Insurance and Health Insurance). He is the Principal Officer at Botswana Public Officers Medical Aid Scheme (BPOMAS), a position he assumed in 2016. As the Executive Officer of the Scheme he is responsible for overall running of the Organisation, including development and implementation of the Organisation's Strategy; overseeing the financial performance of BPOMAS subsidiaries and Strategic Assets, contracting and providing oversight on contracted third parties (Scheme Administrators, Asset Consultants & Investment Managers, and Scheme Actuaries etc.). Mr. Molebatsi holds a Masters of Science and Bachelor of Science in Actuarial Science from the University of Kent at Canterbury (UK). He is competent in areas of strategy development and implementation, Market & Product Development, Investment Analysis, Capital Project Appraisal, Contract Management and Project Management (Prince 2 Practitioner).

CHESHE DOW
Board Member

Ms. Dow has a proven track record in legal, compliance and operational risk management in the financial services sector including Banking, Insurance and Asset Management. Ms Dow holds a Bachelors degree in Economics from Kenyon College, US; a Juris Doctor (law) from the University of Cincinnati, US; and an LLM in Finance and Law from the Duisenberg School of Finance/ University of Amsterdam, The Netherlands. She is passionate about developing and nurturing emerging talent.

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INDEPENDENT BOARD MEMBERS

MICHAEL LESOLLE
Independent Board Member

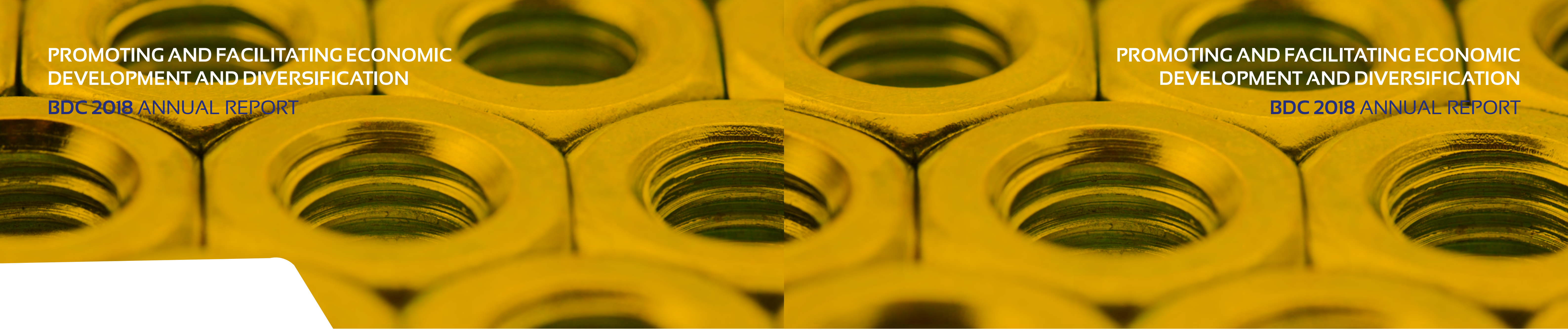
A Certified Chartered Accountant, Mr. Lesolle was the Executive Director of Botswana Accountancy College (BAC) and the former CEO of Botswana Savings Bank. He is a Fellow of the Association of Chartered Certified Accountants (ACCA) and has extensive experience in various aspects of business and the accountancy profession as well as in Business Leadership, Organisational Transformation, Strategy formulation and its implementation, and managing change. Mr. Lesolle has an ACCA qualification and is also a Member of the Botswana Institute of Chartered Accountants.

MOSIMOLODI BIGGIE LEFHOKO
Independent Board Member

Mr. Lefhoko is a Project Manager/Quantity Surveyor with the Department of Building and Engineering Services (DBES). Prior to his appointment at DBES, Mr. Lefhoko was employed as a Project Manager/Quantity Surveyor with Complant Botswana (Pty) Ltd, where he obtained extensive experience in construction tenders; pricing Bills of Quantities, checking for tender compliance prior to submission as well as business development through sourcing of tenders.

With over 20 years' experience, Mr Lefhoko's career began as an Assistant Quantity Surveyor, with the Department of Architecture and Building Services. Mr. Lefhoko has held several senior positions including Principal Quantity Surveyor at Botswana Housing Corporation; Divisional Manager and later Executive Director for Works, with the Public Procurement and Asset Disposal Board (PPADB); participating in the adjudication and award of works, supplies and services tenders.

Mr Lefhoko holds an Masters of Science in Construction Management (Project Management), and a Bachelor of Science in Building Economics & Quantity Surveying both from University of Heriot-watt, Edinburgh.



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GOVERNANCE FRAMEWORK

1. The Board is dedicated to the implementation of effective structures, policies and practices that promote sound corporate governance principles and create sustainable value for the Shareholder and stakeholders. High and sustainable performance cannot be achieved without sound governance. It is in this regard, that BDC continues to commit considerable resources to ensure effective governance, fairness, accountability, transparency and responsiveness. An Environmental Social and Management System has been put in place. The Board therefore takes shareholder rights and environmental and social factors into consideration in investment decisions.

2. BDC is controlled by a Board of Directors which in terms of its Constitution, shall comprise of a minimum of seven and a maximum of thirteen members. The Board is the custodian of corporate governance and is responsible for ensuring that the business of BDC is conducted according to sound corporate governance principles, in order to promote and facilitate the economic development of Botswana.

3. In carrying out its duties, the Board ensures that the business affairs of BDC are conducted on a commercial basis, and in a prompt, efficient and economic manner. The preponderance of non-executive Directors is encouraged, with the Board consisting of nine non-Executive Directors and only one Executive Director. The Chairman has no Executive function and interacts with the Board Members and Executive to discuss relevant issues and give guidance.

4. The Board is made up of a diverse composition of Directors comprising various captains of industries and professionals with expertise spanning over 20 years in Credit Risk, Procurement, Human Resources, Law, Economics, Finance, Property, Engineering, Strategy development and implementation, as well as Private Sector and Business Development.

5. Good governance is enshrined in the Board Committees which have been established to deal with specific functions of the Board. It is in this regard that independent professional experts have been appointed to sit on all the Board Committees to assist the Board to effectively execute its duties.

CORPORATE VALUES

The Board ensures that in conducting its business and on interaction with stakeholders, there is conformance to the Corporation's Corporate Values in force from time to time, or as defined in the Corporation's Strategy document.

Strong and sustainable corporate performance is achieved across all aspects, in line with the new business model adopted in December 2014, together with the revised governance framework, which includes a Governance Policy, a revised Board Charter, a robust Delegation of Authority Policy and a Shareholder Compact complemented by a detailed Conflict of Interest Policy. In addition to the framework, BDC's strategic essence is to leverage good governance and partnerships to create and grow commercially viable businesses. The governance framework aims at ensuring the development of an environment wherein those charged with governance and assurance can perform their duties. In addition, the Board and Management engages with the Shareholder throughout the year, to ensure that there is alignment between the Shareholder's national vision and the corporational strategy.

DELEGATION OF AUTHORITY

Certain functions of the Board are facilitated through the main Sub-Committees, particularly the Audit, Human Capital and Risk functions. Enshrined in the Delegation of Authority Policy is the delegated mandate of the Board to Management Committees. Whilst these functions of the Board are facilitated through the Committees, the Board retains accountability for the exercise of its delegated authority. It is in this regard, internal controls and internal audit ensures the proper discharge of delegated authority, in line with the principles of good governance. The Board and its Committees each convene at least four ordinary meetings annually. Additional special meetings, are held based on the dictates of business requirements. In fulfilling its responsibilities, the Board is assisted by the following Committees:

GOVERNANCE FRAMEWORK (CONT.)

- Finance and Audit Committee;
- Risk and Investment Committee;
- Human Capital Committee;
- Board Tender Committee;
- Management Credit and Investment Committee; and
- Management Tender Committee.

Board Tender Committee

The Committee was set up in terms of the Board Charter to adjudicate on procurement of works, services, supplies and disposal of assets and to address matters relating to these procedures. The Board Tender Committee is the forum in which BDC Board Members review formal procurements processes which are above the maximum threshold for submission to the Management Tender Committee. The Committee further warrants that Procurement Plans developed by BDC are aligned to the budget and that they are consistent with organisational goals and objectives. More importantly, the Committee ensures that recommendations of the Evaluation Committees and negotiation teams, as reflected in the evaluation/negotiation reports, are sound and responsive to the qualification, evaluation and award criteria indicated in the solicitation documents. The Board Tender Committee comprises:

- Four non-executive Directors (one acting as the Chair)
- An Independent member
- Managing Director
- The Secretary shall be the Company Secretary.

The Members are:

- A. T Monnakgotla **Chairperson**
- T. Molebatsi
- B. Gaetsaloe
- O. Tebogo
- R. Chilisa
- M. B Lefhoko

Board Finance and Audit Committee

The mandate of the Committee is to establish a clear channel of communication between Management, Internal Auditors, External Auditors and the Board of Directors; to improve the ability of the Board as a whole to ensure that proper and effective control and ethical practices are preserved at every level of delegation by providing a special focus on these subjects in an Audit committee of the Board; and to provide a means by which Directors can be informed of marginal and contentious points that have to be resolved in the preparation of the annual accounts and budgets.

The Board Finance and Audit Committee comprises:

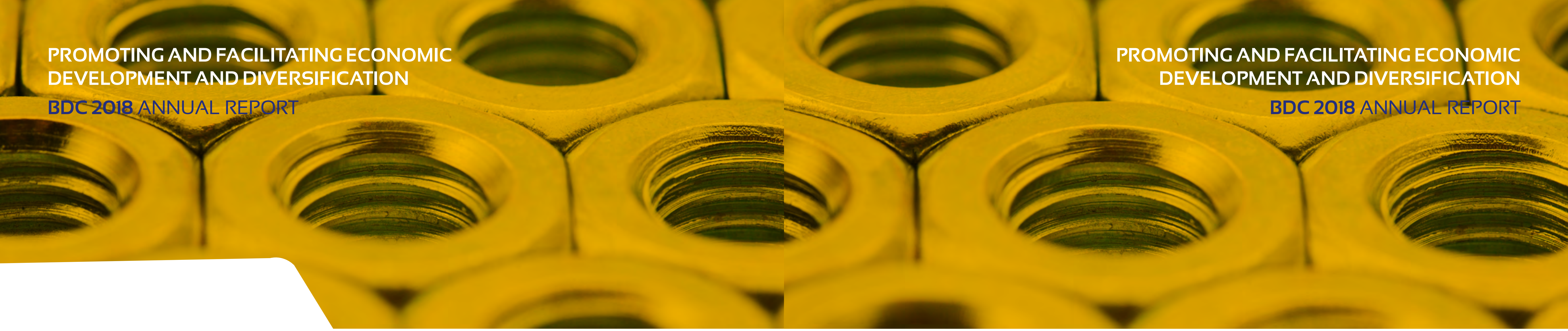
- Three non-executive Directors (one acting as the Chair)
- An Independent member
- Managing Director
- The Secretary shall be the Company Secretary.

The Members are:

- N. Bogatsu **Chairperson**
- B. Gaetsaloe
- M. Lesolle
- C. Dow

Board Risk and Investment Committee

The mandate of the Committee is to review the Investment strategy of the Corporation, and make relevant recommendations to the Board for approval; to ensure compliance with the Credit and Investment Policies and Investment Procedures in place; to review quarterly, the implementation and compliance of the Risk Management activities as contained in the ERM Framework; to review quarterly the Strategic Risk Register, the Performance of Investments at strategic level; to ensure Compliance with legislation, rules and regulations affecting the corporation's investment activities, and provide oversight; to review, consider and approve all investment and divestment proposals in line with the Corporation's approved Risk Appetite and Delegation of Authority Policy; and to review, consider and recommend to the Board, all project investments and Divestments proposals above the Committee limit.



GOVERNANCE FRAMEWORK (CONT.)

The Board Risk and Investment Committee comprises:

- Three non-executive Directors (one acting as the Chair)
- An Independent member
- Managing Director
- The Secretary shall be the Company Secretary.

The Members are:

- A. T. Monnakgotla **Chairperson**
- T. Molebatsi
- R. Chilisa
- B. Gaetsaloe
- S. M Rasebotsa

Board Human Capital Committee

The mandate of the Committee is to monitor and advise on the human capital of BDC, as well as the welfare of staff, to ensure adherence to the general conditions governing employees the Corporation, in order to attain the Corporate's objectives.

The Board Human Capital Committee comprises:

- Three non-executive Directors (one acting as the Chair)
- An Independent member
- Managing Director
- The Secretary shall be the Company Secretary.

The Members are:

- N. Bogatsu **Chairperson**
- O. V Tebogo
- B. Gaetsaloe

Credit and Investment Committee

The Committee is made up of Management. The Committee ensures that all investment proposals are subjected to rigorous examination prior to recommendation to the Board Risk and Investment Committee and the Board, depending on the threshold. The Credit & Investment Committee approves transactions, in particular investments to be made, financing of projects and approval of divestments.

The Credit and Investment Committee comprises:

- Managing Director
- The Head, Risk
- Chief Financial Officer
- Chief Investments Officer
- Head Legal and Company Secretary

Governance Framework
The Board's mandate is enshrined in the Company Constitution, the Board Charter and Governance Policy. The Board is dedicated towards the implementation of effective structures, policies and practices that improve corporate governance and create sustainable value for our Shareholder, by ensuring an effective system of internal control, effective compliance and risk management. The primary goal of these control functions is to ensure that we meet the standard and reporting obligations required of a self-regulated Development Finance Institution such as BDC.

Director Evaluation
In line with the commitment made by the Board through the Board Charter, the Board and its independent Board Committee members are evaluated on their performance for the preceding year. The annual evaluation exercise is aimed at finding a balance between the increased demands for Boards to be accountable, effective leadership, and performance of the Board. The assessment focuses on fiduciary duties, risk management, strategic leadership and direction.

Director Development
With the fast-changing governance landscape and the increased demand for Boards to provide leadership and to take accountability BDC has undertaken a training workshop for the Board on Corporate Governance. BDC as a company, working within the highly competitive private sector, it is incumbent that the Board is continuously trained and upskilled on the nature of the business in particular, venture capital, private equity, DFI funding, Financial skills, as well as risk management. As such, BDC continues to put in place continuous development programmes aimed at empowering and upskilling the Board with current key trends.

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GOVERNANCE FRAMEWORK (CONT.)

IT Governance
In today's world the information systems of enterprises are now pervasive, no longer only used to enable a company to work more efficiently but are now the very fabric of the enterprise of today. It is with this in mind that BDC, information systems are being aligned with the long-term strategy of the Corporation, to ensure achievement of the latter.

Similarly, over and above the information Systems, critical to IT Governance is Information Management especially as it relates to Information Security. The Corporation continuously reviews its information and data security to ensure that critical information of both the Corporation and its clients is fully secured, in particular from external threats.

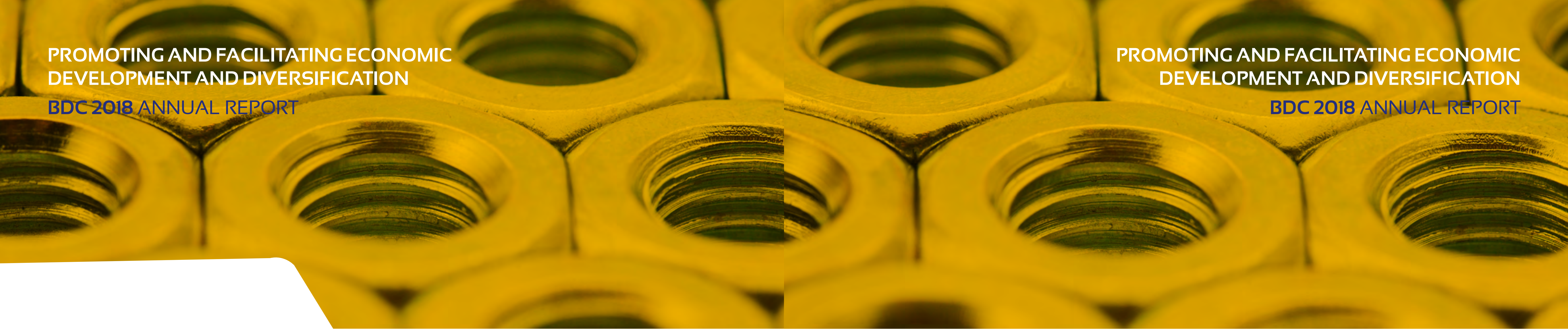
Below is the governance checklist as well as the Board and Committee attendance matrix.

BDC GOVERNANCE CHECKLIST	ADHERANCE
BDC Constitution	YES
Board Charter	YES
BDC Corporate Strategy	YES
Shareholder compact	YES
BDC Risk Appetite Statement	YES
Treasury Policy and Framework	YES
BDC Processes Manual	YES
Credit and Investment Policy	YES
Credit Pricing Policy	YES
Credit Risk and Portfolio Management Framework	YES
IT Security Policy	YES

Statement of Compliance
The Board is satisfied that every effort is being made to comply in all material respects to all principles of good governance, as pronounced in King III Corporate Governance Code and the Companies Act 2003, as well as the principles as set out in the proposed corporate governance Code for Botswana, as issued by the Directors Institute of Botswana.

Below is an assessment of the Corporation's compliance with Botswana Corporate Governance Code and King III:

	Key
✓	Applied
✱	Partially applied
♦	Not applied
×	In progress
◻	Not applicable



GOVERNANCE FRAMEWORK (CONT.)

Ethical leadership and corporate citizenship	
✓	Effective leadership based on an ethical foundation
✓	Responsible corporate citizen
✓	Effective management of company's ethics
Board and Directors	
✓	The Board is the custodian of corporate governance
✓	Strategy, risk, performance and sustainability are inseparable
✓	The Board should consider business rescue proceedings when appropriate
✓	Directors act in the best interests of the company
✓	The Chairman of the Board is an independent non-executive director
✓	Framework for the delegation of authority has been established
✓	The Board comprises a balance of power, with a majority of non-executive directors who are independent
✓	Directors are appointed through a formal process
✓	Formal induction and ongoing training of directors is conducted
✓	The Board is assisted by a competent, suitably qualified and experienced Company Secretary
✓	Regular performance evaluations of the Board, its committees and the individual directors
✓	Appointment of well-structured committees and oversight of key functions
✱	A governance framework is agreed between the Corporation and its subsidiaries
♦	Directors are fairly and responsibly remunerated
✓	Remuneration of directors is disclosed in the annual report
♦	The Corporation's remuneration policy is approved by its shareholders

Internal Audit	
✓	Effective risk based Internal Audit

GOVERNANCE FRAMEWORK (CONT.)

✓	Written assessment of the effectiveness of the company's system of internal controls and risk management
✓	Internal Audit is strategically positioned to achieve its objectives
Audit Committee	
✓	Effective and independent
✓	Suitably skilled and experienced independent non-executive directors
✓	Chaired by an independent non-executive director
✓	Oversees integrated reporting
✓	A combined assurance model is applied to improve efficiency in assurance activities
✓	Satisfies itself of the expertise, resources and experience of the company's finance function
✓	Oversees the external audit process
✓	Reports to the Board and shareholders on how it has discharged its duties

Compliance with laws, codes, rules and standards	
✓	The Board ensures the company complies with relevant laws
✓	The Board and its directors have a working understanding of the relevance and implications of non-compliance
✓	Compliance risk forms an integral part of the company's risk management process
✱	The Board has delegated to management the implementation of an effective compliance framework and process
Governing stakeholder relationships	
✓	Appreciation that stakeholders' perceptions affect a company's reputation
✓	Management actively deals with stakeholder relationships
✓	There is an appropriate balance between its various stakeholder groupings
☐	Equitable treatment of shareholders
✓	Transparent and effective communication to stakeholders
✓	Disputes are resolved effectively and timeously

GOVERNANCE FRAMEWORK (CONT.)

The governance of information technology	
✓	The Board is responsible for information technology (IT) governance
✓	IT is aligned with the performance and sustainability objectives of the Corporation
✓	Management is responsible for the implementation of an IT governance framework
✓	The Board monitors and evaluates significant IT investments and expenditure
✓	IT is an integral part of the Corporation's risk management
✓	Information assets are managed effectively
♦	The Risk Committee assists the Board in carrying out IT responsibilities
The governance of risk	
✓	The Board is responsible for the governance of risk and setting levels of risk tolerance
✓	The Board determines the levels of risk tolerance
✓	The Audit and Risk Committees assist the Board in carrying out its risk responsibilities
♦	The Board delegates the risk management plan to management
✓	The Board ensures that risk assessments and monitoring are performed on a continual basis
✓	Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks
✓	Management implements appropriate risk responses
✓	The Board receives assurance on the effectiveness of the risk management process
♦	Sufficient risk disclosure to stakeholders
Integrated reporting and disclosure	
✓	Ensures the integrity of the Corporation's integrated report
✓	Sustainability reporting and disclosure is integrated with the Corporation's financial reporting
✓	Sustainability reporting and disclosure is independently assured

GOVERNANCE FRAMEWORK (CONT.)

Board Attendace Matrix 2017- 2018

Present | Absent | N/A

BOARD MEMBER	Q1						Q2					Q3				Q4				TOTAL
	BTC	HCC	HCC	FAC	BRIC	BOD	BTC	HCC	FAC	BRIC	BOD	BTC	FAC	FAC 2	SPECIAL BOD	BRIC	BRIC	FAC	HCC	
Marole						Present					Present				Present					3/3
Gaetsaloe	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Absent	Present	Present	18/19
Serame						Present					Present				Absent					2/3
Sekwakwa						Absent					Present				Absent					1/3
Monnakgotla	Present				Present	Present	Present			Present	Present	Present			Present	Present	Present			10/10
Lefhoko	Present						Present					Present								3/3
M Lesolle				Present					Absent				Present	Present				Present		4/5
Rasebotsa					Present					Present						Present	Present			4/4
C Dow				Present		Absent			Present		Absent		Present	Present	Present			Present		6/8
N Bogatsu		Absent	Present	Absent		Absent		Absent	Present		Present		Present	Present	Present			Absent	Absent	6/11
O Tebogo	Present	Present	Present			Present	Present	Present			Present	Absent			Absent				Present	8/10
T Molebatsi	Present				Present	Present	Present			Present	Present	Present			Present	Present	Present			10/10
R Chilisa	Present				Present	Present	Present			Present	Present	Present			Present	Present	Absent			9/10

MANAGING DIRECTOR'S STATEMENT

for the Year ended June 2018

"During the year we have re-doubled our efforts to deliver on our 5-Year strategic goal of doubling the business by 2019."

Corporation's Total Income

-2% ▼

2018 P287 MIL
2017 P291 MIL

Profit before Tax

18% ▲

2018 P244 MIL
2017 P206 MIL

2018 Corporation's Net Worth

P 1.9 BIL

2018 marked the beginning of the last phase of our bold transformation programme. During this phase, which covered 2018 and 2019, we expected to not only bed-down our transformation objectives, but more importantly we expected to grow the business based on continuing business and less on once-off or divestment-led business.

We identified FY18 (as well as FY19) as years of transition as the business goes through several fundamental shifts. First, during the year we envisioned that the business will further "correct" or "normalise" as we replace divestment income with income from new business. I am pleased to report that we have made significant progress in this regard and for the year under review we have achieved 98% of our growth from on-going operations. Equally, our stated desire to grow an increasing debt book relative to our equity investments. Our plan to re-balance our portfolio to reflect less equity investments is bearing fruit with a 20% year-on-year growth in interest income.

I am happy to report that as we count down to the last year of our strategic plan we have made substantial progress in driving growth from new business. This transition, we believe, marks off an era of sustainable growth that will carry the business through 2018 and into 2019.

Financial Performance

The Company recorded a total revenue and other income of P287 million against prior year P291 million. Interest income saw a growth of 17 % to P42 million against prior year P35 million reflecting expected growth in debt assets in line with business strategy to rebalance the equity/debt asset profile. Profit before tax grew by 18% year-on-year attributed to a growth in debt assets as well as recoveries from fully impaired assets. This performance is reflective of profits largely driven by strong portfolio management and early success in growing our debt book . Finance costs are at P46 million down to 17% from prior year owing to introduction of optimally priced facilities and an in year 50bps rate cut by the central bank resulting in an improved interest rate profile. Total assets and net worth experienced 10% and 5% increase respectively year-on-year due to growth in investment assets and positive business performance

Consolidated revenue and other income closed the year at P444 million, the 10% positive variance is mainly driven by growth in rental income and a positive performance at Company level. Overall administrative costs increased by 31% to P238 million compared to P182 million experienced in prior year mainly due to refurbishments at subsidiary with a view of enhancing yields. The Group remains profitable at P187 million against last year P135 million at the back of improved performance at Company level.

An increase in investment asset values showed a 5% year on year growth of Group assets to P4.1 billion.

Assets, Equity and Liabilities

The Corporation's total assets showed a 10% growth compared to the prior year, bringing BDC's Total Asset Base to P2.6 billion. The notable growth is largely attributable increase in investment assets. A key strategic goal for us was our much-publicised goal of Doubling the Net Worth of the Business in 5 years or #DTB5 for short. At the close of the Corporation's net worth stood at P1.9 billion, which is P0.9 billion short behind strategic target of P2.8 billion. While the Corporation was on course to meet the strategic intent net worth of P2.8 billion, our trajectory was dampened largely by mark-to-market valuation losses. Nevertheless, we are confident that even without these valuation losses mostly on listed securities, we have contributed much value to the Shareholder.

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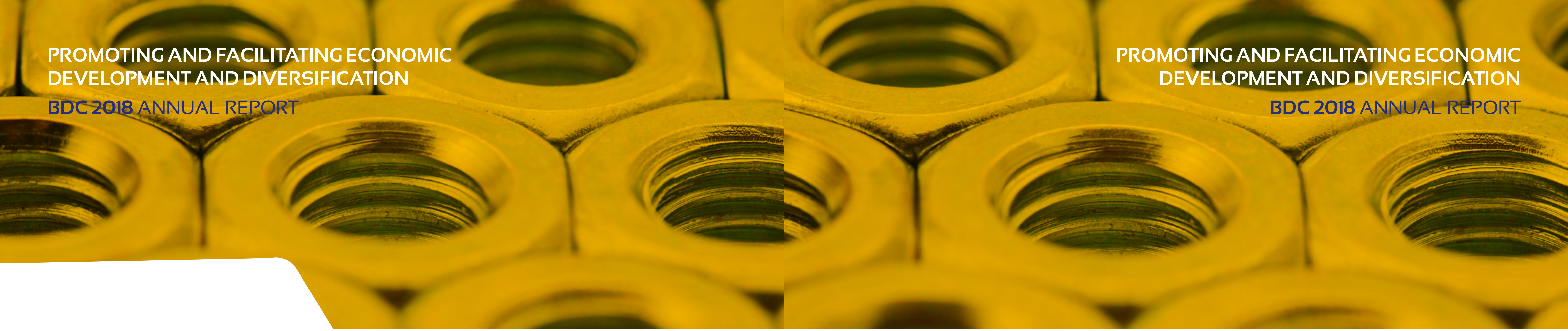

MANAGING DIRECTOR'S STATEMENT
for the Year ended June 2018

Delivering Value and Building Efficiencies

Despite the continued toughened environment, we were successful in achieving several significant milestones including our portfolio clean-up which released resources tied up in sub-optimal assets, resulting in recoveries on some fully impaired assets. Notwithstanding the overall challenging operating environment which our debt and equity investments operate in, including the slowed economic growth which has lingered over the decade, the Group has remained resilient with its approach to doing business.

We have continued to drive considerable profitability and retained our pledge to the shareholder of declaring dividends. We are confident to remain profitable in FY19 where growth will largely be driven by increase in new business. Our mandate therefore remains the same, focused on investing in commercially viable projects which return value to our Shareholder and drive the national development agenda of pioneering industries, growing the private sector and thus enhancing the Botswana development narrative.

Our investment approach remained sustained throughout the financial year. We realised investment deals amounting to just under above P500 million. This brings post-transformation cumulative approvals to approximately P952 million. Our carrying values of the investment properties amounted to P2.208 billion as at 30 June 2018 compared to P1.960 billion in the previous year. This accounts for 63% of the Group's total non-current assets. The Corporation's investment fund remains adequately covered to make sure we deliver on our commitments.

As part of improving operational efficiencies, the implementation of an ERP technology system commenced during Q4. Phase 1 of this system includes Finance, Procurement and Administration and Loans Management. Human Capital, Loans Management, and Investments will follow in subsequent phases.

In preparation for the full adoption of IFRS 9 at the commencement of the next financial year, training has been undertaken during the current year and the Corporation is making progress with preparations to implement this new standard.

Conclusions

Our energy remains high as we enter the last year of our 5-Year Strategic Plan. We have learnt important lessons over the past four years which have been incorporated into our priorities and approaches for this final year.We believe we have learnt from our mistakes along the journey and we are thus a little wiser. What gives us confidence is that the Business is evidently stronger. We have a quality pipeline. Our investment fund remains at adequate levels, with commitments fully funded. The capital reserve fund has experienced an impressive growth to close the year at P100 million. Our pipeline processes have been re-evaluated and made more agile without overlooking risk. We therefore start FY19 poised for growth, and energized by our bold ambition to disburse P705 million during the year ahead.

We are also determined to continue to add value to the Shareholder and are pleased to report a 25% growth in our dividend to the Shareholder our third dividend pay-out in three consecutive years. This reflects our commitment to delivering consistent growth.

BDC is a People business and we must recognise the unique talents and skills that are required to keep BDC running profitably and sustainably. Our assets are our people and I thank our Board and our Shareholder in supporting our endeavours to recruit and retain the best talent to execute our mandate in this complex investment space.

The conclusion of FY18 also marks the start of the final year in our current 5-year plan. To this end, Management expects to develop and obtain approval on a bold new strategic plan that will see the Business grow into an Investment Holding Company as it pursues a strategy of high returns from diversified investment instruments across both local and international investments. Dubbed "Beyond 2019" this strategy will see BDC become a major contributor to Gross Domestic Product (GDP) as well as to Government revenue.

My team and I are eager to embrace FY19 and all that it may bring. We are also profoundly grateful to the Board and the Shareholder for its support in driving the Transformation Programme thus far, we look forward to this concluding year of #DTB5 as we endeavour to "finish strong" and deliver on our transformation promises.

Mr. B. Gaetsaloe
Managing Director

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EXECUTIVE MANAGEMENT

GILBERT OFETOTSE
Head of Legal
& Company Secretary

BOITSHWARELO LEBANG
Head of Corporate
Affairs & Strategy

BOTSHELO MOKOTEDI
Head of
Risk Management

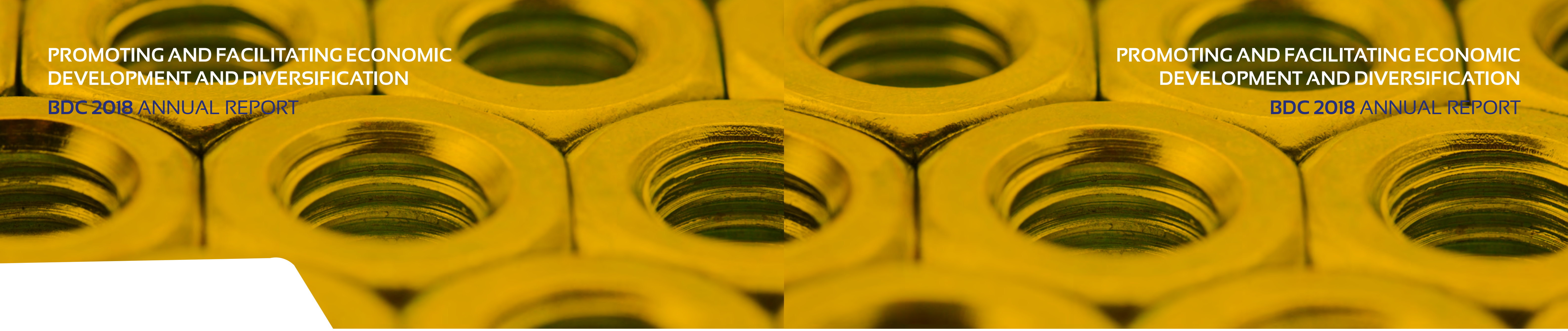
BASHI GAETSALOE
Managing
Director

LINDILE MHLAULI
Chief Audit
Executive (Ag)

THABILE MOIPOLAI
Head of Human
Capital

MARANYANE MAKHONDO
Chief Financial
Officer (Ag)

MOATLHODI LEKAUKAU
Chief Investment
Officer



EXECUTIVE MANAGEMENT

MR BASHI GAETSALOE - MANAGING DIRECTOR

Mr. Bashi Gaetsaloe joined BDC in April 2014. Gaetsaloe is tasked with driving the execution of the BDC corporate strategy with focuses on ensuring optimal stakeholder engagement and organisational performance. He joined BDC from Accenture Botswana where he was the Country Managing Director. Mr Gaetsaloe has specific expertise in the areas of business strategy, organisational transformation, business start-ups and business turnaround, and change management. He has successfully led the BDC Transformation Programme for the past two years. He holds a MA in Economics from Yale University, New Haven, USA and a Bachelor of Arts in Economics from Connecticut College, New London, USA.

MR MOATLHODI LEKAUKAU - CHIEF INVESTMENT OFFICER

A meticulous and ambitious leading professional, Mr. Lekaukau has a stellar professional career of over 20 years in leadership of among Africa's and the world's largest and renowned operations to date. Prior to joining the Corporation, Mr. Lekaukau served as Chief Executive Officer of Standard Chartered Bank Botswana, the first Motswana in the bank's history to be appointed to the leading office. He is also the Executive Chairman of YMH Media Group, a diversified indigenous media holding company with interests in Botswana and Zambia. Mr. Lekaukau also served as a Partner for Deloitte and Touche South Africa. In his leadership roles he has led many large transactions and strategic operations across Southern Africa. Mr. Lekaukau is also the Non-Executive Chairperson of Cresta Marakanelo Limited, Botswana's largest hotel chain group, a Director of African Banking Corporation (BancABC) Zambia Limited and is a Director on a number of other private company boards.

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.

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MS. BOITSHWARELO LEBANG - HEAD, CORPORATE AFFAIRS AND STRATEGY

A driven, focused and results-oriented Strategy and Corporate Affairs professional with a passion for connecting concepts and people; Ms. Lebang is currently Head - Corporate Affairs & Strategy at Botswana Development Corporation (BDC). She is tasked with strategic execution alignment across the Corporation and evaluation of business strategies as well as the business environment analysis with a view to align strategic concepts with company performance. Ms. Lebang is also the Executive custodian of the BDC brand. This includes effective development and implementation of strategic Marketing, Image and Branding, Communications, Reporting and Public Relations initiatives that maintain a healthy corporate image. She provides strategic leadership in the development and implementation of Communications and Corporate Social Responsibility (CSR) strategies, policies, and programmes for the Corporation.

Ms. Lebang holds 15 years of experience in Communications and Strategy combined, 8 of which have been executed through a variety of leadership roles. Her in-depth strategic background allows her to provide competitive advisory while leveraging Corporate Affairs among other disciplines to achieve business strategic goals. Ms. Lebang relishes a challenge and holds a resounding passion for people development and mentorship.

She is the Chairperson of the Lion Park Amusement Park Board, Director of Transport Holdings Pty Ltd and Director on the Residential Holdings Board. She is a member of the International Association of Business Communicators (IABC) body. Ms. Lebang holds an MSc. Strategic Management from the University of Derby in the UK (2007) and a BSc. Computer Science - Business Information Systems and Management from the University of Botswana (2001).

MS. THABILE MOIPOLAI - HEAD OF HUMAN CAPITAL

Ms. Thabile Faith Moipolai is the Head of Human Capital, having joined the Corporation in July 2015. She was previously with De Beers Group of Companies where she held various HR roles, most recently that of Human Resources Business Partner. During her stay at De Beers, her key achievement included successfully driving the 'future world of work' project which was aimed at looking at the business using an innovative and future focused lense in order to ensure business sustainability through efficient talent management and people development including across the SADC Region.

Ms. Moipolai has served in leadership roles at other prominent organisations locally and internationally, including at Botswana Insurance Fund Management as HR Business Partner. Ms. Moipolai has accumulated extensive experience in driving people-first operational agendas to assist with business strategy implementation and service delivery, and is passionate about Talent Acquisition and interrogating the readiness of leaders to meet the current and future needs of the business and its strategy.

She holds a Bachelor of Science in Business Administration with a Major in Human Resources Management from the University of Nebraska, Omaha USA.

EXECUTIVE MANAGEMENT

MR BOTSHELO MOKOTEDI - HEAD RISK MANAGEMENT

A forward-thinking, highly motivated and results-driven leader, Mr. Mokotedi has served over (10) ten years in the financial services sector. Mr. Mokotedi has served in a variety of senior roles including in Business Development, Credit Analysis, Portfolio and Risk Management at among Botswana's most renowned financial organisations including National Development Bank (NDB) and Citizen Entrepreneurial Development Agency (CEDA). Mr. Mokotedi has acquired a wealth of experience in the financial and Risk management fields including Budget Development, Credit control, NPL Monitoring, Risk Analysis on investments, Fiduciary and Governance Framework Development.

As leader of the Risk Management Division at BDC, Mr. Mokotedi's mandate entails leading in the management of BDC's overall credit and operational risk management framework. His duties include managing the Corporation's investment portfolio on a continual basis. His department ensures that timeous action is taken through various interventions including work-out and restructuring to protect the Corporation's interests, manage financial risk and ensure business sustainability.

Mr. Mokotedi holds a Bachelors of Commerce Degree specialising in Risk Management from the University of South Africa (UNISA) (2008).

MR GILBERT OFETOTSE - HEAD LEGAL AND COMPANY SECRETARIET

Mr. Ofetotse is the Head of Legal and Board Secretariat, a role he assumed in September 2018. Prior to his assumption to head the division, Mr. Ofetotse had been serving in acting capacity since April 2017. In his capacity at BDC, Mr. Ofetotse's mandate is to provide Legal and Company Secretarial services to the Corporation, the Board and its Constituent Sub-Committees, and monitor adherence to international standards of Corporate Governance in order to protect the integrity of BDC. He has brought to the Corporation a wealth of expertise on the back of extensive legal practice in previous roles as a senior attorney and legal advisor in both public and private institutions over the span of his impressive career journey. As a distinguished practitioner, his expertise includes straddling Litigation, Statutory Regulation, Taxation and Compliance, and Commercial Law.

Among his previous achievements included his leadership of the drafting of the new Civil Aviation Regulations for the Republic of Botswana and service as the major legal advisor on the country's bi-lateral air services agreements with international capacity and diversity.

Mr. Ofetotse attained a Bachelors Degree in Law from the University of Botswana and also holds an additional qualification in International Air Law.

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MS MARANYANE MAKHONDO - CHIEF FINANCIAL OFFICER (AG)

Ms. Makhondo oversees the Finance & Treasury, IT, Procurement and Administration functions within BDC. Within BDC she held the position of Financial controller, actively assists in the running of the entire finance function of the Corporation, but directly responsible for group and company financial reporting, internal controls and GL Integrity, financial systems and coordination of audits.

Prior to joining the Corporation Ms. Makhondo had accumulated a wealth of experience in both the private and quasi-public institutions in manufacturing and property industries where her roles included financial accounting, credit control, capital accounting and overall financial management.

Ms. Makhondo has a Bachelor of Accounting degree from the University of Botswana and further holds a Masters degree in Finance and Investments from Università Telematica Internazionale Uninettuno in Cooperation with London School of Business and Finance. She is also a member of the Association of Chartered Certified Accounts (ACCA).

MS. LINDILE MHLAULI - CHIEF AUDIT EXECUTIVE (AG)

Ms. Mhlauli is the Acting Chief Audit Executive. Her role involves ensuring effectiveness and compliance with internal control systems and procedures. Her division is mandated to manage and monitor all transactional activities with the aim of reducing potential risk, protecting the assets of the Corporation and ensuring optimal utilisation of the assets and resources of the organisation.

She has brought to the Corporation seasoned counsel and leadership in the monitoring of susbantive audit planning, regulatory compliance and management over a variety of corporate arenas including the Corporation's Risk Management, Management Accounting and Corporate Treasury, Finance & Administration, Invoice Discounting and Information Management, to name a few. Ms. Mhlauli has served in the Corporation for over 6 years in senior roles and has led teams at other prominent organisations in the financial services sector including Botswana Savings Bank and KPMG Botswana.

Ms. Mhlauli holds an Association of Certified Chartered Accountants (ACCA) qualification and a Bachelor of Accountancy Degree from the University of Botswana.

INTERGRATED
REPORT

INVESTMENT REPORT

The Corporation maintained its origination efforts during the financial year FY2017/18 seeking to grow the portfolio and augment returns for the Corporation. Over the period the Corporation accelerated the review and classification of potential investments as well as trimming the pipeline of transactions that do not fall within the current focus areas of the Corporation. A leaner pipeline, both regionally and locally, allowed the Corporation to focus on deals with a high prospect of closure going a long way to improving the pipeline conversion ratio. This decision to focus on closing deals saw the Corporation approving P502 million worth of new transactions during H2 FY18/19. These new transactions are in the Property, Banking, Transport and Logistics, as well as Manufacturing sectors which will further diversify the Corporation's portfolio. A total of P186 million was disbursed by the Corporation during the financial year, of that amount P129 million was disbursed to new transactions.

The pipeline as at the end of the financial year was significantly biased towards local transactions, representing 65% of the total portfolio and regional transactions representing the balance of 35%. This represented a significant shift in geographic concentration of the pipeline which was previously regionally biased with local transactions representing on average a third of the pipeline over the past periods.

During the financial year the division continued its efforts towards closing the Corporation's first regional transaction, however the end of the last quarter saw the expiry of the Long Stop Date of the Corporation's first African investment with the transaction therefore falling off. The Corporation is exploring alternative regional transactions in the existing pipeline and we are confident of closing a regional transaction in the next financial year. There are currently two advanced transactions of US$20.5 million at term sheet and due diligence stages respectively.

The Corporation received dividends of P133 million in FY18 compared to P145 million received in FY17. The decline in dividends received over the period is primarily due to declined dividends received from Western Industrial Estate (WIE) over the period. This decline in dividends from WIE was anticipated due to significant projects currently being funded in the company as well as the correcting of a negative retained earnings position.

As at the end of the financial year, the BDC portfolio experienced a slight decline in value from P2.53 billion in June 2017 to the current P2.45 billion. The decline experienced over the period was due to a decline in the prices of quoted investments as well as the partial settlement of facilities by

INVESTMENT REPORT (CONT.)

some of the investee companies. This decline was cushioned by the new investment in Transport Holdings Pty Ltd (TH) as well as disbursements made in other implementing transactions.

New Business Investments

The financial year FY2017/18 represents the fourth year of BDC's #DTB5 strategy. During the financial year, the Corporation maintained its focus on value creative activities and growth of the Corporation's portfolio. As at the end of the year, the Division was holding negotiations or had signed term sheets worth P652 million, with a total of P285 million worth of transactions undergoing the due diligence process. These are expected to be advanced for approval decision in Q1 FY19 should there be no adverse findings in the process.

The approved transactions over the period totaled P502 million for various projects as follows:

TRANSPORT AND LOGISTICS SECTOR

A disbursement of P149 million was approved for investment into Transport Holdings. Transport Holdings is a leading Botswana transport and logistics company with a twenty-five-year history in the market. Through its four subsidiaries, the company provides a full spectrum of transport and logistics services which include clearing and forwarding; warehousing and consolidation; and road transportation of mainly dry goods. A total of P129 million has been disbursed during the period, with the balance to be drawn down at a later stage.

FINANCIAL SERVICE SECTOR

A disbursement of P150 million was approved for investment into a leading financial services institution in the Botswana market. The project was approved during the financial year and disbursement is anticipated for early next financial year.

MANUFACTURING SECTOR

An investment of P54 million was approved to finance the development of an industrial and medical gas manufacturer in Botswana. The project was approved during the financial year with implementation and disbursement anticipated in FY18/19.

PROPERTY

A disbursement of P150 million was approved for investment into a locally listed property vehicle for the acquisition of properties in the Botswana market. The transaction was approved during the financial year and is currently under legal closure.

Divestments / Exits

The Division was able to conclude several divestment initiatives over the year in line with the exit strategy. The sale of BDC interests in Kwalape Safaris and Tours, a tourism operator in Kasane, was concluded during the year with BDC's interests transferred to Botswana citizens. Sales of properties under the Residential Holdings subsidiary were also concluded with the transferring of assets to citizens. These properties included Grand Palm Sunset Mews as well as 12 out of 18 units held by Residential Holdings in plot 5215 (Notwane Court) in Gaborone.

Divestments continue to be a key process in the Corporation's strategy and investment cycle. The Corporation continues to review its portfolio to maintain a balance of its investments and to also identify where an investment has reached the fullness of its life cycle within the Corporation, or where a return-based approach applies. Exits from portfolio companies will continue to be considered where the Corporation has an asset which has generated sufficient returns, or a commercially attractive offer is received that will support the Corporation to further deliver on its mandate.

HUMAN CAPITAL REPORT

As we embrace a world where everything is connected and global trends shape the workplace, Human Capital continues to play a pivotal role in creating an environment that focuses on employee experiences, drives innovation, increases customer satisfaction, creates a more meaningful work, and improves overall performance. We continue to rethink our talent strategies across all stages of the employee life cycle while vying for top talent in a volatile, uncertain, complex, and ambiguous (VUCA) world.

Our key focus areas continue to be:

- Accelerating and driving culture change
- Building a bespoke now and future skills
- Enhanced Employee Value Proposition
- Highly empowered teams

In our continuous endeavor to Accelerate and drive a strong Corporate culture, we have adopted positive aspirational "Unwritten Ground Rules" (UGRs), that influences the way we think and act. To emphasise the importance of culture transformation, our leaders have set a strong tone by actively and visibly modelling the desired behaviours across the Corporation. This culture change initiative also ensures that the Corporation's values and beliefs are actively translated into our day to day policies, processes and activities to create a common performance language across the business. Through our employee commitment to doing things with a faster, collaborative and enterprising spirit, the organisation, can enhance individual performance and contribute to improved overall performance, thus securing the future success of BDC.

The accelerating changes in business and the economy has challenged BDC through its Human Capital to adopt new ways of delivering continuous employee learning and development, by taking advantage of an increased need for technology and leveraging by strength of our millennials generation. We have different learning platforms that we use interchangeably to build a bespoke employee who will not only remain relevant in the future but also develop agility required to thrive in the future world of work. BDC has since, following a focused comprehensive based

HUMAN CAPITAL REPORT (CONT.)

development, introduced the BDC Academy, a self-paced online learning platform for employees that offers a range of video distribution and interactive content, which is easily accessible and encourages flexibility around learning and development. Building a bespoke now and future skills, is embedded deeply into our DNA, hence the need for BDC to offer an array of learning solutions that inspire employees to reinvent themselves, develop critical skills and contribute to the learning of others. Diversity and inclusion is a priority for us, in that we offer experiential learning to people living with disabilities. These platforms will also help BDC produce future leaders that are fluid and progressive through robust leadership programmes.

As the demand for talent sourcing and acquisition ages on, Human capital continues to ensure that BDC has the relevant skills to achieve its strategic objectives by not only infusing new skills to the business but also developing from within. Human Capital is also cognisant of the age dynamics involved in talent sourcing, therefore we strive to build an environment that is conducive for all generations for the success of our business. Therefore, we have made a deliberate effort to continuously improve our talent management strategies and enhance our Employee Value Proposition. These strategies emphasise the importance of career advancement, a fulfilling work-life integration, as well as provide a thrilling individual experience in a supportive and family-like environment.

Our approach to Highly empowered teams focuses on a robust performance management linked to reward, and continuous feedback. For the year under review, the performance management process was focused more on maximizing career experience to achieve both business and personal goals and to encourage a growth mindset. This is depicted by the inculcation of Talent Management Conversations into our performance management process. A purposeful and clear intention is made, to ensure that our performance management process becomes more personalised, more in real time, and more progressive in terms of updating goals aligned to the rate of change in the Corporation.

The Future outlook of Human Capital at BDC is to continue driving a strong corporate culture which prompts employees to 'want to come' to work as opposed to 'have to come' to work. We strive to continually improve our people agenda and processes to best align with the ever-changing practices and create an environment that fulfils employees' need to belong and make them feel they are part of something greater. We also recognise that leadership effectiveness is key to achieving our corporate strategy.

PROMOTING AND FACILITATING ECONOMIC
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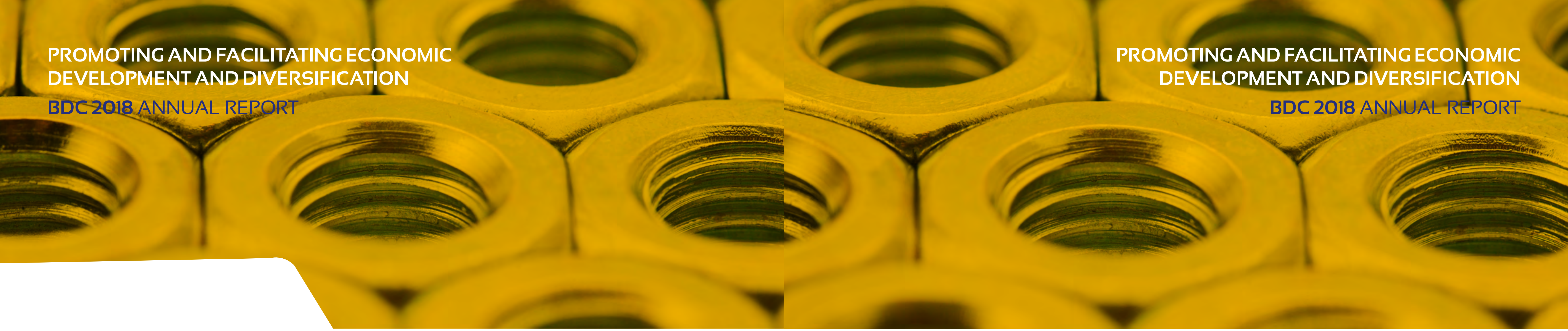
BDC 2018 ANNUAL REPORT



GROUP INTERNAL AUDIT

Governance Assurance and Internal Audit function overview

Mandate and Reporting

BDC has a Group Internal Audit function which is an independent objective assurance and consulting activity established to assist the Corporation to accomplish its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of control, risk management and governance processes of BDC and subsidiaries.

GIA has adopted a risk-based approach to developing an internal audit plan that adequately covers the Group Audit Universe. During FY18, the Board through the Finance and Audit Committee, alongside External and Internal Auditors, continued to provide combined assurance for all significant risks identified.

Organisational Independence

To achieve organisational independence within the Corporation, the Chief Audit Executive reports functionally to the Board of Directors through the Finance and Audit Committee and administratively to the Managing Director. The Chief Audit Executive has direct and unrestricted access to the Board Chairperson, Finance and Audit Committee Chairperson and the Managing Director.

Risk Management

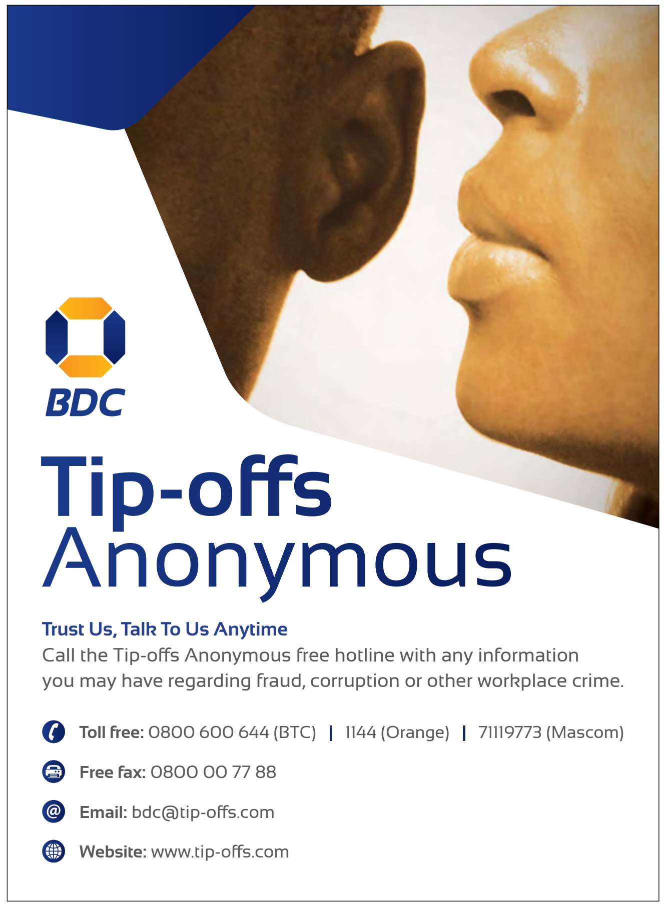
While the responsibility for identifying and managing risks resides with Management, one of the key roles of GIA is to provide assurance that there is an ongoing process of risk identification, evaluation and mitigation. The Board and Management have ensured that risk identification is an ongoing process and that there are adequate resources, policies and procedures in place to guide the Corporation's operations, safeguard assets and ensure the integrity and reliability of financial and management information.

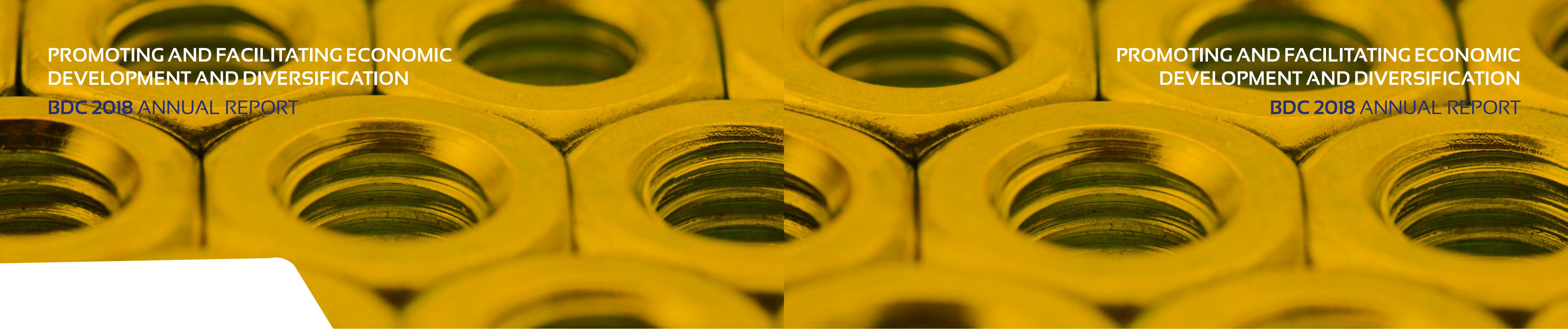
GROUP INTERNAL AUDIT (CONT.)

Tip-Off Anonymous

Internal Audit oversees and provides liaison between the Corporation's structures and an independent 24 hours Anonymous Tip-off Service.

The service forms part of the mechanisms that assist the Corporation in fraud and corruption deterrence as well as detection. Internal Audit performs investigations arising from whistleblowing reports made and provides Executive Management and the Board with updates on issues arising from the investigations as well as any trends identified.





RISK MANAGEMENT AND SUSTAINABILITY

RISK MANAGEMENT

Overview
Risk is an inherent nature of BDC's business, however its main objective is to always match risk exposure with the level of expected return as per the Corporation's appetite level. This is essential for the Corporation to attain its business growth and profitability goals to promote the sustainability operations.

Consequently, Risk management is paramount to our activities and underpins the execution of BDC Mandate and Strategy.

ENTERPRISE RISK MANAGEMENT FRAME-WORK (ERM)

ERM provides a structural approach to risk management activities as well as ensuring that risks are managed and allocated to appropriate risk owners across the Corporation. The framework is encapsulated in the Risk management policy and framework. It regulates all risk management initiatives and activities, facilitates their alignment with strategic and operational objectives to ensure any risks threatening the attainment of BDC's objectives are adequately and effectively managed at acceptable levels.

The doctrine strives to ensure that risks are managed in a coordinated, comprehensive and systematic fashion consistent with the corporation's mandate, national legislation and aligned to internationally accepted standards and guidelines.

BDC RISK UNIVERSE

An overview of the inter-relationships between the principle components of the risk management framework within an organisation is outlined in the diagram below:

The BDC risk approach is based but not limited to the following core principles;

- The risk management process supports the pursuit of BDC's strategy and is validated on a periodical basis;
- The identified types of risks are appropriately managed;
- The risk management is integrated with the planning and controlling systems; and the risk level is monitored on an ongoing basis.

PROMOTING AND FACILITATING ECONOMIC DEVELOPMENT AND DIVERSIFICATION
BDC 2018 ANNUAL REPORT

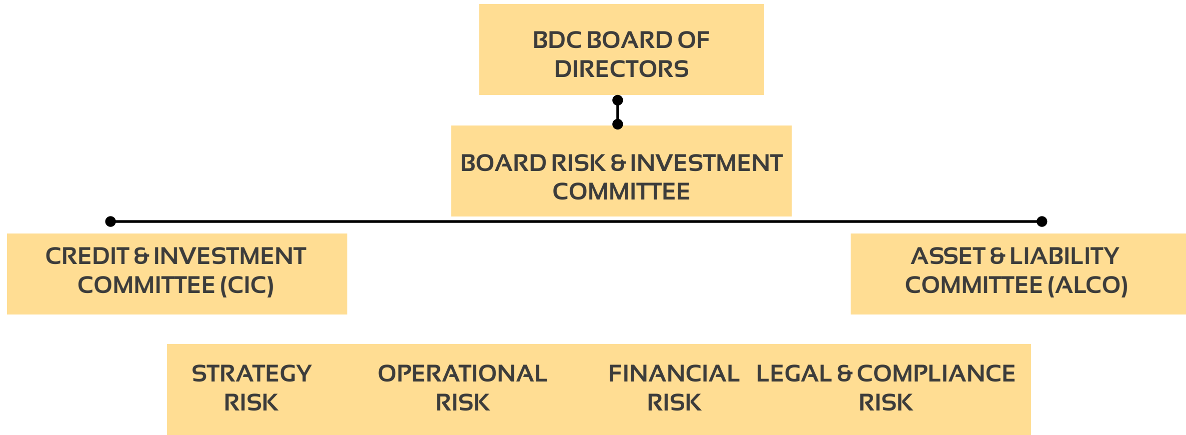
RISK MANAGEMENT AND SUSTAINABILITY (CONT.)

APPROACH TO RISK MANAGEMENT

First Line of Defence	Encompasses the functional units that are responsible for the business operational activities, including those who are involved in day-to-day transaction services, and which are responsible for managing their own risks.	Front Office & Functional Units
Second Line of Defence	Consists of functional units that are responsible for monitoring the activities of the first "line of defence" and exercising risk control.	Risk Management
Third Line of Defence	Provides an independent review and challenge of the development process of the Corporation's risk management controls, processes and systems	Staff & Independent

RISK GOVERNANCE

Board of Directors
The Corporation's Board of Directors (the Board) has oversight for risk management with a special focus on the most pertinant risks facing the Corporation, rooted in strategic, operational, financial, legal and compliance fronts. Perenially, the Board and supporting committees to which responsibility has been delegated, devote a portion of their meetings to review and discuss specific risk issues in profound detail. Strategic, Operational and Reputational risks are presented and discussed in great detail within the context of the Managing Director's report to the Board.



RISK MANAGEMENT AND SUSTAINABILITY (CONT.)

Risk governance across the business is maintained through effective delegation of authority from the Board through its Risk and Investment committee right through to management levels. The delegation of risk management responsibilities across the Corporation is structured to ensure decisions are taken at the most appropriate level consistent with business objectives. Strategic business decisions are taken within the Board's-authorised risk appetite in tandem to the executive and risk committees closely monitoring risk profiles against permitted appetite levels.

The Board with the assistance of Risk & Investment committees, continuously monitor high-ranking risks to ensure timeous mitigation and processes, thereby ensuring value creation and preservation for the Shareholder. Residual risks facing the Corporation are reflected as follows;

Risk	Possible impact	Strategic Response in mitigation
Sub-Optimal Funding Structure risk	Capital structure directly influences blended cost of capital which ultimately influences BDC market attractiveness.	Sourcing of optimal funding sources
Loss of Economic Capital risk (Credit risk)	The Corporation's loss of risk capital from non-performing investment assets.	The Corporations NPL ratio has been declining year on year. Robust credit policies and processes
Portfolio risk	The portfolio may have an exposure to certain industrial sectors, instruments and geographic arears.	Systematic portfolio reviews. Diversification of the portfolio
Disaster Recovery and Business Continuity	The risk of the business not being able to resume its operations following the occurrence of an unforeseen disaster or event.	Annual Business Resilience Test. Policies and framework.

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RISK MANAGEMENT AND SUSTAINABILITY (CONT.)

A. Material Emerging Risk
The following are emerging risks that management is conscious of and are timeously working towards their mitigation and limiting the impact arising from such positions;

I. Political and Regulatory Risks
The risk associated with political instability and adverse change pertaining to the regulatory environment within a deal hosting country. As the Corporation moves to concur foreign markets it is only right for management to keep conscious of all exposures associated with foreign participation.

II. Foreign Exchange risk
The risk has the potential to erode the value of foreign denominated assets due to mismatch of local and foreign currencies. This position is pertinent in that it underlies the current strategic intent of expanding our footprint into other territories.

ENVIRONMENTAL AND SOCIAL SYSTEMS

Over the years BDC has developed and implemented its Environmental and Social System frame work (ESMS). This is done not only to assure our stakeholders but to ensure sustainability of our business operations. Our position is that without serving the call to protect the environment as well as fulfilling the expectations of the society we operate in, it will become much more difficult to guarantee the sustenance of our operations into the future. Furthermore, we strive to create a better world that is socially and environmentally viable in the long term.

Our aim is to provide responsible funding solutions with a view to manage the environmental sustainability and uphold the expectations of the society within which we operate.

The above principles are underpinned by our Environmental and Social Systems prescriptions which are fostered and directed by BDC Board of Directors.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

As Botswana Government's investment agency for driving Commercial and Industrial Development in the local economy, Botswana Development Corporation also fervently believes an important aspect of moving Botswana forward resides in the significant contribution towards uplifting communities in need. Economic and developmental inclusion is a key pillar in our approach. We believe that as we grow, so must all segments of our society especially those who are vulnerable and most challenged. The Corporation continues to exercise its role as a Responsible Corporate Social Citizen which is delivered through its Corporate Social Responsibility (CSR) programme. Corporate Social Investments (CSI) donations and sponsorships are undertaken in different forms in accordance with budget and plan. The Corporation has just established a Trust fund which will house all CSI initiatives going forward, and in line with international best practice, BDC from its next financial year (2019/20) will dedicate 1% of its Profit After Tax (PAT) towards community development programmes. The decision has come off the back of a desire to deepen the Corporations' CSR impact in Botswana communities.

PROMOTING AND FACILITATING ECONOMIC DEVELOPMENT AND DIVERSIFICATION
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CORPORATE SOCIAL RESPONSIBILITY (CSR) (CONT.)

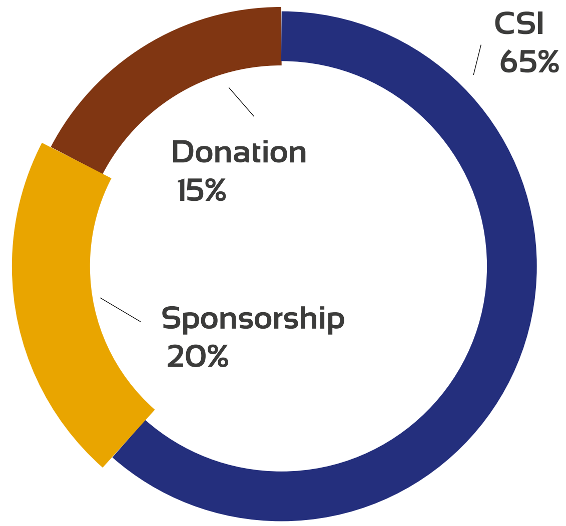
Under BDC's CSR programme, beneficiaries qualifying for such support ideally meet the following criteria:

a) Non-profit making organisations which provide skills development, employment opportunities, and services to national communities at large registered and in good standing under the Societies Act. Where a request is from a non-registered society or an individual, whose case in the opinion of the CSR committee deserves assistance, it will be reviewed and considered.

b) Assisted beneficiaries should perform services that directly contribute towards the potential and actual benefit of the entire Botswana community in some manner and are also non-discriminatory in their practice. BDC has taken strides to focus on particularly vulnerable members of the community including efforts that cater for but not limited to the following:

- The care, rehabilitation and training of the people living with disabilities, the socially disadvantaged and those suffering illnesses. The Corporation in recent years has made significant strides to support relief organisations that cater for this demographic in-particular. Assisted organisations should be responsible and well managed, as evidenced by the status and bona fides of their management committee and be able to avail annual reports of their activities. Major activities previously undertaken in this area include: Building of a Classroom Block for the Francistown Centre for the Deaf at P800 000.00, Tonota Special Needs Classroom Building Project at P1.57Million, Donation of a mini bus to Ramotswa Centre for Deaf Education and ,most recently the adoption of the school where the Corporation will be a key partner is assisting the school with efforts to enhance the learning conditions of the students at the school.

Unpacking our commitment approach to Corporate Social Responsibility:



- Our Corporate Social Investment (CSI) programme is more pro-active and long term where the Corporation pro-actively identifies one or two community initiatives/ projects within its current geographic area of operations.
- Our Donations programme is more reactive and short term, where the Corporation responds to requests for funding or donations most of which are once off.
- Our Sponsorships programme is also more on short term basis and driven primarily at improving our strategic partnerships that offer opportunities for further appreciating BDC's mandate.

Botswana Development Corporation Limited

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS 30 JUNE 2018

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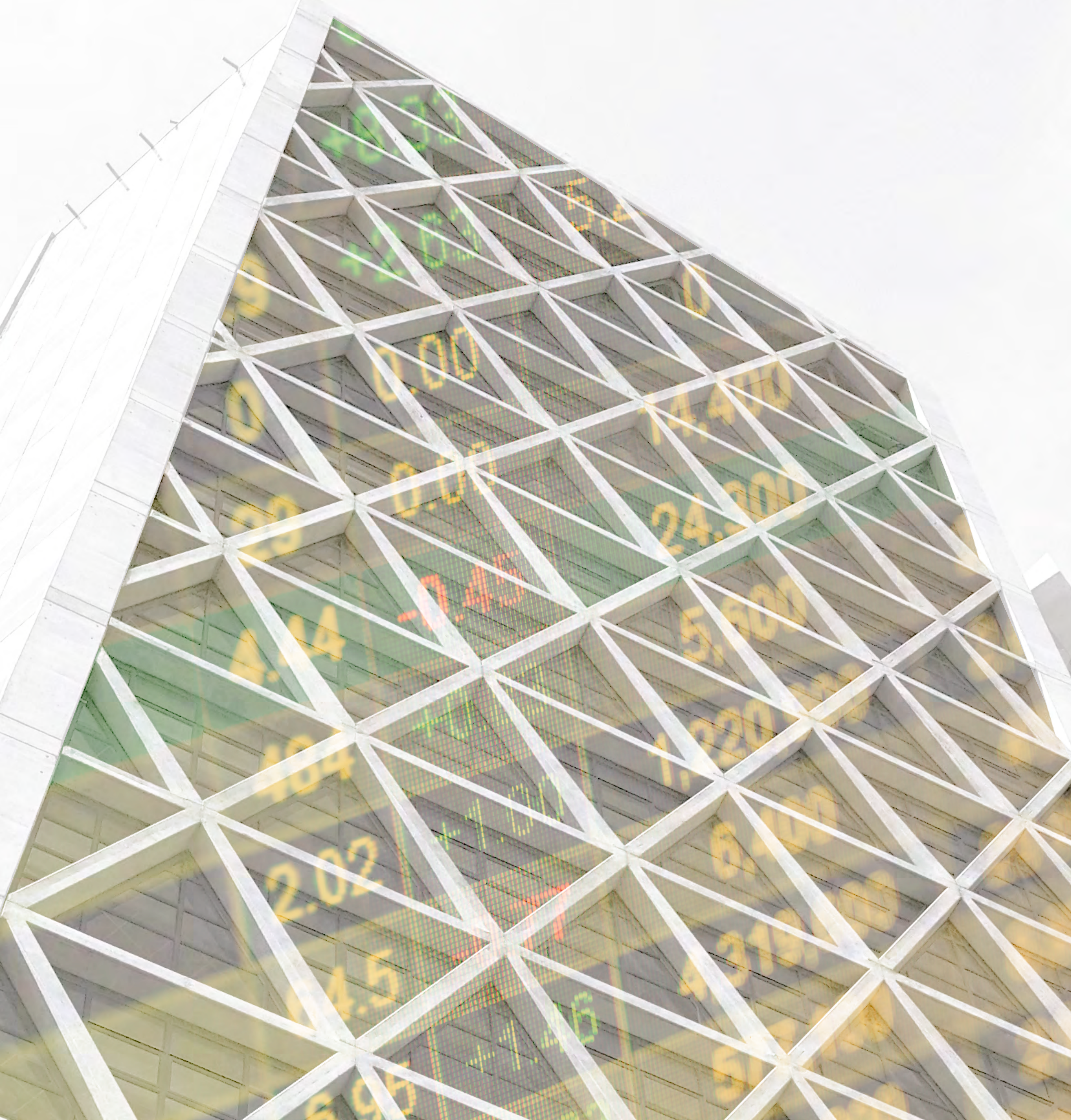

DIRECTORS' REPORT
30 June 2018

DIRECTORS' REPORT
Botswana Development Corporation Limited (the Company) is a public entity set up by the Government of the Republic of Botswana (GRB) to promote development investment finance. The Company is registered under the Companies Act of Botswana (Companies Act, 2003).

The Directors have pleasure in submitting their annual report to the Shareholder together with the consolidated and separate audited financial statements for the year ended 30 June 2018 prepared in accordance International Financial Reporting Standards.

DIRECTORS

At the date of authorisation of these financial statements the following were directors of the Company:

B Marole (Chairman)	T Molebatsi
B Gaetsaloe (Managing Director)	C Dow
S M Sekwakwa	A Monnakgotla
N Bogatsu	P Serame
R Chilisa	O Tebogo

STATED CAPITAL
The total number of ordinary shares issued and fully paid is 541,769,462 (2017: 541,769,462).

INVESTMENTS
During the year the Company invested further ordinary and preference shares in the following entities:

	BWP
- Commercial Holdings (Pty) Ltd	488,462
- Western Industrial Estates (Pty) Ltd	23,606,000
- Thakadu & Kwena Hotels (Pty) Ltd	129,109
- Transport Holdings (Pty) Ltd	10,864,648
- Milk Africa (Pty) Ltd	156,594

DIRECTORS' FEES AND EXPENSES
It is recommended that directors' fees, expenses of P202 500 and directors' emoluments of P2 838 244 (2017: Fees P2 930 000, Emoluments P3 160 875) for the year to 30 June 2018 be ratified.

By Order of the Board

Group Company Secretary

G. Olefotse

06 Dec 2018

DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE FINANCIAL STATEMENTS
30 June 2018

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Botswana Development Corporation Limited ("the Group"), comprising the statements of financial position at 30 June 2018 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards ("IFRS").

The Directors are required by the Companies Act of Botswana (Companies Act, 2003) to maintain adequate accounting records and are responsible for the content and integrity of the financial information included in this report. It is their responsibility to ensure that the consolidated and separate financial statements fairly present the state of affairs of the Group and Company at 30 June 2018 and the results of their operations and cash flows for the year then ended, in conformity with IFRS. The external auditors are engaged to express an independent opinion on the consolidated and separate financial statements and their report is presented on page 56.

The Directors are responsible for such internal controls as the Directors determine as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The consolidated and separate financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates. The Directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors have made an assessment of the Company's ability to continue as a going concern and there is no reason to believe the business will not be a going concern in the year ahead. The Directors are of the opinion, based on the information and explanations given by Management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Disclosure of audit information

Each of the directors at the date of approval of this report confirms that:
- in so far as the director is aware, there is no relevant audit information of which the Group's and Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Group's and Company's auditor is aware of that information.

Directors' approval of the financial statements

The consolidated and separate financial statements set out on pages 64 to 136, which have been prepared on the going concern basis, were approved by the Board on December 2018 and are signed on its behalf by:

Mr B Marole
Chairman

Ms N. Bogalsu
Director

KPMG, Chartered Accountants
Audit
Plot 67977, Off Tlokweng Road,
Fairgrounds Office Park
PO Box 1519, Gaborone, Botswana
Telephone +267 391 2400
Fax +267 397 5281
Web http://www.kpmg.com/

Independent Auditor's Report

To the shareholder of Botswana Development Corporation Limited

Opinion

We have audited the consolidated and separate financial statements of Botswana Development Corporation Limited (the Group and Company), which comprise the statements of financial position at 30 June 2018, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, significant accounting policies and the notes to the financial statements, as set out on pages 64 to 136.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Botswana Development Corporation Limited at 30 June 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (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' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with 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.

Valuation of investment properties

This key audit matter is applicable to the consolidated financial statements.

Refer to the accounting policy for investment properties in note 1.13, the critical accounting estimates and judgements in applying accounting policies in determining the valuation of investment properties on page 87 and note 8 to the financial statements.

The key audit matter	How the matter was addressed in our audit
The Group owns a portfolio of investment properties comprising office buildings, residential property, industrial property and mixed use properties located primarily in Gaborone, Selibe-Phikwe and Lobatse. The carrying values of the investment properties amounted to P2.208 billion as at 30 June 2018 (2017: P1.961 billion). This accounts for 62% of the Group's total non-current assets. The Group's investment properties are stated at fair value based on valuations carried out by independent qualified professional valuers (the valuers). The valuations are dependent on unobservable inputs which are generally applied by valuers. These unobservable inputs involve judgement. The valuation model considers the present value of net cash flows to be generated from the property, taking into account the expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other	Our audit procedures performed included the following: -We evaluated the competence, capabilities and objectivity of the valuers, including an evaluation of controls in place for the appointment and assessment of these experts. -We evaluated the appropriateness of valuation methodologies used against those applied by other valuers for similar property types. We also considered other alternative valuation methods. -We obtained an understanding of the valuation process used by the valuers, including the significant assumptions and critical judgments applied in the valuation methodologies and whether these methodologies meet the relevant financial reporting requirements. -We assessed and challenged the inputs and assumptions in the valuation models to ensure that the significant inputs are within a reasonable range for the respective market sector and asset. These procedures consisted of the following: -Cash flows (rental incomes) were traced to underlying lease contracts on a sample basis;

KPMG

factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit worthiness and lease terms. Details of the valuation techniques and significant unobservable inputs used in the valuations are disclosed in note 8 to the consolidated financial statements. Due to the significance of the value of investment properties and the significant estimates and judgments involved in determining the fair values of the investment properties, the valuation of investment properties was considered to be a key audit matter.	-Expected market rental growth and discount rates were compared to industry data and found to be reasonable for the sector and assets in question; and -Occupancy rates and rent free or void periods were compared to historical data. In addition, we considered whether the historical data was an appropriate indication for future inputs in line with current market conditions. -We traced the values of the Group's investment properties to the independent valuers' reports. -We evaluated management's process for reviewing the inputs and results obtained from these valuation reports, in assessing whether any impairments should be recognised on the value of the Group's investment properties. -We considered the adequacy of the disclosures made in the financial statements related to the valuation of investment properties in relation to the requirements of the relevant financial reporting framework.

KPMG

Impairment of investments in subsidiaries and associates	
This key audit matter is applicable to the Company's separate financial statements. Refer to the accounting policies on investments in subsidiaries and associates on page 71, the critical accounting estimates and judgements in applying accounting policies in determining the impairment of investments in subsidiaries and associates on page 88, notes 11 and 12 relating to subsidiaries and associates respectively, and note 14 relating to accumulated impairment of investments.	
The key audit matter	**How the matter was addressed in our audit**
The carrying value of the Company's investments in subsidiaries and associates amounted to P1.178 billion (2017: P997 million) at the reporting date. This constitutes 55% of the Company's total non-current assets. The investment in subsidiaries includes the Company's investment cost and loans to subsidiaries. Loans to subsidiaries are initially recognised at fair value and subsequently measured at amortised cost less impairment. The impairment of these loans are considered based on historic default rates, security held, the current financial position of the subsidiaries as well as evaluating the events subsequent to the reporting date which may have an impact on the value of the Company's investment in loans to subsidiaries. The valuation of the loans is determined by assessing the financial strength (equity) of the subsidiaries or associated companies. Investment in subsidiaries and associates are measured at cost less accumulated impairment losses. The Company assesses its investment in subsidiaries and associates whenever circumstances may indicate the presence of impairment indicators.	Our audit procedures performed included the following: **Investment in subsidiaries** -We compared the carrying values of the investment in subsidiaries with the respective net asset values per the subsidiaries' audited financial statements. -Where the comparison of the Company's investment in subsidiaries to the net book value of the subsidiaries indicated a possible impairment, we reviewed assumptions used by management in determining the values of the Company's investment in subsidiaries. -We critically evaluated the judgment and assumptions applied in the impairment calculation at the reporting date by considering the historical performance of the subsidiaries concerned, information available at the reporting date and our understanding of the Group business model. -We reviewed management's assumptions in the annual impairment assessment of subsidiaries, including benchmarking of the inputs to the contractual agreements, as well as evaluating events subsequent to the reporting date and historic default rates which may have an impact on the value of the Company's investment in loans to subsidiaries. Our procedures included the following:

KPMG

During the year, certain subsidiaries and associated companies incurred losses, causing the directors to assess them for impairment. The value of the investments is determined using generally accepted valuation methods that are based on overall strategic business models and the current financial position and past performance of these subsidiaries and associated companies. Management compares the carrying values of the investments in subsidiaries and associates with the respective net asset values per the audited financial statements. Management also takes into consideration information available at the reporting date which may have contributed to the current performance or which is expected to improve future performance of the subsidiaries and associated companies. The assessment of these investments for impairment therefore requires the application of judgment and the use of significant assumptions in determining future profitability and the current value of assets held by the subsidiaries and associated companies. Given the significance of the investment in subsidiaries and associates and the significance of the judgements made by management in evaluating these investments for possible impairment, we considered the valuation of investments in subsidiaries and associates to be a key audit matter to the Company's separate financial statements.	-Assessing the mathematical and technical accuracy of management's calculations; -Evaluating the consistency of the applied impairment assessment methodology; and -Reconciling the input parameters applied in the calculation to underlying records. We assessed the adequacy of disclosures in the Company's financial statements related to investments in subsidiaries in accordance with the requirements of the financial reporting framework. **Investment in associates** -We compared the carrying values of the investment in associates with the Company's share of net asset values per the associates' audited financial statements. -Where the comparison of the Company's investment in associated companies to its share of the net book value of the associates indicated a possible impairment, we reviewed assumptions used by management in determining the values of the Company's investment in associates. -We critically evaluated the judgment and assumptions applied in the impairment calculation at the reporting date by considering the historical performance of the associates concerned, information available at the reporting date and our understanding of the Group business model. -We reviewed management assumptions in the annual impairment assessment of loans to associates, including benchmarking of the inputs to the contractual agreements, as well as evaluating events subsequent to the reporting date and historic default rates which may have an impact on the value of the Company's investment in associates. Our procedures included the following: -Assessing the mathematical and technical accuracy of management's calculations;

BOTSWANA DEVELOPMENT CORPORATION LIMITED
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

KPMG

	-Evaluating the consistency of the applied impairment assessment methodology; and -Reconciling the input parameters applied in the calculation to underlying records. -We assessed the adequacy of disclosures in the Company's financial statements related to investments in associates in accordance with the requirements of the financial reporting framework.

Other Information

The directors are responsible for the other information. The other information comprises the rest of the information contained in the annual report, but 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group'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.

KPMG

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or 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 a true a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an

BOTSWANA DEVELOPMENT CORPORATION LIMITED
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

KPMG

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

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

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

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

KPMG

KPMG
Certified Auditors
Practicing member: Francois Roos (20010078.45)
17 January 2019
Gaborone

STATEMENTS OF COMPREHENSIVE INCOME
For the year ended 30 June 2018

		Consolidated		Company	
			Restated		Restated
Continuing operations		2018	2017	2018	2017
	Notes	P 000	P 000	P 000	P 000
REVENUE					
Income from trade	3	122,761	137,246	175,050	179,690
Cost of sales		(55,573)	(63,079)	-	-
GROSS PROFIT		**67,188**	**74,167**	**175,050**	**179,690**
Rental income	8	146,566	137,113	-	-
- Contract rental		137,917	123,142	-	-
- Straight line lease rental adjustment		8,649	13,971	-	-
		213,754	**211,280**	**175,050**	**179,690**
Finance income	4	18,489	11,101	39,187	46,052
Other operating income	5	87,491	62,686	72,386	65,534
Fair value gain on investment properties	8	44,522	28,508	-	-
- As per valuation		53,171	42,479	-	-
- Straight-line rental adjustment		(8,649)	(13,971)	-	-
Share of profits of associates	12	23,859	26,784	-	-
Marketing expenses		(2,460)	(3,455)	(964)	(2,270)
Occupancy expenses		(46,328)	(41,977)	(14,744)	(12,987)
Administrative expenses		(183,711)	(129,595)	(46,021)	(28,745)
Other operating expenses		(5,775)	(6,612)	(27,640)	(23,359)
Finance costs	4	(54,683)	(61,140)	(45,740)	(55,265)
Available-for-sale investments reclassified to profit or loss*	23	92,053	37,390	92,053	37,390
PROFIT BEFORE TAX	**6**	**187,211**	**134,970**	**243,567**	**206,040**
Income tax expense	7	(38,978)	(37,905)	(16,262)	(6,699)
PROFIT FROM CONTINUING OPERATIONS		**148,233**	**97,065**	**227,305**	**199,341**
Profit for the year from discontinued operations	41	-	11,365	-	-
PROFIT FOR THE YEAR		**148,233**	**108,430**	**227,305**	**199,341**
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Gain on revaluation of land and buildings		1,798	2,254	-	-
Deferred tax effect of revaluation		-	-	-	-
Share of other comprehensive income of associates	12	20	6,857	-	-
		1,818	**9,111**	**-**	**-**
Items that may be reclassified subsequently to profit or loss:					
Net (loss) on available-for-sale investments	23	(19,612)	(301,492)	(19,612)	(301,492)
Other comprehensive income for the year		**(17,794)**	**(292,381)**	**(19,612)**	**(301,492)**
TOTAL COMPREHENSIVE INCOME		**130,439**	**(183,951)**	**207,693**	**(102,151)**
Profit attributable to:					
Owners of the Company*		117,639	79,059	227,305	199,341
Non-controlling interests*	26	30,594	29,371	-	-
		148,233	**108,430**	**227,305**	**199,341**
Total other comprehensive income attributable to:					
Owners of the Company*		(17,794)	(292,381)	19,612	(301,492)
Non-controlling interests		-	-	-	-
		(17,794)	**(292,381)**	**19,612**	**(301,492)**

*Refer to note 43 for the restatement of retained earnings, fair value reserve and non-controlling interest

BOTSWANA DEVELOPMENT CORPORATION LIMITED
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION
at 30 June 2018

		Consolidated		Company	
			Restated		Restated
Assets		2018	2017	2018	2017
	Notes	P 000	P 000	P 000	P 000
Non-current assets					
Investment properties	8	2,208,051	1,960,547	-	-
Property, plant and equipment	9	179,842	80,306	5,984	7,372
Intangible assets	10	3,266	1,173	2,639	-
Subsidiaries	11	-	-	1,077,818	960,418
Associated companies	12	263,604	202,200	100,262	37,036
Unquoted investments	13	213,721	161,750	213,721	161,750
Quoted investments	15	582,175	704,830	582,175	704,830
Due from group companies	16	-	-	143,724	148,836
Rental straight-line adjustment		65,496	56,847	-	-
Deferred tax assets	30	10,789	11,497	-	-
		3,526,944	**3,179,150**	**2,126,323**	**2,020,242**
Current assets					
Inventories	17	7,577	1,651	-	-
Trade and other receivables	18	75,046	75,423	102,066	25,498
Short-term loans	19	80,560	48,654	86,594	66,026
Short-term investments	20	11,368	11,969	-	-
Cash and cash equivalents	21	360,970	289,931	287,070	172,611
Taxation recoverable		25,124	49,191	4,119	4,395
		560,645	476,819	479,849	268,530
Assets classified as held for sale	42	42,250	217,306	-	89,000
		602,895	694,125	479,849	357,530
Assets pertaining to discontinued operations	41	-	75,491	-	-
Total assets		**4,129,839**	**3,948,766**	**2,606,172**	**2,377,772**
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	22	888,269	888,269	888,269	888,269
Fair value reserve	23	447,030	558,695	447,030	558,695
Other reserves	24	293,285	235,413	101,238	36,442
Claims equalisation reserve	25	4,207	4,207	-	-
Retained earnings*		905,721	858,762	450,210	307,701
Equity attributable to owners of the Company		2,538,512	2,545,346	1,886,747	1,791,107
Non-controlling interests*	26	366,260	345,713	-	-
Total equity		**2,904,772**	**2,891,059**	**1,886,747**	**1,791,107**
Non-current liabilities					
Borrowings	27	549,296	332,893	205,250	135,748
Bonds outstanding	27	344,015	215,129	344,015	215,129
Government grants	28	11,054	11,411	-	-
Provision for restoration costs	29	12,069	-	-	-
Deferred tax liabilities	30	141,364	121,538	-	-
		1,057,798	**680,971**	**549,265**	**350,877**
Current liabilities					
Borrowings	27	18,802	23,583	601	3,614
Government grants	28	356	356	-	-
Taxation payable		2,056	13,853	756	12,139
Trade and other payables	31	133,327	145,765	165,267	101,375
Bank overdrafts	32	5,969	118,660	3,536	118,660
Dividends payable		6,759	6,712	-	-
		167,269	308,929	170,160	235,788
Liabilities associated with assets classified as held for sale	42	-	62,729	-	-
		167,269	371,658	170,160	235,788
Liabilities associated with discontinued operations	41	-	5,078	-	-
Total equity and liabilities		**4,129,839**	**3,948,766**	**2,606,172**	**2,377,772**

*Refer to note 43 for the restatement of retained earnings, fair value reserve and non-controlling interest.

BOTSWANA DEVELOPMENT CORPORATION LIMITED
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

STATEMENTS OF CHANGES IN EQUITY
For the year ended 30 June 2018

	Stated capital	Share application	Fair value reserve	Other reserves	Claim equali-sation reserve	*Retained earnings	Total attributable to members	*Non-controlling interest	Total
Consolidated	**P 000**	**P 000**	**P 000**	**P 000**	**P 000**	**P 000**	**P 000**	**P 000**	**P 000**
Year ended 30 June 2018									
Balance at 1 July 2017	888,269	-	558,695	235,413	4,207	858,762	2,545,346	345,713	2,891,059
Total comprehensive loss for the year	-	-	(19,612)	1,818	-	117,639	99,845	30,594	130,439
Profit for the year	-	-	-	-	-	117,639	117,639	30,594	148,233
Other comprehensive loss for the year	-	-	(19,612)	1,818	-	-	(17,794)	-	(17,794)
Transfers during the year - Restated	-	-	(92,053)	56,054	-	(56,054)	(92,053)	-	(92,053)
Debenture interest declared during the year	-	-	-	-	-	-	-	(12,757)	(12,757)
Dividend paid	-	-	-	-	-	(20,000)	(20,000)	(95)	(20,095)
Other movements	-	-	-	-	-	5,374	5,374	2,805	8,179
Balance at 30 June 2018	**888,269**	**-**	**447,030**	**293,285**	**4,207**	**905,721**	**2,538,512**	**366,260**	**2,904,772**
Year ended 30 June 2017 - Restated									
Balance at 1 July 2016	888,269	-	897,577	217,330	4,207	837,240	2,844,623	331,810	3,176,433
Total comprehensive income for the year - Restated	-	-	(301,492)	9,111	-	79,059	(213,322)	29,371	(183,951)
Profit for the year - Restated	-	-	-	-	-	79,059	79,059	29,371	108,430
Other comprehensive income for the year	-	-	(301,492)	9,111	-	-	(292,381)	-	(292,381)
Transfers during the year - Restated	-	-	(37,390)	36,442	-	(36,442)	(37,390)	-	(37,390)
Debenture interest declared during the year - Restated	-	-	-	-	-	-	-	(19,278)	(19,278)
Dividend paid	-	-	-	-	-	(25,000)	(25,000)	(479)	(25,479)
Disposal of an investment	-	-	-	(29,422)	-	-	(29,422)	-	(29,422)
Other movements - Restated	-	-	-	1,952	-	3,905	5,857	4,289	10,146
Restated Balance at 30 June 2017	**888,269**	**-**	**558,695**	**235,413**	**4,207**	**858,762**	**2,545,346**	**345,713**	**2,891,059**
Company									
Year ended 30 June 2018									
Balance at 1 July 2017	888,269	-	558,695	36,442	-	307,701	1,791,107	-	1,791,107
Total comprehensive loss for the year	-	-	(19,612)	-	-	227,305	207,693	-	207,693
Profit for the year	-	-	-	-	-	227,305	227,305	-	227,305
Other comprehensive loss for the year	-	-	(19,612)	-	-	-	(19,612)	-	(19,612)
Dividend paid	-	-	-	-	-	(20,000)	(20,000)	-	(20,000)
Transfers during the year	-	-	(92,053)	64,796	-	(64,796)	(92,053)	-	(92,053)
Balance at 30 June 2018	**888,269**	**-**	**447,030**	**101,238**	**-**	**450,210**	**1,886,747**	**-**	**1,886,747**
Year ended 30 June 2017 - Restated									
Balance at 1 July 2016	888,269	-	897,577	-	-	174,453	1,960,299	-	1,960,299
Total comprehensive income for the year - Restated	-	-	(301,492)	-	-	199,341	(102,151)	-	(102,151)
Profit for the year - Restated	-	-	-	-	-	199,341	199,341	-	199,341
Other comprehensive income for the year - Restated	-	-	(301,492)	-	-	-	(301,492)	-	(301,492)
Dividends paid						(25,000)	(25,000)		(25,000)
Transfers during the year - Restated	-	-	(37,390)	36,442	-	(36,442)	(37,390)	-	(37,390)
Prior year adjustments	-	-	-	-	-	(4,651)	(4,651)	-	(4,651)
Balance at 30 June 2017	**888,269**	**-**	**558,695**	**36,442**	**-**	**307,701**	**1,791,107**	**-**	**1,791,107**

*Refer to note 43 for the restatement of retained earnings, fair value reserve and non-controlling interest

STATEMENTS OF CASH FLOWS
For the year ended 30 June 2018

		Consolidated		Company	
		2018	2017	2018	2017
	Notes	P 000	P 000	P 000	P 000
Cash flows from operating activities					
Cash generated from/(used in) operations	38	142,640	70,998	(18,265)	(67,113)
Tax paid		(4,862)	(17,378)	(14,732)	(15,031)
Net cash generated from/(used in) operating activities		137,778	53,620	(32,997)	(82,144)
Cash flows from investing activities					
Purchase of investment properties and assets held for sale	8	(205,229)	(100,649)	-	-
Purchase of property, plant and equipment	9	(8,134)	(4,510)	(1,166)	(1,313)
Purchase of intangible assets	10	(2,786)	(447)	(2,639)	-
Purchase of shares in subsidiaries		-	-	(488)	(2,232)
Purchase of shares in associates		(11,021)	(30,977)	(11,021)	(30,977)
Loans disbursed to subsidiaries		-	-	(2,542)	(17,899)
Loans disbursed to associated companies		(92,878)	(4,927)	(90,501)	(4,927)
Loans disbursed to unquoted investment companies		(74,297)	(75,349)	(74,297)	(75,349)
Loans repaid by subsidiaries		-	-	10,326	21,638
Loans repaid by associated companies		2,643	-	2,643	-
Loans repaid by unquoted investment companies		9,534	22,490	9,534	22,490
Proceeds from disposal of property, plant and equipment		80	40,601	-	-
Proceeds from disposal of investment properties and assets held for sale		20,310	23,223	-	-
Net movement in the reserves of associates		-	12,397	-	-
Proceeds on disposal of investments		112,695	87,334	112,094	114,952
Dividends received	3	23,618	22,878	132,995	144,736
Interest received	4	18,489	11,101	39,187	34,953
Net cash from investing activities		(206,976)	3,165	124,125	206,072
Cash flows from financing activities					
Long term borrowings raised		208,749	47,756	57,173	-
Proceeds from issued bonds		130,800	-	130,800	-
Long term borrowings repaid		(19,086)	(267,217)	(3,777)	(242,186)
Debenture interest and dividends paid to minority interests	26	(12,852)	(19,757)	-	-
Finance costs	4	(54,683)	(68,850)	(45,740)	(55,265)
Net cash (used in)/from financing activities		252,928	(308,068)	138,456	(297,451)
Movement in cash and cash equivalents		183,730	(251,283)	229,584	(173,523)
Movement in cash and cash equivalents					
Beginning of the year		171,271	420,657	53,951	227,474
Movement during the year		183,730	(251,283)	229,584	(173,523)
Cash transferred from assets held for sale		-	1,897	-	-
End of the year		355,001	171,271	283,535	53,951
Cash and cash equivalents comprise:					
Cash and cash equivalents	21	360,970	289,931	287,070	172,611
Bank overdrafts	32	(5,969)	(118,660)	(3,536)	(118,660)
		355,001	171,271	283,534	53,951

BOTSWANA DEVELOPMENT CORPORATION LIMITED
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES
30 June 2018

PRESENTATION OF FINANCIAL STATEMENTS

Botswana Development Corporation Limited (the Company) is a public entity set up by the Government of the Republic of Botswana (GRB) to promote development through equity and loan investment finance. The Company is registered under the Companies Act of Botswana (Companies Act, 2003) and holds investments in companies involved in various business categories, for example, agriculture, manufacturing, properties and services provision. These companies operate in Botswana. The Company's address, registered office and principal place of business are disclosed in the introduction to the annual report.

Statement of compliance and basis of preparation

The consolidated financial statements, which are presented in Botswana Pula (the functional currency), have been prepared in accordance with International Financial Reporting Standards (IFRSs) and on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

1. Significant accounting policies

1.1. CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

Changes in the Group's ownership interests in existing subsidiaries
Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and
(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRS).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity. Any fair value gain or loss on initial recognition is recognised in the statement of comprehensive income.

SIGNIFICANT ACCOUNTING POLICIES
30 June 2018 (cont.)

1.1 CONSOLIDATION (Continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

BOTSWANA DEVELOPMENT CORPORATION LIMITED
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES
30 June 2018 (cont.)

1.1 CONSOLIDATION (Continued)

Business combinations (Continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date. Business combinations that took place prior to 1 July 2010 were accounted for in accordance with the previous version of IFRS 3 Business Combinations.

1.2 INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating decisions of the investee but is not control or joint control over those policies.

The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held-for-sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.* Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets or the associates, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

SIGNIFICANT ACCOUNTING POLICIES
30 June 2018 (cont.)

1.2 INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES (Continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identification assets, liabilities and contingent liabilities of the associate recognised as the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

In the separate financial statements, the investments in subsidiaries and associates are measured at cost less accumulated impairment losses. The Company assesses the carrying amounts of its investments in subsidiaries and associates whenever circumstances may indicate the presence of impairment indicators.

1.3 NON-CURRENT ASSETS HELD FOR SALE

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

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale. Non-current assets (and disposal groups) classified as held for sale measured at the lower of their previous carrying amount and fair value less costs to sell.

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SIGNIFICANT ACCOUNTING POLICIES
30 June 2018 (cont.)

1.4 REVENUE

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods
Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognised when goods are delivered and legal title is passed.

Rendering of services
Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees from a recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

The Group's policy for recognition of revenue from construction contracts is described separately below.

Dividend and interest income
Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life if the financial asset to that asset's net carrying amount on initial recognition.

Premium income
Premium income is recognised in the period in which the related risk is notified to the Group. A provision for unearned premiums, which represents the estimated portion of net premiums written relating to unearned risks, is made at end of the financial year. Salvage income is recognised as and when realised.

Rental income
The Group's policy for recognition of revenue from operating leases is described under leasing to follow:

SIGNIFICANT ACCOUNTING POLICIES
30 June 2018 (cont.)

1.5 CONSTRUCTION CONTRACTS

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

1.6 LEASES

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

The Group as lessor
Amounts due from lessees under the finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finances lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

SIGNIFICANT ACCOUNTING POLICIES
30 June 2018 (cont.)

1.7 TRANSLATION OF FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

1.8 BORROWING COSTS

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Borrowing costs related to the establishment of borrowing facilities are recognised as transaction costs of the debt to the extent that it is probable that some or all of the facility will be drawndown. Such costs are capitalised and amortised through the income statement over the tenor of the related borrowings using the effective interest rate method. On presentation, these are reflected as a net off against the carrying amounts of the specific borrowings to which they relate.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

1.9 GOVERNMENT GRANTS

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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SIGNIFICANT ACCOUNTING POLICIES
30 June 2018 (cont.)

1.9 GOVERNMENT GRANTS(Continued)

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

1.10 EMPLOYEE BENEFITS

Retirement benefit costs

Pension obligations
Group companies have various defined contribution pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds. A defined contribution plan is a pension plan under which the group pays fixed regular contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Severance pay and gratuity
Citizen employees are entitled to statutory severance benefits and gratuities at end of every five years. Non-citizen employees receive gratuities at end of every two-year contract. Provision is made in respect of these benefits on an annual basis and included in operating results.

1.11 TAXATION

Tax Expenses

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax
Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

SIGNIFICANT ACCOUNTING POLICIES
30 June 2018 (cont.)

1.11 TAXATION (Continued)

Deferred tax (continued)
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.
Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period
Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (when in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Group tax relief
Companies in the Botswana Development Corporation Limited Group are subject to the special provision section 3 (1) of part II of the fourth schedule of the Income Tax Act (CAP 52:01) which allows the Group to set-off the taxable losses of its wholly owned subsidiaries against the taxable profits in arriving at the group tax liability.

1.12 PROPERTY, PLANT AND EQUIPMENT

Properties held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such property is recognised in other comprehensive income and accumulated under the heading of revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such property is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

SIGNIFICANT ACCOUNTING POLICIES
30 June 2018 (cont.)

1.12 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The estimated useful lives of property, plant and equipment are as follows:

Item	Depreciation Method	Average Useful life
Buildings	Straight line	25 - 50 years
Plant and machinery	Straight line	14 - 25 years
Furniture, fittings and equipment	Straight line	4 - 10 years
Computer equipment	Straight line	3 - 5 years
Motor vehicles	Straight line	3 - 5 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Repairs and maintenance are charged to the statement of profit and loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

1.13 INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:

- commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- commencement of development with a view to sale, for a transfer from investment property to inventories;
- end of owner-occupation, for a transfer from owner-occupied property to investment property; or
- commencement of an operating lease to another party, for a transfer from inventories to investment property.

Investment property that meets the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations is met is also transferred as such.

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30 June 2018 (cont.)

1.14 INTANGIBLE ASSETS

Intangible assets acquired separately
Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Computer software generally has an estimated useful life of three years, and is amortised over this period.

Intangible assets acquired in a business combination
Intangible assets that are acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets
An intangible asset is derecognised on disposal, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

1.15 Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

SIGNIFICANT ACCOUNTING POLICIES
30 June 2018 (cont.)

1.15 INTANGIBLE ASSETS (Continued)

Impairment of tangible and intangible assets (Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.16 INVENTORIES

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the first-in first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Provision is made for obsolete, slow- moving and defective inventory.

1.17 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts
Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

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SIGNIFICANT ACCOUNTING POLICIES
30 June 2018 (cont.)

1.17 PROVISIONS (Continued)

Restructurings
A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Contingent liabilities acquired in a business combination
Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18 *Revenue*.

1.18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the statement of cashflows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of 3 months and bank overdrafts. Bank overdrafts are included within borrowings in the current liabilities on the statement of financial position.

1.19 RELATED PARTIES

Related parties are defined as those parties:
(a) directly, or indirectly through one or more intermediaries, the party:
(i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
(ii) has an interest in the entity that gives it significant influence over the entity; or
(b) that are members of the key management personnel of the entity or its parent including close members of the family.

All dealings with related parties are transacted at mutally agreed terms and accordingly included in profit or loss for the year.

1.20 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when a group entity 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.

SIGNIFICANT ACCOUNTING POLICIES
30 June 2018 (cont.)

1.20 FINANCIAL INSTRUMENTS (Continued)

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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.

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. 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) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL
Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as 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 a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading 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 asset 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 IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "net gains and losses on investments in other comprehensive income. Fair value is determined in the manner described in note 39.

BOTSWANA DEVELOPMENT CORPORATION LIMITED
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES
30 June 2018 (cont.)

1.20 FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Available-for-sale financial assets (AFS financial assets)
AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because the directors consider that fair value can be reliably measured). Fair value is determined in the manner described in note 39. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and related party balances) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

SIGNIFICANT ACCOUNTING POLICIES
30 June 2018 (cont.)

1.20 FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

SIGNIFICANT ACCOUNTING POLICIES
30 June 2018 (cont.)

1.20 FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

Classification as debt or equity
Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Compound instruments
The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to stated capital. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to stated capital. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

SIGNIFICANT ACCOUNTING POLICIES
30 June 2018 (cont.)

1.20 FINANCIAL INSTRUMENTS (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities
Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

A financial liability other than a financial liability held for trading 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 IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. 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 the consolidated statement of comprehensive income.

Other financial liabilities
Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method.

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

Financial guarantee contracts
A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

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

BOTSWANA DEVELOPMENT CORPORATION LIMITED
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SIGNIFICANT ACCOUNTING POLICIES
30 June 2018 (cont.)

1.21 CRITICAL ACCOUTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the application of the Group's accounting policies, the Directors and Management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a) Critical judgement in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the accounting policies of the Group and that have the most significant effect on the amounts recognised in the financial statements.

b) Key sources of estimation uncertainty

The following are assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Valuation of investment properties

The Group owns a portfolio of investment properties comprising office buildings, residential property, industrial and mixed use properties located primarily in Gaborone, Selibe-Phikwe and Lobatse. The carrying values of the investment properties amounted to P2.208 billion as at 30 June 2018 (2017: P1.960 billion). This accounts for 62% of the group's total non-current assets.

The Group's investment properties are included in the consolidated statement of financial position at fair value based on valuations carried out by independent qualified professional valuers ("the valuers"). The valuations are dependent on unobservable inputs which are generally applied by valuers. These unobservable inputs involve judgement.

The valuation model considers the present value of the net cash flows to be generated from property, taking into account the expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimations considers the quality of a building and its location (prime vs secondary) tenant credit worthiness and lease terms.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

These valuations are reviewed annually by the directors. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

SIGNIFICANT ACCOUNTING POLICIES
30 June 2018 (cont.)

1.21 CRITICAL ACCOUTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

Fairscape building

Consistent with the Company's accounting policy, plot 70667 is carried at fair value. Its cost of P452 million has been taken as its fair value as opposed to its market value of P564 million performed by the independent valuers. Since recognition of the building in financial year 2015, independent valuers have predominantly used the income approach (for open market value). There are significant limitations with respect to the market approach mainly that the building is the only of its type in the country, the development is the only one of its size within a reasonable radius from its location and the property market is generally going through significant turbulence. Directors are of the prudent view that the P564 million, determined through the income approach, with inferences from the market approach may not yet be very reflective as the market is still moving, and the concept of this property is yet to be fully placed within the commercial market space.

Land Block 5
Property previously transferred from the Government to the group is also carried at cost. The group has not yet fulfilled its duties per the agreement of developing the land (building housing and a golf course to the value of P16 million) within two years as agreed with Government in 2003. There is uncertainty whether the property will revert back to the Government, as such the property is recorded at a value of P26 million whilst the current valuation amount is P223 million.

Phakalane Property Developers (Proprietary) Limited
Property held in the Phakalane area has been independently valued by Company as there is currently no financial records available from the third party. These valuations were performed by the same valuers as used by the group.

Impairment of investments in subsidiaries and associates
The carrying value of the company's investments in subsidiaries and associates amounted to P1 178 million (2017: P997 million) at the reporting date. This constitutes 55% (2017: 49%) of the company's total non-current assets. The investment in subsidiaries includes the company's investment cost and loans to subsidiaries. Loans to subsidiaries are initially recognised at fair value and subsequently measured at amortised cost less impairment. The impairment of these loans are considered based on historic default rates, security held, the current financial position of the subsidiaries as well as evaluating the events subsequent to the reporting date which may have an impact on the value of the company's investment in loans to subsidiaries. The valuation of the loans is determined by assessing the financial strength (equity) of the subsidiaries or associated companies. The company assesses its investment in subsidiaries and associates whenever circumstances may indicate the presence of impairment indicators. The value of the investments is determined using generally accepted valuation methods that are based on overall strategic business models and the current financial position and past performance of these subsidiaries and associated companies.

Management compares the carrying values of the investments in subsidiaries and associates with the respective net asset values per the audited financial statements. Management also takes into consideration information available at the reporting date which may have contributed to the current performance or which is expected to improve future performance of the subsidiaries and associated companies. The assessment of these investments for impairment therefore requires the application of judgment and the use of significant assumptions in determining future profitability and the current value of assets held by the subsidiaries and associated companies.

BOTSWANA DEVELOPMENT CORPORATION LIMITED
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES
30 June 2018 (cont.)

1.21 CRITICAL ACCOUTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

Impairment loss on debtors
The directors reviews its debtors to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in profit or loss, the directors make judgments as to whether there is any observable data indicating that there is a measurable decrease in estimated cash flows from a portfolio of debtors. Directors use estimates based on historical loss experience of receivables. The assumptions used for estimating the amount and timing of cash flows are reviewed regularly to reduce any difference between loss estimates and actual loss experience.

Taxation
The company 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 company 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. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

SIGNIFICANT ACCOUNTING POLICIES
30 June 2018 (cont.)

2. NEW STANDARDS AND INTEPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations.

Standard/ Interpretation	Effective date: Years beginning on or After	Impact
Disclosure Initiative (Amendments to IAS 7)	01 January 2017	No Impact
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	01 January 2017	No Impact
Annual Improvements to IFRSs 2014 2016 Cycle (Amendments to IFRS 12 Disclosure of Interests in Other Entities)	01 January 2017	No Impact

2.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 01 July 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected material Impact
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not endorsed	Unlikely
IFRS 9 Financial Instruments	01 January 2018	Likely
IFRS 15 Revenue from Contracts with Customers	01 January 2018	Unlikely
Transfers of Investment Property (Amendments to IAS 40)	01 January 2018	Unlikely
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	01 January 2018	Unlikely
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	01 January 2018	Unlikely
IFRS 16 Leases	01 January 2019	Likely
IFRIC 23 Uncertainty over Income Tax Treatments	01 January 2019	Unlikely
IFRS 17 Insurance Contracts	01 January 2021	Likely
IFRS 22 Foreign currency Transactions and Advance considerations	01 January 2018	Unlikely
IAS 19 Plan Amendment, Curtailment or settlement	01 January 2018	Unlikely

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SIGNIFICANT ACCOUNTING POLICIES
30 June 2018 (cont.)

2. NEW STANDARDS AND INTEPRETATIONS (continued)

2.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE (continued)

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised. The effective date of these amendments was deferred indefinitely, but optional adoption is permitted. These amendments are not expected to have any impact on the Group's financial statements.

IFRS 15 Revenue from contracts with customers: This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue Barter of Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The standard, which becomes effective for the Group's 2019 financial statements, may have an impact on the timing and amount to be recognised in respect of its revenue transactions. The Group has engaged an external expert to calculate and evaluate the effects of this standard. The Group has done a preliminary assessment to identify the scope of revenue streams. A detailed assessment of the impact will follow and will be completed by the next reporting period.

IFRS 16 Leases: IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial Position. No significant changes have been included for lessors. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transition requirements are different for lessees. For the majority of the investment property companies revenue is generated from rental income where the Group is the lessor. There were no significant changes in lessor accounting in IFRS 16. The standard which becomes effective for the Group's 2020 financial statements, will have an impact on the measurement, presentation and disclosure of operating leases in its financial statements.

Amendments to IAS 40: Transfers of Investment property: The IASB has amended the requirements in IAS 40 Investment property on when an entity should transfer a property asset to, or from, investment property.

The amendments are effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The amendments are not expected to have an impact on the Group's financial statements.

SIGNIFICANT ACCOUNTING POLICIES
30 June 2018 (cont.)

2. NEW STANDARDS AND INTEPRETATIONS (continued)

2.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE (continued)

IFRS 17 Insurance Contracts - IFRS 17 supersedes IFRS 4 Insurance Contracts and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model ("general model") for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as:

- Reinsurance contracts held;
- Direct participating contracts; and
- Investment contracts with discretionary participation features.

Under the new standard, investment components are excluded from insurance revenue and service expenses. Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or other comprehensive income.

The new standard includes various new disclosures and requires additional granularity in disclosures to assist users to assess the effects of insurance contracts on the entity's financial statements.

This standard is effective for annual periods beginning on or after 1 January 2021 with early adoption is permitted. The standard is expected to have a significant impact on the Group's financial statements. The standard is currently being evaluated by the Group and the expected impact will be disclosed in the Group's financial statements for the following year.

IFRIC 22 Foreign Currency Transactions - When a foreign currency consideration is paid or received in advance of the item it relates to, which may be an asset, an expense or income IAS 21: The effects of changes in foreign Exchange Rates is not clear on how to determine the transaction date for translating the related item. This has resulted in diversity in practice regarding the exchange rate used to translate the related item. IFRIC 22 clarifies that the transaction date is the date on which the entity initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The interpretation applies to periods beginning on or after 1 January 2018. Early adoption is permitted. The standard is not expected to have a significant impact on the Group's financial statements.

IFRIC 23 Uncertainty over income tax treatment - IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.
IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

- judgments made;
- assumptions and other estimates used; and
- the potential impact of uncertainties that are not reflected.

IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted. The standard is not expected to have a material impact on the Group's financial statements.

Amendments to IFRS 2 classification and measurements transactions - Currently, there is ambiguity over how a company should account for certain types of share-based payment arrangements. The IASB has responded by publishing amendments to IFRS 2 Share-based Payments.

BOTSWANA DEVELOPMENT CORPORATION LIMITED
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES
30 June 2018 (cont.)

2. NEW STANDARDS AND INTERPRETATIONS (continued)

2.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE (continued)

Amendments to IFRS 2 classification and measurements transactions (continued) - The amendments covers three accounting periods:

Measurement of cash-settled share-based payments - The new requirements do not change the cumulative amount of expense that is ultimately recognised, because the total consideration for a cash-settled share-based payment is still equal to the cash paid on settlement.

Classification of share-based payments settled net of tax withholdings - The amendments introduce an exception stating that, for classification purposes, a share-based payment transaction with employees is accounted for as equity-settled if certain criteria are met.

Accounting for a modification of a share-based payment from cash-settled to equity-settled - The amendments clarify the approach that companies are to apply.

The amendments are effective for annual periods commencing on or after 1 January 2018. The standard is not expected to have any impact on the Group's financial statements.

Amendments to IAS 19 Plan Amendment, Curtailment or Settlement - The IASB's amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.

The amendments clarify that:

- on amendment, curtailment or settlement of a defined benefit plan, it is now mandatory for entities to use the updated actuarial assumptions to determine the current service cost and net interest for the period; and
- the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).

The amendments should be applied prospectively to plan amendments, curtailments or settlements that occur on or after 1 January 2019, with earlier application permitted. The amendments are not expected to have an impact on the Group's financial statements.

Long-term Interests in Associates and Joint Ventures (Amendment to IAS 28)

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate and joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The amendments apply for annual periods beginning on or after 1 January 2019. Early adoption is permitted. The amendments are not expected to have an impact on the Group's financial statements.

IFRS 9 Financial Instruments: On 24 July 2014, the IASB issued the final IFRS 9 impact on the measurement bases of an entity's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.

Requirement and changes presented by IFRS 9 include the following:

Classification and measurement

- How financial assets and liabilities are accounted for in financial statements
- How they are measured on an ongoing basis

SIGNIFICANT ACCOUNTING POLICIES
30 June 2018 (cont.)

2. NEW STANDARDS AND INTERPRETATIONS (continued)

2.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE (continued)

IFRS 9 Financial Instruments (continued)

Impairment
- Forward looking impairment model based on expected loss versus previous model based on incurred loss;
- Timely measurement and recognition of expected credit losses (ECL) at each reporting period to reflect changes in the underlying credit risk of financial instruments;
- An impairment model that estimates and reports ECL provisions under three stages as the deterioration in credit quality occurs since origination
- Account for expected credit losses from when financial instruments are originated until de-recognition
- Improved disclosure about expected credit losses and credit risk

Hedge accounting
- Substantially-reformed model for hedge accounting with enhanced disclosures about risk management activity
- Aligns the accounting treatment with risk management activities

The Group engaged the services of an independent consultant to assist with the implementation of the standard, including impact assessment on the Group's financial position.

Classification and measurement

Unquoted ordinary shares
Unquoted ordinary shares fall under the Group's available for sale financial assets category.
The main change is that all equity investments in scope of IFRS 9 are measured at fair value in the statement of financial position, with value changes recognised in profit or loss, except for those equity investments for which the entity has elected to present value changes in other comprehensive income. The part of IFRS 9 dealing with financial assets removed the cost exemption in IAS 39 for unquoted equity instruments and related derivative assets where fair value is not reliably determinable. It indicates that, in limited circumstances, cost may be an appropriate estimate of fair value. It is not expected that cost will be representative of fair value for an extended period of time. The Group therefore will formulate a policy to estimate of fair value for their unquoted equity instruments.

Unquoted preference shares to subsidiaries and non-affiliated entities
Prescribes the different measurement criteria between debt and equity instruments, therefore the Group should evaluate whether the preference share issued are equity or debt instruments in accordance with IAS 32 Financial Instruments: Presentation.

Thakadu and Kwena Hotels Company (Pty)	This investment in its entirety does not meet the definition of an equity instrument in IAS 32; it is not therefore eligible to use the fair value through OCI classification. The contractual cash flows of this investment would need to be assessed. As it is not solely receiving payments of principal and interest, it would be measured at fair value through profit or loss.
Crates and Pallets Botswana (Pty) Ltd	This investment meets the definition of a debt instrument in IAS 32 in the hands of the issuer, and therefore should be treated as a debt instrument by the holder.
Botalana Ventures (Pty) Ltd	The Investment is not solely receiving payments of principal and interest, it would be measured at fair value through profit or loss.

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SIGNIFICANT ACCOUNTING POLICIES
30 June 2018 (cont.)

2. NEW STANDARDS AND INTERPRETATIONS (continued)

2.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE (continued)

Loans to subsidiaries and non-affiliated companies
Loans to subsidiaries and non-affiliated companies fall under the Company's loans and receivable category. As per the Company's accounting policy, "Loans to subsidiaries are initially recognised at fair value and subsequently measured at amortised cost less impairment". Loans meet the contractual cash flows characteristic as per IFRS 9 hence the loans measurement will not change. They will continue to be measured at amortised cost. As part of implementation the external experts will assist in performing assessments for each group of loans. A loss allowance for lifetime expected credit losses is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition.

Quoted investments
All equity investments in scope of IFRS 9 are measured at fair value in the statement of financial position, with value changes recognised in profit or loss, except for those equity investments for which the entity has elected to present value changes in other comprehensive income. The option to designate an equity instrument at FVTOCI is available at initial recognition and is irrevocable. This designation results in all gains and losses being presented in OCI except dividend income which is recognised in profit or loss. The Company can therefore elect to present fair value changes in other comprehensive income in line with the requirements IAS 39, there will therefore be no change in the accounting treatment in terms of IAS 39. However, under IFRS 9, there is no reclassification, of other gains and losses recognised in OCI to profit or loss on derecognition of the financial asset.

Trade and other receivables
Trade and other receivables fall under the company's loans and receivable category. Loans and receivables meet the contractual cash flows characteristic as per IFRS 9 hence the loans and receivable measurement will not change. They will continue to be measured at amortised cost. The only change will be on impairments.

Cash and cash equivalents
The measurement of cash and cash equivalents will remain consistent as those of IAS 39 i.e. there are no changes as a result of implementation of IFRS 9.

Loan commitment and a financial guarantee contract
"Before 2016, the Company used to issue guarantees against the loans taken out by its subsidiaries. In 2016 the Company ceased issuing guarantees, however for any guarantees that have not yet expired, IFRS 9 would apply.
Under IFRS 9, the Company shall recognise a loss allowance for expected credit losses on loan commitment and a financial guarantee contract to which the impairment requirements apply.
The guarantees are secured by immovable property or cash. This is done so as to minimise risk in the event a claim is lodged. Security held will be liquidated so as to increase recovery. The value of security will therefore be taken into account in the computation of the impairment allowance."

Trade and other payables
These are measured at amortised cost and the measurement criteria will not change as a result of the implementation of IFRS 9.

SIGNIFICANT ACCOUNTING POLICIES
30 June 2018 (cont.)

2. NEW STANDARDS AND INTERPRETATIONS (continued)

2.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE (continued)

Borrowings including bonds outstanding
The Company has bank borrowings as well and bonds issued on the Botswana Stock Exchange. These are measured at amortised cost. Under IFRS 9, financial liabilities are measured at amortised cost unless they are required to be measured at fair value through profit or loss or where an entity has chosen to measure a liability at fair value through profit or loss. The Company currently does not have any liabilities measured at fair value, therefore no change will be required.

Time value of money
If the Company determines that the contract provides the customer with a significant benefit of financing the transfer of goods or services to the customer, then the consideration should be adjusted for the time value of money. This may lead to interest expense being recognised if the customer pays for goods or in advance of the transfer of control and interest income when the goods or services are paid for in arrears.

Impairment
IFRS 9 Financial Instruments introduces a new impairment model based on expected losses, (rather than incurred loss as per IAS 39) which has a wider scope of application than IAS 39. With the exception of purchased or originated credit-impaired financial assets (which are considered separately below), expected credit losses are required to be measured through a loss allowance at an amount equal to:

- 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

- A loss allowance for lifetime expected credit losses is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. It is also required for contract assets or trade receivables that are not, according to IFRS 15, considered to contain a significant financing component.

Transitioning methodology
The general requirement in IFRS 9 is that an entity must apply IFRS 9 at the date of initial adoption retrospectively (i.e. as if the new requirements had always been in effect) in accordance with IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors". The Company has opted not to early adopt IFRS 9 but will make use of the transition relief as provided by the standard.

Impact assessment
The consultant engaged by the company is yet to develop the IFRS 9 impairment model and estimate the impact on the Company's financial position as a result of the changes in classification and measurement of the company's assets and liabilities.

Estimated impact on the tax position
The impact of the implementation of IFRS 9 Financial Instruments is yet to be determined. Management expects to conclude the implementation exercise and impact assessment by December 2018.

In October 2017, the IASB issued an amendment to IFRS 9 Prepayment Features with Negative Compensation. Under the current IFRS 9 requirements, the SPPI condition is not met if the lender has to make a settlement payment in the event of termination by the borrower (also referred to as early repayment gain). The amendment clarifies how an entity would classify and measure a debt instrument if the borrower was permitted to prepay the instrument at an amount less than the unpaid principal and interest owed. Such a prepayment amount is often described as including 'negative compensation.

Under the amendments, the sign of the prepayment amount is not relevant. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain. This amendment is effective on 1 January 2018 and is not expected to have a significant impact on the company's financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
30 June 2018

	Consolidated		Company	
	2018	2017	2018	2017
3. INCOME FROM TRADE	P 000	P 000	P 000	P 000
Income from trade:				
Revenue from the sale of goods and rendering of services	75,433	92,780	-	-
Interest on loans:				
- Subsidiaries	-	-	17,200	15,151
- Associated companies	-	-	1,145	299
- Unquoted investments	23,710	21,485	23,710	19,401
- Invoice discounting	-	103	-	103
Dividends received:				
- Subsidiaries	-	-	94,684	109,627
- Associated companies	-	-	14,693	12,231
- Quoted investments	23,618	22,878	23,618	22,878
	122,761	**137,246**	**175,050**	**179,690**
4. FINANCE INCOME AND FINANCE COSTS				
Finance income:				
- Bank	16,405	11,101	12,420	6,667
- Debenture interest	-	-	24,683	37,300
- Preference shares	2,084	-	2,084	2,085
	18,489	**11,101**	**39,187**	**46,052**
Finance costs:				
- Bank borrowings	(13,411)	(28,239)	(4,468)	(17,618)
- Long-term borrowings	(10,764)	(17,244)	(10,764)	(15,482)
- Bonds	(30,508)	(22,165)	(30,508)	(22,165)
- Penalty Interest	-	(1,202)	-	-
- Unwinding of discount on restoration costs (note 29)	-	7,710	-	-
	(54,683)	**(61,140)**	**(45,740)**	**(55,265)**
5. OTHER OPERATING INCOME				
Cost recoveries	85	-	4,984	-
Loan negotiating fees	-	125	-	125
Final liquidation dividend received from Fengyue Glass	67,785	-	67,785	-
Profit on disposal of investments*	(1,639)	37,676	(1,639)	59,341
Other	6,010	(77)	32	(1,467)
Sundry income	15,250	24,962	1,224	7,535
	87,491	**62,686**	**72,386**	**65,534**

In the prior year the Profit from disposals of investements included fair value losses amounting to P18 260 000 (relating to disposed listed shares) This was re-allocated to a separate line, Available-for-sale investments, which were reclassified to profit or loss due to the restatement. Refer to note 43 for further detail.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2018 (cont.)

6. PROFIT BEFORE TAX	Consolidated 2018 P 000	Consolidated 2017 P 000	Company 2018 P 000	Company 2017 P 000
The following items have been (credited)/charged in arriving at profit before tax, in addition to the amounts already disclosed in notes 3, 4 and 5:				
Amortisation of Government grant (note 28)	(357)	(356)	-	-
Auditor's remuneration - current year	2,223	1,905	760	464
- prior year	-	-	-	95
Occupancy expenses	46,328	41,977	14,744	12,987
Amortisation of intangible assets (note 10)	693	340	-	-
Depreciation (note 9)	14,905	12,526	2,551	2,618
Impairment of property, plant and equipment (note 9)	4,358	-	-	-
Directors' fees	1,655	2,930	161	144
Directors' emoluments	2,838	3,161	2,838	3,161
Key management emoluments	22,579	10,623	12,212	3,585
Net foreign exchange gains	(1,610)	(2,164)	-	(338)
Impairment on investments (note 14)	48,222	7,322	15,526	(33,035)
Bad and doubtful debts (note 18)	4,070	7,868	859	5,983
Rates	3,375	4,025	-	-
Utilities	11,613	11,191	1,275	1,622
Repairs and maintenance	5,753	5,785	-	268
Staff costs (as below)	82,404	78,310	52,522	43,666
Profit on disposal of investments	1,639	(44,586)	(1,639)	(95,692)
Profit on disposal of investment properties and assets held for sale	(6,010)	(1,211)	-	-
(Profit)/loss on disposal of property, plant and equipment	(3)	1,422	-	-
Staff costs				
Salaries and wages	77,240	68,770	49,196	37,048
Terminal benefits	5,164	9,540	3,326	6,618
	82,404	**78,310**	**52,522**	**43,666**

7. INCOME TAX EXPENSE	Consolidated 2018 P 000	Consolidated 2017 P 000	Company 2018 P 000	Company 2017 P 000
Botswana company taxation				
Normal taxation at 22%/15%	9,309	(12,150)	-	-
Normal taxation - prior year	-	-	-	-
Withholding tax paid on dividends	9,896	9,622	9,896	9,622
Group tax relief	-	-	5,112	(15,321)
Total normal taxation	19,205	(2,528)	15,008	(5,699)
Deferred taxation (note 30)- current year	6,772	11,386	-	-
- prior year	195	26	-	-
- capital gains tax	22	(5,627)	-	-
Attributable to debenture interest	9,508	10,634	1,254	2,441
Capital gains tax paid	-	17,629	-	9,957
Share of associate company taxation (note 12)	3,276	6,385	-	-
Charge for the year	**38,978**	**37,905**	**16,262**	**6,699**

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NOTES TO THE FINANCIAL STATEMENTS
30 June 2018 (cont.)

7. INCOME TAX EXPENSE (Continued)	Consolidated 2018 P 000	Consolidated 2017 P 000	Company 2018 P 000	Company 2017 P 000
The tax on the profit before tax differs from the theoretical amount as follows:				
Profit before tax	187,211	134,970	243,567	206,040
Tax calculated at 22%/15%	87,894	70,137	56,312	45,329
Available for sale gains not subject to tax	(20,251)	(12,243)	(20,251)	(12,243)
Income not subject to tax	(42,630)	(64,878)	(51,296)	(48,817)
Normal taxation - prior year	2,810	-	-	-
Deferred taxation - prior year	195	26	-	-
Capital gains tax	2,019	17,629	-	9,957
Expense not deductible for tax purposes	(4,992)	11,594	4,905	81
Allowable deductions - debenture interest	1,254	2,441	1,254	2,441
Fair value adjustments subject to capital gains tax	(7,272)	(7,231)	-	-
Share of associated company taxation	3,276	6,385	-	338
Withholding tax paid on dividends	9,896	9,622	9,896	9,622
Unrecognised deferred tax assets	6,779	4,423	10,330	15,312
Group tax relief	-	-	5,112	(15,321)
	38,978	37,905	16,262	6,699

Botswana Development Corporation has not recognised a deferred tax asset on its accumulated tax losses carried forward and on the tax temporary differences because of the uncertainty over the future utilisation of such an asset against taxable profits.

Tax losses:
In accordance with the Income Tax Act (Chapter 52: 01), Section 46, assessed tax losses in relation to any tax year are deductible in ascertaining the relevant chargeable income for the subsequent tax year. No assessed tax losses shall be carried forward as a deduction for a period of more than the five years succeeding the tax year in which such losses arose.

At the end of the year, the assessed and estimated tax losses available for deduction are as follows:

Tax year:	Consolidated 2018 P 000	Consolidated 2017 P 000	Company 2018 P 000	Company 2017 P 000
2012/2013	-	84,109	-	76,131
2013/2014	147,570	147,570	144,342	144,342
2014/2015	137,283	137,283	96,647	96,647
2015/2016	128,433	128,433	110,567	110,567
2016/2017	37,818	37,818	18,914	18,914
2017/2018	79,343	-	34,487	-
	530,447	535,213	404,957	446,601

NOTES TO THE FINANCIAL STATEMENTS
30 June 2018 (cont.)

8. INVESTMENT PROPERTIES	Consolidated 2018 P 000	Consolidated 2017 P 000
Land and buildings at fair value	2,273,547	2,017,394
Straight line lease rental adjustment	(65,496)	(56,847)
Balance at end of year	2,208,051	1,960,547
Reconciliation of fair value		
Balance at beginning of the year	1,960,547	1,784,238
At valuation	2,017,394	1,846,545
Straight line lease rental adjustment	(56,847)	(62,307)
Additions during the year	205,229	100,649
Disposals during the year	(300)	(2,740)
Transfers to assets classified as held for sale	(1,947)	(2,839)
Transfer from assets classified as held for sale	-	42,000
Fair value of investment properties	44,522	39,239
Increase in fair value during the year*	53,171	53,210
Straight line lease rental adjustment	(8,649)	(13,971)
Balance at end of the year	2,208,051	1,960,547

* The increase in fair value during the prior year as noted in the Statement of Comprehensive Income includes fair value losses amounting to P 10 731 000 which relates to investment property previously transferred to assets classified as held for sale.

Fair value of investment properties
The investment properties of the Company measured at fair value at the end of the reporting period fall under Level 3 - Significant unobservable inputs.
Valuation technique
Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the property, taking into account the expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.
Significant unobservable inputs
Expected market rental growth (2018:5-7%,weighted average 6%; 2017: 8-10%, weighted average 9%).
Void periods (2018 and 2017: average 6 months after the end of each lease).
Occupancy rate (2018: 60-80%,weighted average 70%; 2017: 74-75%, weighted average 75%).
Rent-free periods (2018 and 2017:1-6 months period on new leases).
Risk-adjusted discount rates (2018:9-15%, weighted average 12%; 2017: 10-12%, weighted average 11%).
Inter-Relationship between key unobservable inputs and fair value measurement
The estimated fair value would increase if expected market rental growth were higher; void periods were shorter; the occupancy rate were higher; rent-free periods were shorter; or the risk-adjusted discount rate were lower. The fair value of the investment properties has been arrived at on the basis of valuations carried out at 30 June 2018 by independent professional internal and external valuers. Both the internal and external valuers are members of the Real Estate Institute of Botswana and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuations were done in conformity with and are subject to the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the appraisal organisations with which the valuers are affiliated. The market values were determined by the valuers using investment valuation models for industrial and commercial properties. The effective date of the valuations was 30 June 2018. All of the Group's investment property is held under freehold interests.
Investment properties available for sale prior year
One subsidiary is in the process of negotiating the sale of investment properties. As a result the investment properties have been disclosed as "Assets classified as held for sale". These investment properties valued at P42 250 000 (2017: P83 180 000) were not disposed as at year end as management was in the process of negotiating the sales price with the potential purchasers.

Transactions associated with investment properties are:	2018	2017
Rental income	146,566	137,113
Repairs and maintenance expenses	3,866	2,735

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NOTES TO THE FINANCIAL STATEMENTS
30 June 2018 (cont.)

9. PROPERTY, PLANT AND EQUIPMENT

Consolidated	Land and buildings P 000	Computer equipment P 000	Motor vehicles P 000	Plant and machinery P 000	Furniture, fittings and equipment P 000	Capital work in progress P 000	Total P 000
Year ended 30 June 2018							
Balance at beginning of the year	50,726	3,287	1,097	14,864	10,332	-	80,306
Revaluation	1,798	-	-	-	-	-	1,798
Additions	189	1,347	64	5,487	1,047	-	8,134
Transfers	1,100	(94)	330	41,849	39	-	43,224
Transfer from held for sale	65,719	-	-	-	-	-	65,719
Depreciation (note 6)	(3,231)	(1,197)	(405)	(6,097)	(3,975)	-	(14,905)
Impairment loss	(318)	-	-	(4,031)	(9)	-	(4,358)
Disposals	(12)	(530)	(108)	(588)	(432)	-	(1,670)
Depreciation on disposals	358	138	108	588	402	-	1,594
Balance at end of the year	**116,329**	**2,951**	**1,086**	**52,072**	**7,404**	**-**	**179,842**
At 30 June 2018							
Cost/valuation	130,864	16,562	4,767	159,766	25,633	-	337,592
Accumulated depreciation and impairment	(14,535)	(13,611)	(3,681)	(107,694)	(18,229)	-	(157,750)
Net book value	**116,329**	**2,951**	**1,086**	**52,072**	**7,404**	**-**	**179,842**
Year ended 30 June 2017							
Balance at beginning of the year	163,352	2,593	764	64,126	15,046	518	246,399
Revaluation	2,254	-	-	-	-	-	2,254
Additions	313	1,523	692	321	1,661	-	4,510
Transfers	518	646	-	-	(646)	(518)	-
Transfers to held for sale	(75,480)	-	-	(40,787)	(2,041)	-	(118,308)
Depreciation (note 6)	(1,905)	(1,308)	(303)	(5,829)	(3,181)	-	(12,526)
Disposals	(38,326)	(1,142)	(227)	(2,967)	(621)	-	(43,283)
Depreciation on disposals	-	975	171	-	114	-	1,260
Balance at end of the year	**50,726**	**3,287**	**1,097**	**14,864**	**10,332**	**-**	**80,306**
At 30 June 2017							
Cost/valuation	62,070	15,839	4,481	113,018	24,979	-	220,387
Accumulated depreciation and impairment	(11,344)	(12,552)	(3,384)	(98,154)	(14,647)	-	(140,081)
Net book value	**50,726**	**3,287**	**1,097**	**14,864**	**10,332**	**-**	**80,306**

The Group's land and buildings are stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses.

The fair value measurements as of 30 June 2018 were performed by independent valuers not related to the Group. They have the appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The valuations are performed every three years.

In calculating the fair value, the valuer has adopted various valuation techniques generally used by independent valuers. The key assumptions underlying the valuation techniques are based on unobservable inputs and accordingly result in the valuations being classed as level 3 in terms of the fair value hierarchy. The cost of the land and buildings amount to P19.4 million (2017: P20.3 million).

NOTES TO THE FINANCIAL STATEMENTS
30 June 2018 (cont.)

9. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Computer equipment P000	Motor vehicles P000	Furniture, fittings and equipment P000	Total P000
Year ended 30 June 2018				
Balance at beginning of the year	1,330	23	6,019	7,372
Additions	1,072	-	94	1,166
Disposals	(3)	-	-	(3)
Depreciation (note 6)	(641)	-	(1,910)	(2,551)
Balance at end of the year	**1,758**	**23**	**4,203**	**5,984**
At 30 June 2018				
Cost	4,666	885	9,925	15,476
Accumulated depreciation	(2,908)	(862)	(5,722)	(9,492)
Net book value	**1,758**	**23**	**4,203**	**5,984**
Year ended 30 June 2017				
Balance at beginning of the year	1,312	23	7,342	8,677
Additions	811	-	502	1,313
Depreciation (note 6)	(793)	-	(1,825)	(2,618)
Balance at end of the year	**1,330**	**23**	**6,019**	**7,372**
At 30 June 2017				
Cost	6,093	885	11,495	18,473
Accumulated depreciation	(4,763)	(862)	(5,476)	(11,101)
Net book value	**1,330**	**23**	**6,019**	**7,372**

	Group		Company	
10. INTANGIBLE ASSETS	2018 P000	2017 P000	2018 P000	2017 P000
Computer software:				
Balance at beginning of the year	1,173	1,066	-	-
External additions	2,786	447	2,639	-
Amortisation (note 6)	(693)	(340)	-	-
Balance at end of the year	**3,266**	**1,173**	**2,639**	**-**
At 30 June				
Cost	6,860	4,074	2,639	-
Accumulated amortisation	(3,594)	(2,901)	-	-
Net book value	**3,266**	**1,173**	**2,639**	**-**

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NOTES TO THE FINANCIAL STATEMENTS
30 June 2018 (cont.)

11. SUBSIDIARIES

	Ordinary shares at P000	Preference Total cost P000	Short term loan P000	Long term loan P000	Total loan P000	2018 Total investment P000	2017 shares at investment P000	% of loan held
Agriculture	**84,461**	-	-	-	-	**84,461**	**84,461**	
Farm Development Company (Pty) Ltd	2	-	-	-	-	2	2	100
Talana Farms (Pty) Ltd	9,237	-	-	-	-	9,237	9,237	100
LP Amusements (Pty) Ltd	59,026	-	-	-	-	59,026	59,026	100
Malutu Investments (Pty) Ltd	16,196	-	-	-	-	16,196	16,196	100
Industry	223,161	19,036	-	2,559	2,559	244,756	269,774	
Kwena Concrete Products (Pty) Ltd	-	-	-	-	-	-	-	100
Lobatse Clay Works (Pty) Ltd **	75,000	-	-	2,559	2,559	77,559	75,000	100
Golden Fruit 97 (Pty) Ltd	25,496	13,796	-	-	-	39,292	39,292	100
Can Manufacturers (Pty) Ltd	122,665	5,240	-	-	-	127,905	155,482	100
Services	14,584	-	-	-	-	14,584	28,584	
Export Credit Insurance & Guarantee (Pty) Ltd	14,584	-	-	-	-	14,584	14,584	100
Coast-to-Coast Inn (Pty) Ltd **	-	-	-	-	-	-	14,000	100

** Lobatse Clay Works (Pty) Ltd was transferred to assets held for sale in the prior year. However the sale agreement was cancelled by the buyer in October 2018 (refer Note 42) and hence has in the current year Lobatse Clay Works (Pty) Ltd has been transferred back to the Subsidiaries note.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2018 (cont.)

11. SUBSIDIARIES (Continued)

	Ordinary shares at cost P 000	Preference shares P 000	Short term cost P 000	Long term cost P 000	Total loan P 000	2018 total investment P 000	2017 total investment P 000	% of shares held	Loan interest rate p.a
Property management	949,175	6,347	6,034	219,843	225,877	1,181,399	1,156,799	%	
Botswana Hotel Development Co. (Pty) Ltd	104,098	-	4,826	53,214	58,040	162,138	166,965	100	-
Commercial Holdings (Pty) Ltd	224,474	-	-	148,396	148,396	372,870	367,463	100	10
Fairground Holdings (Pty) Ltd	8,615	-	-	-	-	8,615	8,615	51	-
NPC Investments (Pty) Ltd	1,321	-	-	-	-	1,321	1,321	100	-
Residential Holdings (Pty) Ltd	32,788	6,347	-	-	-	39,135	39,135	100	11
Western Industrial Estate (Pty) Ltd	301,069	-	1,208	18,233	19,441	320,510	296,490	100	8
Phakalane Property Development (Pty) Ltd	510	-	-	-	-	510	510	51	-
Letlole la Rona Ltd	276,300	-	-	-	-	276,300	276,300	66	-
Total all sectors	1,271,381	25,383	6,034	222,402	228,436	1,525,200	1,539,618		

	2018	2017
Less:		
Accumulated impairment (note 14)	(383,308)	(409,961)
Amortised cost adjustment of loan provided at below market rate	(58,040)	(62,867)
	1,083,852	1,066,790
Less:		
Current portion of loans included in short-term loans and advances (note 19)	(6,034)	(17,372)
Investments reclassified to Held for Sale	-	(89,000)
	1,077,818	960,418

All the subsidiaries are registered in Botswana.
Commercial Holdings has defaulted on their repayment terms during the year. The company is in process of restructuring the loan and repayments terms and this should be finalised by 30 June 2019. In the interim the Company has noted that it will not recall the loan within twenty four months of 30 June 2018

The loans and advances are repayable over periods varying from 2 to 10 years and analysed as follows:

Maturity of short and long term loans

	2018	2017
Up to 1 year	6,034	17,372
After 1 year	153,222	133,563
After 5 years	69,180	74,436
	228,436	225,371

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12. ASSOCIATED COMPANIES

Consolidated	Ordinary shares at cost P 000	Preference shares at cost P 000	Short term loan P 000	Long term loan P 000	Total loan/ debenture P 000	Post acquisition reserves P 000	2018 Total investment P 000	2017 Total investment P 000	% of shares held	Loan Interest rate p.a %
Agriculture	19,116	7,500	11,170	16,085	27,255	(20,942)	32,929	22,406		
Botalana Ventures (Pty) Ltd	6,627	7,500	10,820	-	10,820	(16,911)	8,036	6,600	39	17.5
Kwalape (Pty) Ltd	-	-	-	-	-	-	-	7,636	40	13.0
Milk Afric Alliance	8,057	-	350	16,085	16,435	-	24,492	7,901	26	14.0
Marekisetso A Merogo (Pty) Lt	4,432	-	-	-	-	(4,031)	401	269	23	-
Industry	23,077	-	-	-	-	(1,791)	21,286	22,305		
Nampak	23,077	-	-	-	-	(1,791)	21,286	22,305	26	-
Services	25,169	-	11,817	63,189	75,006	145,778	245,953	157,259		
Peermont Global (Botswana) Ltd	3,000	-	-	-	-	53,614	56,614	53,582	40	-
Investec Holdings Botswana Ltd	870	-	-	-	-	1,080	1,950	1,847	25	-
TransUnion (Pty) Ltd	147	-	-	-	-	4,943	5,090	6,011	49	-
Transport Holdings	10,865	-	11,817	63,189	75,006	96	85,967	-		11.5
Mashatu Nature Reserve (Pty) Ltd	10,287	-	-	-	-	86,045	96,332	95,819	33	-
Property management	35,000	-	-	-	-	5,297	40,297	43,484		
NBC Developments Partnership	35,000	-	-	-	-	5,297	40,297	43,484	33	
Total all sectors	102,362	7,500	22,987	79,274	102,261	128,342	340,465	245,454		

	2018	2017
Less: Accumulated impairment (note 14)	(53,874)	(32,920)
	286,591	212,534
Less: Current portion of loans included in short-term loans and advances (note 19)	(22,987)	(10,334)
	263,604	202,200

Company

	2018	2017
Ordinary and preference shares at cost		
- group investment as disclosed above	74,862	68,552
Loans	102,261	11,738
	177,123	80,290
Less: Accumulated impairment (note 14)	(53,874)	(32,920)
	123,249	47,370
Less: Current portion of loans included in short-term loans and advances (note 19)	(22,987)	(10,334)
	100,262	37,036

All associated companies/partnerships are registered in Botswana.

The loans and advances are repayable over periods varying from 2 to 10 years and analysed as follows:

Maturity of short and long term loans

	2018	2017
Up to 1 year	22,987	10,334
After 1 year	79,274	1,404
	102,261	11,738

Included in post acquisition reserves are the following:

	2018	2017
Current year share of associates profits	23,859	26,784
Current year share of associates tax charge (note 7)	(3,276)	(6,385)
Net profit after tax	20,583	20,399
Share of other comprehensive income of associates, net of tax (note 24)	20	6,857
	20,603	27,256

During the year the company disposed of its interest in Kwalape (Pty) Ltd. In the prior year the Company disposed its interest in NBC (Pty) Ltd to its subsidiary, Letlole La Rona(Pty) Ltd.

NOTES TO THE FINANCIAL STATEMENTS
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13. UNQUOTED INVESTMENTS	Preference shares at cost P 000	Short term loan P 000	Long term loan P 000	Total loan P 000	2018 Total investment P 000	2017 Total investment P 000
Industry	55,292	29,388	923	30,311	85,603	82,040
United Refineries (Pty) Ltd	-	18,129	-	18,129	18,129	15,753
Philisa Day Care Centre (Pty) Ltd	-	575	923	1,498	1,498	1,815
Pasdec Automotive (Pty) Ltd	52,100	-	-	-	52,100	52,100
Crates & Pallets Botswana (Pty) Ltd	3,192	10,684	-	10,684	13,876	12,372
Seven Star Steel Pipe Group (Pty) Ltd	-	-	-	-	-	-
Services	8,600	28,185	130,694	158,879	167,479	115,225
Thakadu & Kwena Hotels (Pty) Ltd	8,600	-	31,547	31,547	40,147	36,191
Baisago	-	-	55,656	55,656	55,656	49,081
Lacrose (Pty) Ltd	-	-	43,491	43,491	43,491	-
Gloryland Guest Lodge (Pty) Ltd	-	28,185	-	28,185	28,185	29,953
Estates Management	-	-	82,351	82,351	82,351	44,651
Modern Ventures	-	-	82,351	82,351	82,351	44,651
Total all sectors	63,892	57,573	213,968	271,541	335,433	241,916

NOTES TO THE FINANCIAL STATEMENTS
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13. UNQUOTED INVESTMENTS (Continued)	Consolidated and Company 2018 P 000	2017 P 000
Total all sectors	335,433	241,916
Accumulated impairment (note 14)	(64,139)	(41,846)
	271,294	200,070
Less: Current portion of loans included in short-term loans and advances (note 19)	(57,573)	(38,320)
	213,721	161,750

All unquoted investments are registered in Botswana.

The loans and advances are repayable over periods varying from 2 to 10 years and analysed as follows:

Maturity of short and long term loans

	2018 P 000	2017 P 000
Up to 1 year	57,573	38,320
After 1 year	213,968	139,832
	271,541	178,152
Securities pledged for the above loans	833,005	275,762

Securities pledged comprise immovable assets and Deeds of Hypothecation over movable assets.

14. ACCUMULATED IMPAIRMENT OF INVESTMENTS	Consolidated 2018 P 000	Consolidated 2017 P 000	Company 2018 P 000	Company 2017 P 000
Balance at beginning of the year	74,766	67,534	484,727	569,965
Increase/(decrease) in impairment during the year (note 6)	48,222	7,232	15,526	(33,035)
Disposal of investments/transfers from/(to) held for sale	(4,975)	-	-	(52,203)
Other movements	-	-	1,068	-
Balance at end of the year	118,013	74,766	501,321	484,727
Represents provision against:				
Subsidiaries (note 11)	-	-	383,308	409,961
Associated companies (note 12)	53,874	32,920	53,874	32,920
Unquoted investments (note 13)	64,139	41,846	64,139	41,846
	118,013	74,766	501,321 -	484,727

The company assesses its investment in subsidiaries and associates for potential impairment annually. The value of the investments is determined using generally accepted valuation methods that are based on overall strategic business models and the current financial position and past performance of these subsidiaries and associated companies.

Management compares the carrying values of the investments in subsidiaries and associates with the respective net asset values per the audited financial statements. Management also takes into consideration information available at the reporting date which may have contributed to the current performance or which is expected to improve future performance of the subsidiaries and associated companies.

The assessment of these investments for impairment therefore requires the application of judgment and the use of significant assumptions in determining future profitability and the current value of assets held by the subsidiaries and associated companies.

Unquoted investments mainly include loans receivable which are assessed for impairment indicators at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2018 (cont.)

15. QUOTED INVESTMENTS	Consolidated 2018 P 000	Consolidated 2017 P 000	Company 2018 P 000	Company 2017 P 000
Shares at cost	135,145	146,135	135,145	146,135
Net gain transferred to fair value reserve (note 23)	447,030	558,695	447,030	558,695
Shares at market value	582,175	704,830	582,175	704,830
At cost comprising:				
Sechaba Breweries Holdings Ltd	57,205	68,195	57,205	68,195
Cresta Marakanelo Ltd	77,940	77,940	77,940	77,940
	135,145	146,135	135,145	146,135

The Company holds 26,820,924 (2017: 31,973,028) and 50,283,975 (2017: 50,283,975) ordinary shares in Sechaba Breweries Holdings Ltd and Cresta Marakanelo Ltd, respectively.

Although the Company owns 20% (2017: 24%) of Sechaba Breweries Holdings Ltd's issued capital, the equity method of accounting is not followed as the Company does not exercise significant influence over Sechaba Breweries Holdings Ltd's financial and operating policies. The Company has only one board seat and does not participate in the process of appointing senior management, neither does it have direct influence over the operational strategies of Sechaba Breweries.

Although the Company owns 27% (2017: 27%) of Cresta Marakanelo Ltd's issued capital, the equity method of accounting is not followed as the company does not exercise significant influence over Cresta Marakanelo Ltd's financial and operating policies. The Company has 2 out of 9 board seats and does not control the process of appointing senior management, neither does it have direct influence over the operational strategies of Cresta Marakanelo Limited.

The fair value of the quoted investments was determined by using level 1 inputs - the share price of the respective investee quoted on Botswana Stock Exchange as at year end.

16. DUE FROM GROUP COMPANIES

This comprises amounts due from Group companies as a result of the companies having claimed, under the provisions of the Fourth Schedule of the Income Tax Act, to offset their assessable income against the assessable losses of the Company. The balances are offset across the various group companies' tax positions as per Schedule 4 of the Income Tax act, and this is over periods exceeding a financial year, hence of a long term nature.

Group company name	2018 P 000	2017 P 000
Talana Farms (Pty) Ltd	396	338
Malutu (Pty) Ltd	5,936	5,751
Export Credit Insurance & Guarantee (Pty) Ltd	2,342	2,342
Botswana Hotel Development Co. (Pty) Ltd	33,938	32,096
Can Manufacturers (Pty) Ltd	13,040	12,526
Commercial Holdings (Pty) Ltd	7,977	7,977
NPC Investments (Pty) Ltd	8,490	8,442
Residential Holdings (Pty) Ltd	14,845	14,408
LP Amusement Park (Pty) Ltd	(2,779)	-
Lobatse Clay Works (Pty) Ltd	(5,228)	-
Western Industrial Estate (Pty) Ltd	64,767	64,956
	143,724	148,836

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17. INVENTORIES	Consolidated 2018 P 000	Consolidated 2017 P 000
Raw materials	4,264	-
Work in progress	2,057	-
Finished goods	486	-
Consumables	770	1,651
	7,577	1,651

18. TRADE AND OTHER RECEIVABLES	Consolidated 2018 P 000	Consolidated 2017 P 000	Company 2018 P 000	Company 2017 P 000
Gross trade receivables	34,344	45,460	-	-
Allowance for doubtful debts	(16,925)	(14,629)	-	-
Net trade receivables	17,419	30,831	-	-
Prepayments	2,066	1,927	-	337
Loans to officers	343	343	343	343
Value Added Tax (VAT)	18,118	13,942	3,134	3,527
Due from related parties	-	-	83,436	17,079
Other	37,100	28,380	15,153	4,212
	75,046	75,423	102,066	25,498

The average credit period is 30 days (2017: 30 days). No interest is charged on overdue trade debtors. The Group has provided for all trade debtors over 60 days based on estimated irrecoverable amounts.

Other receivables mainly comprise sundry amounts receivable. The balance due from related parties include the final liquidation dividend from Fengyue Glass Manufacturing (Botswana) Pty (Ltd).

Included in trade receivables are amounts past due at the reporting date which the Group has not impaired as they are still considered recoverable. There are no other impaired receivables not included in the bad debt allowance.

In the prior year trade and other receivables amounting to P3 875 000 have been transferred to Assets associated with assets classified as held for sale. (note 42).

Ageing of past due but not impaired	Consolidated 2018 P 000	Consolidated 2017 P 000	Company 2018 P 000	Company 2017 P 000
31 - 60 days	4,239	1,456	-	-
61 - 90 days	1,073	1,190	-	
91 - 120 days and above	3,209	4,384	859	-
Total	8,521	7,030	859	-

Movement in the allowance for doubtful debts	Consolidated 2018 P 000	Consolidated 2017 P 000	Company 2018 P 000	Company 2017 P 000
Balance at beginning of the year	14,629	26,651	-	12,962
Allowance reclassified as assets held for sale	1,816	(1,816)		-
Allowance charged during the year (note 6)	4,070	7,868	859	5,983
Amounts written off as uncollectable	(3,590)	(18,074)	-	(18,945)
Balance at end of the year	16,925	14,629	859	-

19. SHORT-TERM LOANS	Consolidated 2018 P 000	Consolidated 2017 P 000	Company 2018 P 000	Company 2017 P 000
Short-term portion of loans and advances to:				
Subsidiaries (note 11)	-	-	6,034	17,372
Associated companies (note 12)	22,987	10,334	22,987	10,334
Unquoted investments (note 13)	57,573	38,320	57,573	38,320
	80,560	48,654	86,594	66,026

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20. SHORT-TERM INVESTMENTS	Consolidated 2018 P 000	Consolidated 2017 P 000	Company 2018 P 000	Company 2017 P 000
Balance at beginning of the year	11,969	19,351	-	-
Interest income - reinvested	439	160	-	-
Withdrawals	(1,040)	(7,542)	-	-
Balance at end of the year	11,368	11,969	-	-

The carrying value of short-term investments equals their fair value. The values of funds are based on valuation of units provided by fund managers.

21. CASH AND CASH EQUIVALENTS

	Consolidated 2018 P 000	Consolidated 2017 P 000	Company 2018 P 000	Company 2017 P 000
Money market funds	271,791	195,359	263,722	162,801
Cash and bank deposits	89,179	94,572	23,348	9,810
	360,970	289,931	287,070	172,611

Money market funds
Surplus cash funds are invested by the parent company on behalf of the Group in money market funds. The interest earned is at an effective rate of 4.3% (2017: 4.2%). The proportionate amount of interest up to 30 June is added to the cost of investment to approximate the fair value.

Cash and bank deposits
Cash and bank deposits comprise cash and funds held in bank accounts. Included in cash and bank deposits is restricted cash amounting to P103 803 722 (2017: P47 676 030) relating to security bond deposits held on behalf of Group clients.

22. STATED CAPITAL

Ordinary Shares

	Consolidated 2018 P 000	Consolidated 2017 P 000	Company 2018 P 000	Company 2017 P 000
Balance at the beginning of the year - 541 769 462 (2017: 541 769 462 shares)	888,269	888,269	888,269	888,269
Allocation from share application reserve	-	-	-	-
Balance at the end of the year - 541 769 462 shares	888,269	888,269	888,269	888,269

The company's ordinary shares are held by a sole shareholder, the Government of the Republic of Botswana. The shares carry a single vote, as well as a right to dividends as may be declared by the company from time to time.

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23. FAIR VALUE RESERVE	Consolidated 2018 P 000	Consolidated Restated 2017 P 000	Company 2018 P 000	Company Restated 2017 P 000
Balance at beginning of the year	558,695	897,577	558,695	897,577
Fair value movement during the year	(19,612)	(301,492)	(19,612)	(301,492)
Transfers to profit and loss (realised)	(92,053)	(37,390)	(92,053)	(37,390)
Balance at end of the year	447,030	558,695	447,030	558,695
Comprising:				
Sechaba Breweries Holdings Ltd	463,120	571,266	463,120	571,266
Cresta Marakanelo Ltd	(16,090)	(12,571)	(16,090)	(12,571)
	447,030	558,695	447,030	558,695

*Refer to note 43 for the restatement of retained earnings, fair value reserve and non-controlling interest

24. OTHER RESERVES	Repairs & maintenance reserve P 000	Debt and Capital reserve P 000	Consolidated statutory capital & solvency reserve P 000	Revaluation reserve P 000	Total P 000
Company					
Balance at 30 June 2017	-	36,442	-	-	36,442
Transfers during the year	-	64,796	-	-	64,796
Balance at 30 June 2018	-	101,238	-	-	101,238
Consolidated					
Subsidiaries					
Balance as at 30 June 2016	-	-	2,262	121,504	123,766
Transfers from/(to) retained earnings	-	-	-	2,254	2,254
Reclassified to assets held for sale	-	-	-	1,952	1,952
Disposal of an Investment	-	-	-	(29,422)	(29,422)
Balance at 30 June 2017	-	-	2,262	96,288	98,550
Balance at 30 June 2018	-	-	2,262	96,288	98,550
Associates					
Balance at 30 June 2016	-	-	-	93,564	93,564
Share of other comprehensive loss of associates (note 12)	-	-	-	6,857	6,857
Balance at 30 June 2017	-	-	-	100,421	100,421
Share of other comprehensive income of associates (note 12)	-	-	-	20	20
Disposal of Invesment	-	-	-	(6,944)	(6,944)
Balance at 30 June 2018	-	-	-	93,497	93,497
Total Other reserves at 30 June 2017	-	36,442	2,262	196,709	235,413
Total Other reserves at 30 June 2018	-	101,238	2,262	189,785	293,285

Debt and Capital Reserve
Although the Company is not a regulated financial institution, a Capital and Debt Reserve requirement framework was set up in 2017, through an internal policy. For this purposes, a Capital and Debt Reserve Account (CDRA) was set up, and a minimum of 12.5% of NOPAT gets allocated to this account annually. The account can also be funded from cash windfalls and excess operational liquidity. The primary purpose of the CDRA is to hold adequate reserves for repayment obligations under long term funding facilities as well as mitigating against the impact of credit losses. Disbursements to investments can be made from this account under exceptional circumstances, provided a replacement is made from the Investment fund thereafter.

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24. OTHER RESERVES (continued)

Statutory capital and solvency reserves
In terms of the Insurance Act (CAP 46:01), 15% of profit after taxation and 10% of profit before tax of a subsidiary company, which is providing export and domestic credit insurance, is transferred to statutory capital and solvency reserves respectively. No transfers to these reserves were made during the current or prior financial year as the subsidiary realised a loss before and after taxation in both financial years.

25. CLAIMS EQUALISATION RESERVE	Consolidated and Company Group 2018 P 000	 2017 P 000
Balance at beginning of the year	4,207	4,207
Transfers to retained earnings	-	-
Balance at end of the year	4,207	4,207

It is the policy of a subsidiary company to transfer 10% of the net commercial and domestic premium income from retained earnings into the claims equalisation reserve. The transfer from retained earnings ceases when the balance in the reserve account amounts to 150% of the highest gross premium income over the past five years. There were no transfers made to retained earnings in 2018 however a transfer of P 3 million was made subsequent to year end to reduce the impact of abnormal claims.

26. NON-CONTROLLING INTERESTS	Consolidated 2018 P 000	 Restated 2017 P 000
Balance at beginning of the year	345,713	331,810
Share of net profit of subsidiaries	30,594	29,371
Debenture interest declared during the year	(95)	(479)
Dividends paid	(12,757)	(19,278)
Tax on debentures interest	2,805	4,289
Balance at end of the year	366,260	345,713

Refer to note 43 for further detail on misstatement

27. BORROWINGS	Consolidated 2018 P 000	 2017 P 000	Company 2018 P 000	 2017 P 000
European Investment Bank (EIB)				
Loan bearing interest at 2% per annum, guaranteed by the Government of the Republic of Botswana, repayable by November 2017.	-	3,614	-	3,614
Total EIB loans	-	3,614	-	3,614
Unsecured loan Unsecured loan bearing no interest repayable annually in instalments amounting to 50% of the total incremental free cash flow generated by Gaborone International Conference Centre (GICC), subject to a minimum of P200 000 for the first year, escalated thereafter at a rate equal to the increase in Consumer Price Index for urban areas.	58,039	62,866	58,039	62,866

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27. BORROWINGS (Continued)	Consolidated 2018 P 000	 2017 P 000	Company 2018 P 000	 2017 P 000
Total Unsecured Loan and EIB loans brought forward	58,039	66,480	58,039	66,480
Term loans Secured short term loan of USD 5.5 million with Capital Bank Limited bearing interest at 1 year libor plus 4.25% (currently 7%) per annum repayable over a period of 3 years . Interest paid quarterly in arrears and bullet at year 3. The loan is secured by a pledge of shares in Botswana Hotel Development	57,173	-	57,173	-
Company to the amount USD5.5 million	-	-	-	-
Loans by First National Bank of Botswana Limited, bearing interest at prime lending rate, currently 6.5% (2017: 7.0%) per annum and repayable in equal instalments of P263 359 over 10 years. The loan is secured by First Covering Mortgage Bond of P20 million over Lot 4821 Lobatse.	8,704	-	-	-
Secured loan by First National Bank of Botswana Limited, bearing a carrying interest at 7.28% as Tranche A and carrying interest of 6.5% as Tranche B The loan is repayable in 5 years and secured by a first covering mortgage bond over Lot 74204, 32082,50719, 1169,29052 and subordination of debentures in Letlole La Rona, the cessation of a portion of the Sechaba Breweries and cash of P74 million	151,576	-	-	-
A maximum loan of P179 960 000 by Barclays Bank of Botswana Limited. The loan accrues interest at 2.1% below prime rate (currently 8%). The loan is repayable in 168 equal monthly instalments. The loan is secured by a first mortgage bond over Lot 70667 Gaborone.	99,097	107,511	-	-
A maximum secured loan of P450 000 000 by RMB Botswana and Stanbic Bank Botswana Limited, bearing interest at prime lending rate 6.5% minus 1% margin per annum and repayable in 12 instalments of P25 000 000 paid quarterly and a bullet payment of P150 000 000 payable in November 2019. The loan is secured through BDC's shareholding in Letlole la Rona, SechabaBreweries.	148,678	148,841	148,678	148,841
The loan facility of P47.756 million is payable to Bank Gaborone Limited. The loan accrues interest at base rate plus 1% margin, base rate means Bank's prime lending rate prevailing from time to time which is currently 7.5% per annum. The loan is repayable in 180 months instalments from the signature date in structured capital instalments and interest payments. The loan is secured by a first covering mortgage bond of P24 million over Lot 4738 station, Gaborone, registered cession of fire policy for P45.5 million and first covering mortgage bond of P24 million over Lot 50380, show grounds, Gaborone.	44,831	46,737	-	-
Total term loans	510,059	303,089	205,851	148,841
Total Loans (Total Unsecured Loan, EIB loans and Term loans)	568,098	369,569	263,890	215,321
Bonds				
Issued	356,060	225,260	356,060	225,260
Debt issuance costs	(7,174)	(4,814)	(7,174)	(4,814)
	348,886	220,446	348,886	220,446
Discount on bonds	(4,871)	(5,317)	(4,871)	(5,317)
	344,015	215,129	344,015	215,129

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27. BORROWINGS (Continued)

"The Company maintains a Botswana Stock Exchange approved BWP 1 billion Domestic Medium Term Notes Program from which debt notes are issued to raise capital as and when need arises. In June 2016 notes amounting to BWP225 260 000 (Aggregate Principal Amount) were issued on an unsecured basis (BDC 001), with a coupon rate of Botswana Prime + 2.25%. During the financial year 2018, an offer to retrospectively securitize BDC 001 notes was extended to investors in order to achieve broader capital raising objectives. Attached to this offer was a reduction of margin over Botswana Prime from 2.25% to 1.75%. The offer was taken up by investors holding BWP207 460 000 worth of notes under BDC 001 whilst holders of notes amounting to BWP17 100 000 remained on the original terms. An investor holding P700,000 worth of notes opted to sell back to the Company.

The rest of the terms remain unchanged as follows:

-Issue Price: 97.425 per cent of Aggregate Principal Amount
-Maturity: June 2029
-Redemption basis: At par in 3 equal instalments occurring in June 2027, June 2028 and June 2029.

	Consolidated		Company	
	2018 P000	2017 P000	2018 P000	2017 P000
Gross borrowings (Loans and bonds)	912,113	584,698	607,905	430,450
Less: Portion of exchange loss borne by the Government of the Republic of Botswana	-	(6,718)	-	(6,718)
Amortised costs adjustment arising from valuation of loans at below market interest rates	-	-	(58,039)	(62,866)
Less: Debt Issuance costs	-	(6,375)	-	(6,375)
	912,113	571,605	549,866	354,491
Less: Current portion included under current liabilities	(18,802)	(23,583)	(601)	(3,614)
	893,311	548,022	549,265	350,877
Analysis of term borrowings				
Term borrowings	510,059	303,089	205,851	148,841
Bonds outstanding	344,015	215,129	344,015	215,129
	854,074	548,022	549,866	350,877
Analysis of gross borrowings				
Not later than 1 year	18,802	23,583	601	3,614
Later than 1 year, but not later than 5 years	476,077	285,732	353,481	148,841
Later than 5 years	417,234	275,383	253,823	273,168
Gross borrowings	912,113	584,698	607,905	425,623

On 1 April 2004 the Government of the Republic of Botswana transferred its rights, title and interests and delegated its obligations under certain Public Debt Service Fund (PDSF) loan agreements to the Debt Participation Capital Funding (DPCFL). DPCFL had issued bonds to finance the acquisition of these loans from the Government of Botswana. The bonds which were listed on the Botswana Stock Exchange, were repaid during the year.

	Consolidated 2018	Consolidated 2017	Company 2018	Company 2017
Amortised cost of borrowings:				
Balance at beginning of the year	58,039	36,676	58,039	74,746
Transfer from provisions arising on repayments	-	(3,686)	(62,866)	(71,379)
Amortised costs adjustment arising from valuation of loans at below market	-		4,827	4,826
interest rates	-	3,686	-	3,686
Balance at end of the year	-	-	(58,039)	(62,866)

27. BORROWINGS (Continued)

European Investment Bank (EIB) loans
The borrowings from the European Investment Bank (EIB) are repayable in half-yearly instalments. The composition of the foreign currency of the balances at 30 June 2018 are as follows:

		Consolidated and Company			
Loan number	**Currency**	**Foreign amount 2018 Euro 000**	**Foreign amount 2017 Euro 000**	**Pula equivalent 2018 P 000**	**Pula equivalent 2017 P 000**
70893	Euro	-	300	-	3,614

		Consolidated and Company			
	Currency	Foreign 2018 amount Dollar 000	Foreign 2017 amount Dollar 000	Pula 2018 equivalent P 000	Pula 2017 equivalent P 000
Capital Bank	Dollar	5,500	-	57,173	-

Foreign loans have been translated to Pula at the rates of exchange ruling at the statement of financial position dates.

28. GOVERNMENT GRANTS	Consolidated 2018 P 000	Consolidated 2017 P 000
Balance at beginning of the year	11,767	12,123
Amortisation during the year (note 6)	(357)	(356)
Balance at end of the year	11,410	11,767
Gross Government grants	32,456	32,456
Amortisation	(11,046)	(10,689)
Utilised as provision for impairment loss	(10,000)	(10,000)
	11,410	11,767
Made up as follows:		
Short term	356	356
Long term	11,054	11,411
	11,410	11,767

A provision for impairment loss of factory premises in Selebi Phikwe on lot 11270,11271 and 11272 was made in 2000. The provision was applied firstly to the grant of P10,000,000 which was received from the Government of Botswana as part of finance for construction costs.

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29. PROVISION FOR RESTORATION COSTS	Consolidated 2018 P 000	Consolidated 2017 P 000
Balance at beginning of the year	-	19,779
Movement in provision for restoration costs during the year:	-	(7,710)
Charge to the statement of comprehensive income (note 4)	-	(7,710)
Provisions transferred from/(to) Liabilities associated with assets classified as held for sale (note 42)	12,069	(12,069)
Balance at end of the year	12,069	-

A subsidiary company has two mining sites which have been operational since 1992. Botswana legislation and the lease agreement for the mine require the company to restore the sites to their original condition on cessation of mining operations in 2017. The main uncertainty in respect of the estimated provision is the amount of costs to be incurred.

30. DEFERRED TAXATION

		2018	2017
Balance at beginning of the year		110,041	110,914
Other movements directly related to retained earnings		3,793	3,094
Charge to the statement of profit and loss (note 7)	- current year	6,772	11,386
	- prior year	195	26
	- capital gains tax	22	(5,627)
Transfers from/(to) Liabilities associated with assets classified as held for sale (note 42)		9,752	(9,752)
Balance at end of the year		130,575	110,041
Deferred tax liability		141,364	121,538
Deferred tax asset		(10,789)	(11,497)
Net deferred tax liability		130,575	110,041
Comprising temporary differences on:			
Investment properties and property, plant and equipment		141,364	121,848
Provisions		(3,559)	(3,144)
Accumulated tax losses		(7,230)	(8,663)
		130,575	110,041

Capital gains tax deferred on acquisition of properties by a subsidiary
On the creation of a Variable Loan Stock Company, Letlole la Rona Ltd (LLR), exemption was obtained from Botswana Unified Revenue Services (BURS) for the payment of capital gains tax on transfer of properties from the subsidiaries of the Company ("the Vendors"), until such time as the properties are disposed of by LLR. This amount represents the potential deferred capital gains tax liability at 30 June 2018. The actual liability arising on the disposal of any of the properties will be settled by the vendors on disposal of the properties by LLR.

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31. TRADE AND OTHER PAYABLES	Consolidated 2018 P 000	Consolidated 2017 P 000	Company 2018 P 000	Company 2017 P 000
Trade payables	26,726	15,871	5,539	7,574
Payroll accruals	5,638	11,466	2,950	8,428
Accruals	24,158	6,937	16,801	3,527
Value Added Tax (VAT)	10,878	3,076	1,228	2,454
Amounts due to related parties	3,847	915	137,289	29,378
Other payables	62,080	107,500	1,460	50,014
	133,327	145,765	165,267	101,375

Trade and other payables comprise amounts owing for trade transactions and accruals of ongoing costs. The average credit period on purchases is 60 days (2017: 60 days). Although no interest is charged on overdue trade payables, the company has financial risk management policies in place to ensure that all payables are paid within the credit time frame. Included in other payables is an amount of P5 000 000 owing to a third party who wished to acquire Lobatse Clay Works (Pty) Limited. This transaction was cancelled during the year and it is expected that the third party will reclaim their deposit. Refer note 42.

32. BANK OVERDRAFTS

	Consolidated 2018	Consolidated 2017	Company 2018	Company 2017
Bank overdrafts	5,969	118,660	3,536	118,660
The Group's bank overdraft limits are as follows:				
- Standard Chartered Bank Botswana Limited	70,000	70,000	70,000	70,000
- First National Bank Botswana Limited	3,000	3,000	-	-
- Stanbic Bank Botswana Limited	153,500	153,500	150,000	150,000
	226,500	226,500	220,000	220,000

The facilities are secured over:
The Company's facilities are unsecured. The subsidiaries' facilities are secured as follows:
- WesBank assets amounting to P1 142 603 extended at 50%.
- First covering mortgage bond for P20 000 000 over Lot 4821, Lobatse,
- First covering mortgage bond for P4 720 000 over Lot 14405, Gaborone.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2018 (cont.)

33. COMMITMENTS	Consolidated 2018 P000	Consolidated 2017 P000	Company 2018 P000	Company 2017 P000
Operating lease receivables/(payables):				
Not later than one year	136,769	103,521	(15,019)	(13,906)
Later than one year to five years	301,710	151,675	(95,158)	(67,677)
Later than five years	126,011	208,365	(156,655)	(199,155)
	564,490	463,561	(266,832)	(280,738)

The group has various operating lease agreements as a lessor, the lease terms include market related escalation clauses, defined in the lease. Lease terms vary depending whether the property is industrial or residential in nature.

	Consolidated 2018 P000	Consolidated 2017 P000	Company 2018 P000	Company 2017 P000
Other commitments:				
Not later than one year	(367,085)	(322,437)	(335,585)	(322,437)
Later than one year up to five years	(19,831)	(20,286)	(19,831)	(20,286)
Later than five years	-	-	-	-
	(386,916)	(342,723)	(355,416)	(342,723)
Other commitments are analysed as:				
Approved equity and loan investments undisbursed	(382,556)	(335,871)	(351,056)	(335,871)
Approved but not contracted capital expenditure	(4,360)	(6,852)	(4,360)	(6,852)
	(386,916)	(342,723)	(355,416)	(342,723)

Other commitments will be financed by funds to be raised from shareholder equity injections, capital markets, bank borrowings and internal resources within the Group.

34. CONTINGENT LIABILITIES

	Consolidated 2018 P000	Consolidated 2017 P000	Company 2018 P000	Company 2017 P000
Legal matters against certain subsidiaries	(1,350)	(1,600)	-	-
Guarantees and Bonds outstanding	(281,763)	(1,412,083)	-	-
	(283,113)	(1,413,683)	-	-

The amount of the potential future cash outflows in respect of legal matters as well as their timing depend on the outcome of the legal cases. The amount of the potential future cash outflows in respect of guarantees as well as their timing depended on whether there will be instances of non-compliance with loan agreements. In 2016 the Corporation ceased issuing guarantees.

Contingent liabilities are secured by immovable property or cash. This is done so as to minimise risk in the event a claim is lodged. Security held will be liquidated so as to increase recovery.

35. PENSION SCHEME ARRANGEMENTS

The Company operates a contributory pension scheme for its eligible employees which provides for a pension based on length of service. The defined contribution scheme was effected in March 2001. The total contribution for the current year was P2.4 million.

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30 June 2018 (cont.)

36. FINANCIAL RISK MANAGEMENT

Financial instruments carried on the statement of financial position include cash and bank balances, trade receivables, loans to subsidiaries, associates and non-affiliates companies, trade payables, related party balances and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

	Consolidated 2018 P000	Consolidated 2017 P000	Company 2018 P000	Company 2017 P000
Financial assets				
Receivables from related parties	-	-	143,724	148,836
Loans and receivables	373,802	259,624	602,238	221,704
Trade and other receivable	75,046	61,481	102,066	21,971
Quoted investments	582,175	704,830	582,175	704,830
Short-term investments	11,368	11,969	-	-
Cash and bank balances	360,970	289,931	287,070	172,611
	1,403,361	1,327,835	1,717,274	1,269,952
Financial liabilities				
Long term borrowings	549,296	356,476	205,851	139,362
Trade and other payables	133,327	142,689	165,267	98,921
Bank overdrafts	5,969	118,660	3,536	118,659
	688,592	617,825	374,654	356,942

NOTES TO THE FINANCIAL STATEMENTS
30 June 2018 (cont.)

36. FINANCIAL RISK MANAGEMENT (Continued)

In the normal course of business the Group is exposed to capital, credit, interest rate, currency and liquidity risk. The Group manages its exposure by meeting on a regular basis to ensure the treasury activities are carried out in an orderly and efficient manner adhering to Management procedures and policies.

(i) Capital risk management:

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 27, cash and cash equivalents, equity attributable to equity holders of the parent, comprising stated capital, reserves and retained earnings as disclosed in notes 21 to 26.

The Group's risk management committee reviews the capital structure of the Group. The committee considers the cost of capital and the risks associated with each class of capital.

(ii) Credit risk:

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics.

(iii) Interest rate risk:

Financial instruments that are sensitive to interest rate risk are bank balances and borrowings. Exposure to interest rate risk applicable to these financial instruments is managed through constant monitoring of prevailing interest rates in the market.

(iv) Foreign currency risk:

In the normal course of business, the Group enters into transactions denominated in foreign currencies. As a result, the Group is subject to exposure to fluctuation in foreign currency exchange rates.

(v) Liquidity risk management:

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate reserves and continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(vi) Fair value:

At 30 June 2018 and 2017, the carrying value of cash and bank balances, trade receivables, trade payables and related party balances reported in the financial statements approximate their fair values due to their short-term maturity. These financial instruments are held in the ordinary course of business.

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37. RELATED PARTY TRANSACTIONS AND BALANCES	Consolidated and Company 2018 P 000	2017 P 000
Related party balances consist of amounts due from/(to) entities under common ownership or control other than the Government of the Republic of Botswana and its entities.		
Transactions during the year		
Botswana Development Corporation (BDC)		
Directors' fees	161	148
Directors' remuneration for executive services	2,838	2,349
Key management remuneration - short-term benefits (BDC)	12,212	2,665
Key management remuneration - Group	22,579	16,942
Subsidiaries		
Botswana Hotel Development Company (Pty) Ltd		
Directors' fees	12	15
Management Fees to BDC	305	291
Dividends paid to BDC	29,000	17,000
Commercial Holdings (Pty) Ltd		
Directors' fees	23	17
Finance costs to BDC	15,729	14,149
Management Fees	1,410	1,243
Rental Income from BDC	13,906	12,876
Can Manufacturers (Pty) Ltd		
Directors' fees	-	9
Export Credit Insurance & Guarantee (Pty) Ltd		
Directors' fees	164	142
Interest income received	-	60
Purchase order financing	-	2,163
Lobatse Clay Works (Pty) Ltd		
Directors' fees	-	149
Fairground Holdings (Pty) Ltd		
Directors' fees	249	208
Key management remuneration	2,752	965
NPC Investments (Pty) Ltd		
Directors' fees	3	8
Dividends paid to BDC	5,000	12,000
Malutu Enterprises (Pty) Ltd		
Dividends paid to BDC	8,500	-
Directors Fees	3	6
Western Industrial Estates (Pty) Ltd		
Directors' fees	24	39
Management Fees to BDC	889	811
Dividends paid to BDC	10,000	35,000
Finance costs to BDC	1,454	1,011
Talana Farms (Pty) Ltd		
Directors' fees	15	20

NOTES TO THE FINANCIAL STATEMENTS
30 June 2018 (cont.)

37. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)	Consolidated and Company 2018 P 000	2017 P 000
Transactions during the year (continued)		
Letlole la Rona Ltd		
Acquisition of NBC from BDC	-	35,000
Key management remuneration	3,681	3,374
Directors' fees	882	880
Dividends paid to BDC	185	185
Interest income on debentures	24,764	24,697
LP Amusement Centre		
Directors' fees	45	57
Key management remuneration	977	793
Dividends paid to BDC	184	-
Residential Holdings (Pty) Ltd		
Directors' fees paid to BDC	16	17
Management Fees to BDC	188	222
Dividends paid to BDC	42,000	45,000
Investec Holdings (Botswana) Ltd		
Directors' remuneration for executive services	2,352	2,406
Year end balances		
Phakalane Property Development (Pty) Ltd		
Due to Phakalane Estates	915	915
Peermont Global (Botswana) Ltd		
Due to Peermont - Mmabatho Palms Division	-	7,866
Mashatu Nature Reserve (Pty) Ltd		
Loan owing to Rhodesdrift Investments	-	77
Western Industrial Estates (Pty) Ltd		
Cash invested on behalf of subsidiary	63,958	47,676
Group tax relief with BDC	64,767	64,956
Loan from BDC	19,430	19,027
Receivables	61,115	-
Commercial Holdings (Pty) Ltd		
Straight line future rental balances with BDC	28,135	21,347
BDC cash invested on behalf of subsidiary	9,272	-
Group tax relief with BDC	7,977	7,977
Loan from BDC	148,252	143,372
Letlole La Rona (Pty) Ltd		
Deferred tax recoverable	5,250	-
NBC Development Associate - dividend received	1,500	-
Share of profit from Associate	3,165	-

NOTES TO THE FINANCIAL STATEMENTS
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37. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)	Consolidated and Company 2018 P 000	2017 P 000
Year end balances (continued)		
Botswana Hotel Development Company (Pty) Ltd		
Group tax relief with BDC	33,938	32,096
Loan from BDC	58,039	62,866
Cash invested on behalf of subsidiary	2,564	-
Talana Farms (Pty) Ltd		
Group tax relief with BDC	396	338
Cash invested on behalf of subsidiary	3,109	-
NPC (Pty) Ltd		
Group tax relief with BDC	8,490	8,443
Cash invested on behalf of subsidiary	10,030	-
Malutu Enterprises (Pty) Ltd		
Group tax relief with BDC	5,936	5,936
Cash invested on behalf of subsidiary	5,666	-
Residential Holdings (Pty) Ltd		
Group tax relief with BDC	14,845	14,408
Cash invested on behalf of subsidiary	6,406	-
LP Amusement Centre		
Cash invested on behalf of subsidiary	2,738	-
Group tax relief	(2,779)	-
Export Credit Insurance & Guarantee (Pty) Ltd		
Group tax relief	2,344	2,342
Loan to Lobatse Clay Works (Pty) Ltd	721	-
Can Manufacturers (Pty) Ltd		
Group tax relief	13,040	12,526
Lobatse Clay Works (Pty) Ltd		
Loan from BDC	2,558	-
Group tax relief	(5,228)	-
Loan from Export Credit Insurance & Guarantee (Pty) Ltd	(721)	-

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38. CASH USED IN OPERATIONS	Notes	Consolidated 2018 P 000	Consolidated 2017 P 000	Company 2018 P 000	Company 2017 P 000
Profit before tax - continued and discontinued operations		187,211	134,970	243,567	206,040
Adjustments for:					
Available-for-sale investments reclassified to profit or loss*		(92,053)	(37,390)	(92,053)	(37,390)
Amortisation of Government grants	28	(357)	(356)	-	-
Amortisation of intangible assets	10	693	340	-	-
Depreciation of property, plant and equipment	6	14,905	12,526	2,551	2,618
Fair value adjustment of investment properties		(44,522)	(28,508)	-	-
Impairment of property, plant and equipment		4,358	-	-	-
Discount on bonds		(4,871)	165	(4,871)	165
Movement in provisions		12,116	(13,067)	-	-
Loss/(profit) on disposal of property, plant and equipment	6	(3)	1,422	-	-
Net profit on disposal of investments		1,639	(37,676)	1,639	(59,341)
Net profit on disposal of investment properties		6,010	(1,282)	-	-
Share of profits of associates before tax	12	(23,859)	(26,784)	-	-
Movement in provisions for losses on investments	14	48,622	7,232	15,526	(85,238)
Interest received		(18,489)	(21,588)	(39,187)	(34,953)
Dividends received	3	(23,618)	(22,878)	(132,995)	(144,736)
Finance costs	4	54,683	61,140	45,740	55,265
Changes in working capital					
- rental straight-line adjustment	8	(8,649)	(13,971)	-	-
- trade and other receivables		377	29,208	(76,568)	(7,450)
- Investments		46,812	-	(45,506)	-
- inventories		(5,926)	20,991	-	-
- trade and other payables		(12,439)	6,504	63,892	37,907
		142,640	70,998	(18,265)	(67,113)

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39. FAIR VALUES OF FINANCIAL INSTRUMENTS

Valuation techniques and assumptions applied for the purposes of measuring fair value
The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Fair value measurements recognised in the statement of financial position
The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, 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 or liabilities.

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).

Consolidated	2018 Level 1 P 000	2018 Level 2 P 000	2018 Level 3 P 000	2018 Total P 000	2017
Financial assets					
Short-term investments	11,368	-	-	11,368	11,969
Quoted investments	582,175	-	-	582,175	704,830
	593,543	-	-	593,543	716,799
Company					
Quoted investments	582,175	-	-	582,175	704,830
	582,175	-	-	582,175	704,830

There were no transfers between levels during the year or previous year.

NOTES TO THE FINANCIAL STATEMENTS
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40. INTERESTS IN OTHER ENTITIES

40.1 Entities with non-controlling interests and material associate companies

Subsidiary companies

a) NAME	PHAKALANE PROPERTY DEVELOPMENT	FAIRGROUND HOLDINGS(PTY)LTD	LETLOLE LA RONA LTD
b) PRINCIPAL PLACE OF BUSINESS	Phakalane	Plot 50381,Fairground Office Park	PO Box 700ABG, Gaborone,1st Floor,5 Matente Mews,Plot 54373,CBD
c) NATURE OF BUSINESS	Property Developers	Conference Facilities, Renting office Space, Operating a Restaurant, a bar and take away	Variable Loan Stock Company Engaged In Property Investment and Deriving Revenue In Property Rentals and Trade In Property
d) PROPORTION OF OWNERSHIP INTERESTS HELD BY NCI	49%	49%	34%
e) PROPORTION OF VOTING RIGHTS HELD BY NCI	49%	49%	34%
f) PROFIT ALLOCATED TO NCI OF SUB (in P'000)	38	3 739	26 816
g) ACCUMULATED NCI OF SUB (in P'000)	10 109	93 419	262 732
h) DIVIDENDS PAID TO NON CONTROLLING INTERESTS (in P'000)	-	-	12 852

Material associated companies

a) NAME	PEERMONT GLOBAL RESORTS	INVESTEC ASSET MANAGEMENT BOTSWANA	MASHATU NATURE RESERVE
b) NATURE OF BUSINESS	Operation of Casinos,Hotels,Conference Centres in Botswana	Portfolio management services and products to institutional clients in Botswana	Game safaris and accommodation in Northern Botswana
c) PRINCIPAL PLACE OF BUSINESS	Gaborone	Gaborone	Tuli Block
d) PROPORTION OF OWNERSHIP INTEREST-HELD BY ENTITY	40%	25%	33%
e) INVESTMENT MEASURE-FAIR VALUE OR EQUITY METHOD	Equity Method	Equity Method	Equity Method
f) DIVIDENDS RECEIVED FROM ASSOCIATE (in P'000)	8 000	3 735	1 316

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40. INTERESTS IN OTHER ENTITIES (Continued)

40.2 Summarised financial information for non-controlling interests and material associate companies

Subsidiary companies	Fairground Holdings P'000	Phakalane Property Development P'000	Letlole La Rona P'000
Statements of Comprehensive Income			
Revenue	35,628	-	81,303
Cost of sales	(18,051)	-	-
Gross profit	17,577	-	81,303
Operating income	1,038	-	1,445
Dividend and distribution income	-		1,500
Finance income	-	-	822
Income from equity accounted investment	-		1,665
Fair value adjustment	7,720	100	32,115
Operating expenses	(17,876)	-	(24,086)
Profit before tax	8,459	100	94,764
Income tax expense	(827)	(22)	(15,893)
Profit for the year from continuing operations	7,632	78	78,871
Other comprehensive income	-	-	-
Total comprehensive income for the year	**7,632**	**78**	**78,871**
Statements of Financial Position			
Non-current assets	190,564	26,157	975,916
Current assets	18,480	193	38,498
Total assets	**209,044**	**26,350**	**1,014,414**
Capital and reserves	190,763	20,518	735,752
Non-current liabilities	11,479	4,912	243,749
Current liabilities	6,802	920	34,913
Total equity and liabilities	**209,044**	**26,350**	**1,014,414**

NOTES TO THE FINANCIAL STATEMENTS
30 June 2018 (cont.)

40. INTERESTS IN OTHER ENTITIES (Continued)

40.2 Summarised financial information for non-controlling interests and material associate companies (Continued)

	INVESTEC ASSET MANAGE-MENT	PEERMONT GLOBAL RESORTS	MASHATU NATURE RESERVE
Associated companies	P'000	P'000	P'000
Statements of Comprehensive Income			
Year end	March	December	June
Total comprehensive income for the year	**15,516**	**27,580**	**3,201**
Statements of Financial Position			
Non-current assets	699	143,414	284,484
Current assets	9,473	43,848	18,728
Total assets	**10,172**	**187,262**	**303,212**
Capital and reserves	7,882	141,534	292,800
Non-current liabilities	-	8,210	-
Current liabilities	2,290	37,519	10,412
Total equity and liabilities	**10,172**	**187,263**	**303,212**

Associated company results are disclosed for the year ended 30 June 2018. Total comprehensive income has been derived from the latest available results.

BOTSWANA DEVELOPMENT CORPORATION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
30 June 2018 (cont.)

41. DISCONTINUED OPERATIONS

The Corporation has been assessing a number of options to turn around one of its subsidiary companies, Can Manufactures (Pty) Ltd which has been making considerable losses since inception. In October 2016, BDC entered into a strategic partnership with Nampak Products Limited t/a Divfood which specialises in the same line of business operations. The transaction has been completed and the Company's plant and equipment sold to Nampak Divfood (Pty) Ltd. By November 2017 Can Manufactures (Pty) Ltd had disposed all its assets and was no longer operational. The land and buildings were disposed to a 100% owned subsidiary Western Industrial Estates (Pty) Ltd for proceeds of P15 456 000.

Loss for the year from discontinued operations	Consolidated 2018 P 000	2017 P 000
Revenue	-	-
Cost of sales	-	-
Gross loss	-	-
Other operating (loss)/income	-	9,136
Expenses	-	(14,418)
Impairment adjustments:	-	27,850
Inventories	-	-
Receivables	-	4,993
Office equipment	-	-
Property, plant and equipment	-	22,857
Attributable income tax expense	-	(11,203)
Profit/(loss) for the year from discontinued operations	**-**	**11,365**
Revaluation of land and buildings	-	-
Total comprehensive income for the period	-	11,365
Cash flows from discontinued operations		
Net cash flow from operating activities	-	893
Net cash flow from investing activities	-	61,500
Net cash flow from financing activities	-	-
Net cash flows	-	62,393
Assets		
Property, plant and equipment	-	12,000
Other assets	-	63,491
	-	75,491
Total liabilities	-	(5,078)
Net carrying amount	-	70,413

NOTES TO THE FINANCIAL STATEMENTS
30 June 2018 (cont.)

42. ASSETS CLASSIFIED AS HELD FOR SALE

In July 2017, the Company entered into an agreement with a third party, wherein the third party will acquire 80% of the issued ordinary shares. In return, and as a binding term of the agreement, the third party will inject P60 million in cash for the purposes of recapitalisation of Lobatse Clay Works (Pty) limited. At this date the third party had settled the P 5 million of the initial agreement, subsequently the Corporation became aware that the the third party was having financial difficulties. In October 2018 the third party noted their intention to cancel the agreement. The asset was thereby classified as a subsidiary. Engagements with other interested third parties have been initiated, however no material progress was made at the date of signing the current year financial statements.

Another subsidiary previously owned 100% by the company, Coast to Coast In (Pty) Ltd was also classified as held for sale in June 2017. The assets of this company have been disposed to a third party for an amount of P14 000 000 and the subsidiary no longer operates.

Assets held for sale in the current year financial statements relates to Investment property held by a subsidiary Residential Holdings (Pty) Ltd. Below are the details:

Loss for the year from discontinued operations

	Consolidated 2018 P 000	Consolidated 2017 P 000	Company 2018 P 000	Company 2017 P 000
Assets				
Property, Plant and Equipment (note 9)	-	118,308	-	-
Investment Properties	-	1,140	-	-
Inventories	-	10,711	-	-
Accounts Receivable	-	3,875	-	-
Cash and Cash Equivalents	-	92	-	-
Subsidiary held at Fair value	-	-	-	89,000
	-	134,126	-	89,000
Other Investment Properties held for sale at subsidiary companies				
Residential Holdings	42,250	80,180	-	-
Malutu Enterprises	-	3,000	-	-
Total Assets	**42,250**	**217,306**	-	**89,000**
Liabilities				
Borrowings	-	9,308	-	-
Provision for restoration costs	-	12,069	-	-
Deferred Tax	-	9,752	-	-
Accounts Payable	-	29,611	-	-
Bank overdrafts	-	1,989	-	-
Total Liabilities	-	**62,729**	-	-

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NOTES TO THE FINANCIAL STATEMENTS
30 June 2018 (cont.)

43. CORRECTION OF PRIOR PERIOD ERROR

Nature of the error
Non-controlling interest

It was noted that the allocation of equity between the Equity attributable to owners of the Company and the non-controlling interest was incorrect. Dividends, debenture interest and taxation were deducted from the profit twice, it was correctly deducted from profit and then incorrectly deducted from profit again on allocation thereof. The correction only affects the classification of profits between retained income and non-controlling interest, no other balances were affected.

Available-for-sale Investments realised
It was noted that the cumulative gain or loss relating to disposed investments in the revaluation reserve was incorrectly transferred out of this reserve directly into retained income in the Statements of changes in equity. The transfer should have occured through profit and loss. The revaluation of disposed investments was incorrectly accounted for in other income and not through the fair value adjustment in other comprehensive income. The total retained income and revaluation reserve balances remain correct. Further to this, the Statement of Comprehensive income incorrectly disclosed the cumulate gain or loss relating to diposed investments as Other comprehensive income.

Consolidation Statement of Changes in Equity for the year ended 30 June 2017	As previously reported (2017) P 000	Adjustments P 000	As restated (2017) P 000
Non-controlling interest			
Balance as at 1 July 2016	313,910	17,900	331,810
Profit attributable to minority interest	19,063	10,308	29,371
Dividends declared by the subsidiary attributable to the minority share	(479)	-	(479)
Debenture interest declared during the year	(19,278)	-	(19,278)
Other movements (Tax on debenture interest)	-	4,289	4,289
Balance as at 30 June 2017	313,216	32,497	345,713
Retained Earnings			
Balance as at 1 July 2016	855,141	(17,901)	837,240
Total comprehensive income for the year	33,717	45,342	79,059
Transfers during the year	19,208	(55,650)	(36,442)
Dividend paid	(25,000)	-	(25,000)
Other movements (Tax on debenture interest)	8,194	(4,289)	3,905
Balance as at 30 June 2017	891,260	(32,498)	858,762
Fair value reserve			
Balance as at 1 July 2016	897,577	-	897,577
Total comprehensive income	(283,232)	(18,260)	(301,492)
Transfers during the year	(55,650)	18,260	(37,390)
Balance as at 30 June 2017	558,695	-	558,695

NOTES TO THE FINANCIAL STATEMENTS
30 June 2018 (cont.)

43. CORRECTION OF PRIOR PERIOD ERROR (Continued)	As previously reported (2017) P 000	Adjustments P 000	As restated (2017) P 000
Consolidated Statements of Comprehensive Income			
Profit for the year	**52,780**	**55,650**	**108,430**
Other Comprehensive Income			
Items that may be reclassified subsequently to profit and loss			
Net loss on available-for-sale investments	(283,232)	(18,260)	(301,492)
Available - for sale investments reclassified to profit and loss	(55,650)	55,650	-
	(338,882)	37,390	(301,492)
Profit attributable to:			
Owners of the Company	33,717	45,342	79,059
Non-controlling interests	19,063	10,308	29,371
	52,780	55,650	108,430
Total other comprehensive income attributable to:			
Owners of the Company	(329,771)	37,390	(292,381)
Non-controlling interests	-	-	-
	(329,771)	37,390	(292,381)
Consolidated Statement of Financial Position for the year ended 30 June 2017			
Retained earnings	891,259	(32,497)	858,762
Non controlling interest	313,215	32,497	345,713
Total Equity	**1,204,474**	**-**	**1,204,475**

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NOTES TO THE FINANCIAL STATEMENTS
30 June 2018 (cont.)

43. CORRECTION OF PRIOR PERIOD ERROR (Continued)	As previously reported (2017) P 000	Adjustments P 000	As restated (2017) P 000
Company			
Statement of Changes in Equity			
Retained Earnings			
Balance as at 1 July 2016	174,453	-	174,453
Profit for the year	143,691	55,650	199,341
Dividends paid	(25,000)	-	(25,000)
Transfers during the year	19,208	(55,650)	(36,442)
Prior year adjustments	(4,651)	-	(4,651)
Balance as at 30 June 2017	307,701	-	307,701
Fair value reserve			
Balance as at 1 July 2016	897,577	-	897,577
Total comprehensive income	(283,232)	(18,260)	(301,492)
Transfers during the year	(55,650)	18,260	(37,390)
Balance as at 30 June 2017	558,695	-	558,695
Statements of Comprehensive Income			
Profit before tax	143,691	55,650	199,341
Other Comprehensive Income			
Items that may be reclassified subsequently to profit and loss			
Net loss on available-for-sale investments	(283,232)	(18,260)	(301,492)
Available- for sale investments reclassified to profit and loss	(55,650)	55,650	-
	(338,882)	37,390	(301,492)
Profit attributable to:			
Owners of the Company	143,691	55,650	199,341
Total other comprehensive income attributable to:			
Owners of the Company	(338,882)	37,390	(301,492)

NOTES TO THE FINANCIAL STATEMENTS
30 June 2018 (cont.)

44. OPERATING SEGMENTS

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

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

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

- Property development companies (Rental) - Companies that let properties and occasionally sell properties

- Trade companies (Trade) - Companies that operate within the hospitality or manufacturing industries

- Service companies (Service) - Companies that provide insurance or investment services (loans)

- Other (Other) - All other entities in the group which mostly consists out of dormant enterprises and associates

Operating segments
For the year ended 30 June 2018

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

	Rental P'000	Trade P'000	Other P'000	Services P'000	Total P'000
Revenue	146,566	57,100	-	65,661	269,327
Profit for the year	125,080	(11,618)	2,989	31,782	148,233
Included in operating profit					
Finance cost	(27,027)	(835)	(405)	(26,416)	(54,683)
Finance income	4,833	435	-	13,221	18,489
Share of profits of associates	3,165	-	20,694	-	23,859
Fair value gain on investment properties	36,802	7,720	-	-	44,522
Total comprehensive income	**125,080**	**(11,618)**	**23,683**	**11,088**	**148,233**
Total Assets	**2,278,439**	**357,202**	**4,941**	**1,489,257**	**4,129,839**
Associated companies	40,297	-	-	223,307	263,604
Intangible assets	-	230	-	3,036	3,266
Cash and cash equivalents	139,751	12,927	14,695	193,597	360,970
Assets held for sale	42,250	-	-	-	42,250
Total liabilities	**692,295**	**92,004**	**2,104**	**438,664**	**1,225,067**

NOTES TO THE FINANCIAL STATEMENTS
30 June 2018 (cont.)

44. OPERATING SEGMENTS (continued)

The segment information provided to the Board for the reportable segments for the year ended 30 June 2017 is as follows:

	Rental P'000	Trade P'000	Other P'000	Services P'000	Available for sales assets and liabilities/ discounted P'000	Total P'000
Revenue	138,553	41,771	-	57,100	36,935	274,359
Profit for the year	115,535	7,288	-	(3,028)	(11,365)	108,430
Included in operating profit						
Finance cost	(24,089)	-	-	(32,911)	(4,140)	(61,140)
Finance income	3,914	360	-	6,827	-	11,101
Share of profits of associates	3,631	-	23,153	-	-	26,784
Fair value gain on investment property	22,235	8,692	-	100	(2,519)	28,508
Total comprehensive income	**115,535**	**7,288**	**23,153**	**(318,562)**	**(11,365)**	**(183,951)**
Total assets	**2,093,503**	**235,260**	**1,055**	**1,326,151**	**292,797**	**3,948,766**
Associated companies	38,631	-	-	163,569	-	202,200
Intangible assets	-	447	-	726	-	1,173
Cash and cash equivalents	134,013	14,201	1,055	140,662	-	289,931
Total liabilities	**593,651**	**18,924**	**100**	**377,225**	**67,807**	**1,057,707**

NOTES TO THE FINANCIAL STATEMENTS
30 June 2018 (cont.)

45. EVENTS AFTER THE REPORTING PERIOD

In August 2018, the Company entered into a P150 000 000 term facility agreement with a financial institution. The facility will be secured by an equivalent value of pledged shares in Sechaba Breweries, Western Industrial Estates and Letlole la Rona Limited.

Additionally the Company secured a guarantee facility with African Guarantee Fund (AGF) for a facility of up to Botswana Pula (BWP) equivalent of USD 80 million. The facility will cover up to 75% of the sought debt principal. The first tranche of the facility amounts to USD 25 million.

Subsequent to year end the Company disbursed P190 million to local investments projects.

As disclosed in Note 24, the Company introduced a Capital and Debt Reserve in 2017. The reserve stood a P101,238,936 (2017: P36 441 580) at year end. An additional allocation of P28.4 million was made to the account from operational results and proceeds from sale of investments.

Subsequent to year end, the Company has declared a dividend of P25 million based on the results for the year ended 30 June 2018.

During December 2018, Letlole la Rona Limited noted its intention to dispose significant commercial immovable hotel properties to Cresta Marakenelo Limited (Cresta) being remaining extent of plot 50719, Cresta Lodge, plot 1169 Main Mall Gaborone, President Hotel Gaborone, plot 6348 Thapama Hotel in Francistown and a portion of plot 276 Bosele Hotel in Selibi-Phikwe. Cresta currently represents the sitting tenants in these properties. As at year end BDC held 66% and 27% in Letlole la Rona Limited and Cresta respectively. The sales value amounts to approximately P235 million. Cresta has offered to purchase property from one of the Company's subsidiaries, Botswana Hotel Development Company (Pty) Limited for P25 million. The sale was approved by the board of directors to subsequent to year end.

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