TURNSTAR
HOLDINGS LIMITED

www.turnstar.co.bw

› PROPERTY
› INVESTMENTS
› SUSTAINABILITY

ANNUAL REPORT
2018

› Highlights of the Year

Positive results despite challenging operating environment and competitive market

Maintained property asset value at

2.2bn

Total return to investors of

6.5%

for FY2018

1.5%

share price appreciation and

5%

income return from distributions

Group will distribute

P103m

for the year

Full year distribution per linked unit is

18t

Net asset value per linked unit

P2.73

Balance sheet remains well capitalised and gearing is maintained at conservative levels

Portfolio vacancy of

10%

above target structural portfolio vacancy of 3%, due to the vacant commercial office blocks in Tanzania

Property purchased new property in Dubai for

P82m

during the year, out of internally generated funds

› Contents

› Board of Directors


PATRICK BALOPI


GULAAM HUSAIN ABDOOLA


MOKGADI K NTETA


PIERRE BEZUIDENHOUT

PATRICK K BALOPI - CHAIRMAN

Mr Balopi is one of the founding members of Turnstar Holdings and previously served as a Director of the Company. Mr Balopi has been a Member of Parliament for 20 years and has held a number of cabinet and Ministerial positions during the period 1984 – 1994. He was elected to the position of the Speaker of Parliament of the Republic of Botswana and served simultaneously as the Chairperson of the SADC Parliament Forum. A recipient of the Presidential Order of Honour (PH) and the Melvin Jones Fellow Lions Club International, he has recently been appointed by His Excellency the President of the Republic of Botswana, as Botswana's eminent representative to the Queen Elizabeth II Diamond Jubilee Board of Trustees, headed by the former British Prime Minister, the Right Honorable John Major. Mr Balopi also serves as a Director in several other Companies in Botswana.

SHIRAN PUVIMANASINGHE

PEO PILLAR

ISHMAEL NSHAKAZHOGWE

MOKGADI K NTETA - DIRECTOR
Mokgadi K Nteta has a BSc (Honours) degree in Applied Psychology from the University of Wales Institute of Science and Technology, an MBA in Human Resource Management from City University Business School in London and is a Fellow of the CIPD and member of Business Botswana. Her experience in HR spans over 20 years and she has worked for blue-chip private sector companies such as Debswana, Barclays Bank of Botswana, Sefalana sa Botswana and Kgalagadi Breweries holding a number of senior HR positions, culminating in the post of Human Resources Director before forming her own consultancy business. She has a number of business interests and corporate directorships as well as serving society through various charitable avenues, including the charity she founded, the Dignity Foundation Trust, which benefits the girl-child.

GULAAM HUSAIN ABDOOLA - MANAGING DIRECTOR
Gulaam Abdoola is a founding member of Turnstar Holdings Limited and was the Managing Director at the inception of the Company. He is the Executive Chairman of GH Group, a group of companies with businesses interests in property, retail, wholesale, restaurants, boutiques, tyres, spare parts, and petroleum retail. He has served as Non-Executive Director on various company Boards and as Chairman of Stanbic Bank Botswana, McCarthy Retail Botswana (which comprises Game Discount World, Bee Gee, Savelles, Happy Homes,Bears,Guys & Girls and Bonus Building Supplies) and Prefsure Insurance.

SHIRAN PUVIMANASINGHE - DIRECTOR
Shiran Puvimanasinghe is a Chartered Accountant. He commenced his career in Botswana in 1987 as a Senior Manager at Coopers and Lybrand (now PWC). He served the Botswana Housing Corporation, as a Chief Accountant during the period 1990 - 1993. He was the Financial Director of Zurich Insurance Company Botswana for 15 years and subsequently appointed as Chief Executive Officer in 2009. Shiran joined Turnstar Holdings as the Chief Financial Officer, in June 2013. He was appointed as a Director on the 11th December 2014.

ISHMAEL NSHAKAZHOGWE - DIRECTOR
Ishmael Nshakazhogwe is the Chairman and Managing Director of the Zambezi Group of Companies which embraces industry, petroleum, hospitality, property, farming and international trade. He is a successful businessman who has received the highest award from the French Government, the National Order of Merit "Chevailer de l'ordre du Merite", as well as Presidential Orders for Meritorious Service by the President of Botswana. Mr Nshakazhogwe is a member of the Business Botswana, the Botswana Investment and Trade Centre and a committee member of the Civil Justice Forum, A.G. Chambers. He is also a member of the High Level Consultative Committee on Justice and Governance, a Public/Private Governance Body. He received an honorary award and an appointment by the Thai Government as Thailand's Consulate General to the Republic of Botswana. In 2015, he received the Arch of Europe award for the European community for excellence and quality award in recognition of private sector window opening.

PIERRE BEZUIDENHOUT - DIRECTOR
Pierre Bezuidenhout has a BCom Hons and a BCom (Law) from Rand Afrikaans University in South Africa. He has 22 years' experience in investment banking and is currently the Managing Director of Collectus (Pty) Ltd.

PEO PILLAR - DIRECTOR
Peo Pillar graduated from the University of Botswana with a Bachelor of Commerce (Accounting) in 1995 and attained ACCA qualification in 1998. In 2010 she completed an MBA in Financial Services through the London School of Business and Finance. Mrs Pillar holds various professional memberships and is a Fellow Member of ACCA, Associate Member of the Botswana Institute of Chartered Accountants (BICA) and Alumni of UNISA. She is a qualified Chartered Accountant with extensive experience in internal auditing, external auditing and financial accounting; having worked in audit for eight years and in financial accounting for 13 years. She is currently the Chief Business Risk Management Officer at Mascom Wireless. Peo has been elected to the BICA Council in April 2015 and holds the position of Treasurer.

Dear Unit Holders

We have pleasure in reporting to you, the results for theFinancial Year ended 31 January 2018. Factors beyondthe control of management have had an impact on the Financial Statements.

There was a delay in the completion of the construction of the new section of Game City. As reported last year, we assumed that the trading licence issue in Botswana had been resolved. It seems that was not the case and continued into this year. These issues delayed the leasing of the new wing of Game City. We could no longer hold the stores for the tenants who had signed pre leases but could not obtain their Trading Licences. We have leased these stores to other tenants. The new tenants needed a period of beneficial occupation before they started paying rent. Hence rental revenues for these stores have only been received during the last few months of the financial year under review.

We achieved an approximate 97% tenancy ratio in our Botswana properties during the year under review.

In Tanzania, the delay in the completion of the construction, resulted in a delay in the leasing of the new developments. The current downturn in the economy has affected the Mlimani Commercial Office and Conference Centre revenues. The shifting of the country's capital to Dodoma, has caused a surplus of office space in Dar es Salaam. This has adversely affected the occupancy of the commercial office blocks at Mlimani City. On a positive note, the retail shopping mall, including the new wing, is fully tenanted and operating at full capacity.

Pending the leasing, the Group had to incur overheads such as utilities, security, cleaning etc. The interest expenses on the completed construction project, has to be incurred as well.

The delayed Income from the newly completed areas has affected the Group's operating Profit. However, it should be noted that the rental revenues from the areas which are being leased in the new developments, will largely convert into bottom line profits, since the overheads relating to these areas are already being incurred.

Turnstar has now completed the Game City and Mlimani City extensions. We are now looking to grow the Company further through new acquisitions. I visited our major stakeholders to discuss where we are and where we would like to be. We were assessing appetite for a possible rights issue to grow the Company. The response we received was extremely favourable. There are a few opportunities that we would like to investigate further. In terms of asset value, Turnstar is the largest amongst Botswana listed Companies and we intend to grow this asset base.

NEW ACQUISITION IN DUBAI

We are pleased to announce the successful acquisition of an office block in Dubai. This acquisition provides the Turnstar Group with further diversification in terms of geographic location as well as a currency hedge. The property was purchased wholly out of the Groups internally generated funds. It is fully tenanted as from the date of purchase and provides a yield of approximately 9% per annum.

The property was purchased during the latter part of the financial year. Hence only a few months revenue, is reflected in these financial statements. The property was purchased through Group's wholly owned subsidiaries, Turnstar Investments Ltd and Palazzo Venecia Holdings Ltd, incorporated in the United Arab Emirates.

Financial Operating Review

FAIR VALUE of PROPERTIES

The decrease in Mlimani rental revenues have had an impact on the Fair Value of the Tanzanian property.

It is noteworthy that fair values are calculated on the basis of Discounted Cash Flows of future rentals and do not reflect the actual condition of the buildings.

CURRENCY FLUCTUATIONS

The US Dollar depreciated against the Botswana Pula, significantly, during the year ended 31 January 2018. This has adversely affected the Group results for the year ended 31 January 2018.

Stakeholders are however reminded that, the foreign exchange translation gains and losses are unrealised and dependant on the USD / BWP exchange rate as at year end.

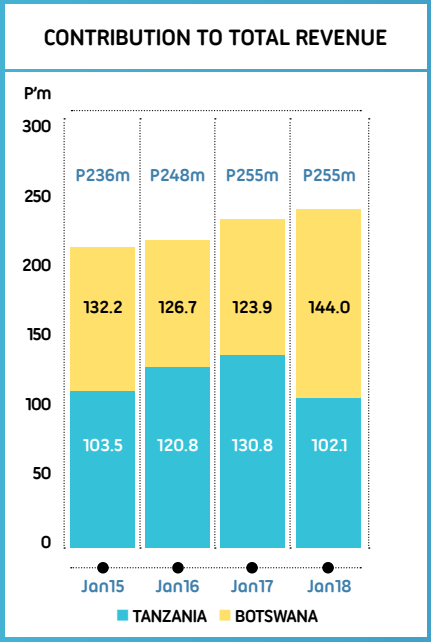
Further, the Group has ensured that, the US Dollar dominated liabilities are serviced by US Dollar income, and hence the Group is not exposed to actual exchange fluctuations.

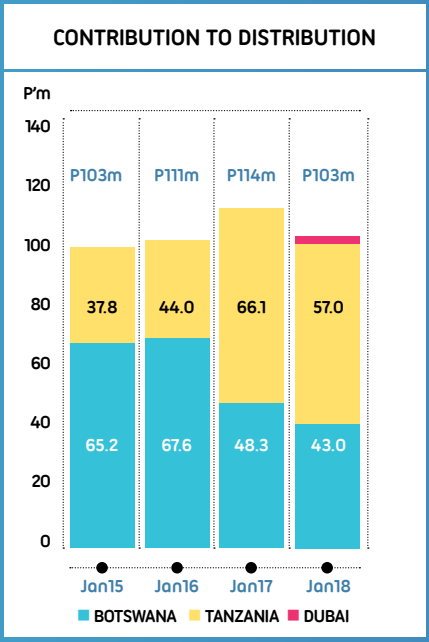
TRANSLATION LOSSES

The translation loss reported for the year ended 31st January 2018, occurred when translating the US Dollar denominated investments and other financial assets of the Group's Tanzanian subsidiary, Mlimani Holdings Ltd. The subsidiary reports in US Dollar currency, whilst the Group's functional currency is Botswana Pula.

It should be noted that, these foreign exchange translation losses are unrealised and dependant on the USD / BWP exchange rate at the year end.

Approximately 43% of the Group's total rental income, is in US Dollars.





DISTRIBUTION

The full year distribution is 18t per linked unit.

The Group distributed P103 m for the year, despite the challenges experienced.

Net Asset value per linked unit is strong at P 2.73 per linked unit.

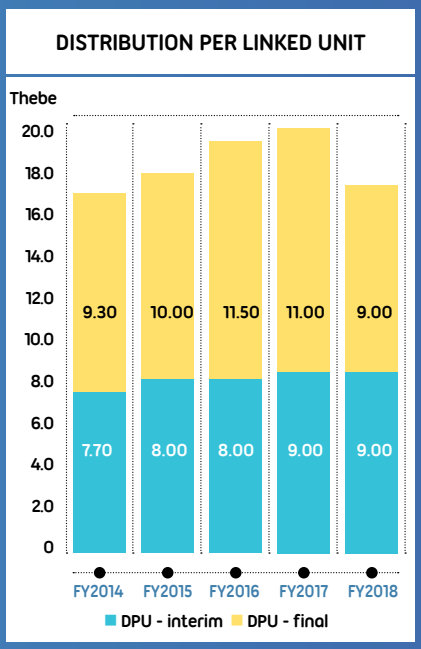
The group has recorded a 1.5% share price appreciation and 5% income return from distributions, a total return to investors of 6.5% for the 2018 financial year.

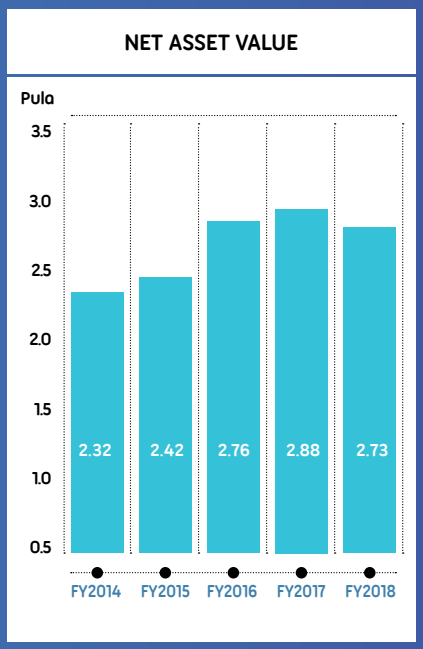
CAPITAL MANAGEMENT

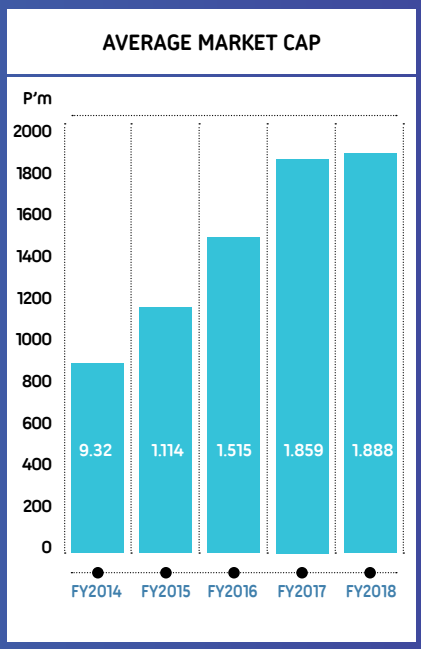
Interest and loan repayments on the USD loan facility are made from USD rentals earned from the Group's Tanzanian properties. Hence, there is no foreign currency exposure on the loan and interest repayments.

The loan to value ratio (borrowings as a percentage of investment property) is 27%. The interest covers ratio is 9 x.

The balance sheet remains well capitalised and gearing is maintained at conservative levels.







Abridged Income Statement

	GROUP		COMPANY	
	31 Jan 18 Pula	31 Jan 17 Pula	31 Jan 18 Pula	31 Jan 17 Pula
Revenue				
Rental income	251,889,140	254,646,681	143,993,028	123,893,401
Other income	2,000,061	4,018,390	787,645	936,513
Operating expenses	(110,881,295)	(100,523,210)	(66,305,691)	(55,027,852)
Dividend income from subsidiary	-	-	22,994,640	37,387,746
Operations profit	**143,007,906**	**158,141,861**	**101,469,622**	**107,189,808**
Finance income	755,383	4,573,091	37,752,727	33,298,815
Finance cost	(14,673,895)	(16,585,351)	(23,911,133)	(16,585,351)
Profit before exchange difference and FV	**129,089,394**	**146,129,601**	**115,311,216**	**123,903,272**
Exchange gain	31,927,751	25,260,064	31,918,887	25,260,064
Exchange loss	(54,177,930)	(42,260,871)	(54,177,930)	(42,260,871)
Profit before FV	**106,839,215**	**129,128,794**	**93,052,173**	**106,902,465**
Fair value adjustments	(76,110,595)	105,341,115	33,085,893	96,864,881
Profit before tax	**30,728,620**	**234,469,909**	**126,138,066**	**203,767,346**
Taxation	42,465,085	3,254,907	2,777,862	(12,743,723)
Profit after tax	**73,193,705**	**237,724,816**	**128,915,928**	**191,023,623**
Other comprehensive income				
Exchange difference on translating foreign operations	(47,418,115)	(48,806,870)	-	-
Total comprehensive income for the year	**25,775,590**	**188,917,946**	**128,915,928**	**191,023,623**
Profit for the year attributable to linked Unit holders				
Owners of the parent company	72,119,054	237,724,816	128,915,928	191,023,623
Non controlling interest	1,074,651	-	-	-
	73,193,705	**237,724,816**	**128,915,928**	**191,023,623**
Basic earnings per linked unit (in thebe)	12.79	41.55	22.53	33.39
Diluted earnings per linked unit (in thebe)	12.79	41.55	22.53	33.39
Distribution per linked unit(in thebe)	18.00	20.00	18.00	20.00
Debenture interest per linked unit (in thebe)	14.49	13.47	14.49	13.47
Dividend per linked unit (in thebe)	3.51	6.53	3.51	6.53
NAV per unit (thebe)	2.73	2.88	2.40	2.37
Number of linked units	572,153,603	572,153,603	572,153,603	572,153,603

Abridged Balance Sheet

	GROUP		COMPANY	
	31 Jan 18 Pula	31 Jan 17 Pula	31 Jan 18 Pula	31 Jan 17 Pula
ASSETS				
Non-Current Assets	**2,341,870,529**	**2,361,811,752**	**1,913,799,725**	**1,811,082,730**
Investment property	2,251,628,531	2,266,752,632	1,221,399,358	1,166,543,710
Plant and equipment	4,982,115	3,812,658	3,692,821	2,040,934
Goodwill	57,333,674	63,427,985	-	-
Investment in subsidiary	-	-	198,426,378	198,399,518
Loan to related company	-	-	215,788,226	187,605,545
Other financial assets	-	-	249,164,779	232,405,414
Deferred tax	7,617,904	5,829,174	7,617,904	5,829,174
Operating lease asset	20,308,305	21,989,303	17,710,259	18,258,435
Current Assets	**80,695,124**	**244,569,256**	**197,530,853**	**319,255,336**
Other financial assets	-	-	140,622,664	97,154,052
Current tax receivable	1,888,584	2,048,815	381,174	381,174
Operating lease asset	4,990,383	439,066	4,990,383	725,521
Cash and cash equivalent	49,567,336	215,554,218	40,507,098	209,155,226
Trade and other receivables	24,248,821	26,527,157	11,029,534	11,839,363
Total Assets	**2,422,565,653**	**2,606,381,008**	**2,111,330,578**	**2,130,338,066**
EQUITY AND LIABILITIES				
Stated Capital and Reserves	**1,559,186,945**	**1,648,916,726**	**1,373,338,643**	**1,358,853,427**
Stated capital	346,420,555	346,420,555	346,420,555	346,420,555
Linked unit debentures	286,076,802	286,076,802	286,076,802	286,076,802
Fair value surplus	556,038,253	595,432,680	587,780,860	554,669,614
Retained earnings	265,750,558	257,224,725	101,566,602	108,749,560
Debenture interest and dividend reserves	51,493,824	62,936,896	51,493,824	62,936,896
Foreign currency translation reserve	53,406,953	100,825,068	-	-
Non-Current Liabilities	**781,798,351**	**888,618,158**	**685,400,306**	**738,481,248**
Borrowings	580,587,938	632,679,746	580,587,938	632,679,746
Deferred taxation	201,210,413	255,938,412	104,812,368	105,801,502
Current Liabilities	**81,580,357**	**68,846,124**	**52,591,629**	**33,003,391**
Trade and other payables	50,504,730	66,801,589	21,516,002	30,958,856
Borrowings	29,981,010	999,916	29,981,010	999,916
Unclaimed debenture interest and dividend	1,094,617	1,044,619	1,094,617	1,044,619
Total Equity and Liabilities	**2,422,565,653**	**2,606,381,008**	**2,111,330,578**	**2,130,338,066**

Property Market Report

The Botswana property market, which experienced challenges over the past few years, showed signs of revival, during the latter part of 2017.

The Turnstar portfolio is sectorally diversified with a retail bias.

RETAIL

The Company's retail malls performed well during the year.

SUPA SAVE MALL MOGODITSHANE

The Mogoditshane Centre has always enjoyed full occupancy since its inception. The anchor tenant is Supa Save supermarket.

NZANO MALL – FRANCISTOWN

The Nzano Mall is one of the first retail malls in Francistown, and has also enjoyed full occupancy since its inception. The anchor tenants include Game and Spar.

GAME CITY

Game City retains its position as the largest and only Regional shopping centre in Botswana. During the year, it had an approximate 95% tenancy ratio. Minor refurbishment works to the entrances are in progress.

Game City is the premier retail mall in Botswana and also enjoys the highest footfall numbers. It is also the only retail mall with a parkade. It has 2 outdoor venues, which hosts commercial and social events.

+- 80% of tenants (by GLA) are large listed or national companies such as Massmart (Game), Shoprite, Edcon Group (Edgars & Jet) Mr Price, Choppies, Foschini Group (Foschini, Markhams, Due South, Sportscene) and Options.

COMMERCIAL OFFICE

TURNSTAR HOUSE

Turnstar house is the only commercial property in Turnstar Botswana portfolio. It enjoyed near capacity occupancy levels during the year.

RESIDENTIAL

TAPOLOGO ESTATE / MOGODITSHANE TOWNHOUSES

These complexes have undergone refurbishment recently, but still undergo continual internal revamps of units, when the need arises. There is a continued demand for townhouses at these prestigious housing estates, and they had near full occupancy rates during the year.

INDUSTRIAL

CITROEN / HYUNDAI DEALERSHIP

This is a single – tenanted unit, occupied by the Citroen and Hyundai dealership.

PLOT 63 G.I.C.P

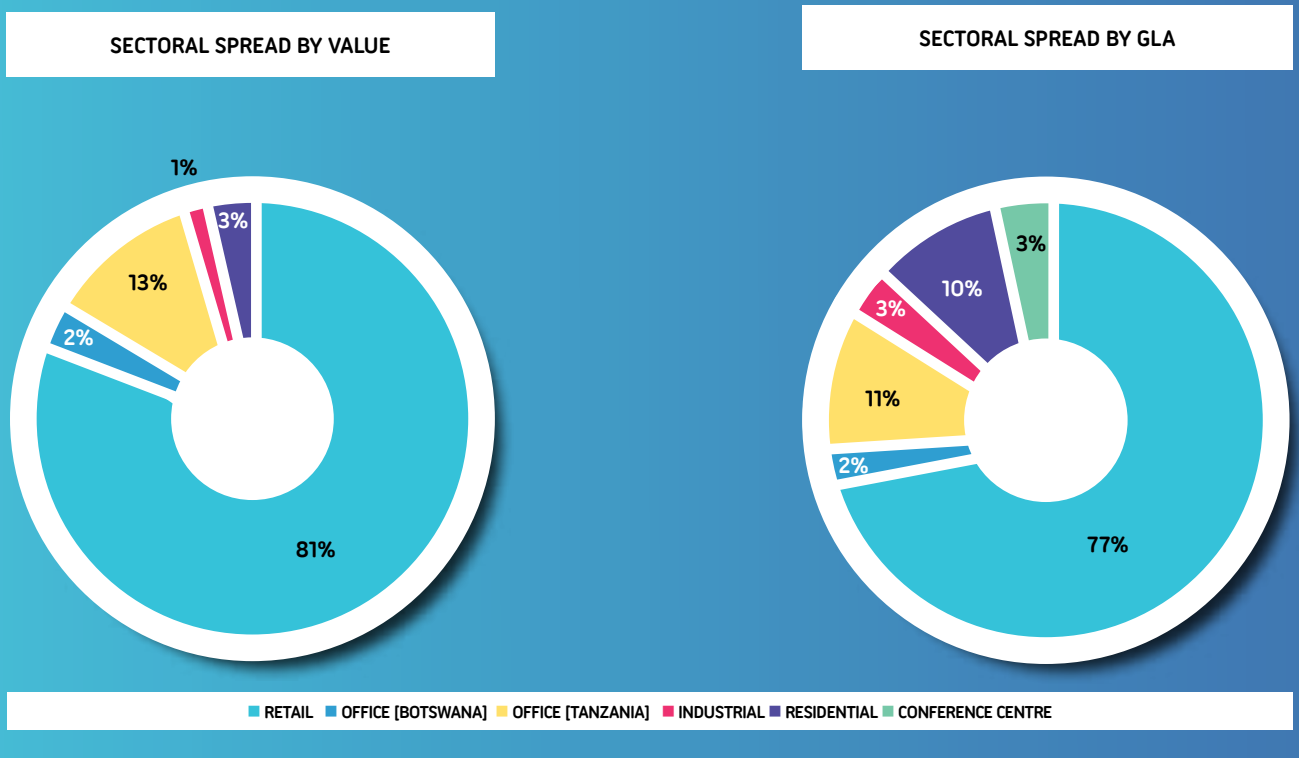
This is a light industrial building, which had a nearly full occupancy rate during the year. The demand for prime located light industrial, serviced properties remained strong.

TANZANIA

MLIMANI CITY – DAR ES SALAAM

Mlimani City has retained its position as the retail and conference destination of choice, in Dar Es Salaam. It is the largest and only purpose built indoor shopping centre in Tanzania.

The construction of the new retail mall has been completed and is now fully tenanted. The mall's anchor tenants include Game,



Choppies, Woolworths, cinemas and several leading Banks.

The breakaway areas to the conference centre are also complete and are now being booked for conferences.

UNITED ARAB EMIRATES

DUBAI

Turnstar acquired its first office building in Dubai. It is in a freehold area, allowing 100% ownership to expatriate companies.

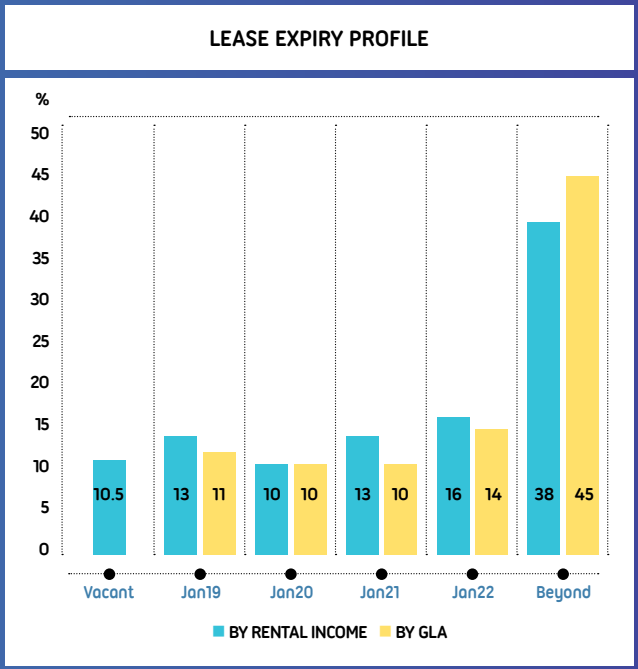
The building is a ground plus four storey, with the Ground floor comprising of 3 retail units and the 4 upper floors comprise of 8 commercial units. There are 2 levels of basement parking.

The property is fully leased out to a single tenant on a long term basis.

OVERALL

The Groups property portfolio has attractive growth prospects supported by strong underlying cash flows.

Turnstar has a healthy lease profile with 45% of its leases (by GLA) expiring beyond FY 2022.



CORPORATE GOVERNANCE:
Board of Directors

Turnstar strives to maintain a high standard of Corporate Governance and is committed to the principles of transparency, accountability and integrity. The Board of Directors continually endeavour to ensure that the company policies on Corporate Governance meet best practice.

The Board has adopted charters for itself, in respect of the Audit Committee, Human Resources Committee and Asset Management Committee by adopting the Botswana Stock Exchange Code of Best Practice on Corporate Governance. The controls encompass responsibilities in compliance with principles of good governance, accountability, arms' length dealings and the applicable law.

BOARD OF DIRECTORS

The Board of Directors during the year under review, comprised of eight Directors, six of whom were independent non-executive Directors. The Chairman of the Board is a non-executive Director. The Directors bring together a wealth of expertise and experience from their varied fields of operation and ensure that debates on matters of strategy, policy, business development and performance are robust, informed and constructive.

The Board meets at least four times a year and is responsible for, inter alia, reviewing and guiding corporate strategy, acquisitions and performance. All non- executive Directors are subject to retirement by rotation and re-election by shareholders periodically, in accordance with the constitution of the company.

During the year, Michelle Adelman resigned from the board.

The number of Board Meetings held and the gross fees paid to the executive Directors are as follows:

BOARD MEETINGS

	Fees	Number
P K Balopi	145 600	5
P Pillar	129 920	5
I Nshakazhongwe	129 920	5
M Nteta	129 920	5
P Bezuidenhout	116 480	4
M Adelman	29 120	1
	680 960	

AUDIT COMMITTEE

The Board has established an Audit Committee, which comprises of 2 non-executive Directors. The committee meets independently at least twice a year. The external auditors and the Executive Directors attend by invitation. The committee is tasked with the planning of the statutory annual audit and the mid - year review at which detailed risk assessments are performed.

The Committee reviews the Annual Financial Statements before publication and also receives a direct report from the external auditors on the results and findings of the audit process.

Attendance by the audit committee members at meetings held during this financial year is summarised below:

	Fees	Number
P Pillar	33 600	2
M Nteta	22 400	2
	56 000	

The main responsibilities of this committee are to provide the Board with following:

- additional assurance regarding the accuracy and reliability of the Annual Financial statements,
- satisfaction that appropriate financial and operating controls are in place,
- assurance that significant operating and financial risks have been identified, evaluated and mitigated,
- confirmation of compliance by the company with legal and regulatory requirements, and
- a review of the independence and performance of the company's external auditors.

Considering the size and current structure of the company, a dedicated internal audit function is not required at this stage. This need is reviewed by the committee on a regular basis.

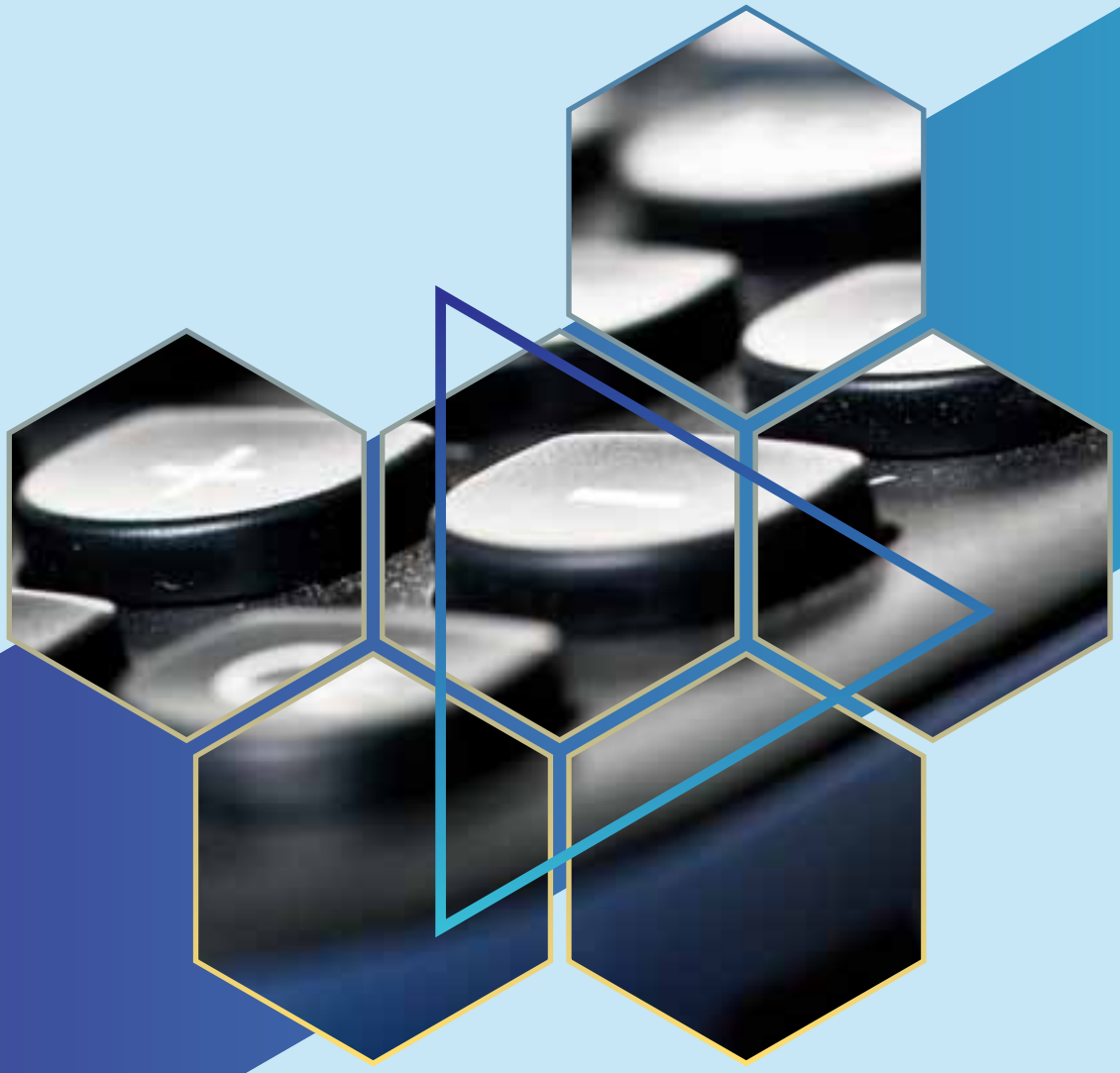
COMPANY SECRETARY AND PROFESSIONAL ADVICE

The Company Secretary acts as the secretary of the Board and attends all meetings for the year. All Directors have unlimited access to the services of the Company Secretary, who ensures compliance with applicable procedures and legislation.

All Directors are entitled to seek independent professional advice concerning the affairs of the company, at the company's expense.

› Global Market


UNITED
ARAB
EMIRATES /
Dubai
TANZANIA /
Dar Es Salaam
BOTSWANA /
Gaborone /
Francistown



CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2018

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The reports and statements set out below comprise the consolidated and separate annual financial statements presented to the members:

General Information

Country of incorporation and domicile	Botswana
Nature of business and principal activities	Property Investment
Directors	P Balopi (Chairman) G H Abdoola (Managing Director) I Nshakazhogwe P Pillar P Bezuidenhout M Nteta M Adelman (Resigned on 22 September 2017) S Puvimanasinghe
Registered office	Plot 50370 Fairgrounds Gaborone Botswana
Business address	4th Floor, Turnstar House Plot 1131/37, Queens Road Main Mall Gaborone, Botswana
Postal address	P O Box 26012 Game City Gaborone Botswana
Bankers	Barclays Bank of Botswana Limited Barclays Bank Tanzania Limited Exim Bank Tanzania Limited First National Bank of Botswana Limited
Auditors	Grant Thornton Chartered Accountants
Secretary	Leo Business Services (Proprietary) Limited
Company registration number	2000/5302
Investment Bankers	Stanlib Money Market Fund African Alliance Botswana
Functional currency	Botswana Pula (P)
Transfer secretaries	Grant Thornton Business Services (Proprietary) Limited

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act (Cap 42:01) to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate annual financial statements fairly present the state of affairs of the group and the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the consolidated and separate annual financial statements.

The consolidated and separate annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated and separate annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash flow forecast for the year to 31 January, 2019 and, in the light of this review and the current financial position, they are satisfied that the group has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the group's consolidated and separate annual financial statements. The consolidated and separate annual financial statements have been examined by the group's external auditors and their report is presented on pages 25 to 27.

The consolidated and separate annual financial statements set out on pages 28 to 85, which have been prepared on the going concern basis, were approved by the board of directors on 25 APR 2018 and were signed on its behalf by:

Director	**Director**
Gabrorone	**Gaborone**

Grant Thornton

An instinct for growth™

Chartered Accountants

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Independent Auditor's Report

To the shareholders of Turnstar Holdings Limited

Opinion

We have audited the consolidated and separate annual financial statements of Turnstar Holdings Limited (the "company") and its subsidiaries (together the "Group") set out on pages 28 to 85, which comprise the consolidated and separate statement of financial position as at 31 January, 2018, and the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements give a true and fair view of, the consolidated and separate financial position of Turnstar Holdings Limited as at 31 January, 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the consolidated and separate annual financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of annual financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Botswana. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

GRANT THORNTON CHARTERED ACCOUNTANTS GABORONE

Independent Auditor's Report

Key audit matter	How the matter was addressed in our audit
Valuation of the investment property The holding company and subsidiary owns a portfolio of retail and commercial property valued at BWP 1 221 399 358 for the holding company and BWP 1 030 229 173 for the subsidiaries as disclosed under note 3 of the annual financial statements. During the year the group has made significant additions to the investment properties both in the holding company and subsidiaries towards expansion of its investment property portfolio. The valuation of the property portfolio is a significant judgment area and is underpinned by assumptions including estimated future rental and yields. The group uses professionally qualified external valuers to perform the fair value of the properties. Disclosures on the investment properties are under note 3 to the financials.	We met with the external valuers to discuss the valuation process, performance of the portfolio and evaluate significant assumptions and critical judgement areas, including estimated rental values, yields, future net operating income and discount rates. We assessed the competence, independence and integrity of the external valuers. We performed audit procedures to assess the integrity of information provided to the external valuers including rental schedules on a sample basis to underlying lease agreement. As per group instructions provided, the component auditors assessed the integrity of the information provided to the external valuers and through audit procedures evaluated the assumptions used in the valuations.
Recognition of revenue During the year the holding company has revenue of BWP 143 993 028 and subsidiaries of BWP 107 896 112 as disclosed under note 16 of the annual financial statements. The holding company's main source of revenue is rental income from retail and commercial property located in Botswana. The subsidiaries' main source of income is from retail and commercial property located in Tanzania and Dubai. The rental amount is agreed on the terms of the lease agreement signed between the Group and the tenant. Any variations to the lease agreement during the lease term is done through an addendum to the lease agreement. The recognition of revenue is done in accordance with the principles outlined in IAS 17: Leases.	We have performed walkthroughs and test of controls on the revenue cycle to gain an understanding of when the revenue is recognised. This testing includes the verification of the lease agreement details approvals and changes to the lease terms and upload of this information to the Group's management system. We have assessed the design effectiveness of the controls and performed controls testing on the billings done through operating system. We have obtained the rental income schedule from the operating system and determined that rental income has been appropriately recorded in the general ledger. We selected a sample of lease agreements to verify that the rental has been appropriately recognised in the operating system and the operating lease asset has been computed appropriately. We have obtained the monthly schedule of rental income for each property and reviewed the variations of rental income to the budgets to identify any unusual trends. We have reviewed the company's credit policy on trade debtors and assessed that appropriate provision is made on overdue accounts where the recoverability of the balances was doubtful.

Responsibilities of the directors for the Consolidated and Separate Annual Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual 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 annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate annual financial Statements, the directors are responsible for assessing the Group's

GRANT THORNTON CHARTERED ACCOUNTANTS GABORONE

Independent Auditor's Report

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 or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the Consolidated and Separate Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate annual 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 International Standards on Auditing 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 annual financial statements.

As part of an audit in accordance with International Standards on Auditing, 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 annual 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 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 annual 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 annual financial statements, including the disclosures, and whether the consolidated and separate annual 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 subsidiaries or business activities within the group to express an opinion on the consolidated and separate annual 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 annual financial statements of the current year 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.

Chartered Accountants
Certified Auditor: Mr. Dinesh Mallan (Memb No:19990074)
Certified Auditor of Public Interest Entity
Certificate Number: CAP 0015 2018

25 APR 2018
Gaborone

Turnstar Holdings Limited

(Registration number 2000/5302)
Consolidated And Separate Annual Financial Statements for the year ended 31 January, 2018

Statement of Financial Position as at 31 January, 2018

		Group		Company	
Figures in Pula	**Note**	**2018**	**2017**	**2018**	**2017**
Assets					
Non-Current Assets					
Investment property	3	2 251 628 531	2 266 752 632	1 221 399 358	1 166 543 710
Plant and equipment	4	4 982 115	3 812 658	3 692 821	2 040 934
Goodwill	5	57 333 674	63 427 985	-	-
Investments in subsidiaries	6	-	-	198 426 378	198 399 518
Loan to related company	7	-	-	215 788 226	187 605 545
Other financial assets	8	-	-	249 164 779	232 405 414
Deferred tax	9	7 617 904	5 829 174	7 617 904	5 829 174
Operating lease asset	10	20 308 305	21 989 303	17 710 259	18 258 435
		2 341 870 529	**2 361 811 752**	**1 913 799 725**	**1 811 082 730**
Current Assets					
Other financial assets	8	-	-	140 622 664	97 154 052
Current tax receivable		1 888 584	2 048 815	381 174	381 174
Operating lease asset	10	4 990 383	439 066	4 990 383	725 521
Trade and other receivables	11	24 248 821	26 527 157	11 029 534	11 839 363
Cash and cash equivalents	12	49 567 336	215 554 218	40 507 098	209 155 226
		80 695 124	**244 569 256**	**197 530 853**	**319 255 336**
Total Assets		**2 422 565 653**	**2 606 381 008**	**2 111 330 578**	**2 130 338 066**
Equity and Liabilities					
Equity					
Stated capital	13	632 497 357	632 497 357	632 497 357	632 497 357
Foreign currency translation reserves		53 406 953	100 825 068	-	-
Accumulated profit		873 282 637	915 594 302	740 841 286	726 356 078
		1 559 186 947	**1 648 916 727**	**1 373 338 643**	**1 358 853 435**
Liabilities					
Non-Current Liabilities					
Borrowings	14	580 587 938	632 679 746	580 587 938	632 679 746
Deferred tax	9	201 210 413	255 938 412	104 812 368	105 801 502
		781 798 351	**888 618 158**	**685 400 306**	**738 481 248**
Current Liabilities					
Trade and other payables	15	50 504 728	66 801 588	21 516 002	30 958 848
Borrowings	14	29 981 010	999 916	29 981 010	999 916
Unclaimed debenture interest and dividend payable		1 094 617	1 044 619	1 094 617	1 044 619
		81 580 355	**68 846 123**	**52 591 629**	**33 003 383**
Total Liabilities		**863 378 706**	**957 464 281**	**737 991 935**	**771 484 631**
Total Equity and Liabilities		**2 422 565 653**	**2 606 381 008**	**2 111 330 578**	**2 130 338 066**

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 January, 2018

		Group		Company	
Figures in Pula	**Note**	**2018**	**2017**	**2018**	**2017**
Revenue	16	251 883 665	254 643 446	143 993 028	123 893 401
Other income	17	33 933 288	29 281 690	32 706 532	26 196 577
Operating expenses		(165 059 225)	(142 784 081)	(120 483 621)	(97 288 723)
Dividend income	18	-	-	22 994 640	37 387 746
Operating profit	19	**120 757 728**	**141 141 055**	**79 210 579**	**90 189 001**
Finance income	20	755 383	4 573 091	37 752 727	33 298 815
Fair value adjustments	21	(76 110 595)	105 341 115	33 085 893	96 864 881
Finance costs	22	(14 673 895)	(16 585 351)	(23 911 133)	(16 585 351)
Profit before taxation		**30 728 621**	**234 469 910**	**126 138 066**	**203 767 346**
Taxation	23	42 465 085	3 254 904	2 777 862	(12 743 723)
Profit for the year		**73 193 706**	**237 724 814**	**128 915 928**	**191 023 623**
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		(47 418 115)	(48 806 870)	-	-
Other comprehensive income for the year net of taxation	25	**(47 418 115)**	**(48 806 870)**	**-**	**-**
Total comprehensive income for the year		**25 775 591**	**188 917 944**	**128 915 928**	**191 023 623**
Total comprehensive income attributable to:					
Owners of the parent		24 700 940	188 917 944	128 915 928	191 023 623
Non-controlling interest		1 074 651	-	-	-
		25 775 591	**188 917 944**	**128 915 928**	**191 023 623**
Profit for the year attributable to:					
Owners of the parent		72 119 055	237 724 814	128 915 928	191 023 623
Non-controlling interest		1 074 651	-	-	-
		73 193 706	**237 724 814**	**128 915 928**	**191 023 623**
Earnings per linked unit					
Per linked unit information					
Basic earnings per share (in thebe)	31	0.13	0.42	0.23	0.33
Diluted earnings per share (in thebe)	31	0.13	0.42	0.23	0.33

Statement of Changes in Equity as at 31 January, 2018

Figures in Pula	Stated capital	Linked unit debentures	Total stated capital and linked unit debentures	Foreign currency translation reserve	Retained income	Fair value surplus	Dividend and debenture interest reserve	Total equity and reserves	Non-controlling interest	Total equity
Group										
Balance at 1 February, 2016	**346 420 555**	**286 076 802**	**632 497 357**	**149 631 938**	**200 935 557**	**528 427 755**	**65 797 671**	**1 577 290 278**	**-**	**1 577 290 278**
Profit for the year	-	-	-	-	237 724 814	-	-	237 724 814	-	237 724 814
Other comprehensive income	-	-	-	(48 806 870)	-	-	-	(48 806 870)	-	(48 806 870)
Total comprehensive income for the year	**-**	**-**	**-**	**(48 806 870)**	**237 724 814**	**-**	**-**	**188 917 944**	**-**	**188 917 944**
Fair value surplus transfered (Turnstar Properties) (net of tax)	-	-	-	-	(78 681 512)	78 681 512	-	-	-	-
Fair value surplus transfered (Mlimani Properties) (net of tax)	-	-	-	-	11 676 587	(11 676 587)	-	-	-	-
Final debenture interest and dividends paid 31 January 2016	-	-	-	-	-	-	(65 797 671)	(65 797 671)	-	(65 797 671)
Proposed dividends and debenture interest transferred to dividends and debenture interest reserve	-	-	-	-	(62 936 896)	-	62 936 896	-	-	-
Interim dividends and debenture interest transferred to dividends and debenture interest reserve	-	-	-	-	(51 493 824)	-	51 493 824	-	-	-
Interim debenture interest and dividends paid 31 July 2016	-	-	-	-	-	-	(51 493 824)	(51 493 824)	-	(51 493 824)
Transactions with unit holders recognised in statement of changes in equity	**-**	**-**	**-**	**-**	**(181 435 645)**	**67 004 925**	**(2 860 775)**	**(117 291 495)**	**-**	**(117 291 495)**

Turnstar Holdings Limited

(Registration number 2000/5302)
Consolidated And Separate Annual Financial Statements for the year ended 31 January, 2018

Statement of Changes in Equity as at 31 January, 2018

Figures in Pula	Stated capital	Linked unit debentures	Total stated capital and linked unit debentures	Foreign currency translation reserve	Retained income	Fair value surplus	Dividend and debenture interest reserve	Total equity and reserves	Non-controlling interest	Total equity
Balance at 1 February, 2017	**346 420 555**	**286 076 802**	**632 497 357**	**100 825 068**	**257 224 726**	**595 432 680**	**62 936 896**	**1 648 916 727**	**-**	**1 648 916 727**
Profit for the year	-	-	-	-	72 119 055	-	-	72 119 055	1 074 651	73 193 706
Other comprehensive income	-	-	-	(47 418 115)	-	-	-	(47 418 115)	-	(47 418 115)
Total comprehensive income for the year	**-**	**-**	**-**	**(47 418 115)**	**72 119 055**	**-**	**-**	**24 700 940**	**1 074 651**	**25 775 591**
Fair value surplus transferred (Turnstar Properties) (net of tax)	-	-	-	-	(33 111 246)	33 111 246	-	-	-	-
Fair value surplus transferred (Mlimani Properties) (net of tax)	-	-	-	-	72 505 673	(72 505 673)	-	-	-	-
Final debenture interest and dividends paid 31 January 2017	-	-	-	-	-	-	(62 936 896)	(62 936 896)	-	(62 936 896)
Proposed debenture interest and dividends 31 January, 2018	-	-	-	-	(51 493 824)	-	51 493 824	-	-	51 493 824
Interim dividends and debenture interest transferred to dividends and debenture interest reserve	-	-	-	-	(51 493 824)	-	51 493 824	-	-	-
Interim debenture interest and dividends paid 31 July 2017	-	-	-	-	-	-	(51 493 824)	(51 493 824)	(1 074 651)	(52 568 475)
Transactions with unit holders recognised in statement of changes in equity	**-**	**-**	**-**	**-**	**(63 593 221)**	**(39 394 427)**	**(11 443 072)**	**(114 430 720)**	**(1 074 651)**	**(115 505 371)**
Balance at 31 January, 2018	**346 420 555**	**286 076 802**	**632 497 357**	**53 406 953**	**265 750 560**	**556 038 253**	**51 493 824**	**1 559 186 947**	**-**	**1 559 186 947**
Note	13	13	13	25	25	25	25			

Turnstar Holdings Limited

(Registration number 2000/5302)
Consolidated And Separate Annual Financial Statements for the year ended 31 January, 2018

Statement of Changes in Equity as at 31 January, 2018

Figures in Pula	Stated capital	Linked unit debentures	Total stated capital and linked unit debentures	Foreign currency translation reserve	Retained income	Fair value surplus	Dividend and debenture interest reserve	Total equity and reserves	Non-controlling interest	Total equity
Company										
Balance at 1 February, 2016	**346 420 555**	**286 076 802**	**632 497 357**	**-**	**110 838 177**	**475 988 102**	**65 797 656**	**1 285 121 292**	**-**	**1 285 121 292**
Profit for the year	-	-	-	-	191 023 623	-	-	191 023 623	-	191 023 623
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**191 023 623**	**-**	**-**	**191 023 623**	**-**	**191 023 623**
Fair value surplus transfered (net of tax)	-	-	-	-	(78 681 512)	78 681 512	-	-	-	-
Final debenture interest and dividend paid 31 January 2016	-	-	-	-	-	-	(65 797 656)	(65 797 656)	-	(65 797 656)
Interim dividend and debenture interest transferred to dividends and debenture interest reserve	-	-	-	-	(51 493 824)	-	51 493 824	-	-	-
Proposed dividends and debenture interest transferred to divdends and debenture interest reserve	-	-	-	-	(62 936 896)	-	62 936 896	-	-	-
Interim debenture interest and dividends paid 31 July 2016	-	-	-	-	-	-	(51 493 824)	(51 493 824)	-	(51 493 824)
	-	**-**	**-**	**-**	**(2 088 609)**	**78 681 512**	**(2 860 760)**	**73 732 143**	**-**	**73 732 143**

Turnstar Holdings Limited

(Registration number 2000/5302)
Consolidated And Separate Annual Financial Statements for the year ended 31 January, 2018

Statement of Changes in Equity as at 31 January, 2018

Figures in Pula	Stated capital	Linked unit debentures	Total stated capital and linked unit debentures	Foreign currency translation reserve	Retained income	Fair value surplus	Dividend and debenture interest reserve	Total equity and reserves	Non-controlling interest	Total equity
Balance at 1 February, 2017	**346 420 555**	**286 076 802**	**632 497 357**	**-**	**108 749 568**	**554 669 614**	**62 936 896**	**1 358 853 435**	**-**	**1 358 853 435**
Profit for the year	-	-	-	-	128 915 928	-	-	128 915 928	-	128 915 928
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**128 915 928**	**-**	**-**	**128 915 928**	**-**	**128 915 928**
Fair value surplus transfered	-	-	-	-	(33 111 246)	33 111 246	-	-	-	-
Final debenture interest and dividends paid 31 January 2017	-	-	-	-	-	-	(62 936 896)	(62 936 896)	-	(62 936 896)
Proposed dividends and debenture interest transferred to dividends and debenture interest reserve	-	-	-	-	(51 493 824)	-	51 493 824	-	-	-
Interim dividends and debenture interest transferred to dividends and debenture interest reserve	-	-	-	-	(51 493 824)	-	51 493 824	-	-	-
Interim debenture interest and dividends paid 31 July 2017	-	-	-	-	-	-	(51 493 824)	(51 493 824)	-	(51 493 824)
Transactions with unit holders recognised in statement of changes in equity	**-**	**-**	**-**	**-**	**(136 098 894)**	**33 111 246**	**(11 443 072)**	**(114 430 720)**	**-**	**(114 430 720)**
Balance at 31 January, 2018	**346 420 555**	**286 076 802**	**632 497 357**	**-**	**101 566 602**	**587 780 860**	**51 493 824**	**1 373 338 643**	**-**	**1 373 338 643**
Note	13	13	13							

Statement of Cash Flows for the year ended 31 January 2017

		Group		Company	
Figures in Pula	**Note**	**2018**	**2017**	**2018**	**2017**
Cash flows from operating activities					
Cash generated from operations	27	128 084 380	169 453 963	67 469 848	76 036 173
Finance income		755 383	4 573 091	37 752 727	33 298 815
Tax paid	29	(2 058 046)	(4 012 667)	-	(399)
Net cash from operating activities		**126 781 717**	**170 014 387**	**105 222 575**	**109 334 589**
Cash flows from investing activities					
Purchase of plant and equipment	4	(2 505 837)	(2 288 634)	(2 259 570)	(2 194 492)
Proceeds on disposal of plant and equipment		-	1 400 000	-	1 400 000
Additions of investment property	3	(167 738 779)	(226 784 381)	(21 769 754)	(91 531 219)
Investment in subsidiary	28	-	-	(26 860)	-
Loans advanced to subsidiaries		-	-	(28 182 681)	(111 494 729)
Movement in other financial assets net of foreign exchange		-	-	(112 865 257)	1 432 090
Dividend income		-	-	22 994 640	37 387 746
Net cash from investing activities		**(170 244 616)**	**(227 673 015)**	**(142 109 482)**	**(165 000 604)**
Cash flows from financing activities					
Proceeds from borrowings		234 879 306	182 507 656	234 879 306	182 507 656
Repayment of borrowings		(226 818 048)	(29 094 673)	(226 818 048)	(29 094 673)
Debenture interest and dividends paid	30	(114 430 720)	(117 291 498)	(114 430 720)	(117 291 498)
Finance costs		(14 673 895)	(16 585 351)	(23 911 133)	(16 585 351)
Net cash from financing activities		**(121 043 357)**	**19 536 134**	**(130 280 595)**	**19 536 134**
Total cash and cash equivalents movement for the year		**(164 506 256)**	**(38 122 494)**	**(167 167 502)**	**(36 129 881)**
Cash and cash equivalents at the beginning of the year		215 554 218	257 246 933	209 155 226	248 855 328
Effect of exchange rate movement on cash balances		(1 480 626)	(3 570 221)	(1 480 626)	(3 570 221)
Total cash and cash equivalents at end of the year	12	**49 567 336**	**215 554 218**	**40 507 098**	**209 155 226**

Accounting Policies

1. Presentation of consolidated and separate annual financial statements

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards. The consolidated and separate 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 groups functional currency, Botswana Pula.

These accounting policies are consistent with the previous period, except for the new standards and interpretations effective and adopted in the current year as set out in note 2.

1.1 Nature of operations

The principal activities of the company and its subsidiaries include property investment spread across retail, commercial, residential and industrial sectors. The company is a Variable Loans Stock company listed on the Botswana Stock Exchange.

1.2 Consolidation

Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 31 January 2018. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 January.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

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 taken over, 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 adjusted against goodwill, unless they are valid measurement period adjustments.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal group) that are classified as held-for-sale in accordance with IFRS 5 Non-current assets held-for-sale and discontinued operations, which are recognised at fair value less costs to sell.

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

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, 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 the 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.

Accounting Policies

1.2 Consolidation (continued)

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

Goodwill is not amortised but is tested on an annual basis for impairment. Any impairment noted in goodwill is recognised immediately in profit or loss and is not subsequently reversed.

Goodwill arising on acquisition of foreign entities is considered an asset of the foreign entity. In such cases the goodwill is translated to the functional currency of the Group at the end of each reporting period with the adjustment recognised in equity through to other comprehensive income.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the consolidated and separate annual financial statements, directors are 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 is 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:

Trade receivables and other receivables

The Group assesses its Trade receivables and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for Trade receivables and other receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

Fair value estimation

The carrying value less impairment provision of trade and other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair value of investment property is determined using discounted cash flow valuation and/or capitalisation approach (mainly on residential properties), using assumptions that are based on market conditions existing at the balance sheet date. The property's current retail rental rates are considered to be market related and it is assumed that the existing tenants will renew their leases on termination of the existing period. Key valuation parameters such as capitalisation rate, growth in market rental and discount rate are used to arrive at the fair value.

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 the 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. In addition, goodwill is tested on an annual basis for impairment. 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 the assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including estimates, supply demand, together with economic factors such as exchange rates, inflation and interest rates.

Provisions

Provisions were raised and directors determine an estimate based on the information available.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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

Contingent liabilities

Directors apply their judgement to facts and advice it receives from its attorneys, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

Useful life and residual value of plant and equipment

The estimates of useful lives as translated into depreciation rates are detailed in plant and equipment policy on the annual financial statements. These rates and residual lives of the assets are reviewed annually taking cognisance of the forecasted commercial and economic realities and through benchmarking of accounting treatments in the industry.

1.4 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 Group, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

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

Accounting Policies

1.4 Investment property (continued)

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.

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

Investment property is valued annually and are included in the statement of financial position at their open market values. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property.

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.

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.

Fair value surplus

Fair value surplus recognised in the profit or loss statement are transferred from the retained income to the fair value surplus account, net of tax, within the equity, in order to monitor the fair value of each investment property. Any fair value deficit arising during the year which offsets previously recognised fair value surplus, is transferred from the fair value surplus account to retained income, net of relevant tax.

1.5 Plant and equipment

Plant and equipment are tangible assets which the Group holds for its own use which are expected to be used for more than one period.

An item of plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably.

Plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets, where appropriate.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Group. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

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

Item	Depreciation method	Average useful life
Plant and machinery	Straight line	8 years
Furniture and fixtures	Straight line	8-10 years
Motor vehicles	Straight line	4 years
Office equipment	Straight line	8-10 years
IT equipment	Straight line	3-4 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 prospectively 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.

Impairment tests are performed on plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

Accounting Policies

1.5 Plant and equipment (continued)

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of 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 plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.6 Goodwill

Goodwill is initially measured at cost, being the excess of the cost of the business combination over Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Subsequently goodwill, acquired in a business combination is carried at cost less any accumulated impairment.

Goodwill is assessed at each statements of financial position date for impairment.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is immediately recognised in the statements of comprehensive income.

Internally generated goodwill is not recognised as an asset.

1.7 Interests 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.

1.8 Financial instruments

Classification

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

- Held-to-maturity investment
- Loans and receivables
- 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 re-assessed 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.

Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement

Dividend income is recognised in profit or loss as part of other income when the Group's right to receive payment is established.

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

Held-to-maturity investments 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.

Financial liabilities are derecognised when, and only when, the obligations are discharged, cancelled or they expire.

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.

Loans to (from) subsidiaries

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

Loans to subsidiaries are classified as loans and receivables and subsequently measured at amortised cost.

Loans from subsidiaries are classified as financial liabilities and are subsequently measured at amortised cost.

Trade and other receivables

Trade and other 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.

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 uncollectable, 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.

Accounting Policies

1.8 Financial instruments (continued)

Trade and other payables

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

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 recorded at fair value and subsequently measured at amortised cost.

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.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment'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 investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the Group has the positive intention and ability to hold to maturity are classified as held to maturity.

1.9 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 (tax 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 (tax 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 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 by the end of the reporting period.

Accounting Policies

1.9 Tax (continued)

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.

1.10 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. The difference between the amounts recognised as an income and the contractual receipts are recognised as an operating lease asset. This asset is not discounted.

Any contingent rent are recognised as and when it is determined and recognised on profit or loss.

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

Operating leases – lessee

Contingent rents are expensed in the period they are incurred.

1.11 Impairment of assets

The Group assesses at each end of the 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.

Irrespective of whether there is any indication of impairment, the Group also:

- tests goodwill acquired in a business combination for impairment annually.

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.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment as defined by paragraph 5 of IFRS 8 Operating Segments before aggregation.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

Accounting Policies

1.11 Impairment of assets (continued)

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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.

1.12 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.

1.13 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 aid), 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.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution plans is charged as an expense as they fall due.

1.14 Provisions and contingencies

Provisions are recognised when:

- the Group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

1.15 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for services provided 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 lease agreement. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest income 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.

Accounting Policies

1.16 Borrowing costs

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

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

The capitalisation of borrowing costs commences when:

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

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Translation of foreign currencies

Functional and presentation currency

Items included in the consolidated and separate annual financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

The consolidated and separate annual financial statements are presented in Pula which is the Group functional and presentation currency.

Foreign currency transactions

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

At the end of the reporting period:

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

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

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

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.

Accounting Policies

1.17 Translation of foreign currencies (continued)

Investments in subsidiaries

The results and financial position of a foreign subsidiary 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 average exchange rate, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the 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 subsidiary 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 subsidiary and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign subsidiary are treated as assets and liabilities of the foreign subsidiary.

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.

1.18 Operating segment

Operating segments are reported in a manner consistent with the internal reporting provided by management.

Notes to the Consolidated And Separate Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Recognition of Deferred Tax Asset for Unrealised Losses (Amendedments to IAS 12)

The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost.

The effective date of the amendment is for years beginning on or after 1 January, 2017.

The Group has adopted the amendment for the first time in the 2018 consolidated and separate annual financial statements.

The impact of the amendment is not material.

Annual Improvements to IFRSs 2014-2016 Cycle (Amendments to IFRS 12)

Clarifies the scope of IFRS 12 by specifying that its disclosure requirements (except for those in IFRS 12.B17) apply to an entity's interests irrespective of whether they are classified (or included in a disposal group that is classified) as held for sale or as discontinued operations in accordance with IFRS 5.

The effective date of the amendment is for years beginning on or after 1 January, 2017.

The Group has adopted the amendment for the first time in the 2018 consolidated and separate annual financial statements.

The impact of the amendment is not material.

2.2 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 February, 2018 or later periods:

IFRS 9 Financial Instruments

This new standard is the result of a three phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. To date, the standard includes chapters for classification, measurement and derecognition of financial assets and liabilities as well as new hedging requirements. The following are main changes from IAS 39:

- Financial assets will be categorised as those subsequently measured at fair value or at amortised cost.
- Financial assets at amortised cost are those financial assets where the business model for managing the assets is to hold the assets to collect contractual cash flows (where the contractual cash flows represent payments of principal and interest only). All other financial assets are to be subsequently measured at fair value.
- Under certain circumstances, financial assets may be designated as at fair value.
- For hybrid contracts, where the host contract is an asset within the scope of IFRS 9, then the whole instrument is classified in accordance with IFRS 9, without separation of the embedded derivative. In other circumstances, the provisions of IAS 39 still apply..
- Voluntary reclassification of financial assets is prohibited. Financial assets shall be reclassified if the entity changes its business model for the management of financial assets. In such circumstances, reclassification takes place prospectively from the beginning of the first reporting period after the date of change of the business model.
- Financial liabilities shall not be reclassified.
- Investments in equity instruments may be measured at fair value through other comprehensive income. When such an election is made, it may not subsequently be revoked, and gains or losses accumulated in equity are not recycled to profit or loss on derecognition of the investment. The election may be made per individual investment.
- IFRS 9 does not allow for investments in equity instruments to be measured at cost.
- The categories of classification for financial liabilities remains unchanged from prior years. However, where a financial liability is designated as at fair value through profit or loss, the change in fair value attributable to changes in the liabilities credit risk shall be presented in other comprehensive income. This excludes situations where such presentation will create or enlarge an accounting mismatch, in which case, the full fair value adjustment shall be recognised in profit or loss.

The effective date of the standard is for years beginning on or after 01 January 2018.

The Group expects to adopt the standard for the first time in the 2019 consolidated annual financial statements.

Notes to the Consolidated And Separate Annual Financial Statements

2. New Standards and Interpretations (continued)

The adoption of this standard is not expected to impact on the results of the group, but may result in more disclosure than is currently provided in the consolidated and separate annual financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after 1 January, 2018.

The Group expects to adopt the standard for the first time in the 2019 consolidated and separate annual financial statements.

The adoption of this standard is not expected to impact on the results of the group, but may result in more disclosure than is currently provided in the consolidated and separate annual financial statements.

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the company are as follows:

Company as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.

Notes to the Consolidated And Separate Annual Financial Statements

2. New Standards and Interpretations (continued)

- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Company as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.
- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

Sale and leaseback transactions:

- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16.
- If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

The effective date of the standard is for years beginning on or after 1 January, 2019.

The Group expects to adopt the standard for the first time in the 2020 consolidated and separate annual financial statements.

The impact of this standard is currently being assessed.

IAS 40 Transfers of Investment Property (Amendments to IAS 40)

The amendments to IAS 40' clarifies that transfers to, or from, investment property are required when, and only when, there is a change in use of property supported by evidence. In addition to clarifying the principle, the amendments also re-characterise the list of circumstances previously contained in IAS 40 'Investment Property'. This list was previously characterised as a definitive list of circumstances where it would be considered that there has been a change in use of a property. The amendments reposition the list as a non-exhaustive list of examples of evidence that a change in use has occurred. The IASB has also clarified that a change in management's intent, by itself, does not provide sufficient evidence that a change in use has occurred. Evidence of a change in use must be observable.

The effective date of the amendment is for years beginning on or after 1 January, 2018.

The Group expects to adopt the amendment for the first time in the 2019 consolidated and separate annual financial statements.

It is unlikely that the amendment will have a material impact on the Group's consolidated and separate annual financial statements.

Notes to the Consolidated And Separate Annual Financial Statements

2. New Standards and Interpretations (continued)

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts.

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.
- Earlier application is permitted. On initial application, entities apply the interpretation either:
- retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; or
- prospectively to all foreign currency assets, expenses and income in the scope of the interpretation initially recognised on or after the beginning of the reporting period an entity first applies the interpretation in or the beginning of a prior reporting period presented as comparative information.

The effective date of the interpretation is for years beginning on or after 1 January, 2018.

The Group expects to adopt the interpretation for the first time in the 2019 consolidated and separate annual financial statements.

It is unlikely that the standard will have a material impact on the Group's consolidated and separate annual financial statements.

IAS 28 Annual Improvements to IFRSs 2014–2016 Cycle

The matter addressed by the annual improvement is the measurement of an associate or a joint venture at fair value. Clarifies that a qualifying entity is able to choose between applying the equity method or measuring an investment in an associate or joint venture at fair value through profit or loss, separately for each associate or joint venture at initial recognition of the associate or joint venture.

Similar clarifications have been made for a reporting entity that is not an investment entity and that has an associate or a joint venture that is an investment entity. IAS 28 permits such a reporting entity the choice to retain the fair value measurements used by that investment entity associate or joint venture when applying the equity method. The amendments clarify that this choice is also made separately for each investment in an associate or joint venture that is an investment entity, at the later of the date on which:

- the investment entity associate or joint venture is initially recognised
- the associate or joint venture becomes an investment entity and
- the investment entity associate or joint venture first becomes a parent.

The effective date of the standard is for years beginning on or after 1 January, 2018.

The Group expects to adopt the standard for the first time in the 2019 consolidated and separate annual financial statements.

It is unlikely that the amendment will have a material impact on the Group's consolidated and separate annual financial statements.

IFRS 9 - Prepayment Features with Negative Compensation (Amendments to IFRS 9)

In October 2017, the IASB published 'Prepayment Features with Negative Compensation (Amendments to IFRS 9)'. The amendments allow companies to measure particular prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income – instead of measuring those assets at fair value through profit or loss.

The amendments also include clarifications to the modification or exchange of a financial liability that does not result in derecognition.

The effective date of the amendment is for years beginning on or after 1 January, 2019.

The Group expects to adopt the amendment for the first time in the 2020 consolidated and separate annual financial statements.

It is unlikely that the standard will have a material impact on the Group's consolidated and separate annual financial statements.

Notes to the Consolidated And Separate Annual Financial Statements

2. New Standards and Interpretations (continued)

IFRIC 23 - Uncertainty over Income Tax Treatments

The IFRS Interpretations Committee (IFRIC) has published a new Interpretation IFRIC 23 'Uncertainty over Income Tax Treatments', specifying how entities should reflect uncertainty in accounting for income taxes.

IAS 12 'Income Taxes' specifies how to account for current and deferred tax but not how to reflect the effects of uncertainty. IFRIC 23 addresses this previous lack of guidance. IFRIC 23 addresses uncertainty over how tax treatments should affect the accounting for income taxes. IFRIC had observed that there was diversity in practice for various issues on the recognition and measurement of a tax liability or asset in circumstances where there is uncertainty in the application of the tax law in concern.

The effective date of the interpretation is for years beginning on or after 1 January, 2019.

The Group expects to adopt the interpretation for the first time in the 2020 consolidated and separate annual financial statements.

It is unlikely that the standard will have a material impact on the Group's consolidated and separate annual financial statements.

Notes to the Consolidated And Separate Annual Financial Statements

3. Investment property

Group

	Valuation	Valuation
Investment property	2 251 628 531	2 266 752 632

Company

	Valuation	Valuation
Investment property	1 221 399 358	1 166 543 710

Reconciliation of investment property - Group - 2018

	Opening balance	Additions	Foreign exchange movements	Fair value adjustments	Total
Investment property	2 266 752 632	167 738 779	(106 752 285)	(76 110 595)	2 251 628 531

Reconciliation of investment property - Group - 2017

	Opening balance	Additions	Foreign exchange movements	Fair value adjustments	Total
Investment property	2 021 041 470	226 784 381	(86 414 334)	105 341 115	2 266 752 632

Reconciliation of investment property - Company - 2018

	Opening balance	Additions	Fair value adjustments	Total
Investment property	1 166 543 710	21 769 754	33 085 894	1 221 399 358

Reconciliation of investment property - Company - 2017

	Opening balance	Additions	Fair value adjustments	Total
Investment property	978 147 610	91 531 219	96 864 881	1 166 543 710

Pledged as security

Carrying value of assets pledged as security:

Game City Shopping Centre, Portion 3 of Forest Farm Hill	930 768 270	908 274 433	930 768 270	908 274 433
Nzano Shopping Centre, Lot 904 Francistown	152 594 654	131 661 793	152 594 654	131 661 793
Lot 6670, Mogoditshane, Supa Save Mall, Gaborone	34 933 284	30 947 861	34 933 284	30 947 861
Lot 1131 - 1137, Turnstar House, Main Mall, Gaborone	36 548 407	32 956 194	36 548 407	32 956 194
Lots 16398 & 13093 Tapologo Estates, Gaborone	29 972 208	29 384 104	29 972 208	29 384 104
Lot 63 Commerce Park, Gaborone	14 608 370	13 596 964	14 608 370	13 596 964
Lot 1203 Mogoditshane Flats, Gaborone	10 497 926	9 781 896	10 497 926	9 781 896
Lot 14444 Hyundai, Gaborone	11 476 239	9 940 466	11 476 239	9 940 466
	1 221 399 358	**1 166 543 711**	**1 221 399 358**	**1 166 543 711**

The property is pledged as security towards bank facilities as detailed in Note 14.

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Pula	**2018**	**2017**	**2018**	**2017**
3. Investment property (continued)				
Borrowing costs capitalised				
Borrowing costs capitalised to qualifying assets during the year	14 738 334	6 520 102	5 501 096	6 520 102

Capital work in progress

Additions during the year include capital work in progress valued at P 21 769 755 (2017: P 91 531 219) relating to the expansion of Game City, Phase 4 and P 57 588 276 (2017: P 135 253 162) towards the expansion work of Mlimani City in Tanzania. During the year the expansion work of Game City and Mlimani was complete.

Details of property

Game City Shopping Centre				
Forest Farm Hill LA 975 KO,				
Notarial Lease with Roman Catholic Church				
Lease from 1 April 2001 for 75 Years				
- Cost of property	447 511 512	237 168 091	447 511 512	237 168 091
- Work in progress	-	188 573 666	-	188 573 666
- Fair Value surplus (Net of straight lining adjustment)	483 256 758	482 532 676	483 256 758	482 532 676
	930 768 270	**908 274 433**	**930 768 270**	**908 274 433**
Nzano Shopping Centre				
Lot 904, Francistown				
Freehold				
- Cost of property	42 509 893	42 509 893	42 509 893	42 509 893
- Fair Value surplus (Net of straight lining adjustment)	110 084 761	89 151 900	110 084 761	89 151 900
	152 594 654	**131 661 793**	**152 594 654**	**131 661 793**
Supa Save Mall				
Lot 6670, Mogoditshane				
Leasehold				
Lease from 12 January 1982 for 50 Years				
- Cost of property	13 001 621	13 001 621	13 001 621	13 001 621
- Fair Value surplus (Net of straight lining adjustment)	21 931 663	17 946 240	21 931 663	17 946 240
	34 933 284	**30 947 861**	**34 933 284**	**30 947 861**
Commerce Park				
Portion 63 Forest Hill, No. 9 KO				
Leasehold under a Notarial Deed of Cession and Delegation Lease from 04 February 1994 for 99 Years				
- Cost of property	6 218 956	6 218 956	6 218 956	6 218 956
- Fair Value surplus (Net of straight lining adjustment)	8 389 414	7 378 008	8 389 414	7 378 008
	14 608 370	**13 596 964**	**14 608 370**	**13 596 964**

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Pula	**2018**	**2017**	**2018**	**2017**
3. Investment property (continued)				
Turnstar House, Main Mall Offices				
Lot 1131-1137, Gaborone				
Fixed year state grant				
Lease from 15 December 1979 for 99 Years				
- Cost of property	36 006 666	36 006 666	36 006 666	36 006 666
- Fair Value adjustment (Net of straight lining adjustment)	541 741	(3 050 472)	541 741	(3 050 472)
	36 548 407	**32 956 194**	**36 548 407**	**32 956 194**
Lot 14444, Hyundai				
Fixed year state grant				
Lease from 03 September 1985 for 50 years				
- Cost of the property	3 559 404	3 559 404	3 559 404	3 559 404
- Fair Value surplus (Net of straight lining adjustment)	7 916 835	6 381 062	7 916 835	6 381 062
	11 476 239	**9 940 466**	**11 476 239**	**9 940 466**
Tapologo Estates				
Lot 13093 and 16398, Gaborone Ext 40				
Fixed year state grant				
- Cost of the property	9 466 456	9 466 456	9 466 456	9 466 456
- Fair Value surplus (Net of straight lining adjustment)	20 505 752	19 917 648	20 505 752	19 917 648
	29 972 208	**29 384 104**	**29 972 208**	**29 384 104**
Mogoditshane Town Houses				
Tribal Lot 1203, Mogoditshane				
- Cost of the property	3 912 365	3 912 365	3 912 365	3 912 365
- Fair Value surplus (Net of straight lining adjustment)	6 585 561	5 869 531	6 585 561	5 869 531
	10 497 926	**9 781 896**	**10 497 926**	**9 781 896**
Mlimani City				
Plot 2, Block L, situated in Ubungo, Dar es Salaam, Tanzania				
- Cost of the property	680 946 065	468 603 639	-	-
- Additions during the year	57 588 276	212 342 426	-	-
- Fair Value surplus (Net of straight lining adjustment)	215 024 517	419 262 848	-	-
	953 558 858	**1 100 208 913**	**-**	**-**
Palazzo Venezia Office Block				
Plot 8297, Suite 409, city tower . Al Majan, Wadi Al Safa 3 Dubai				
-Cost of property (purchased during the current year)	76 670 315	-	-	-

Turnstar Holdings Limited have occupied 650 sqm out of 57 490 sqm in Game City shopping complex, one of the properties for the purposes of centre management office and towards their administrative purposes. The owner occupied portion is not significant to the individual property or the portfolio of investments held by the Group and thus no transfer of the owner occupied portion has been made to property, plant and equipment.

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Pula	**2018**	**2017**	**2018**	**2017**

3. Investment property (continued)

Details of valuation

Turnstar Holdings Limited
The investment properties registered in the name of Turnstar Holdings Limited were valued by an external valuer on 31 March 2018. The valuation was performed by valuer, Benedict Kgosilentswe of Riberry (Proprietary) Limited, [Benedict Kgosilentswe is a Registered member of Real Estate Institute of Botswana, Royal Institute of Chartered Surveyors and holds a BSc (Hons) in Estate Management] and has over 10 years of valuation experience. The management has assessed that these properties have been maintained in a reasonable state of repair and condition. The open market value of the properties has been arrived using discounted cash flow method which involved projecting income and expenditure for the future years and discounting at a long term investment rate to arrive at net present value. The capitalisation rate used for the purposes of valuation varies from 7.74% to 10.53% for retail, commercial and residential properties. In view of the fact that the fair value of the asset was arrived at taking into account the present value of future revenues, the fair value gain was reduced by the operating lease asset amount in order to avoid over valuation.

Mlimani Holdings Limited
The property registered in the name of Mlimani Holdings Limited, subsidiary company, was valued on 31 January 2018. The valuation was performed by valuer, Ms. Claire Everatt MRICS MIVSA Chartered Valuation Surveyor Eris Property Group, Claire Everatt is Registered member of Royal Institute of Chartered Surveyors and holds the appropriate qualifications and has more than 15 years of experience in the real estate sector. The management has assessed that these properties have been maintained in a reasonable state of repair and condition. The open market value of the properties has been arrived using discounted cash flow method which involved projecting income and expenditure for a period of 5 years and discounting at a long term investment rate to arrive at net present value. The capitalisation rate used for the purpose of valuation varies from 8.50% to 9.25% for retail, office park and conference centre.

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

Palazzo Venezia Holding Limited
The investment property was valued by an external valuer on 08 March 2017 and as at the year end, the directors believe that there is no significant change in its fair value, since there has not been any change in the structure of the property or economic conditons surrounding the property. The valuation was performed by valuer, Alexandru Mihai Pocatilu MRICS, ANEVAR Registered Valuer of Imovalue International, [Alexandru M Pocatilu is a Registered member of Royal Institute of Chartered Surveyors and holds the appropriate qualifications and has 14 years valuation experience of which 2 years in the Middle East in commercial, residential and plant & machinery valuation. The open market value of the properties has been arrived using discounted cash flow method which involved projecting income and expenditure for a period of 5 years and discounting at a long term investment rate to arrive at net present value. The capitalisation rate used for the purposes of valuation is 9% for the commercial property. In view of the fact that the fair value of the asset was arrived at taking into account the present value of future revenues, the fair value gain was reduced by the operating lease asset amount in order to avoid over valuation.

Valuations Assumptions:
The assumptions were based on current market conditions.

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

Refer to note 39 for IFRS 13 disclosure for investment properties valued at fair value.

Amounts recognised in profit and loss for the year

Rental income from investment property	248 737 173	259 019 466	140 276 341	127 856 822
Direct operating expenses from rental generating property	(64 278 245)	(58 835 209)	(44 181 746)	(36 634 860)
	184 458 928	**200 184 257**	**96 094 595**	**91 221 962**

Adjusted valuations

The following valuations were adjusted for consolidated and separate annual financial statements purposes to avoid double counting:

Valuation as per financial statements				
Fair value of investment property per independent valuer	2 276 927 219	1 904 511 706	1 244 100 000	1 017 300 000
Add: Construction work in progress	-	405 015 295	-	188 573 666

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Pula	**2018**	**2017**	**2018**	**2017**
3. Investment property (continued)				
Less: vacancy allowance	-	(20 346 000)	-	(20 346 000)
Less: operating lease receivable	(25 298 688)	(22 428 369)	(22 700 642)	(18 983 956)
	2 251 628 531	**2 266 752 632**	**1 221 399 358**	**1 166 543 710**

4. Plant and equipment

Group	**2018**			**2017**		
	Cost	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Plant and machinery	5 388 837	(4 712 320)	676 517	5 880 449	(4 904 774)	975 675
Furniture and fixtures	3 999 219	(2 918 896)	1 080 323	3 910 113	(2 691 687)	1 218 426
Motor vehicles	1 385 661	(627 734)	757 927	1 396 816	(347 300)	1 049 516
Office equipment	308 338	(232 816)	75 522	318 568	(218 152)	100 416
IT equipment	4 390 343	(1 998 517)	2 391 826	2 315 231	(1 846 606)	468 625
Total	**15 472 398**	**(10 490 283)**	**4 982 115**	**13 821 177**	**(10 008 519)**	**3 812 658**

Company	**2018**			**2017**		
	Cost or revaluation	**Accumulated depreciation**	**Carrying value**	**Cost or revaluation**	**Accumulated depreciation**	**Carrying value**
Plant and machinery	763 867	(660 280)	103 587	763 867	(622 258)	141 609
Furniture and fixtures	1 318 725	(837 200)	481 525	1 205 167	(732 652)	472 515
Motor vehicles	1 280 717	(522 790)	757 927	1 280 717	(231 201)	1 049 516
Office equipment	212 091	(159 979)	52 112	212 091	(144 057)	68 034
IT equipment	3 610 707	(1 313 037)	2 297 670	1 464 694	(1 155 434)	309 260
Total	**7 186 107**	**(3 493 286)**	**3 692 821**	**4 926 536**	**(2 885 602)**	**2 040 934**

Reconciliation of plant and equipment - Group - 2018

	Opening carrying value	**Additions**	**Foreign exchange movements**	**Depreciation**	**Total**
Plant and machinery	975 675	-	(62 827)	(236 331)	676 517
Furniture and fixtures	1 218 426	349 003	(41 934)	(445 172)	1 080 323
Motor vehicles	1 049 516	-	-	(291 589)	757 927
Office equipment	100 416	-	(2 551)	(22 343)	75 522
IT equipment	468 625	2 156 834	(9 505)	(224 128)	2 391 826
	3 812 658	**2 505 837**	**(116 817)**	**(1 219 563)**	**4 982 115**

Reconciliation of plant and equipment - Group - 2017

	Opening carrying value	**Additions**	**Disposals**	**Foreign exchange movements**	**Depreciation**	**Total**
Plant and machinery	1 381 007	10 460	-	(62 466)	(353 326)	975 675
Furniture and fixtures	1 656 942	67 521	-	(84 840)	(421 197)	1 218 426
Motor vehicles	102 564	2 158 929	(1 015 811)	-	(196 166)	1 049 516
Office equipment	126 128	-	-	(3 307)	(22 405)	100 416
IT equipment	725 910	51 724	-	(20 416)	(288 593)	468 625
	3 992 551	**2 288 634**	**(1 015 811)**	**(171 029)**	**(1 281 687)**	**3 812 658**

Notes to the Consolidated And Separate Annual Financial Statements

4. Plant and equipment (continued)

Reconciliation of plant and equipment - Company - 2018

	Opening carrying value	Additions	Depreciation	Total
Plant and machinery	141 609	-	(38 022)	103 587
Furniture and fixtures	472 515	113 558	(104 548)	481 525
Motor vehicles	1 049 516	-	(291 589)	757 927
Office equipment	68 034	-	(15 922)	52 112
IT equipment	309 260	2 146 012	(157 602)	2 297 670
	2 040 934	**2 259 570**	**(607 683)**	**3 692 821**

Reconciliation of plant and equipment - Company - 2017

	Opening carrying value	Additions	Disposals	Depreciation	Total
Plant and machinery	179 850	-	-	(38 241)	141 609
Furniture and fixtures	575 215	-	-	(102 700)	472 515
Motor vehicles	102 564	2 158 929	(1 015 811)	(196 166)	1 049 516
Office equipment	83 955	-	-	(15 921)	68 034
IT equipment	465 602	35 563	-	(191 905)	309 260
	1 407 186	**2 194 492**	**(1 015 811)**	**(544 933)**	**2 040 934**

5. Goodwill

Group	**2018**			**2017**		
	Cost	**Accumulated impairment**	**Carrying value**	**Cost**	**Accumulated impairment**	**Carrying value**
Goodwill	57 333 674	-	57 333 674	63 427 985	-	63 427 985

Reconciliation of goodwill - Group - 2018

	Opening balance	Foreign exchange movements	Total
Goodwill	63 427 985	(6 094 311)	57 333 674

Reconciliation of goodwill - Group - 2017

	Opening balance	Foreign exchange movements	Total
Goodwill	68 826 102	(5 398 117)	63 427 985

The goodwill of USD 6 146 170 (P 57 333 674) arising from the acquisition is attributable to acquisition of investment company, Island View (Proprietary) Limited and its subsidiary, Mlimani Holdings Limited whose underlying assets are investment property. Goodwill recognised is not expected to be deductible for income tax purposes. Goodwill has been converted to functional currency of the Group at closing exchange rate prevailing at the end of reporting period, as per IAS 21.47.

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Pula	**2018**	**2017**	**2018**	**2017**

5. Goodwill (continued)

Impairment assessment on carrying value of goodwill
The Group has allocated the carrying value of goodwill reported at P 57 333 674 (USD 6 146 170) to the subsidiary, Mlimani Holdings Limited. This subsidiary is the cash generating unit. For purposes of testing impairment on the carrying value of goodwill, the Group has considered 5 year budgeted cash flow projections of the subsidiary's operations to determine the value in use. These future cash flow projections are prepared in functional currency (USD) of the subsidiary.

The following are the key assumptions used in determining the value in use:
a) Rental income has been assumed to grow at a rate of 2-6% per annum, based on the contracted lease agreements with the tenants.
b) Operating expenses has been assumed to grow at 3%, based on the USD inflation rate
c) The management has considered a pre-tax cost of capital rate of 5.53%, which is USD LIBOR plus 3.75. This discount rate is based on cost of capital for borrowings obtained by the company from its bankers.
d) Residential and conference centre were not considered as part of the cash flow projections due to nature of the lease period, which for residential houses is mostly 1 year and conference centre is booked on need basis.

Based on such cash flow projections, estimated recoverable amount from the value in use workings are higher than the carrying value of goodwill, thus, there is no need for impairment of goodwill.

6. Investments in subsidiaries

The following table lists the entities which are controlled by the group, either directly or indirectly through subsidiaries.

Group

Name of company	Principal activity	% holding 2018	% holding 2017
Island View (Proprietary) Limited incorporated in Botswana	IFSC registered Investment	100.00 %	100.00 %
Mlimani Holdings Limited incorporated in Tanzania	Property Investment	0.01 %	0.01 %
Turnstar Investments Limited incorporated in Dubai	Property Investment	100.00 %	- %

Company

Name of company	% voting power 2018	% voting power 2017	% holding 2018	% holding 2017	Carrying amount 2018	Carrying amount 2017
Island View (Proprietary) Limited (an IFSC company incorporated in Botswana with 1000 shares of no par value)	100.00 %	100.00 %	100.00 %	100.00 %	198 399 513	198 399 513
Mlimani Holdings Limited - (a company incorporated in Tanzania) The company subscribed on 22 February 2012, 1 ordinary share of 1000 Tanzanian Shilling with balance shares held by Island View (Proprietary) Limited	100.00 %	100.00 %	0.01 %	0.01 %	5	5
Turnstar Investment Limited (a company incorporated in Dubai with 10 shares of 1000 Utd.Arb Emir.Dirham	100.00 %	- %	100.00 %	- %	26 860	-
					198 426 378	198 399 518

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Pula	**2018**	**2017**	**2018**	**2017**
7. Loans to (from) group companies				
Subsidiaries				
Mlimani Holdings Limited	-	-	215 788 226	187 605 545

The company has signed a loan agreement with Mlimani Holdings Limited to finance implementation of phase II development. The loan is unsecured and was initially repayable in 60 equal monthly installments commencing 25 months after the first disbursement of the funds by Turnstar Holdings Limited. Interest is payable each month at 5.5% per annum (and the benchmark is 3 months LIBOR) will be charged on loan outstanding balance. However during the current year, the directors have confirmed waiver of the capital repayment by Mlimani Holdings Limited for the next 12 months.

8. Other financial assets

Held to maturity				
Investment in debentures - Mlimani Holdings Limited These debentures are unsecured, repayable within 10 years from the date of acquisition and carries variable interest at a rate equal to 6 months LIBOR plus a margin of not less than 5.5%. The principal value of debentures outstanding at 2018 USD 31 874 417 (2017: USD 31 298 750).	-	-	304 915 236	329 559 466
Loans and receivables				
Short term investments in Turnstar Investment Limited towards advance as capital contribution.	-	-	84 872 207	-
Total other financial assets	**-**	**-**	**389 787 443**	**329 559 466**
Non-current assets				
Held to maturity	-	-	164 292 572	232 405 414
Loans and receivables	-	-	84 872 207	-
	-	**-**	**249 164 779**	**232 405 414**
Current assets				
Held to maturity	-	-	140 622 664	97 154 052
	-	**-**	**389 787 443**	**329 559 466**

Fair value measurement of financial instruments

The fair values of the US-dollar based debenture are estimated using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market interest rates of similar instruments with similar risk. The interest rate used for this calculation is 6 months LIBOR rate plus 5.5%.

Pledged as security

The debentures of the company are held as security for banking facilities extended by Barclays Bank of Botswana Limited as stated in note 14.

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Pula	**2018**	**2017**	**2018**	**2017**
9. Deferred tax				
Deferred tax liability				
Accelerated capital allowances for tax purposes	(23 618 274)	(20 515 940)	(23 618 274)	(20 515 940)
On fair value surplus on investment properties	(167 296 075)	(221 060 294)	(70 898 030)	(70 923 384)
On operating lease receivables	(4 994 141)	(4 176 470)	(4 994 141)	(4 176 470)
On unrealised foreign exchange gain/loss	(5 301 923)	(10 185 708)	(5 301 923)	(10 185 708)
Total deferred tax liability	**(201 210 413)**	**(255 938 412)**	**(104 812 368)**	**(105 801 502)**
Deferred tax asset				
On provision for bad and doubtful debts	358 447	464 351	358 447	464 351
Tax losses available for set off against future taxable income	7 259 457	5 364 823	7 259 457	5 364 823
Total deferred tax asset	**7 617 904**	**5 829 174**	**7 617 904**	**5 829 174**
Deferred tax liability	(201 210 413)	(255 938 412)	(104 812 368)	(105 801 502)
Deferred tax asset	7 617 904	5 829 174	7 617 904	5 829 174
Total net deferred tax liability	**(193 592 509)**	**(250 109 238)**	**(97 194 464)**	**(99 972 328)**
Reconciliation of deferred tax asset / (liability)				
At beginning of year	(250 109 238)	(264 175 753)	(99 972 328)	(87 228 605)
Accelerated capital allowances for tax purposes	(3 102 334)	(1 867 451)	(3 102 334)	(1 867 451)
Tax losses available for set off against future taxable income	1 894 634	2 807 373	1 894 634	2 807 373
On fair value surplus on investment properties	41 930 852	1 969 452	25 354	(18 183 369)
On provision for bad and doubtful debts	(105 904)	(2 815)	(105 904)	(2 815)
On operating lease receivables	(817 671)	871 953	(817 671)	871 953
On unrealised foreign exchange gain/loss	4 883 785	3 630 586	4 883 785	3 630 586
Exchange fluctuations on year end translation of deferred tax (on subsidiary)	11 833 367	6 657 417	-	-
	(193 592 509)	**(250 109 238)**	**(97 194 464)**	**(99 972 328)**

Carry forward tax losses

No provision for current taxation has been made, as the company has assessed carry forward tax losses. The estimated tax loss available for set off against future taxable income as at 31st January 2018 was P 32 997 532 (2017: P 24 385 559).

Deferred tax on investment property held by Mlimani Holdings Limited is calculated based on the fair value of investment property at the year end, less the cost of investment property and the profits earned up to the year end as required by the Income Tax Act of Tanzania.

10. Operating lease asset

Non-current assets	20 308 305	21 989 303	17 710 259	18 258 435
Current assets	4 990 383	439 066	4 990 383	725 521
	25 298 688	**22 428 369**	**22 700 642**	**18 983 956**

Operating lease assets relate to the impact on straight lining of leases as required by IAS 17. This relates to the difference between the contractual rentals over the period of lease against the actual rentals charged during the year. The group leases investment properties, with average lease years between 1 to 5 years with exception of a few leases, which are between 10 to 25 years. Average annual escalation on these leases is 5%-10%.

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Pula	**2018**	**2017**	**2018**	**2017**
11. Trade and other receivables				
Trade receivables	12 745 849	7 515 672	7 751 331	6 421 563
Other receivables	3 483 289	3 535 738	2 946 479	3 972 498
Deposits	125 229	-	-	-
Prepayments	540 810	519 893	331 724	309 610
Value added tax	7 353 644	14 955 854	-	1 135 692
	24 248 821	**26 527 157**	**11 029 534**	**11 839 363**

Trade and other receivables pledged as security

Included under trade and other receivables are dues from tenants relating to Mlimani Holdings Limited and Game City Shopping Centre which have been pledged as security for borrowings from Barclays Bank of Botswana Limited, refer to note 14.

Credit quality of trade and other receivables

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

Fair value of trade and other receivables

The carrying amount of trade and other receivables approximate its fair value.

The Group's policy is to consider impairment provisions based on review of individual debtors current credit situation, past performance and other factors and where required, appropriate provisions have been made for impairment.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 January, 2018, P 7 383 108 (2017: P 4 528 808) (Company P 2 388 592 (2017: P 3 434 700) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	5 202 404	3 067 278	1 111 592	2 370 322
2 months past due	1 603 571	1 107 217	699 867	710 065
3 months past due	394 777	354 313	394 777	354 313
Over 3 Months past due	182 356	-	182 356	-
	7 383 108	4 528 808	2 388 592	3 434 700

Trade and other receivables impaired

As of 31 January, 2018, trade and other receivables of P 6 428 502 (2017: P4 129 963)) (Company P 1 629 303 (2017: P 2 110 685) were impaired and provided for.

The charge for the year was P 3 902 406 (2017: P 1 645 683) (Company P 488 488 as of 31 January, 2018 (2017: P373 437)).

The ageing of these trade and other receivables is as follows:

3 to 6 months	6 428 502	4 129 963	1 629 303	2 110 685
	6 428 502	4 129 963	1 629 303	2 110 685

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Pula	**2018**	**2017**	**2018**	**2017**

11. Trade and other receivables (continued)

Reconciliation of provision for impairment of trade and other receivables

Opening balance	4 129 963	3 031 174	2 110 685	2 123 478
Provision for impairment	3 902 406	1 645 681	488 488	373 437
Amounts written off as uncollectable	(969 870)	(386 228)	(969 870)	(386 230)
Effect of translation to presentation currency	(633 997)	(160 664)	-	-
	6 428 502	**4 129 963**	**1 629 303**	**2 110 685**

The creation and release of provision for impaired receivables have been included in operating expenses in profit or loss (note 19). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	21 588	39 776	3 403	3 482
Bank balances	35 648 058	87 739 045	26 606 005	81 376 347
Short-term deposits	13 897 690	127 775 397	13 897 690	127 775 397
	49 567 336	**215 554 218**	**40 507 098**	**209 155 226**

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.

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 external credit ratings or historical information about counterparty default rates: The banks in Botswana and Tanzania are not rated, but are subsidiaries of rated banks in South Africa and the United Kingdom.

13. Stated capital and linked unit debentures

Reconciliation of number of shares issued:				
At the beginning of the period	572 153 603	572 153 603	572 153 603	572 153 603
Issued				
Stated Capital - 572 153 603 (2017: 572 153 603) Ordinary shares of no par value	349 185 538	349 185 538	349 185 538	349 185 538
Share issue costs written off against stated capital	(2 764 983)	(2 764 983)	(2 764 983)	(2 764 983)
Linked unit debentures - 572 153 603 (2017: 572 153 603) Linked unit debentures of 50 thebe each	286 076 802	286 076 802	286 076 802	286 076 802
	632 497 357	**632 497 357**	**632 497 357**	**632 497 357**

The debentures carry interest at a rate which is linked to the dividend declared on the ordinary shares, and it becomes payable upon declaration of dividends on shares.

Linked unit debentures are redeemable subject to approval of shareholders by a special resolution and with written consent of the creditors of the company.

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Pula	**2018**	**2017**	**2018**	**2017**
14. Borrowings				
Held at amortised cost				
First National Bank of Botswana Limited The loan approved is for P 300 million, P 100 million towards refinancing the property, Game City Mall, and P 150 million for the redevelopment of Game City Mall, known as Phase 4 redevelopment. The loan is repayable in 120 months; 1 to 60 months interest only, 61 to 120 months interest plus principal and a final bullet payment of P 165 million. The Interest rate is set at prime less 2.1% per annum. The lender will review the bullet payment at the time in order to refinance the facility through an amortising debt facility for a further term. This term loan was transferred from Barclays Bank of Botswana Limited on the 10 March 2014.	291 272 876	250 999 916	291 272 876	250 999 916
Barclays Bank of Botswana Limited Term loan with a limit of USD 33 500 000, Interest at USD LIBOR plus 1.85% calculated on a 365 day basis and computed monthly in arrears. USD 3,000,000 payable on signing the facility agreement and 18 installments of USD 401,875, payable monthly commencing 1 month after the first draw down of the facility until the loan to value (LTV) reduces to 70%. The balance to be paid as a bullet on the final repayment date. The loan is disclosed net of unamortised debt issue cost of P Nil (2017: P 1 435 547), which will be amortised over the balance period of the loan. In the current period, an amount of P 1 435 547 (2017: P 703 520) has been recognised as an expense under finance costs. The loan was prepaid in current year as part of restructure.	-	225 382 501	-	225 382 501
Barclays Bank of Botswana Limited The company took a term loan of USD 25 million for the expansion of Mlimani City located at Plot 2, Block L, Ubungo in Dar Es Salaam, Tanzania (the Property). The interest shall be payable monthly for each loan from the each draw down date. The loan shall attract an interest rate of 4.5% per annum (Benchmark rate: 3 months USD LIBOR and Default rate of 5.725% per annum on the outstanding loan facility). The loan shall be repayable in 60 equal installments commencing 25 months after the date of the loan facility agreement and the final repayment date shall be 84 months after the date of the facility agreement. The loan was prepaid in the current year as part of restructure.	-	157 297 245	-	157 297 245
Barclays Bank of Botswana Limited The Group restructured the Barclays Bank of Botswana Limited loans stated above . The terms and conditions of the loan are given below:	319 296 072	-	319 296 072	-
	610 568 948	**633 679 662**	**610 568 948**	**633 679 662**

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Pula	**2018**	**2017**	**2018**	**2017**

14. Borrowings (continued)

Financial covenants that shall be maintained in accordance with the agreement with First National Bank Botswana Limited Loan facility for P 250 million are:

- Minimum interest cover ratio of 2 times for Company
- A minimum debt Service ratio of 6 times for Company
- A minimum loan to value ratio of 50% will apply to the secured property
- A maximum Group borrowing gearing ratio of 55%
- Minimum Group borrowings interest cover ratio of 3 times
- A minimum Group borrower net asset value of P 600 million.

Security held by First National Bank Botswana Limited

- A first covering mortgage bond in favour of the Bank over secured property (Game City) for a total of P 250 million plus an additional 20% towards the costs and contingencies
- Noting of the interest of First National Bank Limited as mortgage on the building insurance policy.
- Subordination of any shareholder loans and claims in the borrower.
- Subordination of debentures of Turnstar Holdings Limited.
- Cession of all leases, insurance policies and proceeds in respect of the secured property. The secured property is to be insured for its full replacement value (agreed by the Bank) and loss of rental insurance. The bank's interest to be noted in the insurance policy.
- A guarantee from Turnstar Holdings Limited and a guarantee from other subsidiaries of Turnstar Holdings Limited, for the obligations of the borrower, and
- Cession of bank accounts to be opened with First National Bank Botswana Limited

Restructured loan from Barclays Bank of Botswana Limited
The Barclays loans with sanctioned amount of USD 33.5 million and USD 25 million were restructured during the year ended 31 January 2018 and consolidated into one loan agreement for USD 35 million, the terms and conditions are documented below.

- The interest margin was set at 3 months USD Libor plus 3.75% calculated on a 365 day basis,

- 36 capital installments of USD 250 000 (Two Hundred & Fifty Thousand United States Dollars) payable monthly commencing one (1) month after the first Drawdown of the Facility, thereafter 47 capital installments of USD 541 666 (Five Hundred & Forty One Thousand Six Hundred & Sixty Six United States Dollars) payable monthly and one final repayment of USD 541 698 (Five Hundred & Forty One Thousand Six Hundred & Ninety Eight United States Dollars).

- The date falling 84 months after the date of the date of the first Drawdown of the Facility is the final repayment date. No Commitment Fee.

- Any amounts prepaid will be cancelled and will not be available for re-draw

Financial Covenants:
The financial covenants that shall be maintained in accordance with the agreement are

- Gross Borrowing at the end of each relevant period shall not exceed 66% of net tangible assets.

- EBIDTA of the Guarantor for each relevant period shall not fall below 3.5 times finance charges for such relevant period on a rolling basis

- EBITDA of the Borrower for each measurement period shall exceed 2.0 times the aggregate of Capital Repayments and Net Financing Costs for such measurement on a rolling basis.

- EBIDTA of the Guarantor for each measurement period shall exceed 1.25 times the aggregate of Capital repayments and Net Financing Costs of the Facility for such measurement period period on a rolling basis.

- Net tangible assets shall at all times exceed P 500 000 000 (Five Hundred Million pula)

- Net rental income for the relevant period shall exceed 1.25 times debt service for such relevant period.

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Pula	**2018**	**2017**	**2018**	**2017**

14. Borrowings (continued)

- Vacancies (excluding four vacant office blocks) will not exceed 5% of the gross lettable area of Plot No. 2, Block L, Ubungu Area, Kinondini Municipality, Dar es Salaam Tanzania, otherwise known as Milimani City.

Loan to Value
Net interest bearing borrowings of the Borrower at the end of the measurement period shall not at any time exceed 40% of the aggregate value of Investment Properties.

Net interest bearing borrowings of the Borrower in respect of the Facility at the end of each measurement period shall not exceed the aggregate values of the mortgaged properties by the following margins for such measurement periods.
- 30th June 2017 : 195%
- 31st January 2018: 185%
- 31st January 2019: 170%
- 31st January 2020: 155%
- 31st January 2021: 125%
- 31st January 2022: 90%
- 31st January 2023: 55%
- 31st January 2024: 50%

Security held

Upon restructuing of the loan during the year, security offered for the previous loan arrangement has been restructured to the new loan facility's requirement. Security offered towards previous year loan commitment is presented under Part A of the security listing detailed below, except for those mentioned below:

- First covering mortgage passed by Turnstar Holdings Limited in favour of the Barclays Bank of Botswana Limited in the amount of P 32.4 million over lot number 1131-7, Gaborone

- Deed of cession over rentals for an unlimited amount of all rentals which may accrue from any and all tenants LA975 - KO, South East administration district otherwise known as Game City Shopping Centre, Gaborone and

- First covering mortgage bond passed by Turnstar Holdings Limited in favour of the Barclays Bank of Botswana Limited in the amount of P 180 million over LA975-KO, South East administration district otherwise known as Game City Shopping Centre, Gaborone.

Part A - Existing Security

- 1st covering mortgage bond passed by Turnstar Holdings Limited in favour of the bank in the amount of USD 1 514 285 (One Million Five Hundred and Fourteen Thousand and Two Hundred and Eighty Five United States Dollars) over portion 63, a portion of portion 35 (a portion of portion 3) of the Farm Forest Hill No 9-KO.
- 1st covering mortgage bond passed by Turnstar Holdings Limited in favour of the bank in the amount of USD 2 171 428 (Two Million One Hundred and Seventy One Thousand Four Hundred and Twenty Eight United States Dollars) over Lot 13093 and 16398 Gaborone.
- 1st covering mortgage bond passed by Turnstar Holdings Limited in favour of the bank in the amount of USD 705 714 (Seven Hundred and Five Thousand Seven Hundred and Fourteen United States Dollars) over Lot 14444 Gaborone.
- 1st covering mortgage bond passed by Turnstar Holdings Limited in favour of the bank in the amount of USD 971 428 (Nine Hundred and Seventy One Four Hundred and Twenty Eight United States Dollars) over Lot 1203 Mogoditshane.
- 1st covering mortgage bond passed by Turnstar Holdings Limited in favour of the bank in the amount of USD 2 351 428 (Two Million. Three Hundred and Fifty One Thousand Four Hundred and Twenty Eight United States Dollars) over Lot 6670 Mogoditshane.
- 1st covering mortgage bond passed by Turnstar Holdings Limited in favour of the bank in the amount of USD 9 628 571 (Nine Million Six Hundred and Twenty Eight Thousand Five Hundred and Seventy One United States Dollars) over Lot 904 Francistown.
- Deed of Cession over Rentals in the AN Unlimited amount of Rentals of Plot 2 Block L Ubungu Area, Kinondini Municipality Dar Es Salaam Tanzania
- Corporate Guarantees from Mlimani Holdings Limited and Island View (Pty) Ltd for an Unlimited Amount in favour of the bank.
- Pledge of shares held in Mlimani Holdings Limited and Island View (Pty) Ltd in the name of the Borrower in an Unlimited Amount.
- Cession of Borrower's Loan Account with Mlimani Holdings Limited
- Assignment of the Borrower's rights and interests under the debenture agreement dated 26 Aug 2011 (As amended, varied and restated from time to time) between the borrower and the Mlimani Holdings Limited.

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Pula	**2018**	**2017**	**2018**	**2017**

14. Borrowings (continued)

Part B - New Security

- 2nd covering mortgage bond passed by Turnstar Holdings Limited in favour of the bank in the amount of USD 715 963 (Seven Hundred and Fifteen Thousand Nine Hundred and Sixty Three United States Dollars) over Plot Number 13093 and 16398 Gaborone.
- 2nd covering mortgage bond passed by Turnstar Holdings Limited in favour of the bank in the amount of USD 285 623 (Two Hundred and Eighty Five Thousand Six Hundred and Twenty Three United States Dollars) over Plot Number 14444 Gaborone.
- 2nd covering mortgage bond passed by Turnstar Holdings Limited in favour of the bank in the amount of USD 3 460 937 (Three Million Four Hundred and Sixty Thousand Nine Hundred and Thirty Seven United States Dollars) over Plot Number 904 Francistown.
- 2nd covering mortgage bond passed by Turnstar Holdings Limited in favour of the bank in the amount of USD 824 702 (Eight Hundred and Twenty Four Thousand Seven Hundred and Two United States Dollars) over Plot Number 6670 Mogoditshane.
- Corporate Guarantees from Island View (Pty) Ltd for an Unlimited Amount in favour of the bank.

Non-current liabilities				
At amortised cost	580 587 938	632 679 746	580 587 938	632 679 746
Current liabilities				
At amortised cost	29 981 010	999 916	29 981 010	999 916
	610 568 948	**633 679 662**	**610 568 948**	**633 679 662**

15. Trade and other payables

Trade payables	4 014 977	10 947 564	2 932 550	646 563
Other payables	3 537 674	694 565	3 210 405	694 565
Amounts received in advance	3 375 575	2 805 489	-	-
Security deposits received	14 637 830	13 731 685	4 098 852	4 304 414
Retention payable	14 622 171	16 620 236	4 020 876	7 278 182
Withholding tax payable	28 601	4 169 763	97 334	524 698
Accrued leave pay	663 149	562 994	663 149	562 994
Other accrued expenses	8 845 399	17 269 292	5 713 484	16 947 432
Value added tax	779 352	-	779 352	-
	50 504 728	**66 801 588**	**21 516 002**	**30 958 848**

Fair value of trade and other payables

The carrying value of trade and other payables approximate its fair value.

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Pula	**2018**	**2017**	**2018**	**2017**
16. Revenue				
Rental income	201 583 285	213 078 281	114 761 398	104 969 565
Straight line adjustments	3 151 967	(4 372 785)	3 716 687	(3 963 421)
Turnover rent (contingent rent)	1 013 511	594 655	1 013 511	594 655
Recoveries	46 134 902	45 343 295	24 501 432	22 292 602
	251 883 665	**254 643 446**	**143 993 028**	**123 893 401**

Rental income ceded as security for loan availed from Barclays Bank of Botswana Limited and First National Bank of Botswana Limited as stated in note 14.

The security is a deed of cession over rentals for an unlimited amount of all rentals which may accrue from any and all tenants of plot No. 2, Block l, Ubungo Area, Kinondoni Municipality, Dar es Salaam, Tanzania otherwise know as Mlimani City.

17. Other income				
Profit on sale of assets	-	384 189	-	384 189
Profit on exchange differences	31 927 751	25 260 064	31 918 887	25 260 064
Sundry income	130 709	8 570	-	-
Recoveries	773 543	1 472 002	773 543	450 958
Professional fees income	14 102	101 366	14 102	101 366
Advertising & Promotions	1 087 183	2 055 499	-	-
	33 933 288	**29 281 690**	**32 706 532**	**26 196 577**
18. Dividend income				
Dividend income	-	-	22 994 640	37 387 746

19. Operating profit

Operating profit for the year is stated after accounting for the following:

Income from subsidiaries				
Dividend income	-	-	22 994 640	37 387 746
Operating lease charges				
Lease rentals on operating lease				
• Contingent amounts	21 499 197	21 210 500	13 367 999	10 044 956
Bad debts expense	3 902 406	1 645 681	488 488	373 436
Consulting expenses	3 620 559	1 477 290	2 794 341	1 025 626
Cleaning	3 860 150	2 964 770	907 813	412 502
Depreciation on property, plant and equipment	1 219 563	1 281 687	607 683	544 933
Employee costs	14 537 179	15 180 632	12 007 912	12 400 615
Insurance	1 634 027	1 415 495	1 237 935	901 058
(Profit)/loss on sale of property, plant and equipment	-	(384 189)	-	(384 189)
(Profit)/loss on exchange differences	(755 779)	1 862 612	(746 915)	1 683 363
Repairs and maintenance	7 460 444	7 146 991	2 049 275	2 847 702
Security expenses	5 062 261	4 761 729	2 552 029	2 557 575
Utilities	34 946 793	30 625 282	23 530 938	18 543 008

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Pula	**2018**	**2017**	**2018**	**2017**
19. Operating profit (continued)				
Included in (other income)/operating expenses				
Foreign exchange loss on revaluation of cash and cash equivalents	1 480 626	3 570 221	1 480 626	3 570 221
Foreign exchange loss on revaluation of financial assets	52 697 304	36 828 038	52 697 304	36 828 038
Foreign exchange gain on revaluation of financial liabilities	(31 231 996)	(25 260 064)	(31 231 996)	(25 260 064)
	22 945 934	**15 138 195**	**22 945 934**	**15 138 195**
20. Finance income				
Interest revenue				
Debentures	-	-	36 997 344	28 725 724
Bank	47 847	101 691	47 847	101 691
Interest on money market placements	707 536	4 471 400	707 536	4 471 400
	755 383	**4 573 091**	**37 752 727**	**33 298 815**
21. Fair value adjustments				
Investment property (Fair value model)	33 085 893	105 341 115	33 085 893	96 864 881
Impairment	(109 196 488)	-	-	-
	(76 110 595)	**105 341 115**	**33 085 893**	**96 864 881**

Impairment to investment property represents the reduction in fair value of certain properties as valued by an independent valuer, based on current market conditions.

22. Finance costs				
Interest paid to Barclays Bank of Botswana Limited	6 239 581	10 799 535	15 476 819	10 799 535
Interest paid to First National Bank Botswana Limited	6 855 538	5 082 296	6 855 538	5 082 296
Amortisation of debt issue costs	1 578 776	703 520	1 578 776	703 520
	14 673 895	**16 585 351**	**23 911 133**	**16 585 351**

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Pula	**2018**	**2017**	**2018**	**2017**

23. Taxation

Major components of the tax (income) expense

Current				
Foreign withholding tax - current period	2 218 277	4 154 194	-	-
Deferred				
Originating and reversing temporary differences	(44 683 362)	(7 409 098)	(2 777 862)	12 743 723
	(42 465 085)	**(3 254 904)**	**(2 777 862)**	**12 743 723**

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	22.00 %	22.00 %	22.00 %	22.00 %
Items exempt for income tax	(152.39)%	(21.14)%	(24.18)%	(24.67)%
Capital gains tax	- %	7.75 %	(0.02)%	8.92 %
Effects of foreign tax rates	(7.80)%	(8.22)%	- %	- %
	(138.19)%	**0.39 %**	**(2.20)%**	**6.25 %**

No provision for tax had been made as the group has no taxable income due to tax losses available for set off in Botswana well as tax incentives that is available in Tanzania for Mlimani Holdings Limited, as stated below. The estimated tax losses available for the company in Botswana available for set off against future taxable income is P 32 997 532 (2017: P 24 043 981).

Mlimani holdings Limited has been granted strategic investors' status by the Government of Tanzania under which, Mlimani Holdings Limited will start paying company tax after recovery of its investment. The tax incentives granted by the Government of Tanzania to the subsidiary has remained in force through the reporting period.

24. Auditors' remuneration

Fees	725 120	542 961	535 830	391 977

25. Other comprehensive income

Components of other comprehensive income - Group - 2018

	Gross	Tax	Net
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations			
Exchange differences arising during the year	(47 418 115)	-	(47 418 115)

Components of other comprehensive income - Group - 2017

	Gross	Tax	Net
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations			
Exchange differences arising during the year	(48 806 870)	-	(48 806 870)

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Pula	**2018**	**2017**	**2018**	**2017**

26. Operating lease arrangements

Operating leases as lessor

Property rental income earned during the year is set out in note 16. At the balance sheet date, the group had contracted with its tenants for the following future minimum contractual lease payments:-

Rental income				
Not more than one year	163 219 042	93 665 449	97 423 061	87 555 645
Later than one year and not latter than five years	487 928 572	195 834 880	312 738 694	184 226 807
Later than five years	41 559 864	43 638 503	40 162 760	41 988 920
	692 707 478	**333 138 832**	**450 324 515**	**313 771 372**

Operating leases relate to various investment properties owned by the Group, average lease years between 1 to 5 years with the exception of a few leases, which are between 10 to 25 years. Average annual escalation on these leases are between 3 - 8%. Some of these leases have an option to renew for further years, at market related rates, at the time of such renewal. The lessees do not have an option to purchase the property at the expiry of the lease year.

Two of the leases have contingent rent option and accordingly an amount of P 1 013 511 (2017: P 594 655) is recognised in the income statement as contingent rent income.

Operating leases as lessee

Turnstar Holdings Limited

One of the leases for a land is held under a 75 year lease commencing from 1 April 2001 expiring on 31 March 2076. Upon expiry of the lease period the property will revert to the Lessor with the development thereon. Consideration for this lease is payable at the rate of 10% of the gross rentals received from the property built on this land, net of operating expenses for the first 10 years. Thereafter, the rental increases by 2.5% of the gross rental (net of recoveries) every five years up to 40th year of lease. The lease rentals are held at 20% for 40th year to 50th year and thereafter at 25% from 51st year to the 75th year. These rental payments are recognised as contingent rent expenses.

With effect from 1 February 2013, the company's management has renegotiated the lease with the lessor (Roman Catholic Church). As per the addendum, rent will be calculated at an agreed percentage as mentioned above on gross rental income billed. This change in the rental calculation is prospective. During the year the company accounted for rental expenses of P 13 367 999 (2017: P 10 044 956).

Future leasing charges for the land are based at 15% of the gross rentals received, net of operating expenses, which cannot be estimated reliably beyond one year. Estimated charges for the immediate following year would be P 11 253 637 (2017: P 10 121 924).

Mlimani Holdings Limited

The lease of land is held under a 50 years ground lease from the University of Dar es Salaam commencing from 01 October 2004 expiring on 30 September 2054, subject to a further 35 years renewal. Consideration for the lease is payable at the rate of 10% of the gross rentals received from the property built on this land net of operating costs. These rental payments are recognised as contingent rent expenses during the year amounting to P 8 131 198 (2017: P 11 165 544).

Future leasing charges for the land are based at 10% of the gross rentals received, net of operating expenses, which cannot be estimated reliably beyond one year. Estimated charges for the immediate following year would be P 5 711 555 (2017: P 9 927 060).

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Pula	**2018**	**2017**	**2018**	**2017**
27. Cash generated from operations				
Profit before taxation	30 728 621	234 469 910	126 138 066	203 767 346
Adjustments for:				
Depreciation	1 219 563	1 281 687	607 683	544 933
Profit on sale of assets	-	(384 189)	-	(384 189)
Loss/(profit) on foreign exchange	22 945 934	15 138 195	22 945 934	15 138 195
Finance income	(755 383)	(4 573 091)	(37 752 727)	(33 298 815)
Finance costs	14 673 895	16 585 351	23 911 133	16 585 351
Fair value adjustments	76 110 595	(105 341 115)	(33 085 893)	(96 864 881)
Movements in operating lease asset	(2 870 319)	4 372 783	(3 716 686)	3 963 420
Dividend income	-	-	(22 994 640)	(37 387 746)
Changes in working capital:				
Trade and other receivables	2 278 336	(8 652 725)	809 829	(911 593)
Trade and other payables	(16 296 860)	16 440 206	(9 442 849)	4 767 201
Unclaimed debenture interest and dividend payable	49 998	116 951	49 998	116 951
	128 084 380	**169 453 963**	**67 469 848**	**76 036 173**
28. Investment in subsidiary				
Fair value of assets acquired				
Costs directly attributable to the formation of subsidiary	-	-	26 860	-
Consideration paid				
Cash	-	-	(26 860)	-
Net cash outflow on investment				
Cash consideration paid	-	-	(26 860)	-
29. Tax paid				
Balance at beginning of the year	2 048 815	2 190 342	381 174	380 775
Current tax for the year recognised in profit or loss	(2 218 277)	(4 154 194)	-	-
Balance at end of the year	(1 888 584)	(2 048 815)	(381 174)	(381 174)
	(2 058 046)	**(4 012 667)**	**-**	**(399)**
30. Dividend and debenture interest paid				
Final distribution of prior year paid	(62 936 896)	(65 797 664)	(62 936 896)	(65 797 664)
Interim distribution paid	(51 493 824)	(51 493 834)	(51 493 824)	(51 493 834)
	(114 430 720)	**(117 291 498)**	**(114 430 720)**	**(117 291 498)**

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Pula	**2018**	**2017**	**2018**	**2017**

31. Basic and diluted earnings per linked unit

Basic and diluted earnings per linked unit is calculated by dividing the earnings attributable to the Linked unit holders by the weighted average number of Linked unit holders in issue during the year.

Basic and diluted earnings attributable to linked unit holders				
- from continued operations	73 193 706	237 724 813	128 915 928	191 023 623
Basic earnings per linked unit (in Pula)	0.13	0.42	0.23	0.33
Diluted earnings per linked unit (in Pula)	0.13	0.42	0.23	0.33
Weighted average number of linked units (as at year end)	572 153 603	572 153 603	572 153 603	572 153 603
Weighted average number of linked units (including issues after year end)	572 153 603	572 153 603	572 153 603	572 153 603

32. Directors linked unit holdings

G.H Abdoola - Beneficial	80 000 000	90 000 000	80 000 000	90 000 000
I. Nshakazhogwe - Beneficial	2 179 340	2 179 340	2 179 340	2 179 340
	82 179 340	**92 179 340**	**82 179 340**	**92 179 340**

The Directors had the beneficial interest in Turnstar Holdings Limited as at year end.

33. Linked unitholders information

FNB Nominees (Proprietary) Limited RE: AGRAY BPOPF 10001010	105 909 729	105 631 329	105 909 729	105 631 329
G H Group (Proprietary) Limited	80 000 000	90 000 000	80 000 000	90 000 000
Associated Investment and Development Corporation (Proprietary) Limited	58 583 407	58 583 407	58 583 407	58 583 407
Stanbic Nominees Botswana (Proprietary) Limited RE: BIFM	29 950 827	34 689 403	29 950 827	34 689 403
FNB Nominees Re: AA-BPOPFEquity	56 120 450	55 720 450	56 120 450	55 720 450
FNB Nominees (Pty) Ltd RE: BIFM BPOPF EQUITY	49 707 352	49 707 352	49 707 352	49 707 352
ALLAN GRAY RE: Debswana Pension Fund	40 149 902	22 991 923	40 149 902	22 991 923
FNB Botswana Nominees(Pty) LtdRe:ACB BPOPF	-	25 510 281	-	25 510 281
BIFM RE:Debswana Pension Fund	-	16 847 892	-	16 847 892
FNB BOTSWANA NOMINEES (PTY) LTD RE: ACB BPOPF WPPP	-	16 327 794	-	16 327 794
FNB NOMINEES KGORI CAPITAL- BPOPF EQUITY	24 678 246	-	24 678 246	-
MOTOR VEHICLE ACCIDENT FUND	15 610 968	-	15 610 968	-
MOTOR VEHICLE ACCIDENT FUND	11 838 895	-	11 838 895	-
	472 549 776	**476 009 831**	**472 549 776**	**476 009 831**
Public	35 %	35 %	35 %	35 %
Non-public	65 %	65 %	65 %	65 %
	100 %	**100 %**	**100 %**	**100 %**

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Pula	**2018**	**2017**	**2018**	**2017**

34. Contingencies

The Group issued a guarantee in favour of Botswana Power Corporation for P 584 145 (2017: P 584 145).

The Group's subsidiary Mlimani Holdings Limited was issued with a demand notice dated 4 January 2016 from USDM for payment of rent to the tune of USD 309 458 (P 3 033 901) (2017: USD 309 458) being the difference between the amount actually paid to UDSM Vs the amount claimed by USDM for the period A May 2006 to 30 June 2014. The said difference arises from bad debts and recoveries from conference rental, both of which were not included in calculating rent payable to UDSM. The matter is currently under negotiating and the directors believe that the amount will either significantly reduce or be completely waived.

Mlimani Holdings Limited was issued with notice of assessments for the tax periods 2013-2016 dated 21 September 2017 from Tanzania Revenue Authority for WHT, VAT and employment taxes (P.A.Y.E & SOL). These have been disputed and challenged by the company, however, a possible liability amount of TZS 2,360,462,589 on WHT and TZS 196,895,075 on VAT may arise out of these assessments which are equivalent to USD 1,049,094 (P 10 285 234) and USD 87,509 (P 857 931) respectively at the year-end rate. Currently, receipt of notice of objections has been acknowledged by TRA with pending response on the matter. Accordingly, no provision has been made in the financial statements.

Apart from the above, the directors are of the opinion that there are no other contingent liabilities as at the year end.

35. Commitments

Authorised capital expenditure				
Not yet contracted for and authorised by directors	15 000 000	50 000 000	7 000 000	20 000 000

This committed expenditure relates to investment property for the final finishing touches to the expansion of Game City and Mlimani City.

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Pula	**2018**	**2017**	**2018**	**2017**

36. Related parties

Relationships

Subsidiaries	Refer to note 6
Related parties	A1 Filling Station (Proprietary) Limited
	Accite Era Re (Proprietary) Limited
	Accite Era Selemi (Proprietary) Limited
	Accite Holdings (Proprietary) Limited
	Auto City (Proprietary) Limited
	Azzurro (Proprietary) Limited
	B & T Traders (Proprietary) Limited
	Botswana Life Insurance Limited
	Botswana Insurance Fund Management
	Boulavou (Proprietary) Limited
	Cascadelle (Proprietary) Limited
	CBD Filling Station (Proprietary) Limited
	Collectus (Proprietary) Limited
	Collectus South Africa (Proprietary) Limited
	Consumer Industries (Proprietary) Limited
	Damstock (Proprietary) Limited
	Exim Enterprises (Proprietary) Limited
	Exponential Investments Limited
	FFND People Solutions (Proprietary) Limited
	G H Investments (Proprietary) Limited
	GH Group (Proprietary) Limited
	House of Giam (Proprietary) Limited
	Langdon Organic (Proprietary) Limited
	Lion Motors (Proprietary) Limited
	Opal Investments (Proprietary) Limited
	Oxford Holdings (Proprietary) Limited
	Palazzo Venezia Holding Limited
	Parano (Proprietary) Limited
	Reginal technologies (Proprietary) Limited
	The Square Mart (Proprietary) Limited
	Track Holdings (Proprietary) Limited
	Tshesebe Investments (Proprietary) Limited
	Whale Exim Industries (Botswana) (Proprietary) Limited
	Yodder Solutions (Proprietary) Limited
	Zambezi Corporation (Proprietary) Limited
	Zambezi Motors (Proprietary) Limited
	Zambezi Technologies (Proprietary) Limited
	Zambezi Towers (Proprietary) Limited
	Zambezi Transport and Engineering Services (Proprietary) Limited
	Zebuidenthout (Proprietary) Limited
Directors	P Balopi (Chairman)
	G H Abdoola (Managing Director)
	I Nshakazhogwe
	M K Nteta
	P J Bezuidenhout
	P Pillar
	S Puvimanasinghe

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Pula	**2018**	**2017**	**2018**	**2017**
36. Related parties (continued)				
Related party balances				
Loan accounts - Owing (to) by related parties				
Mlimani Holdings Limited	-	-	215 788 226	187 605 545
Debenture Asset Investments				
Mlimani Holdings Limited	-	-	304 915 236	329 559 466
Investment in shares				
Mlimani Holdings (Proprietary) Limited	-	-	5	5
Island View (Proprietary) Limited	-	-	198 399 513	198 399 513
Turnstar Investments Limited	-	-	26 860	-
	-	**-**	**198 426 378**	**198 399 518**
Short term investmets towards advance as capital contribution				
Turnstar Investment Limited	-	-	84 872 207	-
Related party transactions				
Rent paid to (received from) related parties				
Botswana life Insurance Limited	1 067 019	835 416	1 067 019	835 416
Directors fees				
P Balopi	199 687	108 185	145 600	79 520
I Nshakazhogwe	129 920	129 920	129 920	129 920
P Pillar	163 520	224 121	163 520	176 960
M Adelman	29 120	161 280	29 120	161 280
M K Nteta	152 320	176 960	152 320	176 960
P J Bezuidenhout	184 130	229 777	116 480	165 760
	858 697	**1 030 243**	**736 960**	**890 400**
Dividend income and debenture interest received from related parties				
Island View (Proprietary) Limited	-	-	(19 964 489)	(37 387 746)
Turnstar Investment Limited	-	-	(3 030 151)	-
	-	**-**	**(22 994 640)**	**(37 387 746)**
Compensation to directors and other key management				
G H Abdoola	3 626 064	3 387 808	3 626 064	3 387 808
S Puvimanasinghe	1 571 336	1 447 960	1 571 336	1 447 960
	5 197 400	**4 835 768**	**5 197 400**	**4 835 768**

As permitted by the sale agreement dated 27 June 2011 entered with the sellers of Island View (Proprietary) Limited and Mlimani Holdings Limited, being GH Group (Proprietary) Limited and Associated Investment Development Corporation (Proprietary) Limited, the Company waived some of the conditions precedent after the sellers executed a deed of guarantee on 24 December 2011 in favour of the Company binding themselves jointly and severally irrevocably and unconditionally to Turnstar Holdings Limited, to pay to Turnstar Holdings Limited any shortfall that occurs during the guarantee period ending 31 January 2023. The following are conditions precedent which were waived:

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Pula	**2018**	**2017**	**2018**	**2017**

36. Related parties (continued)

- Confirmation of the existence in terms of law and duration, to the satisfaction of the Company, of the tax incentives and exemptions granted to Mlimani Holdings Limited by the Government of Tanzania including
  i. any amendments to the performance contract necessary to give effect to the tax incentives and exemptions and
  ii. the registration of the performance contract as required by law.
- Proof of publication, to the satisfaction of the Company, of the Government Notices confirming the existence in terms of law of the tax incentives and exemptions granted to Mlimani Holdings Limited and the duration thereof; and
- the written consent of the Minister of Finance and Development Planning for Botswana to the sale of the shares in Island View (Proprietary) Limited by GH Group (Proprietary) Limited and Associated International Development Corporation to the Company.

As per the deed of guarantee in the event of default the sellers, being GH Group (Proprietary) Limited and Associated Investment Development Corporation (Proprietary) Limited, have agreed to pay the Company any shortfall which occurs in relation to amount receivable by the Company in respect of the debentures, where such shortfall is caused by the imposition through obligation to withhold tax on any interest which is payable by Mlimani Holdings Limited to Turnstar Holdings Limited for the debentures and any such withholding tax towards the distribution of the profit of Mlimani Holdings Limited otherwise available by way of dividend. Any such shortfall as aforementioned is the result of the imposition of tax on Mlimani Holdings Limited, the sellers have guaranteed such payment to the company, provided that any such payment does not exceed the sum of USD 6 million being the maximum guarantee amount.

As security for due performance by GH Group (Proprietary) Limited and Associated Investment Development Corporation (Proprietary) Limited of the obligations, as per the guarantee both sellers, GH Group (Proprietary) Limited and Associated Investment Development Corporation (Proprietary) Limited have each pledged 10 million linked units in favour of Turnstar Holdings Limited.

There are no changes to the conditions relating to P 10 million linked units pledged each by G H Group (Proprietary) Limited and Associated Investment Development Corporation (Proprietary) Limited in favour of the company. The pledge remained in force during the reporting period.

37. Directors' emoluments

Executive

2018

	Emoluments	Total
G H Abdoola (Managing Director)	3 626 064	3 626 064
S Puvimanasinghe (Finance Director)	1 571 336	1 571 336
	5 197 400	**5 197 400**

2017

	Emoluments	Total
G H Abdoola (Managing Director)	3 387 808	3 387 808
S Puvimanasinghe (Finance Director)	1 447 960	1 447 960
	4 835 768	**4 835 768**

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Pula	**2018**	**2017**	**2018**	**2017**

37. Directors' emoluments (continued)

Non-executive

2018

	Directors' fees	Directors' fees for services as directors' of subsidiaries	Total
P Balopi (Chairman)	145 600	54 087	199 687
I Nshakazhogwe	129 920	-	129 920
P Pillar	163 520	-	163 520
M Aldelman	29 120	-	29 120
P Bezuidenhout	116 480	67 650	184 130
M Nteta	152 320	-	152 320
	736 960	**121 737**	**858 697**

2017

	Directors' fees	Directors' fees for services as directors' of subsidiaries	Total
P Balopi (Chairman)	79 520	28 665	108 185
I Nshakazhogwe	129 920	-	129 920
P Pillar	176 960	47 161	224 121
M Aldelman	161 280	-	161 280
P Bezuidenhout	165 760	64 017	229 777
M Nteta	176 960	-	176 960
	890 400	**139 843**	**1 030 243**

Notes to the Consolidated And Separate Annual Financial Statements

		Group		Company	
Figures in Pula		**2018**	**2017**	**2018**	**2017**

38. 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 shareholder 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 14, cash and cash equivalents disclosed in note 12, and equity as disclosed in the statement of financial position.

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

The group management maintains the threshold of borrowing powers in line with the limits specified by the board of directors.

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 Group's strategy is to maintain a gearing ratio of between 0% to 40%.

The group has availed credit facilities from Barclays Bank Botswana Limited, these credit facilities are attached with financial covenants as referred in note 14. The Group during the year has not breached any of the covenants referred to in that note.

There have been no changes to what the group manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

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

Total borrowings					
Borrowings	14	610 568 948	633 679 662	610 568 948	633 679 662
Less: Cash and cash equivalents	12	(49 567 336)	(215 554 218)	(40 507 098)	(209 155 226)
Net debt		561 001 612	418 125 444	570 061 850	424 524 436
Total equity		1 559 186 947	1 648 916 727	1 373 338 643	1 358 853 435
Total capital		**2 120 188 559**	**2 067 042 171**	**1 943 400 493**	**1 783 377 871**
Gearing ratio		26 %	20 %	29 %	24 %

Financial risk management

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

The Group's overall risk management program 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 of directors. Group finance department identifies and evaluates financial risks in close co-operation with the Group's operating management. The board of directors provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity.

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Pula	**2018**	**2017**	**2018**	**2017**

38. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that operations cannot be funded and financial commitments cannot be met timeously and cost effectively. The risk arises from both the difference between the magnitude of assets and liabilities and the disproportion in their maturities. Liquidity risk management deals with the overall profile of the statement of financial position, the funding requirements of the company and cash flows. In quantifying the liquidity risk, future cash flow projections are simulated and necessary arrangements are put in place in order to ensure that all future cash flow commitments are met from the working capital generated by the company and also from available financial institutions' facilities.

The table below analyses the group's financial liabilities and financial assets into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group Financial Liabilities

At 31 January, 2018	**Less than 1 year**	**Due after one year**
Borrowings	29 981 010	580 587 938
Trade payables	4 014 979	-
Other payables	3 537 674	-
Security deposits	-	14 637 830
Retention	-	14 622 171
Other accrued expenses	8 845 399	-

At 31 January, 2017	**Less than 1 year**	**Due after one year**
Borrowings	999 916	632 679 745
Trade payables	10 947 565	-
Other payables	694 565	-
Security deposits	-	13 731 685
Retention	-	16 620 236
Other accrued expenses	17 269 292	-

Company Financial Liabilities

At 31 January, 2018	**Less than 1 year**	**Due after one year**
Borrowings	29 981 010	580 587 938
Trade payables	2 932 550	-
Other payables	3 210 405	-
Security deposits	-	4 098 852
Retention	-	4 020 876
Other accrued expenses	5 713 484	-

At 31 January, 2017	**Less than 1 year**	**Due after one year**
Borrowings	999 916	632 679 745
Trade payables	646 563	-
Other payables	694 565	-
Security deposits	-	4 304 414
Retention	-	7 278 182
Other accrued expenses	16 947 432	-

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Pula	**2018**	**2017**	**2018**	**2017**

38. Risk management (continued)

Interest rate risk

The Group has significant interest-bearing assets and significant interest-bearing borrowings. The group's income and operating cash flows are substantially affected by the changes in market interest rates.

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. During 2018 and 2017, the group's borrowings at variable rate were denominated in Pula and US Dollar.

At 31 January, 2018, if interest rates on Pula-denominated borrowings and interest bearing assets had been 10% higher/lower with all other variables held constant, Group pre-tax profit for the year would have been P 647 926 (2017: P 254 115) (Company P 647 926 (2017: P 254 115)) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 January 2018, if interest rates on US Dollar-denominated borrowings had been 10% higher/lower with all other variables held constant, pre-tax profit for the year would have been P 1 547 682 (2017: P 539 977) (Company P 2 152 053 (2017: P 539 977)) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Group cash flow interest rate risk

Financial instrument	**Current interest rate**	**Due in less than a year**	**Due in one to two years**
Cash in current banking institutions call account	2.00 %	35 648 058	-
Short term deposits	2.75 %	13 897 690	-
Borrowings in USD LIBOR	5.57 %	28 708 134	291 866 029
Borrowings in Botswana Pula at local rate	4.75 %	1 272 876	290 000 000

Company cash flow interest rate risk

Financial instrument	**Current interest rate**	**Due in less than a year**	**Due in one to two years**
Cash in current banking institutions call account	2.00 %	26 606 005	-
Short term deposits	2.75 %	13 897 690	-
Borrowings in USD at LIBOR	5.57 %	28 708 134	291 866 029
Borrowings in Botswana Pula at local rate	4.75 %	1 272 876	290 000 000
Loan to group companies	6.82 %	-	215 788 266
Investment in debentures of Mlimani Holdings Limited	7.02 %	140 622 664	164 292 572

Credit risk

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 counter-party.

Credit risk is the risk of financial loss to the Group if a tenant or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the lease of office space to tenants. The Group has addressed this risk by developing a credit policy, which guides on what steps to take when faced with such risk.

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

Financial instrument	**Group - 2018**	**Group - 2017**	**Company - 2018**	**Company - 2017**
Trade and other receivables	16 229 138	11 051 410	10 697 810	10 394 061
First National Bank of Botswana Limited	10 081 111	6 517 005	10 081 111	6 517 005
Barclays Bank of Botswana Limited	16 524 894	75 102 908	16 524 894	75 102 908
Exim Bank Tanzania Limited	8 207 267	6 102 853	-	-
Barclays Bank Tanzania Limited	758 683	31 337	-	-
Mashreqbank (in Dubai)	76 103	-	-	-
Stanlib Money Market Fund and African Alliance Botswana	13 897 690	127 775 397	13 897 690	127 775 397
Loan to related company	-	-	215 788 226	187 605 545
Other financial assets	-	-	389 787 443	329 559 466

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Pula	**2018**	**2017**	**2018**	**2017**

38. Risk management (continued)

Foreign exchange risk

The Group operates within Africa and Dubai region with exposure to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group owns subsidiary companies which holds investment properties in Tanzania and Dubai and is accordingly exposed to foreign exchange risk in respect of financial assets and liabilities that are not in the Group's functional currency which is the Botswana Pula. The during the year the group has not hedged the foreign exchange fluctuations arising from net investments in foreign operations.

Group
At 31 January, 2018, if the currency had strengthened by 10% against the US dollar with all other variables held constant, pre-tax profit for the year would have been P 28 380 819 (2017: P 30 860 736) higher, mainly as a result of foreign exchange gains on translation of US dollar denominated financial assets and borrowings.

At 31 January 2018, if the currency had weakened by 10% against the US dollar with all other variables held constant, pre-tax profit for the year would have been P 34 687 668 (2017: P37 718 677) lower, mainly as a result of foreign exchange losses on translation of US dollar denominated financial assets and borrowings.

Company
At 31 January 2018, if the currency had strengthened by 10% against the US dollar with all other variables held constant, pre-tax profit for the year would have been P 19 458 756 (2017: P 16 380 618) higher, mainly as a result of foreign exchange gains on translation of US dollar denominated financial assets and borrowings.

At 31 January 2018, if the currency had weakened by 10% against the US dollar with all other variables held constant, pre-tax profit for the year would have been P 23 782 924 (2017: P 20 020 756) lower, mainly as a result of foreign exchange losses on translation of US dollar denominated financial assets and borrowings.

Foreign currency exposure at the end of the reporting period

Non current assets				
Debentures	-	-	304 915 236	329 559 466
Loan to related company	-	-	215 788 226	187 605 545
Current assets				
Trade and other receivables	16 364 518	16 617 063	-	-
Cash and cash equivalents	19 805 515	83 214 869	13 928 225	66 597 806
Liabilities				
Borrowings	320 574 163	382 679 746	320 574 163	382 679 746
Trade and other payables	30 967 828	36 743 442	-	-

39. Fair value information

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the group can access at measurement date.

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: Unobservable inputs for the asset or liability.

Levels of fair value measurements

Level 3

Notes to the Consolidated And Separate Annual Financial Statements

39. Fair value information (continued)

Recurring fair value measurements

	Note				
Assets					
	3				
Investment property					
Investment property		2 251 586 833	2 266 752 632	1 221 399 358	1 166 543 710
Total		**2 251 586 833**	**2 266 752 632**	**1 221 399 358**	**1 166 543 710**

Reconciliation of assets and liabilities measured at level 3

	Note	Opening balance	Gains/losses recognised in profit or loss	Additions	Foreign exchange movement	Closing balance
Group - 2018						
Assets						
Investment property						
Investment property		2 266 752 632	(76 110 595)	167 325 733	(106 339 239)	2 251 628 531
Total		**2 266 752 632**	**(76 110 595)**	**167 325 733**	**(106 339 239)**	**2 251 628 531**
Group - 2017						
Assets						
	3					
Investment property						
Investment property		2 021 041 470	105 341 115	226 784 381	(86 414 334)	2 266 752 632
Total		**2 021 041 470**	**105 341 115**	**226 784 381**	**(86 414 334)**	**2 266 752 632**
Company - 2018						
Assets						
	3					
Investment property						
Investment property		1 166 543 710	33 085 894	21 769 754	-	1 221 399 358
Total		**1 166 543 710**	**33 085 894**	**21 769 754**	**-**	**1 221 399 358**
Company - 2017						
Assets						
	3					
Investment property						
Investment property		978 147 610	96 864 881	91 531 219	-	1 166 543 710
Total		**978 147 610**	**96 864 881**	**91 531 219**	**-**	**1 166 543 710**

Information about valuation techniques and inputs used to derive level 3 fair values

Investment property - Retail segment

Retail segment comprises of the following properties Game City Shopping Centre, Nzano Shopping Centre and Super Save Mall. The fair values of these properties determined by independent valuers is P 1 140 400 000. The fair values of these properties are estimated using an income approach which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields implied by recent transactions in similar properties. The estimated market rental per square meter used by the valuer in the projected cash flows are within the range of future contractual rent agreed by the Company with its tenants. The estimated rental stream takes into account current occupancy level, estimates of future vacancy levels, rental escalation as per lease agreements signed by the tenants.

Notes to the Consolidated And Separate Annual Financial Statements

39. Fair value information (continued)

Investment property - Commercial segment

Commercial segment comprises of the following properties Turnstar House, Plot 63 in Commerce Park and Plot 14444 Hyundai. There fair values of these properties determined by independent valuers is P 63 200 000. The fair values of these properties are estimated using an income approach which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields implied by recent transactions in similar properties. The estimated market rental per square meter used by the valuer in the projected cash flows are within the range of future contractual rent agreed by the company with its tenants. The estimated rental stream takes into account current occupancy level, estimates of future vacancy levels, rental escalation as per lease agreements signed by the tenants.

Investment property - Residential segment

Residential segment comprises of the following properties Mogodithshane Flats and Tapologo Apartments. There fair values of these properties determined by independent valuers is Pula 40 500 000. The fair values of these properties are estimated using an income approach which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields implied by recent transactions in similar properties. The estimated market rental per square meter used by the valuer in the projected cash flows are within the range of future contractual rent agreed by the company with its tenants. The estimated rental stream takes into account current occupancy level, estimates of future vacancy levels, rental escalation as per lease agreements signed by the tenants.

The most significant inputs, all of which are unobservable, are the discount rate, long term revenue growth rate, long term expenditure growth rate, estimated rental value, reversionary capitalisation rate and assumptions about vacancy levels. The estimated fair value increases if the estimated rental increases, long term revenue growth rate increases, long term expenditure rate reduces, rental escalation increases, discount rate and reversionary discount rate declines The overall valuations are sensitive to all these assumptions. The valuation was done on 31 March 2018 and the inputs used in the valuations for the year ended 31 January 2018 were:

Assumptions used for valuation of properties in Botswana	**Retail**	**Commercial**	**Residential**
Average discount rate	7.75- 10%	8.09- 10.55%	7.1- 7.91%
Average occupancy rate	100%	96%	88%
Long-term revenue Growth Rate - As per valuation	6%	5%	6%
Long-term expenditure Growth Rate - As per Valuation	8%	8%	8%
Average lease period	2 - 25 Yrs	3 - 5 Yrs	1 - 2 Yrs
Average Escalation/ Rental- From MDA	5-8%	5-10%	6-10%

Palazzo Venezia Dubai property

Turnstar Investments Limited. a subsidiary company owns, Palazzo Venezia Holding property a commercial property with their fair value determined by independent valuer at Pula 76 670 315 (USD 29 000 000), respectively. The fair values of these properties are estimated using an income approach which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields implied by recent transactions in similar properties. The estimated market rental per square meter used by the valuer in the projected cash flows are within the range of future contractual rent agreed by the company with its tenants. The estimated rental stream takes into account current occupancy level, estimates of future vacancy levels, rental escalation as per lease agreements signed by the tenants.

Mlimani Holdings Limited properties consist of Retail, Office Park, Conference centre and Housing units

Mlimani Holdings Limited properties comprises of the following properties Retail, Office Park, Conference centre, Housing units and unutilised bulk land with their fair values determined by independent valuers at P 559 701 600 (USD 60 000 000), P 279 850 800 (USD 30 000 000), P 49 440 308 (USD 5 300 000), P 27 985 080 (USD 3 000 000) and P 39 179 112 (USD 4 200 000) respectively. The fair values of these properties are estimated using an income approach which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields implied by recent transactions in similar properties. The estimated market rental per square meter used by the valuer in the projected cash flows are within the range of future contractual rent agreed by the subsidiary with its tenants. The estimated rental stream takes into account current occupancy level, estimates of future vacancy levels, rental escalation as per lease agreements signed by the tenants. However for property where there is no income earned during the year, a comparable market approach was considered taking into account the location of the property.

Notes to the Consolidated And Separate Annual Financial Statements

39. Fair value information (continued)

Assumptions for the properties located in Tanzania and Dubai	Retail	Office Park	Commercial building	Column heading
Income capitalisation rate	8.75%	9.25%	13.22%	10.64%
Discount rate	13.43%	14.16 %	0	-
Average occupancy rate	90-100%	90-100%	-	100%
Long-term revenue Growth Rate - As per valuation	6%	6%	-	-
Long-term expenditure Growth Rate - As per Valuation	7%	7%	-	-
Discounted cash flow period	5 years	5 years	-	-
Average lease period	3 -5 years	3 - 5 years	-	-
Average Escalation/ Rental- From MDA	3 - 5%	3 - 5%	-	-

Valuation processes applied by the Group

The fair value of investment properties is determined by qualified property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being values. The valuation company provides the fair value of the Group's investment portfolio basis.

Sensitivity analysis for investment property carried at fair value

The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information the company and group determines the estimated fair value internally.

The key assumptions underlying the investment method is capitalisation rate used.

The capitalisation rate has been determined based on a relevant long bond yield adjusted for the relevant risks applicable to each property including asset class, sector, location, building, leasehold / freehold and tenancy. The weighted average capitalisation rate is 8.47% for group and 7.95% for company (2017: 8.76% for the group and 8.34% for company)and a 1% upward shift in this rate would have an estimated P 232.3 million for Group and P 139 million for company (2017: P 244.1 million for group and P 106.7 million for company) adverse impact on the aggregate for Group's independent valuation of the investment properties, while a 1% downward shift in capitalisation rate would have an estimated P 294.6 million for group and P 179 million for company (2017: P 194.1 million for group and P 135.8 million for company) favourable impact for company on the valuations.

Fair value of financial instruments measured at amortised cost

Following types of financial instruments which are measured at amortised cost for which the fair value is disclosed in the respective notes are considered a reasonable approximation of fair value:

- trade and other receivables
- cash and cash equivalents
- trade and other payables
- borrowings

Notes to the Consolidated And Separate Annual Financial Statements

40 Segment report

Primary segment - Geographical segment	2018	2017	2018
	Botswana	Botswana	Tanzania
Revenues from external customers	143,993,028	123,893,401	102,109,166
Total segment revenues	**143,993,028**	**123,893,401**	**102,109,166**
Segment property direct and indirect expenses	44,689,331	38,225,034	38,669,091
Segment operating profit	**99,303,697**	**85,668,367**	**63,440,075**
Segment Assets	**1,250,420,342**	**1,192,372,070**	**1,095,519,803**

Secondary segment- Operating segment Revenues	2018	2017 Retail	2018
	Botswana	Botswana	Tanzania
Rental income from external customers	**132,887,672**	112,897,781	**62,288,961**
Total segment revenues	**132,887,672**	**112,897,781**	**62,288,961**
Segment expenses	42,136,637	34,992,366	32,751,507
Segment operating profit	**90,751,035**	**77,905,415**	**29,537,454**

	Figures in Pula 2018	Figures in Pula 2017
Reconciliation of group net profit before tax		
Total reporting segment operating profit	166,876,611	176,861,823
Corporate expenses	(11,331,587)	(7,557,720)
Salaries and wages	(14,537,179)	(15,180,632)
Loss on exchange difference	(54,177,930)	(42,260,871)
Profit on exchange differences	31,927,751	25,260,064
Fair value adjustments	(76,110,595)	105,341,115
Finance income	755,383	4,573,091
Sundry income	2,000,061	4,018,390
Finance costs	(14,673,895)	(16,585,351)
Group profit before tax	**30,728,620**	**234,469,909**

Segment information is organised into two, geographical and into operating segments which comprises retail and commercial. The segments are the basis on which the company reports its primary segment information. Retail segment comprises Game City, Nzano, Supa Save and Mlimani shopping centres. The commercial segment incorporates office, residential, industrial properties in Botswana, Tanzania and Dubai.

2017 Tanzania	2018 Dubai	Figures in Pula 2018 Consolidated	Figures in Pula 2017 Consolidated
130,753,280	5,786,946	**251,889,140**	254,646,681
130,753,280	**5,786,946**	**251,889,140**	**254,646,681**
39,559,824	1,654,107	85,012,529	77,784,858
91,193,456	**4,132,839**	**166,876,611**	**176,861,823**
1,414,008,938	**76,625,508**	**2,606,381,008**	**2,606,381,008**

2017 Tanzania	2018 Botswana	2017 Commercial Botswana	2018 Tanzania	2017 Tanzania	2018 Dubai	Figures in Pula 2018 Consolidated	Figures in Pula 2017 Consolidated
76,697,482	**11,105,356**	10,995,620	**39,820,205**	54,055,797	**5,786,946**	251,889,140	254,646,681
76,697,482	**11,105,356**	**10,995,620**	**39,820,205**	**54,055,797**	**5,786,946**	**251,889,140**	**254,646,681**
31,651,964	2,552,693	3,232,668	5,917,585	7,907,860	1,654,107	85,012,529	77,784,858
45,045,518	**8,552,663**	**7,762,952**	**33,902,620**	**46,147,938**	**4,132,839**	**166,876,612**	**176,861,823**

Notice of the 2018 Annual General Meeting

Notice is hereby given that the 2018 Annual General Meeting of TURNSTAR HOLDINGS LIMITED will be held at 1700 hours on Thursday, 26th July 2018 at the Centre Management Offices, 1st Floor, Game City Retail Mall, Gaborone, Botswana for transacting the following business agenda.

AGENDA:

1. To read the notice convening the meeting.

2. To receive, consider and adopt the Audited Financial Statements for the year ended 31 January 2018 together with the Report of the Auditors to the Board of Directors.

3. To approve the distribution of dividend and payment of interest as recommended by directors.

4. To re-elect the following directors of the company
   4.1. Pierre Bezuidenhout
   4.2. Ishmael Nshakazhogwe
   Who retire by rotation in terms of Article 63 of the Articles of Association of the Company and, being eligible, offer themselves for re-election.

5. To approve the remuneration of directors for the year ended 31 January 2018.

6. To appoint Auditors for the ensuing year and authorize the directors to fix their remuneration.

7. Answering of questions raised by linked unit holders in relation to the affairs and the business of the Company by Directors and Management.

A member entitled to attend and vote may appoint a proxy (who need not be a member of the company) to attend and vote for him/her on his/her behalf. The instrument appointing such a proxy must be lodged at or posted to the registered office of the company not less than 48 hours before the meeting.

By order of the Board

LEO BUSINESS SERVICES (PROPRIETARY) LIMITED
Company Secretaries

Date: 22 June 2018

REGISTERED OFFICE:
Plot 50370, Acumen Park
Fairgrounds
P O Box 1172
Gaborone

Proxy Form [to be completed by Holders of Linked Units]

Please read the notes overleaf before completing this form.

For use at the Annual General Meeting of Unit Holders of the company to be held at 1700 hours on Thursday, 26 July 2018 at the Centre Management Offices, 1st Floor, Game City Retail Mall, Gaborone, Botswana

I/We _____
(Name in block letters)

Of (address) _____

Hereby appoint _____

Or failing him/her _____

Or failing him/her, the chairman of the meeting as my /our proxy to act for me/us at the 2017 Annual General Meeting, to vote for or against the resolutions and/or abstain from voting in respect of the Linked Units registered in my/our name in accordance with the following instruction.

NUMBER OF LINKED UNITS				
		For	Against	Abstain
Ordinary resolution 1	Agenda No 2	☐	☐	☐
Ordinary resolution 2	Agenda No 3	☐	☐	☐
Ordinary resolution 3	Agenda No 4.1	☐	☐	☐
Ordinary resolution 4	Agenda No 4.2	☐	☐	☐
Ordinary resolution 5	Agenda No 5	☐	☐	☐
Ordinary resolution 6	Agenda No 6	☐	☐	☐

Signed at _____ Date: _____

Signature: _____ Assisted by (where applicable): _____

Each Unit Holder 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 Unit Holder at the Annual General Meeting and the proxy so appointed need not be a member of the company.

Please read notes 1 -7 on the reverse side hereof

Notes to the Proxy Form

1. A Shareholder must insert the names of two alternative proxies of the Shareholders choice in the space provided with or without deleting "Chairman of the Annual 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. A shareholders instruction to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the Shareholder in the appropriate space provided. Failure to comply herewith will be deemed to authorize the proxy to vote at the General Meeting as he/she deems fit in respect of the Shareholders votes exercisable thereat, but where the proxy is the Chairman, failure to comply will be deemed to authorize the proxy to vote in favour of the resolution. A Shareholder or his/her proxy is obliged to use all the votes exercisable by the Shareholder or by his/her proxy.

3. The completion and lodging of this form will not preclude the relevant Shareholder from attending the General Meeting.

4. The Chairman of the Annual General Meeting may reject or accept any form of proxy not completed and/or received other than in accordance with these notes provided that he/she is satisfied as to the manner in which the Shareholder concerned wishes to vote.

5. An instrument of proxy shall be valid for the Annual General Meeting as well as for any adjournment thereof, unless the contrary is stated thereon.

6. 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.

7. Where Ordinary Shares are held jointly, all Shareholders must sign. A minor must be assisted by his/her guardian.


DTB
DIAMOND TRUST BANK
City Light
FURNITUR
CENTRE
メイソウ

TURNSTAR
HOLDINGS LIMITED