A BALANCED AFRICAN PROPERTY PORTFOLIO

FaR PROPERTY

Integrated annual report 2018

CONTENTS

About **this report**

This integrated annual report presents the performance and activities of FaR Property Company Limited for the financial year 1 July 2017 to 30 June 2018. It reflects our commitment to good performance, sustainable value creation and corporate governance. It is primarily aimed at linked unitholders and providers of capital. 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. This report aims to demonstrate 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 of the International Integrated Reporting Council's Framework.

The directors can be contacted at the registered office of the company. Details of the directors are contained on pages 16 to 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 Shinu Joy, the Finance 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
Founder

25 September 2018

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

Bastion

Performance highlights FY2018

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.

www.farproperties.co.bw

DELIVERING SUSTAINABLE SHAREHOLDER VALUE

> BWP134,8 **million revenue**
(2017: BWP121,8 million)
↑ 10,69%

> BWP82,4 **million net income from operations**
(2017: BWP77,5 million)
↑ 6,31%

> BWP998,5 **million market cap**
(2017: BWP998,5 million)
↑↓ 0%

GROWING A HIGH QUALITY DIVERSIFIED PORTFOLIO

> **209** properties in the portfolio across Botswana, South Africa and Zambia
(2017: 184)
↑ 14%

> BWP1,36 **billion value of property portfolio**
(2017: BWP1,29 billion)
↑ 5%

> 215 210m^2 **GLA**
(2017: 212 429m^2)
↑ 1,31%

OPTIMISING PROPERTY ASSETS THROUGH CUSTOMISED MANAGEMENT

> 9,38% **rent yield ratio**
(2017: 8,75%)
7%

> 95% **occupancy rate**
(2017: 95%)
↑↓ 0%

> 8,5% **weighted average rental escalation**
(2017: 8,5%)
↑↓ 0%

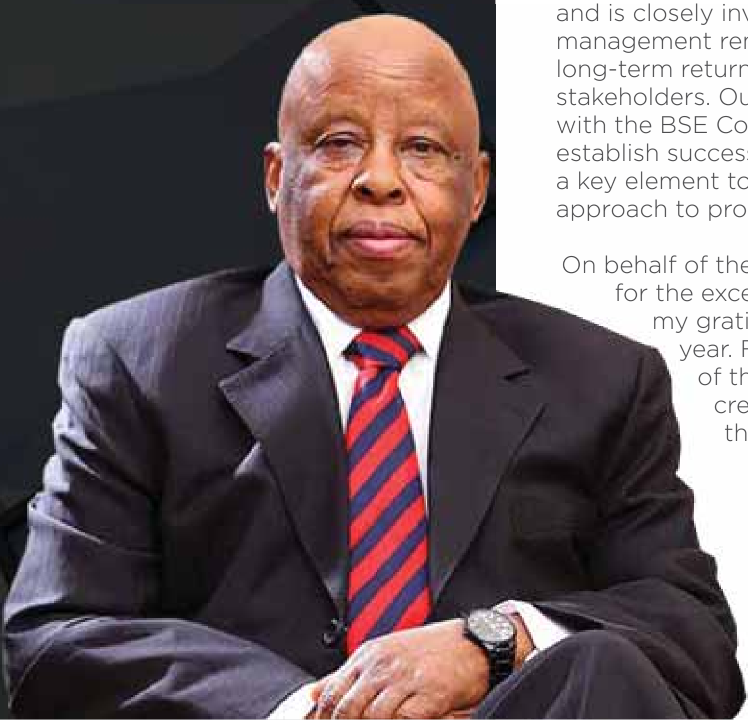
Navigating this report

Further information can be found on other pages in this report

Further information can be found on the website

Chairman's **report**

FPC aims to deliver long-term stakeholder value through growing, developing and managing a diversified portfolio of properties in Southern Africa. Despite a challenging macroeconomic backdrop in 2018, FPC performed well, with net income from operations increasing by 6,31% and the value of the portfolio up by 8%. This translated to a distribution to unitholders of 12,27 thebe per linked unit.



FPC remains committed to unlocking value for our stakeholders through the sustainable growth of the property portfolio and the astute management of properties, to generate optimum returns. With a strong portfolio of properties in Botswana and South Africa, FPC was firmly set on a growth path when it listed on the BSE in May 2016. Geographic diversification into Zambia in FY2018, marks a key milestone in FPC's expansion strategy.

FPC was founded in 2010 to provide retail and industrial space for stores, warehousing and distribution centres. Over time demand from tenants for retail space grew and FPC has evolved from managing a portfolio of the smaller shopping centres required by its primary tenant to an expanding developer and manager of commercial, retail and residential real estate to meet the demands of its varied and growing tenant base. The agility to adapt to the changing demands of tenants has underpinned FPC's exponential growth.

FPC is building on a strong foundation. In addition to the strengths of the portfolio outlined out in "What sets us apart" on page 5, FPC also owns significant tracks of undeveloped land which are available for development and will generate more income for the future. New projects are intended to introduce additional high quality income, diversification of risk and an opportunity and more efficient levels of leverage. The company will continue identifying and evaluating opportunities for acquisitions and development, which will enhance its ability to grow.

In Zambia, FPC has taken advantage of various retailers' strategies of targeting growth in the underserved Zambian market, which has little formal retail penetration, but in one of the fastest growing populations in sub-Saharan Africa. FPC has enjoyed rapid growth in South Africa, where the company has provided store space to major retailers in that country.

The board remains instrumental in the execution of strategy and is closely involved in all investment decisions. Risk management remains a strategic imperative to sustaining long-term returns for unitholders and benefits to other stakeholders. Our corporate governance structures are in line with the BSE Code of Corporate Governance. FPC's ability to establish successful relationships with our stakeholders is also a key element to the company's flexible, efficient and innovative approach to property development and management.

On behalf of the board I would like to thank, Ram and his team for the excellent management of the group and express my gratitude to everyone who supported FPC over the year. FPC's strong performance was possible because of the people who actively participate in our value creation process. It is with appreciation that I note the contributions of my fellow board members.

His Excellency FG Mogae
Independent chairman

25 September 2018

An overview **of our business**

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

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.

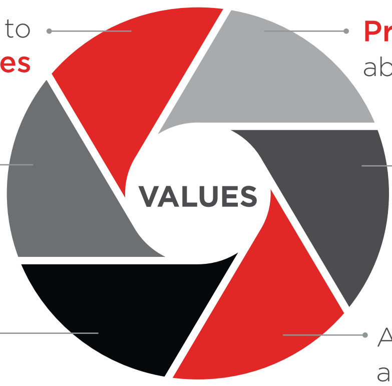
Mission

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

Giving back to **communities**

Professionalism above **all**

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



Pleasing our **tenants**

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

A **realistic optimistic** approach

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**	> 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

An overview **of our business** continued

Our portfolio

Our diverse BWP1,36 billion portfolio of 209 properties, is well balanced and risk resistant, comprising retail, industrial and residential properties. Our properties are underpinned by long-term leases, low vacancies and a majority of Grade A tenants. We further own a considerable Land Bank for future development.

Portfolio highlights

> Our properties are fit for purpose for every tenant's needs, ranging from studio shops to massive warehouse and distribution centres

> Stable and complementary tenant mixes that every commercial development aspires to

> Proactive lease management systems that reduce vacancies and implement escalations

> Net income yields resilient to inflationary pressures

> Diversified spread of investment properties

> Promising and proven capital growth per annum

> Inherent future earnings and capital growth potential

> Value enhancement and return on investment for shareholder

A diversified portfolio

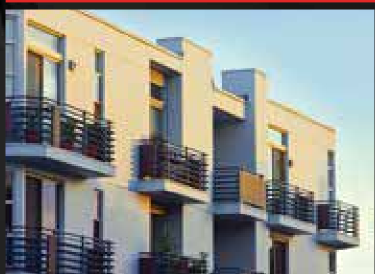
Botswana
184 properties
BWP1,136 billion

South Africa
24 properties
BWP0,201 billion

Zambia
1 property
BWP0,019 billion

Retail/commercial
67 properties
BWP0,591 billion

Industrial
58 properties
BWP0,586 billion



Residential
84 properties
BWP0,181 billion

What sets us apart

The core strengths of our company are our asset base and our people.

OUR PEOPLE

We have a qualified team of in-house property and asset managers, focused on protecting and improving value by minimising operating costs, improving efficiencies, and enhancing the tenant experience. Our managers have extensive experience in all property sectors in the region. To ensure they are delivering on their responsibilities, we have set out performance criteria, which are monitored and evaluated regularly.

Active asset management is key to our value creation. We concentrate on preserving the value of the property through leasing activities, cost control and budgeting. Our managers also identify and address the need for refurbishment and expansion or redevelopment opportunities.

Our property management approach is tenant-centred, with each property managed with the view of meeting the tenants' requirements. We create well-managed properties, which are attractive to tenants. Our very low vacancy rate is testament to our success and our strong relationships with tenants.

We have a strong leadership team, with extensive regional retail experience and deep business expertise. The management team is also a major shareholder, holding a combined equity of 79,12%.

OUR ASSET BASE

Wide geographic spread

Our portfolio footprint has a wide geopolitical spread across Botswana, in the North West Province of South Africa, and in Lusaka in Zambia. The majority of our Botswana properties are located in urban and semi-urban areas, such as the major cities of Gaborone and Francistown and other key urban areas such as Lobatse, Maun, Kasane and Selebi Phikwe. In South Africa, the properties are located in populous mining towns. In August 2017, we took ownership of our first Zambian property, a shopping centre in Lusaka.

For further information see Our footprint on page 6.

High occupancy levels

Our portfolio enjoys high occupancy rates with a current vacancy rate of less than 5%. This compares favourably with average vacancy rates of 3% in Botswana. The high occupancy levels also guarantee a stable annuity income.

For further information see Vacancy profile by sector and rentable area on page 7.

Quality tenants

A total of 78% of the tenants are "A" Grade tenants, which translates to lower vacancies and favourable lease renewals that boost rental income.

For further information see Tenant profile by grading on page 7.

COMPETITIVE AVERAGE PROPERTY YIELD

We generated an attractive average property yield of 9,38% for 2018, which is very competitive in the sector. Rental escalations are expected to be between 6,5% – 10% per annum.

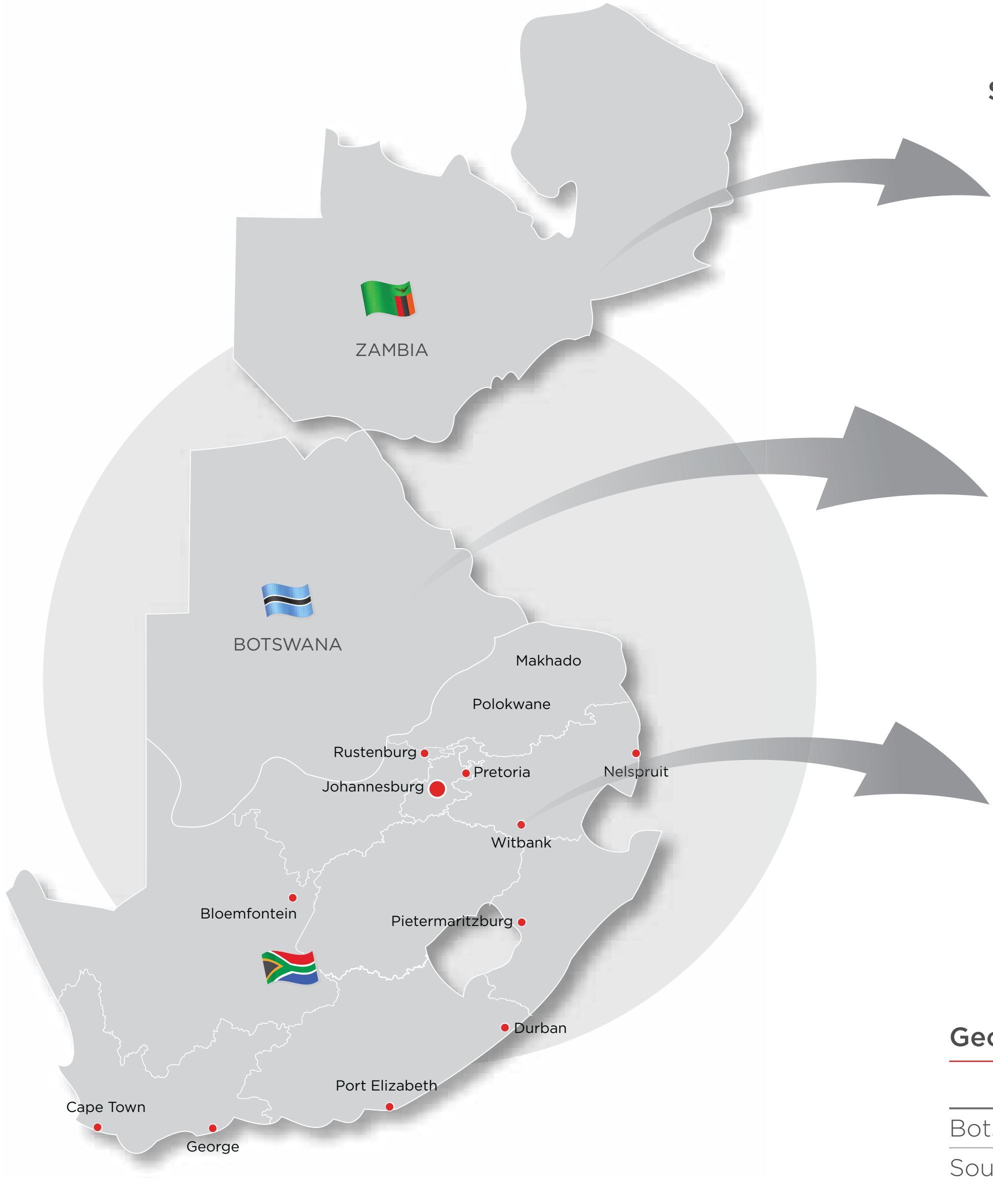
Average annualised property yield

Annual rental (BWP)	**127 377 113**
Property value (2018) (BWP)	**1 357 665 459**
Annual yield (%)	**9,38**

An overview **of our business** continued

Key portfolio features

OUR FOOTPRINT



Sectoral spread by GLA

1,33%

100% Commercial

80%

32% Commercial | 54% Industrial | 14% Residential

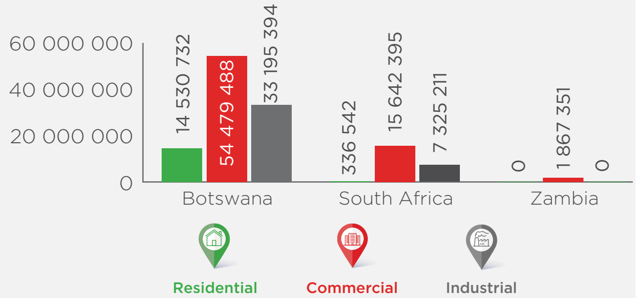
18,67%

55% Commercial | 44% Industrial | 1% Residential

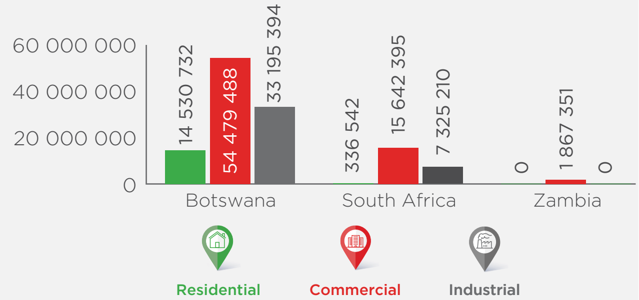
Geographical split by GLA

	m²
Botswana	172 223
South Africa	40 181
Zambia	2 806
Total	**215 210**

Geographical and sector profile by revenue (BWP)



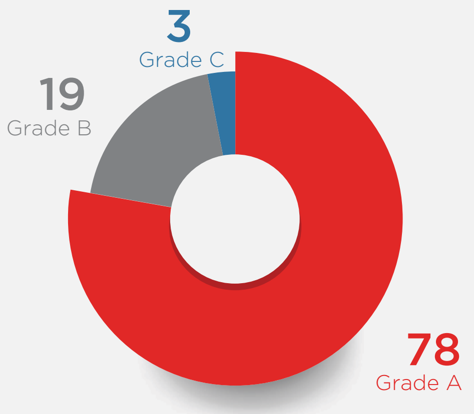
Profile split by revenue (BWP)



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

Grade A	Premium tenants including retail tenants with national and international brands
Grade B	Local tenants and medium-sized business with well-established brands
Grade C	New startup companies and small business operations
Total number of tenants	**748**

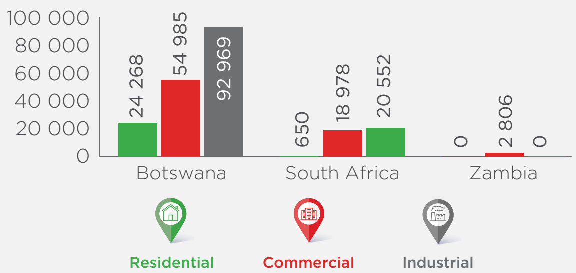
Tenant profile by grade (%)



Proportional grades across the portfolio (%)

Grade A	Grade B	Grade C
582	**145**	**21**

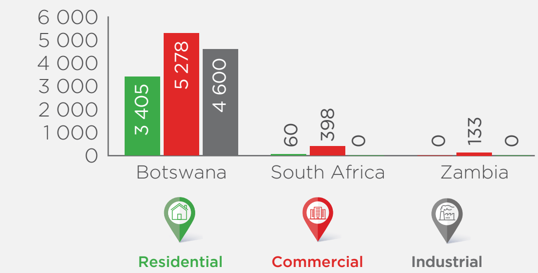
Sectoral split by GLA (m²)



VACANCY PROFILE BY SECTOR AND RENTABLE AREA

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

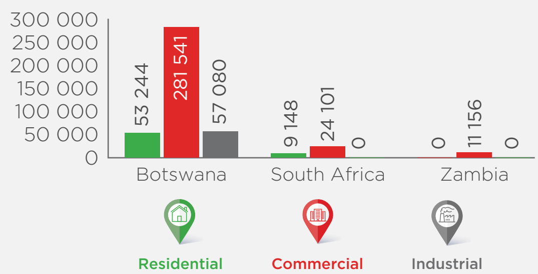
Vacancy profile by sector (m²)



FAR properties m²

	m²
Industrial	
Filling station	**363**
Industrial	**2 424**
	2 787
Commercial	
Offices	**0**
Parking	**0**
Retail	**4 310**
	4 310
Residential	
Houses	**1 330**
Flats	**779**
	2 109

Vacancy profile by revenue (BWP)



An overview **of our business** continued

Our operating model

Asset management

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

Property management

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

Financial accounting team

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

Information systems

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

Our stakeholders

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

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

LINKED UNITHOLDERS

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

FINANCIERS

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

TENANTS

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

INDUSTRY ASSOCIATIONS

> Market trends
> Industry developments

INDEPENDENT VALUERS

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

GOVERNMENT AND REGULATORS

> Tax payments
> Compliance with legislation

COMMUNITIES

> Job creation
> Good corporate citizen

Our **performance**

Management overview

FPC has had a successful year marked by strong performances and significant achievements. We grew our portfolio from BWP1,29 billion to BWP1,36 billion, an appreciation of the asset value over BWP65 million.

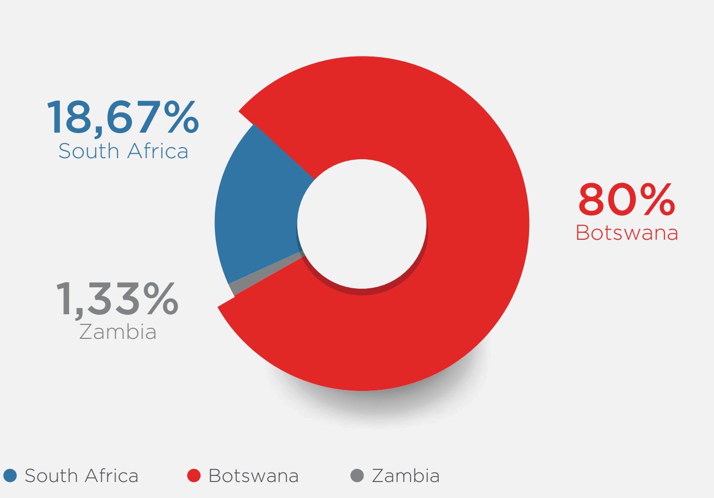
This was achieved through increases in valuation of the properties and acquisition of new properties. Properties management continued to be robust. Focus on rental collection is unwavering and as a result rents were collected in full. Lease agreements continue to be well managed, with annual escalations incorporated. Expired leases were either renewed or leased to new tenants preserving our low vacancy rates.

FINANCIAL PERFORMANCE

Fair value adjustment is based on the independent professional valuers reports on the entire portfolio; such values are broadly based on expected rental returns, and the fair value adjustment brought down the profit after income tax, and it has no impact on FPC financial performance, since it is only a theoretical value.

BWP134,8 million revenue for the year ended 30 June 2018, increased by 10,69% compared to BWP121,8 million for the previous year. Operating profit was up 3,18% to BPW120,2 million from BWP116,5 million in FY2017. Profit before income tax was BWP36,2 million compared to BWP62,2 million in the previous year. FPC generated profit attributable to linked unitholders of BWP39,2 million compared to BWP65,3 million in FY2017. Earnings per linked unit were BWP10 compared to BWP17 the year before. Net cash generated from operating activities increased to BWP86,4 million, against BWP83,7 million a year ago.

Geographical split by GLA (%)



Financial highlights

- **Rental income increased** by **13%** to **BWP127,4 million**.
- **Rental yields improved** by **7%**.
- **Vacancies** remained low at below **5%**.
- **Net income from operations increased** by **6,31%** to **BWP82,36 million**.
- **EBITDA increased** by **3%** to **BWP120,20 million**.
- **Loan-to-asset ratio down** to **31%**.

Ramachandran Ottapathu
Director and founder

DISTRIBUTION TO LINKED UNIT HOLDERS
The board declared a distribution to unit holders of 12,27 thebe for each unit, comprising 12,16 thebe interest and 0,11 thebe dividend.

MARKET OVERVIEW
The majority of FPC's assets are located in its home market of Botswana, across the country, although mostly in urban or peri-urban areas. The portfolio is well balanced in terms of types of properties and revenue. Our portfolio continued to prove resilient in the subdued economy. Although the economy took a knock as the commodity market declined, conditions are improving again as the price of and demand for diamonds increases, buoyed by renewed global growth.

Botswana's property market is mature and delivers steady long-term returns, benefiting from the country's stable economy. Demand for retail space is waning, as a result of weaker consumer spending. Demand for larger industrial space is predominantly from retailers requiring prominent properties, which fits with FPC's offering. As a local company, with a countrywide footprint FPC benefits from extensive knowledge of the local market, established networks with tenants and on the ground knowledge of opportunities as they arise.

However, to achieve significant growth and diversification, we need to look further afield in the region. Despite the deceleration in growth rates because of the decline in the commodity market, rapid population growth and urbanisation continue to drive property market activity in the region. The population is growing at a faster rate than that of any other global region and its demographic profile is both young and increasingly urbanised.

FPC's South African assets are industrial and commercial properties in the North West. The portfolio remained resilient despite the volatility in the South African economy during the year.

GROWING OUR ASSET BASE
In line with our strategy to grow our asset base, we concluded a number of acquisitions during the year. Some of these are in the process of conclusion. We also undertake new developments to capitalise on new opportunities in the market.

NEW ACQUISITIONS
We expanded our presence to Zambia with the US$3,6 million acquisition of a mall in Lusaka. The property is fully occupied. Notable tenants include Standard Chartered Bank, Stanbic Bank of Zambia Limited, Finance Bank of Zambia, First National Bank of Zambia Limited, AB Bank of Zambia Limited and List Café and Choppies.

In Botswana, we acquired properties to the value of BWP45,97 million. The largest of these is 9 Industrial Land in GICP for BWP34,4 million. The property, which is under development and spans a 10 000m^2 warehouse, was transferred in August 2017.

Other properties in Botswana that were acquired during FY2018:

Property details	Location
Ptn 1622 – 1643 GICP	Gaborone
Tribal Lot 186	Letlhakane
Plot 43516	Francistown
Plot 314	Oodi
Tribal Lot 805	Pitsane Molopo
Lot 6819	Rakops
Tribal Lot # 4620	Gumare
Tribal Lot # 382	Masunga
Tribal Lot # 11971	Mogoditshane

NEW DEVELOPMENTS IN BOTSWANA
> Commercial development in Tsabong
> Industrial development for a hardware store in Thamaga
> Industrial development and a filling station in Ramotswa
> Industrial warehouse in Serowe
> Filling station in Mogoditshane
> Filling station in Metsimotlhabe
> 10 000m^2 warehouse in Gaborone International Commerce Park.
> Filling station development in Kasane
> Filling station development in Modipane
> Industrial development in Broadhurst

NEW DEVELOPMENT IN SOUTH AFRICA
> 2 472m^2 distribution centre in Rustenburg, North West.
> 2 028m^2 warehouse in Westonaria, North West.

LOOKING AHEAD
We will continue to grow and diversify our asset base through acquisitions and developments in Botswana, South Africa and Zambia in the year ahead.

APPRECIATION
I would like to express my sincere gratitude to our team for their dedication and hard work during the year, and to our board for their shrewd guidance. I would also like to thank our tenants and service providers for their ongoing support.

Ramachandran Ottapathu
Director

25 September 2018

Top 10 properties

	TATI RIVER MALL, LOT 903, FRANCISTOWN, BOTSWANA	**BOROGO JUNCTION, LOT 1301, KAZUNGULA, BOTSWANA**	**TRIBAL LOTS 30, 31 AND 38, GHANZI, BOTSWANA**
	An attractive, upmarket and fully let shopping mall developed on the banks of TATI River, Francistown.	An attractive development in the heart of Kazungula located at the junction of Kazungula, serving Kasane and the borders of Zambia, Zimbabwe and Namibia.	A well-situated property, which is fully let and successfully managed.
ANCHOR TENANT	Choppies Hyperstore	Choppies Superstore	PEP Botswana Holdings Limited, First National Bank, Bank Gaborone, and Bradlows Furniture
OTHER KEY TENANTS	OK Furniture, Liquorama, JB Sports, Health Alternatives, Cell City and CIPA	Style Clothing, Motovac, Diagnofirm, MRI Medical, Carnival Furniture, JB Sports and Liquorama	
TYPE OF PROPERTY	Commercial	Commercial	Commercial
GLA (m^2)	9 687	7 377	5 583
VALUE AT 30 JUNE 2018	BWP100 070 000	BWP62 375 000	BWP41 985 000
LOCATION	Francistown	Kazungula	Ghanzi

		
PLOT 196 – GABORONE INTERNATIONAL COMMERCE PARK (GICP), GABORONE, BOTSWANA	**PLOT 888 – GABORONE INTERNATIONAL COMMERCE PARK (GICP), GABORONE, BOTSWANA**	**PLOT 212 – 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.	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.	The hub of Choppies Distribution Centre for southern Botswana is tenanted in this property.
Clover Botswana (Proprietary) Limited and Choppies Distribution Centre (Proprietary) Limited	NBL Botswana and Pula Sales and Distribution	
Light Industrial	**Light Industrial**	**Light Industrial**
5 455	12 000	11 360
BWP27 300 000	BWP61 300 000	BWP59 200 000
Gaborone International Commerce Park (GICP)	Gaborone International Commerce Park (GICP)	Gaborone International Commerce Park (GICP)

Our **performance** continued

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	**Industrial**
GLA (m²)	10 304
VALUE AT 30 JUNE 2018	R47 100 000
LOCATION	Rustenburg, South Africa

Top 10 properties

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	**Commercial**
GLA (m²)	5 190
VALUE AT 30 JUNE 2018	R44 500 000
LOCATION	Mahikeng, South Africa

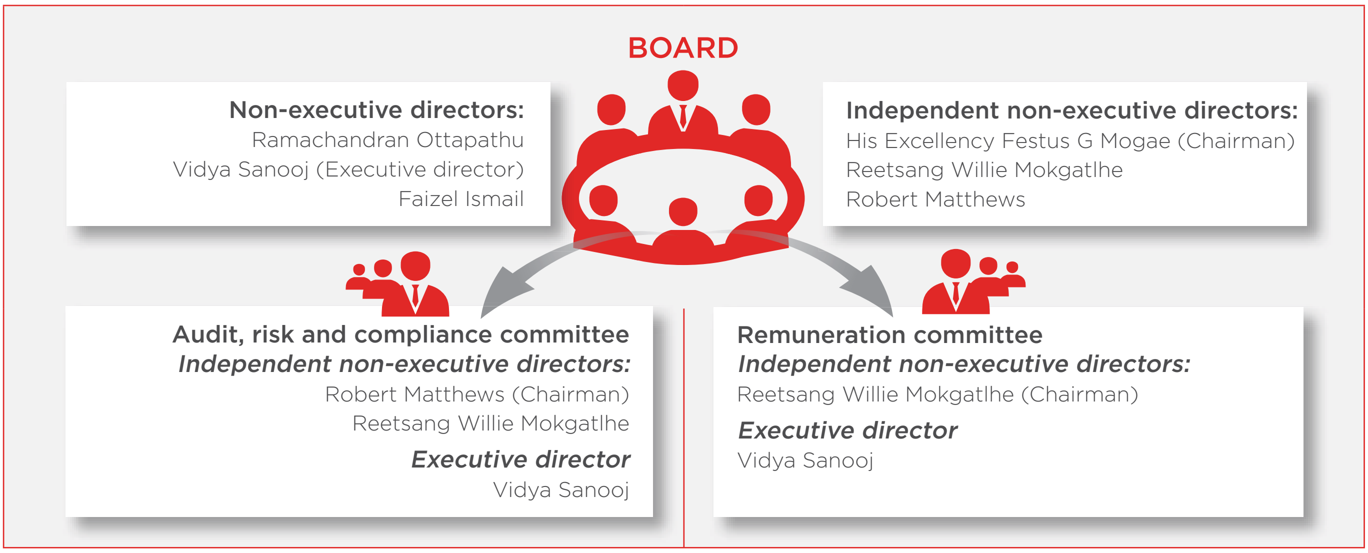
PLOT 880 – GABORONE INTERNATIONAL COMMERCE PARK (GICP), GABORONE, BOTSWANA	
The property consists of five separate warehouses. It is fully tenanted with long-term lease agreements up to 2021.	
TENANTS	Mothopi Fruit & Veg Distribution, DCS Tropicana, Amphora (Proprietary) Limited, ZCX Investments (Proprietary) Limited, Welldone (Proprietary) Limited and Keriotic Investments (Proprietary) Limited
TYPE OF PROPERTY	**Light Industrial**
GLA (m²)	18 560
VALUE AT 30 JUNE 2018	BWP110 100 000
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	**Industrial**
GLA (m²)	5 974
VALUE AT 30 JUNE 2018	R54 530 000
LOCATION	Rustenburg, South Africa

Corporate **governance**

Corporate governance 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 operates under corporate governance policies that embrace the principles and recommendations set out in the BSE Corporate Code and the King III Report.



ATTENDANCE REGISTERS

Name of member	Designation	Board	Audit, risk and compliance committee	Remuneration committee
HE Festus G Mogae	Independent non-executive chairman	2/4 Chairman		
Robert 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

ETHICAL LEADERSHIP

The board has ultimate responsibility for the ethical culture of the company. FPC has a code of conduct which includes a whistleblowing and grievance policy to formally address employee grievances. The contract of employment for each employee makes reference to the code of conduct and obligation of each employee to abide by the code.

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.

Corporate **governance** continued

Leadership

Independent non-executive directors

His Excellency Festus Gontebanye Mogae (79) (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 (55) (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 ultimately including 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 (75) (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 (54) (Motswana)

BCom, CA

Appointed to the board:
July 2010

Ram has 25 years' experience in the retail industry both in finance and operations, and further experience in other industries such as manufacturing, packaging, milling and medical distribution. He combines entrepreneurial and commercial acumen with excellent management skills. Ram is a fellow of the Institute of Chartered Accountants of India and associate member of the Botswana Institute of Chartered Accountants.

Faizel Ismail (36) (Motswana)

IMM diploma

Appointed to the board:
June 2016

Faizel previously worked as a purchasing manager for a period of eight years during which time he oversaw a variety of key functions. He is the Managing Director of Chicken Licken Botswana. He became a board member of FPC in June 2016. Faizel brings a wealth of business and marketing experience to the group.

Executive director

Vidya Sanooj (35) (Indian)

BCom, CA

Appointed to the board:
June 2015

Vidya has 10 years' experience in accounting, finance, corporate restructuring and mergers and acquisitions. Her experience has involved working with the CEO of a multinational grocery and general merchandise retailer and its related entities in all aspects of its operations. She is a fellow of the Institute of Chartered Accountants of India, and of the Botswana Institute of Chartered Accountants.

Executive management

Deon Bauermeister
Property manager – South Africa

Deon was managing director of a multinational grocery and general merchandise retailer in South Africa for the past six years. He was involved in the day-to-day running of the business, ensuring various departments functioned as a unit. He was also integrally involved in the growth and expansion of the group.

Sreedharan Nair
Property manager – Botswana

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

Shinu Joy
Head of finance and operations

BCom, ACA, ACMA-(US)

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

Afifa Patel
Finance manager

ACCA

Afifa joined FaR in August 2018 she has vast knowledge in accounts and finance working with various service industries in Botswana and India.

Corporate **governance** continued

Remuneration committee report

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

The remuneration committee comprises independent non-executive director, Reetsang Willie Mokgatlhe (chairman), and non-executive director Vidya Sanooj. Other directors attend by invitation. Full attendance registers are set out on page 15.

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.

DIRECTORS' REMUNERATION

In BWP	Salary	Sitting fees
HE Festus G Mogae	–	61 566
Ramachandran Ottapathu	–	–
Faizel Ismail	–	–
Vidya Sanooj	343 999	–
Robert Neil Matthews	–	340 600
Reetsang Willie Mokgatlhe	–	309 016
Total	343 999	711 183

PLEASE SUPPLY – NOT IN 2017 REPORT

Reetsang Willie Mokgatlhe
Remuneration committee chairman
25 September 2018

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 2017. 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 on all relevant key issues and 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 integrated 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 2017	**March 2018**	**Sept 2018**
Robert N Matthews	Chairman of committee Independent non-executive director	Y	**Y**	**Y**
Reetsang Willie Mokgatlhe	Independent non-executive director	Y	**Y**	**Y**

Robert N Matthews
Chairman – audit, risk and compliance committee

25 September 2018

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

The financial statements set out on pages 28 to 79 and the detailed income statement, were authorised for issue by the board of directors on 25 September 2018 and are signed on its behalf by:

Ramachandran Ottapathu
Director

Robert Matthews
Director

Declaration **by the company secretary**

for the year ended 30 June 2018

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

25 September 2018

Directors' **report**

for the year ended 30 June 2018

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 2018.

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 394 million issued linked units.

NATURE OF BUSINESS

The primary business of the group is property owning and development currently active in Botswana, South Africa and Zambia. 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, 394 million weighted average linked units, comprising ordinary shares that are indivisibly linked to variable rate debentures.

DISTRIBUTION

Distribution number 3, amounting to 12,27 thebe, comprising 12,16 thebe interest and 0,11 thebe dividend, per linked unit for year ended 30 June 2018. This distribution was declared as payable on 5 October 2018.

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 2018 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.

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 2018, and 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 comprise:

> the consolidated and separate statements of financial position as at 30 June 2018;
> the consolidated and separate statements of comprehensive income for the year then ended;
> the consolidated and separate statements of changes in equity for the year then ended;
> the consolidated and separate statements of cash flows for the year then ended; and
> the notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

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

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

Independence

We are independent of the Group in accordance with the *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

> Overall group materiality: BWP6,000,000, which represents 0.75% of group net assets

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 2018.
> The Group consists of the Company and its subsidiaries in Botswana, South Africa and Zambia. Full scope audits were performed at the Company, South African and Zambian operating subsidiaries.

Key audit matter

> Valuation of investment property

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

Materiality

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

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

Overall group materiality	BWP6,000,000
How we determined it	0,75% of group net assets
Rationale for the materiality benchmark applied	We chose group net assets as the benchmark because, in our view, the net asset value and the distribution yield, which is distribution divided by the net assets, are the key criteria against which the performance of the Group is most commonly measured by users. We chose 0.75%, which is lower than the normal quantitative materiality thresholds used for similar companies in this sector given that the Group has significant exposure to third party liabilities, with related debt covenant requirements.

How we tailored our group audit scope

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

In doing so, full scope audits were performed at the Company, South African and Zambian operating subsidiaries 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, and 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	How our audit addressed the key audit matter
Valuation of investment property The Group accounts for investment properties at fair value in both its consolidated and separate financial statements. The carrying values of investment properties for the Group and Company at 30 June 2018 were BWP1,357,665,459 and BWP1,134,808,771 respectively (refer to Note 3). Included in group and company profit before income tax for the period is fair value losses amounting to BWP46,124,272 and BWP30,871,128. At 30 June 2018, 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 methods (sales comparison, depreciated replacement cost, income capitalisation, discounted cash flow) and data inputs (future rental cash inflows, capitalisation rates, direct comparable sales price per square metre, rent escalation rates, building cost rates, discount rates) set out in note 3 – Investment Property (page 49). 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 magnitude of the balances, combined with the significant assumptions associated with determining the fair values. *This key audit matter relates to the consolidated and separate financial statements.*	We assessed the competence and capabilities of the Group's independent valuers by verifying their qualifications and 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, future rental cash inflows, rent escalation rates against appropriate supporting documentation (such as rental agreements, business plans and historical performance) to assess the accuracy and completeness thereof. We compared direct comparable sales price per square metre, rent, building cost rates and discount rates utilised in the valuation to those generally used in the market and rates used in historical valuations. The data inputs used in the independent valuations were found to be reasonable and applied consistently in comparison to the prior year. We compared capitalisation rates and risk rates utilised in the valuations to those generally used in the market for similar properties, rates used in historical valuations and general market factors. These inputs were found to be within a reasonable range.

Independent **auditor's report** continued

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the *Consolidated and Separate Annual Financial Statements for the year ended 30 June 2018*, which we obtained prior to the date of this auditor's report, and the other sections of the *FaR Property Integrated Annual Report 2018*, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group 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 and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

PricewaterhouseCoopers
Individual practising member: Rudi Binedell
Registration number: 20040091

25 September 2018
Gaborone

Consolidated and separate **statements of financial position**

as at 30 June 2018

Figures in Pula	Notes	Group 2018	Group 2017	Company 2018	Company 2017
ASSETS					
Non-current assets					
Investment property	3	**1 357 665 459**	1 292 766 546	**1 134 808 771**	1 086 641 294
Property, plant and equipment	4	**802 202**	508 623	**497 354**	508 623
Investments in subsidiaries	5	**–**	–	**2 415 821**	2 400 093
Operating lease asset	3	**47 723 071**	42 931 828	**42 394 439**	39 530 909
Deferred income tax assets	8	**3 991 504**	5 155 582	**–**	1 667 290
		1 410 182 236	1 341 362 579	**1 180 116 385**	1 130 748 209
Current assets					
Related party receivables	6	**5 218 299**	8 865 012	**101 767 284**	68 562 083
Operating lease asset	3	**6 072 690**	3 395 348	**5 327 286**	3 230 465
Trade and other receivables	9	**14 942 670**	16 412 429	**10 629 806**	10 336 455
Cash and cash equivalents	10	**15 315 488**	58 246 995	**11 258 351**	57 209 873
		41 549 147	86 919 784	**128 982 727**	139 338 876
Total assets		**1 451 731 383**	1 428 282 363	**1 309 099 112**	1 270 087 085
EQUITY AND LIABILITIES					
Equity attributable to equity holders of parent					
Stated capital	11	**388 510 384**	341 018 021	**388 510 384**	341 018 021
Foreign currency translation reserve		**(11 133 459)**	(8 548 056)	**–**	–
Retained income		**419 996 382**	429 750 917	**351 703 188**	349 709 697
		797 373 307	762 220 882	**740 213 572**	690 727 718
Liabilities					
Non-current liabilities					
Borrowings	12	**302 380 187**	345 619 768	**248 964 014**	295 535 622
Deferred income tax liabilities	8	**90 379 037**	96 646 871	**68 423 490**	71 009 245
		392 759 224	442 266 639	**317 387 504**	366 544 867
Current liabilities					
Related party payables	6	**–**	–	**94 126**	208 165
Borrowings	12	**150 572 400**	157 466 876	**147 591 867**	150 861 002
Trade and other payables	13	**15 988 207**	10 192 960	**12 977 895**	9 546 010
Distribution payable	29	**49 004 494**	52 022 000	**49 004 494**	52 022 000
Current tax payable		**5 402 834**	4 113 006	**1 198 737**	177 323
Bank overdraft	10	**40 630 917**	–	**40 630 917**	–
		261 598 852	223 794 842	**251 498 036**	212 814 500
Total liabilities		**654 358 076**	666 061 481	**568 885 540**	579 359 367
Total equity and liabilities		**1 451 731 383**	1 428 282 363	**1 309 099 112**	1 270 087 085

Consolidated and separate **statements of comprehensive income**

for the year ended 30 June 2018

Figures in Pula	Notes	Group 2018	Group 2017	Company 2018	Company 2017
Revenue	15	**134 833 002**	121 810 349	**107 165 965**	97 851 997
Other income	21	**16 105 400**	15 125 231	**11 482 681**	10 201 385
Operating expenses		**(30 732 826)**	(20 433 617)	**(17 382 367)**	(13 005 258)
Operating profit	16	**120 205 576**	116 501 963	**101 266 279**	95 048 124
Finance income	17	**3 172 762**	569 308	**14 007 960**	11 031 203
Finance costs	18	**(41 018 031)**	(39 600 526)	**(33 297 340)**	(39 381 558)
Net income from operations		**82 360 307**	77 470 745	**81 976 899**	66 697 769
Investment property fair value adjustment	19	**(46 124 272)**	(15 251 328)	**(30 871 128)**	(14 703 884)
Profit before income tax		**36 236 035**	62 219 417	**51 105 771**	51 993 885
Income tax credit/(charge)	20	**3 013 924**	3 081 630	**(107 786)**	6 024 455
Profit for the year attributable to linked unitholders		**39 249 959**	65 301 047	**50 997 985**	58 018 340
Other comprehensive income					
Exchange differences on translating foreign operations		**(2 585 403)**	4 079 307	**–**	–
Comprehensive income for the year attributable to linked unitholders		**36 664 556**	69 380 354	**50 997 985**	58 018 340
Weighted average linked units in issue at end of year	11	**394 764 190**	380 000 000	**394 764 190**	380 000 000
Basic earnings per linked unit attributable to linked unitholders	30	**0,10**	0,17	**0,13**	0,15

Consolidated and separate **statements of changes in equity**

for the year ended 30 June 2018

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

Consolidated and separate **statements of cash flows**

for the year ended 30 June 2018

Figures in Pula	Notes	Group 2018	Group 2017	Company 2018	Company 2017
Cash flows from operating activities					
Cash generated from operations	22	**127 831 743**	114 492 887	**52 656 171**	127 480 108
Finance income	17	**3 172 762**	569 308	**14 007 960**	11 031 203
Finance costs		**(44 574 839)**	(31 299 500)	**(34 864 769)**	(31 212 264)
Tax paid	23	**(4 837)**	(2 119)	**(4 837)**	(502)
Net cash generated from operating activities		**86 424 829**	83 760 576	**31 794 525**	107 298 545
Cash flows from investing activities					
Purchase of property, plant and equipment	4	**(588 377)**	(198 047)	**(291 418)**	(198 047)
Purchase of investment properties	3	**(117 999 511)**	(37 096 193)	**(79 038 605)**	(36 727 898)
Proceeds from disposal of property, plant and equipment		**103 466**	–	**143 750**	–
Investment in subsidiary	5	**–**	–	**(15 728)**	–
Proceeds from disposal of investment properties		**–**	810 860	**–**	810 860
Net movements in loans with related companies	6	**–**	–	**13 627 988**	(13 324 981)
Net cash used in investing activities		**(118 484 422)**	(36 483 380)	**(65 574 013)**	(49 440 066)
Cash flows from financing activities					
Proceeds from borrowings		**117 160 681**	111 855 833	**111 145 056**	100 000 000
Repayment of borrowings		**(163 737 932)**	(123 942 840)	**(159 418 370)**	(118 260 100)
Distribution paid	29	**(4 529 637)**	(12 996 000)	**(4 529 637)**	(12 996 000)
Net cash used in financing activities		**(51 106 888)**	(25 083 007)	**(52 802 951)**	(31 256 100)
Net change in cash and cash equivalents		**(83 166 481)**	22 194 189	**(86 582 439)**	26 602 379
Cash and cash equivalents at beginning of year		**58 246 995**	36 797 881	**57 209 873**	30 607 494
Effects of exchange rate changes on cash and cash equivalents		**(395 943)**	(745 075)	**–**	
Cash and cash equivalents at end of year	10	**(25 315 429)**	58 246 995	**(29 372 566)**	57 209 873

Notes to the consolidated and separate financial statements

for the year ended 30 June 2018

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 consolidated and separate financial statements set out on pages 28 to 79 have been approved by the board of directors on 25 September 2018.

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards. The consolidated 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.

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

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, 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. Sensitivity of fair value measurements using significant unobservable inputs disclosed in note 3.

1.3 Investment property

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

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

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

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

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 the future economic benefits associated with the item will flow to the company; and
> the cost of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

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

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

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.

1.5 Investments in subsidiaries

Company consolidated and separate annual financial statements

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

The cost of an investment in a subsidiary is the aggregate of:
> the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
> any costs directly attributable to the purchase of the subsidiary.

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

1.6 Financial instruments

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.

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.

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.

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.

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 assets have occurred;
> borrowing costs have been incurred; and
> activities that are necessary to prepare the assets for their 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 assets for their intended use or sale are complete. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2018

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 rates;
> 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 periods 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.

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 2017 and adopted by the group:

Following new standards and amendments to existing standards and interpretations effective on or after 1 July 2017 and adopted by the group.

Standard/interpretation	Content	Applicable for financial years beginning on or after
IAS 7	*Cash Flow Statements*	1 January 2017
IAS 12	*Income Taxes*	1 January 2017
IFRS 12	*Disclosure of Interests in Other Entities*	1 January 2017

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.

IFRS 12 *Disclosure of Interests in Other Entities*

Annual improvements 2014-2016 (part) – The amendment clarified that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarised financial information (para B17 of IFRS 12). Previously, it was unclear whether all other IFRS 12 requirements were applicable for these interests.

(b) No 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.

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 2018 or later periods and are expected to be relevant to the group:

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

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.

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.

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.

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.

IAS 12 *Income Taxes*

The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.

2. NEW STANDARDS AND INTERPRETATIONS continued

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

IFRIC 23 *Uncertainty over Income Tax Treatments*

IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The interpretation provides specific guidance in several areas where previously IAS 12 was silent. The interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the interpretation and consider the impact on income tax accounting.

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 9	The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management.	1 January 2018
IFRS 9	The narrow-scope amendment covers two issues: prepayment features with negative compensation and – modification of financial liabilities	1 January 2019
IFRS 15	IFRS 15 *Revenue from Contracts with Customers*.	1 January 2018
IFRS 17	IFRS 17 *Insurance Contracts*	1 January 2021
IFRS 2	Amendments to IFRS 2 *Share-based Payments* – clarifying how to account for certain types of share-based payment transactions	1 January 2018
IFRS 4	Amendment to IFRS 4 *Insurance Contracts* – regarding the implementation of IFRS 9 *Financial Instruments*	1 January 2018
IFRS 1	IFRS 1 *First-time Adoption of IFRS*, regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10	1 January 2018
IFRS 3	IFRS 3 *Business Combination* – a company remeasures its previously held interest in a joint operation when it obtains control of the business.	1 January 2019
IFRS 11	IFRS 11 *Joint Arrangements* – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business	1 January 2019
IFRIC 22	IFRIC 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018

(d) Early adoption of standards

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

Figures in Pula	Opening carrying value
3. INVESTMENT PROPERTY	
Group	
Reconciliation of investment property – Group 2018	
Investment property	**1 292 766 546**
Reconciliation of investment property – Group 2017	
Investment property	1 258 665 781

The addition to the investment property includes direct acquisitions amounting to BWP52 560 130 (2017: BWP7 326 110) and subsequent expenditure amounting to BWP65 439 381 (2017: BWP29 770 083).

Company	
Reconciliation of investment property – company 2018	
Investment property	**1 086 641 294**
Reconciliation of investment property – company 2017	
Investment property	1 065 617 280

The addition to the investment property includes direct acquisitions amounting to BWP45 913 000 (2017: BWP7 326 110) and subsequent expenditure amounting to BWP33 125 605 (2017: BWP29 401 788).

Pledged as security

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

Borrowing costs capitalised

No borrowing cost was capitalised in to the investment property during the year (2017: nil).

Additions	Foreign exchange movements	Disposals	Fair value adjustments	Carrying value
117 999 511	**(6 976 326)**	**–**	**(46 124 272)**	**1 357 665 459**
37 096 193	13 255 900	(1 000 000)	(15 251 328)	1 292 766 546
79 038 605	**–**	**–**	**(30 871 128)**	**1 134 808 771**
36 727 898	–	(1 000 000)	(14 703 884)	1 086 641 294

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 2018 for BWP1 182 530 496.

Investment property portfolio in South Africa

A total of 24 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 properties were valued by Knight Frank WC for BWP205 342 799 at 30 June 2018.

Investment property portfolio in Zambia

Property owned by the subsidiary Far Property Company Zambia (Proprietary) Limited in Zambia was valued by management based on the recent purchase price for BWP21 737 925 at 30 June 2018.

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 consolidated and separate financial statements** continued

for the year ended 30 June 2018

Figures in Pula	Group 2018	Group 2017	Company 2018	Company 2017
3. INVESTMENT PROPERTY continued				
Amounts recognised in profit and loss for the year relating to investment property				
Rental income from investment property	**134 833 002**	121 810 349	**107 165 965**	97 851 997
Recoveries	**13 933 987**	12 456 886	**6 742 674**	4 723 738
Cleaning	**(718 081)**	(518 417)	**(513 526)**	(339 350)
Insurance	**(1 190 361)**	(1 009 087)	**(883 932)**	(742 313)
Repairs and maintenance	**(1 083 744)**	(715 405)	**(806 966)**	(533 299)
Security	**(1 033 214)**	(846 450)	**(695 262)**	(629 171)
Utilities	**(10 208 089)**	(8 160 540)	**(4 689 059)**	(3 245 175)
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	**1 411 461 220**	1 339 093 722	**1 182 530 496**	1 129 402 668
Recognised lease smoothening adjustment	**(53 795 761)**	(46 327 176)	**(47 721 725)**	(42 761 374)
	1 357 665 459	1 292 766 546	**1 134 808 771**	1 086 641 294
Operating lease asset				
Current asset	**6 072 690**	3 395 348	**5 327 286**	3 230 465
Non-current asset	**47 723 071**	42 931 828	**42 394 439**	39 530 909
	53 795 761	46 327 176	**47 721 725**	42 761 374

The total operating expenses incurred for the unoccupied properties amounting to BWP17 596 (2017: BWP6 946).

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2018

3. INVESTMENT PROPERTY continued

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

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

3. INVESTMENT PROPERTY continued

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

			Sensitivity on management's estimates		
Valuation technique	Valuation	Input	Estimate	Impact lower	Impact higher
Group					
Sales comparison	**208 259 297**	Sales price of per square metre of the property	Market value per sqm +/- 10%	(20 825 930)	20 825 930
Depreciated replacement cost	**25 975 000**	Construction cost per square metre	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 square metre of the property	Market value per sqm +/- 10%	(19 550 100)	19 550 100
Depreciated replacement cost	**25 975 000**	Construction cost per square metre	Build rate per sqm +/- 10%	(2 597 500)	2 597 500
Income capitalisation	**907 926 668**	Capitalisation rate	Capitalisation rate +/- 1%	(83 827 516)	103 070 066
Total	**1 129 402 668**				

Valuation techniques underlying management's estimation of fair value

For all properties in Botswana, South Africa and Zambia with a total carrying amount of BWP1 411 461 220 (2017: BWP1 339 093 722), 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;
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.

Figures in Pula	Furniture and fixtures	IT equipment	Motor vehicles	Office equipment	Plant and machinery	Total
4. PROPERTY, PLANT AND EQUIPMENT						
Group						
At 30 June 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
Year ended 30 June 2018						
Opening net book amount	**21 054**	**22 127**	**223 963**	**–**	**241 479**	**508 623**
Additions	**75 200**	**47 897**	**446 504**	**18 776**	**–**	**588 377**
Disposal	**–**	**–**	**(91 891)**	**–**	**–**	**(91 891)**
Depreciation	**(17 734)**	**(44 239)**	**(89 752)**	**(7 198)**	**(43 984)**	**(202 907)**
Closing net book amount	**78 520**	**25 785**	**488 824**	**11 578**	**197 495**	**802 202**
At 30 June 2018						
Cost	**433 907**	**487 060**	**685 717**	**348 594**	**367 049**	**2 322 327**
Accumulated depreciation	**(355 387)**	**(461 275)**	**(196 893)**	**(337 016)**	**(169 554)**	**(1 520 125)**
Net book amount	**78 520**	**25 785**	**488 824**	**11 578**	**197 495**	**802 202**

Notes **to the consolidated and separate financial statements** continued

for the year ended 30 June 2018

Figures in Pula	Furniture and fixtures	IT equipment	Motor vehicles	Office equipment	Plant and machinery	Total
4. PROPERTY, PLANT AND EQUIPMENT continued						
Company						
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
Year ended 30 June 2018						
Opening net book amount	**21 054**	**22 127**	**223 963**	**–**	**241 479**	**508 623**
Additions	**75 200**	**47 897**	**149 545**	**18 776**	**–**	**291 418**
Disposal	**–**	**–**	**(132 175)**	**–**	**–**	**(132 175)**
Depreciation	**(17 734)**	**(44 239)**	**(57 357)**	**(7 198)**	**(43 984)**	**(170 512)**
Closing net book amount	**78 520**	**25 785**	**183 976**	**11 578**	**197 495**	**497 354**
At 30 June 2018						
Cost	**433 907**	**487 060**	**348 474**	**348 594**	**367 049**	**1 985 084**
Accumulated depreciation	**(355 387)**	**(461 275)**	**(164 498)**	**(337 016)**	**(169 554)**	**(1 487 730)**
Net book amount	**78 520**	**25 785**	**183 976**	**11 578**	**197 495**	**497 354**

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2018

Figures in Pula	Group % holding 2018	2017	Company Carrying amount 2018	2017
5. INVESTMENTS IN SUBSIDIARIES				
Q Tique 79 (Proprietary) Limited	**100**	100	**93**	93
Eminent (Proprietary) Limited	**100**	100	**2 400 000**	2 400 000
The FaR Property Company Zambia Limited	**100**	100	**15 728**	–
			2 415 821	2 400 093

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

Figures in Pula	Group 2018	2017	Company 2018	2017
6. RELATED PARTY RECEIVABLES/(PAYABLES)				
6.1 Loans to related companies				
Q Tique 79 (Proprietary) Limited			**73 273 906**	59 645 918
Far Property Company Zambia Limited			**24 034 323**	–
The loans to group companies do not carry any specific terms. These balances are repayable on demand and are not secured. The loan to Q Tique 79 (Proprietary) Limited carries a market interest rate of 15% (2017: 15%).				
6.2 Advances to/(from) related companies				
Eminent (Proprietary) Limited	**–**	–	**(94 126)**	(208 165)
Prime and Prestige (Proprietary) Limited	**843 000**	843 000	**843 000**	843 000
Reddy Group of Companies	**–**	6 107 588	**–**	6 107 588
Nestral Systems Private Limited	**50 942**	50 942	**50 942**	50 942
Time Star (Proprietary) Limited	**2 081 661**	1 863 482	**2 081 661**	1 914 635
Medupe Bridge Fin (Pty) Limited	**799 952**	–	**799 952**	–
Adams Apple (Proprietary) Limited	**283 000**	–	**283 000**	–
Admiral Touch (Proprietary) Limited	**400 500**	–	**400 500**	–
Feasible Investments (Proprietary) Limited	**759 244**	–	**–**	–
	5 218 299	8 865 012	**101 673 158**	68 353 918
Advances from related companies	**–**	–	**(94 126)**	(208 165)
Advances to related companies	**5 218 299**	8 865 012	**101 767 284**	68 562 083
	5 218 299	8 865 012	**101 673 158**	68 353 918
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.				
Amount due from related companies included in trade and other payables	**669 221**	–	**669 221**	–

7. FINANCIAL ASSETS BY CATEGORY

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

Figures in Pula	Group 2018	Group 2017	Company 2018	Company 2017
Loans and receivables				
Related party receivables (note 6)	**5 218 299**	8 865 012	**101 767 284**	68 562 083
Trade and other receivables (note 9)	**14 161 872**	13 304 949	**10 234 825**	7 425 507
Cash and cash equivalents (note 10)	**15 314 164**	58 240 328	**11 257 748**	57 203 206
	34 694 335	80 410 289	**123 259 857**	133 190 796

8. DEFERRED TAX

Figures in Pula	Group 2018	Group 2017	Company 2018	Company 2017
Deferred tax liability				
Accelerated capital allowances for tax purposes	**(17 725 114)**	(39 231 821)	**(17 725 115)**	(14 647 647)
Operating lease adjustment	**(11 626 781)**	(10 405 927)	**(10 498 780)**	(9 407 502)
Fair value adjustments	**(60 420 017)**	(46 954 096)	**(39 700 499)**	(46 954 096)
Prepaid expenses	**(108 029)**	(55 027)	**–**	–
Unrealised foreign exchange gains	**(499 096)**	–	**(499 096)**	–
	(90 379 037)	(96 646 871)	**(68 423 490)**	(71 009 245)
Deferred tax asset				
Unrealised foreign exchange losses	**3 970 433**	5 155 582	**–**	1 667 290
Accelerated capital allowances for tax purposes	**12 256**	–	**–**	–
Tax losses available for set off against future tax liabilities	**8 815**	–	**–**	–
	3 991 504	5 155 582	**–**	1 667 290
Deferred tax liability (net)	**(86 387 533)**	(91 491 289)	**(68 423 490)**	(69 341 955)
Reconciliation of deferred tax asset/(liability)				
At beginning of the year	**(91 491 289)**	(94 280 922)	**(69 341 955)**	(75 563 504)
Originating temporary difference on carried forward losses	**–**	(449 453)	**–**	(449 453)
Origination of deferred tax on foreign exchange differences	**(1 546 000)**	2 057 875	**(2 166 386)**	3 428 540
Originating temporary difference on operating lease adjustment	**(1 260 179)**	(2 063 976)	**(1 091 277)**	(1 550 418)
Originating temporary difference on capital allowances	**(3 068 399)**	(4 624 201)	**(3 077 469)**	(4 624 201)
Originating temporary difference on fair value adjustments	**10 366 631**	9 173 838	**7 253 597**	9 417 081
Originating temporary difference on prepaid expenses	**(56 496)**	(11 409)	**–**	–
Effect of translation of foreign subsidiary deferred tax balances	**668 199**	(1 293 041)	**–**	–
	(86 387 533)	(91 491 289)	**(68 423 490)**	(69 341 955)

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2018

Figures in Pula	Group 2018	Group 2017	Company 2018	Company 2017
9. TRADE AND OTHER RECEIVABLES				
Trade receivables	**4 137 518**	3 977 450	**2 941 731**	2 919 156
Other receivable	**2 018 232**	2 476 065	**1 234 312**	1 922 910
Deposits	**2 809 185**	1 420 295	**2 457 111**	1 055 594
Short-term advances	**127 971**	1 163 126	**127 971**	1 109 607
Advance towards asset purchase	**5 068 966**	4 268 013	**3 473 700**	418 240
Prepayments	**778 271**	2 970 762	**392 454**	2 774 230
Value added tax	**2 527**	136 718	**2 527**	136 718
	14 942 670	16 412 429	**10 629 806**	10 336 455
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	**14 942 670**	16 412 429	**10 629 806**	10 336 455
At 30 June 2018, trade receivable of BWP2 922 229 (2017: BWP3 560 463) 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 then 60 days	**430 259**	423 264	**306 167**	287 258
Between 61 and 90 days	**289 331**	534 156	**218 491**	399 912
Between 91 and 120 days	**310 811**	330 580	**219 137**	186 508
More than 120 days	**1 891 827**	2 272 463	**1 257 334**	1 711 995
	2 922 229	3 560 463	**2 001 129**	2 585 673
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	**1 215 289**	416 987	**940 602**	333 483

Group 1 – new customers (less 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 during the year.

Figures in Pula	Group 2018	2017	Company 2018	2017
10. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents consist of:				
Bank balances	**10 041 066**	52 991 679	**5 984 650**	51 954 557
Short-term deposits	**5 273 098**	5 248 649	**5 273 098**	5 248 649
Cash in hand	**1 324**	6 667	**603**	6 667
	15 315 488	58 246 995	**11 258 351**	57 209 873
Bank overdraft	**(40 630 917)**	–	**(40 630 917)**	–
For the purpose of the statement of cash flows, cash, cash equivalents and bank overdrafts include total cash assets less bank overdrafts.				
Cash and bank balances	**15 315 488**	58 246 995	**11 258 351**	57 209 873
Bank overdraft	**(40 630 917)**	–	**(40 630 917)**	–
	(25 315 429)	58 246 995	**(29 372 566)**	57 209 873

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

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

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

Cash at bank	Group 2018	2017	Company 2018	2017
Standard Bank South Africa Limited	**2 446 280**	1 037 122	**–**	–
Standard Chartered Bank Botswana Limited	**(33 691 236)**	52 423 029	**(33 691 236)**	52 423 029
Bank of Baroda Botswana Limited	**201 489**	302 593	**201 489**	302 593
Barclays Bank Botswana Limited	**3 513**	–	**3 513**	–
First National Bank of Botswana Limited	**942 579**	468 770	**942 579**	468 770
Capital Bank Botswana Limited	**3 170 486**	4 008 814	**3 170 486**	4 008 814
Barclays Bank Zambia Limited	**1 610 136**	–	**–**	–
	(25 316 753)	58 240 328	**(29 373 169)**	57 203 206

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

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

Notes **to the consolidated and separate financial statements** continued

for the year ended 30 June 2018

Figures in Pula	Group 2018	Group 2017	Company 2018	Company 2017
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**	380 000 000	**380 000 000**	380 000 000
Effect of share split	**–**	–	**–**	–
Issued during the year	**19 384 638**	–	**19 384 638**	–
Balance at end of year	**399 384 638**	380 000 000	**399 384 638**	380 000 000
Movement in stated capital				
Balance at beginning of year	**341 018 021**	341 018 021	**341 018 021**	341 018 021
Issued during the year	**47 492 363**	–	**47 492 363**	–
Balance at end of year	**388 510 384**	341 018 021	**388 510 384**	341 018 021
12. BORROWINGS				
Held at amortised cost				
Standard Chartered Bank Botswana Limited	**149 413 627**	305 418 328	**149 413 627**	305 418 328

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 commencing from 30 September 2013. 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 2018, the applicable margin was 4,15% per annum. This loan has been fully settled during the year. At the time of settlement the applicable margin was 4,15%

The company has acquired a loan facility to the value of R160 million. The total loan is repayable in 23 quarterly instalments commencing from 30 September 2015 with equal capital instalments of R6 956 521 and accrued interest. The interest rate equal to the three month Johannesburg Interbank Agreed Rate (JIBAR). As at 30 June 2018, the applicable margin was 2,1% 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 prime rate less the applicable margin, and shall accrue on the basis of a 360-day year. As at 30 June 2018, the applicable margin was 0% per annum.

Notes **to the consolidated and separate financial statements** continued

for the year ended 30 June 2018

Figures in Pula	Group **2018**	Group 2017	Company **2018**	Company 2017
12. BORROWINGS (continued)				
First National Bank Botswana Limited	**35 997 198**	40 978 296	**35 997 198**	40 978 296

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 30 June 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.

Figures in Pula	Group **2018**	Group 2017	Company **2018**	Company 2017
BIFM Capital Investment Fund One (Proprietary) Limited	**100 000 000**	100 000 000	**100 000 000**	100 000 000

The company has acquired a loan facility to the value of 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 30 June 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.

Figures in Pula	Group **2018**	Group 2017	Company **2018**	Company 2017
Investec Bank Limited	**56 396 706**	56 690 020	**–**	–

The group has acquired a loan facility to the value of R82 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, commencing from 30 September 2014. The interest rates are equal to 0,6% below Investec's prime rate.

Figures in Pula	Group **2018**	Group 2017	Company **2018**	Company 2017
Barclays Bank Botswana Limited	**111 145 056**	–	**111 145 056**	–

The company has acquired a loan facility to the value of BWP31,145 million. This loan is repayable in six months with accrued interest payable on expiry of the facility. Instalments representing interest and capital to be paid monthly in arrears, amortising to a 75% residual amount, payable on expiry of the facility, commencing from 30 September 2018. The interest rates are equal to 2,35% below Barclays' benchmark rate.

The company has acquired a loan facility to the value of BWP80,00 million. This loan is repayable in six months with accrued interest payable on expiry of the facility. Instalments representing interest and capital to be paid monthly in arrears, amortising to a 75% residual amount, payable on expiry of the facility, commencing from 27 June 2018. The interest rates are equal to 0,75% above Barclays' benchmark rate.

Figures in Pula	Group **2018**	Group 2017	Company **2018**	Company 2017
	452 952 587	503 086 644	**396 555 881**	446 396 624

12. BORROWINGS (continued)

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

i. Joint and several personal guarantees from Ramanchandran Ottapathu and Farouk Ismail.
ii. An assignment over the lease receivables.
iii. A cession over the current and future fixed assets of the borrower and the subsidiaries with an asset cover of 1,6 times.
iv. Charge over the Pula collection account into which the above receivables are paid.
v. Negative pledge.
vi. Covering mortgage bond over the properties Lot 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 BWP72.75 million over the properties Plot 2610 Lobatse, Plots 79, 80, 2161 Thamaga, Plot 649 Gumare, Plot 29 Shashe, Plot 5778 and Plot 4120, 4121, 4124 Mogoditshane in favour of First National Bank Botswana Limited.
ii. Cession of all current and future rental streams and insurance claims arising under the insurance cover over all bonded properties in favour of First National Bank of Botswana Limited.
iii. Cession and pledge of credit balances on all collection accounts held with First National Bank Botswana Limited.
iv. Letter of unlimited suretyship by Ottapathu Ramachandran and Farouk Ismail.

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

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

12. BORROWINGS (continued)

The loan from Investec Bank Limited is secured as follows:

i. Covering mortgage bond over Erf 934 Koster, Erf 676 Rodeon, Erf 2282 Rustenburg Ext 9, Erf 7185 Rustenburg Ext 9, Erf 16914 Boitekong, Erf 2973 Nylstroom and Portion 12 of Farm Leeuwkopje 415 for an amount of R119 million, Erf 41 Magalisburg.
ii. Covering mortgage bond over Erf 2913 Odendaalsrus for an amount of R10 million.
iii. Covering mortgage bond over remaining extend of Erf 41 Magalisburg for an amount of R13,9 million.
iv. A first covering mortgage bond over Erven 2858 and 1341 Odendaalsrus Ext 2 for an amount of R10 million.
v. A first covering mortgage bond by Finder Properties (Proprietary) Limited over notarial deed of lease over Erf 6162 Mafikeng for an amount of R38 million.
vi. 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.
vii. Execution of a joint and several continuing suretyship by Finder Properties (Proprietary) Limited to R38 million plus interest and costs.
viii. Cession in security of proceeds of Building Insurance Policy and SASRIA extension for the full asset value of the properties mortgaged.
ix. 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.

The loan from Barclays Bank Botswana Limited is secured as follows:

i. A first cover mortgage bond over Portion 169 of the farm Forest Hill No 9 KO
ii. First mortgage bond over Lots 4490, 2728 Gaborone, Plot No 1107, 1109 and 10 Lobatse Plot No 2032 Moshupa, Nata Lodge, Plot No. 9 Nata Filling Station, Lot No. 1571 Nata Shopping Mall, Plot No 1381 Pitsane,
iii. Combined Mortgage Bond cover Plot No 173-9-KO, 196-KO,1246, 17981 Gaborone, Plot No 2085 Serowe, Plot No 7620, 471, 296 & 297, 7617 & 8 Lobatse, Plot No 213, 292 & 16825 Maun, Plot No 28 & 29, 187 Pitsane, and Plot No 15102 Ramotswa
iv. Combined Mortgage Bond cover Plot No 39785, 39784, 39783, 39772, 39771, 39770, 39720, 39721, 39722, 39723, 39724,37839, 37990, 37991, 38000, 345493, 37185, 37187, 41128, 15800, 61312, 5063-KO N1, 5064-KO N2, 5065-KO N3, 5075-KON13, 5007-KOM9, 5008-KO M10, 5009-KOM11, 5025-KO J1, 5017-KO flats in Gaborone, Plot No. 375 Magoditshane, Plot No 1967 Pikwe, Plot No 11835, 18424 Francis Town, Plot No 1167 Maun, Plot No 1025 Tutume, Plot No 45 Pitsane, Plot No 3143 Kasane, Plot No 3161 Kazangula, Plot No 27376 Kanye, Plot No 219 Ramotswa, Plot No 8506, 8373, 681 Tlokweng, Plot No 7568 Tzabong, Plot 1301 Kasane, Plot 103 Tlokweng, Plot 38567-38576 Block – 6 Gaborone, Lot 4364 Thamaga, Plot 15102 Ramotswa, Plot No 4 & 9 Ghanzi, Plot 20602 Broadhurst, Plot 135 Modipane, Plot 32 Kang, Plot 4774 Metsimotlhabe, Plot 12043 Mogodisthane, Erf 2289/6 Rustenburg.

	Group		Company	
Figures in Pula	**2018**	2017	**2018**	2017
Non-current liabilities				
At amortised cost	**302 380 187**	345 619 768	**248 964 014**	295 535 622
Current liabilities				
At amortised cost	**150 572 400**	157 466 876	**147 591 867**	150 861 002
	452 952 587	503 086 644	**396 555 881**	446 396 624

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2018

Figures in Pula	Group 2018	Group 2017	Company 2018	Company 2017
13. TRADE AND OTHER PAYABLES				
Trade payables	**5 918 281**	1 980 595	**4 996 491**	1 964 015
Value added tax	**1 195 655**	400 548	**642 826**	77 605
Deposits received	**4 319 848**	3 537 182	**3 799 546**	3 236 449
Retention payable	**1 349 676**	3 287 122	**1 349 676**	3 287 122
Other payables	**3 204 747**	987 513	**2 189 356**	980 819
	15 988 207	10 192 960	**12 977 895**	9 546 010
The fair value of trade and other payables closely approximates the carrying value.				
14. FINANCIAL LIABILITIES BY CATEGORY				
The accounting policies for financial instruments have been applied to the line items below. The carrying amounts of the financial liabilities in each category are as follows:				
Financial liabilities at amortised cost				
Borrowings	**452 952 587**	503 086 644	**396 555 881**	446 396 624
Related party payables	**–**	–	**94 126**	208 165
Trade and other payables	**14 792 552**	9 792 412	**12 335 069**	9 468 405
Bank overdraft	**40 630 917**	–	**40 630 917**	–
	508 376 056	512 879 056	**449 615 993**	456 073 194
15. REVENUE				
Rental income	**127 377 113**	112 928 859	**102 205 614**	90 804 641
Deferred lease adjustment	**7 455 889**	8 881 490	**4 960 351**	7 047 356
	134 833 002	121 810 349	**107 165 965**	97 851 997
16. OPERATING PROFIT				
Operating profit for the year is stated after accounting for the following:				
Legal expenses	**655 898**	223 155	**319 661**	193 716
Utilities	**10 208 089**	8 160 540	**4 689 059**	3 245 175
Depreciation on property, plant and equipment	**202 907**	135 030	**170 512**	135 030
Auditors remuneration				
Charge for the year	**798 670**	541 000	**664 280**	541 000
Underprovision for the prior year	**–**	83 038	**–**	68 100
	798 670	624 038	**664 280**	609 100
Directors' remuneration	**711 183**	583 333	**711 183**	583 333

Notes **to the consolidated and separate financial statements** continued

for the year ended 30 June 2018

Figures in Pula	Group 2018	Group 2017	Company 2018	Company 2017
17. FINANCE INCOME				
Interest revenue				
Interest income – Banks	**42 296**	569 308	**42 296**	569 308
Interest income – Subsidiaries	**–**	–	**8 640 867**	10 461 895
Interest income – other	**3 056 180**	–	**3 056 180**	–
Foreign exchange gains	**74 286**	–	**2 268 617**	–
	3 172 762	569 308	**14 007 960**	11 031 203
18. FINANCE COSTS				
Bank borrowings	**41 018 031**	36 917 164	**33 297 340**	31 802 966
Foreign exchange losses	**–**	2 683 362	**–**	7 578 592
	41 018 031	39 600 526	**33 297 340**	39 381 558
19. FAIR VALUE ADJUSTMENTS				
Investment property	**(46 124 272)**	(15 251 328)	**(30 871 128)**	(14 703 884)
20. TAXATION				
Income tax				
Income tax expense for the year	**1 421 635**	1 001 043	**1 026 251**	197 094
	1 421 635	1 001 043	**1 026 251**	197 094
Deferred income tax				
Deferred income tax	**(4 435 557)**	(4 082 673)	**(918 465)**	(6 221 549)
	(4 435 557)	(4 082 673)	**(918 465)**	(6 221 549)
	(3 013 924)	(3 081 630)	**107 786**	(6 024 455)
Reconciliation of accounting profit and tax expense:				
Accounting profit	**36 236 035**	62 219 417	**51 105 771**	51 993 885
Tax at the applicable tax rate of 22%	**7 971 928**	13 688 272	**11 243 270**	11 438 655
Tax effect of adjustments on taxable income				
Income not subject to tax	**–**	(11 080)	**–**	–
Change in tax base of investment property	**(466 669)**	(6 179 706)	**(466 669)**	(6 179 706)
Effect of difference in country tax rates	**(820 634)**	623 106	**–**	–
Expenses allowed for tax purposes	**(10 683 960)**	(11 327 800)	**(10 683 960)**	(11 327 800)
Expenses not allowed for tax purposes	**1 131 271**	77 776	**15 145**	44 396
Effect of differences in exchange rates	**(71 640)**	–	**–**	–
Effect of differences in tax base	**(224 082)**	–	**–**	–
Deferred tax not recognised on carried forward tax losses	**149 862**	47 802	**–**	–
	(3 013 924)	(3 081 630)	**107 786**	(6 024 455)

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2018

Figures in Pula	Group 2018	Group 2017	Company 2018	Company 2017
21. OTHER INCOME				
Recoveries from tenants	**13 933 987**	12 456 886	**6 742 674**	4 723 738
Fuel rebates	**1 689 896**	2 302 587	**1 689 896**	2 302 587
Management fee	**–**	–	**2 667 282**	2 811 575
Miscellaneous income	**481 517**	365 758	**382 829**	363 485
	16 105 400	15 125 231	**11 482 681**	10 201 385
22. CASH GENERATED FROM OPERATIONS				
Profit before taxation	**36 236 035**	62 219 417	**51 105 771**	51 993 885
Adjustments for:				
Depreciation	**202 907**	135 030	**170 512**	135 030
Gain on disposal of property, plant and equipment	**(11 575)**	–	**(11 575)**	–
Finance income	**(3 172 762)**	(569 308)	**(14 007 960)**	(11 031 203)
Finance costs	**41 018 031**	39 600 526	**33 297 340**	39 381 558
Fair value adjustments	**46 124 272**	15 251 328	**30 871 128**	14 703 884
Movements in operating lease assets	**(7 468 585)**	(8 881 490)	**(4 960 351)**	(7 047 354)
Foreign exchange movement	**3 991 701**	(3 793 053)	**–**	–
Loss on disposal of investment property	**–**	189 140	**–**	189 140
Changes in working capital:				
Related party receivable	**3 646 713**	25 727 266	**(46 833 189)**	52 325 133
Related party payable	**–**	–	**(114 039)**	–
Trade and other receivables	**1 469 759**	(4 642 735)	**(293 351)**	(3 853 201)
Trade and other payables	**5 795 247**	(10 743 234)	**3 431 885**	(9 316 764)
	127 831 743	114 492 887	**52 656 171**	127 480 108
23. TAX PAID				
Balance at beginning of year	**(4 113 006)**	(2 914 006)	**(177 323)**	19 269
Current tax for the year recognised in profit or loss	**(1 421 635)**	(1 001 043)	**(1 026 251)**	(197 094)
Effect of foreign currency translation	**126 970**	(200 076)	**–**	–
Balance at end of year	**5 402 834**	4 113 006	**1 198 737**	177 323
	(4 837)	(2 119)	**(4 837)**	(502)
24. COMMITMENTS				
Authorised capital expenditure				
Investment property – contracted and not provided for				
	13 693 676	58 645 976	**10 295 978**	58 645 976
This committed expenditure relates to investment properties and will be financed by available bank facilities.				
Operating leases — as lessor (income)				
Minimum lease payments due				
– within one year	**124 143 525**	118 398 801	**99 983 471**	96 158 896
– more than one year	**468 885 430**	483 141 412	**432 525 886**	427 060 295
	593 028 956	601 540 213	**532 509 356**	523 219 191

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

25. RELATED PARTIES

Mr Ottapathu Ramachandran and Mr Farouk Ismail were directors and shareholders of the companies in the group.

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

	Group		Company	
Figures in Pula	**2018**	2017	**2018**	2017
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	**–**	–	**8 640 867**	10 461 895
	–	–	**8 640 867**	10 461 895
Management fee received from related party				
Q Tique 79 (Proprietary) Limited	**–**	–	**2 667 282**	2 811 575
	–	–	**2 667 282**	2 811 575
Advances given to related parties				
Feasible Investments (Proprietary) Limited	**2 421 845**	–	**1 662 601**	–
Strides of Success (Proprietary) Limited	**7 340 689**	–	**7 340 689**	–
	13 462 534	–	**12 703 290**	–
Rental income received from related parties				
Aleris (Proprietary) Limited	**353 440**	328 351	**353 440**	328 351
Arcee (Proprietary) Limited	**590 754**	449 517	**590 754**	449 517
Bagpiper (Proprietary) Limited	**635 250**	621 705	**635 250**	621 705
Bakgatla Super Market (Proprietary) Limited	**172 295**	149 037	**172 295**	149 037
Balanced Fortune (Proprietary) Limited	**57 000**	96 071	**57 000**	96 071
Balsam (Proprietary) Limited	**159 042**	–	**159 042**	–
Brasslock (Proprietary) Limited	**16 755**	–	**16 755**	–
Choppies Distribution Centre (Proprietary) Limited	**18 724 823**	16 802 593	**18 724 823**	16 802 593
High Land Haven (Proprietary) Limited	**131 925**	101 981	**131 925**	101 981
Lisboa Trading (Proprietary) Limited	**626 289**	408 718	**626 289**	408 718
Monte Vista (Proprietary) Limited	**4 338 118**	8 929	**4 338 118**	8 929
Smart Buy (Proprietary) Limited	**217 014**	145 455	**217 014**	145 455
Summer Queen (Proprietary Limited	**131 397**	176 648	**131 397**	176 648
	26 154 102	19 289 005	**26 154 102**	19 289 005

Figures in Pula	Group 2018	Group 2017	Company 2018	Company 2017
25. RELATED PARTIES (continued)				
Rental income received from related parties (continued)	**26 154 102**	19 289 005	**26 154 102**	19 289 005
Accrete Investments (Proprietary) Limited	**847 394**	770 359	**847 394**	770 359
Amphora (Proprietary) Limited	**1 703 792**	1 647 122	**1 703 792**	1 647 122
Asklite (Proprietary) Limited	**85 318**	71 537	**85 318**	71 537
Bell Garden (Proprietary) Limited	**112 763**	85 776	**112 763**	85 776
Bestlite (Proprietary) Limited	**662 163**	297 866	**662 163**	297 866
Bowerbird (Proprietary) Limited	**1 641 922**	1 437 480	**1 641 922**	1 437 480
Chatley (Proprietary) Limited	**1 353 164**	1 193 395	**1 353 164**	1 193 395
Taffeta Roses (Proprietary) Limited	**111 034**	–	**111 034**	–
Choppies Supermarkets SA (Proprietary) Limited	**12 993 204**	11 087 690	**–**	–
Kings Rifle (Proprietary) Limited	**34 310**	–	**34 310**	–
Enchanted Oaks (Proprietary) Limited	**24 000**	–	**24 000**	–
Ganga (Proprietary) Limited	**19 875**	–	**19 875**	–
Ourluck Investments (Proprietary) Limited	**–**	–	**–**	95 783
Best strategy Nata (Proprietary) Limited	**1 220 699**	–	**1 220 699**	–
Tanglewood (Proprietary) Limited	**20 882**	–	**20 882**	–
Daisy Gardens (Proprietary) Limited	**489 893**	208 758	**489 893**	208 758
Deluxe (Proprietary) Limited	**95 444**	101 640	**95 444**	67 620
F & A Enterprises (Proprietary) Limited	**96 481**	80 897	**96 481**	80 897
Floating Idea (Proprietary) Limited	**48 398**	49 029	**48 398**	49 029
Fresh Take (Proprietary) Limited	**132 881**	197 193	**132 881**	197 193
Genuine Passions (Proprietary) Limited	**1 024 980**	931 800	**1 024 980**	931 800
Gliftwood (Proprietary) Limited	**1 423 498**	765 207	**1 423 498**	765 207
Gobrand (Proprietary) Limited	**110 246**	64 350	**110 246**	64 350
Godavari (Proprietary) Limited	**19 209**	90 277	**19 209**	90 277
Gritnit (Proprietary) Limited	**127 293**	66 000	**127 293**	122 571
Hoovernit (Proprietary) Limited	**30 300**	35 938	**30 300**	35 938
Jarapino (Proprietary) Limited	**99 818**	77 786	**99 818**	77 786
Jobfine (Proprietary) Limited	**49 434**	64 350	**49 434**	64 350
Kaar Distributors (Proprietary) Limited	**99 818**	108 252	**99 818**	108 252
Leaf Motis (Proprietary) Limited	**103 081**	80 897	**103 081**	80 897
Macha Investments (Proprietary) Limited	**76 181**	42 900	**76 181**	42 900
Million Touch (Proprietary) Limited	**138 311**	133 249	**138 311**	133 249
Right Time (Proprietary) Limited	**237 460**	170 628	**237 460**	170 628
Rigil (Proprietary) Limited	**47 100**	33 705	**47 100**	33 705
S & F (Proprietary) Limited	**132 466**	183 267	**132 466**	183 267
Sarfrosh Holdings (Proprietary) Limited	**100 282**	84 084	**100 282**	84 084
Shoppers Paradise (Proprietary) Limited	**49 469**	57 241	**49 469**	57 241
Spin & Shine (Proprietary) Limited	**68 310**	24 554	**68 310**	24 554
Tampatrail (Proprietary) Limited	**110 562**	84 568	**110 562**	84 568
Top Shape (Proprietary) Limited	**122 881**	98 576	**122 881**	98 576
Torinby (Proprietary) Limited	**197 201**	165 349	**197 201**	165 349
Velocity (Proprietary) Limited	**–**	281 904		281 904
Walrus (Proprietary) Limited	**1 784 556**	1 724 993	**1 784 556**	1 724 993
Wayside Supermarket (Proprietary) Limited	**–**	85 564	**–**	85 564
Whitebaite (Proprietary) Limited	**73 092**	66 000	**73 092**	61 286
Wolflakde (Proprietary) Limited	**3 293 134**	1 723 257	**3 293 134**	1 939 808
	57 366 401	43 762 443	**44 373 197**	33 004 924

Figures in Pula	Group 2018	Group 2017	Company 2018	Company 2017
25. RELATED PARTIES (continued)				
Rental income received from related parties (continued)	**57 366 401**	43 762 443	**44 373 197**	33 004 924
Choppies Warehousing Services (Proprietary) Limited	**7 674 465**	6 924 113	**–**	–
DCS Tropicana (Proprietary) Limited	**18 601**	–	**18 601**	–
Distron Botswana (Proprietary) Limited	**5 270**	–	**5 270**	–
Dostana (Proprietary) Limited	**53 436**	49 029	**53 436**	49 029
Feasible Investments (Proprietary) Limited	**554 254**	583 088	**554 254**	583 088
Freshtake (Proprietary) Limited	**112 763**	–	**112 763**	–
Gainville (Proprietary) Limited	**344 425**	128 627	**344 425**	128 627
Glenwally (Proprietary) Limited	**30 226**	12 964	**30 226**	12 964
Greenland (Proprietary) Limited	**45 000**	–	**45 000**	–
Highland (Proprietary) Limited	**–**	24 514		24 514
Honey Guide (Proprietary) Limited	**1 298 208**	–	**1 298 208**	–
Hoplite (Proprietary) Limited	**417 830**	–	**417 830**	–
ILO Industries (Proprietary) Limited	**1 131 330**	–	**1 131 330**	–
Industrial Filling Station (Proprietary) Limited	**1 269 619**	854 327	**1 269 619**	854 327
Inskip Investments (Proprietary) Limited	**244 312**	181 210	**244 312**	181 210
Ovais Investment (Proprietary) Limited	**1 175 207**	624 481	**1 175 207**	624 481
Kamoso Distribution (Proprietary) Limited	**22 965**	–	**22 965**	–
Keriotic Investments (Proprietary) Limited	**2 536 098**	–	**2 536 098**	–
Lubsoga (Proprietary) Limited	**37 337**	–	**37 337**	–
Lumpsum Investments (Proprietary) Limited	**359 169**	–	**359 169**	–
Mont Catering (Proprietary) Limited	**40 500**	1 790 320	**40 500**	1 790 320
Morava (Proprietary) Limited	**174 361**	–	**174 361**	–
Motopi (Proprietary) Limited	**3 599 841**	2 702 651	**3 504 039**	2 615 877
Northgate Lodge (Proprietary) Limited	**691 787**	628 898	**691 787**	628 898
Cottenvale (Proprietary) Limited	**35 200**	–	**35 200**	–
Ovais Investments (Proprietary) Limited	**122 501**	–	**122 501**	–
Payless (Proprietary) Limited	**85 040**	100 155	**85 040**	100 155
Peacock Blue (Proprietary) Limited	**816 400**	–	**816 400**	–
Pennywise Investments (Proprietary) Limited	**157 594**	131 520	**157 594**	131 520
Pinestone (Proprietary) Limited	**81 389**	67 286	**81 389**	67 286
Pratham Holdings (Proprietary) Limited	**454 960**	–	**454 960**	–
Presprime Investments (Proprietary) Limited	**156 240**	137 966	**156 240**	137 966
Princieton (Proprietary) Limited	**337 959**	227 769	**337 959**	227 769
Prosperous People (Proprietary) Limited	**1 026 825**	727 118	**1 026 825**	727 118
Puko (Proprietary) Limited	**1 852 106**	144 857	**1 852 106**	144 857
Quick Print (Proprietary) Limited	**–**	24 308	**–**	24 308
RBV Consultants (Proprietary) Limited	**118 368**	–	**118 368**	–
Real Plastic (Proprietary) Limited	**850 482**	–	**850 482**	–
Royal Stag (Proprietary) Limited	**18 040**	–	**18 040**	–
	85 316 509	59 827 644	**64 553 038**	42 059 238

Notes to the consolidated and separate financial statements continued

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Figures in Pula	Group 2018	Group 2017	Company 2018	Company 2017
25. RELATED PARTIES (continued)				
Rental income received from related parties (continued)	**85 316 509**	59 827 644	**64 553 038**	42 059 238
Shaysons Investments (Proprietary) Limited	**1 616 213**	–	**1 616 213**	
Smoothsail (Proprietary) Limited	**–**	1 512 987		1 512 987
Solace (Proprietary) Limited	**74 700**	–	**74 700**	
Strides of success (Proprietary) Limited	**555 012**	226 482	**555 012**	226 482
Sunrise (Proprietary) Limited	**373 733**	367 457	**373 733**	367 457
Supasave (Proprietary) Limited	**124 842**	208 404	**124 842**	208 404
Taj Supermarket (Proprietary) Limited	**1 057 435**	978 452	**1 057 435**	978 452
Teemane Plastics (Proprietary) Limited	**86 600**	11 607	**86 600**	11 607
Welldone (Proprietary) Limited	**3 295 963**	2 535 500	**3 295 963**	2 826 277
Atladis (Proprietary) Limited	**256 149**	207 048	**256 149**	207 048
Custody investment (Proprietary) Limited	**798 600**	–	**798 600**	–
Silver Light (Proprietary) Limited	**270 300**	–	**270 300**	–
Shine Star Lane (Proprietary) Limited	**780 982**	–	**780 982**	–
Texo (Proprietary) Limited	**76 230**	–	**76 230**	–
Tiger Square (Proprietary) Limited	**1 058 760**	–	**1 058 760**	–
Tim Tam (Proprietary) Limited	**308 446**	255 864	**308 446**	255 864
Vet Agric Suppliers (Proprietary) Limited	**137 828**	57 600	**137 828**	57 600
Weal (Proprietary) Limited	**461 516**	377 914	**461 516**	377 914
ZCX Investments (Proprietary) Limited	**1 103 972**	–	**1 103 972**	–
	97 753 790	66 566 959	**76 990 319**	49 089 330
Goods and services purchased from related parties				
Alpha Direct	**945 973**	644 844	**945 973**	644 844
Amphora (Proprietary) Limited	**20 630**	163 375	**20 630**	163 375
Choppies Distribution Centre (Proprietary) Limited	**–**	192 309	**–**	192 309
Electrometic Enterprises (Proprietary) Limited	**96 226**	93 914	**96 226**	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	**80 659**	105 200	**80 659**	105 200
	1 143 488	1 674 774	**1 143 488**	1 674 774

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for the year ended 30 June 2018

25. RELATED PARTIES (continued)

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:

Figures in Pula	Group 2018	Group 2017	Company 2018	Company 2017
Directors' fee	**711 183**	583 333	**711 183**	583 333
Salaries and other short-term employment benefits	**343 999**	320 000	**343 999**	320 000
	1 055 182	903 333	**1 055 182**	903 333

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 letter of unlimited suretyship for First National Bank Botswana Limited.

Mr Farouk Ismail, Mr Ottapathu Ramachandran and Far Property Company Limited have executed a joint and several continuing guarantee of R50 million plus interest and costs, in favour of Investec.

26. RISK MANAGEMENT

Capital risk management

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

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

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

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

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

The gearing ratio at 2018 and 2017 respectively were as follows:

Figures in Pula		Group 2018	Group 2017	Company 2018	Company 2017
Total borrowings					
Related party payable	6	**–**	–	**94 126**	208 165
Borrowings	12	**452 952 587**	503 086 644	**396 555 881**	446 396 624
Bank overdraft	10	**40 630 917**	–	**40 630 917**	–
Total debt		**493 583 504**	503 086 644	**437 280 924**	446 604 789
Less: Cash and cash equivalents	10	**(15 315 488)**	(58 246 995)	**(11 258 351)**	(57 209 873)
Net debt		**478 268 016**	444 839 649	**426 022 573**	389 394 916
Total equity		**797 373 307**	762 220 882	**740 213 572**	690 727 718
Total capital		**1 275 641 323**	1 207 060 531	**1 166 236 145**	1 080 122 634
Gearing ratio		**37%**	37%	**37%**	36%

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2018

26. RISK MANAGEMENT (continued)

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.

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 BWP15 345 477 (2017 – BWP58 246 995) 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 2018, group's current liabilities exceeds its current assets by BWP218 million. The liquidity gap is managed through BWP420 million undrawn facilities available to the group and the additional income to be generated from the rental income.

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

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

Figures in Pula	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years
Group – at 30 June 2018				
Borrowings	**180 588 555**	**337 827 640**	**13 256 782**	**82 034 084**
Trade and other payables	**15 988 207**	**–**	**–**	**–**
Bank overdraft	**40 630 917**	**–**	**–**	**–**
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	–	–	–	–
Company – at 30 June 2018				
Borrowings	**147 591 867**	**117 645 649**	**98 501 948**	**44 369 819**
Related party payables	**94 126**	**–**	**–**	**–**
Trade and other payables	**12 977 895**	**–**	**–**	**–**
Bank overdraft	**40 630 917**	**–**	**–**	**–**
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	–	–	–	–

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 the Pula and Rand. The group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the group calculates the impact on profit 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 period's reported figures due to the relatively short duration. The simulation is done on a quarterly basis to verify that the maximum loss potential is within the limit given by management. If interest rates on Pula denominated and Rand denominated borrowings had been 1% higher/lower with all other variables held constant, impact on profit for the year would be as follows:

	Impact lower		Impact higher	
Figures in Pula	**2018**	2017	**2018**	2017
Company				
Pula-denominated borrowings	**2 453 858**	3 092 285	**(2 796 626)**	(3 092 285)
South African Rand-denominated borrowings	**939 912**	962 213	**(938 349)**	(962 213)
Group				
Pula-denominated borrowings	**2 453 858**	3 092 285	**(2 796 626)**	(3 092 285)
South African Rand-denominated borrowings	**1 586 002**	1 556 560	**(1 731 142)**	(1 556 560)

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:

	Group		Company	
Figures in Pula	**2018**	2017	**2018**	2017
Financial instrument				
Related party receivables	**5 218 299**	8 865 012	**101 767 284**	68 562 083
Trade and other receivables	**14 161 872**	13 304 949	**10 234 825**	7 425 507
Cash and cash equivalents	**15 314 164**	58 240 328	**11 257 748**	57 209 873

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.

26. RISK MANAGEMENT (continued)

Foreign exchange risk

The group owns subsidiaries in South Africa and Zambia. Both subsidiaries hold investment properties in South Africa and Zambia respectively. Group exposed to foreign exchange risk in respect of assets and liabilities of these foreign subsidiaries that are not in the group's functional currency which is the Botswana Pula. The relevant exchange rates are the South African Rand, Zambian Kwacha 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.

The net assets subject to foreign exchange risk, converted at the rate of 1,31 (2017: 1,27) Rand to the Pula, at the reporting date comprise:

	Group		Company	
Figures in Pula	**2018**	2017	**2018**	2017
Non-current assets				
Investment property R251 673 862 (2017: R258 973 083)	**201 314 222**	203 675 252	**–**	–
Current assets				
Operating lease asset R5 306 039 (2017: R4 533 917)	**4 028 577**	3 565 802	**–**	–
Trade and other receivables R6 137 126 (2017: R7 725 602)	**4 659 575**	6 075 974	**–**	–
Cash and cash equivalents R3 222 109 (2017: R1 318 700)	**2 446 367**	1 037 122	**–**	–
Liabilities				
Borrowings R74 280 100 (2017: R72 018 361)	**56 396 706**	56 690 020	**–**	–
Deferred income tax liabilities R23 941 387 (2017: R28 178 462)	**17 976 299**	22 161 590	**–**	–
Income tax payable R5 076 821 (2017: R5 002 165)	**4 000 633**	3 934 066	**–**	–
Trade and other payables R3 127 799 (2017: R822 598)	**2 374 762**	646 950	**–**	–
The net assets subject to foreign exchange risk, converted at the rate of 0,9537 Kwacha to the Pula, at the reporting date comprise:				
Non-current assets				
Investment property ZMW251 673 862	**19 692 466**	–	**–**	–
Current assets				
Operating lease asset ZMW1 950 840	**2 045 459**	–	**–**	–
Trade and other receivables ZMW834 924	**642 376**	–	**–**	–
Cash and cash equivalents ZMW1 536 261	**1 610 770**	–	**–**	–
Liabilities				
Trade and other payables ZMW578 777	**606 849**	–	**–**	–

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27. FINANCIAL INSTRUMENTS – FAIR VALUE HIERARCHY

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

The fair value hierarchy is measured as follows:

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

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

	Group			Company		
Figures in Pula	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
2018						
Cash and cash equivalents	**15 315 488**	**–**	**–**	**11 258 351**	**–**	**–**
2017						
Cash and cash equivalents	58 246 995	–	–	57 209 873	–	–

There have been no transfers between any of the hierarchy levels during the year (2017: 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:

	Group			Company		
Figures in Pula	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
2018						
Assets						
Related party receivables	**–**	**–**	**5 218 299**	**–**	**–**	**101 767 284**
Trade and other receivables	**–**	**–**	**14 161 872**	**–**	**–**	**10 234 825**
Liabilities						
Borrowings	**–**	**–**	**452 952 587**	**–**	**–**	**396 555 881**
Related party payables	**–**	**–**	**–**	**–**	**–**	**94 126**
Trade and other payables	**–**	**–**	**14 792 552**	**–**	**–**	**12 335 069**
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

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 measured as follows:

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

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

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

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

	Group			Company		
Figures in Pula	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
2018						
Investment property	**–**	**–**	**1 357 665 459**	**–**	**–**	**1 134 808 771**
2017						
Investment property	–	–	1 292 766 546	–	–	1 086 641 294

There have been no transfers between any of the hierarchy levels during the year (2017: 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 the view that it is based on the net underlying asset values which include level 3 inputs for the investment property as set out above.

	Group		Company	
Figures in Pula	**2018**	2017	**2018**	2017
29. LINKED UNITS DISTRIBUTION PAYABLE				
Balance at beginning of year	**52 022 000**	12 996 000	**52 022 000**	12 996 000
Amount declared during year	**49 004 494**	52 022 000	**49 004 494**	52 022 000
Amount paid during year	**(4 529 637)**	(12 996 000)	**(4 529 637)**	(12 996 000)
Scrip in lieu of distribution on linked units	**(47 492 363)**	–	**(47 492 363)**	–
Balance at end of year	**49 004 494**	52 022 000	**49 004 494**	52 022 000
Linked unit distribution per linked unit – declared during the year	**0,12**	0,14	**0,12**	0,14

30. EARNINGS PER LINKED UNIT

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

	Group		Company	
Figures in Pula	**2018**	2017	**2018**	2017
Net profit for the year attributable to linked unitholders	**39 249 959**	65 301 047	**50 997 985**	58 018 340
Weighted average number of linked units in issue	**394 764 190**	380 000 000	**394 764 190**	380 000 000
Basic earnings per linked unit	**0,10**	0,17	**0,13**	0,15

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

31. EVENTS AFTER THE REPORTING PERIOD

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

32. OPERATING SEGMENTS

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

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

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 residential purposes
“Commercial properties” – Properties occupied for commercial purposes
“Industrial properties” – Properties occupied for industrial purposes
“Other” – includes other activities not included in other segments

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32. OPERATING SEGMENTS (continued)

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

Figures in Pula	Residential	Commercial	Industrial	Other	Total
Company					
Revenue	14 530 732	54 479 488	33 195 394	–	102 205 614
Tenant recoveries	563 742	3 674 177	2 504 754	–	6 742 674
Operating expenses	(837 638)	(3 776 128)	(681 490)	(12 087 112)	(17 382 367)
Finance income	–	–	–	14 007 960	14 007 960
Finance costs	–	–	–	(33 297 340)	(33 297 340)
Investment property fair value adjustment	(518 928)	(8 107 922)	(22 244 278)	–	(30 871 128)
Income tax credit	–	–	–	(107 786)	(107 786)
Segment assets	180 740 494	471 292 977	530 497 025	126 568 616	1 309 099 112
Reconciliation to total assets as reported in the statement of financial position					
Property, plant and equipment	–	–	–	497 354	497 354
Investment property	175 456 000	457 589 168	501 763 603	–	1 134 808 771
Investments in subsidiaries	–	–	–	2 415 821	2 415 821
Related party receivables	–	–	–	101 767 284	101 767 284
Operating lease asset	5 284 494	13 703 809	28 733 422	–	47 721 725
Trade and other receivables	–	–	–	10 629 806	10 629 806
Cash and cash equivalents	–	–	–	11 258 351	11 258 351
Total assets as reported in the statement of financial position	180 740 494	471 292 977	530 497 025	126 568 616	1 309 099 112
Total liabilities	–	–	–	568 885 540	568 885 540

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32. OPERATING SEGMENTS (continued)

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

Figures in Pula	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)	(13 005 259)
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)
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	–	–	–	–	19 269
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 consolidated and separate financial statements** continued

for the year ended 30 June 2018

32. OPERATING SEGMENTS (continued)

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

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

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2018

South Africa				Zambia				
Residential	Commercial	Industrial	Other	Residential	Commercial	Industrial	Other	Total
336 542	15 642 395	7 325 212	–	–	1 867 351	–	–	127 377 115
18 699	5 604 895	1 567 720	–	–	–	–	–	13 933 987
(20 128)	(3 842 024)	(1 030 397)	(7 856 842)	–	(519 897)	–	–	(30 732 826)
–	–	–	10 835 198	–	–	–	–	(3 172 762)
–	–	–	(7 720 691)	–	–	–	–	(41 018 031)
113 233	(9 984 615)	(2 662 978)	–	–	(1 892 318)	–	–	(46 124 272)
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
–	–	–	3 308 445	–	–	–	(186 735)	3 013 924
3 345 987	116 559 107	85 437 704	12 666 353	–	21 737 925	–	–	1 451 731 382
–	–	–	304 848	–	–	–	–	802 202
3 328 318	113 949 704	84 036 200	–	–	19 692 466	–	–	1 357 665 458
–	–	–	–	–	–	–	–	5 218 299
17 670	2 609 403	1 401 504	–	–	2 045 459	–	–	53 795 761
–	–	–	4 312 864	–	–	–	–	14 942 670
–	–	–	4 057 137	–	–	–	–	15 315 488
–	–	–	3 991 504	–	–	–	–	3 991 504
3 345 987	116 559 107	85 437 704	12 666 353	–	21 737 925	–	–	1 451 731 382
–	–	–	85 472 536	–	–	–	–	654 358 076

Notes **to the consolidated and separate financial statements** continued

for the year ended 30 June 2018

32. OPERATING SEGMENTS (continued)

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

	Botswana			
Figures in Pula	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	–	–	–	11 031 203
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	131 774 211	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
Total assets as reported in the statement of financial position	131 774 211	546 437 441	453 641 016	78 587 253
Total liabilities	–	–	–	579 360 984

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2018

	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
(20 128)	(4 701 659)	(1 440 673)	(1 194 429)	(20 433 077)
–	–	–	(10 461 895)	569 308
–	–	–	(218 968)	(39 600 526)
(139 592)	(5 219 794)	4 961 942	–	(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

Detailed **income statement**

for the year ended 30 June 2018

Figures in Pula	Notes	Group 2018	Group 2017	Company 2018	Company 2017
Revenue					
Rental income		**127 377 113**	112 928 859	**102 205 614**	90 804 641
Deferred lease adjustment		**7 455 889**	8 881 490	**4 960 351**	7 047 356
		134 833 002	121 810 349	**107 165 965**	97 851 997
Other income					
Fuel rebates		**1 689 896**	2 302 587	**1 689 896**	2 302 587
Recoveries		**13 933 987**	12 456 886	**6 742 674**	4 723 738
Management fee		**–**	–	**2 667 282**	2 811 575
Miscellaneous income		**481 517**	365 758	**382 829**	363 485
Operating expenses		**(30 732 826)**	(20 433 617)	**(17 382 367)**	(13 005 258)
Operating profit		**120 205 576**	116 501 963	**101 266 279**	95 048 124
Finance income	17	**3 172 762**	569 308	**14 007 960**	11 031 203
Finance costs	18	**(41 018 031)**	(39 600 526)	**(33 297 340)**	(39 381 558)
Net income from operations		**82 360 307**	77 470 745	**81 976 899**	66 697 769
Fair value gain		**(46 124 272)**	(15 251 328)	**(30 871 128)**	(14 703 884)
Loss on sale on investment property		**–**	–	**–**	–
Loss on disposal of subsidiary		**–**	–	**–**	–
Profit before income tax		**36 236 035**	62 219 417	**51 105 771**	51 993 885
Income tax credit	20	**3 013 924**	3 081 630	**(107 786)**	6 024 455
Profit for the year		**39 249 959**	65 301 047	**50 997 985**	58 018 340
Operating expenses					
Accounting fees		**(272 985)**	(657 605)	**(262 842)**	(395 459)
Rates		**(1 258 290)**	(1 101 233)	**(466 892)**	(339 304)
Auditor's remuneration		**(798 670)**	(624 038)	**(664 280)**	(609 100)
Bank charges		**(56 527)**	(64 008)	**(37 370)**	(51 213)
Cleaning		**(718 081)**	(518 417)	**(513 526)**	(339 350)
Depreciation		**(202 907)**	(135 030)	**(170 512)**	(135 030)
Insurance		**(1 190 361)**	(1 009 087)	**(883 932)**	(742 313)
Legal expenses		**(655 898)**	(223 155)	**(319 661)**	(193 716)
Professional charges		**(1 717 647)**	(980 380)	**(936 206)**	(587 703)
Levies		**(1 168 550)**	(819 948)	**(1 166 574)**	(775 268)
Commission		**(309 429)**	(77 985)	**(274 366)**	(77 985)
Loss on disposal of investment property		**–**	(189 140)	**–**	(189 140)
Repairs and maintenance		**(1 083 744)**	(715 405)	**(806 966)**	(533 299)
Rentals		**(104 295)**	(129 042)	**–**	–
Security		**(1 033 214)**	(846 450)	**(695 262)**	(629 171)
SAT penalty interest		**–**	(69 838)	**–**	–
Staff cost		**(1 947 135)**	(1 753 828)	**(1 947 135)**	(1 959 295)
Impairment of trade receivable		**(4 252 521)**	(572 918)	**(1 862 190)**	(569 931)
Utilities		**(10 208 089)**	(8 160 540)	**(4 689 059)**	(3 245 175)
Directors' remuneration		**(711 183)**	(583 333)	**(711 183)**	(583 333)
Other charges		**(3 043 300)**	(1 202 237)	**(974 411)**	(1 049 473)
		(30 732 826)	(20 433 617)	**(17 382 367)**	(13 005 258)

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**

Analysis – 2018

SL No		Name of shareholders 2018	Number of shares held 2018	Percentage of shares held 2018	Number of shareholders 2017	Number of shares held 2017	Percentage of shares held 2017
1	1 - 1 000	388	128 345	0,03	136 253	0,1	138 300
2	1 001 - 10 000	140	557 542	0,14	609 595	0,2	670 291
3	10 001 - 100 000	65	2 382 569	0,60	2 724 881	0,7	2 810 976
4	100 001 - 1 000 000	21	6 488 182	1,62	5 466 358	1,4	5 317 520
5	1 000 001 and above	7	389 828 000	97,61	371 062 913	97,6	371 062 913
	Total	621	399 384 638	100,00	380 000 000	100	380 000 000

Top five shareholders

SL No	Name of top five shareholders	Number of shares held 2018	Percentage of holding 2018	Number of shares held 2017	Percentage of holding 2017
1	Farouk Ismail	157 611 278	39,46	150 000 000	39,47
2	Ramachandran Ottapathu	152 476 375	38,18	149 995 000	39,47
3	Botswana Public Officers Pension Fund	69 914 275	17,51	64 855 932	17,08
4	Allan Gray Re Debswana Pension Fund	8 256 349	2,07	4 561 627	1,2
5	FNB Botswana Noms (Proprietary) Limited Re:Kgori Capital Npf	1 569 723	0,39	1 650 354	0,43
	Total	389 828 000	97,61	371 062 913	97,65

List of shareholders holding above 5% – 2018

	Name of shareholders – 2018	Number of shares held 2018	Percentage of holding 2018	Number of shares held 2017	Percentage of holding 2017
1	Farouk Ismail	157 611 278	39,46	150 000 000	39,47
2	Ramachandran Ottapathu	152 476 375	38,18	149 995 000	39,47
3	Botswana Public Officers Pension Fund	69 914 275	17,51	64 855 932	17,07
	Total	380 001 928	95,15	364 850 932	96,01

Analysis **of linked unitholders**

Shareholder analysis – 2018

	Details	Number of shareholders 2018	Number of shares held 2018	Percentage of holding 2018	Number of shareholders 2017	Number of shares held 2017	Percentage of holdings 2017
1	Public	612	31 353 388	4,62	626	26 074 814	6,86
2	Directors	7	311 012 262	77,88	11	300 638 500	79,12
3	Shareholders holding above 5% excluding directors	2	57 018 988	17,51	1	53 286 686	14,02
	Total	621	399 384 638	100,00	638	380 000 000	100

FAR HAS ONLY 6 DIRECTORS

FAR DID NOT HAVE 11 DIRECTORS

Shareholders' classifications – 2018

		Number of shareholders 2018	Number of shares held 2018	Percentage of holding 2018	Number of linked units 2017	Number of linked units held 2017	Percentage of holdings 2017
1	Individuals	570	2 621 283	0,65	587	3 232 473	0,85
2	Companies	12	136 485	0,03	11	126 727	0,03
3	Institutional investors	32	85 614 608	21,44	29	76 002 300	20
4	Directors	7	311 012 262	77,88	11	300 638 500	79,12
	Total	621	399 384 638	100,00	638	380 000 000	100

FAR HAS ONLY 6 DIRECTORS

FAR DID NOT HAVE 11 DIRECTORS

Directors' holdings

	Names of directors	Number of shares held 2018	Percentage of holdings 2018	Number of shares held 2017	Percentage of holdings 2017
1	FGM Holdings (Proprietary) Limited (He Festus Mogae)	525 470	0,13	500 000	0,13
2	Ramachandran Ottapathu (including indirect holding)	152 684 238	38,23	150 245 000	39,54
3	Robert Neil Matthews	85 928	0,02	43 500	0,01
4	Vidya Sanooj	131 743	0,03	225 000	0,06
5	Faisal Ishmael (through his family)	157 611 278	39,46	150 000 000	39,47
6	Reetsang Willie Mokgatlhe	-	-	-	-
	Total	311 038 657	77,88	301 013 500	79,21

Notice **of annual general meeting**

THE FAR PROPERTY COMPANY LIMITED

Notice is hereby given that the 2018 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 Wednesday, 28 November 2018 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 2018 together with the directors' and auditor's reports thereon.

3. To confirm distribution number 3 of 12,27 thebe to unitholders, comprising 12,16 thebe interest and 0,11 thebe dividend for the year ended 30 June 2018 as recommended by the board of directors it being noted that an additional 6 923 181 linked units were issued to unitholders, who elected to capitalise distribution number 3 in terms of the notice to unitholders dated 17 August 2018.

4. To re-elect below retiring directors of the company in terms of clause 20.9.1 of the Constitution of the company:

   4.1 Mr Robert Neil Matthews 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.

   4.2 Mr Reetsang Willie Mokgatlhe 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.

5. To consider and ratify the remuneration paid to independent directors for the year ended 30 June 2018 as set out on page 18 of the integrated annual report.

6. To approve the remuneration paid to the auditor, PricewaterhouseCoopers, for the year ended 30 June 2018.

7. To re-appoint PricewaterhouseCoopers as the auditor for the ensuing financial year.

8. 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.

9. To take and respond to questions put by unitholders in respect of the affairs and the business of the company.

10. To close the meeting.

Notice **of annual general meeting** continued

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

25 September 2018

Form **of proxy**

THE FaR PROPERTY COMPANY LIMITED
Plot 169, Gaborone International Commerce Park
East Gate Kgale View
Gaborone
Botswana
Private Bag 00278
Gaborone
Botswana

For completion by the holders of linked units

For use at the annual general meeting of unitholders of the company to be held at Gaborone on Wednesday, 28 November 2018 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)

Hereby appoint

1. or failing him/her, appoint

2. or failing him/her, appoint

3. the chairman of the meeting as my/our proxy to act for me/us at the 2018 annual general meeting, to vote for or against the resolutions and/or abstain from voting in respect of the linked units registered in my/our name in accordance with the following instructions:

Number of linked units		For	Against	Abstain
Ordinary resolution 1	Agenda item number 2			
Ordinary resolution 2	Agenda item number 3			
Ordinary resolution 3	Agenda item number 4.1			
Ordinary resolution 4	Agenda item number 4.2			
Ordinary resolution 5	Agenda item number 5			
Ordinary resolution 6	Agenda item number 6			
Ordinary resolution 7	Agenda item number 7			
Ordinary resolution 8	Agenda item number 8			

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 8 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			
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 January 2019	✓

CHAPTER 2: BOARDS AND DIRECTORS CONTINUED			
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 2019	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 co-ordinated approach to all assurance activities	As internal audit is not in existence, the combined assurance model is, to some extent, dependent on the roles of the audit committee and the external auditor	P
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function		✓
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			
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			
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			
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	×

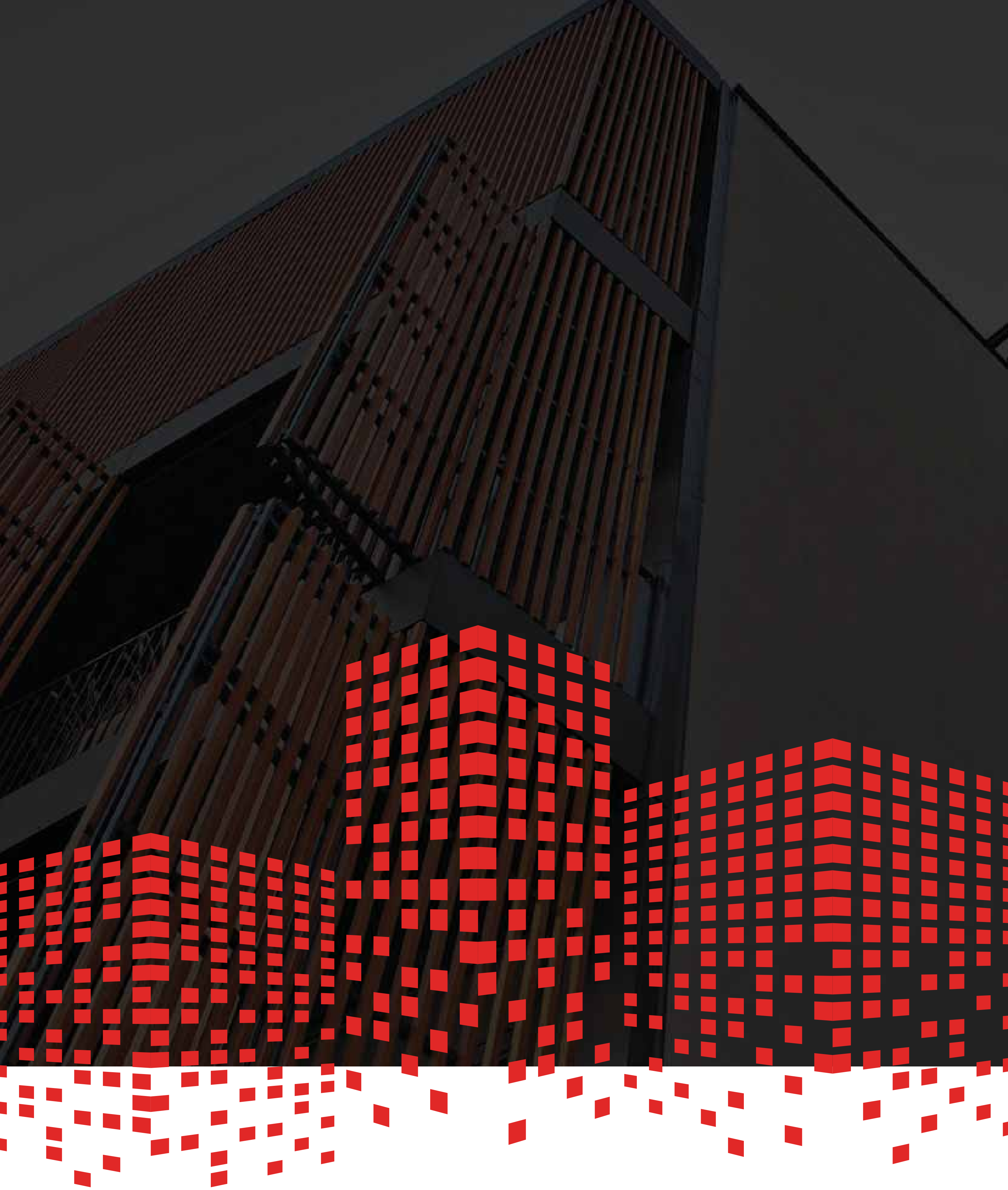
Corporate **information**

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

REGISTERED ADDRESS
Plot 50370
Acumen Park
Fairgrounds, Gaborone

INDEPENDENT AUDITOR
PricewaterhouseCoopers
Plot 50371
Fairgrounds, Gaborone

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



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

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