



A BALANCED AFRICAN PROPERTY PORTFOLIO



FaR PROPERTY

Integrated
annual report
2017

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CORPORATE INFORMATION

FPC takes pleasure in presenting its second integrated annual report to stakeholders for the year ended 30 June 2017, being the first full year of operations since listing on the BSE. This integrated annual report is primarily aimed at linked unitholders and the providers of capital.

Corporate data

The FaR Property Company Limited
Company number: Co 2010/6009
Incorporated in the Republic of Botswana
on 29 June 2010
Listed on BSE: 4 May 2016
Share code: FPC
ISIN: BW0000001551
Linked units (at June 2017): 380 000 000

www.farproperties.co.bw

YEAR IN REVIEW

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

Listed on the BSE, FPC offers investors the opportunity to benefit from capital and income growth from a large, stable portfolio of investment properties, which are well positioned for future growth and expansion into other countries in Africa.

At a glance

30 June 2017

BWP998,46 **million market cap**

Total portfolio

BWP1,29 billion

Anchored by

largest Botswana retailer, Choppies, total GLA 212 429m²

Our portfolio

Botswana

161 properties

BWP1,09 billion

South Africa

23 properties

ZAR263 million

Strategic achievements

Six acquisitions, **six** developments, **regional** expansion into Zambia

Highlights FY16

Listed on BSE **4 May 2016**

Over BWP**200 million** raised on listing

ABOUT THIS REPORT

The scope and boundaries of the information contained in this report describe the group's business activities and property portfolios in Botswana, South Africa and Zambia. The report aims to indicate how FPC will create and sustain value for stakeholders over the short, medium and long term.

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

The directors can be contacted at the registered office of the company. Details of the directors are contained on pages 16 and 17.

The company's external auditor, PricewaterhouseCoopers, has provided assurance on the annual financial statements and expressed an unqualified audit opinion. The annual financial statements have been prepared under the supervision of Deepak K Haridas, the outgoing financial manager of FPC. The remaining content of the integrated annual report has been reviewed by the board but has not been externally assured.

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



Ramachandran Ottapathu

Director

27 October 2017

WHO WE ARE

FPC is a property investment company that owns a diversified portfolio of 184 properties in Botswana and South Africa at 30 June 2017, valued at BWP1,29 billion.

Our strategic intent is to drive sustainable long-term growth and enhance yields through the expansion and development of our portfolio. We will achieve this through new acquisitions, property development and value enhancement in our existing portfolio.

The core strengths of our company are our asset base, available funding for future growth and our people.

OUR PORTFOLIO

Our portfolio is well balanced with retail and industrial property. Strong backing has been received from Choppies retail outlets, which has helped to attract other important tenants into the areas where we have made our property investments.

The land bank, that is available for future development, places FPC in a position for further expansion and thus will support future growth.

Vacancy rates remain very low.

Portfolio highlights

- Fit for purpose in size, quality of construction, visibility and accessibility for all tenants
- Stable and complementary tenant mixes
- Strategic lease management for low vacancies and renewal escalations
- Net income yields resilient to inflationary pressures resulting in future earnings growth
- Diversified spread of investment properties
- Promising and proven annual capital growth in property portfolio
- Value enhancement and return on investment for unitholders

184 properties
across Botswana
and South Africa

Lusaka, Zambia
shopping centre
acquisition post-
year-end in
August 2017

BWP1,29 billion
portfolio

212 429m² GLA

11 employees

>95%
occupancy rate

Rent yield ratio
9,42%

Weighted
average rental
escalation
8,50%



OUR PEOPLE

We have a team of in-house property and asset managers, who are qualified property professionals and are passionate about property and live our company values. Our managers work with clearly defined performance criteria to ensure that they are delivering on their responsibilities.

The approach to property management is tenant centred. Our properties are custom managed based on the tenants' requirements. This provides tenants with an attractive value proposition and enables FPC to manage the properties with greater efficiency thereby optimising management costs.

OUR STRATEGY

Vision

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

Mission

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

Where we are going

Our strategic objectives

- To continue to grow and nurture a well-balanced, diversified portfolio of property investments
- To achieve sustainable distributions and capital growth, superior to alternative risk-related investments
- To invest in properties that are of adequate size, quality of construction, visibility and accessibility to attract good and reliable tenants
- To maintain stable and complementary tenant mixes
- To structure our letting profile to ensure leases provide secure covenants with staggered expiry dates to minimise the risk of vacancies and maximise growth potential on lease renewals

VALUES

Professionalism
above **all**

A **realistic** and
optimistic
approach

Adding **value** for
the **benefit** of all
our **stakeholders**

Pleasing our
tenants

Unwavering **focus**
on **growth** and
sustainability

Giving back to
communities

Where we have come from

The initial commercial property developments were for smaller shopping centres to meet the demands of tenants attracted to such retail environments. Over time, the demands of tenants have changed and FPC's growth has been considerable. FPC has grown into an expanding developer and manager of commercial, retail and residential real estate to meet the demands of its varied and growing tenant base.

- To ensure leases enable recovery of operating costs by including sufficient rental escalations to prevent the net income yields from being eroded by inflationary pressures
- To improve the quality of our portfolio through developments, expansions and refurbishments
- To look for investments in other regions within sub-Saharan Africa in terms of diversifying the portfolio.

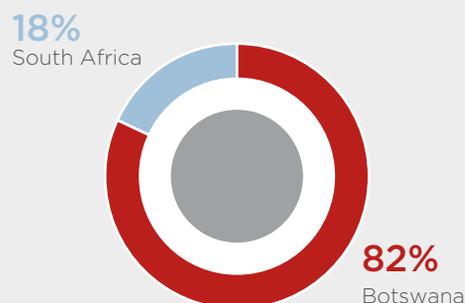
WHO WE ARE

PORTFOLIO KEY FEATURES

Our footprint

The development and growth of our portfolio was initially fuelled by Choppies' growing footprint as well as mounting demand for commercial and industrial properties in Botswana. Our properties are located throughout Botswana with the majority in urban and peri-urban areas, and in small towns in the North West province of South Africa. In August 2017, we took ownership of our first Zambian property, a shopping centre in Lusaka.

Geographical split by GLA (%)

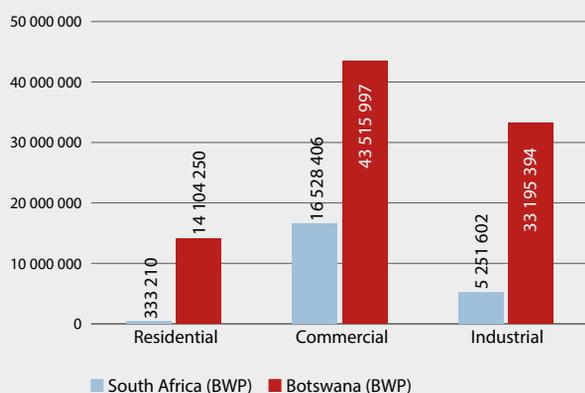


GEOGRAPHICAL SPLIT BY GLA		
	m ²	%
Botswana	174 885	82
South Africa	37 544	18
Total	212 429	

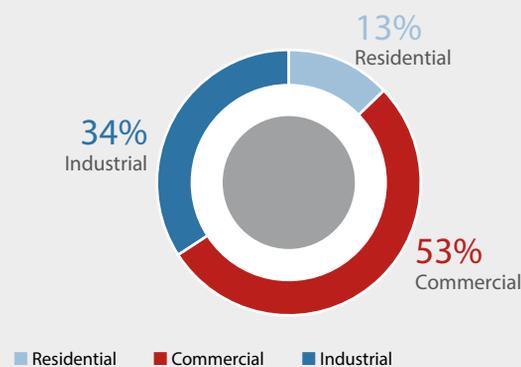
GEOGRAPHICAL AND SECTOR PROFILE BY REVENUE

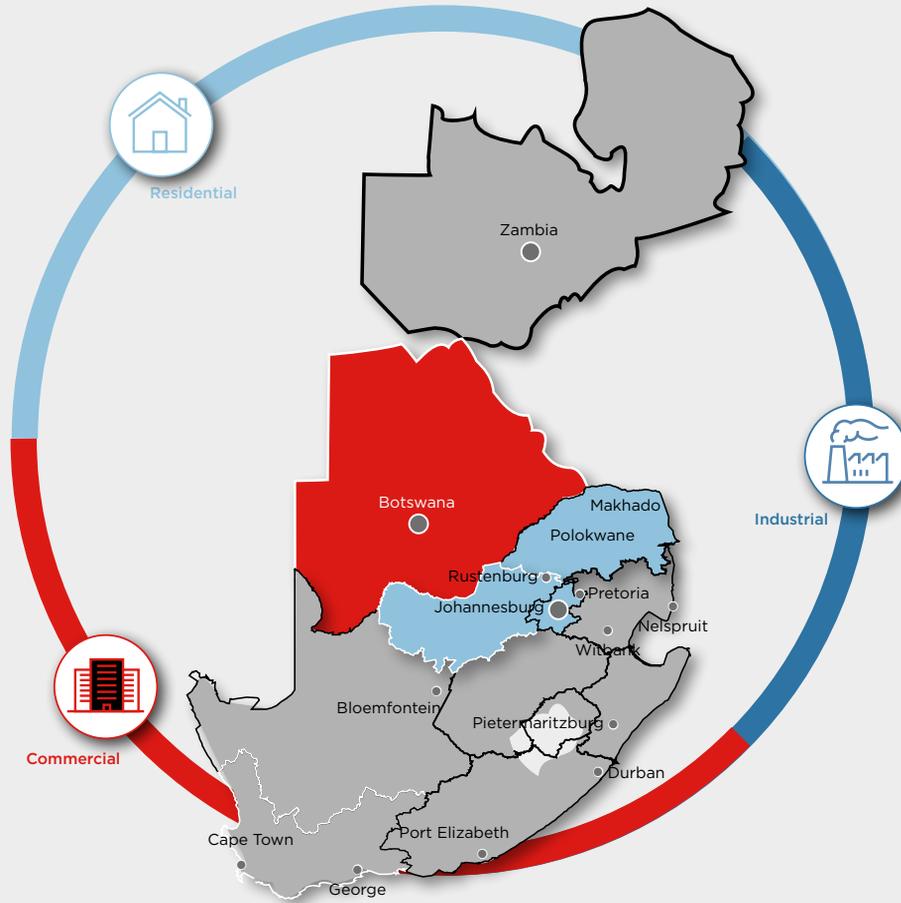
Sector	South Africa (BWP)		Botswana (BWP)		Total	
		%		%		%
Residential	333 210	1,51	14 104 250	15,53	14 437 460	13,00
Commercial	16 528 406	74,74	43 515 997	47,92	60 044 403	53,00
Industrial	5 251 602	23,75	33 195 394	36,55	38 446 996	34,00
Total	22 113 218	100,00	90 815 641	100,00	112 928 859	100,00

Geographical and sector profile by revenue



Portfolio split by revenue (Group %)





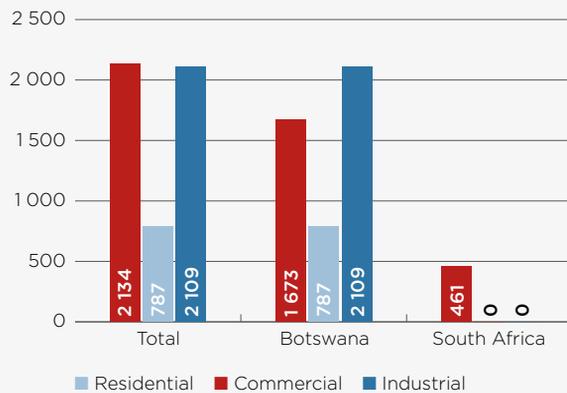
VACANCY PROFILE BY SECTOR

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

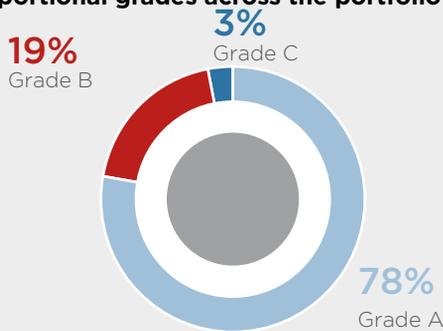
VACANCY PROFILE BY SECTOR

Sector	Total m ²	Botswana m ²	South Africa m ²
Commercial	2 134	1 673	461
Industrial	787	787	0
Residential	2 109	2 109	0
Total	5 030	4 569	461

Vacancy profile by sector (m²)

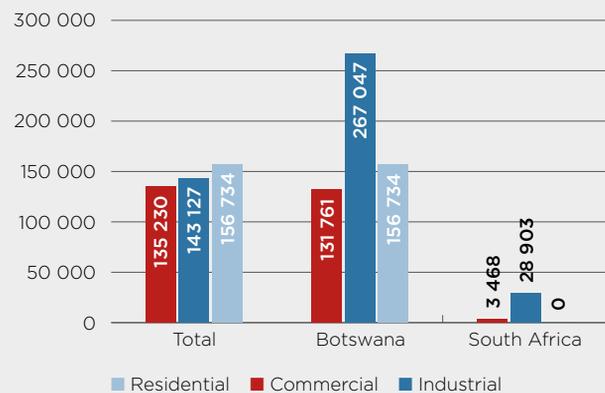


Proportional grades across the portfolio (%)



Grade A	Grade B	Grade C
559	135	21

Vacancy profile by revenue (BWP)

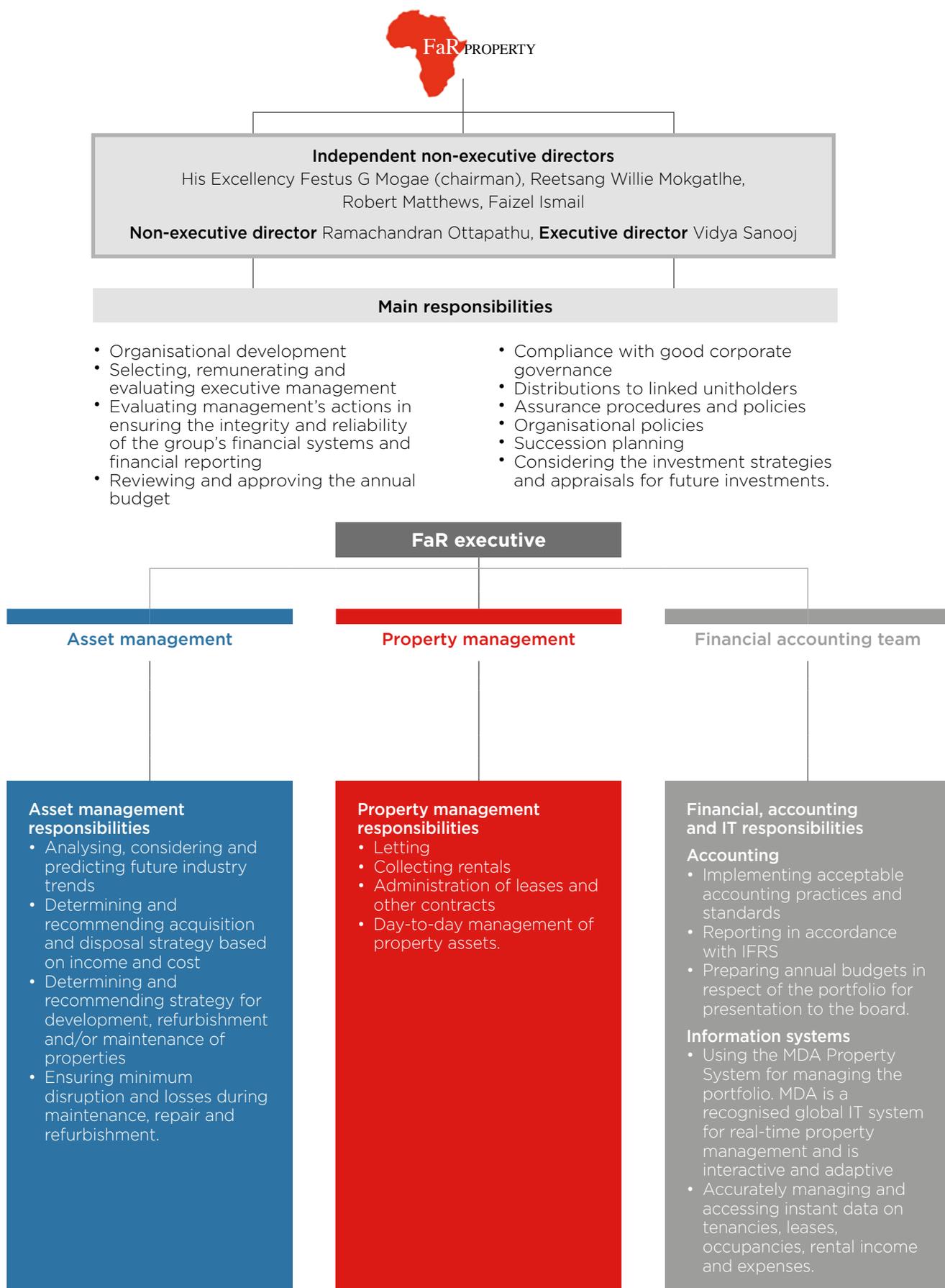


TENANT PROFILE BY GRADING IN BOTSWANA. TENANTS ARE GRADED AS A, B OR C

Grade A	All Choppies, group companies, national tenants and local tenants with established business	559
Grade B	Local tenants and medium-sized business	135
Grade C	New startup companies and small business operations	21
Total number of tenants	715	

WHO WE ARE continued

OPERATIONAL STRUCTURE



OUR KEY STAKEHOLDERS

FPC’s board believes that establishing strong partnerships with the company’s stakeholders is crucial to managing the risks and capitalising on the opportunities arising from its business activities. We seek to engage all our stakeholders productively and proactively and deliver on all our commitments.

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

STAKEHOLDER	WHAT MATTERS TO THEM
 Linked unitholders	<ul style="list-style-type: none"> • Sustainable growth • Availability of funding for future growth • Linked unit price performance • Risk and mitigation strategies • Management stability and competence • Distributable profit
 Financiers	<ul style="list-style-type: none"> • Loan covenant compliance • Solvency • Quality of assets • Adequate security • Tenant quality
 Tenants	<ul style="list-style-type: none"> • Anchor tenant stability, sustainability and quality • Value for money tenancies • Rental and occupancy costs • Safety • Quality property management
 Industry associations	<ul style="list-style-type: none"> • Market trends • Industry developments
 Independent valuers	<ul style="list-style-type: none"> • Property management • Risk and mitigation strategies • Quality of assets
 Government and regulators	<ul style="list-style-type: none"> • Tax payments • Compliance with legislation
 Communities	<ul style="list-style-type: none"> • Job creation • Good corporate citizen

WELCOME LETTER FROM THE CHAIRMAN



The second integrated annual report for the first full reporting year of FPC, following the listing in May 2016, shows the expected continuing growth of the well-balanced property portfolio and increased profitability, reflecting in an increased distribution to unitholders. This is despite the property market, in the group's main areas of activity, being under economic pressure.

Our adopted strategy has held the group in good stead. Leases are negotiated in advance of construction to reflect the required rental returns and keep vacancy rates to the minimum. As dealt with in detail in the following sections of integrated annual report, FPC has continued to grow its property portfolio. There has been sufficient investment into the land bank for continuing development growth into future years. This, in addition to other tenancing, will assist meeting the needs of the prime tenant, Choppies, particularly with regard to its infrastructural requirements as well as retail outlets.

The board is closely involved with investment decisions and overall strategy. The matching of future investments with funding availability is critical in this regard. Thus, forward planning is in place to meet this requirement. A five-year overall strategy plan has been approved by the board with shorter-term definitive investment programmes in place.

Debt to equity is well managed in line with the future planning and FPC's sustainability model.

I am pleased to report that a number of projects have been completed during the year. However, some delays caused by weather and certain other construction challenges have delayed some rental income flow and thus a lag against the budget for the year. These projects are now complete and tenants' requirements have been met.

In line with the expansion strategy for the company, a USD2,3 million acquisition of a shopping centre was recently completed in Lusaka, Zambia. Other SADC countries are under active consideration for future investment. I look forward to reporting on these further investments in the future.

I wish to thank investors for their faith in FPC by taking up the capitalisation offer of the distribution for the year. The funds from this capitalisation will assist in funding future investments. Such faith is also reflected in the support of the banks into our future investment programme.

Importantly, the board is ever mindful over managing the business in a sustainable manner and making sure that risk is properly assessed. Through this strategy, meaningful long-term returns will be achieved for unitholders and benefits provided to other stakeholders. Our corporate governance structures are in line with the BSE Code of Corporate Governance.

On behalf of the board I would like to express our appreciation of the hard work and commitment of the management of the group. We congratulate them on achieving such good results for the year. I also express my sincere gratitude to our unitholders, tenants and business partners for their ongoing support.

Finally, I take this opportunity to thank my fellow directors for their commitment and guidance during this year of good progress for FPC.

His Excellency FG Mogae
Independent chairman

27 October 2017

OUR PERFORMANCE

MANAGEMENT OVERVIEW

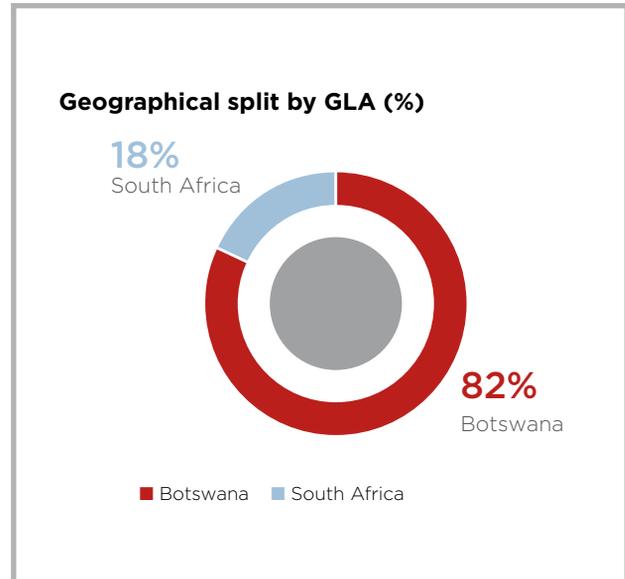
Financial highlights

- Rental income increased by 17% to BWP112,9 million.
- Rental yields improved by 14%.
- Vacancies remained low at below 5%.
- Operating profit increased by 5% to BWP116,5 million.
- EBITDA increased by 5% to BWP116,6 million.
- Profit after net finance cost increased by 13,3% to BWP77,4 million.
- Loan-to-asset ratio down to 38%.

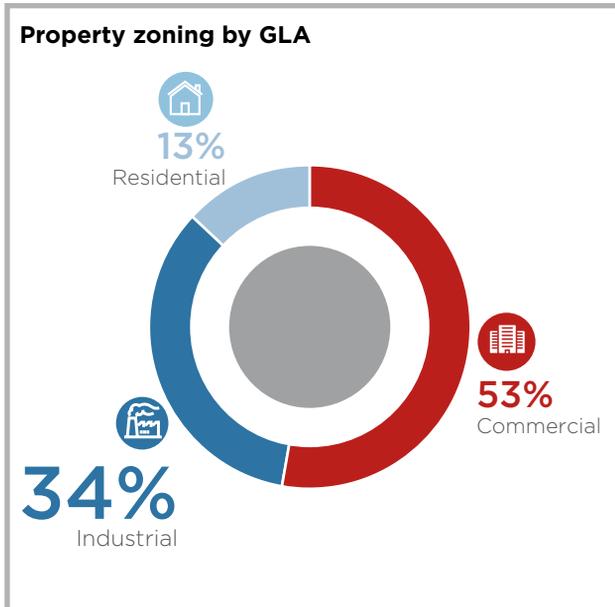
FPC delivered a good performance for the year ended 30 June 2017. We successfully enhanced our portfolio, completing a number of projects in the pipeline. This growth was achieved by increasing our property portfolio by adding sizable acquisitions. Despite achieving this asset growth, we managed to reduce the loan asset ratio to 38%.

The investment property portfolio increased in value by BWP34 million to BWP1,29 billion compared to BWP1,26 billion in the prior. The company acquired 6 new properties in Botswana and is in the process of making several acquisitions of new investment properties in South Africa and developing a new 2 472m² Choppies distribution centre in Rustenburg. In August 2017, the group expanded into Lusaka, Zambia with an acquisition of a USD2,3 million shopping centre.

FPC delivered a good operational performance across the fundamentals of our business. Our property management team continued to focus on optimising the performance of our properties and achieving full rental collections. Lease agreements were well managed, with annual escalations applied. Expired leases were either renewed or new leases entered into, resulting in low vacancies.



Ramachandran Ottapathu,
Director and founder



Based on this result, the board was able to declare a distribution to unitholders of 13,69 thebe for each linked unit comprising of 13,55 thebe interest and 0,14 thebe dividend.

Distribution to linked unitholders

Based on the results achieved, the board was able to declare a distribution to unitholders of 13,69 thebe for each linked unit comprising 13,55 thebe interest and 0,14 thebe dividend.

To support the company’s continued growth the board offered unitholders the option of receiving linked units in lieu of the cash distribution. We are pleased to report that 19 384 638 linked units were taken up at a value of BWP2,45 per linked unit thereby reducing the amount of cash distributed by BWP47 492 363. The related capital injection into the company of this amount provides funds for investment purposes.

Operations in Botswana

FPC operates predominantly in Botswana, with a BWP1,11 billion portfolio across the commercial, industrial and residential sectors, with the majority in urban and peri-urban areas. The portfolio is well balanced in terms of revenue and type of property, which has proven resilient in the face of the economic downturn.

The Botswana economy is heavily reliant on the mining sector. The slowdown in China combined with falling commodity prices resulted in economic

contraction in 2016, which put pressure on the property market. In the year under review, the Botswana economy has grown and we expect this growth to continue through the 2018 financial year.

During the year, we grew our Botswana portfolio through concluding six acquisitions and working on six new developments with overall capital expenditure of over BWP100 million.

The following were the six properties acquired in Botswana:

Property details	Location
Lot 342	Serowe
Lots 26099-26121	Mogoditshane
Lot 26100	Mogoditshane
Lot 5603	Pitsane
Lot 32	Kang
Lot 186	Letlhakane

New developments in progress are:

- Commercial development in Tsabong
- Filling station development in Kasane
- Commercial development in Mogoditshane
- Industrial development in Ghanzi
- Industrial development in Broadhurst
- Industrial development in Tlokweng
- Commercial development in Metsimothlabe
- Industrial development in Mogoditshane
- Industrial development in Thamaga
- Industrial development and a filling station in Ramotswa
- Commercial development in Kang
- 1 800m² warehouse in Gaborone International Commerce Park

Operations in South Africa

FPC’s properties in South Africa are mainly commercial and industrial.

The South African economy entered a technical recession in the first quarter of 2017. The weaker Rand, high unemployment, political uncertainty and the downgrading of South Africa’s sovereign credit ratings took a toll on business and consumer confidence. Although the portfolio in South Africa has been resilient in terms of performance, we will continue to take a conservative approach to future developments in the country. We are active with

the development of a new distribution centre for Choppies in Rustenburg and the existing warehouse in Rustenburg was extended.

Extending our footprint to Zambia

An exciting achievement during the year under review was the progress of the acquisition of a shopping centre in Lusaka, Zambia. The property was transferred to the group in August 2017.

This investment is FPC's first Zambian property, diversifying the geographic reach of the portfolio. Choppies is the anchor tenant of the new centre. FPC will take advantage of Choppies strategy of targeting growth in the underserved Zambian market, which has little formal retail penetration but one of the fastest growing populations in sub-Saharan Africa.

Other notable tenants are Standard Chartered Bank Zambia Limited, Stanbic Bank of Zambia Limited, Finance Bank of Zambia Limited, First National Bank of Zambia Limited, AB Bank of Zambia Limited and List Café.

Looking ahead

In the year ahead, FPC will continue to pursue further diversification through acquisitions and developments in Botswana, South Africa and Zambia.

Thanks

I would like to thank the board for their astute guidance and support. I thank our management team for their commitment and hard work, as well as our loyal service providers and tenants for their continued support.



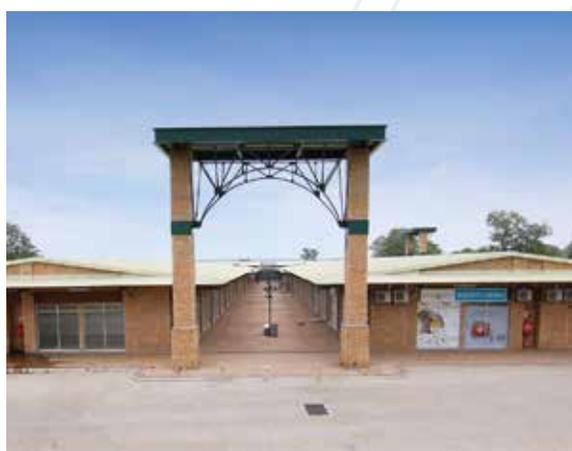
Ramachandran Ottapathu
Director



OUR PERFORMANCE continued

OUR TOP 10 PROPERTIES

TATI RIVER MALL, LOT 903, FRANCISTOWN, BOTSWANA	
An attractive, upmarket and fully let shopping mall developed on the banks of TATI River, Francistown.	
ANCHOR TENANT	Choppies Hyperstore
OTHER KEY TENANTS	OK Furniture, Liquorama, JB Sports, Health Alternatives, Cell City and CIPA
TYPE OF PROPERTY	
GLA (m²)	9 687
VALUE AT 30 JUNE 2017	BWP109 000 000
LOCATION	Francistown



BOROGO JUNCTION, LOT 1301, KAZUNGULA, BOTSWANA	
An attractive development in the heart of Kazungula located at the junction of Kazungula, serving Kasane and the borders of Zambia, Zimbabwe and Namibia.	
ANCHOR TENANT	Choppies Superstore
OTHER KEY TENANTS	Style Clothing, Motovac, Diagnofirm, MRI Medical, Carnival Furniture, JB Sports and Liquorama
TYPE OF PROPERTY	
GLA (m²)	7 377
VALUE AT 30 JUNE 2017	BWP78 360 000
LOCATION	Kazungula

TRIBAL LOTS 30,31 AND 38, GHANZI, BOTSWANA	
A well-situated property, which is fully let and successfully managed.	
KEY TENANTS	PEP Botswana Holdings Limited, First National Bank, Bank Gaborone, and Bradlows Furniture
TYPE OF PROPERTY	
GLA (m²)	5 583
VALUE AT 30 JUNE 2017	BWP39 735 000
LOCATION	Ghanzi



PLOT 196 - GABORONE INTERNATIONAL COMMERCE PARK (GICP), GABORONE, BOTSWANA	
This is a custom-built industrial development catering for large operations. This property is capable of handling both manufacturing and distribution operations. The facility is equipped with a manufacturing plant.	
TENANT	Clover Botswana (Proprietary) Limited and Choppies Distribution Centre (Proprietary) Limited
TYPE OF PROPERTY	Light 
GLA (m²)	5 455
VALUE AT 30 JUNE 2017	BWP29 800 000
LOCATION	Gaborone International Commerce Park (GICP)



Residential



Commercial



Industrial



PLOT 888 - GABORONE INTERNATIONAL COMMERCE PARK (GICP), GABORONE, BOTSWANA

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

TENANTS	NBL Botswana and Pula Sales and Distribution
TYPE OF PROPERTY	Light 
GLA (m²)	12 000
VALUE AT 30 JUNE 2017	BWP65 000 000
LOCATION	Gaborone International Commerce Park (GICP)

TOP 10 PROPERTIES

PLOT 212 - GABORONE INTERNATIONAL COMMERCE PARK (GICP), GABORONE, BOTSWANA

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

TYPE OF PROPERTY	Light 
GLA (m²)	11 360
VALUE AT 30 JUNE 2017	BWP65 000 000
LOCATION	Gaborone International Commerce Park (GICP)



ERF 2282, RUSTENBURG, SOUTH AFRICA

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

TYPE OF PROPERTY	
GLA (m²)	10 304
VALUE AT 30 JUNE 2017	ZAR46 800 000
LOCATION	Rustenburg, South Africa

OUR PERFORMANCE continued

OUR PORTFOLIO – OUR TOP 10 PROPERTIES continued

ERF 6162 MAHIKENG, SOUTH AFRICA

This property is fully let.

ANCHOR TENANT	Choppies Hyperstore
OTHER KEY TENANTS	First Rand Bank, Vodacom, Clicks Stores and Rhino Bottle stores
TYPE OF PROPERTY	
GLA (m²)	5 190
VALUE AT 30 JUNE 2017	ZAR44 380 000
LOCATION	Mahikeng, South Africa



PLOT 880 – GABORONE INTERNATIONAL COMMERCE PARK (GICP), GABORONE, BOTSWANA

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

TENANTS	Mothopi Fruit & Veg Distribution, DCS Tropicana, Amphora (Proprietary) Limited, ZCX Investments (Proprietary) Limited, Welldone (Proprietary) Limited and Keriotic Investments (Proprietary) Limited
TYPE OF PROPERTY	Light 
GLA (m²)	18 560
VALUE AT 30 JUNE 2017	BWP122 800 000
LOCATION	Gaborone International Commerce Park (GICP)

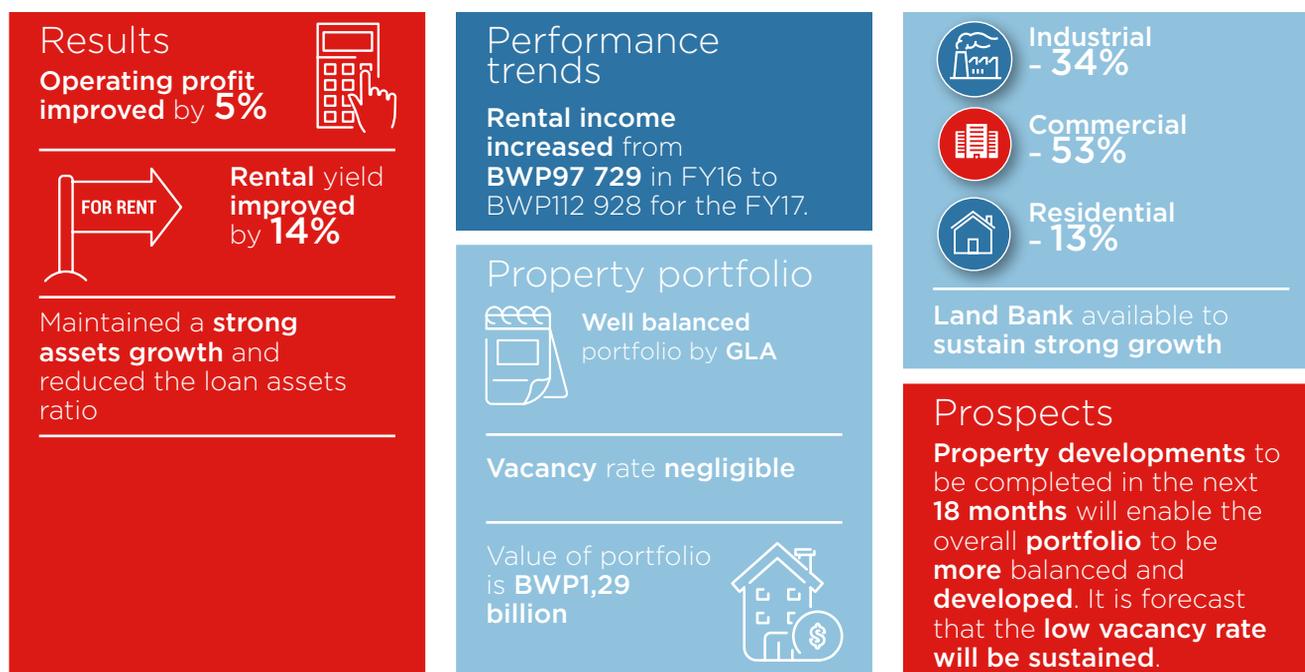
ERF 2288 – RUSTENBURG, SOUTH AFRICA

The development is an industrial warehouse, custom built for the requirements of Choppies Warehousing Services (Proprietary) Limited. It is fully occupied and FPC is in the process of building an extension which will be completed in the financial year 2017/2018.

TYPE OF PROPERTY	
GLA (m²)	5 974
VALUE AT 30 JUNE 2017	ZAR46 900 000
LOCATION	Rustenburg, South Africa



KEY FINANCIAL INFORMATION



Figures in BWP

	2017	2016
Revenue	121 810 349	114 417 104
Rental income	112 928 859	96 728 756
Deferred lease adjustment	8 881 490	17 688 348
Other income	15 125 231	11 380 132
Operating expenses	(20 433 617)	(14 513 260)
Operating profit	116 501 963	111 283 976
Net finance cost	(39 031 218)	(42 852 477)
Finance income	569 308	606 143
Finance costs	(39 600 526)	(43 458 620)
Profit after net finance cost	77 470 745	68 431 499
Investment property fair value adjustment	(15 251 328)	(17 135 611)
Loss on sale on investment property	0	(33 818 000)
Loss on disposal of subsidiary	0	(8 892 450)
Profit before income tax	62 219 417	8 585 438
Income tax credit/(expense)	3 081 630	1 110 403
Profit for the year attributable to linked unitholders	65 301 047	9 695 841
Other comprehensive income		
Exchange differences on translating foreign operations	4 079 307	(5 592 899)
Comprehensive income for the year attributable to linked unitholders	69 380 354	4 101 325
Linked units in issue at end of year	380 000 000	380 000 000
Basic earnings per linked unit (average weighted linked units)	0,17	3,77
Distribution per linked unit - thebe		
Interest	13,55	3,38
Dividend	0,14	0,04
Total	13,69	3,42

CORPORATE GOVERNANCE

BOARD AND MANAGEMENT DIRECTORATE

Independent non-executive directors



His Excellency Festus Gontebanye Mogae (78) (Motswana)

MA (Development Economics), BA (Hons) (Econ)

Chairman

Appointed to the board: December 2015

His Excellency FG Mogae was elected as the president of the Republic of Botswana in 1998, in which office he served until his tenure ended in 2008. Rising through the ranks, His Excellency previously held several portfolios including minister in Ministry of Finance and Development Planning, alternate governor for Botswana at the International Monetary Fund, African Development Bank and International Bank for Reconstruction and Development. He has also been the governor of the Bank of Botswana, permanent secretary to the president, secretary to the Cabinet and Supervisor of Elections and the vice-president of the Republic of Botswana. Further, he has served on various parastatal boards as a director and as chairman. His Excellency is currently the special envoy to the United Nations for HIV/Aids and Good Governance in Africa. He was awarded the 2008 Mo Ibrahim prize for his achievement in African leadership for ensuring stability and prosperity.



Reetsang Willie Mokgatlhe (54) (Motswana)

MSc, BCom

Appointed to the board: December 2015

Willie has held senior positions in large private and parastatal organisations in Botswana, Namibia, South Africa and the Netherlands. He has held a number of positions including chairman of the National Development Bank and director of Botswana Postal Services. He is a director of Botswana Development Corporation and Botswana Oil Limited. His career commenced at Air Botswana Corporation in 1987 where he worked until 2005, holding several posts culminating in that of CEO. He is the founding CEO of Botswana Oil Limited, having been with the organisation since July 2013. Willie has a wealth of experience in strategy development and business planning, finance, marketing and stakeholder management.



Robert Neil Matthews (74) (British)

FICAEW, FBICA

Appointed to the board: December 2015

Robert is a fellow of the Institute of Chartered Accountants in England & Wales and of the Botswana Institute of Chartered Accountants. He serves as chairman on several audit committees of private and public companies, and acts as an independent non-executive board member. A retired partner of PricewaterhouseCoopers Gaborone in charge of audit and business advisory services, he has gained extensive professional and commercial experience in audit, taxation, and business services. He currently offers consulting and advisory services to various organisations..



Non-executive directors

Ramachandran (Ram) Ottapathu (53) (Motswana)

BCom, CA

Appointed to the board: July 2010

Ram joined Choppies in 1992 and has been heading operations since 2000. He has been instrumental in the significant growth of Choppies in Botswana and its expansion into South Africa and other sub-Saharan countries. Ram has 25 years' experience in the retail industry both in finance and operations, and further experience in other industries such as manufacturing, packaging, milling and medical distribution. He combines entrepreneurial and commercial acumen with excellent management skills. Ram is a fellow of the Institute of Chartered Accountants of India and fellow member of the Botswana Institute of Chartered Accountants.



Faizel Ismail (35) (Motswana)

IMM diploma

Appointed to the board: June 2016

Faizel is the managing director of the F Ismail group of companies. This group is involved in various businesses, including a quick service restaurant franchise, fuel service stations, travel and tourism franchise and property development.



Executive director

Vidya Sanooj (34) (Indian) (executive director)

BCom, CA

Appointed to the board: June 2015

Vidya has 10 years' experience in accounting, finance, corporate restructuring and mergers and acquisitions. She was involved in the primary and secondary listings of Choppies on the BSE and JSE respectively. Her experience has involved working with the CEO of Choppies and its related entities in all aspects of their operations. She is a fellow of the Institute of Chartered Accountants of India, and of the Botswana Institute of Chartered Accountants.



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT

FPC operates under corporate governance policies that embrace the principles and recommendations set out in the BSE Corporate Code and the King III Report. The board is the focal point of good governance and exercises sound judgement and leadership with integrity, guided by principles of responsibility, accountability, fairness and transparency.

FPC's board

- Six members
- One executive director: Vidya Sanooj
- Two non-executive directors: Ramachandran Ottapathu (CEO) and Faizel Ismail
- Four independent non-executive directors: His Excellency Festus G Mogae (chairman), Reetsang Willie Mokgatlhe, Robert Matthews and Faizel Ismail.

The board takes direct responsibilities for investment matters for a property owning and development company. Investments into property projects are referred to the board by management for approval. Information provided to the board will consist of the project appraisal with its motivation and details of the return on investment.

The board established two separate committees that report to the board (see overleaf for their reports):

- Audit, risk and compliance committee
- Remuneration committee.

Attendance registers

Name of member	Designation	Board	Audit, risk and compliance committee	Remco
HE Festus G Mogae	Independent non-executive	2/4 Chairman		
Robert N Matthews	Independent non-executive	4/4	3/3 Chairman	
Reetsang Willie Mokgatlhe	Independent non-executive	4/4	3/3	1/1 Chairman
Faizel Ismail	Non-executive	4/4		
Ramachandran Ottapathu	Non-executive	4/4		
Vidya Sanooj	Executive	4/4	3/3	1/1

Directors' remuneration FY17

In BWP	Salary	Sitting fees
HE Festus G Mogae	-	66 667
Ramachandran Ottapathu	-	-
Faizel Ismail	-	-
Vidya Sanooj	320 000	-
Reetsang Willie Mokgatlhe	-	258 333
Robert N Matthews	-	258 333
Total	320 000	583 333

REMUNERATION COMMITTEE REPORT

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

The remuneration committee comprises independent non-executive directors Reetsang Willie Mokgathe (chairman) and non-executive director Vidya Sanooj. Other directors attend by invitation. Full attendance registers are set out on page 18.

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

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

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

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

Directors' remuneration

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

Company secretary

The company secretary is Grant Thornton Business Services (Proprietary) Limited, a suitably qualified, competent and experienced professional firm. The company secretary representative is not a director of the company. The board has considered the individuals at Grant Thornton Business Services who perform the company secretarial functions, as well as the directors and shareholders of Grant Thornton Business Services, and is satisfied that there is an arm's length relationship between the company secretary and the board (which can remove the company secretary from office).

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

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

Reetsang Willie Mokgathe

Remuneration committee chairman
27 October 2017



ANNUAL FINANCIAL STATEMENTS STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The directors of The FaR Property Company Limited are responsible for the consolidated annual financial statements and all other information presented therewith. Their responsibility includes the maintenance of true and fair financial records and the preparation of annual financial statements in accordance with International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board and in the manner required by the Botswana Companies Act 2003.

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

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

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

The financial statements, set out on pages 28 to 79, were authorised for issue by the board of directors and are signed on its behalf by:



Ramachandran Ottapathu

Director

27 October 2017



Robert Matthews

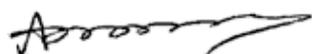
Director

27 October 2017

DECLARATION BY THE COMPANY SECRETARY

for the year ended 30 June 2017

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



Anjana Suresh

Grant Thornton Business Services (Proprietary) Limited

27 October 2017

DIRECTORS' REPORT

for the year ended 30 June 2017

The directors have pleasure in presenting their report and the group and company annual financial statements of The FaR Property Company Limited for the year ended 30 June 2017.

General information

The company was incorporated and is domiciled in the Republic of Botswana on 29 June 2010 under registration number Co 2010/6009. It was listed on the Botswana Stock Exchange (BSE) on 4 May 2016 as a variable rate loan stock company with 380 million issued linked units.

Nature of business

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

Financial position and results

The financial position and results for the year are reflected in these financial statements set out on pages 28 to 79.

Stated capital

In total, 380 million linked units, comprising ordinary shares that are indivisibly linked to variable rate debentures.

Distribution

Distribution number 2, amounting to 13,69 thebe, comprising 13,55 thebe interest and 0,14 thebe dividend, per linked unit for year ended 30 June 2017. This distribution was declared as payable on 27 September 2017.

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

Events after reporting date

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

Directors

The directors at 30 June 2017 are His Excellency Festus Gontebanye Mogae (chairman); Ramachandran Ottapathu; Reetsang Willie Mokgatlhe; Robert Neil Matthews; Faizel Ismael, and Vidya Sanooj. Details of directors are shown on pages 16 and 17.

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

The audit, risk and compliance committee is appointed by the board of directors. The committee has its own charter, which is approved by the board. The committee consists of two independent non-executive directors, one of whom acts as chairman. Senior management and the external auditor attend by invitation. Other executives may be requested to attend sections of meetings as required. Other directors may attend meetings by invitation. The make up of the committee complies with advised corporate governance credentials and members of the committee have the expected levels of experience.

Meetings and activities of the committee

Three meetings of the committee have been held since 1 July 2016. The major topics dealt with by the committee were:

- Review of the audit, risk and compliance committee charter.
- Planning for the external audit process, including discussions on key issues related to the external audit, the proposed fee for the audit and other related matters.
- Year-end planning for clearance of the audited annual financial statements and receipt of the external audit reports on issues related to the external audit process.
- Consideration of the distribution to linked unitholders, including solvency test in relation thereto, for recommendation to the board.
- Consideration of the offer to unitholders of the capitalisation of distribution related to the year ended 30 June 2017.
- Review of the integrity of the integrated annual report.
- Review of press releases related to trading updates, half yearly and annual financial results reporting.
- Consideration of budget forecasts and related investment strategy.
- Review of management accounts and related activity reports.
- Consideration of key risks related to the group's strategic and operational risks.
- Oversight over the governance of information technology.
- Consideration of the internal financial controls.
- Compliance with the BSE Code of Best Practice on Corporate Governance, specifically with regard to adoption of King III requirements.
- Compliance with regulatory issues relating particularly to the Botswana Securities Exchange, the Companies Act, EIA regulations and the Income Tax Act.

Reporting to the board

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

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

Committee membership and attendance

Name	Status	Sept 2016	March 2017	Sept 2017
Robert N Matthews	Chairman of committee Independent non-executive director	Y	Y	Y
Reetsang Willie Mokgathe	Independent non-executive director	Y	Y	Y

Robert N Matthews

Chairman – audit, risk and compliance committee
27 October 2017

INDEPENDENT AUDITOR'S REPORT



TO THE UNITHOLDERS OF THE FaR PROPERTY COMPANY LIMITED

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of The FaR Property Company Limited (the "Company") and its subsidiaries (together the "Group") as at 30 June 2017, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

The FaR Property Company Limited's consolidated and separate financial statements set out on pages 28 to 79, which comprise:

- the group and company statements of financial position as at 30 June 2017;
- the group and company statements of comprehensive income for the year then ended;
- the group and company statements of changes in equity for the year then ended;
- the group and company statements of cash flows for the year then ended; and
- notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

We are independent of the Group in accordance with the Botswana Institute of Chartered Accountants Code of Ethics (the BICA Code) and the ethical requirements that are relevant to our audit of financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with these requirements and the BICA Code. The BICA Code is consistent with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (Parts A and B).

Our audit approach

Overview



Overall group materiality

- P2,800,000, which represents 4.5% of the consolidated profit before tax.

Group audit scope

- Our engagement comprised of the statutory audit of The FaR Property Company Limited and the Group's consolidated annual financial statements for the year ended 30 June 2017.
- The Group consists of the Company and its subsidiaries in Botswana and South Africa. Full scope audits were performed at the Company and the South African operating subsidiary.

Key Audit Matter

- Valuation of investment property

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

INDEPENDENT AUDITOR'S REPORT

continued

Materiality

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

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

Overall group materiality	BWP2 800 000
How we determined it	4.5% of consolidated profit before tax.
Rationale for the materiality	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 4.5%, which is lower than the normal quantitative materiality thresholds used for profit-oriented companies in this sector (5%) given that the Group has significant exposure to third party liabilities, with related debt covenant requirements.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates. In doing so, full scope audits were performed at the Company and its South African operating subsidiary as – based on materiality and risk – these could individually or in aggregate have a material impact on the consolidated financial statements.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team, or the component auditor under our instruction. Where the work was performed by the component auditor, we determined the level of involvement we needed to have in the audit work at the component to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

Key audit matter

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matter**Valuation of investment property (Group and Company)**

The Group accounts for investment properties at fair value. The carrying values of investment properties for the Group and Company at 30 June 2017 were P1,292,766,546 and P1,086,641,294, respectively. The fair value adjustment recorded in net profit before tax in respect of investment properties for the Group and Company amounted to losses of P15,251,328 and P14,704,884, respectively, for the financial year.

At 30 June 2017, the Group's valuation of the portfolio of properties was based on valuations carried out by independent valuers during the current financial year using valuation methodologies and assumptions set out in note 3 – Investment Property (page 44), except for:

- seven properties in Botswana, where the Group increased the valuations by P33,998,000 to take account of new rental contracts, which had been secured after May 2017, and
- five properties in South Africa, where the Group did an internal roll-forward of an independent valuation of those properties which had been performed at 30 June 2016.

Significant judgement is required to determine the fair value of investment properties, especially with respect to the determination of unobservable inputs utilised, and we therefore considered the valuation of these assets to be a matter of most significance to the current year audit due to the significance of the balances, combined with the significant assumptions associated with determining the fair values.

How our audit addressed the key audit matter

We assessed the competence and capabilities of the Group's independent valuers by verifying their qualifications and past experience.

We obtained written confirmation from the valuers that:

- all professional staff involved in the valuation process are in good standing with relevant professional bodies;
- they are free from any direct or indirect shareholding or financial interest in the Group;
- the Group did not place any restrictions on the valuation process; and
- they are not aware of any information relevant to the valuation which had been withheld by the Group.

We compared the valuation approaches used by the independent valuers against IFRS requirements and industry norms to confirm that the methodologies were appropriate under the circumstances. The valuation methods were comparable to those typically used in the market.

We tested a selection of data inputs used in the independent valuations, including rental income, against appropriate supporting documentation (such as rental agreements, business plans and historical performance) to assess the accuracy and completeness thereof.

We compared capitalisation rates, discount rates, rental escalation rates, comparable sales price per square meeting and building cost rates utilised in the valuation to those generally used in the market, rates used in historical valuations and general market factors, such as comparable long-bond yield rates and records of recent property sales from the Deeds' Office as maintained by the independent valuer. These inputs were found to be within a reasonable range.

We compared the Group's calculation of the increased values of seven properties in Botswana to the calculation performed by the independent valuer to confirm that the only difference between the calculations relates to revised rental income estimates based on lease contracts entered into after May 2017. We identified no changes to the valuation calculations other than revised rental estimates.

We tested the Group's roll-forward of the historical (30 June 2016) valuations of five properties in South Africa by agreeing rental income in the roll-forward calculation to existing rental contracts and by comparing capitalisation rates utilised in the calculation to those utilised by the independent valuer for comparable properties at 30 June 2017. We also tested the mathematical accuracy of the roll-forward calculation.

INDEPENDENT AUDITOR'S REPORT

continued

Other information

The directors are responsible for the other information. The other information comprises all the sections of the FaR Property Integrated Annual Report 2017, but excludes 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the directors for the consolidated and separate financial statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group'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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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



PricewaterhouseCoopers

Individual practicing member: Rudi Binedell

Registration number: 20040091

27 October 2017

Gaborone



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

Figures in Pula	Notes	Group		Company	
		2017	2016	2017	2016
ASSETS					
Non-current assets					
Investment property	3	1 292 766 546	1 258 665 781	1 086 641 294	1 065 617 280
Property, plant and equipment	4	508 623	445 606	508 623	445 606
Investments in subsidiaries	5	-	-	2 400 093	2 400 093
Operating lease asset	3	42 931 828	34 671 269	39 530 909	33 164 759
Deferred income tax assets	8	5 155 582	4 985 871	1 667 290	449 453
		1 341 362 579	1 298 768 527	1 130 748 209	1 102 077 191
Current assets					
Related party receivables	6	8 865 012	34 592 278	68 562 083	107 562 235
Current tax receivable		-	19 269	-	19 269
Operating lease asset	3	3 395 348	2 670 230	3 230 465	2 549 261
Trade and other receivables	9	16 412 429	11 769 694	10 336 455	6 483 254
Cash and cash equivalents	10	58 246 995	81 254 417	57 209 873	75 064 030
		86 919 784	130 305 888	139 338 876	191 678 049
Total assets		1 428 282 363	1 429 074 415	1 270 087 085	1 293 755 240
EQUITY AND LIABILITIES					
Equity attributable to equity holders of parent					
Stated capital	11	341 018 021	341 018 021	341 018 021	341 018 021
Foreign currency translation reserve		(8 548 056)	(12 627 363)	-	-
Retained income		429 750 917	416 471 870	349 709 697	343 713 357
		762 220 882	744 862 528	690 727 718	684 731 378
Liabilities					
Non-current liabilities					
Borrowings	12	345 619 768	403 398 745	295 535 622	361 344 906
Deferred income tax liabilities	8	96 646 871	99 266 793	71 009 245	76 012 957
		442 266 639	502 665 538	366 544 867	437 357 863
Current liabilities					
Related party payables	6	-	-	208 165	208 165
Borrowings	12	157 466 876	100 224 344	150 861 002	95 142 524
Trade and other payables	13	10 192 960	20 936 194	9 546 010	18 862 774
Distribution payable	29	52 022 000	12 996 000	52 022 000	12 996 000
Current tax payable		4 113 006	2 933 275	177 323	-
Bank overdraft	10	-	44 456 536	-	44 456 536
		223 794 842	181 546 349	212 814 500	171 665 999
Total liabilities		666 061 481	684 211 887	579 359 367	609 023 862
Total equity and liabilities		1 428 282 363	1 429 074 415	1 270 087 085	1 293 755 240

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2017

Figures in Pula	Notes	Group		Company	
		2017	2016	2017	2016
Revenue	15	121 810 349	114 417 104	97 851 997	96 205 417
Other income	21	15 125 231	11 380 132	10 201 385	5 346 603
Operating expenses		(20 433 617)	(14 513 260)	(13 005 258)	(8 795 434)
Operating profit	16	116 501 963	111 283 976	95 048 124	92 756 586
Finance income	17	569 308	606 143	11 031 203	13 696 892
Finance costs	18	(39 600 526)	(43 458 620)	(39 381 558)	(38 742 867)
Net income from operations		77 470 745	68 431 499	66 697 769	67 710 611
Investment property fair value adjustment	19	(15 251 328)	(17 135 611)	(14 703 884)	(18 405 936)
Loss on sale of investment property	32	-	(33 818 000)	-	(33 818 000)
Loss on disposal of subsidiary	32	-	(8 892 450)	-	(8 892 450)
Profit before income tax		62 219 417	8 585 438	51 993 885	6 594 225
Income tax credit	20	3 081 630	1 110 403	6 024 455	1 671 227
Profit for the year attributable to linked unitholders		65 301 047	9 695 841	58 018 340	8 265 452
Other comprehensive income					
Exchange differences on translating foreign operations		4 079 307	(5 594 516)	-	-
Comprehensive income for the year attributable to linked unitholders		69 380 354	4 101 325	58 018 340	8 265 452
Linked units in issue at end of year	11	380 000 000	380 000 000	380 000 000	380 000 000
Basic earnings per linked unit attributable to linked unitholders	30	0,17	0,04	0,15	0,03

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2017

Figures in Pula

	Stated capital	Foreign currency translation reserve	Retained income	Total equity
GROUP				
Balance at 1 July 2015	165 151 804	(7 032 847)	419 772 029	577 890 986
Issue of linked units	175 866 217	-	-	175 866 217
	341 018 021	(7 032 847)	419 772 029	753 757 203
Profit for the year	-	-	9 695 841	9 695 841
Other comprehensive income	-	(5 594 516)	-	(5 594 516)
Total comprehensive income for the year	-	(5 594 516)	9 695 841	4 101 325
Distribution declared	-	-	(12 996 000)	(12 996 000)
Balance at 30 June 2016	341 018 021	(12 627 363)	416 471 870	744 862 528
Balance at 1 July 2016	341 018 021	(12 627 363)	416 471 870	744 862 528
Profit for the year	-	-	65 301 047	65 301 047
Other comprehensive income	-	4 079 307	-	4 079 307
Total comprehensive income for the year	-	4 079 307	65 301 047	69 380 354
Distribution declared	-	-	(52 022 000)	(52 022 000)
Balance at 30 June 2017	341 018 021	(8 548 056)	429 750 917	762 220 882
COMPANY				
Balance at 1 July 2015	165 151 804	-	348 443 905	513 595 709
Issue of linked units	175 866 217	-	-	175 866 217
	341 018 021	-	348 443 905	689 461 926
Profit for the year	-	-	8 265 452	8 265 452
Total comprehensive income for the year	-	-	8 265 452	8 265 452
Distribution declared	-	-	(12 996 000)	(12 996 000)
Balance at 30 June 2016	341 018 021	-	343 713 357	684 731 378
Balance at 1 July 2016	341 018 021	-	343 713 357	684 731 378
Profit for the year	-	-	58 018 340	58 018 340
Total comprehensive income for the year	-	-	58 018 340	58 018 340
Distribution declared	-	-	(52 022 000)	(52 022 000)
Balance at 30 June 2017	341 018 021	-	349 709 697	690 727 718

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2017

Figures in Pula	Notes	Group		Company	
		2017	2016	2017	2016
Cash flows from operating activities					
Cash generated from operations	22	114 492 887	143 660 224	127 480 108	118 360 715
Finance income	17	569 308	606 143	11 031 203	13 696 892
Finance costs	18	(31 299 500)	(43 458 620)	(31 212 264)	(38 742 867)
Tax paid	23	(2 119)	(380 717)	(502)	(380 717)
Net cash generated from/(used in) operating activities		83 760 576	100 427 030	107 298 545	92 934 023
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(198 047)	(281 996)	(198 047)	(281 996)
Purchase of investment properties	3	(37 096 193)	(134 661 848)	(36 727 898)	(124 229 623)
Proceeds from disposal of investment properties		810 860	-	810 860	-
Net movements in loans with related companies	6	-	-	13 324 981	903 442
Net cash used in investing activities		(36 483 380)	(134 943 844)	(36 115 085)	(123 608 177)
Cash flows from financing activities					
Proceeds from issue of linked units	11	-	165 025 158	-	165 025 158
Proceeds from borrowings		111 855 833	27 261 819	100 000 000	18 400 000
Repayment of borrowings		(123 942 840)	(74 289 452)	(118 260 100)	(69 660 700)
Distribution paid		(12 996 000)	(24 000 000)	(12 996 000)	(24 000 000)
Net cash (used in)/generated from financing activities		(25 083 007)	93 997 525	(31 256 100)	89 764 458
Net change in cash and cash equivalents					
		22 194 189	59 480 711	26 602 379	59 090 304
Cash and cash equivalents at beginning of year		36 797 881	(23 434 081)	30 607 494	(28 482 810)
Effects of exchange rate changes on cash and cash equivalents		(745 075)	751 251	-	-
Cash and cash equivalents at end of year	10	58 246 995	36 797 881	57 209 873	30 607 494

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2017

GENERAL INFORMATION

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

The financial statements set out on pages 28 to 79 have been approved by the board of directors on 14 October 2017.

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards. The consolidated annual financial statements have been prepared on the historical cost basis, except for the measurement of investment properties and certain financial instruments at fair value and incorporate the principal accounting policies set out below. They are presented in the group's functional currency, Botswana Pula. These accounting policies are consistent with the previous period.

1.1 Consolidation

Basis of consolidation

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

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

All intragroup transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

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

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

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

Business combinations

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

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

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

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2017

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*

1.1 Consolidation *continued*

Business combinations continued

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

Non-controlling interest arising from a business combination is measured either at their share of the fair value of the assets and liabilities of the acquiree or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in the note for business combinations.

In cases where the group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Common control transactions

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

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

1.2 Significant judgements and sources of estimation uncertainty

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

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption by management may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including demand estimates of commercial and residential accommodation, supply demand, together with economic factors such as exchange rates, inflation and interest.

Investment property

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

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

1.3 Investment property

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

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

Any gain or loss resulting from either a change in the fair value or the sale of investment property is immediately recognised in profit or loss within change in the fair value of the investment property.

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

Fair value

Subsequent to initial measurement investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

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

1.4 Property, plant and equipment

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

- it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably; and
- property, plant and equipment are initially measured at cost.

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

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

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

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

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

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

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

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

1.5 Investments in subsidiaries

Company consolidated annual financial statements

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

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

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

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

1.6 Financial instruments

Classification

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

- loans and receivables; and
- financial liabilities measured at amortised cost.

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

Initial recognition and measurement

Financial instruments are recognised initially when the group becomes a party to the contractual provisions of the instruments.

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument. Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method.

Derecognition

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

1.7 Impairment of financial assets

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

For amounts due to the group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

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

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

1.7 Impairment of financial assets continued

Reversals of impairment losses are recognised in profit or loss.

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

1.8 Related party receivable/payable

These include loans to and from subsidiaries and related companies and are recognised initially at fair value plus direct transaction costs.

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

1.9 Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

1.10 Trade and other receivables

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

Trade and other receivables are classified as loans and receivables.

1.11 Trade and other payables

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

1.12 Cash and cash equivalents

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

1.13 Bank overdraft and borrowings

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

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

1.14 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

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

Deferred tax assets and liabilities

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

Tax expenses

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

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

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

1.15 Leases

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

Operating leases/lessor

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

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

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

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

1.16 Impairment of assets

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

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

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

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

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

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

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

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

1.17 Stated capital and equity

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

1.18 Employee benefits

Short-term employee benefits

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

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

1.19 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for letting out property in the normal course of business, net of value added tax. Revenue is rental income from the investment properties and recoveries as per the terms of contract. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

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

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

1.20 Borrowing costs

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

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

The capitalisation of borrowing costs commences when:

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

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

1.21 Translation of foreign currencies

Foreign currency transactions

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

At the end of the reporting period:

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

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

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

Foreign currency transactions

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

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

1.21 Translation of foreign currencies

Investments in subsidiaries

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

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

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

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

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

1.22 Operating segments

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

2. NEW STANDARDS AND INTERPRETATIONS

Adoption of new and revised standards

(a) Standards and amendments to existing standards and interpretations effective on or after 1 July 2016 and adopted by the group:

Following new standards and amendments to existing standards and interpretations effective on or after 1 July 2016 and adopted by the group.

Standard/interpretation	Content	Applicable for financial years beginning on or after
IAS 1	<i>Presentation of Financial Statements</i>	1 January 2016
IAS 27	<i>Separate Financial Statements</i>	1 January 2016
IFRS 10	<i>Consolidated Financial Statements</i>	Postponed (initially 1 January 2016)
IAS 28	<i>Investments in Associates and Joint Ventures</i>	

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

2. NEW STANDARDS AND INTERPRETATIONS continued

(a) Standards and amendments to existing standards and interpretations effective on or after 1 July 2016 and adopted by the group: continued

IAS 1 *Presentation of Financial Statements*

In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

IAS 27 *Separate Financial Statements on Equity Accounting*

In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*

The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests.

(b) The following new and amended standards and interpretations have been issued and are mandatory for the group's accounting periods beginning on or after 1 July 2016 or later periods but are not expected to be relevant to the group:

Standard/interpretation	Content	Applicable for financial years beginning on or after
IFRS 11	Amendment to IFRS 11 <i>Joint Arrangements</i> on acquisition of an interest in a joint operation.	1 January 2016
IFRS 14	The IASB has issued IFRS 14 <i>Regulatory Deferral Accounts</i> specific to first time adopters (IFRS 14), an interim standard on the accounting for certain balances that arise from rate-regulated activities (regulatory deferral accounts).	1 January 2016
IAS 16 IAS 38	Amendment to IAS 16 <i>Property, Plant and Equipment</i> and IAS 38 <i>Intangible Assets</i> , on depreciation and amortisation.	1 January 2016
IAS 16 IAS 41	Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 41 <i>Agriculture</i> on bearer plants.	1 January 2016
IFRS 5	IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> .	1 January 2016
IFRS 7	IFRS 7 <i>Financial Instruments: Disclosures</i> - offsetting disclosures to condensed interim financial statements.	1 January 2016
IFRS 7	IFRS 7 <i>Financial Instruments: Disclosures</i> - servicing contracts.	1 January 2016
IAS 19	IAS 19 <i>Employee Benefits</i> - discount rate.	1 January 2016
IAS 34	IAS 34 <i>Interim Financial Reporting</i> .	1 January 2016

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

2. NEW STANDARDS AND INTERPRETATIONS continued

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

The following new and amended standards and interpretations have been issued and are mandatory for the group's accounting periods beginning on or after 1 July 2017 or later periods and are expected to be relevant to the group:

Standard/interpretation	Content	Applicable for financial years beginning on or after
IAS 7	<i>Cash Flow Statements</i>	1 January 2017
IAS 12	<i>Income Taxes</i>	1 January 2017
IAS 40	<i>Investment Property</i>	1 January 2018
IFRS 10	<i>Consolidated Financial Statements</i>	Postponed (initially 1 January 2016)
IAS 28	<i>Investments in Associates and Joint Ventures</i>	
IFRS 9	<i>Financial Instruments</i>	1 January 2018
IFRS 16	<i>Leases</i>	1 January 2019
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>	1 January 2019

IAS 7 *Cash Flow Statements*

International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

IAS 12 *Income Taxes*

The amendments were issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets.

IAS 40 *Investment Property*

These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*

The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures.

IFRS 9 *Financial Instruments*

This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

The IASB has updated IFRS 9 *Financial Instruments* to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39 *Financial Instruments: Recognition and Measurement*, without change, except for financial liabilities that are designated at fair value through profit or loss.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

2. NEW STANDARDS AND INTERPRETATIONS continued

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

IFRS 16 Leases

Lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard. The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed.

IFRIC 23 Uncertainty over Income Tax Treatments

Provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The interpretation provides specific guidance in several areas where previously IAS 12 was silent. The interpretation also explains when to reconsider the accounting for a tax uncertainty.

The following new and amended standards and interpretations have been issued and are mandatory for the group's accounting periods beginning on or after 1 July 2017 or later periods but are not expected to be relevant to the group:

Standard/interpretation	Content	Applicable for financial years beginning on or after
IFRS 15	IFRS 15 <i>Revenue from Contracts with Customers</i> .	1 January 2018
IFRS 17	IFRS 17 <i>Insurance Contracts</i> .	1 January 2021
IFRS 2	Amendments to IFRS 2 <i>Share-Based Payments</i> clarifying how to account for certain types of share-based payment transactions.	1 January 2018
IFRS 4	Amendment to IFRS 4 <i>Insurance Contracts</i> regarding the implementation of IFRS 9 <i>Financial Instruments</i> .	1 January 2018
IFRS 1	IFRS 1 <i>First-Time Adoption of IFRS</i> - regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10.	1 January 2018
IFRS 12	IFRS 12 <i>Disclosure of Interests in Other Entities</i> regarding clarification of the scope of the standard.	1 January 2017
IAS 28	IAS 28 <i>Investments in Associates and Joint Ventures</i> regarding measuring an associate or joint venture at fair value.	1 January 2018

(d) Early adoption of standards

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

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

Figures in Pula Opening carrying value

3. INVESTMENT PROPERTY

Group

Reconciliation of investment property - group 2017

Investment property	1 258 665 781
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Reconciliation of investment property - group 2016

Investment property	1 201 299 407
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The addition to the investment property includes direct acquisitions amounting to BWP7 326 110 (2016: BWP59 213 792) and subsequent expenditure amounting to BWP29 770 083 (2016: BWP75 448 056).

Company

Reconciliation of investment property - company 2017

Investment property	1 065 617 280
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Reconciliation of investment property - company 2016

Investment property	993 611 593
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The addition to the investment property includes direct acquisitions amounting to BWP7 326 110 (2016: BWP48 828 250) and subsequent expenditure amounting to BWP29 401 788 (2016: BWP75 401 373).

Pledged as security

The investment property of the group has been pledged as security towards various facilities availed by the group.

Borrowing costs capitalised

No borrowing cost was capitalised into the investment property during the year (2016: nil).



NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

Additions	Foreign exchange movements	Disposals	Fair value adjustments	Carrying value
37 096 193	13 255 900	(1 000 000)	(15 251 328)	1 292 766 546
134 661 848	(17 449 413)	(42 710 450)	(17 135 611)	1 258 665 781
36 727 898	-	(1 000 000)	(14 703 884)	1 086 641 294
124 229 623	-	(33 818 000)	(18 405 936)	1 065 617 280

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

3. INVESTMENT PROPERTY continued

Details of valuation

Investment property portfolio in Botswana

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

The Botswana property portfolio was valued by Knight Frank based on information supplied by the company in May 2017 for BWP1 095 404 668 (151 properties). The company updated the valuation of seven properties where new rental contracts were entered into subsequent to May 2017 (thus giving a better indication of secured future rental streams), using the same valuation technique and capitalisation rates used by Knight Frank. As a result, the Botswana property portfolio is BWP33 998 000 higher than that determined by Knight Frank.

Investment property portfolio in South Africa

In total, 17 properties owned by the subsidiary **Q-Tique 79** (Proprietary) Limited in South Africa was valued by Ms Susan Turner of Knight Frank Western Cape (Proprietary) Limited (Knight Frank WC). She holds recognised relevant professional qualifications and she is a member of the Council for Valuers Profession in South Africa and Institute of Valuers in South Africa. The valuer has relevant experience for the investment property valued. These 17 properties were valued by Knight Frank WC for BWP88 478 175 at 30 June 2017.

With respect to the remaining five properties in the South African portfolio, the company assessed the fair value of these as determined through an independent valuation by Mr Jacob Francois du Toit of Appraisal Corporation CC (Appraisal Corporation) at 30 June 2016 by updating key inputs in the Appraisal Corporation valuation to reflect the current contractual income and capitalisation rates used by Knight Frank WC for comparable properties. Based on this internal valuation update, these five properties were valued at BWP118 762 878.

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

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

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

The group adopted the practice obtaining external comprehensive independent valuation of its investment property once in every three years.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

3. INVESTMENT PROPERTY continued

<i>Figures in Pula</i>	Group		Company	
	2017	2016	2017	2016
Amounts recognised in profit and loss for the year relating to investment property				
Rental income from investment property	121 810 349	114 417 104	97 851 997	96 205 417
Recoveries	12 456 886	9 350 229	4 723 738	3 331 656
Cleaning	(518 417)	(492 709)	(339 350)	(305 243)
Insurance	(1 009 087)	(1 058 623)	(742 313)	(840 236)
Repairs and maintenance	(715 405)	(306 310)	(533 299)	(240 279)
Security	(846 450)	(886 539)	(629 171)	(729 361)
Utilities	(8 160 540)	(7 010 654)	(3 245 175)	(2 731 389)
Adjusted valuations				
The following valuations were adjusted for consolidated annual financial statements purposes to avoid double counting:				
Valuation as per financial statements				
Investment property as per valuation	1 339 093 722	1 296 007 280	1 129 402 668	1 101 331 300
Recognised lease smoothening adjustment	(46 327 176)	(37 341 499)	(42 761 374)	(35 714 020)
	1 292 766 546	1 258 665 781	1 086 641 294	1 065 617 280
Operating lease asset				
Current asset	3 395 348	2 670 230	3 230 465	2 549 261
Non-current asset	42 931 828	34 671 269	39 530 909	33 164 759
	46 327 176	37 341 499	42 761 374	35 714 020

The total operating expenses incurred for the unoccupied properties amounting to BWP6 946 (2016: BWP351 251).

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

3. INVESTMENT PROPERTY continued

Information about fair value measurements using significant unobservable inputs (level 3) for 2017

Valuation technique	Valuation	Input	Sensitivity on management's estimates		
			Estimate	Impact lower	Impact higher
Group					
Sales comparison	208 299 297	Sales price of per sqm of the property	Market value per sqm +/- 10%	20 825 930	20 825 930
Depreciated replacement cost	25 975 000	Construction cost per sqm	Build rate per sqm +/- 10%	2 597 500	2 597 500
Income capitalisation	1 067 973 856	Capitalisation rate	Capitalisation rate +/- 1%	97 964 393	120 249 966
Discounted cash flow	36 885 568	Discount rate	Discount +/- 1%	1 479 618	1 577 904
		Rent escalation rate	Rent escalation rate +/- 1%	1 621 797	1 707 102
Total	1 339 093 722				
Company					
Sales comparison	195 501 000	Sales price of per sqm of the property	Market value per sqm +/- 10%	19 550 100	19 550 100
Depreciated replacement cost	25 975 000	Construction cost per sqm	Build rate per sqm +/- 10%	2 597 500	2 597 500
Income capitalisation	907 926 668	Capitalisation rate	Capitalisation rate +/- 1%	83 827 516	105 070 966
Total	1 129 402 668				

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

3. INVESTMENT PROPERTY continued

Information about fair value measurements using significant unobservable inputs (level 3) for 2016

Valuation technique	Valuation	Input	Sensitivity on management's estimates		
			Estimate	Impact lower	Impact higher
Sales comparison	229 336 906	Sales price of per sqm of the property	Market value per sqm +/- 10%	(22 933 691)	22 933 691
Depreciated replacement cost	93 361 360	Construction cost per sqm	Build rate per sqm +/- 10%	(9 336 136)	9 336 136
Income capitalisation	717 823 720	Capitalisation rate	Capitalisation rate +/- 1%	(68 805 617)	85 676 759
Desktop review	255 485 294	Discount rate	Discount +/- 1%	(12 196 279)	13 112 691
		Rent escalation rate	Rent escalation rate +/- 1%	(12 409 028)	13 106 497
Total	1 296 007 280				
Company					
Sales comparison	222 113 867	Sales price of per sqm of the property	Market value per sqm +/- 10%	(22 211 387)	22 211 387
Depreciated replacement cost	90 761 360	Construction cost per sqm	Build rate per sqm +/- 10%	(9 076 136)	9 076 136
Income capitalisation	567 456 073	Capitalisation rate	Capitalisation rate +/- 1%	(54 983 357)	68 717 439
Desktop review	221 000 000	Discount rate	Discount +/- 1%	(10 836 628)	11 666 420
		Rent escalation rate	Rent escalation rate +/- 1%	(10 895 551)	11 513 673
Total	1 101 331 300				

Valuation techniques underlying management's estimation of fair value

For all properties in Botswana and South Africa with a total carrying amount of BWP1 339 093 722 (2016: BWP1 296 007 280), the valuation was determined using discounted cash flow (DCF), depreciated replacement cost (DRC), sales comparison and income capitalisation based on significant unobservable inputs.

Unobservable inputs

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

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

<i>Figures in Pula</i>	Furniture and fixtures	IT equipment	Motor vehicles	Office equipment	Plant and machinery	Total
4. PROPERTY, PLANT AND EQUIPMENT						
Group						
At 30 June 2015						
Cost	354 698	411 076	95 056	329 818	155 150	1 345 798
Accumulated depreciation	(266 663)	(348 611)	(42 600)	(329 818)	(42 900)	(1 030 592)
Net book amount	88 035	62 465	52 456	-	112 250	315 206
Year ended 30 June 2016						
Opening net book amount	88 035	62 465	52 456	-	112 250	315 206
Additions	-	-	75 073	-	206 923	281 996
Depreciation	(35 470)	(62 465)	(22 765)	-	(30 896)	(151 596)
Closing net book amount	52 565	-	104 764	-	288 277	445 606
At 30 June 2016						
Cost	354 698	411 076	170 129	329 818	362 073	1 627 794
Accumulated depreciation	(302 133)	(411 076)	(65 365)	(329 818)	(73 796)	(1 182 188)
Net book amount	52 565	-	104 764	-	288 277	445 606
Year ended 30 June 2017						
Opening net book amount	52 565	-	104 764	-	288 277	445 606
Additions	4 009	28 087	160 975	-	4 976	198 047
Depreciation	(35 520)	(5 960)	(41 776)	-	(51 774)	(135 030)
Closing net book amount	21 054	22 127	223 963	-	241 479	508 623
At 30 June 2017						
Cost	358 707	439 163	331 104	329 818	367 049	1 825 841
Accumulated depreciation	(337 653)	(417 036)	(107 141)	(329 818)	(125 570)	(1 317 218)
Net book amount	21 054	22 127	223 963	-	241 479	508 623
Company						
At 30 June 2015						
Cost	354 698	411 076	95 056	329 818	155 150	1 345 798
Accumulated depreciation	(266 663)	(348 611)	(42 600)	(329 818)	(42 900)	(1 030 592)
Net book amount	88 035	62 465	52 456	-	112 250	315 206
Year ended 30 June 2016						
Opening net book amount	88 035	62 465	52 456	-	112 250	315 206
Additions	-	-	75 073	-	206 923	281 996
Depreciation	(35 470)	(62 465)	(22 765)	-	(30 896)	(151 596)
Closing net book amount	52 565	-	104 764	-	288 277	445 606
At 30 June 2016						
Cost	354 698	411 076	170 129	329 818	362 073	1 627 794
Accumulated depreciation	(302 133)	(411 076)	(65 365)	(329 818)	(73 796)	(1 182 188)
Net book amount	52 565	-	104 764	-	288 277	445 606
Year ended 30 June 2017						
Opening net book amount	52 565	-	104 764	-	288 277	445 606
Additions	4 009	28 087	160 975	-	4 976	198 047
Depreciation	(35 520)	(5 960)	(41 776)	-	(51 774)	(135 030)
Closing net book amount	21 054	22 127	223 963	-	241 479	508 623
At 30 June 2017						
Cost	358 707	439 163	331 104	329 818	367 049	1 825 841
Accumulated depreciation	(337 653)	(417 036)	(107 141)	(329 818)	(125 570)	(1 317 218)
Net book amount	21 054	22 127	223 963	-	241 479	508 623

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

<i>Figures in Pula</i>	Group % holding		Company % holding	
	2017	2016	2017	2016
5. INVESTMENTS IN SUBSIDIARIES				
Q-Tique79 (Proprietary) Limited	100	100	93	93
Eminent (Proprietary) Limited	100	100	2 400 000	2 400 000
The FaR Property Company Zambia Limited	100	-	-	-
			2 400 093	2 400 093

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

<i>Figures in Pula</i>	Group		Company	
	2017	2016	2017	2016
6. RELATED PARTY RECEIVABLES/ (PAYABLES)				
6.1 Loans to related companies				
Q-Tique79 (Proprietary) Limited	-	-	59 645 918	72 970 899

The loans to group companies do not carry any specific terms. These balances are repayable on demand, not secured and loans carry market interest rate of 15% (2016: 8,25%).

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

<i>Figures in Pula</i>	Group		Company	
	2017	2016	2017	2016
6. RELATED PARTY RECEIVABLES/ (PAYABLES) continued				
6.2 Advances to/(from) related companies				
Bagpiper (Proprietary) Limited	-	468 182	-	468 182
Solace (Proprietary) Limited	-	1 591 001	-	1 591 001
Feasible Investments (Proprietary) Limited	-	4 435 484	-	4 435 484
Eminent (Proprietary) Limited	-	-	(208 165)	(208 165)
Strides of Success (Proprietary) Limited	-	11 340 689	-	11 340 689
Prime and Prestige (Proprietary) Limited	843 000	843 000	843 000	843 000
Reddy Group of Companies	6 107 588	12 517 537	6 107 588	12 517 537
Tow Bar Manufacturers (Proprietary) Limited	-	450 864	-	450 864
Adam's Apple (Proprietary) Limited	-	365 050	-	365 050
Peardale (Proprietary) Limited	-	149 517	-	149 517
Choppies Supermarkets SA (Proprietary) Limited	-	942	-	-
Vestline Investments (Private) Limited	50 942	-	50 942	-
Time Star (Proprietary) Limited	1 863 482	2 430 012	1 914 635	2 430 012
	8 865 012	34 592 278	68 353 918	107 354 070
Advances from related companies	-	-	(208 165)	(208 165)
Advances to related companies	8 865 012	34 592 278	68 562 083	107 562 235
	8 865 012	34 592 278	68 353 918	107 354 070

The short-term advances to and from related parties do not carry any specific terms. These balances are repayable on demand, not secured and do not carry any interest.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

7. FINANCIAL ASSETS BY CATEGORY

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

<i>Figures in Pula</i>	Group		Company	
	2017	2016	2017	2016
Loans and receivables				
Related party receivables (note 6)	8 865 012	34 592 278	68 562 083	107 562 235
Trade and other receivables (note 9)	13 304 949	11 147 043	7 425 507	6 006 432
Cash and cash equivalents (note 10)	58 240 328	81 254 417	57 209 873	75 064 030
	80 410 289	126 993 738	133 197 463	188 632 697

8. DEFERRED TAX

Deferred tax liability

Accelerated capital allowances for tax purposes	39 231 821	(32 780 759)	(14 647 647)	(10 023 449)
Operating lease adjustment	10 405 927	(8 312 778)	(9 407 502)	(7 857 084)
Fair value adjustments	46 954 096	(56 371 174)	46 954 096	(56 371 174)
Prepaid expenses	55 027	(40 832)	-	-
Unrealised foreign exchange gains	-	(1 761 250)	-	(1 761 250)
	96 646 871	(99 266 793)	(71 009 245)	(76 012 957)

Deferred tax asset

Unrealised foreign exchange losses	5 155 582	4 536 418	1 667 290	-
Tax losses available for set-off against future tax liabilities	-	449 453	-	449 453
	5 155 582	4 985 871	1 667 290	449 453

Deferred tax liability (net)

	(91 491 289)	(94 280 922)	(69 341 955)	(75 563 504)
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Reconciliation of deferred tax asset/ (liability)

At beginning of year	(94 280 922)	(99 347 688)	(75 563 504)	(77 006 474)
Originating temporary difference on carried forward losses	(449 453)	338 688	(449 453)	338 688
Origination of deferred tax on foreign exchange differences	2 057 875	314 174	3 428 540	(1 761 250)
Originating temporary difference on operating lease adjustment	(2 063 976)	(3 815 898)	(1 550 418)	(4 169 828)
Originating temporary difference on capital allowances	(4 624 201)	(4 496 736)	(4 624 201)	(4 496 736)
Originating temporary difference on fair value adjustments	9 173 838	10 829 069	9 417 081	11 532 096
Originating temporary difference on prepaid expenses	(11 409)	(35 500)	-	-
Effect of translation of foreign subsidiary deferred tax balances	(1 293 041)	1 932 970	-	-
	(91 491 289)	(94 280 922)	(69 341 955)	(75 563 504)

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

<i>Figures in Pula</i>	Group		Company	
	2017	2016	2017	2016
9. TRADE AND OTHER RECEIVABLES				
Trade receivables	3 977 450	3 070 078	2 919 156	2 374 236
Other receivable	2 476 065	1 228 779	1 922 910	786 205
Deposits	1 420 295	1 250 264	1 055 594	924 090
Short-term advances	1 163 126	1 520 051	1 109 607	1 520 051
Advance towards asset purchase	4 268 013	4 077 871	418 240	401 850
Prepayments	2 970 762	485 933	2 774 230	340 104
Value added tax	136 718	136 718	136 718	136 718
	16 412 429	11 769 694	10 336 455	6 483 254
Trade and other receivables pledged as security				
Trade and other receivables were pledged as security for loan facilities of the group as disclosed under note 12.				
Fair value of trade and other receivables				
Trade and other receivables	16 412 429	11 769 694	10 336 455	6 483 254
At 30 June 2016, trade receivable of BWP3 560 463 (2016: BWP2 121 415) were past due but not impaired. There are no trade and other receivables impaired. The ageing of amounts past due but not impaired is as follows:				
Less than 60 days	423 264	287 209	287 258	287 209
Between 61 and 90 days	534 156	184 966	399 912	184 966
Between 91 and 120 days	330 580	169 414	186 508	169 414
More than 120 days	2 272 463	1 479 826	1 711 995	1 479 826
	3 560 463	2 121 415	2 585 673	2 121 415
Credit quality of financial assets				
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:				
Trade receivables				
Counterparties without external credit rating				
Group 2	416 987	948 663	333 483	252 821

Group 1 - new customers (less than six months) with no defaults.

Group 2 - existing customers (more than six months) with no defaults in the past.

None of the financial assets that are fully performing have been renegotiated in the last year.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

<i>Figures in Pula</i>	Group		Company	
	2017	2016	2017	2016
10. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents consist of:				
Bank balances	52 991 679	76 030 108	51 954 557	69 839 721
Short-term deposits	5 248 649	5 224 309	5 248 649	5 224 309
Cash-in-hand	6 667	-	6 667	-
	58 246 995	81 254 417	57 209 873	75 064 030
Bank overdraft	-	(44 456 536)	-	(44 456 536)

For the purpose of the statement of cash flows, cash, cash equivalents and bank overdrafts include total cash assets less bank overdrafts.

<i>Figures in Pula</i>	Group		Company	
	2017	2016	2017	2016
Cash and bank balances	58 246 995	81 254 417	57 209 873	75 064 030
Bank overdraft	-	(44 456 536)	-	(44 456 536)
	58 246 995	36 797 881	57 209 873	30 607 494

Security information of bank overdraft facility from Standard Chartered Bank is disclosed in note 12.

Credit quality of cash at bank and short-term deposits, excluding cash on hand

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. Credit risk attached to the group's cash and cash equivalents is minimised by only investing cash resources with reputable financial institutions.

<i>Figures in Pula</i>	Group		Company	
	2017	2016	2017	2016
Cash at bank				
Standard Bank South Africa Limited	1 037 122	6 190 387	-	-
Standard Chartered Bank Botswana Limited	52 423 029	5 182 759	52 423 029	5 182 759
Bank of Baroda Botswana Limited	302 593	302 761	302 593	302 761
Barclays Bank Botswana Limited	-	10 771	-	10 771
First National Bank of Botswana Limited	468 770	68 628 523	468 770	68 628 523
Capital Bank Botswana Limited	4 008 814	939 216	4 008 814	939 216
	58 240 328	81 254 417	57 203 206	75 064 030

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

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

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

<i>Figures in Pula</i>	Group		Company	
	2017	2016	2017	2016
11. STATED CAPITAL				
Linked units	380 000 000	380 000 000	380 000 000	380 000 000
Reconciliation of number of linked units issued:				
Balance at beginning of year	380 000 000	165 151 804	380 000 000	165 151 804
Effect of share split	-	92 775 540	-	92 775 540
Issued during the year	-	122 072 656	-	122 072 656
Balance at end of year	380 000 000	380 000 000	380 000 000	380 000 000
Movement in stated capital				
Balance at beginning of year	341 018 021	165 151 804	341 018 021	165 151 804
Issued during the year	-	175 866 217	-	175 866 217
Balance at end of year	341 018 021	341 018 021	341 018 021	341 018 021

<i>Figures in Pula</i>	Group		Company	
	2017	2016	2017	2016
12. BORROWINGS				
Held at amortised cost				
Standard Chartered Bank Botswana Limited	205 418 328	311 116 250	305 418 328	311 116 250

The company has acquired a loan facility to the value of BWP400 million as per the indicative term sheet. The total loan is repayable in 15 quarterly instalments with a BWP80 million repayment due at the final maturity date. The interest rates are equal to the 90-day Bank of Botswana C rate plus on applicable margin, and shall accrue on the basis of a 360-day year. The applicable margin is 4,15% per annum.

The company has acquired a loan facility to the value of R160 million. The total loan is repayable in 23 quarterly instalments commencing from 30 September 2015 with equal capital instalments of R6 956 521 and accrued interest. The interest rate is equal to the three-month Johannesburg Interbank Agreed Rate (JIBAR). As at 30 April 2017, the applicable margin is 2% per annum.

The company has acquired a loan facility to the value of BWP100 million. The total loan is repayable in 12 quarterly instalments commencing from 30 June 2018 with equal capital instalments of BWP8 333 333 and accrued interest. The interest rates are equal to the 90-day Bank of Botswana C rate plus on applicable margin, and shall accrue on the basis of a 360-day year. As at 30 April 2017, the applicable margin is 4,15% per annum.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

	Group		Company	
	2017	2016	2017	2016
<i>Figures in Pula</i>				
12. BORROWINGS continued				
Held at amortised cost continued				
<i>First National Bank Botswana Limited</i>	40 978 296	45 371 180	40 978 296	45 371 180

The company has acquired a loan facility to the value of BWP50 million. This loan is repayable on demand. The interest rates are equal to the bank's prime lending rate less 1,5%.

	Group		Company	
	2017	2016	2017	2016
<i>Figures in Pula</i>				
<i>BIFM Capital Investment Fund One (Proprietary) Limited</i>	100 000 000	100 000 000	100 000 000	100 000 000

The company has acquired a loan facility to the value of BWP100 million. The principal amount shall be paid in full together with interest at an interest rate of 9,10% per annum. Interest is payable every six months starting 31 December 2013 until 31 December 2022. The principal amount shall be repaid in stages with the first principal amount of BWP30 million being repaid on 31 December 2020, BWP30 million being repaid on 31 December 2021, and final principal amount of BWP40 million being repaid on 31 December 2022.

	Group		Company	
	2017	2016	2017	2016
<i>Figures in Pula</i>				
<i>Investec Bank Limited</i>	56 690 020	47 135 659	-	-

The group has acquired a revolving loan facility to the value of R61,9 million. This loan is repayable in 36 monthly instalments. Instalments representing interest and capital to be paid monthly in arrears, amortising to a 75% residual amount, payable on expiry of the facility. The interest rates are equal to 0,75% below Investec's prime rate.

	Group		Company	
	2017	2016	2017	2016
<i>Figures in Pula</i>				
Total	503 086 644	503 623 089	446 396 624	456 487 430

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

12. BORROWINGS continued

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

- i. Joint and several personal guarantees from Ramachandran Ottapathu and Farouk Ismail.
- ii. An assignment over the lease receivables.
- iii. A cession over the current and future fixed assets of the borrower and the subsidiaries with an asset cover of 1,6 times.
- iv. Charge over the Pula collection account into which the above receivables are paid.
- v. Negative pledge.
- vi. Covering mortgage bond over the properties Lot 35493 Gaborone, Lot 185 Jwaneng, Lot 3618 Mochudi, Lot 1801 Molepolele, Lot 2690 Mogoditshane, Lot 8372 Serowe, Lot 8757 Palapye, Lot 6094 Mahalapye, Lot 212 Jwaneng, Lot 4674 Gaborone, Lot 146 Molepolele, Tribal Grant 2763-KO Otse, Tribal Lot 12043 Mogoditshane, Lots 349/350 Selebi Phikwe, Lot 903 Francistown, Lot 212 Gaborone International Commerce Park (GICP), Lease area 1779-KO Gaborone, Plot 322 Gaborone, Lot 46 GICP, Lot 292 Lobatse, Lease area 1932-KO Gaborone, Plot 880 GICP, Portion 74 Crocodile Pools, Lot 7587 Lobatse, Lot 16437 Gaborone, Lot 547 Lobatse, Lot 7603 Lobatse, Lot 13225 Gaborone, Lots 5481 5482 5483 5484 5485 and 8044 Mogoditshane, Lot 1275 Gaborone, Lot 39269 Gaborone, Lot 689 Tlokweng, Lot 7780 Tlokweng, Lots 30, 31 and 38 Ghanzi, Lot 1301 Kazungula, Lots 309/310 Lobatse, Tribal Lot 176 Kumukwane, Tribal Grant 162-KP Bokka, Lot 18390 Francistown, Lot 20602 Gaborone, Lot 1760 Pitsane, Lot 888 GICP, Lot 70661 Gaborone, Plot 196, Gaborone, International Commerce Park (GICP) and Plot 17489, Gaborone.
- vii. Assignment of marketable securities relating to company shares in various asset companies.
- viii. Security over shares that company owns in Q Tique 79 (Proprietary) Limited in South Africa.
- ix. Lease receivable guarantee from Choppies Enterprises Limited for BWP160 million.

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

- i. First covering mortgage bond by the borrower in the sum of BWP75,7 million over the properties Plot 2610 Lobatse, Plots 79, 80, 2162 Thamaga, Plot 649 Gumare, Plot 29 Shashe, Lot 2086 Moshupa and Lot 7722 Tlokweng in favour of First National Bank Botswana Limited.
- ii. Cession of all current and future rental streams and insurance claims arising under the insurance cover over all bonded properties in favour of First National Bank of Botswana Limited.
- iii. Cession and pledge of credit balances on all collection accounts held with First National Bank Botswana Limited.
- iv. Letter of unlimited suretyship by Ottapathu Ramachandran and Farouk Ismail.

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

- i. Cession of 33 333 333 Choppies Enterprises Limited shares held by Mr Ottapathu Ramachandran.
- ii. Cession of both comprehensive insurance and lease rentals over the mortgaged properties.
- iii. First mortgage bond over Lots 5461 5462 5463 53836 39374 39375 37882 43103 42796 and 37883 Gaborone, Lot 2676 Selebi-Phikwe, Lots 7588 7589 and 350 Lobatse, Tribal Lot 2177 Thamaga, Lot 1366 Mogoditshane and Tribal Lot 284 Gabane.

The loan from Investec Bank Limited is secured as follows:

- i. A first cover mortgage bond over Erf 934 Koster, Erf 676 Rodeon, Erf 2282 Rustenburg Ext 9, Erf 2288 Rustenburg Ext 9, Erf 16914 Boitekong, Erf 2973 Nylstroom and Portion 12 of Farm Leeuwkopje 415 for an amount of R119 million.
- ii. A first covering mortgage bond over Erven 2858 and 1341 Odendaalsrus Ext 2 for an amount of Rand 10 million.
- iii. A first covering mortgage bond by Finder Properties (Proprietary) Limited over notarial deed of lease over Erf 6162 Mafikeng for an amount of R38 million.
- iv. Execution of a joint and several continuing guarantee by Mr Farouk Ismail and Mr Ottapathu Ramachandran and the Far Property Company Limited to R50 million plus interest and costs, in favour of Investec.
- v. Execution of a joint and several continuing suretyship by Finder Properties (Proprietary) Limited to R38 million plus interest and costs.
- vi. Cession in security of proceeds of Building Insurance Policy and SASRIA extension for the full asset value of the properties mortgaged.
- vii. Execution of a cession of all present and future rights, title, benefit and interest in, to and under the agreements in respect of the mortgaged properties.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

<i>Figures in Pula</i>	Group		Company	
	2017	2016	2017	2016
12. BORROWINGS <i>continued</i>				
Non-current liabilities				
At amortised cost	345 619 768	403 398 745	295 535 622	361 344 906
Current liabilities				
At amortised cost	157 466 876	100 224 344	150 861 002	95 142 524
	503 086 644	503 623 089	446 396 624	456 487 430
13. TRADE AND OTHER PAYABLES				
Trade payables	1 980 595	6 182 119	1 964 015	5 342 883
Value added tax	400 548	610 831	77 605	12 255
Deposits received	3 537 182	2 153 721	3 236 449	1 896 989
Retention payable	3 287 122	5 240 480	3 287 122	5 240 480
Payable for property purchases	-	5 500 000	-	5 500 000
Other payables	987 513	1 249 043	980 819	870 167
	10 192 960	20 936 194	9 546 010	18 862 774

The fair value of trade and other payables closely approximates the carrying value.

<i>Figures in Pula</i>	Group		Company	
	2017	2016	2017	2016
14. FINANCIAL LIABILITIES BY CATEGORY				
The accounting policies for financial instruments have been applied to the line items below. The carrying amounts of the financial liabilities in each category are as follows:				
Financial liabilities at amortised cost				
Borrowings	503 086 644	503 623 089	446 396 624	456 487 430
Related party payables	-	-	208 165	208 165
Trade and other payables	9 792 412	20 325 363	9 468 405	18 850 519
Bank overdraft	-	44 456 536	-	44 456 536
	512 879 056	568 404 988	456 073 194	520 002 650
15. REVENUE				
Rental income	112 928 859	96 728 756	90 804 641	77 251 649
Deferred lease adjustment	8 881 490	17 688 348	7 047 356	18 953 768
	121 810 349	114 417 104	97 851 997	96 205 417
16. OPERATING PROFIT				
Operating profit for the year is stated after accounting for the following:				
Legal expenses	223 155	23 070	193 716	11 860
Utilities	8 160 540	7 010 654	3 245 175	2 731 389
Depreciation on property, plant and equipment	135 030	151 596	135 030	151 596
Auditors' remuneration				
Charge for the year	541 000	487 000	541 000	487 000
Underprovision for the prior year	83 038	75 953	68 100	75 953
	624 038	562 953	609 100	562 952
Directors' remuneration	583 333	250 000	583 333	250 000

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

<i>Figures in Pula</i>	Group		Company	
	2017	2016	2017	2016
17. FINANCE INCOME				
Interest income - banks	569 308	12 686	569 308	-
Interest income - subsidiaries	-	-	10 461 895	5 691 210
Foreign exchange gains	-	593 457	-	8 005 682
	569 308	606 143	11 031 203	13 696 892
18. FINANCE COSTS				
Bank borrowings	36 917 164	43 458 620	31 802 966	38 742 867
Foreign exchange losses	2 683 362	-	7 578 592	-
	39 600 526	43 458 620	39 381 558	38 742 867
19. FAIR VALUE ADJUSTMENTS				
Investment property	(15 251 328)	(17 135 611)	(14 703 884)	(18 405 936)
20. TAXATION				
Income tax				
Income tax expense for the year	1 001 043	2 298 418	197 094	-
Prior year (over)/underprovision	-	(275 024)	-	(228 257)
	1 001 043	2 023 394	197 094	(228 257)
Deferred income tax				
Deferred income tax	(4 082 673)	(2 079 921)	(6 221 549)	(388 793)
Prior year overprovision	-	(1 053 876)	-	(1 054 177)
	(4 082 673)	(3 133 797)	(6 221 549)	(1 442 970)
	(3 081 630)	(1 110 403)	(6 024 455)	(1 671 227)
Reconciliation of accounting profit and tax expense:				
Accounting profit	62 219 417	8 585 438	51 993 885	6 594 225
Tax at the applicable tax rate of 22%	13 688 272	1 888 796	11 438 655	1 450 730
Tax effect of adjustments on taxable income				
Income not subject to tax	(11 080)	(12 944)	-	(21 804)
Change in tax base of investment property	(6 179 706)	(4 062 793)	(6 179 706)	(4 047 803)
Effect of difference in country tax rates	623 106	163 448	-	-
Deferred tax not provided for carried forward capital losses	-	7 031 988	-	7 031 988
Expenses allowed for tax purposes	(11 327 800)	(4 922 191)	(11 327 800)	(4 922 191)
Effect of carried forward tax losses fallen away due to amalgamation	-	110 765	-	110 765
Expenses not allowed for tax purposes	77 776	21 428	44 396	9 522
Prior year (over)/underprovision of income tax liability	-	(275 024)	-	(228 257)
Prior year overprovision of deferred tax liability	-	(1 053 876)	-	(1 054 177)
Deferred tax not recognised on carried forward tax losses	47 802	-	-	-
	(3 081 630)	(1 110 403)	(6 024 455)	(1 671 227)

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

<i>Figures in Pula</i>	Group		Company	
	2017	2016	2017	2016
21. OTHER INCOME				
Recoveries from tenants	12 456 886	9 350 229	4 723 738	3 331 656
Fuel rebates	2 302 587	1 903 542	2 302 587	1 903 542
Management fee	-	-	2 811 575	-
Miscellaneous income	365 758	126 361	363 485	111 405
	15 125 231	11 380 132	10 201 385	5 346 603
22. CASH GENERATED FROM OPERATIONS				
Profit before taxation	62 219 417	8 585 438	51 993 885	6 594 225
Adjustments for:				
Depreciation	135 030	151 596	135 030	151 596
Loss on disposal of subsidiary	-	8 892 450	-	8 892 450
Finance income	(569 308)	(606 143)	(11 031 203)	(13 696 892)
Finance costs	39 600 526	43 458 620	39 381 558	38 742 867
Fair value adjustments	15 251 328	17 135 611	14 703 884	18 405 936
Movements in operating lease assets	(8 881 490)	(17 688 348)	(7 047 354)	(18 953 768)
Foreign exchange movement	(3 793 053)	5 233 952	-	-
Loss on disposal of investment property	189 140	33 818 000	189 140	33 818 000
Changes in working capital:				
Related party receivable	25 727 266	41 048 208	52 325 133	41 049 150
Related party payable	-	(484 216)	-	(487 259)
Trade and other receivables	(4 642 735)	(318 190)	(3 853 201)	(665 917)
Trade and other payables	(10 743 234)	4 433 246	(9 316 764)	4 510 327
	114 492 887	143 660 224	127 480 108	118 360 715
23. TAX PAID				
Balance at beginning of year	(2 914 006)	(1 373 332)	19 269	(589 705)
Current tax for the year recognised in profit or loss	(1 001 043)	(2 023 394)	(197 094)	228 257
Effect of foreign currency translation	(200 076)	102 003	-	-
Balance at end of year	4 113 006	2 914 006	177 323	(19 269)
	(2 119)	(380 717)	(502)	(380 717)
24. COMMITMENTS				
Authorised capital expenditure				
Investment property – contracted and not provided for	58 645 976	24 266 938	58 645 976	24 266 938
This committed expenditure relates to investment property and will be financed by available bank facilities.				
Operating leases – as lessor (income)				
Minimum lease payments due				
- within one year	118 398 801	101 017 025	96 158 896	80 687 714
- more than one year	483 141 412	474 171 046	427 060 295	388 394 429
	601 540 213	575 188 071	523 219 191	469 082 143

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

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

25. RELATED PARTIES

Mr Ottapathu Ramachandran and Mr Farouk Ismail were directors and shareholders of the companies in the group. Mr Farouk Ismail resigned as a director on 20 June 2016.

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

<i>Figures in Pula</i>	Group		Company	
	2017	2016	2017	2016
Related party balances				
Investment in subsidiaries (note 5)				
Related party receivables/payables (note 6)				
Related party transactions				
Interest received from related party				
Q Tique 79 (Proprietary) Limited	-	-	10 461 895	5 691 210
	-	-	10 461 895	5 691 210
Management fee received from related party				
Q Tique 79 (Proprietary) Limited	-	-	2 811 575	-
	-	-	2 811 575	-
Advances given to related parties				
Feasible Investments (Proprietary) Limited	-	7 000 000	-	7 000 000
Solace (Proprietary) Limited	-	2 800 000	-	2 800 000
Strides of Success (Proprietary) Limited	-	6 461 806	-	6 461 806
Bagpiper (Proprietary) Limited	-	250 000	-	250 000
Adam's Apple (Proprietary) Limited	-	100 000	-	100 000
	-	16 611 806	-	16 611 806
Rental income received from related parties				
Accrete Investments (Proprietary) Limited	770 359	700 326	770 359	700 326
Aleris (Proprietary) Limited	328 351	-	328 351	-
Amphora (Proprietary) Limited	1 647 122	1 504 478	1 647 122	1 504 478
Arcee (Proprietary) Limited	449 517	-	449 517	-
Asklite (Proprietary) Limited	71 537	161 784	71 537	161 784
Atladis (Proprietary) Limited	207 048	222 974	207 048	222 974
Balanced Fortune (Proprietary) Limited	96 071	-	96 071	-
Beavers Investments (Proprietary) Limited	-	101 032	-	101 032
Bell Garden (Proprietary) Limited	85 776	92 374	85 776	92 374
Bestlite (Proprietary) Limited	297 866	325 668	297 866	325 668
Bagpiper (Proprietary) Limited	621 705	-	621 705	-
Bakgatla Super Market (Proprietary) Limited	149 037	-	149 037	-
Bowerbird (Proprietary) Limited	1 437 480	1 306 800	1 437 480	1 306 800
Chatley Enterprises (Proprietary) Limited	1 193 395	1 105 207	1 193 395	1 105 207
Choppies Distribution Centre (Proprietary) Limited	16 802 593	12 941 837	16 802 593	12 941 837
Choppies Supermarkets SA (Proprietary) Limited	11 087 690	11 679 809	-	-
Choppies Warehousing Services (Proprietary) Limited	6 924 113	8 266 676	-	-
	42 169 660	38 408 965	24 157 857	18 462 480

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

<i>Figures in Pula</i>	Group		Company	
	2017	2016	2017	2016
25. RELATED PARTIES <small>continued</small>				
Rental income received from related parties <small>continued</small>	42 169 660	3 108 636	24 157 857	3 108 636
Daisy Gardens (Proprietary) Limited	208 758	-	208 758	-
Delux (Proprietary) Limited	101 640	101 640	67 620	-
To Do More Holdings (Proprietary) Limited	-	6 413	-	6 413
Dostana (Proprietary) Limited	49 029	52 800	49 029	52 800
Enchanted Oaks (Proprietary) Limited	-	26 400	-	26 400
F & A Enterprises (Proprietary) Limited	80 897	87 120	80 897	87 120
Feasible Investments (Proprietary) Limited	583 088	499 252	583 088	499 252
Floating Idea (Proprietary) Limited	49 029	52 800	49 029	52 800
Fresh Take (Proprietary) Limited	197 193	225 562	197 193	225 562
Gainville (Proprietary) Limited	128 627	-	128 627	-
Genuine Passions (Proprietary) Limited	931 800	828 000	931 800	828 000
Glenwally (Proprietary) Limited	12 964	-	12 964	-
Glifwood (Proprietary) Limited	765 207	421 768	765 207	421 768
Gobrand (Proprietary) Limited	64 350	103 950	64 350	103 950
Godavari (Proprietary) Limited	90 277	-	90 277	-
Gritnit (Proprietary) Limited	66 000	66 000	122 571	66 000
Heaven Hill (Proprietary) Limited	-	66 000	-	66 000
Highland (Proprietary) Limited	24 514	26 400	24 514	26 400
High Land Haven (Proprietary) Limited	101 981	183 832	101 981	183 832
Hoovernit (Proprietary) Limited	35 938	76 200	35 938	76 200
Industrial Filling station (Proprietary) Limited	854 327	-	854 327	-
Inskip Investments (Proprietary) Limited	181 210	-	181 210	-
Jarapino (Proprietary) Limited	77 786	117 150	77 786	117 150
Jobfine (Proprietary) Limited	64 350	69 300	64 350	69 300
JB Sports	624 481	-	624 481	-
Leaf Motis (Proprietary) Limited	80 897	87 120	80 897	87 120
Lisboa Trading (Proprietary) Limited	408 718	235 272	408 718	235 272
Kaar Distributors (Proprietary) Limited	108 252	225 720	108 252	225 720
Macha Investments (Proprietary) Limited	42 900	118 800	42 900	118 800
Mont Catering (Proprietary) Limited	1 790 320	-	1 790 320	-
Monthe Vista (Proprietary) Limited	8 929	-	8 929	-
Million Touch (Proprietary) Limited	133 249	86 922	133 249	86 922
Motopi (Proprietary) Limited	2 702 651	2 171 580	2 615 877	2 171 580
Naivasha (Proprietary) Limited	-	26 400	-	26 400
New Page (Proprietary) Limited	-	39 930	-	39 930
Northgate Lodge (Proprietary) Limited	628 898	-	628 898	-
Our Luck Investments (Proprietary) Limited	-	-	95 783	-
Ovais Investments (Proprietary) Limited	-	310 720	-	310 720
Puko (Proprietary) Limited	144 857	83 478	144 857	83 478
Pearl Land (Proprietary) Limited	-	19 800	-	19 800
Payless (Proprietary) Limited	100 155	185 935	100 155	185 935
Pennywise Investments (Proprietary) Limited	131 520	-	131 520	-
Pinestone (Proprietary) Limited	67 286	-	67 286	-
Presprime Investments (Proprietary) Limited	137 966	-	137 966	-
Princeton (Proprietary) Limited	227 769	149 573	227 769	149 573
Prosperous People (Proprietary) Limited	727 118	-	727 118	-
Quick Print (Proprietary) Limited	24 308	-	24 308	-
Right Time (Proprietary) Limited	170 628	247 500	170 628	247 500
Rigil (Proprietary) Limited	33 705	15 000	33 705	15 000
Sarfrosh Holdings (Proprietary) Limited	84 084	29 040	84 084	29 040
	55 217 316	10 152 013	37 237 073	10 050 373

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

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<i>Figures in Pula</i>	Group		Company	
	2017	2016	2017	2016
25. RELATED PARTIES <i>continued</i>				
Rental income received from related parties <i>continued</i>	55 217 317	44 805 494	37 237 073	24 757 369
Shoppers Paradise (Proprietary) Limited	57 241	38 082	57 241	38 082
Smart Buy (Proprietary) Limited	145 455	66 660	145 455	66 660
Smoothsail Holding (Proprietary) Limited	1 512 987	1 478 584	1 512 987	1 478 584
Spin & Shine (Proprietary) Limited	24 554	30 039	24 554	30 039
Strides of success (Proprietary) Limited	226 482	-	226 482	-
Summer Queen (Proprietary) Limited	176 648	198 264	176 648	198 264
Sunrise (Proprietary) Limited	367 457	347 799	367 457	347 799
S & F (Proprietary) Limited	183 267	21 780	183 267	21 780
Supasave (Proprietary) Limited	208 404	228 256	208 404	228 256
Taj Supermarket (Proprietary) Limited	978 452	916 764	978 452	916 764
Tampatrail (Proprietary) Limited	84 568	-	84 568	-
Tanglewood (Proprietary) Limited	-	49 995	-	49 995
Tim Tam (Proprietary) Limited	255 864	-	255 864	-
Teemane Plastics (Proprietary) Limited	11 607	-	11 607	-
Top Shape (Proprietary) Limited	98 576	110 070	98 576	110 070
Torinby (Proprietary) Limited	165 349	185 086	165 349	185 086
Velocity (Proprietary) Limited	281 904	280 394	281 904	280 394
Vet Agric Suppliers (Proprietary) Limited	57 600	-	57 600	-
Walrus (Proprietary) Limited	1 724 993	1 682 165	1 724 993	1 682 165
Wayside Supermarket (Proprietary) Limited	85 564	-	85 564	-
Weal (Proprietary) Limited	377 914	294 777	377 914	294 777
Welldone (Proprietary) Limited	2 535 500	2 535 500	2 826 277	2 535 500
Whitebaite (Proprietary) Limited	66 000	66 000	61 286	66 000
Wolflakde (Proprietary) Limited	1 723 257	1 723 257	1 939 808	1 723 257
ZCX Investments (Proprietary) Limited	-	359 042	-	359 042
	66 566 959	56 064 856	49 089 330	36 016 731

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

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<i>Figures in Pula</i>	Group		Company	
	2017	2016	2017	2016
25. RELATED PARTIES <i>continued</i>				
Goods and services purchased from related parties				
Alpha Direct	644 844	-	644 844	-
Amphora (Proprietary) Limited	163 375	-	163 375	-
Choppies Distribution Centre (Proprietary) Limited	192 309	-	192 309	-
Electrometic enterprises (Proprietary) Limited	93 914	-	93 914	-
Feasible investment (Proprietary) Limited	61 293	-	61 293	-
Inskip investment (Proprietary) Limited	26 391	-	26 391	-
Megatop (Proprietary) Limited	92 400	-	92 400	-
Pennywise (Proprietary) Limited	295 048	-	295 048	-
Welldone (Proprietary) Limited	105 200	-	105 200	-
	1 674 774	-	1 674 774	-
Investment property disposed by the company and acquired by related parties				
Mr Ottapathu Ramachandran and Mr Farouk Ismail	-	33 818 000	-	33 818 000
Investment in subsidiary disposed by the company and acquired by related parties				
Mr Ottapathu Ramachandran and Mr Farouk Ismail	-	8 892 450	-	8 892 450
Key management compensation				
Key management includes directors (executive and non-executive) and members of the executive committee. The compensation paid or payable to key management for employee services is shown below:				
Directors' fee	583 333	250 000	583 333	250 000
Salaries and other short-term employment benefits	320 000	200 000	320 000	200 000
	903 333	450 000	903 333	450 000

Property mortgaged by the company owned by related parties

Company has mortgaged Lot 12028 owned by Stride of Success (Proprietary) Limited, Tribal Lot 176 Kumakwane and Tribal Grant 2763 Otse owned by Time Star Investments (Proprietary) Limited for the loan facility obtained from Standard Chartered Bank Botswana Limited.

Securities provided by related parties

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

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

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

26. RISK MANAGEMENT

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

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

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

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

Figures in Pula	Notes	Group		Company	
		2017	2016	2017	2016
The gearing ratio at 2016 and 2015 respectively was as follows:					
Total borrowings					
Related party payable	6	-	-	208 165	208 165
Borrowings	12	503 086 644	503 623 089	446 396 624	456 487 430
Bank overdraft	10	-	44 456 536	-	44 456 536
Total debt		503 086 644	548 079 625	446 604 789	501 152 131
Less: Cash and cash equivalents	10	(58 246 995)	(81 254 417)	(57 209 873)	(75 064 030)
Net debt		444 839 649	466 825 208	389 394 916	426 088 101
Total equity		762 220 882	744 862 528	690 727 718	684 731 378
Total capital		1 207 060 531	1 211 687 736	1 080 122 634	1 110 819 479
Gearing ratio (%)		37	39	36	38

The group's activities expose it to a variety of financial risks: market risk (including interest rate risk, cash flow interest rate risk), credit risk and liquidity risk.

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

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

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

26. RISK MANAGEMENT continued

Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the group held cash and cash equivalents of BWP58 246 995 (2016: BWP81 254 417) that are expected to readily generate cash inflows for managing liquidity risk. Group maintains flexibility in funding by maintaining availability under committed credit lines. As at 30 June 2017, group's current liabilities exceeds its current assets by BWP137 million. The liquidity gap is managed through BWP22 million undrawn facilities available to the group and the additional income to be generated from the rental income.

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

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

<i>Figures in Pula</i>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Group - at 30 June 2017				
Borrowings	196 780 955	125 157 354	205 924 702	55 803 180
Trade and other payables	10 192 960	-	-	-
Bank overdraft	-	-	-	-
Group - at 30 June 2016				
Borrowings	122 951 189	214 291 885	140 591 593	98 289 721
Trade and other payables	20 936 194	-	-	-
Bank overdraft	44 456 536	-	-	-
Company - at 30 June 2017				
Borrowings	186 569 759	79 866 341	205 924 702	55 803 180
Related party payables	208 165	-	-	-
Trade and other payables	9 546 010	-	-	-
Bank overdraft	-	-	-	-
Company - at 30 June 2016				
Borrowings	113 404 471	171 948 117	140 591 593	98 289 721
Related party payables	208 165	-	-	-
Trade and other payables	18 862 774	-	-	-
Bank overdraft	44 456 536	-	-	-

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

26. RISK MANAGEMENT continued

Interest rate risk

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. During 2016 and 2015, the group's borrowings at variable rate were denominated in Pula and Rand. The group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the group calculates the impact on profit and loss of a defined interest rate shift.

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

<i>Figures in Pula</i>	Impact lower		Impact higher	
	2017	2016	2017	2016
Company				
Pula denominated borrowings	3 092 285	3 660 797	(3 092 285)	(3 660 797)
South African Rand denominated borrowings	962 213	1 116 158	(962 213)	(1 116 158)
Group				
Pula denominated borrowings	3 092 285	3 660 797	(3 092 285)	(3 660 797)
South African Rand denominated borrowings	1 556 560	3 221 181	(1 556 560)	(3 221 181)

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

26. RISK MANAGEMENT continued

Credit risk

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

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

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

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

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

<i>Figures in Pula</i>	Group		Company	
	2017	2016	2017	2016
Financial instrument				
Related party receivables	8 865 012	34 592 278	68 562 083	107 562 235
Trade and other receivables	13 304 949	11 147 043	7 425 507	6 006 432
Cash and cash equivalents	58 240 328	81 254 417	57 209 873	75 064 030

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

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

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

Foreign exchange risk

The group owns a South African subsidiary company which holds investment property in South Africa and is accordingly exposed to foreign exchange risk in respect of financial assets and liabilities that are not in the group's functional currency which is the Botswana Pula. The relevant exchange rate is the South African Rand and Botswana Pula. In view of the size of these assets relative to the overall portfolio the board does not consider it necessary to enter into foreign currency hedges.

The group does not hedge foreign exchange fluctuations.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

<i>Figures in Pula</i>	Notes	Group 2017	2016	Company 2017	2016
26. RISK MANAGEMENT <i>continued</i>					
Foreign exchange risk <i>continued</i>					
The net assets subject to foreign exchange risk, converted at the rate of 1,27 (2016: 1,36) Rand to Pula, at the reporting date comprise:					
Non-current assets					
Investment property R258 973 083 (2016: R259 009 961)		203 675 252	190 448 501	-	-
Current assets					
Operating lease asset R4 533 917 (2016: R2 213 371)		3 565 802	1 627 479	-	-
Trade and other receivables R7 725 602 (2016: R6 633 803)		6 075 974	4 877 796	-	-
Cash and cash equivalents R1 318 700 (2016: R8 418 926)		1 037 122	6 190 387	-	-
Liabilities					
Borrowings R72 018 361 (2016: R64 104 497)		56 690 020	47 135 659	-	-
Deferred income tax liabilities R28 178 462 (2016: R25 472 356)		22 161 590	18 729 674	-	-
Income tax payable R5 002 165 (2016: R3 987 055)		3 934 066	2 931 658	-	-
Trade and other payables R822 598 (2016: R2 819 853)		646 950	2 073 420	-	-

27. FINANCIAL INSTRUMENTS - FAIR VALUE HIERARCHY

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

The fair value hierarchy is measured as follows:

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

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

27. FINANCIAL INSTRUMENTS - FAIR VALUE HIERARCHY continued

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

<i>Figures in Pula</i>	Group			Company		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
2017						
Cash and cash equivalents	58 246 995	-	-	57 209 873	-	-
2016						
Cash and cash equivalents	81 254 417	-	-	75 064 030	-	-

There have been no transfers between any of the hierarchy levels during the year (2016: nil).

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

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

<i>Figures in Pula</i>	Group			Company		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
2017						
Assets						
Related party receivables	-	-	8 865 012	-	-	68 562 083
Trade and other receivables	-	-	13 304 949	-	-	7 425 507
Liabilities						
Borrowings	-	-	503 086 644	-	-	446 396 624
Related party payables	-	-	-	-	-	208 165
Trade and other payables	-	-	9 792 412	-	-	9 468 405
2016						
Assets						
Related party receivables	-	-	34 592 278	-	-	107 562 235
Trade and other receivables	-	-	11 147 043	-	-	6 006 432
Liabilities						
Borrowings	-	-	503 623 089	-	-	456 487 430
Related party payables	-	-	-	-	-	208 165
Trade and other payables	-	-	20 325 363	-	-	18 850 519

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

28. NON-FINANCIAL INSTRUMENTS - FAIR VALUE HIERARCHY

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

The fair value hierarchy is measure as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: inputs for the asset or liability that are not based on observable market data, that is unobservable inputs.

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

<i>Figures in Pula</i>	Group			Company		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
2017						
Investment property	-	-	1 292 766 546	-	-	1 086 641 294
2016						
Investment property	-	-	1 258 665 781	-	-	1 065 617 280

There have been no transfers between any of the hierarchy levels during the year (2016: nil).

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

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

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

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

<i>Figures in Pula</i>	Group		Company	
	2017	2016	2017	2016
29. LINKED UNITS DISTRIBUTION PAYABLE				
Balance at beginning of year	12 996 000	24 000 000	12 996 000	24 000 000
Amount declared during year	52 022 000	12 996 000	52 022 000	12 996 000
Amount paid during year	(12 996 000)	(24 000 000)	(12 996 000)	(24 000 000)
Balance at end of year	52 022 000	12 996 000	52 022 000	12 996 000
Linked unit distribution per linked unit - declared during the year	0,14	0,03	0,14	0,03

30. EARNINGS PER LINKED UNIT

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

<i>Figures in Pula</i>	Group		Company	
	2017	2016	2017	2016
Net profit for the year attributable to linked unitholders	65 301 047	9 695 841	58 018 340	8 265 452
Weighted average number of linked units in issue	380 000 000	257 458 755	380 000 000	257 458 755
Basic earnings per linked unit	0,17	0,04	0,15	0,03

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

31. EVENTS AFTER THE REPORTING PERIOD

The group has acquired BWP23 million worth of investment properties in Zambia subsequent to the reporting period.

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

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

32. DISPOSAL OF INVESTMENT PROPERTY AND INVESTMENT IN A SUBSIDIARY

A property portfolio restructuring was carried out in 2016 focusing the initial public offering of the company. Company disposed a group of farm properties and investment in a subsidiary for BWP1 consideration to the linked unitholders before listing. The carrying value of the disposal farm properties and investment were BWP2 818 000 and BWP8 892 451 respectively.

33. OPERATING SEGMENTS

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

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

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

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

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

<i>Figures in Pula</i>	Residential	Commercial	Industrial	Other	Total
Company					
Revenue	14 093 250	43 515 997	33 195 394	-	90 804 641
Tenant recoveries	563 742	3 674 177	485 819	-	4 723 738
Operating expenses	837 638	3 776 128	681 490	7 710 003	(13 005 258)
Finance income	-	-	-	11 031 203	11 031 203
Finance costs	-	-	-	39 381 558	39 381 558
Investment property fair value adjustment	11 533 528	14 740 346	11 569 990	-	14 703 884
Loss on sale of investment property	-	-	-	-	-
Loss on disposal of subsidiary	-	-	-	-	-
Income tax credit	-	-	-	6 024 455	6 024 455
Segment assets	129 324 211	546 437 441	453 641 016	140 684 417	1 270 087 085
Reconciliation to total assets as reported in the statement of financial position					
Property, plant and equipment	-	-	-	508 623	508 623
Investment property	124 588 646	534 141 852	427 910 796	-	1 086 641 294
Investments in subsidiaries	-	-	-	2 400 093	2 400 093
Related party receivables	-	-	-	68 562 083	68 562 083
Operating lease asset	4 735 565	12 295 589	25 730 220	-	42 761 374
Trade and other receivables	-	-	-	10 336 455	10 336 455
Cash and cash equivalents	-	-	-	57 209 873	57 209 873
Deferred income tax assets	-	-	-	1 667 290	1 667 290
Current tax receivable	-	-	-	-	-
Total assets as reported in the statement of financial position	129 324 211	546 437 441	453 641 016	140 684 417	1 270 087 085
Total liabilities	-	-	-	579 359 367	579 359 367

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

33. OPERATING SEGMENTS continued

The segment information provided to the board for the reportable segments for the year ended 30 June 2016 is as follows:

<i>Figures in Pula</i>	Residential	Commercial	Industrial	Other	Total
Company					
Revenue	13 862 253	30 194 002	33 195 394	-	77 251 649
Tenant recoveries	487 502	2 449 018	395 136	-	3 331 656
Operating expenses	(927 601)	(3 831 750)	(561 695)	(3 474 388)	(8 795 434)
Finance income	-	-	-	13 696 892	13 696 892
Finance costs	-	-	-	(38 742 867)	(38 742 867)
Investment property fair value adjustment	(20 257 718)	12 418 859	(10 567 077)	-	(18 405 936)
Loss on sale of investment property	-	(33 818 000)	-	-	(33 818 000)
Loss on disposal of subsidiary	-	-	-	(8 892 450)	(8 892 450)
Income tax credit	-	-	-	1 671 227	1 671 227
Segment assets	129 324 211	518 366 073	453 641 016	192 423 940	1 293 755 240
Reconciliation to total assets as reported in the statement of financial position					
Property, plant and equipment	-	-	-	445 606	445 606
Investment property	120 012 865	507 302 779	438 301 636	-	1 065 617 280
Investments in subsidiaries	-	-	-	2 400 093	2 400 093
Related party receivables	-	-	-	107 562 235	107 562 235
Operating lease asset	9 311 346	11 063 294	15 339 380	-	35 714 020
Trade and other receivables	-	-	-	6 483 254	6 483 254
Cash and cash equivalents	-	-	-	75 064 030	75 064 030
Deferred income tax assets	-	-	-	449 453	449 453
Current tax receivable	-	-	-	19 269	19 269
Total assets as reported in the statement of financial position	129 324 211	518 366 073	453 641 016	192 423 940	1 293 755 240
Total liabilities	-	-	-	609 023 862	609 023 862

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

33. OPERATING SEGMENTS continued

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

<i>Figures in Pula</i>	Botswana			
	Residential	Commercial	Industrial	Other
Group				
Revenue	14 104 250	43 515 997	33 195 394	-
Tenant recoveries	563 742	3 674 177	485 819	-
Operating expenses	(908 568)	(3 776 128)	(681 490)	(7 710 003)
Finance income	-	-	-	11 031 207
Finance costs	-	-	-	(39 381 558)
Investment property fair value adjustment	(11 683 528)	(14 740 346)	11 569 990	-
Loss on sale of investment property	-	-	-	-
Loss on disposal of subsidiary	-	-	-	-
Income tax	-	-	-	6 022 838
Segment assets	131 924 211	546 437 441	453 641 016	78 587 253
Reconciliation to total assets as reported in the statement of financial position				
Property, plant and equipment	-	-	-	508 623
Investment property	127 038 646	534 141 852	427 910 796	-
Related party receivables	-	-	-	8 865 012
Operating lease asset	4 735 565	12 295 589	25 730 220	-
Trade and other receivables	-	-	-	10 336 455
Cash and cash equivalents	-	-	-	57 209 873
Deferred income tax assets	-	-	-	1 667 290
Current tax receivable	-	-	-	-
Total assets as reported in the statement of financial position	131 924 211	546 437 441	453 641 016	78 587 253
Total liabilities	-	-	-	579 360 984

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

South Africa				
Residential	Commercial	Industrial	Other	Total
333 210	16 528 406	5 251 602	-	112 928 859
18 918	6 128 170	1 586 059	-	12 456 886
(20 668)	(4 701 659)	(1 440 673)	(1 194 429)	20 433 617
-	-	-	10 461 895	569 308
-	-	-	(218 968)	39 600 256
(139 592)	5 219 794	49 961 942	-	(15 251 328)
-	-	-	-	-
-	-	-	-	-
-	-	-	(2 941 208)	3 081 630
3 112 072	130 436 492	73 692 489	10 601 388	1 428 282 363
-	-	-	-	508 623
3 096 433	128 126 839	72 451 980	-	1 292 766 546
-	-	-	-	8 865 012
15 640	2 309 653	1 240 509	-	46 327 176
-	-	-	6 075 974	16 412 429
-	-	-	1 037 122	58 246 995
-	-	-	3 488 292	5 155 582
-	-	-	-	-
3 112 072	130 436 492	73 692 489	10 601 388	1 428 282 363
-	-	-	86 700 497	666 061 481

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

33. OPERATING SEGMENTS continued

The segment information provided to the Board for the reportable segments for the year ended 30 June 2016 is as follows:

<i>Figures in Pula</i>	Botswana			
	Residential	Commercial	Industrial	Other
Group				
Revenue	13 872 648	30 194 002	33 195 394	-
Tenant recoveries	487 502	2 449 018	395 136	-
Operating expenses	(930 644)	(3 831 750)	(561 695)	(3 474 388)
Finance income	-	-	-	13 696 892
Finance costs	-	-	-	(38 742 867)
Investment property fair value adjustment	(20 956 277)	12 418 859	(10 567 077)	-
Loss on sale of investment property	-	(33 818 000)	-	-
Loss on disposal of subsidiary	-	-	-	(8 892 450)
Income tax	-	-	-	1 885 067
Segment assets	131 924 211	518 366 073	453 641 016	117 053 890
Reconciliation to total assets as reported in the statement of financial position				
Property, plant and equipment	-	-	-	445 606
Investment property	122 612 865	507 302 779	438 301 636	-
Related party receivables	-	-	-	34 592 278
Operating lease asset	9 311 346	11 063 294	15 339 380	-
Trade and other receivables	-	-	-	6 483 254
Cash and cash equivalents	-	-	-	75 064 030
Deferred income tax assets	-	-	-	449 453
Current tax receivable	-	-	-	19 269
Total assets as reported in the statement of financial position	131 924 211	518 366 073	453 641 016	117 053 890
Total liabilities	-	-	-	609 025 479

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

South Africa				
Residential	Commercial	Industrial	Other	Total
351 930	12 936 861	6 177 921	-	96 728 756
31 382	4 912 491	1 074 699	-	9 350 229
(117 397)	(3 860 463)	(1 387 741)	(349 182)	(14 513 260)
-	-	-	(13 090 749)	606 143
-	-	-	(4 715 753)	(43 458 620)
(359 407)	(11 882 912)	14 211 201	-	(17 135 613)
-	-	-	-	(33 818 000)
-	-	-	-	(8 892 450)
-	-	-	(774 664)	1 110 403
3 080 882	111 274 510	77 720 588	16 013 245	1 429 074 415
-	-	-	-	445 606
3 074 119	110 140 278	77 234 105	-	1 258 665 781
-	-	-	-	34 592 278
6 764	1 134 231	486 484	-	37 341 499
-	-	-	5 286 440	11 769 694
-	-	-	6 190 387	81 254 417
-	-	-	4 536 418	4 985 871
-	-	-	-	19 269
3 080 882	111 274 510	77 720 588	16 013 245	1 429 074 415
-	-	-	75 186 408	684 211 887

DETAILED INCOME STATEMENT

for the year ended 30 June 2017

Figures in Pula	Notes	Group		Company	
		2017	2016	2017	2016
Revenue					
Rental income		112 928 859	96 728 756	90 804 641	77 251 649
Deferred lease adjustment		8 881 490	17 688 348	7 047 356	18 953 768
		121 810 349	114 417 104	97 851 997	96 205 417
Other income					
Fuel rebates		2 302 587	1 903 542	2 302 587	1 903 542
Recoveries		12 456 886	9 350 229	4 723 738	3 331 656
Management fee		-	-	2 811 575	-
Miscellaneous income		365 758	126 361	363 485	111 405
Operating expenses		(20 433 617)	(14 513 260)	(13 005 258)	(8 795 434)
Operating profit		116 501 963	111 283 976	95 048 124	92 756 586
Finance income	17	569 308	606 143	11 031 203	13 696 892
Finance costs	18	(39 600 526)	(43 458 620)	39 381 558	(38 742 867)
Net income from operations		77 470 745	68 431 499	66 697 769	67 710 611
Fair value gain		(15 251 328)	(17 135 611)	(14 703 884)	(18 405 936)
Loss on sale on investment property		-	(33 818 000)	-	(33 818 000)
Loss on disposal of subsidiary		-	(8 892 450)	-	(8 892 450)
Profit before income tax		62 219 417	8 585 438	51 993 885	6 594 225
Income tax credit	20	3 081 630	1 110 403	6 024 455	1 671 227
Profit for the year		65 301 047	9 695 841	58 018 340	8 265 452
Operating expenses					
Accounting fees		(657 605)	(136 167)	(395 459)	(129 760)
Rates		(1 101 233)	(812 934)	(339 304)	(188 562)
Auditor's remuneration		(624 038)	(562 953)	(609 100)	(562 953)
Bank charges		(64 008)	(88 461)	(51 213)	(80 243)
Cleaning		(518 417)	(492 709)	(339 350)	(305 243)
Depreciation		(135 030)	(151 596)	(135 030)	(151 596)
Insurance		(1 009 087)	(1 058 623)	(742 313)	(840 236)
Legal expenses		(223 155)	(23 070)	(193 716)	(11 860)
Professional charges		(980 380)	(169 423)	(587 703)	(154 166)
Levies		(819 948)	(553 338)	(775 268)	(508 612)
Commission		(77 985)	(144 718)	(77 985)	(144 718)
Loss on disposal of investment property		(189 140)	-	(189 140)	-
Repairs and maintenance		(715 405)	(306 310)	(533 299)	(240 279)
Rentals		(129 042)	(13 574)	-	-
Security		(846 450)	(886 539)	(629 171)	(729 361)
SAT penalty interest		(69 838)	(85 805)	-	(43 281)
Staff cost		(1 753 828)	(1 205 175)	(1 959 295)	(1 205 175)
Impairment of trade receivable		(572 918)	-	(569 931)	-
Utilities		(8 160 540)	(7 010 654)	(3 245 175)	(2 731 389)
Directors' remuneration		(583 333)	(250 000)	(583 333)	(250 000)
Other charges		(1 202 237)	(561 211)	(1 049 473)	(518 000)
		(20 433 617)	(14 513 260)	(13 005 258)	(8 795 434)

This detailed income statement does not form part of the audited financial statements covered by the audit opinion on pages 23 to 27.

LINKED UNITHOLDER INFORMATION

SL No		Number of shareholders	Percentage of shares held	Number of shares held
1	1 - 1 000	136 253	0,1	138 300
2	1 001 - 10 000	609 595	0,2	670 291
3	10 001 - 100 000	2 724 881	0,7	2 810 976
4	100 001 - 1 000 000	5 466 358	1,4	5 317 520
5	1 000 001 and above	371 062 913	97,6	371 062 913
Total		380 000 000	100	380 000 000

Top five shareholders

SL No	Names of top five shareholders - 2017	Number of shares held	Percentage of holding
1	Farouk Ismail	150 000 000	39,47
2	Ramachandran Ottapathu	149 995 000	39,47
3	Botswana Public Officers Pension Fund	64 855 932	17,08
4	Allan Gray Re Debswana Pension Fund	4 561 627	1,20
5	Stanbic Nominees Re:acb Npf	1 650 354	0,43
Total		371 062 913	97,65

List of shareholders holding above 5%

SL No	Name of shareholders - 2017	Number of shares held	Percentage of holding
1	Farouk Ismail	150 000 000	39,47
2	Ramachandran Ottapathu	149 995 000	39,47
3	Botswana Public Officers Pension Fund	64 855 932	17,07
			96,01

Shareholders' analysis

SL No	Details	Number of shareholders	Number of shares held	Percentage of holding
1	Public	626	26 074 814	6,86
2	Directors	11	300 638 500	79,12
3	Shareholders' holding above 5% excluding directors	1	53 286 686	14,02
		638	380 000 000	100,00

ANALYSIS OF LINKED UNITHOLDERS

continued

Shareholders' classifications - 2017

SL No	Details	Number of linked unitholders	Number of linked units held	Percentage of holding
1	Individuals	587	3 232 473	0,85
2	Companies	11	126 727	0,03
3	Institutional investors	29	76 002 300	20,00
4	Directors	11	300 638 500	79,12
	Total	638	380 000 000	100,0

Directors' holdings - 2017

SL No	Name of directors	Number of shares held	Percentage of holdings
1	Faisal Ismail (through his family)	150 000 000	39,47
2	Fgm Holdings (Proprietary) Limited (HE Festus Mogae)	500 000	0,13
3	Ramachandran Ottapathu (including indirect holding)	150 245 000	39,54
4	Robert Neil Matthews	43 500	0,01
5	Vidya Sanooj (including indirect holding)	225 000	0,06
	Total	301 013 500	79,21

NOTICE OF ANNUAL GENERAL MEETING

The FaR Property Company Limited

Notice is hereby given that the 2017 annual general meeting of unitholders of The Far Property Company Limited will be held at Choppies Innovation Centre located at Plot 196, Gaborone International Commerce Park, Gaborone, Botswana, at 15:00 on Tuesday, 28 November 2017 for the purpose of transacting the following business and considering and if thought fit to adopt with or without amendment the resolutions proposed:

Agenda

1. To read the notice convening the meeting.
2. To receive, consider and adopt the audited annual financial statements for the year ended 30 June 2017 together with the directors' and auditor's reports thereon.
3. To confirm distribution number 2 of 13.69 thebe to unitholders, comprising 13.55 thebe interest and 0.14 dividend for the year ended 30 June 2017 as recommended by the board of directors it being noted that an additional 19 384 638 linked units were issued to unitholders, who elected to capitalise distribution number 2 in terms of the notice to unitholders dated 31 July 2017.

4. To consider and, if thought fit, approve with or without amendment the following resolution as a special resolution:

In order to conform with the Botswana Stock Exchange Listings Requirements for a company, the Constitution be amended by the insertion of Article 20.9 clauses dealing with rotation of directors as follows:

20.9.1. Subject to clause 20.9.5, at every Annual General Meeting, at least one third of the non-executive Directors for the time being shall retire from office. The retiring members of the Board may be re-elected, provided they are eligible. The disinterested Directors, should recommend appointment or election of a director, taking into account past performance and contribution made.

20.9.2. As between persons who were last elected as Directors on the same day, those to retire, unless they otherwise agree amongst themselves, shall be determined by lot.

20.9.3. A retiring Director shall hold office until the conclusion of the meeting at which he retires.

20.9.4. Retiring Directors may be eligible for re-election. No person not being a retiring Director shall be eligible for election to the office of the Director at any Annual General Meeting unless the member intending to propose him has, at least five days before the meeting, left at the registered office of the Company a notice in writing, or delivered to the Company in electronic format either by fax or email, duly signed signifying the intention of such members to propose the candidate and the consent of the candidate to assume the office of the Director.

20.9.5. Notwithstanding anything to the contrary contained in clause 20.9.1, any person employed under a contract, or who has any other contract with the Company which contract has as a condition thereof that the person shall be a director of the Board, shall not be subject to retirement by rotation as envisaged in clause 20.9.1, but the period for which that person shall be a Director and hold office as such shall be determined by the terms and conditions of his contract with the Company.

20.9.6. No directors may be appointed for life or for an indefinite period."

5. Subject to approval of the special resolution proposed as per agenda number 4, to re-elect Ramachandran Ottapathu who retires by rotation in terms of Clause 20.9.1 of the Constitution of the company (amended at this annual general meeting) and being eligible offers himself for re-election.
6. Subject to approval of the special resolution proposed as per agenda number 4, to re-elect Vidya Sanoj who retires by rotation in terms of Clause 20.9.1 of the Constitution of the company (amended at this annual general meeting) and being eligible offers herself for re-election.

NOTICE OF ANNUAL GENERAL MEETING

continued

7. To consider and ratify the remuneration paid to directors for the year ended 30 June 2017 as set out on page 18 of the integrated annual report.
8. To approve the remuneration paid to the auditor, PricewaterhouseCoopers, for the year ended 30 June 2017.
9. To reappoint PricewaterhouseCoopers as the auditor for the ensuing financial year.
10. To place linked units equal to an aggregate of 15% of the number of linked units in issue at any time under the control of the directors for allotment and issue for cash or for the acquisition of immovable property until the next annual general meeting, subject to limitations in terms of BSE Listings Requirements.
11. To take and respond to questions put by unitholders in respect of the affairs and the business of the company.
12. To close the meeting.

Proxies

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

By order of the board

Grant Thornton Business Services (Proprietary) Limited

Company secretaries
Plot 50370, Fairgrounds
Gaborone, Botswana

27 October 2017



FORM OF PROXY



The FaR Property Company Limited

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

For completion by the holders of linked units

For use at the annual general meeting of Unitholders of the company to be held in Gaborone on Tuesday, 28 November 2017 at 15:00 at Choppies Innovation Centre located at Plot 196, Gaborone International Commerce Park, Gaborone, Botswana.

Please read the notes overleaf before completing this form.

I/We
(Name/s in block letters)

of (address)

1. hereby appoint _____ or failing him/her, appoint _____

2. _____ or failing him/her, appoint _____

3. the chairman of the meeting as my/our proxy to act for me/us at the 2017 annual general meeting, to vote for or against the resolutions and/or abstain from voting in respect of the linked units registered in my/our name in accordance with the following instructions:

Number of linked units		For	Against	Abstain
Ordinary resolution 1	Agenda item no 2			
Ordinary resolution 2	Agenda item no 3			
Special resolution 3	Agenda item no 4			
Ordinary resolution 4	Agenda item no 5			
Ordinary resolution 5	Agenda item no 6			
Ordinary resolution 6	Agenda item no 7			
Ordinary resolution 7	Agenda item no 8			
Ordinary resolution 8	Agenda item no 9			
Ordinary resolution 9	Agenda item no 10			

Signed at _____

Date _____

Signature _____

Assisted by (where applicable) _____

Each unitholder who is entitled to attend and vote at a general meeting is entitled to appoint one or more persons as proxy to attend, speak and vote in place of the unitholder at the annual general meeting and the proxy so appointed need not be a member of the company.

Please read notes 1 to 9 on the reverse side hereof.

NOTES TO THE FORM OF PROXY

1. A unitholder must insert the names of two alternative proxies of the unitholder's choice in the space provided with or without deleting "chairman of the general meeting". The person whose name appears first on the form of proxy and whose name has not been deleted shall be entitled to act as proxy to the exclusion of those whose names follow.
2. If the unitholder does not have a proxy, the chairman shall be deemed appointed the proxy. A unitholder must indicate the linked units/votes exercisable by the unitholder in the appropriate space provided.
3. A unitholder must indicate how the proxy is to vote on a resolution in the space provided. Failure to comply herewith will be deemed to authorise the proxy to vote at the general meeting as he/she deems fit in respect of the unitholder's votes exercisable thereat. A unitholder or his/her proxy is obliged to use all the votes exercisable by the unitholder or by his/her proxy.
4. The completion and lodging of this form will not preclude the relevant unitholder from attending the general meeting.
5. The chairman of the annual general meeting may reject or accept any form of proxy not completed and/or received other than in accordance with these notes provided that he/she is satisfied as to the manner in which the unitholder concerned wishes to vote.
6. An instrument of proxy shall be valid for the annual general meeting as well as for any adjournment thereof, unless the contrary is stated thereon.
7. The authority of a person signing the form of proxy under power of attorney or on behalf of a company must be attached to the form of proxy.
8. Where linked units are held jointly, all unitholders must sign.
9. A minor must be assisted by his/her guardian, unless relevant documents establishing his/her legal capacity are produced or have been registered by the company.



DEFINITIONS

“Act” or “Companies Act”	Companies Act 2003 (No 32 of 2004) of Botswana, as amended or replaced from time to time
“the board”	Board of directors of FPC
“BSE”	Botswana Stock Exchange
“BWP”	Botswana Pula, the legal tender in Botswana
“Choppies”	Choppies Enterprises Limited, listed on the BSE and JSE
“the Choppies Group”	Choppies Enterprises Limited and its subsidiaries
“Constitution”	Constitution of FPC as registered by CIPA on 17 December 2015
“FCMG”	Fast moving consumer goods
“FPC”	The FaR Property Company Limited, listed on the BSE
“GLA”	Gross lettable area, measured in square metres
“IFRS”	International Financial Reporting Standards
“King III Report”	King Report on Corporate Governance for South Africa 2009
“Linked unit”	One ordinary share indivisibly linked to one debenture of the company
“Linked unitholders”	Holders of linked units in FPC
“Listing date”	4 May 2016
“Listing”	The listing of FPC’s linked units on the BSE
“Listings Requirements”	The BSE Listings Requirements
“Q Tique”	Q Tique 79 (Proprietary) Limited, a company incorporated with limited liability according to the laws of South Africa under Company no 2006/012884/07, a wholly owned subsidiary of FPC
“Variable rate loan stock company”	A company where the share capital of a company is divided into “linked units” (which are listed on the BSE) each comprising an ordinary share that is indivisibly linked to a variable rate debenture
“ZAR”	South African rand, the legal tender in South Africa



KING III COMPLIANCE CHECKLIST

Key:

✓ - Compliant U - Under review ✗ - Non-compliant P - Partially compliant n/a - Not applicable

CHAPTER 1: ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP		COMMENT	
1.1	The board should provide effective leadership based on an ethical foundation		✓
1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen		✓
1.3	The board should ensure that the company's ethics are managed effectively		✓
CHAPTER 2: BOARDS AND DIRECTORS			
2.1	The board should act as the focal point for and custodian of corporate governance		✓
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable		✓
2.3	The board should provide effective leadership based on an ethical foundation		✓
2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen		✓
2.5	The board should ensure that the company's ethics are managed effectively		✓
2.6	The board should ensure that the company has an effective and independent audit committee		✓
2.7	The board should be responsible for the governance of risk		✓
2.8	The board should be responsible for information technology (IT) governance		✓
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards		✓
2.10	The board should ensure that there is an effective risk-based internal audit	No separate internal audit department. External consultants will be utilised to carry out specific assignments as and when required	✗
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation		✓
2.12	The board should ensure the integrity of the company's integrated annual report		✓
2.13	The board should report on the effectiveness of the company's system of internal controls		✓
2.14	The board and its directors should act in the best interests of the company		✓
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act		✓
2.16	The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board		✓
2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority	CEO being appointed - commenced October 2017	✓

CHAPTER 2: BOARDS AND DIRECTORS <i>continued</i>		COMMENT	
2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent		✓
2.19	Directors should be appointed through a formal process		✓
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes	Exists informally	P
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary		✓
2.22	The evaluation of the board, its committees and the individual directors should be performed every year	To be introduced with effect from 2018	U
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities		✓
2.24	A governance framework should be agreed between the group and its subsidiary boards		N/A
2.25	Companies should remunerate directors and executives fairly and responsibly		✓
2.26	Companies should disclose the remuneration of each individual director and certain senior executives	Directors' information is provided in the IAR	✓
2.27	Shareholders should approve the company's remuneration policy	Approved by board through remuneration committee	✗
CHAPTER 3: AUDIT COMMITTEES			
3.1	The board should ensure that the company has an effective and independent audit committee		✓
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors		✓
3.3	The audit committee should be chaired by an independent non-executive director		✓
3.4	The audit committee should oversee integrated reporting		✓
3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	As internal audit is not in existence, the combined assurance model is, to some extent, dependent on the roles of the audit committee and the external auditor	P
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function		✓
3.7	The audit committee should be responsible for overseeing of internal audit	No specific internal audit function	✗
3.8	The audit committee should be an integral component of the risk management process		✓
3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process		✓
3.10	The audit committee should report to the board and shareholders on how it has discharged its duties		✓

KING III COMPLIANCE CHECKLIST continued

CHAPTER 4: THE GOVERNANCE OF RISK		COMMENT
4.1	The board should be responsible for the governance of risk	✓
4.2	The board should determine the levels of risk tolerance	✓
4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities	✓
4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan	✓
4.5	The board should ensure that risk assessments are performed on a continual basis. Board and audit committee are responsible for risk	There is a risk register which is an agenda item at all meetings
4.6	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	✓
4.7	The board should ensure that management considers and implements appropriate risk responses	✓
4.8	The board should ensure continual risk monitoring by management	✓
4.9	The board should receive assurance regarding the effectiveness of the risk management process	✓
4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	✓
CHAPTER 5: THE GOVERNANCE OF INFORMATION TECHNOLOGY		
5.1	The board should be responsible for IT governance	✓
5.2	IT should be aligned with the performance and sustainability objectives of the company	✓
5.3	The board should delegate to management the responsibility for the implementation of an IT	✓
5.4	The board should monitor and evaluate significant IT investments and expenditure	✓
5.5	IT should form an integral part of the company's risk management	✓
5.6	The board should ensure that information assets are managed effectively	✓
5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities	✓
CHAPTER 6: COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS		COMMENT
6.1	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	✓
6.2	The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business	✓
6.3	Compliance risk should form an integral part of the company's risk management process	✓
6.4	The board should delegate to management the implementation of an effective compliance framework and processes	✓

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

CORPORATE INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE

Botswana

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

Property development and management

DIRECTORS

Ottapathu Ramachandran

Vidya Sanooj

HE Festus G Mogae

Reetsang W Mokgatlhe

Robert N Matthews

Faizel Ismail

REGISTERED OFFICE

Plot 50370

Acumen Park

Fairgrounds Office Park

Gaborone

Botswana

BUSINESS ADDRESS

Plot 888

Gaborone International Commerce Park

East Gate Kgale View

Gaborone

Botswana

POSTAL ADDRESS

Private Bag 00278

Gaborone

Botswana

BANKERS

Bank of Baroda (Botswana) Limited

Barclays Bank of Botswana Limited

Capital Bank Botswana Limited

First National Bank Botswana Limited

Standard Chartered Bank Botswana Limited

BIFM Capital Investment Fund One (Proprietary) Limited

Investec Bank Limited

Standard Bank South Africa Limited

INDEPENDENT AUDITOR

PricewaterhouseCoopers

Plot 50371

Fairgrounds

Gaborone

SECRETARY

Grant Thornton Business Services (Proprietary) Limited

Plot 50370

Acumen Park

Fairgrounds

Gaborone

REGISTRATION NUMBER

CO2010/6009

FUNCTIONAL CURRENCY

Botswana Pula (BWP)





www.farproperties.co.bw