



ANNUAL
REPORT
2017



TABLE OF CONTENTS

CORPORATE PROFILE	04
ORGANISATIONAL STRUCTURE	08
VALUE CREATED 2008 - 2017	09
FINANCIAL HIGHLIGHTS	10
CHAIRMAN'S REPORT	15
BOARD OF DIRECTORS	18
MANAGING DIRECTOR'S REPORT	31
MANAGEMENT	34
INTERGRATED REPORT	40
CORPORATE SOCIAL RESPONSIBILITY	51
GROUP FINANCIAL STATEMENTS	52



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 Cap 42:01, 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 to 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





CORPORATE PROFILE

Mission

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

To be an innovative and sustainable development finance institution.

Values

- Enterprising
- Collaboration
- Integrity

Products

- Equity Funding
- Debt Funding

Contacts

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THE **BDC** BRAND

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

“ To promote and facilitate economic development for Botswana. ”



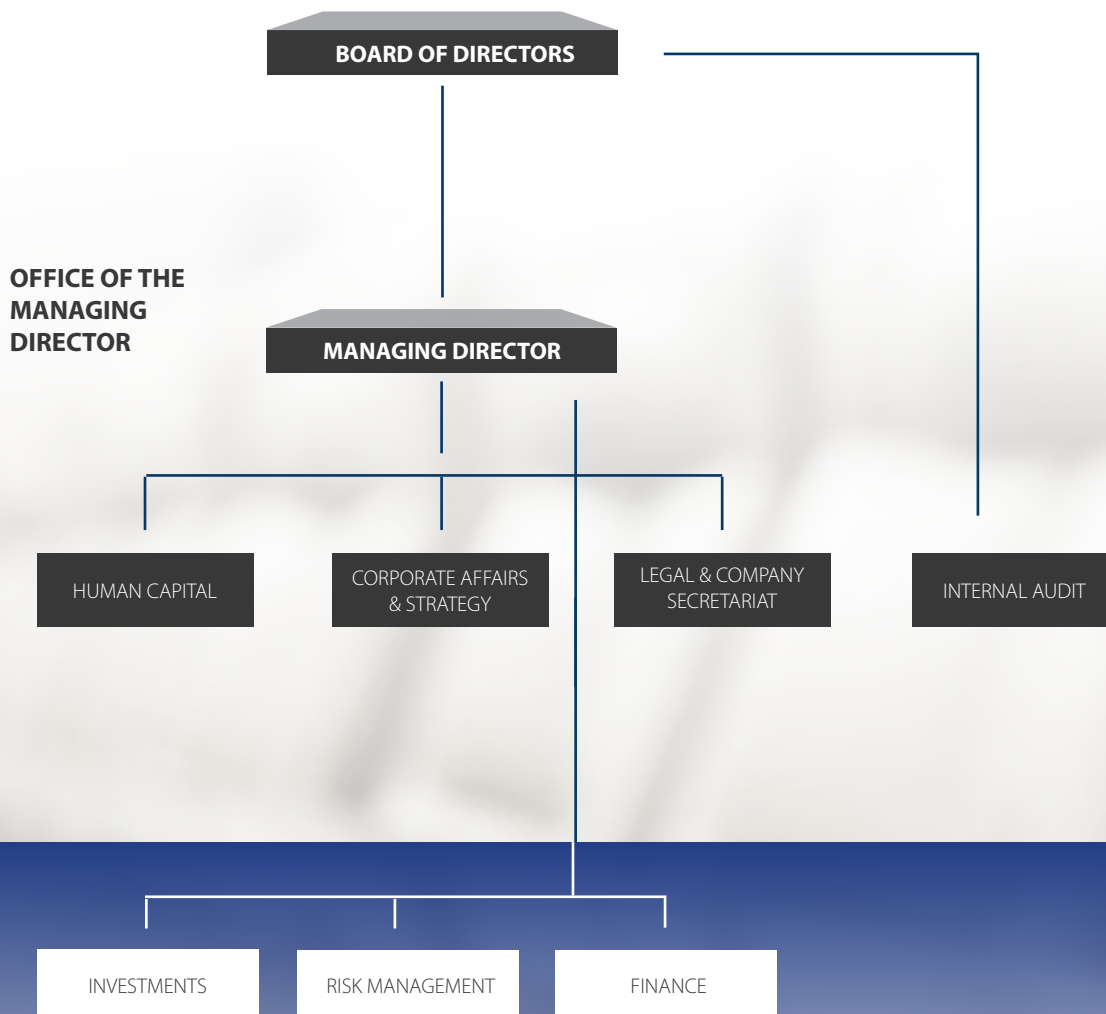
BDC has been around for 47 years. Our Corporate Brand values, enterprising, collaboration and integrity are a benchmark to measure the behaviour and performance of Botswana Development Corporation and its employees. They are a code by which employees pride themselves and are known for.

Our logo is the visual representation of who we are and what we do: a graphic representation of BDC and the important role 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 to 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.

ORGANISATIONAL STRUCTURE



VALUE CREATED 2005 - 2017

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Income from trade	171,623	156,082	294,738	431,162	172,084	151,600	211,182	310,689	380,662	273,016
Less: Cost of supplies and services	21,022	18,865	33,212	37,893	79,481	25,849	109,075	54,103	21,610	34,114
Total Value Added	150,601	137,217	261,526	393,269	92,603	125,751	102,107	256,586	359,052	238,902
Distributed as follows:										
To employees payroll cost	25,570	31,540	35,089	45,703	33,312	33,660	33,787	31,036	40,752	43,666
To providers of finance interest on loans	31,525	36,179	33,670	31,108	33,023	46,964	50,588	58,211	44,152	55,266
Company taxation on profits	15,426	7,733	14,494	73,140	(22,877)	(2,459)	10,491	20,405	15,744	6,699
Dividends to shareholder	20,000	12,000	-	33,000	-	-	-	-	25,000	20,000
Depreciation and provisions against investments	47,090	197,349	21,986	86,753	202,242	267,278	84,822	57,533	25,163	(30,420)
Profit retained	10,990	(147,584)	156,287	123,565	(153,097)	(219,692)	(77,581)	89,401	208,241	143,691
Total Value Added	150,601	137,217	261,526	393,269	92,603	125,751	102,107	256,586	359,052	238,902

FINANCIAL HIGHLIGHTS

GROUP REVENUE

2016 | **198,470**

2017 | **137,246**

GROUP GROSS PROFIT

2016 | **101,915**

2017 | **74,167**

GROUP PROFIT/(LOSS) BEFORE TAX

2016 | **113,441**

2017 | **79,320**

GROUP PROFIT FOR THE YEAR

2016 | **68,526**

2017 | **41,415**

GROUP TOTAL COMPREHENSIVE INCOME

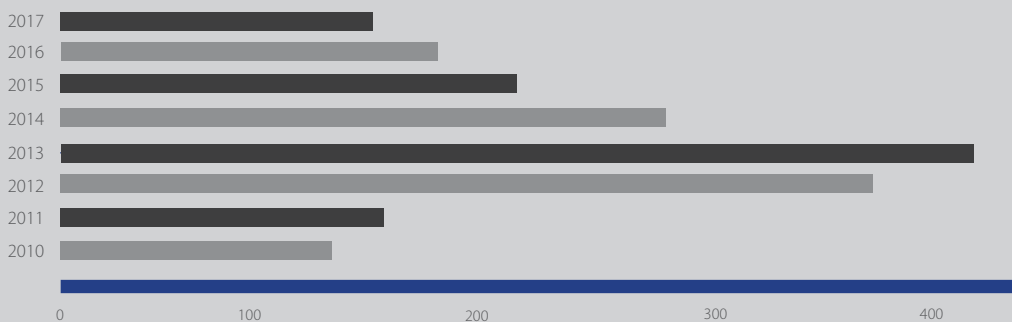
2016 | **106,839**

2017 | **(276,991)**

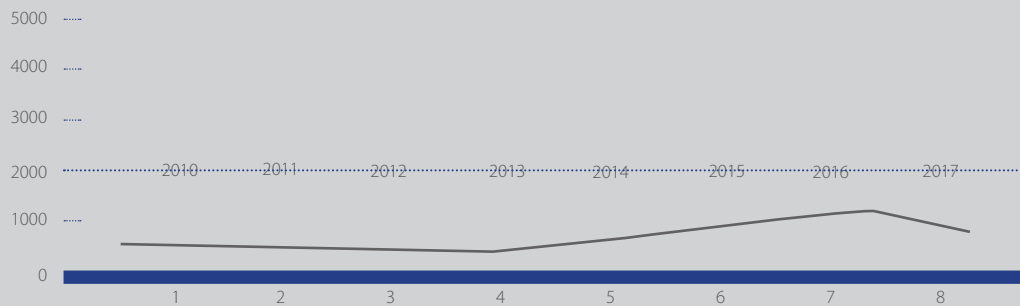


FINANCIAL HIGHLIGHTS

COMPANY EXPENDITURE IN MILLION PULAS

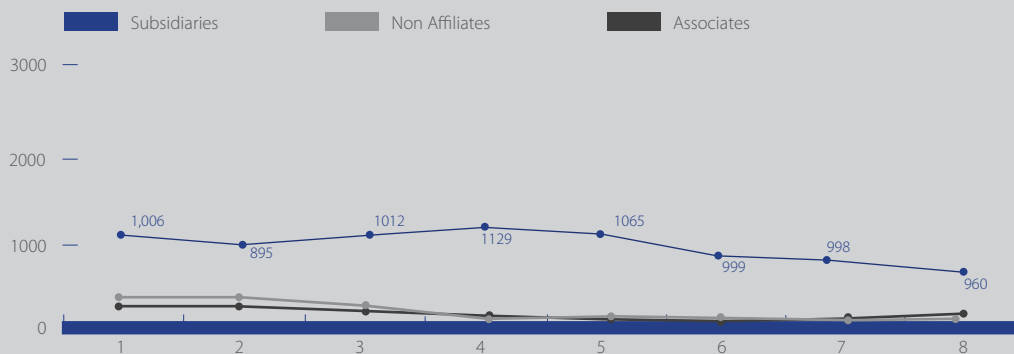


QUOTED INVESTMENTS

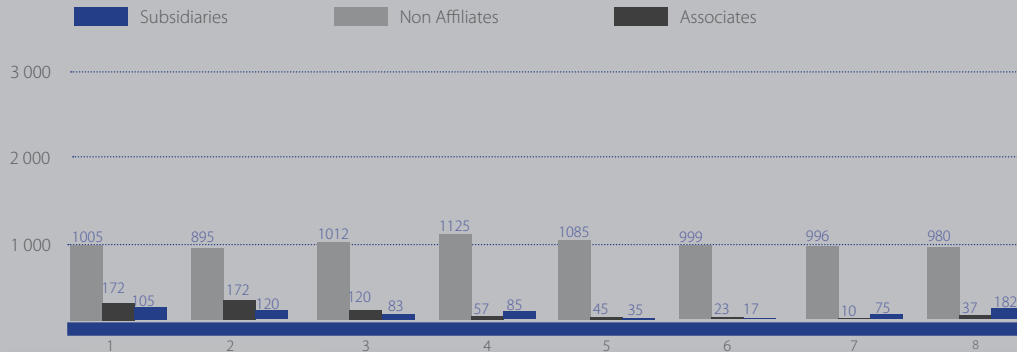


FINANCIAL HIGHLIGHTS

INVESTMENTS DISTRIBUTION



INVESTMENTS DISTRIBUTION





CORPORATE **GOVERNANCE**







Chairman's Report

I am pleased to report on the Corporation's performance for the year ended 30 June 2017. This past year marked the third full year of our post transformation. Although our strategies did not deviate significantly from the previous year, the environment in which the Corporation is operating has necessitated the prioritisation of higher yield projects for shareholder return and sustainability.



CHAIRMAN'S REPORT

Strategic Focus & Governance

The Board continues to focus on safeguarding the Corporation's balance sheet to ensure that the Corporation remains financially sustainable while fulfilling its mandate. This requires a robust strategic direction which focuses on commercially viable enterprises in our key focus sectors: Manufacturing, Infrastructure development, Energy, Technology as well as Agro-processing and Agriculture. Our strategy development is a continuous process with a formal annual review to allow us to respond timely to any conditions. These reviews take into account changes in the operating environment and are guided by strong discussions by the Board, Executive Management as well as other senior management. As indicated during the year, there has been a shift to prioritisation of high yield projects was made as a response to the operating environment the Corporation finds itself in. We will also continue to actively develop and support the development of new or emerging industries that, from a Botswana perspective, exhibit potential developmental returns. Substantially changing our operating model and structure three years ago was necessary to implement our new approach, including emphasis on partnerships, sustainability and on leveraging good governance and we continue on that path.

We continue to strengthen our board in line with our business needs and we have welcomed five new board members to the board during the year. Our board leadership is focused on strong governance and effectiveness and we subscribe to the principles of good governance as provided for in the King III Report. Transparency is of the utmost importance and we strive to maintain effective governance at all times, including in our dealings with stakeholders.

Performance Overview

Businesses in general, including subsidiaries and quoted investments, continued to experience a challenging operating environment. We are confident that our businesses will continue to show resilience into the future, ultimately delivering shareholder value. The global uncertainty that exists further affects Botswana's economic prospects adversely. Despite the challenging macro-economic environment, the Corporation continues to search for commercially viable projects in order to successfully pursue its mandate of sustainable development. BDC, as a state-owned enterprise, is keen to continue building strong relationships on the continent, as there are many projects which we can co-deliver with African partners.



The Corporation is seeking opportunities to mobilise resources together with African partners that can be deployed strategically to advance the development of Botswana, the region and the continent. Financial sustainability is imperative for the Corporation to continue delivering on its mandate in the long run. In the current difficult economic environment, which not only affects the performance of our existing portfolio, but also tends to raise the risks associated with new funding applications, we are closely monitoring trends in key financial indicators such as impairment levels, and are taking the necessary pre-emptive actions. The performance of the group is very crucial in this regard, hence the emphasis on strategic decision-making on future investments so as to achieve the required return.

Overall Performance for the year remained positive although with a decline on financial performance than prior year. This was an expected outcome with continued operations increasingly driving the business.

Conclusion

The trust of our stakeholders is of supreme importance. I believe we have earned and maintained their trust over the years, and we do not take it for granted. We continue to work hard to improve our engagement with all stakeholders – from the shareholder, the Government of Botswana to our customers, finance providers and employees, as well as the communities in which we operate.

Over the years the Corporation has continued to show resilience despite very trying times. The financial results for the year under review are testimony to the concerted effort and commitment on the part of Management and Staff.

On behalf of the Board, I congratulate the Managing Director, Mr Bashi Gaetsaloe, his executive team, as well as the management and staff of BDC for sailing this ship and keeping it afloat.

Mr. B. Marole
Chairperson of the Board

BOARD OF DIRECTORS



**BLACKIE
MAROLE**

Board Chairman

**01 February 2016
(Re-appointment)**

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.



**BASHI
GAETSALOE**

Managing Director

**Appointed 01
April 2014**

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 MA in Economics from Yale University, New Haven, USA and a Bachelor of Arts in Economics from Connecticut College, New London, USA.

BOARD OF DIRECTORS



**SOLOMON M.
SEKWAKWA**

Former Board Chairman (2009-2011)

Appointed 01 November 2011

An economist, Mr. Sekwakwa, is the Permanent Secretary in the Ministry of Finance and Development Planning. He started his career as an Industrial Planner at the 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 Masters 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.



**PEGGY ONKUTLWILE
SERAME**

Appointed 01 January 2015

Ms. Peggy Onkutlwile Serame is the Permanent Secretary in the Ministry of Investment Trade and Industry (MITI) assisting the Minister in providing oversight of Parastatals under MITI. 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.

BOARD OF DIRECTORS



REETSANG WILLIE MOKGATLHE

Chairman, Board Risk and Investment Committee; Member, Board Finance and Audit Committee until July 2016

**01 December 2012 to
30 November 2016**

Mr. Mokgatlhe is the founding Chief Executive Officer of Botswana Oil Limited, a State owned Entity tasked with ensuring security of supply and the facilitation of citizen participation in the petroleum sector. He is the former Managing Director of Vivo Energy Botswana and Vivo Energy Namibia. Mr. Mokgatlhe holds a Masters Degree from Canfields Institute of Technology, UK, and a Bachelor of Commerce Degree from the University of Botswana.



NEO BOGATSU

Member of the Board Finance and Audit Committee and the Board Human Capital Committee

Appointed 01 July 2016

Ms 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. 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.

BOARD OF DIRECTORS



ABEL MONNAKGOTLA

Chairperson of the Board Tender Committee and Board Risk and Investment Committee

Appointed 01 February 2015

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 was a Board Member of the Bosetu Funeral Scheme and is currently the deputy chair of Masiela Trust Fund. Mr. Monnakgotla is the chairperson of the Emmanuel Parish (Gaborone) of the Evangelical Lutheran Church in Southern Africa.



THULAGANYO A. W. MOLEBATSI

Member of the Board Tender Committee and Board Risk and Investment Committee

Appointed 01 May 2017

Mr Molebatsi has more than fourteen years' 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 an MSc and BSc 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).

BOARD OF DIRECTORS



**ODUETSE VINOLIA
TEBOGO**

Member of the Board Tender Committee
and Board Human Capital Committee

Appointed 01 May 2017

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 University of Botswana, an MSc in Real Estate from the University of Reading, UK. She also has Prince 2 Project Management. She is a member of both Botswana Institute of Development Professions, and Real Estate Institute of Botswana.



**CHESHE
DOW**

Member of the Board Finance and
Audit Committee

01 May 2017

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. She joined De Beers in 2014 to set up the Business Integrity and Compliance function. Ms Dow holds a Bachelor's 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.

BOARD OF DIRECTORS



**RICHARD
CHILISA**

Member of the Board Tender Committee
and Board Risk and Investment
Committee

Appointed 01 May 2017

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 Master 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 – Civil (with Electives on Economics and Accounting) from Carleton University (Canada).

INDEPENDENT MEMBERS



**SEAN MAKHULA
RASEBOTSA**

Independent member, Risk and
Investment Committee

Appointed 8 October 2013

Mr. Rasebotsa is the Chief Executive Officer of African Alliance. A seasoned former banker and Risk Manager, Mr. Rasebotsa has extensive experience in Risk Management Strategic Leadership, direction and guidance. Previously, he has held the position of General Manager at Continental Outdoor Media (Botswana). Prior to this appointment, he was the Managing Director of Coronation Fund Managers (Botswana). Mr. Rasebotsa has previously served as Chief Executive Officer at Glenrand MIB and has held various senior positions including Risk Director at Barclays Bank in Botswana, Country Credit Director for Barclays Bank of Zambia PLC and Associate Corporate Credit Director at Barclays regional office in South Africa. Mr. Rasebotsa holds a Bachelor of Commerce Degree.

BOARD OF DIRECTORS



**MOSIMOLODI
BIGGIE LEFHOKO**

Independent member of the Board
Tender Committee

Appointed 30 July 2015

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



**MICHAEL
LESOLLE**

Independent member, Board Audit
Committee

Appointed February 2012

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.

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. The Board therefore takes shareholder rights, environmental and social factors into consideration in investment decisions. An Environmental Social and Management System has been put in place.
2. BDC is controlled by a Board of Directors comprising of a minimum of seven and a maximum of thirteen members according to its constitution. 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 skills comprising of various captains of industry 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 in effectively executing its duties.

Corporate Values

The Board ensures that in conducting its business and interactions with stakeholders, there is conformance to the Corporation's Corporate Values from time to time as defined in the Corporation's Strategy document. Strong and sustainable corporate performance is achieved across all aspects, in line with the business model adopted in December 2014, together with the governance framework, which includes a Governance Policy, a Board Charter, a robust Delegation of Authority Policy and 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 strategy.

Delegation of Authority

Certain functions of the Board are facilitated through the Sub-Committees, particularly the Audit, Human Capital and Risk functions. Enshrined in the Delegation of Authority framework 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 is 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 considering the dictates of business requirements.

In fulfilling its responsibilities, the Board is assisted by the following Committees:

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

GOVERNANCE FRAMEWORK

Board Tender Committee

The Committee is 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. The Board is the forum in which it reviews formal procurement processes which are above the maximum threshold for submission to the Management Tender Committee. The Committee further ensures that Procurement Plans developed by BDC are aligned to the budget and that are consistent with organisational goals and objectives. More importantly, it ensures that recommendations of the Evaluation Committees and negotiation teams, as reflected in the evaluation or negotiation reports, are sound and responsive to the qualification, evaluation and award criteria in the solicitation documents.

The Board Tender Committee comprises:

- Four non-executive Directors (one acting as the Chair)
- An Independent member
- Managing Director and,
- Company Secretary as secretary

The Members are:

- A. T Monnakgotla – Chairperson
- T. Molebatsi
- B. Gaetsaloe
- O. Tebogo
- R. Chilisa
- M. B Lefhoko
- A. V Lionjanga (Retired 15 August 2016)

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 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. In addition, it assists the Board in discharging its responsibilities in relation to governance and to enhance the credibility and objectivity of BDC's financial reporting.

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:

- A. T Monnakgotla – Chairperson
- B. Gaetsaloe
- M. Lesolle
- C. Dow
- N. Bogatsu
- V. Molatedi – (retired 15 August 2016)
- R. W. Mokgathe (Resigned June 2016)
- R. Vaka (retired 15 August 2016)

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 Corporations' 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, in line with the Risk Appetite and Delegation of Authority Policy.

Board Risk and Investment Committee comprises:

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

GOVERNANCE FRAMEWORK

The Members are:

- A. T. Monnakgotla – Chairperson
- T. Molebatsi
- R. Chilisa
- B. Gaetsaloe
- S. M Rasebotsa
- M. Moremong-Gobe (retired 15 August 2016)
- W. R. Mokgatlhe (Retired 30 November 2016)

Board Human Capital Committee

The mandate of the Committee is to monitor and advise on human intellectual capital of BDC as well as staff welfare to ensure adherence to the general conditions governing the Corporation's employees for attainment of Corporate 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.ee

The Members are:

- N. Bogatsu – Chairperson
- O.V.Tebogo
- B. Gaetsaloe
- R. Vaka – (retired 15 August 2016)
- V. Molatedi – (retired 15 August 2016)
- M. Mpugwa (resigned 01 March 2017)

Credit and Investment Committee

The Committee made up of Management ensures that all investment proposals are subjected to rigorous examination prior to recommendation to the Board Risk and Investment Committee and the main Board, depending on the threshold. The Credit & Investment Committee approves transactions, investments to be made in particular, 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 high performance. -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, following the successful implementation of the new business model, BDC has undertaken a training workshop for the Board on Corporate Governance. In light of the fact that BDC is a private company, working virtually within the 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. Below is the governance checklist as well as the Board and Committee attendance matrix.

GOVERNANCE FRAMEWORK

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





Managing Director's Report

The 2016/17 financial year was a demanding yet rewarding one for the Corporation. I am proud to be reporting on our performance as despite the continued uncertain economic climate we managed to deliver shareholder value and record a profit. We are well on track of our five year strategic plan and are in the stabilisation phase of the business post transformation as demonstrated by the numbers. Taking a bird's view of the journey, we are confident that the business remains on course and our ambition to doubling the business by 2019 still remains.

MANAGING DIRECTOR'S REPORT

BDC is a self-funding institution that operates on commercial basis. Therefore our mandate remains the same, we are still focused in supporting commercially viable enterprises through funding or partnerships. BDC is looking to invest in un-tapped and under-invested sectors such as Infrastructure, Energy, Agriculture, Innovation and Technology. The Corporation's mandate has been extended to cross border-funding and we are proud that early on in the next financial year, we will be sealing some of our first international deals.

Strategic Plan

We are still committed to our strategic goal of doubling the business in five years (#DTB5). To drive this we have identified Exco Priorities to accelerate our journey towards our strategic goals. This year, we have consolidated our priorities from 5 to 3 and this will allow us to focus on fewer items and commit more resources, time and attention to them. Our Exco priorities for the coming year are given below:

Priority One: Accelerating culture change – especially around controls, accountability, and delivery. Specifically, we want to build a culture of high performance characterised by speedy and quality execution.

Priority Two: Defending our gains in revenue, profit, and impact. We will keep our eyes on delivering value to the shareholder.

Priority Three: Strengthening our relationships with our Stakeholders. This speaks a lot to our value of #partnerships. Our overall effort is geared towards strengthening our balance sheet capacity and implementing action of strategies and priorities in order to meet our growth ambition. We will drive this initiative by acquiring relevant actionable knowledge and understanding of targeted industry markets and geographic sectors, economic business trends, clients and competitors. Developing and leveraging our strategic partnerships is another key area of focus. Strategic partnerships enable the business to gain a competitive advantage through access to knowledge and project funding. Developing and leveraging on partnerships will help expand and deepen our penetration of selected market segments and geographic markets. All this culminates with creating and maintaining a high performance culture. People are our most valuable resource and we are committed to attracting, developing, retaining and rewarding the best people through the continued establishment of a stimulating and exciting environment, which encourages development and growth.

Business Performance

Despite an overall lower bottom line for the year compared to 2016, we remain upbeat about the performance of the business during 2017. Through our divestment and transformative business turnaround initiatives launched in 2015, the number of loss making companies within the group further reduced by four companies during the year, leaving the last two for which a turnaround is highly anticipated in the next two years. We also welcomed into the Group two new entities at associate level, each with a significantly transformative impact on Botswana's economy and BDC's diversified investment portfolio. Our investment drive continued in earnest throughout the financial year, with investment deals amounting to just under above P400 million going through the credit approval processes. This brings post-transformation cumulative approvals to just under P600 million. The Corporation's investment fund remained adequately covered throughout the year to honour commitments, and with a declining cost of capital. With this, we are confident that our profitability will be supported by a steady growth in new business, which in itself is at the nucleus of our growth strategy.

Operational efficiencies, supported by the right culture remained an area of priority throughout the year. A comprehensive IT strategy was developed, supported by a sound Statement of User Requirement which has become the cornerstone of an integrated ICT environment currently under implementation. Corporate culture has been reinforced by embracing the UGR® concept.

In terms of our financials, the year saw a mixed performance pattern across the Group, with some companies clearly feeling industry pressures while some made strides in emerging from a history of subdued performance. In overall, performance was down this year compared to prior, at Group level as well as at company level. Total company closed the year at P273 million (net of Mark to Market realised revaluation losses), down from P381 million recorded in the prior year. This reduction in overall company revenues by itself was expected as it is driven by lower divestment activities in the current year compared to 2016. Income accruing from new business is gradually replacing divestment income, which although a permanent feature in our financials, has been very significant in the previous 2 financial years.

MANAGING DIRECTOR'S REPORT

For the year, equity assets contributed 53% to the overall income, followed by income earned from debt and near-debt assets at 27%. 15% of total income is profit realised on divestments while income earned from treasury activities predominantly account for the residual 5%. In comparison to prior year, total Company administrative expenses remained flat at P98 million, but netting off to P67 million after factoring in recoveries from previously impaired assets. Finance costs for the year were at P55 million, 25% up from prior year. The increase results from new but more optimal funding facilities utilised during the year, including a bridge loan which has since been re-financed at the introduction of bonds. This expenditure line is planned to grow with the growth of new business, although a decline is planned for 2018 due to a reducing overall blended cost of debt, reflecting a correcting capital structure. Profit before tax is down 33% from prior year to close the year at P150 million, mainly due to declined revenues and increased finance costs. Total Company assets experienced a 12% decline to close the year at P2.4 billion. Driving the P266 million decline is an overall P301 million (inclusive of realised) revaluation losses on shares held in listed securities. The 12% decline in total assets is the significant driver of a corresponding 10% decline on the Company's net worth.

Overall income at Group level amounts by 385 million, reflecting an 18% decline from prior year. This decline in overall revenue is attributed to the disposals of two material subsidiaries, which were loss making and fully impaired. Cost of sales reflect a 35% reduction to close the year at P63 million, down from P97 million in the prior year. The reduction is due to production costs associated with the disposed subsidiaries.

Group administrative expenditures amounted to P181 million, reflecting a 10% decline from prior year resulting mainly from reduced impairment provisions across the Group and reduced staff costs. However, material increase in costs was experienced in property upkeep expenses, mainly at Commercial Holdings where Facilities Management and Lease out fees were introduced, owing to increased tenancy, as well as other related property expenses. This subsidiary substantially increased tenancy at its prime property, the Fairscape Precinct which closed the year with an occupancy rate of 87%, allowing it to turn into a profit maker.

Total Group assets declined to P3.179 billion (9%), driven mainly by revaluation losses at company level as explained above, as well as the unimpaired portions of investments from which the company divested. Corresponding to this is a 10% decline in the net worth at Group level.

Development Impact

The extent and quantum of developmental impact varies from one project to another, notwithstanding, all projects funded carry with them an inherent developmental impact through a variety of means ranging from export creation, import substitution, job creation, tax revenues, private sector development and pioneering new industries, and these apply mainly to local projects. Through its sustainable operations, BDC group of companies has supported a growing number of permanent jobs throughout the economy, paid millions of Pula's to Government in form of Taxes and Dividends, pioneered the domestic capital markets (debt and equity) and supported the now vibrant local Stock Exchange.



Mr. B. Gaetsaloe
Managing Director



Management 2017



THABILE MOIPOLAI
HEAD OF HUMAN CAPITAL

BAFANA MOLOMO
CHIEF INVESTMENT OFFICER

MBAKO MBO
CHIEF FINANCIAL OFFICER

BASHI GAETSALOE
MANAGING DIRECTOR



**BOITSHWARELO
LEBANG**

HEAD, CORPORATE AFFAIRS
AND STRATEGY

**GILBERT
OFETOTSE**

ACTING HEAD OF LEGAL AND
COMPANY SECRETARY

**BOTSHELO
MOKOTEDI**

ACTING HEAD, RISK

MARINA KHAN

CHIEF AUDIT EXECUTIVE
(Deceased)

MANAGEMENT



**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 achieving 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 MA in Economics from Yale University, New Haven, USA and a Bachelor of Arts in Economics from Connecticut College, New London, USA.



**MBAKO
MBO**

CHIEF FINANCIAL OFFICER

Dr Mbo oversees the Finance & Treasury, IT, Procurement and Administration functions within BDC. Prior to joining BDC, he worked for the African Development Bank where he held the position of Financial Management Expert for an investment portfolio spanning across seven African countries. His duties included project appraisals, risk assessments, designing financial management systems for new investments, review of financial reports, formulation of the Bank's Country and Regional Strategy, among others.

Mbako holds a Bachelor's Degree in Accounting, BSc (Hons) Applied Accounting, an MBA, a PhD and is also a Member of the Association of Chartered Accountants (ACCA) and a Member of the Association of Corporate Treasurers (AMCT).

MANAGEMENT



**BAFANA
MOLOMO**

CHIEF INVESTMENT OFFICER

Mr Bafana Molomo officially joined BDC on the 1st of June 2015 from Vantage Capital – a leading mezzanine fund manager based in Johannesburg and operating across Sub-Saharan Africa. As a member of the Vantage Investment Team managing the ZAR 2 Billion Vantage Pan-Africa Mezzanine Debt Fund, he has been involved in deal origination, design of complex deal structures, financial modelling, and investment analysis, due diligence, portfolio value enhancement, and exit management.

Bafana earned a Bachelor of Commerce (Economics and Finance) and an MBA from University of Cape Town. He also holds a Post-graduate Diploma in Business from University of Pretoria's Gordon Institute of Business Science.



**THABILE
MOIROLAI**

HEAD OF HUMAN CAPITAL

Ms. Moipolai is in charge of all aspects of Human Capital at BDC including recruitment, performance management, capacity development, talent management and leadership. She joined BDC from De Beers Global Sightholder Sales – where she held the position of Human Resources Business partner. In this role she supported the Business from a Human Resources perspective managing the entire HR life cycle from “recruitment to exit”, with a specific focus on HR Service delivery, Reward Management, Talent Management, Performance Management, Projects and Capacity building, among others.

Thabile holds a BSBA (Bachelor of Science in Business Administration) with a Major in Human Resources Management from the University of Nebraska, USA.

MANAGEMENT



**BOITSHWARELO
LEBANG**

HEAD, CORPORATE AFFAIRS
AND STRATEGY

Ms Boitshwarelo Lebang is Head-Corporate Affairs & Strategy at Botswana Development Corporation, a position she assumed 1st of April 2017. She is tasked with overall Corporate Affairs function and strategic performance management of the Corporation. In her role, Ms Lebang provides strategic leadership in the development and implementation of branding, communication and Corporate Social Responsibility strategies, policies, and programmes for the Corporation. This includes effective development and implementation of various marketing, image and branding, communications and public relations concepts which contributes to building the BDC brand. She is also responsible for overseeing and monitoring the strategic performance of the Corporation. This includes spotting emerging market opportunities, identifying business threats, seeking novel strategic solutions, and developing creative action plans.

She holds a MSc. Strategic Management from the University of Derby in the UK (2007) and Bsc. Computer Science – Business Information Systems and Management from the University of Botswana (2001)



**BOTSHELO
MOKOTEDI**

HEAD, RISK (AG)

Mr. Botshelo Mokotedi joined the Corporation 1st July 2012 as Senior Risk officer from (CEDA) Citizen Entrepreneurial Development Agency where he was a Portfolio Executive –Credit Evaluation under the Risk Management Department.

Mr Mokotedi has nine years' experience working on the Developmental finance space. He earned Bachelor of Commerce with Specialisation on Risk Management from the University of South Africa (UNISA). Attended short courses on development finance topics offered by SADC DFRC: Investment Appraisal and Risk Analysis, Project Management, Reinforcing the Investment Decision and Debt Management, Workouts and Restructuring.

MANAGEMENT



**GILBERT K.
OFETOTSE**

HEAD OF LEGAL AND
COMPANY SECRETARY (AG)

Gilbert joined Botswana Development Corporation on March 1, 2015 as Manager Legal Services in the Legal and Company Secretariat Division.

Gilbert has over 10 years experience having practiced with the law firms Kgalemang & Associates and Rahim Khan & Company, a stint in the Attorney General's Office as State Counsel. His past immediate position is that of Manager - Legal Services at the Botswana International University of Science and Technology (BIUST).

He holds a Bachelor of Laws (LLB) degree from the University of Botswana and a Diploma in Air Law from the IATA Institute of Training and Development. He is an Attorney, Notary Public and Conveyancer and is admitted to practice in the High Court of the Republic of Botswana.



Intergrated Report







INVESTMENT REPORT AR FY2016/17

The year FY2016/17 saw the Corporation continue its origination efforts in a bid to secure new investments and continue to grow the portfolio. Over the period, the Corporation continuously sought opportunities in Botswana and the region, with increased impetus on local pipeline generation. The make-up of the pipeline however remained biased towards regional transactions representing 68% of the portfolio whilst local transactions constituted only 32%. The continued growth in the regional pipeline was due to the Corporation seeing increased deal flow from directly engaging with peer organisations in the region as well as interactions with new partners from regional engagements. This has culminated in the Corporation approving its first regional investment in partnership with some of its regional partners. The transaction is currently undergoing legal closure and is expected to be closed within the 2017 calendar year.

During the financial year, the Corporation also maintained its portfolio management activities culminating in the restructuring and turnaround of existing positions to improve portfolio returns as well as rebalancing of the portfolio. These efforts, through the designing and implementation of several value adding initiatives and

turnaround strategies, have led to improved returns from portfolio companies as well as the arresting of value erosion in the portfolio. The Corporation has also maintained its divestment programme during the financial year with six (6) divestments completed during the period. As at the end of the financial year, there are currently twenty-nine (29) existing, three (3) new approvals and three (3) deals at advanced stages of appraisal with the number expected to increase in FY2017/18 as the Corporation continues to invest in new business.

New Business Investments

The financial year FY2016/17 represents the third year of BDC's strategy. The Corporation's focus in this financial year was on value creative activities and growth of the Corporation's portfolio as per the #DTB5 strategy. During the financial year, the Corporation made new investments (including approvals) in the Manufacturing and Property Sectors. The Corporation further has a pipeline of three (3) new opportunities at advanced stages of evaluation in the healthcare, transport/logistics and manufacturing sectors that are expected to be closed in the next financial year.

During the year FY2016/17, BDC approved a consolidated BWP153.5 million for various projects as follows:



MANUFACTURING SECTOR

Manufacturing: The BWP23million or 26% equity stake investment which is a partnership between BDC and Nampak Products Ltd to produce can ends in Lobatse in an entity named Nampak Divfood Botswana. This is a development project expected to stimulate exports as all can ends have a South African offtake..



PROPERTY

Western Industrial Estates: BWP0.5 million, the purchase of land envisaged for development of an industrial park in the greater Gaborone region.

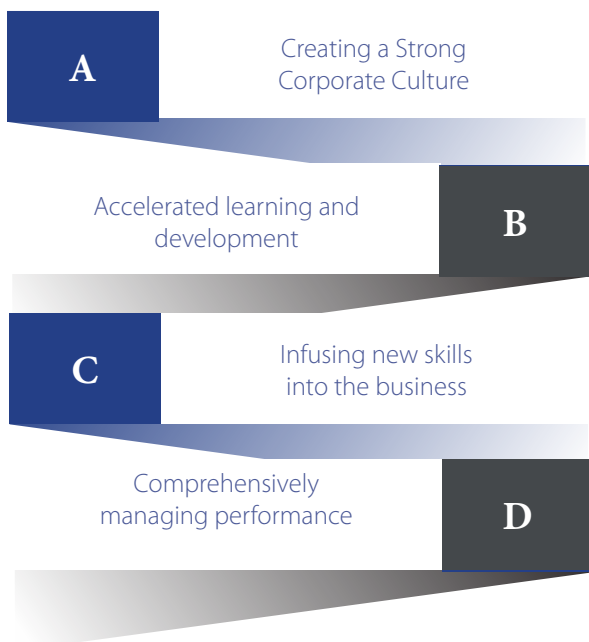
Divestments / Exits

During the financial year FY2016/17, the Corporation efforts towards divestments was maintained with the Corporation concluding exits for six (6) assets within the portfolio over the period. These divestments included the disposal of two (2) residential properties under one of its subsidiaries, the sell down of Sechaba Brewery Holdings, the sales of Coast to Coast assets; exit from Kwena Concrete Products, a payoff of debt facility by Seven Star steel pipe and complete divestment of Can Manufacturers. Divestments will remain a key deliverable in the BDC Corporate Strategy and investment process however will be pursued on a portfolio review and optimisation approach considering when any investment has reached its life cycle within the Corporation or return based approach. Exits from portfolio companies will continue to be considered where the Corporation has an asset where the Corporation has generated sufficient returns, or a commercially attractive offer is received. BDC creates industries and divests when the private sector matures sufficiently to take over, or if a commercially attractive offer is received. Exits in this case become a function of each investment. This ensures best practice within the balance sheet to ensure sustainability of operations and effective utilisation of assets and cash reserves. During the period, the Corporation continued to seek and initiate partial-exits or dilutions in some of the investments where it owns 100% of the shares including the restructuring and majority sell down to strategic and other equity partners.

HUMAN CAPITAL REPORT

In a digital world of increasing transparency and growing influence of generational integration, employees expect a productive, engaging and enjoyable work experience. Human Capital continue to play an instrumental role in developing an integrated employee experience and management practices that positively impact employee performance as well as the overall performance of the Corporation, thus securing the future success of BDC. One of our priorities is to attract, retain, develop and continue to motivate employees with the requisite skills and experience to help BDC master challenges and make the most of the opportunities.

OUR KEY FOCUS AREAS WERE AND CONTINUE TO BE:



In our continuous endeavor to build **a strong corporate culture**, we have introduced a unique initiative called Positive Aspirational Unwritten Ground Rules which is focused on accelerating culture transformation. This approach will ensure that the Corporation's values and beliefs are vigorously brought to life through incorporation into critical business and people processes. It will also create a culture of personal accountability, proper governance and adherence to controls.

As we continue to build a strong **BDC for the future**, continuous learning and development is critical for our business success and therefore remains a priority area for Human Capital. As a way of reflecting on our commitment to helping our employees advance in their professional and personal development, BDC has introduced an accelerated learning and development approach. A robust BDC Academy has been implemented to provide an intensive use of digital delivery of learning and development. In addition, we have developed a future focused competency based training that will be used to make informed learning and development decisions. The academy will also help BDC produce future leaders that are fluid and progressive through a bespoke leadership development.

As the war for talent sourcing and acquisition ages on, Human capital continues to ensure that BDC has the relevant skills to achieve its strategic objectives by **infusing new skills to the business**. A talent management framework has been implemented to guide our talent attraction, sourcing and retention strategies. As a Corporation that comprises mainly of the millennial generation, we recognize that it is crucial to cultivate an environment that is comfortable, creative, challenging, flexible and most importantly inspiring to our employees. By continuously monitoring skill requirement as the business evolves, Human Capital prioritizes skill development through an intense graduate development programme that purposes to create a larger talent pool. Our approach to **comprehensive performance management** is divided into three main areas being agile objective management, check-in and continuous feedback, final review sessions and reward. The impact of this performance practice is positive as the corporation's ability to implement performance management has improved as indicated by quality performance conversations.

The **future outlook** of Human Capital at BDC is to continue building a strong corporate culture which improves employee engagement, ensuring that accelerated learning and development are part of our agenda and aligning our talent management strategy to the overall business objective while paying attention to our pivotal roles. We acknowledge that our capacity to attract, retain and manage talent depends on our ability to create a sense of belonging to the Corporation that offers a long-term relationship. We also recognize that leadership effectiveness and a strong emphasis on living our values are key in driving BDC mandate.

HUMAN CAPITAL REPORT



GROUP INTERNAL AUDIT

Governance Assurance and Internal Audit function overview

Mandate & Reporting

Group Internal Audit "GIA" is an independent objective assurance and consulting activity established by the BDC Board of Directors to provide assurance on the status of risk management, internal control and governance processes for BDC and its subsidiaries. During FY17, the Board through the Finance and Audit Committee, External and Internal Auditors continued to provide combined assurance on the effectiveness of the same.

GIA has adopted a risk-based approach to developing an internal audit plan that adequately covers the Group Audit Universe. This ensures that the Department employs a systematic and disciplined approach to evaluating and improving the effectiveness of the control environment.

Organisational Independence

To achieve organisational independence within the Corporation, GIA 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, the Finance and Audit Committee Chairperson and the Managing Director.

Risk Management

While the responsibility of 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.

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 mechanisms that assists the Corporation in fraud and corruption deterrence as well as detection. The Corporation in turn has a whistle-blowers' protection policy to support the service by ensuring that both the whistle-blowers and whistle-blowees are protected by being afforded fair treatment in dealing with any alleged reports. 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.



Tip-offs Anonymous

Trust Us, Talk To Us Anytime

Call the Tip-offs Anonymous free hotline with any information you may have regarding fraud, corruption or other workplace crime.

Toll free: 0800 600 644 (BTC) | 1144 (Orange) | 71119773 (Mascom)

Free fax: 0800 00 77 88

Email: bdc@tip-offs.com

Website: www.tip-offs.com

RISK MANAGEMENT AND SUSTAINABILITY

Risk Management

Risk management underpins the execution of BDC's strategy and mandate. As such, material risks and uncertainties faced by the Corporation have been identified and strong mitigations put in place in order to manage these positions. Having approved policy, framework and risk governance structures by the Board of Directors, BDC management has entered a period of implementation.

Though not regulated by the central bank nor the non-banking regulations, BDC aspire to best capital management philosophies as such maintain capital reserve buffers as a risk management initiative to ensure resilience and allow for better risk management. The successful approval of the P1 billion bond has significantly improved the Corporation's capital levels. Management is continuing to diversify the Corporation funding mix in effort to maintain comfortable capital reserve buffers and achieve optimal funding positions.

Approach to Risk Management

BDC aims to follow a three lines of defence philosophy which defines the roles of line management, support functions and internal and external functions in relation to the risk management process.

First Line of Defence

(Risk Taking / Risk Management):

The 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.

The front office employees of the business units are primarily responsible for identifying and managing risks in their area, and for developing and communicating policies, guidance and procedures necessary to manage those risks.

Second Line of Defence

(Risk Control):

The 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. It is made up by risk management and compliance functions. These departments are governed by BDC's risk and capital committees.

Another key function of the second line of defence is to challenge the business lines' inputs to, and outputs from, the organisation's risk management, risk measurement and reporting processes/systems. The function should have a sufficient number of personnel skilled in the management of BDC's principle risks, being Credit, Market and Operational Risks

Third Line of Defence

(Risk Assurance):

The third "line of defence" provides an independent review and challenge of the Corporation's risk management controls, processes and systems. Those performing these reviews must be competent and appropriately trained and not directly involved in the development, implementation and operation of the Risk Management Framework. This assurance may be done by internal audit or by staff independent of the process or system under review, but may also involve suitably qualified external parties.

The end of this financial years saw an improvement on the risk landscape of the Corporation with major milestones as highlighted below;

BDC non-performing assets reduced dramatically from what was reported in the last period to be within the Corporation appetite of 20% to total investment book and is expected to decline further amid focused portfolio interventions. This is underpinned by a strong credit landscape in which all stakeholders to the credit process undertake their role more diligently and are without doubt committed to the principles of risk management and governance.

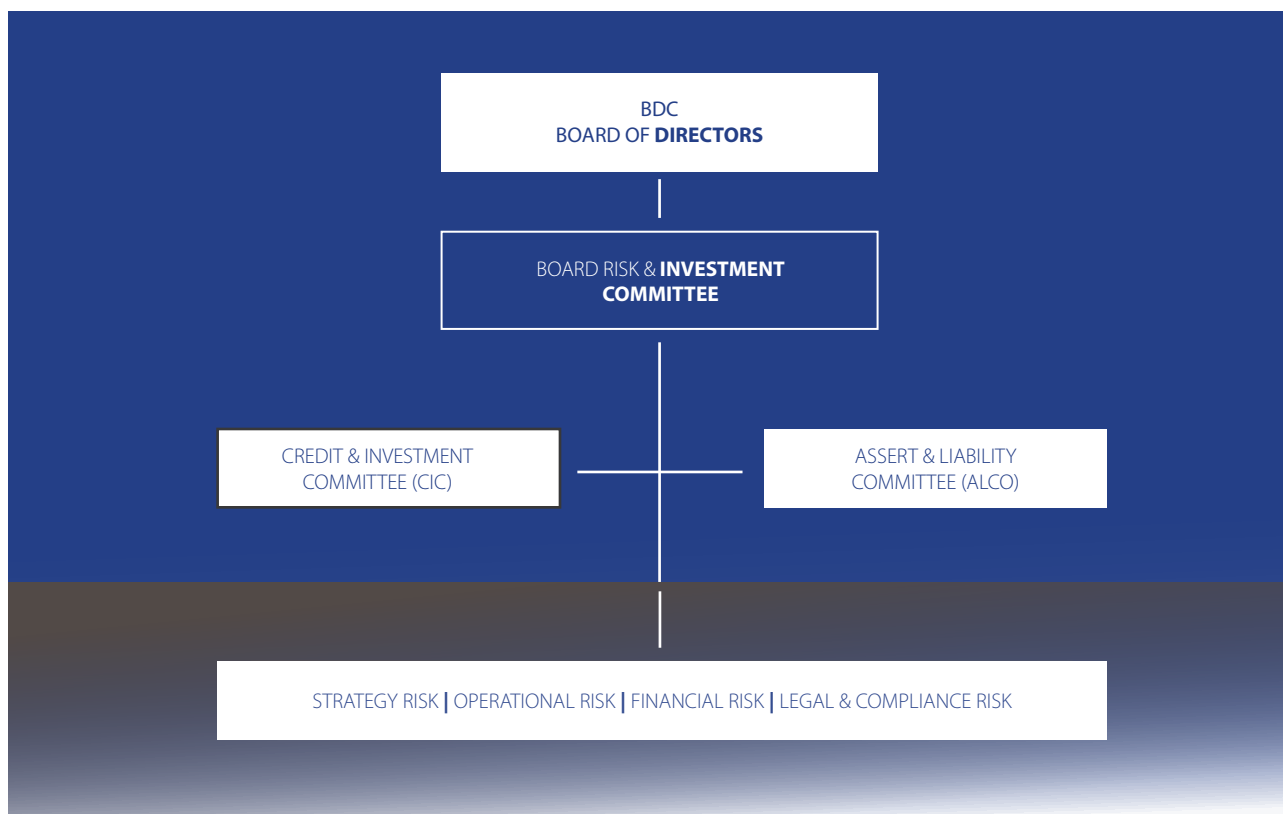
RISK MANAGEMENT AND SUSTAINABILITY

The successful implementation and enforcement of adequate risk management practices and policies requires appropriate governance structures to be established with clearly defined responsibilities.

Board of Directors

The Corporation Board of Directors (Board) has oversight for risk management with a special focus on the most pertinent risks facing the Corporation, emanating from strategic, operational, financial and legal and compliance fronts. Throughout the year, the Board and the committees to which it has delegated responsibility dedicate a portion of their meetings to review and discuss specific risk topics in greater detail. Strategic, Operational and Reputational risks are presented and discussed in more details within the context of the Managing Director’s report to the Board.

Risk Governance Committees



BDC Board of Directors has delegated responsibility for the oversight of specific risks to Board Committees as follows;

Risk and Investment Committee (“RIC”)

RIC oversees risks related to BDC and jointly meets throughout the year to make determinations on them as well as updating BDC Board of Directors. The Committee does not only focus its efforts on the Corporation’s investment activity but rather extend their mandate to incorporate the Enterprise Wide Risk Management which covers the whole Corporation and take special interest on how management goes about mitigating identified risks. These risks are discussed both at its meetings and full updates are brought before BDC Board of Directors.

RISK MANAGEMENT AND SUSTAINABILITY

Credit and Investment

Committee ("CIC")

CIC was developed and implemented during the year ended 30 June 2016. The objective of the CIC is to make a determination on proposed specific investments applications and to oversee the control and management of all credit and investment policies, processes and procedures related to the Corporation's investment function. All new deals initiated in the year under review went through CIC approval process.

Asset and Liability

Committee ("ALCO")

ALCO oversees the management of assets and liabilities in order to maximise shareholder value, to enhance profitability, to promote growth in capital, and to protect the Corporation from adverse financial consequences through optimising the Corporation's balance sheet. The Risk Division led by the Head of Risk ("HoR") maintains sufficient independence from other divisions and departments. HoR assumes overall responsibility for the efficient and effective governance of BDC's significant risks and related opportunities.

Sustainability

In ensuring the Corporation's resilience, management has moved to resuscitate the Business Continuity program in which all divisions have identified and mapped their mission critical actions and subjects to a process of recovery should the business operations be crippled by an event either expected or unexpected.

The financial year ended June 2016 saw the full adoption of the Environmental and Social System philosophy in which all investments will be taken through the system to establish their impact to the environment in order to mitigate negative effects and amplify any positives thereafter. This financial year saw the full adoption and implementation of process.

Key to the successful delivery of its mandate is the BDC Management and Board ability to be conscious to material existing and emerging risks whenever decisions are taken.

(A) Material Existing risk for this financial years would be;

- **Sub-Optimal Funding Structure risk**

This risk has a direct bearing on the Corporation's current operating model and has a real potential to restrict assumed growth by influencing its ability to attract and retain quality investments within its investment assets.

- **Loss of Economic Capital risk (Credit risk)**

The Corporation's performance could be adversely affected by erosion of its balance sheet emanating from the increase of non-performing assets. BDC Management and Board has come up with strong initiatives such as tight policies, direct and focused monitoring and collection efforts in order to manage this exposure area environment. This yielded desirable results as we saw contaminating levels moving positively to be below the appetite levels which ultimately reduced our impairments positions which has a direct bearing on the Corporation's profitability.

(B) Material Emerging Risk

The following are emerging risks that management is cognisance of and are timeously working to mitigate and limit the impacts brought about by these positions;

- **Political and Regulatory Risks**

The risk associated with political instability and change for the worst of regulation on a deal host country. As the Corporation moves to conquer foreign territories it is only right for management to keep within their thinking all exposure associated with foreign participation.

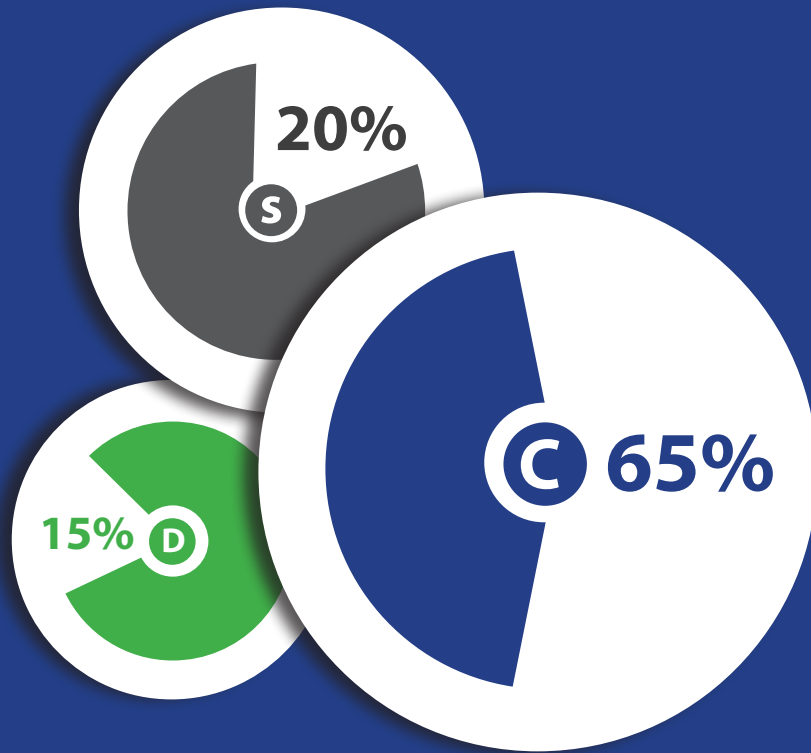
- **Foreign Exchange risk**

The risk has the potential to erode foreign denominated assets due to mismatch that exist between local and foreign currencies. This position is pertinent in that it underlies the current strategic intent of expanding our foot print in to other territories.



CORPORATE SOCIAL RESPONSIBILITY

As the investment arm of Botswana Government, BDC continues its mission to develop the commercial and Industrial sector in the country through funding of projects, giving back is a virtue Botswana Development Corporation (BDC) remains steadfast not to overlook. During the year under review, the Corporation continued to exercise its role as a Corporate Social Responsible Citizen. Donations and sponsorships were undertaken in different forms in accordance with budget. Below is an indication of our commitment to Corporate Social Responsibility:



- Donations programme is more reactive and short term, where the Corporation responds to requests for funding or donations most of which are once off.
- Sponsorships programme is also more on short term and driven primarily aimed at improving Corporate brand image.
- 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.

In the year under review the Corporation committed to several activities geared towards community development and support through sponsorships and donations of over P300 000.00. With CSI, the Corporation has identified community initiatives that are aligned to its mandate and support the business' developmental objectives while leveraging on core skills internally.



Group
Financial
Statements

CONTENTS

PAGE

Directors' report	54
Directors' responsibility statement and approval of the financial statements	55
Independent auditor's report	56
Statements of comprehensive income	60
Statements of financial position	61
Statements of changes in equity	62
Statements of cash flows	64
Significant accounting policies	65 -81
Notes to the financial statements	82-112

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 2017 prepared in accordance International Financial Reporting Standards.

1. FINANCIAL RESULTS

The financial results for the Company and the Group are set out on pages 60 to 112. Subsequent to year end, the Company has declared a dividend of P20 000 000 based on the results for the year ended 30 June 2017, similarly the Company declared a dividend of P25 000 000 during the year based on the results for the previous year ended 30 June 2016.

2. DIRECTORS

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

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

3. STATED CAPITAL

The total number of ordinary shares issued and fully paid is 541,769,462 (2016: 541,769,462).

4. INVESTMENTS

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

	BWP
Commercial Holdings (Pty) Ltd	1,084,793
Export & Credit Insurance & Guarantee (Pty) Ltd	1,147,067
Thakadu & Kwena Hotels (Pty) Ltd	1,818,580
Nampak Divfood (Pty) Ltd	23,076,923
Milk Afric (Pty) Ltd	7,900,522

5. DIRECTORS' FEES AND EXPENSES

It is recommended that directors' fees, expenses of P2 930 000 and directors' emoluments of P3 160 875 (2016: Fees P3 261 000, Emoluments P2 349 449) for the year to 30 June 2017 be ratified.

By Order of the Board



G. Ofetotse

Acting Group Company Secretary

07 NOV 2017

DIRECTORS' RESPONSIBILITY STATEMENT

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 2017 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 2017 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 60 to 112, which have been prepared on the going concern basis, were approved by the Board on November 2017 and are signed on its behalf by:



Mr B Marole
Chairman



Ms N. Bogatsu
Director



TO THE MEMBERS 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 2017, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended and a summary of significant accounting policies and the notes to the financial statements, as set out on pages 60 to 112.

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 2017, 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	
<p>This key audit matter is applicable to the consolidated financial statements.</p> <p>Refer to the accounting policies for investment properties on page 71, note 8 for investment properties and note 1.20 including the application of judgments and estimates in determining the valuation of investment properties.</p>	
THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
<p>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 P1.960 billion as at 30 June 2017 (2016: P1.803 billion). This accounts for 62% of the group's total non-current assets.</p> <p>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.</p> <p>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 worthiness and lease terms.</p> <p>Details of the valuation techniques and significant unobservable input used in the valuations are disclosed in note 8 to the consolidated financial statements.</p>	<p>Our procedures included the following, amongst others:</p> <ul style="list-style-type: none"> • We assessed 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 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 into 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:

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
<p>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.</p>	<ul style="list-style-type: none"> - Cash flows (rental incomes) were traced to underlying lease contracts on a sample basis. - Expected market rental growth and discount rates were compared to industry data and found to be reasonable for the sector and assets in question. - Occupancy rates and rent free or void periods were compared to historical data. In addition, we considered whether the historical data is 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 in the financial statements, in describing the inherent degree of subjectivity and key assumptions used in these estimates. This includes the relationships between the key unobservable inputs and fair values.

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 on page 65 and Investments in associate on page 66, notes 11 and 12 relating to investment in 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
<p>The carrying value of the company's investments in subsidiaries and associates amounted to P997 million (2016: P1,009 million) at the reporting date. This constitutes 49% of the company's total non-current assets. The investment in subsidiaries includes the company's investment cost and loans to subsidiaries.</p> <p>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.</p> <p>The valuation of the loans is determined by assessing the financial strength (equity) of the subsidiaries or associated companies.</p> <p>Investment in subsidiaries and associates are measured at cost less accumulated impairment losses.</p> <p>The company assesses its investment in subsidiaries and associates whenever circumstances may indicate the presence of impairment indicators. During the year, certain subsidiaries and associated companies incurred losses, causing the directors to assess them for impairment.</p> <p>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.</p>	<p>Our procedures included, amongst others:</p> <p>Investment in subsidiaries</p> <ul style="list-style-type: none"> • 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 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 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:

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
<p>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.</p> <p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> - Assessing the mathematical and technical accuracy of management's calculations; - Auditing the consistency of the applied impairment assessment methodology; - Reconciling the input parameters applied in the calculation to underlying records <p>We assessed the adequacy of disclosures in the company's financial statements in accordance with the financial reporting framework.</p> <p>Investment in Associates</p> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • Assessing the mathematical and technical accuracy of management's calculations; • Auditing the consistency of the applied impairment assessment methodology; • Reconciling the input parameters applied in the calculation to underlying records. • We assessed the adequacy of disclosures in the company's financial statements in accordance with 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 AND THOSE CHARGED WITH GOVERNANCE 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.

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 and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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



Certified Auditors
Practising member: Francois Roos (20010078.45)
14 December 2017
Gaborone

STATEMENTS OF COMPREHENSIVE INCOME For the year ended 30 June 2017

Annual Report 2017 | PAGE 60

	Notes	CONSOLIDATED		COMPANY	
		2017 P'000	2016 P'000	2017 P'000	2016 P'000
REVENUE					
Income from trade	3	137,246	198,470	179,690	262,200
Cost of sales		(63,079)	(96,555)	-	-
GROSS PROFIT		74,167	101,915	179,690	262,200
Rental income	8	137,113	119,441	-	-
- Contract rental		123,142	108,481	-	-
- Straight line lease rental adjustment		13,971	10,960	-	-
		211,280	221,356	179,690	262,200
Finance income	4	11,101	17,122	46,052	15,931
Other operating income	5	44,426	70,867	47,274	102,531
Fair value gain on investment properties	8	28,508	32,197	-	-
- As per valuation		42,479	43,157	-	-
- Straight-line rental adjustment		(13,971)	(10,960)	-	-
Share of profits of associates	12	26,784	29,561	-	-
Amortised cost of borrowings	27	-	675	-	675
Distribution costs		-	(2,160)	-	-
Marketing expenses		(3,455)	(3,179)	(2,270)	(1,854)
Occupancy expenses		(41,977)	(25,702)	(12,987)	(15,948)
Administrative expenses		(129,595)	(154,819)	(28,745)	(59,768)
Other operating expenses		(6,612)	(14,479)	(23,359)	(35,630)
Finance costs	4	(61,140)	(57,998)	(55,265)	(44,152)
PROFIT BEFORE TAX	6	79,320	113,441	150,390	223,985
Income tax expense	7	(37,905)	(44,915)	(6,699)	(15,744)
PROFIT FROM CONTINUING OPERATIONS		41,415	68,526	143,691	208,241
Profit/(loss) for the year from discontinued operations	41	11,365	(10,304)	-	-
		52,780	58,222	143,691	208,241
OTHER COMPREHENSIVE INCOME					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Gain on revaluation of land and buildings		2,254	12,395	-	-
Deferred tax effect of revaluation		-	(2,270)	-	-
Share of other comprehensive income of associates	12	6,857	7,990	-	-
Discontinued operations - gain on revaluation of land and buildings		-	406	-	-
		9,111	18,521	-	-
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Net (loss)/gain on available-for-sale investments	23	(283,232)	30,096	(283,232)	30,096
Available-for-sale investments reclassified to profit or loss	23	(55,650)	-	(55,650)	-
Other comprehensive income for the year		(329,771)	48,617	(338,882)	30,096
TOTAL COMPREHENSIVE INCOME		(276,991)	106,839	(195,191)	238,337
Profit attributable to					
Owners of the Company		33,717	34,841	143,691	208,241
Non-controlling interests	26	19,063	23,382	-	-
		52,780	58,223	143,691	208,241
Total other comprehensive income attributable to:					
Owners of the Company		(329,771)	48,617	(338,882)	30,096
Non-controlling interests		-	-	-	-
		(329,771)	48,617	(338,882)	30,096

	Notes	CONSOLIDATED		COMPANY	
		2017 P'000	2016 P'000	2017 P'000	2016 P'000
ASSETS					
Non-current assets					
Investment properties	8	1,960,547	1,784,238	-	-
Property, plant and equipment	9	80,306	246,399	7,372	8,677
Intangible assets	10	1,173	1,066	-	-
Subsidiaries	11	-	-	960,418	998,317
Associated companies/partnerships	12	202,200	159,083	37,036	10,373
Unquoted investments	13	161,750	75,336	161,750	75,336
Quoted investments	15	704,830	1,048,129	704,830	1,048,129
Due from group companies	16	-	-	148,836	130,091
Rental straight-line adjustment		56,847	42,851	-	-
Deferred tax assets	30	11,497	2,574	-	-
		3,179,150	3,359,676	2,020,242	2,270,923
Current assets					
Inventories	17	1,651	22,642	-	-
Trade and other receivables	18	75,423	104,631	25,498	18,048
Short-term loans	19	48,654	64,733	66,026	101,163
Short-term investments	20	11,969	19,351	-	-
Cash and cash equivalents	21	289,931	541,316	172,611	307,530
Taxation recoverable		49,191	49,094	4,395	2,669
		476,819	801,767	268,530	429,410
Assets classified as held for sale	42	217,306	151,408	89,000	-
		694,125	953,175	357,530	429,410
Assets pertaining to discontinued operations	41	75,491	70,352	-	-
		3,948,766	4,383,203	2,377,772	2,700,333
Total assets					
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capita	22	888,269	888,269	888,269	888,269
Fair value reserve	23	558,695	897,577	558,695	897,577
Other reserves	24	235,413	217,330	36,442	-
Claims equalisation reserve	25	4,207	4,207	-	-
Retained earnings		891,260	855,141	307,701	174,453
Equity attributable to owners of the Company		2,577,844	2,862,524	1,791,107	1,960,299
Non-controlling interests	26	313,215	313,909	-	-
Total equity		2,891,059	3,176,433	1,791,107	1,960,299
Non-current liabilities					
Borrowings	27	332,893	318,509	135,748	146,648
Bonds outstanding	27	215,129	214,964	215,129	214,964
Government grants	28	11,411	11,767	-	-
Provision for restoration costs	29	-	19,779	-	-
Deferred tax liabilities	30	121,538	113,488	-	-
		680,971	678,507	350,877	361,612
Current liabilities					
Borrowings	27	23,583	257,428	3,614	234,900
Government grants	28	356	356	-	-
Taxation Payable		13,853	5,398	12,139	-
Trade and other payables	31	145,765	139,260	101,375	63,465
Bank overdrafts	32	118,660	120,660	118,660	80,057
Dividends payable		6,712	-	-	-
		308,929	523,102	235,788	378,422
Liabilities associated with assets classified as held for sale	42	62,729	-	-	-
		371,658	523,102	235,788	378,422
Liabilities associated with discontinued operations	41	5,078	5,161	-	-
		3,948,766	4,383,203	2,377,772	2,700,333
Total equity and liabilities					

STATEMENTS OF CHANGES IN EQUITY For the year ended 30 June 2017

Annual Report 2017 | PAGE 62

	Stated Capital	Share Application	Fair Value Reserve	Other Reserves
	P'000	P'000	P'000	P'000
Consolidated				
Year ended 30 June 2017				
Balance at 1 July 2016	888,269	-	897,577	217,330
Total comprehensive loss for the year	-	-	(283,232)	9,111
Profit for the year	-	-	-	-
Other comprehensive loss for the year	-	-	(283,232)	9,111
Transfers during the year	-	-	(55,650)	36,442
Debenture interest declared during the year	-	-	-	-
Dividend paid	-	-	-	-
Disposal of an investment	-	-	-	(29,422)
Other movements	-	-	-	1,952
Balance at 30 June 2017	888,269	-	558,695	235,413
Year ended 30 June 2016				
Balance at 1 July 2015	864,199	24,070	867,481	199,618
Total comprehensive income for the year	-	-	30,096	18,521
Profit for the year	-	-	-	-
Other comprehensive income for the year	-	-	30,096	18,521
Transfers during the year	24,070	(24,070)	-	(809)
Debenture interest declared during the year	-	-	-	-
Dividend paid	-	-	-	-
Other movements	-	-	-	-
Balance at 30 June 2016	888,269	-	897,577	217,330
Company				
Year ended 30 June 2017				
Balance at 1 July 2016	888,269	-	897,577	-
Total comprehensive loss for the year	-	-	(283,232)	-
Profit for the year	-	-	-	-
Other comprehensive loss for the year	-	-	(283,232)	-
Dividend paid	-	-	-	-
Transfers during the year	-	-	(55,650)	36,442
Prior year adjustments	-	-	-	-
Balance at 30 June 2017	888,269	-	558,695	36,442
Year ended 30 June 2016				
Balance at 1 July 2015	864,199	24,070	867,481	-
Total comprehensive income for the year	-	-	30,096	-
Loss for the year	-	-	-	-
Other comprehensive income for the year	-	-	30,096	-
Transfers during the year	24,070	(24,070)	-	-
Balance at 30 June 2016	888,269	-	897,577	-

Claims equalisation reserve	Retained Earnings	Total Attributable To Members	Non- Controlling Interests	Total
P'000	P'000	P'000	P'000	
4,207	855,141	2,862,524	313,909	3,176,433
-	33,717	(240,404)	19,063	(221,341)
-	33,717	33,717	19,063	52,780
-	-	(274,121)	-	(274,121)
-	19,208	-	-	-
-	-	-	(19,278)	(19,278)
-	(25,000)	(25,000)	(479)	(25,479)
-	-	(29,422)	-	(29,422)
-	8,194	10,146	-	10,146
4,207	891,260	2,577,844	313,215	2,891,059
6,774	816,342	2,778,484	297,354	3,075,838
-	34,841	83,458	23,382	106,840
-	34,841	34,841	23,382	58,223
-	-	48,617	-	48,617
(2,567)	3,376	-	-	-
-	-	-	(5,951)	(5,951)
-	-	-	(876)	(876)
-	582	582	-	582
4,207	855,141	2,862,524	313,909	3,176,433
-	174,453	1,960,299	-	1,960,299
-	143,691	(139,541)	-	(139,541)
-	143,691	143,691	-	143,691
-	-	(283,232)	-	(283,232)
-	(25,000)	(25,000)	-	(25,000)
-	19,208	-	-	-
-	(4,651)	(4,651)	-	(4,651)
-	307,701	1,791,107	-	1,791,107
-	(33,788)	1,721,962	-	1,721,962
-	208,241	238,337	-	238,337
-	208,241	208,241	-	208,241
-	-	30,096	-	30,096
-	-	0	-	0
-	174,453	1,960,299	-	1,960,299

STATEMENTS OF CASH FLOWS For the year ended 30 June 2017

Annual Report 2017 | PAGE 64

	Notes	CONSOLIDATED		COMPANY	
		2017 P'000	2016 P'000	2017 P'000	2016 P'000
Cash flows from operating activities					
Cash generated from/(used in) operations	38	70,998	27,328	(67,113)	(208,510)
Tax paid		(17,378)	(21,093)	(15,031)	(30,813)
Net cash generated from/(used in) operating activities		53,620	6,235	(82,144)	(239,323)
Cash flows from investing activities					
Purchase of investment properties and assets held for sale	8	(100,649)	(41,439)	-	-
Purchase of property, plant and equipment	9	(4,510)	(12,453)	(1,313)	(6,625)
Purchase of intangible assets	10	(447)	-	-	-
Purchase of shares in subsidiaries		-	-	(2,232)	(9,179)
Purchase of shares in associates		(30,977)	-	(30,977)	-
Redeemed shares		-	-	-	34,508
Loans disbursed to subsidiaries		-	-	(17,899)	(71,777)
Loans disbursed to associated companies		(4,927)	-	(4,927)	-
Loans disbursed to unquoted investment companies		(75,349)	(71,777)	(75,349)	1,000
Loans repaid by subsidiaries		-	-	21,638	776
Loans repaid by associated companies		-	458	-	17,450
Loans repaid by unquoted investment companies		22,490	2,098	22,490	1,657
Proceeds from disposal of property, plant and equipment		40,601	17,602	-	-
Proceeds from disposal of investment properties and assets held for sale		23,223	111,988	-	-
Net movement in the reserves of associates		12,397	61,277	-	-
Proceeds on disposal of investments		87,334	111,040	114,952	109,000
Dividends received	3	22,878	40,628	144,736	235,805
Interest received	4	11,101	17,122	34,953	15,931
Net cash from investing activities		3,165	236,545	206,072	328,546
Cash flows from financing activities					
Long term borrowings raised		47,756	121,128	-	121,128
Proceeds from issued bonds		-	230,332	-	219,460
Long term borrowings repaid		(267,217)	(228,094)	(242,186)	(165,385)
Debenture interest and dividends paid to minority interests	26	(19,757)	(6,826)	-	-
Finance costs	4	(68,850)	(57,998)	(55,265)	(44,152)
Net cash (used in)/from financing activities		(308,068)	58,542	(297,451)	131,051
Movement in cash and cash equivalents		(251,283)	301,322	(173,523)	220,275
Movement in cash and cash equivalents					
Beginning of the year		420,657	119,335	227,474	7,199
Movement during the year		(251,283)	301,322	(173,523)	220,275
Cash transferred from assets held for sale		1,897	-	-	-
End of the year		171,271	420,657	53,951	227,474
Cash and cash equivalents comprise:					
Cash and cash equivalents	21	289,931	541,316	172,611	307,530
Bank overdrafts	32	(118,660)	(120,659)	(118,660)	(80,056)
		171,271	420,657	53,951	227,474

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. 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 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.

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

1.1. CONSOLIDATION (Continued)**Business combinations (Continued)**

- 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.

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

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 and 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 interest in that associate) are recognised only to the extent that the Group has incurred legal or constitutive obligations or made payments on behalf of the associate.

1.2 INVESTMENTS IN ASSOCIATES (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.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. 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.

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.

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 effective interest rate applicable, which is the rate that exactly discounts estimated future cash.

1.4 REVENUE (Continued)

Dividend and interest income (Continued)

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 described under leasing below.

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. Finance 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 are 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.

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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 drawdown. 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.

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 000 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.

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

1.12 PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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.

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.

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 income statement 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.

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.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;

1.14 INTANGIBLE ASSETS (Continued)

- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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.

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.

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.

1.15 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.

1.16 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

1.16 PROVISIONS (Continued)

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.

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*.

1.17 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.

1.18 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 on an arm's length basis and accordingly included in profit or loss for the year.

1.19 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.

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.

1.19 FINANCIAL INSTRUMENTS (Continued)

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

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**.

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.

1.19 FINANCIAL INSTRUMENTS (Continued)

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.

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.

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

1.19 FINANCIAL INSTRUMENTS (Continued)

Derecognition of financial assets (Continued)

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. 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.

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

1.19 FINANCIAL INSTRUMENTS (Continued)

Other financial liabilities (Continued)

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.

1.20 CRITICAL ACCOUNTING 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 P1.960 billion as at 30 June 2017 (2016: P1.784 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 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 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 worthiness and lease terms.

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.

Impairment of investments in subsidiaries and associates

The carrying value of the company's investments in subsidiaries and associates amounted to P997 million (2016: P1.009 million) at the reporting date. This constitutes 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

1.20 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

Impairment of investments in subsidiaries and associates (Continued)

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.

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.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

The following new standards, amendments to standards and interpretations became effective during the year ended 30 June 2017:

Standard/ Interpretation		Impact
Amendments to IAS 27	Equity Method in Separate Financial Statements	No impact on these financial statements
Amendments to IFRS 10, IFRS 12 and IAS 28	Investments Entities - Applying the Consolidation Exception	No impact on these financial statements
Amendments to IAS 1	Disclosure Initiative	No impact on these financial statements
IFRS 14	Regulatory Deferral Accounts	No impact on these financial statements
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	No impact on these financial statements
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	No impact on these financial statements
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants	No impact on these financial statements

2. NEW STANDARDS AND INTERPRETATIONS (Continued)

2.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The following new standards, amendments to standards and interpretations are not yet effective for the year ended 30 June 2017 and have not been applied in preparing these financial statements:

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, 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 standard is currently being evaluated by the group and the expected impact will be disclosed in the group's financial statements in the following year.

Disclosure Initiative (Amendments to IAS 7): The amendments provide additional guidance on disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This includes providing a reconciliation between the opening and closing balances arising from financing activities. The amendments are effective for periods beginning on or after 1 January 2017, with early adoption permitted. The amendments, which become effective for the group's 2018 financial statements, will require additional disclosures relating to changes in liabilities arising from financing activities in the group's 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.

IFRS 9 Financial Instruments: On 24 July 2014, the IASB issued the final IFRS 9 *Financial Instruments* Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. This standard will have an 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. The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application and early adoption is permitted. The standard, which becomes effective for the group's 2019 financial statements, may have an impact on the measurement and disclosure of its financial assets. The standard is currently being evaluated by the group and the expected impact will be disclosed in the group's financial statements in the following year.

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. 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.

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12): The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

2. NEW STANDARDS AND INTERPRETATIONS (Continued)

2.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE (Continued)

The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised.

Guidance is provided where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this.

Guidance is provided for deductible temporary differences related to unrealised losses that are not assessed separately for recognition. These are assessed on a combined basis, unless a tax law restricts the use of losses to deductions against income of a specific type.

The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted. The amendments, which become effective for the group's 2018 financial statements, are not expected to have a significant impact on the group's financial statements due to the nature of the group's deferred tax assets and the utilisation of the wholly owned subsidiaries' deferred tax assets by the group.

IFRIC 23 Uncertainty over Income Tax Treatments

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. This standard is not expected to have a significant on the group's financial statements.

'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 company's financial statements in the following year.

Clarifying share-based payment accounting (Amendments to IFRS 2)

Currently, there is ambiguity over how an entity should account for certain types of share-based payment arrangements. The IASB has responded by publishing amendments to IFRS 2 *Share-based payments*.

The amendments cover three accounting areas:

Measurement of cash-settled share-based payments – The new requirements do not change the cumulative amount of the 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 entities are to apply.

These amendments are effective for annual periods commencing on or after 1 January 2018 and are not expected to have any impact on the company's financial statements. The group does not have any cash-settled share based payment schemes.

IFRIC 22 Foreign Currency Transactions and Advance Considerations

When a foreign currency consideration is paid or received in advance of the item it relates to –

2. NEW STANDARDS AND INTERPRETATIONS (Continued)

2.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE (Continued)

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 for annual reporting periods beginning on or after 1 January 2018. This standard is not expected to have a significant impact on the group's financial statements as the majority of the group's transactions are incurred and settled in Botswana Pula.

	CONSOLIDATED		COMPANY	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
3. INCOME FROM TRADE				
Income from trade;				
Revenue from the sale of goods and rendering of services Interest on loans:	92,780	146,136	-	-
- Subsidiaries	-	-	15,151	13,962
- Associated companies/joint ventures	-	357	299	357
- Unquoted investments	21,485	10,695	19,401	10,695
- Invoice discounting	103	654	103	1,381
Dividends received:				
- Subsidiaries	-	-	109,627	168,102
- Associated companies/joint ventures	-	-	12,231	27,075
- Quoted investments	22,878	40,628	22,878	40,628
	137,246	198,470	179,690	262,200
4. FINANCE INCOME AND FINANCE COSTS				
Finance income:				
- Bank	11,101	15,526	6,667	2,822
- Debenture interest	-	-	37,300	11,512
- Preference shares	-	1,596	2,085	1,597
	11,101	17,122	46,052	15,931
Finance costs:				
- Bank borrowings	(28,239)	(22,250)	(17,618)	(12,336)
- Long-term borrowings	(17,244)	(30,372)	(15,482)	(30,372)
- Bonds	(22,165)	(1,443)	(22,165)	(1,444)
- Finance leases	-	(3)	-	-
- Penalty Interest	(1,202)	-	-	-
- Unwinding of discount on restoration costs (note 29)	7,710	(3,930)	-	-
	(61,140)	(57,998)	(55,265)	(44,152)
5. OTHER OPERATING INCOME				
Cost recoveries	-	25	-	5,179
Directors' fees received	-	56	-	56
Loan negotiating fees	125	711	125	711
Invoice discounting service fees	-	448	-	448
Profit on disposal of investments	19,416	44,586	41,081	95,692
Other	(77)	1,211	(1,467)	-
Sundry income	24,962	23,830	7,535	445
	44,426	70,867	47,274	102,531

	CONSOLIDATED		COMPANY	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
6. PROFIT BEFORE TAX				
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)	(356)	(356)	-	-
Auditor's remuneration - current year	1,905	1,638	464	415
- prior year	-	687	95	443
Occupancy expenses	13,216	560	12,987	15,948
Amortisation of intangible assets (note 10)	340	335	-	-
Depreciation (note 9)	12,526	12,391	2,618	2,474
Impairment of property, plant and equipment (note 9)	-	8,013	-	-
Directors' fees	2,930	3,261	144	148
Directors' emoluments	3,161	2,349	3,161	2,349
Key management emoluments	10,623	16,942	3,585	2,665
Net foreign exchange gains	(2,164)	(2,896)	(338)	(1,063)
Impairment on investments (note 14)	7,232	26,091	(33,035)	36,792
Bad and doubtful debts (note 18)	7,868	2,567	5,983	-
Rates	4,025	3,645	-	-
Utilities	11,191	7,434	1,622	454
Repairs and maintenance	5,785	8,019	268	1,278
Staff costs (as below)	78,310	74,360	43,666	40,752
(Profit)/loss on disposal of property and property, plant and equipment	1,422	(92)	-	(47)
Staff costs	68,770	63,981	37,048	34,134
Salaries and wages	9,540	10,379	6,618	6,618
Termination benefits	78,310	74,360	43,666	40,752
7. INCOME TAX EXPENSE				
Botswana company taxation				
Normal taxation at 22%/15%	(12,150)	1,276	-	-
Normal taxation - prior year	-	2,471	-	2,471
Withholding tax paid on dividends	9,622	4,904	9,622	4,904
Group tax relief	-	-	(15,321)	(5,953)
Total normal taxation	(2,528)	8,651	(5,699)	1,422
Deferred taxation (note 30) - current year	11,386	(132)	-	-
- prior year	26	6,013	-	-
- capital gains tax	(5,627)	306	-	-
Attributable to debenture interest	10,634	-	2,441	-
Capital gains tax paid	17,629	25,219	9,957	14,322
Share of associate company taxation (note 12)	6,385	4,858	-	-
Charge for the year	37,905	44,915	6,699	15,744

7. INCOME TAX EXPENSE (Continued)

The tax on the profit before tax differs from the theoretical amount as follows:

	CONSOLIDATED		COMPANY	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
Profit before tax	79,320	113,441	150,390	223,985
Tax calculated at 22%/15%	57,894	70,605	33,086	49,277
Income not subject to tax	(64,878)	(74,730)	(48,817)	(72,929)
Normal taxation - prior year	-	2,471	-	2,471
Deferred taxation - prior year	26	6,013	-	-
Capital gains tax	17,629	25 219	9,957	14,322
Expense not deductible for tax purposes	11,594	6,240	81	-
Allowable deductions - debenture interest	2,441	(8,131)	2,441	-
Fair value adjustments subject to capital gains tax	(7,231)	(6,692)	-	-
Share of associated company taxation	6,385	4,858	338	-
Withholding tax paid on dividends	9,622	4,904	9,622	4,904
Unrecognised deferred tax assets	4,423	14,157	15,312	23,653
Group tax relief	-	-	(15,321)	(5,954)
	37,905	44,915	6,699	15,744

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:

2011/2012	-	67,703	-	6,524
2012/2013	84,109	91,117	76,131	76,131
2013/2014	147,570	212,639	144,342	144,342
2014/2015	137,283	134,552	96,647	96,647
2015/2016	128,433	145,112	110,567	110,567
2016/2017	37,818	-	18,914	-
	535,213	651,123	446,601	434,211

8. INVESTMENT PROPERTIES
CONSOLIDATED

	2017 P'000	2016 P'000
Land and buildings at fair value	2,017,394	1,846,545
Straight line lease rental adjustment	(56,847)	(62,307)
Balance at end of year	1,960,547	1,784,238
Reconciliation of fair value		
Balance at beginning of the year	1,784,238	1,837,635
At valuation	1,846,545	1,888,982
Straight line lease rental adjustment	(62,307)	(51,347)
Additions during the year	100,649	41,439
Disposals during the year	(2,740)	(41,534)
Transfer from property, plant and equipment (note 9)	-	5,261
Transfers to assets classified as held for sale	(2,839)	(148,270)
Transfer from assets classified as held for sale	42,000	57,510
Fair value of investment properties	39,239	32,197
Increase in fair value during the year*	53,210	43,157
Straight line lease rental adjustment	(13,971)	(10,960)
Balance at end of the year	1,960,547	1,784,238

* The increase in fair value during the year as noted in the Statement of Comprehensive Income includes fair value losses amounting to P10 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 (2017: 8–10%, weighted average 9%; 2016: 8–10%, weighted average 9%). Void periods (2017 and 2016: average 6 months after the end of each lease). Occupancy rate (2017: 74–75%, weighted average 75%; 2016: 76–78%, weighted average 77%).

Rent-free periods (2017 and 2016: 1–6 months period on new leases).

Risk-adjusted discount rates (2017: 10–12%, weighted average 11%; 2016: 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 2017 by 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 2017. All of the Group's investment property is held under freehold interests.

Investment properties available for sale

Two subsidiary companies are 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 P83 180 000 (2016: P151 408 000) 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:

Rental income	137,113	119,441
Repairs and maintenance expenses	2,735	(3,741)

NOTES TO THE FINANCIAL STATEMENTS, 30 June 2017 (Continued)

Annual Report 2017 | PAGE 86

9. PROPERTY, PLANT AND EQUIPMENT

Consolidated

Year ended 30 June 2017

	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
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)	-
Transfer 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

Year ended 30 June 2016

Restated balance at beginning of the year	174,996	2,051	1,231	73,836	10,314	4,069	266,497
Revaluation	12,395	-	-	-	-	-	12,395
Additions	694	1,675	214	1,075	8,606	189	12,453
Transfers	3,650	-	-	90	-	(3,740)	-
Transfers to investment properties (note 8)	(5,261)	-	-	-	-	-	(5,261)
Depreciation (note 6)	(2,507)	(1,048)	(520)	(5,042)	(3,274)	-	(12,391)
Disposals	(16,278)	(117)	(529)	(5,705)	(2,559)	-	(25,188)
Depreciation on disposals	83	32	368	3,465	1,959	-	5,907
Impairment loss through profit and loss (note 6)	(4,420)	-	-	-	-	-	(4,420)
Reclassified to discontinued operations	-	-	-	(3,593)	-	-	(3,593)
Balance at end of the year	163,352	2,593	764	64,126	15,046	518	246,399

At 30 June 2016

Cost/valuation	172,791	14,812	4,016	156,451	26,626	518	375,214
Accumulated depreciation and impairment	(9,439)	(12,219)	(3,252)	(92,325)	(11,580)	-	(128,815)
Net book value	163,352	2,593	764	64,126	15,046	518	246,399

9. PROPERTY, PLANT AND EQUIPMENT (Continued)
Company
Year ended 30 June 2017

	Computer Equipment	Motor Vehicles	Furniture, Fittings And Equipment	Total
	P'000	P'000	P'000	P'000
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

Year ended 30 June 2016

Balance at beginning of the year	1,544	180	3,040	4,764
Additions	498	-	6,127	6,625
Depreciation (note 6)	(730)	(136)	(1,608)	(2,474)
Disposals	-	(21)	(217)	(238)
Balance at end of the year	1,312	23	7,342	8,677

At 30 June 2016

Cost	5,282	885	10,993	17,160
Accumulated depreciation	(3,970)	(862)	(3,651)	(8,483)
Net book value	1,312	23	7,342	8,677

10. INTANGIBLE ASSETS
Computer software:

Balance at beginning of the year	1,066	1,401
Additions	447	-
Amortisation charge (note 6)	(340)	(335)
Balance at end of the year	1,173	1,066

At 30 June

Cost	4,074	3,627
Accumulated amortisation	(2,901)	(2,561)
Net book value	1,173	1,066

Group

	2017	2016
	P 000	P 000

	1,066	1,401
	447	-
	(340)	(335)
	1,173	1,066
	4,074	3,627
	(2,901)	(2,561)
	1,173	1,066

Ordinary Shares At Cost	Preference Shares At Cost	Short Term Loan	Long Term Loan	Total loan	2017 Total Investment	2016 Total Investment	% Of Shares Held
P'000	P'000	P'000	P'000	P'000	P'000	P'000	

11. SUBSIDIARIES

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	46,613	-	-	-	269,774	350,539	
Kwena Concrete Products (Pty) Ltd	-	-	-	-	-	-	11,880	100
Lobatse Clay Works (Pty) Ltd **	75,000	-	-	-	-	75,000	121,602	100
Golden Fruit 97 (Pty) Ltd	25,496	13,796	-	-	-	39,292	39,292	100
Can Manufacturers (Pty) Ltd	122,665	32,817	-	-	-	155,482	177,765	100
Services	28,584	-	-	-	-	28,584	41,200	
Export Credit Insurance & Guarantee (Pty) Ltd	14,584	-	-	-	-	14,584	13,437	100
Coast-to-Coast Inn (Pty) Ltd **	14,000	-	-	-	-	14,000	27,763	100

** Investments transferred to assets held for sale are disclosed at the lower of its carrying value and fair value less cost to sell.

1.1. SUBSIDIARIES (Continued)

	Ordinary Shares At Cost P'000	Preference Shares At Cost P'000	Short Term Loan P'000	Long Term Loan P'000	Total loan P'000	2017 Total Investment P'000	2016 Total Investment P'000	% Of Shares Held	Loan Interest Rate Pa%
Property management	925,081	6,347	17,372	207,999	225,371	1,156,799	1,128,671		
Botswana Hotel Development Co. (Pty) Ltd	104,098	-	-	62,867	62,867	166,965	171,791	100	11
Commercial Holdings (Pty) Ltd	223,986	-	16,466	127,011	143,477	367,463	353,536	100	9
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	277,463	-	906	18,121	19,027	296,490	277,463	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	1,261,287	52,960	17,372	207,999	225,371	1,539,618	1,604,871		
Less:									
Accumulated impairment (note 14)				(409,961)		(409,961)	(502,431)		
Amortised cost adjustment of loan provided at below market rate				(62,867)		(62,867)	(67,693)		
Less:				1,066,790		1,066,790	1,034,747		
Current portion of loans included in short-term loans and advances (note 19)				(17,372)		(17,372)	(36,430)		
Investments reclassified to Held for Sale				(89,000)		(89,000)	-		
All the subsidiaries are registered in Botswana.				960,418		960,418	998,317		
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									
Up to 1 year			17,372			17,372	36,430		
After 1 year						133,563	67,813		
After 5 years						74,436	121,318		
						225,371	225,561		

12. ASSOCIATED COMPANIES/PARTNERSHIPS

	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	2017 Total investment P'000	2016 Total investment P'000	% of shares held	Loan interest rate p.a %
Consolidated										
Agriculture										
Botatlana Ventures (Pty) Ltd	21,170	10,000	10,334	1,404	11,738	(20,502)	22,406	12,317		
Tkwalape (Pty) Ltd	6,627	7,500	9,384	-	9,384	(16,911)	6,600	5,305	39	17.5
Milk Afric Alliance	2,210	2,500	950	1,404	2,354	572	7,636	7,012	40	17.5
Mareketseto A Merogo (Pty) Ltd	7,901	-	-	-	-	-	7,901	-	26	-
	4,432	-	-	-	-	(4,163)	269	-	23	-
Industry										
Nampak	23,077	-	-	-	-	(772)	22,305	-		
	23,077	-	-	-	-	(772)	22,305	-	26	-
Services										
Peermont Global (Botswana) Ltd	14,304	-	-	-	-	142,955	157,259	147,829		
Investec Holdings Botswana Ltd	3,000	-	-	-	-	50,582	53,582	52,070	40	--
TransUnion (Pty) Ltd	870	-	-	-	-	977	1,847	2,027	25	-
Mashatu Nature Reserve (Pty) Ltd	147	-	-	-	-	5,864	6,011	4,375	49	-
	10,287	-	-	-	-	85,532	95,819	89,357	33	-

12. ASSOCIATED COMPANIES/PARTNERSHIPS (Continued)

	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	2017 Total investment P'000	2016 Total investment P'000	% of shares held
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Consolidated
Property management

33

NBC Developments Partnership	-	-	-	-	-	43,484	43,484	38,232	
Total all sectors	58,551	10,000	10,334	1,404	11,738	165,165	245,454	198,378	
Less: Accumulated impairment (note 14)							(32,920)	(30,506)	
							212,534	167,872	
							(10,334)	(8,789)	
							202,200	159,083	

Less: Current portion of loans included in short-term loans and advances (note 19)

Company

 Ordinary and preference shares at cost
 - group investment as disclosed above

Loans

Less: Accumulated impairment (note 14)

Less: Current portion of loans included in short-term loans and advances (note 19)

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

 Up to 1 year
 After 1 year

Included in post acquisition reserves are the following:

Current year share of associates profits

Current year share of associates tax charge (note 7)

Net profit after tax

Share of other comprehensive income of associates, net of tax (note 24)

	10,334	8,789
	1,404	1,775
	11,738	10,564
	26,784	29,561
	(6,385)	(4,859)
	20,399	24,702
	6,857	7,990
	27,256	32,692

The Company disposed its interest in NBC (Pty) Ltd to its subsidiary, Letlile La Rona (Pty) Ltd.

13. UNQUOTED INVESTMENTS

	Preference shares at cost	Short term loan	Long term loan	Total loan	2017 Total investment	2016 Total investment
	P'000	P'000	P'000	P'000	P'000	P'000
Industry	55,292	18,335	8,413	26,748	82,040	95,679
United Refineries (Pty) Ltd	-	9,219	6,534	15,753	15,753	13,737
Philisa Day Care Centre (Pty) Ltd	-	575	1,240	1,815	1,815	2,273
Pasdec Automotive (Pty) Ltd	52,100	-	-	-	52,100	52,100
Crates & Pallets Botswana (Pty) Ltd	3,192	8,541	639	9,180	12,372	11,100
Seven Star Steel Pipe Group (Pty) Ltd	-	-	-	-	-	16,469
Services	8,472	19,985	86,768	106,753	115,225	72,629
Thakadu & Kwena Hotels (Pty) Ltd	8,472	5,455	22,264	27,719	36,191	30,483
Baisago	-	3,812	45,269	49,081	49,081	15,069
Gloryland Guest Lodge (Pty) Ltd	-	10,718	19,235	29,953	29,953	27,077
Estates Management	-	-	44,651	44,651	44,651	-
Modern Ventures	-	-	44,651	44,651	44,651	-
Total all sectors	63,764	38,320	139,832	178,152	241,916	168,308

13. UNQUOTED INVESTMENTS (Continued)

	Consolidated and Company	
	2017 P'000	2016 P'000
Total all sectors	241,916	168,308
Accumulated impairment (note 14)	(41,846)	(37,028)
	200,070	131,280
Less: Current portion of loans included in short-term loans and advances (note 19)	(38,320)	(55,944)
	161,750	75,336
All unquoted investments are registered in Botswana.		
The loans and advances are repayable over periods varying from 2 to 10 and analyzed as follows		
Maturity of short and long term loans		
Up to 1 year	38,320	55,944
After 1 year	139,832	102,518
	178,152	158,462
Securities pledged for the above loans	275,762	275,762
Securities pledged comprise immovable assets and Deeds of Hypothecation over movable assets.		

14. ACCUMULATED IMPAIRMENT OF INVESTMENTS

	Consolidated		Company	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
Balance at beginning of the year	67,534	601,251	569,965	1,066,890
Increase/(decrease) in impairment during the year (note 6)	7,232	26,091	(33,035)	36,792
Disposal of investments/transfers to held for sale	-	-	(52,203)	-
Write offs during the year	-	(559,808)	-	(533,717)
Balance at end of the year	74,766	67,534	484,727	569,965
Represents provision against:				
Subsidiaries (note 11)	-	-	409,961	502,431
Associated companies/partnerships (note 12)	32,920	30,506	32,920	30,506
Unquoted investments (note 13)	41,846	37,028	41,846	37,028
	74,766	67,534	484,727	569,965

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.

15. QUOTED INVESTMENTS

Shares at cost
Net gain transferred to fair value reserve (note 23)

Shares at market value

At cost comprising:

Sechaba Breweries Holdings Ltd
Cresta Marakanelo Ltd

	Consolidated		Company	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
Shares at cost	146,135	150,552	146,135	150,552
Net gain transferred to fair value reserve (note 23)	558,695	897,577	558,695	897,577
Shares at market value	704,830	1,048,129	704,830	1,048,129
At cost comprising:				
Sechaba Breweries Holdings Ltd	68,195	72,612	68,195	72,612
Cresta Marakanelo Ltd	77,940	77,940	77,940	77,940
	146,135	150,552	146,135	150,552

The Company holds 31,967,220 (2016: 34,044,315) and 50,283,975 (2016: 50,283,975) ordinary shares in Sechaba Breweries Holdings Ltd and Cresta Marakanelo Ltd, respectively.

Although the Company owns 24% (2016: 25%) 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% (2016: 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 Sechaba Breweries.

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	2017	2016
	P'000	P'000
Talana Farms (Pty) Ltd	338	336
Malutu (Pty) Ltd	5,751	5,797
Export Credit Insurance & Guarantee (Pty) Ltd	2,342	2,342
Botswana Hotel Development Co. (Pty) Ltd	32,096	30,415
Can Manufacturers (Pty) Ltd	12,526	(3,388)
Commercial Holdings (Pty) Ltd	7,977	7,308
NPC Investments (Pty) Ltd	8,442	8,316
Residential Holdings (Pty) Ltd	14,408	14,009
Western Industrial Estate (Pty) Ltd	64,956	64,956
	148,836	130,091

17. INVENTORIES

	Consolidated	
	2017	2016
	P'000	P'000
Raw materials	-	3,762
Work in progress	-	5,799
Finished goods	-	8,445
Moulds and patterns	-	1,546
Consumables	1,651	3,090
	1,651	22,642

Inventories amounting to P10 711 000 have been transferred to Assets associated with assets classified as held for sale. (note 42)

18. TRADE AND OTHER RECEIVABLES

	Consolidated		Company	
	2017	2016	2017	2016
	P'000	P'000	P'000	P'000
Gross trade receivables	45 460	66,498	-	23,111
Allowance for doubtful debts	(14 629)	(26,651)	-	(12,962)
Net trade receivables	30 831	39,847	-	10,149
Prepayments	1,927	3,371	337	922
Loans to officers	343	274	343	274
Value Added Tax (VAT)	13 942	6,898	3,527	1,023
Due from related parties	-	515	17,079	240
Other	28 360	53,726	4,212	5,440
	75,423	104,631	25,498	18,048

The average credit period is 30 days (2016: 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.

Included in trade debtors 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.

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

31 - 60 days	1,456	1,508	-	-
61 - 90 days	1,190	1,397	-	-
91 - 120 days and above	4,384	6,701	-	-
Total	7,030	9,606	-	-

Movement in the allowance for doubtful debts

Balance at beginning of the year	26,651	57,700	12,962	36,172
Allowance reclassified as assets held for sale	(1,816)	-	-	-
Allowance recovered during the year	-	(7,578)	-	(4,052)
Allowance charged during the year (note 6)	7,868	2,567	5,983	-
Amounts written off as uncollectable	(18,074)	(26,038)	(18,945)	(19,158)
Balance at end of the year	14,629	26,651	-	12,962

At the reporting date, the Group considers the concentration of credit risk limited due to the customer base being unrelated. There are no other impaired trade debtors. Accordingly, the directors believe that there is no further impairment required in excess of the allowance for doubtful debts.

19. SHORT-TERM LOANS

Short-term portion of loans and advances to:	-	-	17,372	36,430
Subsidiaries (note 11)	10,334	8,789	10,334	8,789
Associated companies (note 12)	38,320	55,944	38,320	55,944
Unquoted investments (note 13)	48,654	64,733	66,026	101,163

20. SHORT-TERM INVESTMENTS

Balance at beginning of the year
Interest income - reinvested
Withdrawals
Balance at end of the year

	Consolidated		Company	
	2017	2016	2017	2016
	P'000	P'000	P'000	P'000
	19,351	21,391	-	-
	160	1,068	-	-
	(7,542)	(3,108)	-	-
	11,969	19,351	-	-

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

Money market funds
Cash and bank deposits

	195,359	378,457	162,801	263,180
	94,572	162,859	9,810	44,350
	289,931	541,316	172,611	307,530

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 4.2% (2016: 3.1%). 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 P47 676 030 (2016: P12 904 056) relating to security bond deposits held on behalf of Group clients.

22. STATED CAPITAL

Ordinary Shares
Balance at the beginning of the year - 541 769 462 (2016: 517 699 462 shares)
Allocation from share application reserve - 24 070 000 shares
Balance at the end of the year - 541 769 462 shares

	888,269	864,199	888,269	864,199
	-	24,070	-	24,070
	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.

23. FAIR VALUE RESERVE

Balance at beginning of the year
Fair value movement during the year
Transfers to non distributable reserves(realised)
Balance at end of the year
<i>Comprising:</i>
Sechaba Breweries Holdings Ltd
Cresta Marakanelo Ltd

Consolidated		Company	
2017	2016	2017	2016
P'000	P'000	P'000	P'000
897,577	867,481	897,577	867,481
(283,232)	30,096	(283,232)	30,096
(55,650)	-	(55,650)	-
558,695	897,577	558,695	897,577
571,266	914,673	571,266	914,673
(12,571)	(17,096)	(12,571)	(17,096)
558,695	897,577	558,695	897,577

24. OTHER RESERVES
Company

Balance at 30 June 2016	-	-	-	-	-
Transfers during the year	-	36,442	-	-	36,442
Balance at 30 June 2017	-	36,442	-	-	36,442

Subsidiaries

Balance as at 30 June 2015	675	-	2,262	111,107	114,044
Transfers from/(to) retained earnings	(675)	-	-	(134)	(809)
Revaluations net of tax	-	-	-	10,531	10,531
Balance at 30 June 2016	-	-	2,262	121,504	123,766
Transfers 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

Associates

Balance at 30 June 2015	-	-	-	85,574	85,574
Share of other comprehensive loss of associates (note 12)	-	-	-	7,990	7,990
Balance at 30 June 2016	-	-	-	93,564	93,564
Share of other comprehensive income of associates (note 12)	-	-	-	6,857	6,857
Balance at 30 June 2017	-	-	-	100,421	100,421
Total Other reserves at 30 June 2016	-	-	2,262	215,068	217,330
Total Other reserves at 30 June 2017	-	36,442	2,262	196,709	235,413

Debt and Capital Reserve

Although the Company is not a regulated financial institution, a Capital and Debt Reserve requirement framework was set up during the year, 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.

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 loss before and after taxation in both financial years.

25. CLAIMS EQUALISATION RESERVE

Balance at beginning of the year
Transfers to retained earnings
Balance at end of the year

Consolidated and Company Group	
2017	2016
P'000	P'000
4,207	6,774
-	(2,567)
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. No transfer to retained earnings or to the claims equalisation reserve was made in the current year as the subsidiary had an accumulated loss at 30 June 2017.

26. NON-CONTROLLING INTERESTS

Balance at beginning of the year
 Share of net profit of subsidiaries
 Debenture interest declared during the year
 Dividends paid
 Balance at end of the year

Consolidated	
2017	2016
P'000	P'000
313,909	297,354
19,063	23,382
(19,278)	(5,951)
(479)	(876)
313,215	313,909

27. BORROWINGS

Debt Participation Capital Funding

Unsecured loan bearing interest at 12.1% per annum repayable in half-yearly instalments of P564,000 each over the period to 2020
 Unsecured loan bearing interest at 8% per annum repayable in half-yearly instalments of P1,580,000 each over the period to 2016
 Unsecured loan bearing interest at 9.5% per annum repayable in half-yearly instalments of P221,000 each over the period to 2016
 Unsecured loan bearing interest at 9.5% per annum repayable in half-yearly instalments of P2,515,000 each over the period to 2017
 Unsecured loan bearing interest at 12.1% per annum repayable in half-yearly instalments of P300,000 each over the period to 2017
 Unsecured loan bearing interest at 12.1% per annum repayable in half-yearly instalments of P834,000 each over the period to 2020

European Investment Bank (EIB)

Loan bearing interest at 2% per annum, guaranteed by the Government of the Republic of Botswana, repayable by November 2017.

Total Debt Participation Capital Funding and EIB loans

Consolidated		Company	
2017	2016	2017	2016
P'000	P'000	P'000	P'000
-	4,144	-	4,144
-	1,519	-	1,519
-	789	-	789
-	8,971	-	8,971
-	1,261	-	1,261
-	5,166	-	5,166
-	21,850	-	21,850
3,614	7,453	3,614	7,453
3,614	29,303	3,614	29,303

27. BORROWINGS (Continued)

Total Debt Participation Capital Funding and EIB loans brought forward

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.

Secured short term loan bearing interest at prime plus 2.50% per annum during months 0-3 of facility and prime plus 2.75% per annum during months 4-6 of facility.

Less: Debt issuance costs

Term loans

Loans by First National Bank of Botswana Limited, bearing interest at prime lending rate, currently 7.0% (2016: 7.5%) 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.

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.

A maximum unsecured loan of P450 000 000 by RMB Botswana and Stanbic Bank Botswana Limited, bearing interest at prime lending rate 7.0% 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, Sechaba Breweries.

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, showgrounds, Gaborone.

Total Loans

Bonds

Issued

Debt issuance costs

Discount on bonds

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%. No issuances were made during 2017 but subsequent to year end, 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.

Finance leases

Liabilities under finance leases are held over three to five years at varying interest rates

Gross borrowings

Less: Portion of exchange loss borne by the Government of the Republic of Botswana

Amortised costs adjustment arising from valuation of loans at below market interest rates

Less: Debt Issuance costs

Less: Current portion included under current liabilities

	Consolidated		Company	
	2017	2016	2017	2016
	P'000	P'000	P'000	P'000
Total Debt Participation Capital Funding and EIB loans brought forward	3,614	29,303	3,614	29,303
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.	62,866	67,693	62,866	67,693
Secured short term loan bearing interest at prime plus 2.50% per annum during months 0-3 of facility and prime plus 2.75% per annum during months 4-6 of facility.	-	129,299	-	129,299
Less: Debt issuance costs	-	132,000	-	132,000
	-	(2,701)	-	(2,701)
Term loans				
Loans by First National Bank of Botswana Limited, bearing interest at prime lending rate, currently 7.0% (2016: 7.5%) 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.	-	11,389	-	-
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.	107,511	115,127	-	-
A maximum unsecured loan of P450 000 000 by RMB Botswana and Stanbic Bank Botswana Limited, bearing interest at prime lending rate 7.0% 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, Sechaba Breweries.	148,841	239,726	148,841	239,726
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, showgrounds, Gaborone.	46,737	-	-	-
Total Loans	369,569	592,537	215,321	466,021
Bonds				
Issued	225,260	225,260	225,260	225,260
Debt issuance costs	(4,814)	(4,496)	(4,814)	(4,496)
	220,446	220,764	220,446	220,764
Discount on bonds	(5,317)	(5,800)	(5,317)	(5,800)
	215,129	214,964	215,129	214,964
	-	180	-	-
Gross borrowings	584,698	807,681	430,450	680,985
Less: Portion of exchange loss borne by the Government of the Republic of Botswana	(6,718)	(6,718)	(6,718)	(6,718)
Amortised costs adjustment arising from valuation of loans at below market interest rates	-	(3,686)	(62,866)	(71,379)
Less: Debt Issuance costs	(6,375)	(6,376)	(6,375)	(6,376)
	571,605	790,901	354,491	596,512
	(23,583)	(257,428)	(3,614)	(234,900)
Less: Current portion included under current liabilities	548,022	533,473	350,877	361,612

27. BORROWINGS (Continued)

Analysis of term borrowings

Term borrowings

Bonds outstanding

Analysis of gross borrowings

Not later than 1 year

Later than 1 year, but not later than 5 years

Later than 5 years

Gross borrowings

	Consolidated		Company	
	2017	2016	2017	2016
	P'000	P'000	P'000	P'000
	332,893	318,509	135,748	146,648
	215,129	214,964	215,129	214,964
	548,022	533,473	350,877	361,612
	23,583	257,428	3,614	234,900
	285,732	275,035	148,841	163,428
	275,383	275,218	273,168	282,657
	584,698	807,681	425,623	680,985

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.

Armortised cost of borrowings:

Balance at beginning of the year

Transfer from provisions arising on repayments

Amortised costs adjustment arising from valuation of loans at below market interest rates

Balance at end of the year

	(3,686)	(3,011)	(71,379)	(75,530)
	-	-	4,826	4,826
	3,686	(675)	3,686	(675)
	-	(3,686)	(62,867)	(71,379)

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 2016 are as follows:

Loan number **Currency**

70893 Euro

	Consolidated and Company			
	Foreign Amount 2017	Foreign Amount 2016	Pula Equivalent 2017	Pula Equivalent 2016
	Euro 000	Euro 000	P'000	P'000
	300	600	3,614	7,453

Foreign loans have been translated to Pula at the rates of exchange ruling at the statement of financial position dates and are stated in the statement of financial position net of the proportion of exchange losses which would be borne by the Government of the Republic of Botswana in terms of the exchange protection agreements.

Borrowings amounting to P 9 308 000 have been transferred to Liabilities associated with assets classified as held for sale. (note 42)

28. GOVERNMENT GRANTS

Balance at beginning of the year

Amortisation during the year (note 6)

Balance at end of the year

Gross Government grants

Amortisation

Utilised as provision for impairment loss

Made up as follows:

Short term

Long term

	Consolidated	
	2017	2016
	P'000	P'000
	12,123	12,479
	(356)	(356)
	11,767	12,123
	32,456	32,456
	(10,689)	(10,333)
	(10,000)	(10,000)
	11,767	12,123
	356	356
	11,411	11,767
	11,767	12,123

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.

29. PROVISION FOR RESTORATION COSTS

Balance at beginning of the year	
Movement in provision for restoration costs during the year:	
Charge to the statement of comprehensive income (note 4)	
Change due to increase in mining area	
Provisions transferred to Liabilities associated with assets classified as held for sale (note 42)	
Balance at end of the year	

Consolidated	
2017	2016
P'000	P'000
19,779	15,259
(7,710)	4,520
(7,710)	3,930
-	590
(12,069)	-
-	19,779

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

Balance at beginning of the year	
Other movements directly related to retained earnings	
Charge to the statement of other comprehensive income	
Charge to the income statement (note 7)	
Transfers to Liabilities associated with assets classified as held for sale (note 42)	

110,914	102,457
3,094	-
-	2,270
11,386	(132)
26	6,013
(5,627)	306
(9,752)	-
110,041	110,914
121,538	113,488
(11,497)	(2,574)
110,041	110,914
121,848	128,532
(3,144)	(2,183)
(8,663)	(15,435)
110,041	110,914

Balance at end of the year

Deferred tax liability

Deferred tax asset

Net deferred tax liability

Comprising temporary differences on:

Investment properties and property, plant and equipment

Provisions

Accumulated tax losses

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 2017. 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.

31. TRADE AND OTHER PAYABLES

Trade payables	
Payroll accruals	
Accruals	
Value Added Tax (VAT)	
Amounts due to related parties	
Other payables	

Consolidated		Company	
2017	2016	2017	2016
P'000	P'000	P'000	P'000
15,871	32,375	7,574	7,639
11,466	14,624	8,428	8,707
6,937	30,641	3,527	24,648
3,076	5,671	2,454	-
915	914	29,378	22,471
107,500	55,035	50,014	-
145,765	139,260	101,375	63,465

Trade and other payables amounting to P 29 611 000 have been transferred to Assets associated with assets classified as held for sale. (note 42)

Trade and other payables comprise amounts owing for trade transactions and accruals of ongoing costs. The average credit period on purchases is 60 days (2016: 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.

32. BANK OVERDRAFTS

Bank overdrafts

The Group's bank overdraft limits are as follows:

- Standard Chartered Bank Botswana Limited
- First National Bank Botswana Limited
- Stanbic Bank Botswana Limited

118,660	120,660	118,660	80,057
70,000	100,000	70,000	100,000
3,000	3,000	-	-
153,500	153,500	150,000	150,000
226,500	256,500	220,000	250,000

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.

33. COMMITMENTS

Operating lease receivables/(payables):

Not later than one year
 Later than one year to five years
 Later than five years

Other commitments:

Not later than one year
 Later than one year up to five years
 Later than five years

Other commitments are analysed as:

Approved equity and loan investments undisbursed
 Approved but not contracted capital expenditure

	Consolidated		Company	
	2017	2016	2017	2016
	P'000	P'000	P'000	P'000
	103,521	107,792	(13,906)	(12,876)
	151,675	537,552	(67,677)	(62,664)
	208,365	127,498	(199,155)	(218,075)
	463,561	772,842	(280,738)	(293,615)
	(322,437)	(58,036)	(322,437)	(58,036)
	(20,286)	(691)	(20,286)	(691)
	-	-	-	-
	(342,723)	(58,727)	(342,723)	(58,727)
	(335,871)	(56,760)	(335,871)	(56,760)
	(6,852)	(1,967)	(6,852)	(1,967)
	(342,723)	(58,727)	(342,723)	(58,727)

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

Legal matters against certain subsidiaries
 Guarantees and Bonds outstanding

	(1,600)	(600)	-	-
	(1,412,083)	(168,792)	-	-
	(1,413,683)	(169,392)	-	-

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 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.

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.

Financial assets

Receivables from related parties
 Loans and receivables
 Quoted investments
 Short-term investments
 Cash and bank balances

	-	-	148,836	130,091
	259,605	225,642	221,704	147,383
	704,830	1,048,129	704,830	1,048,129
	11,969	19,351	-	-
	289,931	541,316	172,611	307,530
	1,266,335	1,834,438	1,247,981	1,633,133

Financial liabilities

Long term borrowings
 Trade and other payables
 Bank overdrafts

	356,476	575,937	139,362	381,548
	131,223	118,965	90,493	54,758
	118,660	120,660	118,660	80,056
	606,359	815,562	348,515	516,362

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 2017 and 2016, 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.

37. RELATED PARTY TRANSACTIONS AND BALANCES

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.

	Consolidated	
	2017	2016
	P'000	P'000
Transactions during the year		
<i>Botswana Development Corporation (BDC)</i>		
Directors' fees	144	148
Directors' remuneration for executive services	3,161	2,349
Key management remuneration - short-term benefits (BDC)	3,585	2,665
Key management remuneration - Group	10,623	16,942
Subsidiaries		
<i>Botswana Hotel Development Company (Pty) Ltd</i>		
Directors' fees	15	61
<i>Commercial Holdings (Pty) Ltd</i>		
Directors' fees	17	41
<i>Can Manufacturers (Pty) Ltd</i>		
Directors' fees	9	37
<i>Export Credit Insurance & Guarantee (Pty) Ltd</i>		
Directors' fees	142	186
Interest income received	60	-
Purchase order financing	2,163	-
<i>Lobatse Clay Works (Pty) Ltd</i>		
Directors' fees	-	149
<i>Kwena Concrete Products (Pty) Ltd</i>		
Directors' fees	-	15
<i>Fairground Holdings (Pty) Ltd</i>		
Directors' fees	208	174
<i>NPC Investments (Pty) Ltd</i>		
Directors' fees	8	2
<i>Malutu Enterprises (Pty) Ltd</i>		
Sale of Land to Employees	-	1,456
Directors Fees	6	29
<i>Western Industrial Estates (Pty) Ltd</i>		
Directors' fees	39	37
<i>Talana Farms (Pty) Ltd</i>		
Rental income - Botalana Ventures	-	821
<i>Letlole la Rona Ltd</i>		
Sale of Investment Property	42,000	-
Sale of investment in Associate	35,000	-
Directors' fees	880	736
Associated companies		
<i>Asphalt Botswana (Pty) Ltd</i>		
Finance costs on borrowings from BDC	-	144
Directors' fees	-	1,296
<i>Peermont Global (Botswana) Ltd</i>		
Directors' fees paid to BDC	14,000	22,354
Rental paid to a BDC subsidiary company	12,428	10,653
<i>Kwena Rocla (Pty) Ltd</i>		
Sales to Rocla SA (Pty) Ltd	-	(14)
Purchases from Rocla SA (Pty) Ltd	-	2,767
Payments to key management	-	2,129
<i>Management fees paid to D&H Piping Systems (Pty) Ltd, immediate holding company</i>		
<i>Investec Holdings (Botswana) Ltd</i>	-	1,216
Directors' remuneration for executive services	2,352	2,406

37. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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.

	Consolidated	
	2017	2016
Year end balances	P'000	P'000
<i>Phakalane Property Development (Pty) Ltd</i>		
Due to Phakalane Estates	915	587
<i>Peermont Global (Botswana) Ltd</i>		
Due from Peermont Global	-	8
Due to Peermont - Management Division	-	1,855
Due to Peermont - Mmabatho Palms Division	7,866	4,827
Peermont - Emperors Palace		201
<i>Mashatu Nature Reserve (Pty) Ltd</i>		
Loan owing to Rhodesdrift Investments	77	78
Loan owed by -Limpopo Valley Access	-	383
<i>Western Industrial Estates (Pty) Ltd</i>		
Cash invested on behalf of subsidiary	47,676	60,504
<i>Commercial Holdings (Pty) Ltd</i>		
Straight line future rental balances	21,347	13,472
<i>Kwena Rocla (Pty) Ltd</i>		
Due from Rocla SA	-	14
Due to Rocla SA	-	1,556
<i>Investec Holdings Botswana Ltd</i>		
Due from Holding company	-	109
Due from fellow subsidiaries	-	1,464
Due to fellow subsidiaries	-	(3,691)
<i>Kwalape (Pty) Ltd</i>		
Shareholder loan	-	3,118
<i>Marekisetso A Merogo (Pty) Ltd</i>		
Due from Botswana Horticulture Council	-	43
<i>Asphalt Botswana (Pty) Ltd</i>		
Due to Civicon Motorglass	-	1
Due to directors	-	6

	Notes	CONSOLIDATED		COMPANY	
		2017	2016	2017	2016
		P'000	P'000	P'000	P'000
38. CASH USED IN OPERATIONS					
Profit before tax - continued and discontinued operations		79,320	113,441	150,390	223,985
Adjustments for:					
Amortisation of Government grants	28	(356)	(356)	-	-
Amortisation of intangible assets	10	340	335	-	-
Depreciation of property, plant and equipment	6	12,526	12,391	2,618	2,474
Fair value adjustment of investment properties		(28,508)	(32,197)	-	-
Impairment of property, plant and equipment		-	8,013	-	-
Amortised cost adjustment of long term borrowings	27	-	(675)	-	(675)
Discount on bonds		165	-	165	-
Movement in provisions		(13,067)	537	-	(3,983)
Loss/(profit) on disposal of property, plant and equipment	6	1,422	(92)	-	(47)
Net profit on disposal of investments		(19,416)	(44,586)	(41,081)	(95,692)
Net profit on disposal of investment properties		(1,282)	(1,211)	-	-
Share of profits of associates before tax	12	(26,784)	(29,561)	-	-
Movement in provisions for losses on investments	14	7,232	(1,063)	(85,238)	(36,792)
Interest received		(21,588)	(15,352)	(34,953)	(31,599)
Dividends received	3	(22,878)	(40,628)	(144,736)	(285,805)
Finance costs	4	61,140	57,998	55,265	44,152
Changes in working capital					
- rental straight-line adjustment	8	(13,971)	(10,961)	-	-
- trade and other receivables		29,208	(27,684)	(7,450)	65,703
- inventories		20,991	6,661	-	-
- trade and other payables		6,504	32,318	37,907	(140,231)
		70,998	27,328	(67,113)	(208,510)

39. FAIRVALUESOFFINANCIALINSTRUMENTS

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 and Company	Level 1	Level 2	Level 3	Total
	P 000	P 000	P 000	P 000
<i>Financial assets</i>				
Quoted investments	704,830	-	-	704,830

There were no transfers between levels during the period.

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 BUSSINESS	Phakalane	Plot 50381,Fairground Office Park,Gaborone	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)	573	3 253	15 237
g	ACCUMULATED NCI OF SUB (in P'000)	10 071	89 734	233 385
h	DIVIDENDS PAID TO NON CONTROLLING INTERESTS (in P'000)	-	337	19 420

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)	7 400	3 031	1 200

40. INTERESTS IN OTHER ENTITIES (Continued)

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

	Fairground Holdings	Phakalane Property Development	Letlole La Rona
	P'000	P'000	P'000
Subsidiary companies			
Statements of Comprehensive Income			
Revenue	31,293	-	75,856
Cost of sales	(15,256)	-	-
Gross profit	16,037	-	75,856
Operating income	957	-	465
Dividend and distribution income	-	-	2,700
Finance income	-	-	416
Income from equity accounted investment	-	-	3,631
Fair value adjustment	8,692	1,500	24,472
Operating expenses	(16,879)	-	(18,638)
Profit before tax	8,807	1,500	88,902
Income tax credit/(expense)	(1,481)	(330)	(14,760)
Profit for the year from continuing operations	7,326	1,170	74,142
Other comprehensive income	-	-	-
Total comprehensive income for the year	7,326	1,170	74,142
Statements of Financial Position			
Non-current assets	180,574	26,057	784,236
Current assets	20,650	193	23,020
Total assets	201,224	26,250	807,256
Capital and reserves	183,131	20,440	686,426
Non-current liabilities	10,988	4,890	87,919
Current liabilities	7,106	920	32,910
Total equity and liabilities	201,225	26,250	807,255

40. INTERESTS IN OTHER ENTITIES (Continued)

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

	Investec Asset Management P'000	Peermont Global Resorts P'000	Mashatu Nature Reserve P'000
Associated companies			
Statements of Comprehensive Income			
Year end	March	December	June
Total comprehensive income for the year	(727,000)	6,701	25,911
Statements of Financial Position			
Non-current assets	754	140,788	283,588
Current assets	12,425	35,583	18,884
Total assets	13,179	176,371	302,472
Capital and reserves	7,466	133,954	291,241
Non-current liabilities	37	6,844	676
Current liabilities	5,676	35,573	10,555
Total equity and liabilities	13,179	176,371	302,472

Associated company results are disclosed for the year ended 30 June 2017.

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. Below details the transactions that occurred in Can Manufactures as at 30 June 2017.

	Consolidated	
	2017	2016
	P'000	P'000
Loss for the year from discontinued operations		
Revenue	-	12,179
Cost of sales	-	(15,071)
Gross loss	-	(2,892)
Other operating (loss)/income	9,136	(267)
Expenses	(14,418)	(7,514)
Impairment adjustments:	27,850	2,040
Inventories	-	(2,321)
Receivables	4,993	(3,192)
Office equipment	-	(185)
Property, plant and equipment	22,857	7,738
Attributable income tax expense	(11,203)	(1,671)
Profit/(loss) for the year from discontinued operations	11,365	(10,304)
Revaluation of land and buildings	-	406
Total comprehensive income for the period	11,365	(9,898)
Cash flows from discontinued operations		
Net cash flow from operating activities	893	35
Net cash flow from investing activities	61,500	(68)
Net cash flow from financing activities	-	-
Net cash flows	62,393	(33)
Assets		
Property, plant and equipment	12,000	68,523
Other assets	63,491	1,829
	75,491	70,352
Total liabilities	(5,078)	(5,161)
Net carrying amount	70,413	65,191

Management is actively assessing plans and evaluating options of disposing the Land and Buildings currently held by Can Manufactures (Pty) Ltd and it is highly probable that the disposal will happen before next year end (30 June 2018). Amongst the possible buyers of the land and buildings is a member of the BDC Group of companies. The financial liabilities (which includes outstanding funding facilities from holding company) will be extinguished fully from the company's available cash resources.

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 P60,000,000 in cash for the purposes of recapitalisation of LCW. Attached to the P60,000,000 is a new class of shares, ("Class B") with no voting rights, while a P1 nominal value has been ascribed to the 80% transferred to the third party. BDC will retain a 20% of ordinary shares in LCW, with voting rights.

Another subsidiary previously owned 100% by the company, Coast to Coast In (Pty) Ltd was also disposed in August 2017.

Assets and liabilities related to these entities have been reclassified to Assets held for sale in the current year financial statements. Below are the details:

	Consolidated		Company	
	2017	2016	2017	2016
	P'000	P'000	P'000	P'000
Loss for the year from discontinued operations				
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	80,180	148,270	-	-
Malutu Enterprises	3,000	3,138	-	-
Total Assets	217,306	151,408	89,000	-
Liabilities				
Borrowings	9,308	-	-	-
Provision for restoration costs	12,069	-	-	-
Deffered Tax	9,752	-	-	-
Accounts Payable	29,611	-	-	-
Bank overdrafts	1,989	-	-	-
Total Liabilities	62,729	-	-	-

43. EVENTS AFTER THE REPORTING PERIOD

As disclosed in Note 27, the Company retrospectively securitised BWP207 460 000 worth of notes under BDC 001. This coincided with the issuance of notes worth P131 500 000 under BDC 002, which was in August 2017, wholly securitised. Consequently, BDC securitised a total BWP338 960 worth of debt notes at 150% post year end as follows:

SECURITY	Allocation	
	BDC 001	BDC 002
Ordinary shares held in Sechaba Brewery Holdings (Pty) Ltd	38%	15%
Ordinary shares held in Cresta Marakanelo (Pty) Ltd	10%	10%
Ordinary shares held in Letlole la Rona (Pty) Ltd	52%	75%
TOTAL AMOUNT SECURED - BWP'000	207 460	131 500
VALUE OF PLEDGED SECURITIES - BWP'000	311 190	197 250

In addition to the above, the Company entered into a USD5 500 000 term facility agreement with a financial institution in October 2017, the facility will be secured by an equivalent value in Botswana Hotel Development Company's net worth.

As disclosed in Note 42, 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 Lobatse Clay Works (LCW). In return, and as a binding term of the agreement, the third party will inject P60,000,000 in cash for the purposes of recapitalisation of LCW. Attached to the P60,000,000 is a new class of shares, ("Class B") with no voting rights, while a P1 nominal value has been ascribed to the 80% transferred to the third party. BDC will retain a 20% of ordinary shares in , with voting rights. The transaction was approved by the Competition Authority in September 2017. For reporting purposes, this transaction has been treated as an adjusting post year end transaction, and as a result Lobatse Clayworks is classified as being held for sale in the Company's financial statements.

Coast to Coast Inn (Pty) Ltd, a subsidiary owned 100% by the company, sold all of its assets to a third party in August 2017. Although the Company retained its shareholding in Coast to Coast Inn, the subsidiary no longer has any asset, liability nor does it operate in any form. The sale proceeds were P14 000 000.

As disclosed in Note 24, the Company introduced a Capital and Debt Reserve during the year. The reserve stood at P36 441 580 at year end. An additional allocation of P37 058 420 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 P20 000 000 based on the results for the year ended 30 June 2017.



**Enterprising
Collaboration
Integrity**