TURNSTAR
HOLDINGS LIMITED

Annual Report 2016


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Turnstar Holdings Limited
Annual Report 2016
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HIGHLIGHTS OF THE YEAR UNDER REVIEW

- Pleasing results despite challenging operating environment and competitive market
  - Increase in property asset **value to over P2bn**
  - Extended track record of **above-inflation growth in distributions**
  - **Sale of Fairgrounds Office Park** for P129m
- **Total return to investors of 53% for FY2016**
  - 44.1% share price appreciation and 9.2% income return from distributions
- Group **revenue up 5%** from the prior year to P247.6m
- Group **operating profit up 23%** from the prior year to P182.7m
- Group will distribute P111.6m for the year
- Full year **distribution per linked unit up 8.3%** from prior year to 19.50 thebe per linked unit
- **Net asset value per linked unit up 14%** from prior year to P2.76 per linked unit
- Balance sheet remains well capitalised and gearing is maintained at conservative levels
- Portfolio vacancy of 2.7% below target structural portfolio vacancy of 3%
- Tenant-driven expansion and refurbishment of Game City and Mlimani City well underway
  - **Announced intention to launch $30m convertible bond offering to partly fund Mlimani City expansion**

Board of Directors

MICHELLE ADELMAN - DIRECTOR

Michelle Adelman has a BSc in Engineering from Cornell University (New York) and is the Group Executive – Strategy and Businesses Development for the Econet Wireless Group. She also serves on the board of HRDC and other regional companies. She was the global Managing Director of Accenture plc and Managing Director of Accite Holdings, a boutique investment firm in Botswana, that she founded. Ms Adelman has extensive experience in strategy, investor relations and operations management and as a director of companies.

MOKGADI K NTETA - DIRECTOR

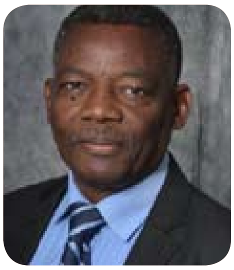
Mokgadi K Nteta has a BSc (Honours) degree in Applied Psychology from the University of Wales Institute of Science and Technology, an MBA in Human Resource Management from City University Business School in London and is a Fellow of the CIPD and member of BOCCIM. Her experience in HR spans over 20 years 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. Mr Abdoola is currently the Chairman of the Masiela Trust Fund.

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 Botswana Confederation of Commerce, Industry and Manpower (BOCCIM), 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.

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.

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.

Managing Director's Report

Dear Unit Holders

This has been both, a sad and prosperous year for Turnstar. On the 27th November 2015, our Chairman, Mr Cuthbert Moshe Lekaukau passed away. Mr Lekaukau was the Chairman of Turnstar from its inception. His dedication and wise counsel was invaluable and his passing has left a void. He is missed by the entire Turnstar team. The Board is currently evaluating various options to fill the Chairman's position.

The Company performed extremely well as is evident in our results. The Tanzanian subsidiary, Mlimani Holdings is becoming more significant each year, in terms of contribution to the Group.

The BWP/USD exchange rate is also a favourable factor. At Mlimani, the bulk land has appreciated significantly, and this is reflected in fair value gains.

The construction work at Game City is nearing completion. It has been extremely difficult to construct and carry out renovations to an operating mall.

We have and continue to do everything possible to minimise the disturbance and inconvenience and are thankful for the cooperation of tenants and customers. However, we assure you that the improvements will be well worth the wait and inconvenience.

Mlimani City construction is also well underway and is scheduled to be completed by the end of this year.

We are currently in the process of carrying out a feasibility exercise on the hotel project at Mlimani and will reach a decision on its viability, shortly.

Turnstar intends issuing a USD 30 million, 7 year convertible bond in the market. These funds will be raised to fund the construction of the Mlimani City developments. This form of funding should boost the profitability and cash flow of Turnstar.

Africa still remains to be further explored for opportunity. We are very keen to look at countries we believe we can do business in.

Several Organisations and Governments are in discussions with us to consider various developments. Mlimani Holdings has a proven trackrecord and has turned out to be a successful story in terms of profitable partnerships. However, we maintain a conservative approach and will undertake projects which are within the capacity of Turnstar.

The share price has performed beyond expectations and we are very pleased that the value in Turnstar is now being recognised.

PROPERTY MARKET

BOTSWANA

The property market has remained relatively strong despite the recent economic slowdown. The Botswana property market experienced varied challenges with some sectors performing better than the others. During the past year, the industrial sector continued to be stronger than the other market segments. The commercial office space has been the most challenged with a high number of commercial properties being introduced to the market, especially in the C B D during the past few years. The drop in demand for residential housing, is a major concern.

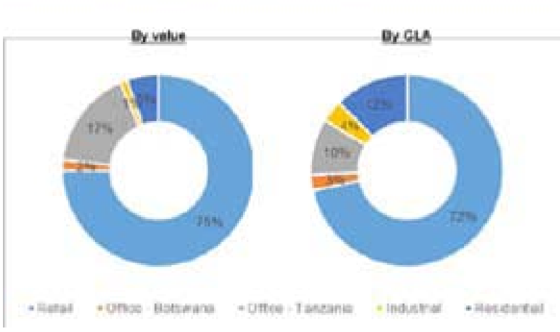
Many new retail malls are in the pipeline. It will be a challenge for the existing malls and the new entrants to “share the same pie”.

TANZANIA

Tanzania continues to be one of the fastest growing economies in sub Saharan Africa. The economic growth is spearheaded in the Gas, petroleum, mining, tourism, agriculture and manufacturing sectors. The retail and industrial property sectors in particular are flourishing. The Government is focussed on growing the economy and welcomes foreign investment.

New Retail Malls and commercial properties have developed all over Tanzania, providing Mlimani with competition. However due to its strategic location, marketing, and the tenant driven improvements, Mlimani City remains the destination of choice to shoppers and tenants.

Sectoral spread (by value and GLA)



Lease expiry profile[1]

The Group's property portfolio shows attractive future prospects supported by strong underlying contractual cash flows, escalations and a healthy lease expiry profile.

Turnstar's portfolio has limited exposure to the Botswana office sector, which is currently in a state of oversupply. The group has exposure of 75% by value, and 72% by GLA, to the retail sector which is mainly comprised of large listed or large national companies.

The portfolio has a healthy lease expiry profile. Approx. 53% of leases expire in 2019 and beyond (by GLA). The leases expiring in 2017 and 2018 are routine renewals and the vast majority of them will be renewed at current market terms.

RETAIL

Game City–Game City maintained full occupancy despite the influx of several new shopping centres over the past few years. A few vacancies were created to enable relocating tenants and to give way for construction. With the expansion and revamp of the mall, Game City will achieve a "Super Mall" status, setting quality standards, floor area and customer foot count numbers surpassing other Malls in the country.

Initially it was thought that the current expansion would satisfy tenant demand. However, current demand far exceeds the additional space that is under construction.

The Game City expansion, entails a Fashion Avenue on the ground floor with prestigious fashion brands already committed to open outlets. The upper level will comprise of restaurants and a food court, offering family dining and nightlife. The upper level will also comprise of a multi-function entertainment area, including an Astroturf pitch, outdoor stage, large screen and Jungle Gym.

A three-level parkade with about 650 covered parking bays will offer safe and secure parking.

This development is nearing completion and some areas are now ready to be handed over to tenants for beneficial occupation.

SupaSave Mall Mogoditshane–This property has maintained full occupancy throughout the past year. This is a high traffic area, and there is a continued demand for space in this mall. The introduction of a Chicken Licken has improved the offerings and foot count at the centre.

Nzano Mall Francistown – has maintained full occupancy levels during the past years. The demand for retail space is high in Francistown. Two new tenants, Chicken Licken and The Braai Place commenced operations at the mall recently.

OFFICE SPACE

Turnstar House – This is currently the only commercial property in the Groups Botswana portfolio, and is fully occupied.

RESIDENTIAL

The renting of our residential estates has been challenging due to the increased supply of multi residential properties in the market.

Tapologo Estates – This prestigious housing estate in Gaborone has been fully refurbished during the year. The improvements include; repainting the entire complex, refurbishing of the tennis court, and addition of water tanks and continuous internal revamps of the houses. The vacancy rate has been low at 2% during the year.

Mogoditshane Apartments – This housing estate too underwent a major revamp during the past year. Improvements include; installation of water tanks, a full repainting of the whole complex, construction of a road from the gate to the municipal road line, refurbishing of houses internally, additional outside lighting and reconditioning the swimming pool. The vacancy rate was 5% during the year.

INDUSTRIAL SPACE

Citroen/Hyundai Warehouse - This is a single-tenanted unit and is occupied by the Citroen / Hyundai Car dealership.

Plot 63 Commerce Park – This is a building comprising of 12 units of different categories. The building is fully let. The premises have been revamped during the year.

MLIMANI CITY TANZANIA

The retail mall remained as the premier destination of choice in Dar Es Salaam and was fully tenanted during the year. The Commercial properties also enjoyed full occupancy. The tenanting of the residential units were challenging, but vacancies were controlled to remain at 5% during the year. The conference centre continued to be the destination of choice for local and international conferences and seminars and also for prestigious social events.

The additional developments to Mlimani City comprises of the extension to the retail mall including basement parking for 340 cars, 2 additional office blocks, and additions to the conference centre. The work is well in progress and is scheduled to be completed by the end of the year. The excessive rainfall in Dar Es Salaam has caused delays in the completion of the project.

FINANCIAL OPERATING REVIEW

The Group continued to post pleasing results for the year, despite challenging market conditions.

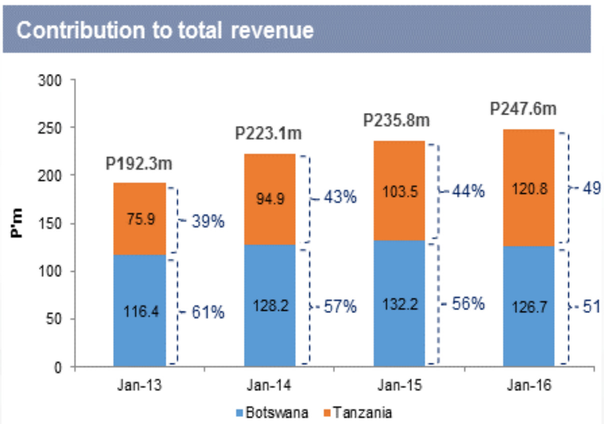
Turnstar remained the most diversified property Company on the BSE with property assets valued at over P2 bn. The Group's Tanzanian subsidiary, Mlimani Holdings Limited, generates US Dollar revenue.

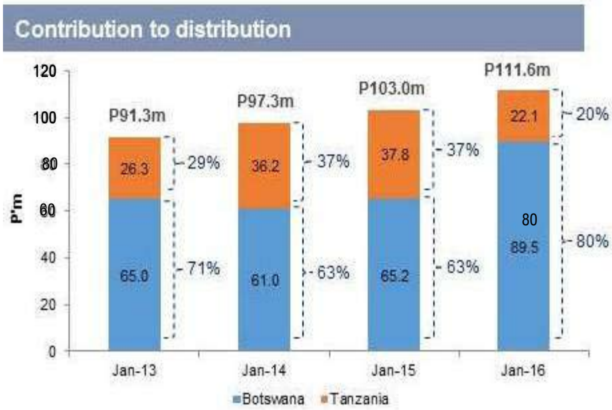
Turnstar is a fully integrated internally managed property company, employing 125 staff.

GROUP REVENUE

Group revenue increased by 5% from the prior year, to P247.6M. The rental income from the Company's Botswana portfolio decreased by 4.2% due to the sale of Fairgrounds office park property, whilst the rental income from the Tanzanian portfolio increased by 16.7%.

Approx. 49% of the Group's total rental income, is in US Dollars.





PROFITS

The Group's Operating Profit increased by 23% from the prior year, to P182.7M

DISTRIBUTION

The full year distribution per linked unit increased by 8.3% from the previous year to 19.5t per linked unit.

The Group distributed P111.6 m for the year, up from P103 m in the previous year.

Net Asset value per linked unit is up 14% from prior year to P 2.76 per linked unit.

The group has recorded a 44.1% share price appreciation and 9.2% income return from distributions, a total return to investors of 53% for the 2016 financial year.

The group has recorded a compound annual growth in share price of 26.5% over the past 5 years.

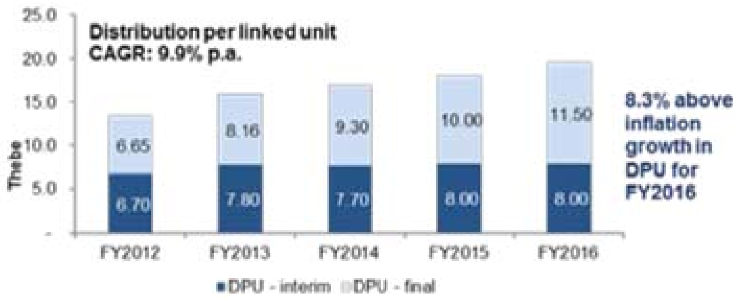
CAPITAL MANAGEMENT

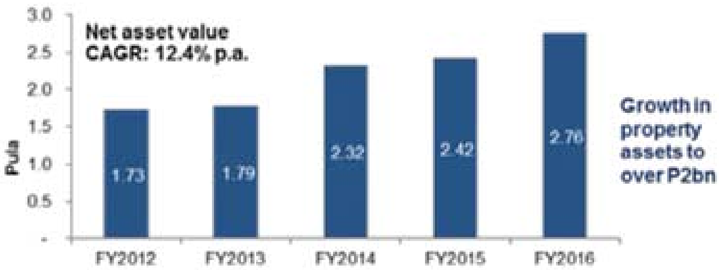
Interest and loan repayments on the USD loan facility are made from USD rentals earned from the Group's Tanzanian properties. Hence, there is no foreign currency exposure on the loan and interest repayments.

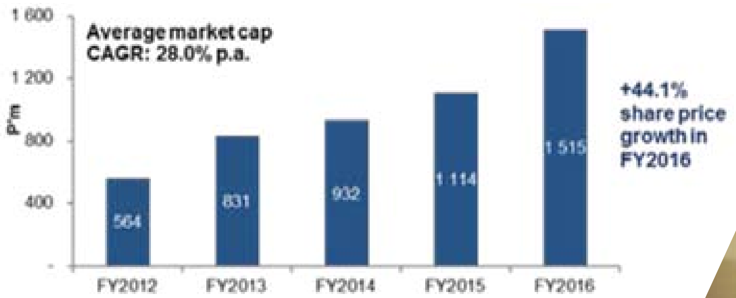
The loan to value ratio (borrowings as a percentage of investment property) is 25%. The interest covers ratio is 12 x.

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

ABRIDGED BALANCE SHEET







ABRIDGED INCOME STATEMENT

Description	January 2016 (P'm)	January 2015 (P'm)	Increase / (Decrease)
Gross property revenue	247.6	235.8	5%
Botswana	126.7	132.2	(4%)[1]
Tanzania	120.8	103.5	17%
Property operating expenses	(96.7)	(90.9)	6%
Botswana	(55.2)	(51.0)	8%
Tanzania	(41.5)	(39.8)	4%
Net property income	150.8	144.9	4%
Other income/ (expenses)[2]	40.1	13.7	193%
Operating profit	190.9	158.6	20%
Net finance costs	(8.2)	(9.5)	(14%)
Fair value adjustments (investment properties)	46.9	9.3	406%
Taxation	(6.8)	(20.8)	(68%)
Total profit for the year[3]	222.8	137.5	62%
Net distributable income after expenses[4]	155.0	111.0	40%
Distribution declared	111.6	103.0	8%

1 Decrease in gross property revenue due to sale of Fairground Office Park property
2 Includes foreign exchange gains / (losses) on revaluations amounting to P32.5m and profit on disposal of investment property of P7.5m
3 Total profit for the year includes the impact of fair value adjustments which are unrealised and non-cash in nature

4 Distributable profit for the year excludes fair value adjustments and unrealised foreign exchange income arising on translation of the Tanzanian operations into Pula as these are unrealized and non-cash in nature, and includes realised gains of P55.0m on disposal of investment property

ABRIDGED INCOME STATEMENT

(continued)

Description	January 2016 (P'm)	January 2015 (P'm)	Increase / (Decrease)
Property portfolio	2,021.0	1,790.5	13%
Botswana	978.1	1,005.6	(3%)1
Tanzania	1,042.9	784.9	33%
Other non-current assets[2]	98.7	92.3	7%
Current assets	281.3	108.5	159%
Borrowings[3]	(505.5)	(328.2)	54%
FNB Pula loan facility	(184.0)	(100.5)	83%
Barclays US dollar loan facility	(321.5)	(227.7)	41%
Other non-current liabilities	(266.9)	(240.5)	11%
Current liabilities	(51.3)	(39.5)	30%
Linked unit holders interest (net asset value)	1,577.3	1,383.0	14%
Loan to value (borrowings as a % of property value)	25.0%	18.3%	7%
Interest cover ratio[4]	12.0x	11.9x	0.1x
Shares in issue at year end	572,153,603	572,153,603	-

- **Very sound balance sheet:**
  - Net asset value up 14% from prior year
  - Loan to value ratio increased to 25.0%, however still at conservative levels and well below threshold of 40%
  - Interest cover ratio maintained at 12.0x - well in excess of 3.0x level required by debt covenants

1 Decrease in portfolio value due to sale of Fairground Office Park property
2 Comprises PPE, goodwill, deferred tax, operating lease asset
3 Borrowings are held at amortised cost
4 Net property income divided by finance costs

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.

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

BOARD MEETINGS	Fees	Number
C M Lekaukau	112 560	4
P Pillar	129 920	5
I Nshakazhongwe	116 480	4
M Nteta	129 920	5
P Bezuidenhout	129 290	5
M Adelman	129 290	5
	748 720	

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
P Bezuidenhout	17 920	2
	51 520	

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 this stage. This need is reviewed by the committee on a regular basis.

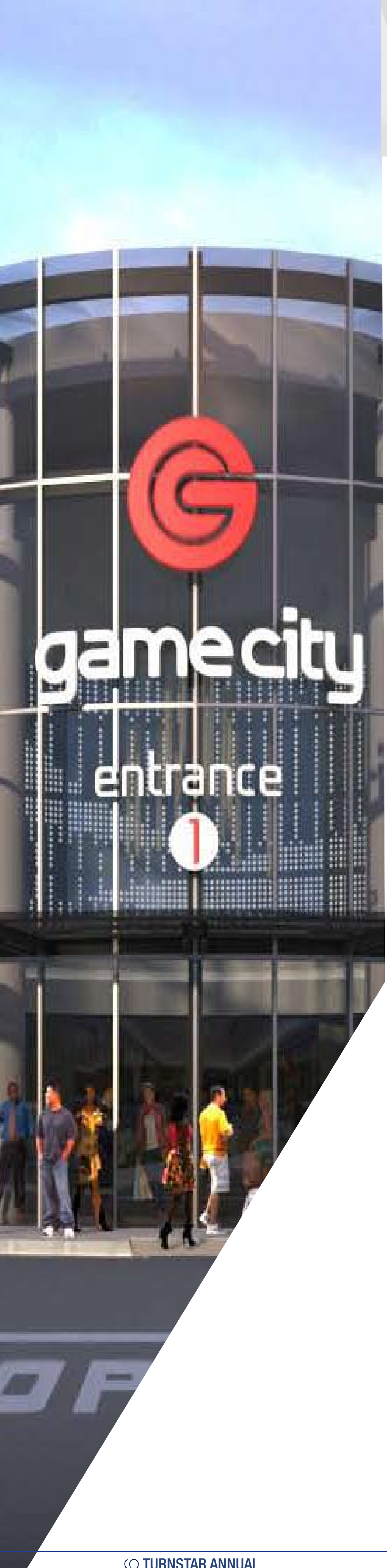
HUMAN RESOURCES COMMITTTE

The Human Resources Committee is responsible for reviewing the remuneration policies of the Company for approval by the Board. The committee comprises of 3 non-executive Directors. This committee is responsible for ensuring that the Company's executive management are rewarded equitably and also recommends the remuneration of the non-executive Directors to the Board for approval. The committee is responsible for ensuring that the Board is represented by the requisite skills and any prospective additions to the Board will be vetted and recommended by this committee. The below table shows the number of meetings attended by each member and the Gross fees paid.

	Fees	Number
I Nshakazhongwe	22 400	2
M Nteta	17 920	2
M Adelman	8 960 1	
	49 280	

ASSET MANAGEMENT COMMITTEE

The Asset Management Committee reviews the potential acquisitions, expansions, developments or disposals brought before



it by management, and makes recommendations to the Board.

The committee comprises of three non-executive Directors. The executive Directors attend by invitation.

This committee meets as and when required

	Fees	Number
C M Lekaukau	17 920	2
P Bezuidenhout	17 920	2
M Adelman	22 400	2
	58 240	

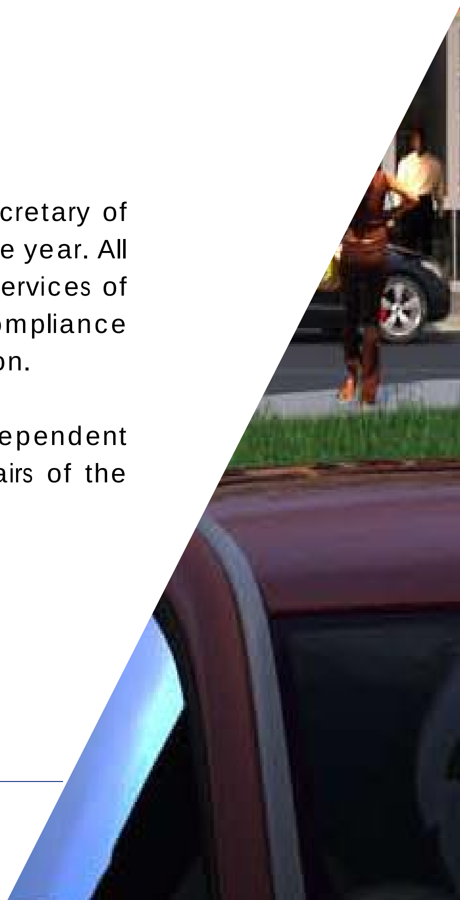
DIRECTORS DEALINGS

The company operates a policy of prohibiting dealings by Directors in periods immediately preceding the announcements of its interim and year - end financial results, distribution notices and any period when the company is trading under a cautionary announcement.

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.



Turnstar Holdings Limited
Consolidated Annual Financial Statements
for the Year Ended 31 January 2016

General Information

Country of incorporation and domicile	Botswana
Nature of business and principal activities	Property Investment Directors C M Lekaukau (Deceased 27 November 2015) G H Abdoola (Managing Director) I Nshakazhogwe P Pillar M Adelman P Bezuidenhout M Nteta 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	First National Bank of Botswana Limited Barclays Bank of Botswana Limited Exim Bank Tanzania Limited Barclays Bank Tanzania Limited
Auditors	Grant Thornton Chartered Accountants Member of the Grand Thorton International
Secretary	Leo Business Services (Proprietary) Ltd
Company registration number	2000/5302
Investment Bankers	Stannic Money Market Fund African Alliance Botswana
Functional currency	Botswana Pula "P"
Transfer secretaries	Grant Thornton Business Services (Proprietary) Limited

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

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 annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated annual financial statements fairly present the state of affairs of the group 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 annual financial statements.

The consolidated 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 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 2017 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 annual financial statements. The consolidated annual financial statements have been examined by the group's external auditors and their report is presented on page 21.

The consolidated annual financial statements set out on pages 21to 73, which have been prepared on the going concern basis, were approved by the board of directors on 25 April 2016 and were signed on its behalf by:

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

Grant Thornton

An instinct for growth™

Chartered Accountants

Grant Thornton
Acumen Park
Plot 50370 Fairgrounds
P. O. Box 1157
Gaborone Botswana

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F +267 397 2357
www.gt.co.bw

Independent Auditor's Report

To the members of Turnstar Holdings Limited

We have audited the accompanying consolidated and separate annual financial statements of Turnstar Holdings Limited, which comprise the consolidated and separate statement of financial position as at 31 January 2016, and the consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 21to 73.

Directors' Responsibility for the Consolidated Annual Financial Statements

The company's directors are responsible for the preparation and fair presentation of these 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 annual financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

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

Opinion

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 2016, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

GRANT THORNTON

Certified Auditor
Practicing member: Aswin Vaidyanathan
Membership number: 19980110

25 April 2016
Gaborone

Statement of Financial Position as at 31 January 2016

		Group		Company	
Figures in Pula	**Note**	**2016**	**2015**	**2016**	**2015**
Assets					
Non-Current Assets					
Investment property	3	2 021 041 470	1 790 457 113	978 147 610	1 005 571 472
Property, plant and equipment	4	3 992 551	4 270 710	1 407 186	1 789 282
Goodwill	5	68 826 102	58 257 536	-	-
Investments in subsidiaries	6	-	-	198 399 518	198 399 518
Loan to related company	7	-	-	76 110 816	-
Other financial assets	8	-	-	364 357 766	342 008 300
Deferred tax	9	2 724 433	2 237 925	2 724 433	2 237 925
Operating lease asset	10	23 143 991	27 557 207	20 365 142	24 055 025
		2 119 728 547	**1 882 780 491**	**1 641 512 471**	**1 574 061 522**
Current Assets					
Other financial assets	8	-	-	3 461 828	-
Current tax receivable		2 190 342	1 912 475	380 775	380 775
Operating lease asset	10	3 966 004	3 972 823	2 582 234	2 154 820
Trade and other receivables	11	17 874 432	12 802 389	10 927 770	9 608 211
Cash and cash equivalents	12	257 246 933	89 824 771	248 855 328	85 098 933
		281 277 711	**108 512 458**	**266 207 935**	**97 242 739**
Total Assets		**2 401 006 258**	**1 991 292 949**	**1 907 720 406**	**1 671 304 261**
Equity and Liabilities					
Equity					
Stated capital	13	632 497 357	632 497 357	632 497 357	632 497 357
Foreign currency translation reserve		149 631 938	75 223 439	-	-
Accumulated profit		795 160 983	675 318 591	652 623 935	594 022 916
		1 577 290 278	**1 383 039 387**	**1 285 121 292**	**1 226 520 273**
Liabilities					
Non-Current Liabilities					
Borrowings	14	505 526 743	328 192 099	505 526 743	328 192 099
Deferred tax	9	266 900 186	240 545 835	89 953 038	91 515 710
		772 426 929	**568 737 934**	**595 479 781**	**419 707 809**
Current Liabilities					
Trade and other payables	15	50 361 383	38 805 294	26 191 665	24 365 845
Unclaimed debenture interest and dividend payable		927 668	710 334	927 668	710 334
		51 289 051	**39 515 628**	**27 119 333**	**25 076 179**
Total Liabilities		**823 715 980**	**608 253 562**	**622 599 114**	**444 783 988**
Total Equity and Liabilities		**2 401 006 258**	**1 991 292 949**	**1 907 720 406**	**1 671 304 261**

Statement of Profit or Loss and Other Comprehensive Income for the year 31 January 2016

		Group		Company	
Figures in Pula	**Note**	**2016**	**2015**	**2016**	**2015**
Revenue	16	247 562 823	235 782 888	126 714 345	132 248 334
Other income		81 369 145	21 328 900	79 040 585	19 835 325
Operating expenses		(145 618 758)	(98 523 730)	(104 038 561)	(58 392 361)
Profit on property disposal		7 576 854	-	7 576 854	-
Dividend income		-	-	22 050 717	18 170 665
Operating profit	17	**190 890 064**	**158 588 058**	**131 343 940**	**111 861 963**
Finance income	18	4 400 794	2 649 328	26 363 158	22 244 240
Fair value adjustments	19	46 900 905	9 277 047	14 435 615	6 436 498
Finance costs	20	(12 603 233)	(12 190 135)	(12 603 233)	(12 190 135)
Profit before taxation		**229 588 530**	**158 324 298**	**159 539 480**	**128 352 566**
Taxation	21	(6 758 504)	(20 797 806)	2 049 180	(4 552 032)
Profit for the year		**222 830 026**	**137 526 492**	**161 588 660**	**123 800 534**
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		74 408 499	19 401 160	-	-
Other comprehensive income for the year net of taxation	23	**74 408 499**	**19 401 160**	**-**	**-**
Total comprehensive income for the year		**297 238 525**	**156 927 652**	**161 588 660**	**123 800 534**
Profit for the year attributable to linked unit holders					
Owners of the parent		222 830 026	137 526 492	161 588 660	123 800 534
Earnings per linked unit					
Per linked unit information					
Basic earnings per share (in Pula)	28	0.39	0.24	0.28	0.22
Diluted earnings per share (in Pula)	28	0.39	0.24	0.28	0.22

Statement of Changes in Equity for the year ended 31 January 2016

Figures in Pula	Stated capital	Linked unit debentures	Total stated capital and linked unit debentures	Foreign currency translation reserve	Retained earnings	Fair value surplus	Dividend and debenture interest reserve	Sinking fund reserve	Total equity and reserves
Group									
Balance at 1 February 2014	**346 420 555**	**286 076 802**	**632 497 357**	**55 822 279**	**60 820 609**	**522 743 779**	**53 210 287**	**-**	**1 325 094 311**
Profit for the year	-	-	-	-	137 526 492	-	-	-	137 526 492
Other comprehensive income	-	-	-	19 401 160	-	-	-	-	19 401 160
Total comprehensive income for the year	**-**	**-**	**-**	**19 401 160**	**137 526 492**	**-**	**-**	**-**	**156 927 652**
Fair value surplus transferred (Turnstar Properties)	-	-	-	-	(8 913 612)	8 913 612	-	-	-
Fair value surplus transferred (Mlimani Properties)	-	-	-	-	(2 840 552)	2 840 552	-	-	-
Final debenture interest and dividends paid 31 January 2014	-	-	-	-	-	-	(53 210 287)	-	(53 210 287)
Dividends and debenture interest transferred to dividends and debenture interest reserve	-	-	-	-	(102 987 642)	-	102 987 642	-	-
Interim debenture interest and dividends paid 31 July 2015	-	-	-	-	-	-	(45 772 289)	-	(45 772 289)
Transactions with unit holders recognised in statement of changes in equity	**-**	**-**	**-**	**-**	**(114 741 806)**	**11 754 164**	**4 005 066**	**-**	**(98 982 576)**

Statement of Changes in Equity for the year ended 31 January 2016

Figures in Pula	Stated capital	Linked unit debentures	Total stated capital and linked unit debentures	Foreign currency translation reserve	Retained earnings	Fair value surplus	Dividend and debenture interest reserve	Sinking fund reserve	Total equity and reserves
Balance at 1 February 2015	**346 420 555**	**286 076 802**	**632 497 357**	**75 223 439**	**83 605 295**	**534 497 943**	**57 215 353**	**-**	**1 383 039 387**
Profit for the year	-	-	-	-	222 830 026	-	-	-	222 830 026
Other comprehensive income	-	-	-	74 408 499	-	-	-	-	74 408 499
Total comprehensive income for the year	**-**	**-**	**-**	**74 408 499**	**222 830 026**	**-**	**-**	**-**	**297 238 525**
Fair value surplus transferred (Turnstar Properties)	-	-	-	-	(19 370 861)	19 370 861	-	-	-
Fair value surplus transferred (Mlimani Properties)	-	-	-	-	(29 513 462)	29 513 462	-	-	-
Transfer on disposal of investment property	-	-	-	-	54 954 511	(54 954 511)	-	-	-
Final debenture interest and dividends paid 31 January 2015	-	-	-	-	-	-	(57 215 353)	-	(57 215 353)
Dividends and debenture interest transferred to dividends and debenture interest reserve	-	-	-	-	(111 569 945)	-	111 569 945	-	-
Interim debenture interest and dividends paid 31 July 2014	-	-	-	-	-	-	(45 772 281)	-	(45 772 281)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**-**	**(105 499 757)**	**(6 070 188)**	**8 582 311**	**-**	**(102 987 634)**
Balance at 31 January 2016	**346 420 555**	**286 076 802**	**632 497 357**	**149 631 938**	**200 935 564**	**528 427 755**	**65 797 664**	**-**	**1 577 290 278**
Note	13	13	13	23	23	23	23	23	

Company

Statement of Changes in Equity for the year ended 31 January 2016

Figures in Pula	Stated capital	Linked unit debentures	Total stated capital and linked unit debentures	Foreign currency translation reserve	Retained earnings	Fair value surplus	Dividend and debenture interest reserve	Sinking fund reserve	Total equity and reserves
Balance at 1 February 2014	**346 420 555**	**286 076 802**	**632 497 357**	**-**	**13 336 531**	**502 658 140**	**53 210 287**	**-**	**1 201 702 315**
Profit for the year	-	-	-	-	123 800 534	-	-	-	123 800 534
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**123 800 534**	**-**	**-**	**-**	**123 800 534**
Fair value surplus transferred	-	-	-	-	(8 913 612)	8 913 612	-	-	-
Final debenture interest and dividend paid for 31 January 2015	-	-	-	-	-	-	(53 210 287)	-	(53 210 287)
Dividend and debenture interest transferred to dividends and debenture interest reserve	-	-	-	-	(102 987 649)	-	102 987 649	-	-
Interim debenture interest and dividends paid 31 July 2015	-	-	-	-	-	-	(45 772 289)	-	(45 772 289)
Transactions with unit holders recognised in statement of changes in equity	**-**	**-**	**-**	**-**	**(111 901 261)**	**8 913 612**	**4 005 073**	**-**	**(98 982 576)**

Statement of Changes in Equity for the year ended 31 January 2016

Figures in Pula	Stated capital	Linked unit debentures	Total stated capital and linked unit debentures	Foreign currency translation reserve	Retained earnings	Fair value surplus	Dividend and debenture interest reserve	Sinking fund reserve	Total equity and reserves
Balance at 1 February 2015	**346 420 555**	**286 076 802**	**632 497 357**	**-**	**25 235 804**	**511 571 752**	**57 215 360**	**-**	**1 226 520 273**
Profit for the year	-	-	-	-	161 588 660	-	-	-	161 588 660
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**161 588 660**	**-**	**-**	**-**	**161 588 660**
Transfer on disposal of investment property	-	-	-	-	54 954 511	(54 954 511)	-	-	-
Fair value surplus transferred (Turnstar Properties)	-	-	-	-	(19 370 861)	19 370 861	-	-	-
Final debenture interest and dividends paid 31 January 2014	-	-	-	-	-	-	(57 215 360)	-	(57 215 360)
Dividends and debenture interest transferred to dividends and debenture interest reserve	-	-	-	-	(111 569 945)	-	111 569 945	-	-
Interim debenture interest and dividends paid 31 July 2014	-	-	-	-	-	-	(45 772 281)	-	(45 772 281)
Transactions with unit holders recognised in statement of changes in equity	**-**	**-**	**-**	**-**	**(75 986 295)**	**(35 583 650)**	**8 582 304**	**-**	**(102 987 641)**
Balance at 31 January 2016	**346 420 555**	**286 076 802**	**632 497 357**	**-**	**110 838 169**	**475 988 102**	**65 797 664**	**-**	**1 285 121 292**
Note	13	13	13						

Statement of Cash Flows for the year ended 31 January 2016

		Group		Company	
Figures in Pula	**Note**	**2016**	**2015**	**2016**	**2015**
Cash flows from operating activities					
Cash generated from operations	25	169 603 789	160 300 133	79 122 866	91 030 791
Finance income		4 400 794	2 649 328	26 363 158	22 244 240
Tax (paid)/received	26	(2 727 947)	(1 873 890)	-	226 195
Net cash from operating activities		**171 276 636**	**161 075 571**	**105 486 024**	**113 501 226**
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(873 032)	(1 054 730)	(96 581)	(819 081)
Proceeds on disposal of property, plant and equipment		(1)	12 789	-	12 789
Additions of investment property	3	(155 783 718)	(18 113 923)	(79 563 669)	(17 481 316)
Proceeds on disposal of investment property	3	129 000 000	-	129 000 000	-
Loans advanced to related companies		-	-	(76 110 816)	-
Movement in other financial assets net of foreign exchange		-	-	39 188 443	32 008 378
Dividend income		-	-	22 050 717	18 170 665
Net cash from investing activities		**(27 656 751)**	**(19 155 864)**	**34 468 094**	**31 891 435**
Cash flows from financing activities					
Proceeds from borrowings		132 495 598	100 472 603	132 495 598	100 472 603
Repayment of borrowings		(3 960 726)	(115 784 984)	(3 960 726)	(115 784 984)
Debenture interest and dividends paid	27	(102 987 641)	(98 982 576)	(102 987 641)	(98 982 576)
Finance costs		(12 603 233)	(12 190 135)	(12 603 233)	(12 190 135)
Net cash from financing activities		**12 943 998**	**(126 485 092)**	**12 943 998**	**(126 485 092)**
Total cash movement for the year		**156 563 883**	**15 434 615**	**152 898 116**	**18 907 569**
Cash at the beginning of the year		89 824 771	74 239 026	85 098 933	66 040 234
Effect of exchange rate movement on cash balances		10 858 279	151 130	10 858 279	151 130
Total cash at end of the year	12	**257 246 933**	**89 824 771**	**248 855 328**	**85 098 933**

Accounting Policies

1. Presentation of consolidated annual financial statements

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards. The consolidated annual financial statements have been prepared on the historical cost basis, except for the measurement of investment properties and certain financial instruments at fair value, and incorporate the principal accounting policies set out below. They are presented in the 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 2016. 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 and insurance contracts, whose classification remains as per their inception date.

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

Accounting Policies

1.2 Consolidation (continued)

Business combinations (continued)

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.

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

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 company for similar financial instruments.

The fair value of investment property is determined using discounted cash flow valuation and 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 management determined 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

Management applies its 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 property, plant and equipment

The estimates of useful lives as translated into depreciation rates are detailed in property, 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 enterprise, 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.

Investment property is a property held to earn rentals and/or for capital appreciation, and are 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.

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

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

Fair value

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

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

1.5 Property, plant and equipment

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

Accounting Policies

1.5 Property, plant and equipment (continued)

Property, 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 and adjustments in respect of hedge accounting, 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 property, 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 property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, 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.

An item of property, 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 property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.6 Goodwill

Goodwill is initially measured at cost, being the excess of the cost of the business combination over company'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 company’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.

The excess of the company'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.

Accounting Policies

1.7 Interests in subsidiaries

Company consolidated 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, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

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.

Accounting Policies

1.8 Financial instruments (continued)

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 except for equity investments classified as available-for-sale.

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) related companies

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

Loans to related companies are classified as loans and receivables.

Loans from related companies are classified as financial liabilities measured at amortised cost.

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.

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 and subsequently recorded at fair value.

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.

Accounting Policies

1.8 Financial instruments (continued)

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 (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

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

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

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

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

1.10 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.

Accounting Policies

1.10 Leases (continued)

Operating leases - lessor

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

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

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted.

Any 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:

- 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.

Accounting Policies

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 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 contract. 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.

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.

Accounting Policies

1.17 Translation of foreign currencies

Functional and presentation currency

Items included in the consolidated 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 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 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.

Investments in subsidiaries

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

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

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

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

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

1.18 Operating segment

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

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Pula	**2016**	**2015**	**2016**	**2015**

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:

Amendment to IFRS 3: Business Combinations: Annual improvements project

The amendment clarifies that contingent consideration in a business combination which meets the definition of a financial instrument shall be classified as a financial liability or equity. It further stipulates that contingent consideration which is required to be measured at fair value shall be done so by recognising changes in fair value through profit or loss. Reference to measuring contingent consideration to fair value through other comprehensive income has been deleted.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The group has adopted the amendment for the first time in the 2016 consolidated annual financial statements.

The impact of the amendment is not material.

Amendment to IFRS 8: Operating Segments: Annual improvements project

Management are now required to disclose the judgements made in applying the aggregation criteria. This includes a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The group has adopted the amendment for the first time in the 2016 consolidated annual financial statements.

The impact of the amendment is not material.

Amendment to IAS 16: Property, Plant and Equipment: Annual improvements project

The amendment adjusts the option to proportionately restate accumulated depreciation when an item of property, plant and equipment is revalued. Instead, the gross carrying amount is to be adjusted in a manner consistent with the revaluation of the carrying amount. The accumulated depreciation is then adjusted as the difference between the gross and net carrying amount.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The group has adopted the amendment for the first time in the 2016 consolidated annual financial statements.

The impact of the amendment is not material.

Amendment to IAS 24: Related Party Disclosures: Annual improvements project

The definition of a related party has been amended to include an entity, or any member of a group of which it is a part, which provides key management personnel services to the reporting entity or to the parent of the reporting entity ("management entity"). Disclosure is required of payments made to the management entity for these services but not of payments made by the management entity to its directors or employees.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The group has adopted the amendment for the first time in the 2016 consolidated annual financial statements.

The impact of the amendment is not material.

Amendment to IFRS 3: Business Combinations: Annual improvements project

The amendment to the scope exclusions removes reference to the formation of joint ventures. It now excludes from the scope, the formation of a joint arrangement in the financial statements of the joint arrangement itself.

Notes to the Consolidated Annual Financial Statements

2. New Standards and Interpretations (continued)

The effective date of the amendment is for years beginning on or after 1 July 2014.

The group has adopted the amendment for the first time in the 2016 consolidated annual financial statements.

The impact of the amendment is not material.

Amendment to IFRS 13: Fair Value Measurement: Annual improvements project

The amendment clarifies that references to financial assets and financial liabilities in paragraphs 48–51 and 53–56 should be read as applying to all contracts within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities in IAS 32 Financial Instruments: Presentation.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The group has adopted the amendment for the first time in the 2016 consolidated annual financial statements.

The impact of the amendment is not material.

Amendment to IAS 40: Investment Property: Annual improvements project

The amendment requires an entity to determine whether the acquisition of investment property is the acquisition of an asset or a business combination, in which case the provisions of IFRS 3 Business Combinations applies.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The group has adopted the amendment for the first time in the 2016 consolidated 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 2016 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.

Notes to the Consolidated Annual Financial Statements

2. New Standards and Interpretations (continued)

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.

The impact of this standard is currently being assessed.

The impact of this standard is currently being assessed.

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

The amendments apply to the acquisitions of interest in joint operations. When an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3, it shall apply, to the extent of its share, all of the principles on business combinations accounting in IFRS 3, and other IFRSs, that do not conflict with the guidance in this IFRS and disclose the information that is required in those IFRSs in relation to business combinations. This applies to the acquisition of both the initial interest and additional interests in a joint operation in which the activity of the joint operation constitutes a business.

The effective date of the amendments is for years beginning on or after 1 January 2016.

The group expects to adopt the amendments for the first time in the 2017 consolidated annual financial statements.

The impact of this amendments is currently being assessed.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendment clarifies that a depreciation or amortisation method that is based on revenue that is generated by an activity that includes the use of the asset is not an appropriate method. This requirement can be rebutted for intangible assets in very specific circumstances as set out in the amendments to IAS 38.

The effective date of the amendment is for years beginning on or after 1 January 2016.

The group expects to adopt the amendment for the first time in the 2017 consolidated annual financial statements.

The impact of this amendment is currently being assessed.

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 2017.

The group expects to adopt the standard for the first time in the 2018 consolidated annual financial statements.

The impact of this standard is currently being assessed.

Notes to the Consolidated Annual Financial Statements

2. New Standards and Interpretations (continued)

IFRS 16 — Leases

IFRS 16 will supersede IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease

The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

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 annual financial statements.

The impact of this standard is currently being assessed.

Notes to the Consolidated Annual Financial Statements

3. Investment property

Group

	2016			2015		
	Valuation	Accumulated depreciation	Carrying value	Valuation	Accumulated depreciation	Carrying value
Investment property	2 021 041 470	-	2 021 041 470	1 790 457 113	-	1 790 457 113

Company

	2016			2015		
	Valuation	Accumulated depreciation	Carrying value	Valuation	Accumulated depreciation	Carrying value
Investment property	978 147 610	-	978 147 610	1 005 571 472	-	1 005 571 472

Reconciliation of investment property - Group - 2016

	Opening balance	Additions	Disposals	Foreign exchange movements	Fair value adjustments	Total
Investment property	1 790 457 113	155 783 718	(121 423 146)	149 322 880	46 900 905	2 021 041 470

Reconciliation of investment property - Group - 2015

	Opening balance	Additions	Foreign exchange movements	Fair value adjustments	Total
Investment property	1 721 543 918	18 113 923	41 522 225	9 277 047	1 790 457 113

Reconciliation of investment property - Company - 2016

	Opening balance	Additions	Disposals	Fair value adjustments	Total
Investment property	1 005 571 472	79 563 669	(121 423 146)	14 435 615	978 147 610

Reconciliation of investment property - Company - 2015

	Opening balance	Additions	Fair value adjustments	Total
Investment property	981 653 658	17 481 316	6 436 498	1 005 571 472

Pledged as security

Carrying value of assets pledged as security:

Game City Shopping Centre, Portion 3 of Forest	746 390 753	664 824 077	746 390 753	664 824 077
Nzano Shopping Centre, Lot 904 Francistown	110 838 491	100 042 087	110 838 491	100 042 087
Fairgrounds Office Park, Lot 50676, Gaborone	-	121 423 146	-	121 423 146
Lot 6670, Mogoditshane, Supa Save Mall, Gaborone	26 862 961	23 928 141	26 862 961	23 928 141
Lot 1131 - 1137, Turnstar House, Main Mall, Gaborone	33 183 819	32 580 069	33 183 819	32 580 069
Lots 16398 & 13093 Tapologo Estates, Gaborone	29 383 691	29 369 774	29 383 691	29 369 774
Lot 63 Commerce Park, Gaborone	12 586 895	11 656 309	12 586 895	11 656 309
Lot 1203 Mogoditshane Flats, Gaborone	9 798 492	12 727 122	9 798 492	12 727 122
Lot 14444 Hyundai, Gaborone	9 102 508	9 020 747	9 102 508	9 020 747
	978 147 610	**1 005 571 472**	**978 147 610**	**1 005 571 472**

Notes to the Consolidated Annual Financial Statements

3. Investment property (continued)

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

Capital work in progress

Additions during the year include capital work in progress valued at P 7 9563 669 relating to the expansion of Game City, Phase 4 and P 79 220 049 towards the expansion work of Mlimani City in Tazania.

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	237 168 091	237 168 091	237 168 091	237 168 091
- Work in progress	97 042 447	17 481 316	97 042 447	17 481 316
- Fair Value surplus (Net of straight lining adjustment)	412 177 677	410 174 670	412 177 677	410 174 670
	746 388 215	**664 824 077**	**746 388 215**	**664 824 077**
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)	75 971 616	57 532 194	75 971 616	57 532 194
	118 481 509	**100 042 087**	**118 481 509**	**100 042 087**
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)	16 975 418	10 926 520	16 975 418	10 926 520
	29 977 039	**23 928 141**	**29 977 039**	**23 928 141**
Fairgrounds Office Park				
Lot 50676, Gaborone				
Fixed year state grant				
Lease from 04 February 1994 for 50 Years				
- Cost of property	-	66 468 635	-	66 468 635
- Fair Value surplus (Net of straight lining adjustment)	-	54 954 511	-	54 954 511
	-	**121 423 146**	**-**	**121 423 146**
Plot 63 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 the property 13 September 1999	6 218 956	6 218 956	6 218 956	6 218 956
- Fair Value adjustment (Net of straight lining adjustment)	6 674 149	5 437 353	6 674 149	5 437 353
	12 893 105	**11 656 309**	**12 893 105**	**11 656 309**

Notes to the Consolidated Annual Financial Statements

3. Investment property (continued)

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)	(2 550 485)	(3 426 597)	(2 550 485)	(3 426 597)
	33 456 181	**32 580 069**	**33 456 181**	**32 580 069**
Lot 14444				
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)	5 958 088	5 461 343	5 958 088	5 461 343
	9 517 492	**9 020 747**	**9 517 492**	**9 020 747**
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)	19 949 853	19 903 318	19 949 853	19 903 318
	29 416 309	**29 369 774**	**29 416 309**	**29 369 774**
Mogoditshane Town Houses				
Tribal Lot 1293, 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)	5 889 143	8 814 757	5 889 143	8 814 757
	9 801 508	**12 727 122**	**9 801 508**	**12 727 122**
Mlimani city, Plot 2, Block L, situated in Ubungo, Dar es Salaam, Tanzania				
- Cost of the property	468 603 639	467 971 032	-	-
- Additions during the year	81 188 467	632 607	-	-
- Fair Value surplus (Net of straight lining adjustment)	493 101 749	316 282 002	-	-
	1 042 893 855	**784 885 641**	**-**	**-**

Turnstar Holdings Limited have occupied 285 sqm in Game City shopping complex, one of the properties for the purposes of centre management office. The company has also occupied Unit No. 401 and 402 of Main Mall Property, Lot 1131-1137 towards their administrative purposes. The owner occupied portion is not significant to the individual property or the portfolio of investments held by the company and thus no transfer of the owner occupied portion has been made to property, plant and equipment.

Notes to the Consolidated Annual Financial Statements

3. Investment property (continued)

Details of valuation

Turnstar Holdings Limited
The investment properties were valued by an external valuer on 17 February 2016. 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]. 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. The capitalisation rate used for the purposes of valuation varies from 5.5% to 12.5% for retail, commercial and residential properties. Management has adequate experience in location and category of the investment property being valued. The directors have taken into account future vacancy allowance of 2% on the fair values of investment properties, expecting future volatility in the market conditions. The impact of future vacancy allowance has been adjusted as part of movement of fair values reported during the year. 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.

The property under capital work in progress has been measured at fair value. The fair value of investment property under construction does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of property.

Mlimani Holdings Limited
The effective date of the revaluations was 17 February 2016. Revaluation was performed external valuer, Eris Property Group, a chartered Valuation Surveyor.

The valuation was carried out using a discounted cash flow model, 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.Secured lease income was reflected with the underlying assumption that on expiry, a renewal would occur. However, on a vacancy occurring, there would be an interruption in the cash flow for that period to secure a new tenant. 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 net profit or loss for the period in which it arises.

Refer to note 36 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	225 564 368	217 429 889	129 766 539	129 554 922
Direct operating expenses from rental generating property	(103 778 107)	(97 573 793)	(35 679 225)	(34 165 035)
	121 786 261	**119 856 096**	**94 087 314**	**95 389 887**

Adjusted valuations

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

Valuation as per financial statements				
Fair value of investment property per independent valuer	2 048 151 465	1 821 987 143	1 001 094 986	1 031 781 317
Less: operating lease receivable	(27 109 995)	(31 530 030)	(22 947 376)	(26 209 845)
	2 021 041 470	**1 790 457 113**	**978 147 610**	**1 005 571 472**

Notes to the Consolidated Annual Financial Statements

4. Property, plant and equipment

Group	2016			2015		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Plant and machinery	6 304 552	(4 923 545)	1 381 007	5 094 363	(3 672 625)	1 421 738
Furniture and fixtures	4 067 053	(2 410 111)	1 656 942	3 430 483	(1 747 476)	1 683 007
Motor vehicles	381 697	(279 133)	102 564	319 495	(225 423)	94 072
Office equipment	327 630	(201 502)	126 128	309 889	(162 612)	147 277
IT equipment	2 334 517	(1 608 607)	725 910	2 141 767	(1 217 151)	924 616
Total	**13 415 449**	**(9 422 898)**	**3 992 551**	**11 295 997**	**(7 025 287)**	**4 270 710**

Company	2016			2015		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Plant and machinery	763 867	(584 017)	179 850	864 592	(559 101)	305 491
Furniture and fixtures	1 205 167	(629 952)	575 215	1 205 167	(524 496)	680 671
Motor vehicles	255 717	(153 153)	102 564	212 860	(118 788)	94 072
Office equipment	212 091	(128 136)	83 955	212 091	(112 214)	99 877
IT equipment	1 429 131	(963 529)	465 602	1 375 407	(766 236)	609 171
Total	**3 865 973**	**(2 458 787)**	**1 407 186**	**3 870 117**	**(2 080 835)**	**1 789 282**

Reconciliation of property, plant and equipment - Group - 2016

	Opening carrying value	Additions	Disposals	Foreign exchange movements	Depreciation	Total
Plant and machinery	1 421 738	543 584	(76 802)	151 484	(658 997)	1 381 007
Furniture and fixtures	1 683 007	232 867	-	155 959	(414 891)	1 656 942
Motor vehicles	94 072	42 857	-	-	(34 365)	102 564
Office equipment	147 277	-	-	7 525	(28 674)	126 128
IT equipment	924 616	53 724	-	48 553	(300 983)	725 910
	4 270 710	**873 032**	**(76 802)**	**363 521**	**(1 437 910)**	**3 992 551**

Reconciliation of property, plant and equipment - Group - 2015

	Opening carrying value	Additions	Disposals	Foreign exchange movements	Depreciation	Total
Plant and machinery	1 623 705	290 622	-	55 779	(548 368)	1 421 738
Furniture and fixtures	1 923 846	70 436	-	54 983	(366 258)	1 683 007
Motor vehicles	35 306	98 500	-	-	(39 734)	94 072
Office equipment	139 371	43 374	-	(9 914)	(25 554)	147 277
IT equipment	696 729	551 798	(14 547)	16 349	(325 713)	924 616
	4 418 957	**1 054 730**	**(14 547)**	**117 197**	**(1 305 627)**	**4 270 710**

Notes to the Consolidated Annual Financial Statements

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Company - 2016

	Opening carrying value	Additions	Disposals	Depreciation	Total
Plant and machinery	305 491	-	(76 803)	(48 838)	179 850
Furniture and fixtures	680 671	-	-	(105 456)	575 215
Motor vehicles	94 072	42 857	-	(34 365)	102 564
Office equipment	99 877	-	-	(15 922)	83 955
IT equipment	609 171	53 724	-	(197 293)	465 602
	1 789 282	**96 581**	**(76 803)**	**(401 874)**	**1 407 186**

Reconciliation of property, plant and equipment - Company - 2015

	Opening carrying value	Additions	Disposals	Depreciation	Total
Plant and machinery	173 538	183 257	-	(51 304)	305 491
Furniture and fixtures	787 718	-	-	(107 047)	680 671
Motor vehicles	35 306	98 500	-	(39 734)	94 072
Office equipment	115 799	-	-	(15 922)	99 877
IT equipment	323 981	537 324	(14 547)	(237 587)	609 171
	1 436 342	**819 081**	**(14 547)**	**(451 594)**	**1 789 282**

5. Goodwill

Group	2016			2015		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Goodwill	68 826 102	-	68 826 102	58 257 536	-	58 257 536

Reconciliation of goodwill - Group - 2016

	Opening balance	Foreign exchange movements	Total
Goodwill	58 257 536	10 568 566	68 826 102

Reconciliation of goodwill - Group - 2015

	Opening balance	Foreign exchange movements	Total
Goodwill	55 172 085	3 085 451	58 257 536

The goodwill of USD 6 146 170 (P 68 826 102) arising from the acquisition is attributable to acquired investment property from combining the operations of the company with Island View (Proprietary) Limited and Mlimani Holdings Limited. 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 Annual Financial Statements

5. Goodwill (continued)

Impairment assessment on carrying value of goodwill
The group has allocated the carrying value of goodwill reported at P 68 826 102 (USD 6146 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 cashflow projections are prepared in functional currency of the subsidiary (United States Dollar).

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 4-8% 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 2.01%, which is LIBOR plus 1.85%. 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 cashflow projections due to nature of the lease period, which in most cases is 1 year.

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

6. Interests in subsidiaries including consolidated structured entities

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 2016	% holding 2015
Island View (Proprietary) Limited incorporated in Botswana	IFSC registered Investment company	100.00 %	100.00 %
Mlimani Holdings Limited incorporated in Tanzania	Property Investment	0.01 %	0.01 %

Company

Name of company	Held by	% voting power 2016	% voting power 2015	% holding 2016	% holding 2015	Carrying amount 2016	Carrying amount 2015
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		100.00 %	100.00 %	0.01 %	0.01 %	5	5
						198 399 518	198 399 518

Subsidiary's investment property pledged as security

Mlimani Holdings Limited, with investment property valued of P1 042 893 855 (2015: P 784 885 641) has been used to secure banking facilities granted to the group of USD 25 000 000 (2015: USD25 000 000).- refer to note 14.

7. Loan to related company

Subsidiaries

Mlimani Holdings Limited	-	-	76 110 816	-

During the year, the company signed a loan agreement with Mlimani to finance implementation of phase II. The loan is unsecured, repayable with 60 equal monthly installments commencing 25 months after Barclays Bank facility agreement, with the final repayment falling 84 months after the facility agreement. Interest is payable each month at 5.5% per annum (and the benchmark is 3 months LIBOR) will be charged on loan outstanding balance.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Pula	**2016**	**2015**	**2016**	**2015**
8. Other financial assets				
Held to maturity				
Investment in debentures - Mlimani Holdings Limited	-	-	367 819 594	342 008 300
These debentures are unsecured, repayable within 10 years from the date of acquisition and carries 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 2016 USD 32 170 437 (2015: USD 35 603 063). During the year the subsidiary paid USD 3 409 725 as principal.				
Non-current assets				
Held to maturity	-	-	364 357 766	342 008 300
Current assets				
Held to maturity	-	-	3 461 828	-
	-	**-**	**367 819 594**	**342 008 300**

Fair value measurement of financial instruments

The fair values of the US-dollar 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 loans with similar risk. The interest rate used for this calculation is 5.5%.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Pula	**2016**	**2015**	**2016**	**2015**
9. Deferred tax				
Deferred tax liability				
Accelerated capital allowances for tax purposes	(18 648 489)	(20 477 660)	(18 648 489)	(20 477 660)
On fair value surplus on investment properties	(229 687 163)	(206 705 386)	(52 740 015)	(57 675 261)
On operating lease receivables	(5 048 423)	(5 766 166)	(5 048 423)	(5 766 166)
On unrealised foreign exchange gain/loss	(13 516 111)	(7 596 623)	(13 516 111)	(7 596 623)
Total deferred tax liability	**(266 900 186)**	**(240 545 835)**	**(89 953 038)**	**(91 515 710)**
Deferred tax asset				
On provision for bad and doubtful debts	467 166	497 265	467 166	497 265
Tax losses available for set off against future taxable income	2 257 267	1 740 660	2 257 267	1 740 660
Total deferred tax asset	**2 724 433**	**2 237 925**	**2 724 433**	**2 237 925**
Deferred tax liability	(266 900 186)	(240 545 835)	(89 953 038)	(91 515 710)
Deferred tax asset	2 724 433	2 237 925	2 724 433	2 237 925
Total net deferred tax liability	**(264 175 753)**	**(238 307 910)**	**(87 228 605)**	**(89 277 785)**
Reconciliation of deferred tax asset / (liability)				
At beginning of year	(238 307 910)	(211 004 555)	(89 277 785)	(84 725 752)
Accelerated capital allowances for tax purposes	1 829 171	(2 242 646)	1 829 171	(2 242 646)
Tax losses available for set off against future taxable income	516 608	(1 883 420)	516 608	(1 883 420)
On fair value surplus on investment properties	(1 422 358)	(11 749 695)	4 935 246	2 477 115
On provision for bad and doubtful debts	(30 099)	(7 246)	(30 099)	(7 246)
On operating lease receivables	717 743	(545 931)	717 743	(545 931)
On unrealised foreign exchange gain/loss	(5 919 489)	(2 349 905)	(5 919 489)	(2 349 905)
Exchange fluctuations on year end translation of deferred tax (on subsidiary)	(21 559 419)	(8 524 512)	-	-
	(264 175 753)	**(238 307 910)**	**(87 228 605)**	**(89 277 785)**

Carry forward tax losses

In the prior period 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 2016 was P 10 260 308 (2015: P 7 912 090).

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

	Group 2016	Group 2015	Company 2016	Company 2015
Non-current assets	23 143 991	27 557 207	20 365 142	24 055 025
Current assets	3 966 004	3 972 823	2 582 234	2 154 820
	27 109 995	**31 530 030**	**22 947 376**	**26 209 845**

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 9%.

Notes to the Consolidated Annual Financial Statements

Figures in Pula	Group 2016	Group 2015	Company 2016	Company 2015

11. Trade and other receivables

Trade receivables	9 075 339	10 647 220	5 920 537	7 735 371
Prepayments	533 721	423 563	326 285	263 942
Deposits	1 231	95 828	-	-
Value added tax	5 790 593	-	1 455 918	-
Other receivables	2 473 548	1 635 778	3 225 030	1 608 898
	17 874 432	**12 802 389**	**10 927 770**	**9 608 211**

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 Botswana Limited, refer to note 13.

Credit quality of trade and other receivables

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

Fair value of trade and other receivables

Trade and other receivables	11 550 118	12 378 826	9 145 567	9 344 269

The company'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 2016, P 4 123 162 (2015: P 3 544 266) (Company P 1 135 648 (2015: P 632 418) were past due but not impaired.

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

1 month past due	3 359 226	3 332 881	672 843	421 033
2 months past due	312 800	77 770	185 028	77 770
3 months past due	451 136	133 616	277 777	133 616
	4 123 162	3 544 266	1 135 648	632 418

Trade and other receivables impaired

As of 31 January 2016, trade and other receivables of P 3 031 174 (2015: P 2 260 294)) (Company P 2 123 478 (2015: P 2 260 294) were impaired and provided for.

The charge for the year was P 1 408 645 (2015: P 762 067) (Company P 605 695 as of 31 January 2016 (2015: P 762 067)).

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

3 to 6 months	3 031 174	430 813	2 123 478	430 813
Over 6 months	-	1 829 481	-	1 829 481
	3 031 174	2 260 294	2 123 478	2 260 294

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Pula	**2016**	**2015**	**2016**	**2015**

11. Trade and other receivables (continued)

Reconciliation of provision for impairment of trade and other receivables

Opening balance	2 260 294	2 293 233	2 260 294	2 293 233
Provision for impairment	1 408 645	762 067	605 695	762 067
Amounts written off as uncollectable	(742 511)	(795 006)	(742 511)	(795 006)
Effect of translation to presentation currency	104 746	-	-	-
	3 031 174	**2 260 294**	**2 123 478**	**2 260 294**

The creation and release of provision for impaired receivables have been included in operating expenses in profit or loss (note 17). 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	18 574	9 275	3 453	-
Bank balances	62 868 552	20 361 274	54 492 068	15 644 711
Short-term deposits	194 359 807	69 454 222	194 359 807	69 454 222
	257 246 933	**89 824 771**	**248 855 328**	**85 098 933**

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: However 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 and linked units issued:				
At the beginning of the reporting period	572 153 603	572 153 603	572 153 603	572 153 603
Issued				
Stated Capital - 572 153 603 (2015: 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 (2015: 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 Annual Financial Statements

	Group		Company	
Figures in Pula	**2016**	**2015**	**2016**	**2015**
14. Borrowings				
Held at amortised cost				
First National Bank of Botswana Limited The loan approved is for P 250 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.	183 977 985	100 472 603	183 977 985	100 472 603
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 drawdown 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 debt issue cost of P 3 546 107 (2015: P 3 546 107), which will be amortised over the balance period of the loan. In the current period, an amount of P 703 520 (2015: P 703 520) has been recognised as an expense s under finance costs. The balance outstanding towards principal at the end of the year is USD 24 million (2015: USD 24 million), which will be settled by a bullet payment in 2019.	272 530 049	227 719 496	272 530 049	227 719 496
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 Drawdown 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.	49 018 709	-	49 018 709	-
	505 526 743	**328 192 099**	**505 526 743**	**328 192 099**

Financial convents that shall be maintained in accordance with the Barclays USD 33.5 million and USD 25 million loan agreements are:

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Pula	**2016**	**2015**	**2016**	**2015**

14. Borrowings (continued)

- Gross borrowing at the end of each relevant period shall not exceed 66% of net tangible assets
- The ratio of cash flow to debt service for each relevant period shall not fall below 1.5: 1
- Net tangible assets shall at all times exceed P 500 million
- Net rental income for the relevant period shall exceed 1.5 times debt service for such relevant period
- A minimum of 90% of the Borrowers property portfolio in Botswana and the property located on Plot 2, Block L, Ubungo in Dar Es Salaam, Tanzania shall be leased during the term of the facility. The rental agreements shall reflect 90% of the rental income at disbursement and during the term of the Facility.
- The value of free hold and lease hold properties secured now or subsequently in favour of the bank pursuant to the security at all time not exceed the loan not more than 30%. Such value shall be determined from time time by the bank at the expense of the borrower. If such value falls below the above level, the borrower will restore the agreed margin with additional security within 30 days from the date of bank's notification in writing to the borrower.

The company has complied with the above covenants during the year

Security held by Barclays Bank of Botswana Limited

- 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 Lubungu area, Kinondoni municipality Dar Es Salaam, Tanzania otherwise known as Mlimani City.
- First covering mortgage bond passed by Turnstar Holdings Limited in favour of the Barclays Bank of Botswana Ltd in the amount of P 10.6 million over Portion 63, South East Administration District.
- 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.
- First covering mortgage bond passed by Turnstar Holdings Limited in favour of the Barclays Bank of Botswana Limited in the amount of P 15.2 million over LOT 13068, Gaborone.
- First covering mortgage bond passed by Turnstar Holdings Limited in favour of the Barclays Bank of Botswana Ltd in the amount of P 4.94 million over lot number 14444, Gaborone.
- First covering mortgage bond passed by Turnstar Holdings Limited in favour of the Barclays Bank of Botswana Ltd in the amount of P 120 million over lot number 66458, Gaborone.
- First covering mortgage bond passed by Turnstar Holdings Limited in favour of the Barclays Bank of Botswana Ltd in the amount of P 6.8 million over lot number 1203, Mogoditshane.
- First covering mortgage bond passed by Turnstar Holdings Limited in favour of the Barclays Bank of Botswana Ltd in the amount of P 16.46 million over lot number 6670, Gaborone.
- First covering mortgage bond passed by Turnstar Holdings Limited in favour of the Barclays Bank of Botswana Ltd in the amount of P 67.4 million over lot number 904, Francistown.
- 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.
- 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 known as Mlimani City.
- 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.
- Deed of Cession of any and all benefits which may accrue in terms of the insurance policy arranged in respect of Game City Shopping Centre.
- Unlimited corporate guarantees from Mlimnai Holdings Limited in favour of Barclays Bank of Botswana Limited
- Pledge in favour of the Bank over shares held by Island View (Proprietary) Limited in Mlimani Holdings Limited.
- Assignment by Mlimani Holdings Limited to the Bank of rental proceeds in relation to the property situated at Plot 2, Block L, Ubungo in Dar Es Salaam, Tanzania.
- Assignment to the Bank by the Borrower of all its rights and interest under a Debenture Agreement dated 26 August 2011 between the Borrower and Mlimani Holdings Limited.
- Unlimited corporate guarantees from the Guarantors in favour of the bank
- Pledge in favour of the bank over share held by Island View (Proprietary) Limited in Mlimani Holdings Limited

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

- Minimum interest cover ratio of 2 times for company
- A minimum debt Service ratio of 2 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.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Pula	**2016**	**2015**	**2016**	**2015**

14. Borrowings (continued)

The company has complied with the above covenants during the year.

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

Non-current liabilities				
At amortised cost	505 526 743	328 192 099	505 526 743	328 192 099

15. Trade and other payables

Trade payables	4 051 842	15 483 923	2 450 665	14 073 506
Amounts received in advance	4 704 144	3 892 524	-	-
Value added tax	-	1 419 043	-	864 687
Withholding tax payable	1 028 821	213 212	468 818	205 477
Retention payable	7 280 271	52 219	4 081 296	52 219
Accrued leave pay	549 397	432 017	549 397	432 017
Other accrued expenses	17 213 998	1 385 261	13 314 220	1 189 920
Deposits received	15 280 950	12 922 697	5 075 309	4 543 621
Other payables	251 960	3 004 398	251 960	3 004 398
	50 361 383	**38 805 294**	**26 191 665**	**24 365 845**

Fair value of trade and other payables

Trade payables	21 517 800	19 873 576	16 016 845	18 267 826

16. Revenue

Rental income	202 176 372	190 163 307	104 897 422	106 503 180
Straight line adjustments	(5 221 385)	(350 186)	(3 262 468)	2 481 502
Turnover rent	593 358	531 732	575 668	534 477
Recoveries	50 014 478	45 438 035	24 503 723	22 729 175
	247 562 823	**235 782 888**	**126 714 345**	**132 248 334**

Rental income ceded as security for loan availed from Barclays Bank of Botswana Limited as stated in note 13.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Pula	**2016**	**2015**	**2016**	**2015**
17. Operating profit				
Operating profit for the year is stated after accounting for the following:				
Income from subsidiaries				
Dividend Income	-	-	22 050 717	18 170 665
Operating lease charges				
Lease rentals on operating lease				
• Contingent amounts	18 482 838	16 977 484	8 949 030	8 773 302
Bad debts expense	1 390 062	762 067	605 695	762 067
Catering expenses	687 784	1 098 767	155 000	42 683
Cleaning	2 537 528	2 884 123	414 323	843 589
Depreciation on property, plant and equipment	1 437 910	1 305 627	401 874	451 594
Employee costs	15 934 815	13 200 882	13 258 382	10 062 575
Insurance	1 579 464	1 655 141	757 524	826 361
Pest control	691 967	891 013	691 967	891 013
Petrol and oil	1 752 963	1 279 856	57 240	163 389
Profit on sale of investment property	7 576 854	-	7 576 854	-
Loss on sale of property, plant and equipment	76 803	1 758	76 803	1 758
Profit on exchange differences	(1 857 784)	(1 071 898)	(1 938 643)	(1 368 287)
Repairs and maintenance	7 160 978	6 702 897	3 508 779	3 357 466
Security fees	4 905 636	4 991 855	2 808 822	2 672 499
Utilities	30 485 546	30 401 740	18 116 674	16 436 145
Included in (other income)/operating expenses				
Foreign exchange gain on revaluation of cash and cash equivalents	(10 858 279)	(151 130)	(10 858 279)	(151 130)
Foreign exchange gain on revaluation of financial assets	(64 999 737)	(17 094 368)	(64 999 737)	(17 094 368)
Foreign exchange loss on revaluation of financial liabilities	48 799 772	7 356 022	48 799 772	7 356 022
	(27 058 244)	**(9 889 476)**	**(27 058 244)**	**(9 889 476)**
18. Finance income				
Interest revenue				
Debentures	-	-	21 962 364	19 594 912
Bank	131 975	72 666	131 975	72 666
Interest on money market placements	4 268 819	2 576 662	4 268 819	2 576 662
	4 400 794	**2 649 328**	**26 363 158**	**22 244 240**
19. Fair value adjustments				
Investment property (Fair value model)	46 900 905	9 277 047	14 435 615	6 436 498
20. Finance costs				
Interest paid to Barclays Bank of Botswana Limited	6 157 314	2 520 193	6 157 314	2 520 193
Interest paid to First National Bank Botswana Limited	5 742 399	8 966 422	5 742 399	8 966 422
Amortisation of debt issue costs	703 520	703 520	703 520	703 520
	12 603 233	**12 190 135**	**12 603 233**	**12 190 135**

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Pula	**2016**	**2015**	**2016**	**2015**
21. Taxation				
Major components of the tax expense (income)				
Current				
Foreign withholding tax - current period	2 450 080	2 018 963	-	-
Deferred				
Originating and reversing temporary differences	4 308 424	18 778 843	(2 049 180)	4 552 032
	6 758 504	**20 797 806**	**(2 049 180)**	**4 552 032**

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

	Group 2016	Group 2015	Company 2016	Company 2015
Applicable tax rate	22.00 %	22.00 %	22.00 %	22.00 %
Exempt income	(20.16)%	(11.15)%	(20.19)%	(16.52)%
Tax loss used	- %	(1.56)%	- %	(1.93)%
Capital gains tax	(2.15)%	2.57 %	(3.09)%	- %
Lower foreign tax rates	3.26 %	1.28 %	- %	- %
	2.95 %	**13.14 %**	**(1.28)%**	**3.55 %**

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 10 260 308 (2015: P 7 912 091).

Mlimani holdings Limited has been granted strategic investors' status by the Government of Tanzania under which, Mlimani Holdings Limited will start paying corporation 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.

22. Auditors' remuneration

	Group 2016	Group 2015	Company 2016	Company 2015
Fees	539 985	492 364	393 240	366 735

23. Other comprehensive income

Components of other comprehensive income - Group - 2016

	Gross	Tax	Net
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations			
Exchange differences arising during the year	74 408 499	-	74 408 499

Components of other comprehensive income - Group - 2015

	Gross	Tax	Net
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations			
Exchange differences arising during the year	19 401 160	-	19 401 160

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Pula	**2016**	**2015**	**2016**	**2015**

24. Operating lease arrangements

Operating leases as lessor

Property rental income earned during the year is set out in note 15. 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	158 438 036	142 112 232	89 445 168	101 246 35[illegible]
Later than one year and not latter than five years	315 643 422	266 158 254	191 362 285	202 424 28[illegible]
Later than five years	22 530	13 442 243	22 530	13 442 24[illegible]
	474 103 988	**421 712 729**	**280 829 983**	**317 112 88[illegible]**

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 is 9%. 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 593 358 (2015: P 531 732) 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 contingent rental of P (2015: P 8 773 302).

Future leasing charges for the land are based at 12.5% 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 (2015: P 9 869 965).

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 (2015: P 8 204 182).

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 (2015: P 9 024 600).

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Pula	**2016**	**2015**	**2016**	**2015**
25. Cash generated from operations				
Profit before taxation	229 588 530	158 324 298	159 539 480	128 352 566
Adjustments for:				
Depreciation	1 437 910	1 305 627	401 874	451 594
(Profit)/loss on sale of assets	(7 500 051)	1 758	(7 500 051)	1 758
Profit on foreign exchange	(27 058 244)	(9 889 476)	(27 058 244)	(9 889 476)
Finance income	(4 400 794)	(2 649 328)	(26 363 158)	(22 244 240)
Finance costs	12 603 233	12 190 135	12 603 233	12 190 135
Fair value adjustments	(46 900 905)	(9 277 047)	(14 435 615)	(6 436 498)
Movements in operating lease asset	5 132 730	359 050	3 262 469	(2 481 502)
Dividend Income	-	-	(22 050 717)	(18 170 665)
Changes in working capital:				
Trade and other receivables	(5 072 043)	(966 002)	(1 319 559)	(1 708 568)
Trade and other payables	11 556 089	10 638 930	1 825 820	10 703 499
Unclaimed debenture interest and dividend payable	217 334	262 188	217 334	262 188
	169 603 789	**160 300 133**	**79 122 866**	**91 030 791**
26. Tax paid				
Balance at beginning of the year	1 912 475	2 057 548	380 775	606 970
Current tax for the year recognised in profit or loss	(2 450 080)	(2 018 963)	-	-
Balance at end of the year	(2 190 342)	(1 912 475)	(380 775)	(380 775)
	(2 727 947)	**(1 873 890)**	**-**	**226 195**
27. Dividends paid				
Balance at beginning of the year	(57 215 360)	(53 210 285)	(57 215 360)	(53 210 285)
Dividends	(111 569 945)	(102 987 651)	(111 569 945)	(102 987 651)
Balance at end of the year	65 797 664	57 215 360	65 797 664	57 215 360
	(102 987 641)	**(98 982 576)**	**(102 987 641)**	**(98 982 576)**
28. 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	222 830 026	137 526 492	161 588 660	123 800 534
Basic earnings per linked unit (in Pula)	0.39	0.24	0.28	0.22
Diluted earnings per linked unit (in Pula)	0.39	0.24	0.28	0.22
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

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Pula	**2016**	**2015**	**2016**	**2015**

29. Directors linked unit holdings

G.H Abdoola - Beneficial	90 000 000	92 642 984	90 000 000	92 642 984
C.M Lekaukau - Beneficial (Late)	500 000	500 000	500 000	500 000
I. Nshakazhogwe - Beneficial	2 179 340	2 179 340	2 179 340	2 179 340
	92 679 340	**95 322 324**	**92 679 340**	**95 322 324**

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

30. Shareholders information

FNB Nominees (Proprietary) Limited RE: AGRAY BPOPF 10001010	104 941 329	103 001 329	104 941 329	103 001 329
G H Group (Proprietary) Limited	90 000 000	92 642 984	90 000 000	92 642 984
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	47 252 883	70 493 514	47 252 883	70 493 514
FNB Nominees Re: AA-BPOPFEquity	45 724 733	-	45 724 733	-
FNB Nominees (Pty) Ltd RE: BIFM BPOPF-EQUITY	31 476 583	-	31 476 583	-
FNB NOMS BW (PTY) LTD RE:FAM BPOPF-10001028	30 332 086	40 034 167	30 332 086	40 034 167
MOTOR VEHICLE ACCIDENT FUND	23 077 164	22 930 975	23 077 164	22 930 975
ALLAN GRAY RE: Debswana Pension Fund	22 991 923	22 991 923	22 991 923	22 991 923
FNB Botswana Nominees(Pty) LtdRe:ACB BPOPF	18 741 050	-	18 741 050	-
BIFM RE:Debswana Pension Fund	16 847 892	16 847 892	16 847 892	16 847 892
FN NOMS BW (PTY) LTD RE:BIFM BPOPF WP 10001027	-	13 821 699	-	13 821 699
FNB NOMS BW (PTY) LTD RE:BIFM BPOPF-10001025	-	40 878 679	-	40 878 679
	489 969 050	**482 226 569**	**489 969 050**	**482 226 569**

Linked unit holder classification The spread of Linked unit holders as at year end between public and non public was as follows: (in percentage)				
Public	34	43	34	43
Non-public	66	57	66	57
	100	**100**	**100**	**100**

31. Contingencies

The group issued a guarantee in favour of Botswana Power Corporation for P 584 145 (2015: P 584 145).

32. Commitments

Authorised capital expenditure

Already contracted for but not provided for				
• Investment property - Game City	-	157 575 000	-	157 575 000
• Investment property - Mlimani City	335 946 300	284 360 190	-	-
	335 946 300	**441 935 190**	**-**	**157 575 000**

This committed expenditure relates to investment property will be financed by available bank facilities as disclosed in note 13.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Pula	**2016**	**2015**	**2016**	**2015**

33. Related parties

Relationships

Subsidiaries	Island View (Proprietary) Limited
	Mlimani Holdings Limited 6
Related companies	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
	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
	Eleganza (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
	Parano (Proprietary) Limited
	Petadco Paper Products (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	C M Lekaukau (Deceased 27 November 2015)
	G H Abdoola (Managing Director)
	I Nshakazhogwe
	M K Nteta
	M R Adelman
	P J Bezuidenhout
	P Pillar
	S Puvimanasinghe

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Pula	**2016**	**2015**	**2016**	**2015**

33. Related parties (continued)

Related party balances

Loan accounts - Owing (to) by related parties				
Mlimani Holdings Limited (Proprietary) Limited	-	-	76 110 816	-
Debenture Asset and Investments				
Mlimani Holdings Limited (Proprietary) Limited	-	-	367 819 594	342 008 300
Island View (Proprietary) Limited	-	-	198 399 513	198 399 513
	-	**-**	**566 219 107**	**540 407 813**
Investment in shares				
Mlimani Holdings (Proprietary) Limited - Investments in shares	-	-	5	5

Related party transactions

Rent paid to (received from) related parties				
Khumo Property Asset Management Limited	-	(492 445)	-	(492 445)
Botswana Insurance Fund Management Limited	-	(2 154 463)	-	(2 154 463)
Botswana Life Insurance Limited	-	(7 676 017)	-	(7 676 017)
	-	**(10 322 925)**	**-**	**(10 322 925)**
Directors fees				
C M Lekaukau	130 480	114 000	130 480	114 000
G H Abdoola	-	789 498	-	-
N W Armstrong	-	14 000	-	14 000
I Nshakazhogwe	138 880	106 500	138 880	106 500
P Pillar	234 846	195 441	163 520	134 000
N P Shiran	-	171 374	-	-
M K Nteta	147 840	104 000	147 840	104 000
P J Bezuidenhout	240 972	225 896	165 760	148 000
M R Adelman	161 280	116 500	161 280	116 500
	1 054 298	**1 837 209**	**907 760**	**737 000**
Legal and professional payments				
Neil Armstrong	19 718	-	19 718	-
Dividend income and debenture interest received from related parties				
Island View (Proprietary) Limited	-	-	(22 050 717)	(18 170 665)
Compensation to directors and other key management				
G H Abdoola	4 389 810	2 529 098	4 389 810	1 739 600
P Shiran	1 643 112	1 085 374	1 643 112	914 000
	6 032 922	**3 614 472**	**6 032 922**	**2 653 600**

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 Annual Financial Statements

	Group		Company	
Figures in Pula	2016	2015	2016	2015

33. Related parties (continued)

- confirmation of the existence in terms of law and duration, to the satisfaction of Turnstar Holdings Limited, 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 Turnstar Holdings Limited, 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 Turnstar Holdings Limited.

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 Turnstar Holdings Limited any shortfall which occurs in relation to receivable by Turnstar Holdings Limited in respect of the debentures which shortfall is caused by the imposition upon Mlimani Holdings Limited of the obligation to withhold tax on any interest which is payable by Mlimani Holdings Limited to Turnstar Holdings Limited for the debentures and the profit of Mlimani Holdings Limited otherwise available for distribution to shareholders by way of dividend, which shortfall is the result of the imposition of income tax on Mlimani Holdings Limited, 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 pledged upon them by the terms of the above guarantee and undertaking, 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.

Subsequent to year end, the Guarantors contend that the above conditions have been satisfied in full, and intend to apply to the Company to release the Guarantee accordingly.

34. Directors' emoluments

Executive

2016

	Emoluments	Total
G H Abdoola (Managing Director)	4 389 810	4 389 810
P Shiran (Finance Director)	1 643 112	1 643 112
	6 032 922	**6 032 922**

2015

	Emoluments	Bonus and leave pay	Total
G H Abdoola G H Abdoola (Managing Director)	2 529 098	157 540	2 686 638
For services as directors	1 085 374	35 600	1 120 974
	3 614 472	**193 140**	**3 807 612**

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Pula	2016	2015	2016	2015

34. Directors' emoluments (continued)

Non-executive

2016

	Directors' fees	Directors' fees for services as directors' of subsidiaries	Total
C M Lekaukau (Chairman)	130 480	-	130 480
I Nshakazhogwe	138 880	-	138 880
P Pillar	163 520	61 674	225 194
M Aldelman	161 280	-	161 280
P Bezuidenhout	165 760	75 207	240 967
M Nteta	147 840	-	147 840
For services as directors	-	-	-
	907 760	**136 881**	**1 044 641**

2015

	Directors' fees	Total
For services as directors	737 000	737 000

Notes to the Consolidated Annual Financial Statements

		Group		Company	
Figures in Pula		2016	2015	2016	2015

35. 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 7 & 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 13. The company 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 2016 and 2015 respectively were as follows:

Total borrowings					
Borrowings	14	505 526 743	328 192 099	505 526 743	328 192 099
Less: Cash and cash equivalents	12	257 246 933	89 824 771	248 855 328	85 098 933
Net debt		248 279 810	238 367 328	256 671 415	243 093 166
Total equity		1 577 290 278	1 383 039 387	1 285 121 292	1 226 520 273
Total capital		**1 825 570 088**	**1 621 406 715**	**1 541 792 707**	**1 469 613 439**
Gearing ratio		14 %	15 %	17 %	17 %

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 Annual Financial Statements

	Group		Company	
Figures in Pula	**2016**	**2015**	**2016**	**2015**

35. 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 2016	**Due not more than one month**	**Due after one month but not more than three months**	**Due after one year**
Borrowings	-	-	505 526 743
Trade and other payables	21 517 800	-	-
Security deposit	-	-	15 280 950
Retention	-	7 280 271	-

At 31 January 2015	**Due not more than one month**	**Due after three months but not more than one year**	**Due after one year**
Borrowings	-	-	328 192 099
Trade and other payables	21 937 854	-	-
Security deposit	-	-	12 922 697
Retention	-	52 219	-

Company Financial Liabilities

At 31 January 2016	**Due not more than one month**	**Due after three months but not more than one year**	**Due after one year**
Borrowings	-	-	505 526 743
Trade and other payables	16 016 845	-	-
Security deposit	-	-	5 075 309
Retention	-	4 081 296	-

At 31 January 2015	**Due not more than one month**	**Due after three months but not more than one year**	**Due after one year**
Borrowings	-	-	328 192 099
Security deposit	18 473 303	-	4 543 621
Retention	-	52 219	-

Group Financial Assets

At 31 January 2016	**Due not more than one month**
Cash and cash equivalents	257 246 933
Trade and other receivables	11 550 118

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Pula	2016	2015	2016	2015

35. Risk management (continued)

At 31 January 2015

	Due not more than one month
Cash and cash equivalents	89 824 771
Trade and other receivables	12 378 826

Company Financial Assets

At 31 January 2016

	Due not more than one month
Cash and cash equivalents	248 855 328
Trade and other receivables	9 145 567

At 31 January 2015

	Less than 1 year
Cash and cash equivalents	85 098 933
Trade and other receivables	9 344 269

Interest rate risk

As the group has no significant interest-bearing assets, however, the group has 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 2016 and 2015, the group's borrowings at variable rate were denominated in the Pula and US Dollar.

At 31 January 2015, if interest rates on Pula-denominated borrowings had been 0.5% higher/lower with all other variables held constant, pre-tax profit for the year would have been P 287 120 (2015: P 448 321) (Company P 287 120 (2015: P 448 321)) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 January 2015, if interest rates on US Dollar-denominated borrowings and other financial assets had been 0.5% higher/lower with all other variables held constant, pre-tax profit for the year would have been P 307 866 (2015: P 126 010) (Company P 307 866 (2015: P 126 010)) on the group 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 after five years
Cash in current banking institutions call account	3.00 %	-	-
Short term deposits	4.00 %	194 359 807	-
Borrowings in USD LIBOR	2.08 %	-	272 530 049
Borrowings in Botswana Pula at local rate	9.00 %	-	183 977 985
Borrowings in USD LIBOR	4.50 %	-	49 018 709

Company cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due after five years
Cash in current banking institutions call account	3.00 %	-	-
Short term deposits	4.00 %	194 359 807	-
Investment in debentures of Mlimani Holdings Limited	6.00 %	-	367 819 594
Loan to related company	5.50 %	-	76 110 816
Borrowings in USD at LIBOR	2.08 %	-	272 530 049
Borrowings in Botswana Pula at local rate	9.00 %	-	183 977 985
Borrowings in USD LIBOR	4.50 %	-	49 018 709

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Pula	**2016**	**2015**	**2016**	**2015**

35. Risk management (continued)

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 - 2016	Group - 2015	Company - 2016	Company - 2015
Trade and other receivables	11 639 361	12 378 826	9 145 567	9 344 269
First National Bank of Botswana Limited	4 671 047	5 019 434	4 671 047	5 019 434
Barclays Bank of Botswana Limited	49 824 475	10 625 315	49 824 475	10 625 277
Exim Bank Tanzania Limited	6 941 028	4 571 943	-	-
Barclays Bank Tanzania Limited	1 435 456	144 620	-	-
Loan to related company	76 110 816	-	-	-
Stannic Money Market Fund, African Alliance Botswana & Bank ABC	194 359 807	69 454 222	194 359 807	69 454 222

Foreign exchange risk

The group operates within Sub-sahara Africa and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, South African Rand's and the UK pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The group owns Tanzanian subsidiary company which holds investment property in Tanzania 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 2016, 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 26 184 415 (2015: P 13 236 047) higher, mainly as a result of foreign exchange gains on translation of US dollar denominated financial assets and borrowings.

At 31 January 2016, 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 32 033 174 (2015: P 10 829 493) lower, mainly as a result of foreign exchange losses on translation of US dollar denominated financial assets and borrowings.

Company
At 31 January 2016, 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 P7 487 327 (2015: P 13 236 047) higher, mainly as a result of foreign exchange gains on translation of US dollar denominated financial assets and borrowings.

At 31 January 2016, 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 9 151 177 (2015: P 10 829 493) lower, mainly as a result of foreign exchange losses on translation of US dollar denominated financial assets and borrowings.

Notes to the Consolidated Annual Financial Statements

		Group		Company	
Figures in Pula		**2016**	**2015**	**2016**	**2015**

35. Risk management (continued)

Foreign currency exposure at the end of the reporting period

Non current assets				
Debentures USD 32 170 437 (2015: USD 35 603 063)	-	-	367 819 594	342 008 300
Loan to related company USD 6 796 695	-	-	76 110 816	-
Current assets				
Trade and other receivables USD 608 501 (2015: USD 497 312)	6 814 126	4 713 858	-	-
Cash and cash equivalents, US Dollar 4 814 344 (2015: USD 1 309 007) (Company USD 4 064 974 (2015: USD 810 430))	53 912 032	20 089 446	45 520 427	7 681 797
Liabilities				
Borrowings USD 28 905 318 (2015: USD 24 001 886) (Company USD 28 905 318 (2015: USD 24 001 886))	323 687 825	230 562 083	323 687 825	230 562 083
Trade and other payables USD 2 152 069 (2015: USD 1 470 110)	25 140 987	13 934 692	-	-

Exchange rates used for conversion of foreign items were:

USD	0.08	0.11	0.089	0.110

36. 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

Recurring fair value measurements

	Note				
Assets	3				
Investment property					
Investment property		1 984 137 658	1 790 457 113	963 711 995	1 005 571 472
Total		**1 984 137 658**	**1 790 457 113**	**963 711 995**	**1 005 571 472**

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Pula	2016	2015	2016	2015

36. Fair value information (continued)

Reconciliation of assets and liabilities measured at level 3

	Note	Opening balance	Gains/losses recognised in profit or loss *	Additions	Disposals	Foreign exchange movement #	Closing balance
Group - 2016							
Assets							
Investment property							
Investment property		1 790 457 113	8 159 393	160 004 768	(121 423 146)	146 939 530	1 984 137 658
Total		**1 790 457 113**	**8 159 393**	**160 004 768**	**(121 423 146)**	**146 939 530**	**1 984 137 658**
Group - 2015							
Assets	3						
Investment property							
Investment property		1 721 543 918	9 277 047	18 113 923	-	41 522 225	1 790 457 113
Total		**1 721 543 918**	**9 277 047**	**18 113 923**	**-**	**41 522 225**	**1 790 457 113**
Company - 2016							
Assets	3						
Investment property							
Investment property		1 005 571 472	-	79 563 669	(121 423 146)	-	963 711 995
Total		**1 005 571 472**	**-**	**79 563 669**	**(121 423 146)**	**-**	**963 711 995**
Company - 2015							
Assets	3						
Investment property							
Investment property		981 653 658	6 436 498	17 481 316	-	-	1 005 571 472
Total		**981 653 658**	**6 436 498**	**17 481 316**	**-**	**-**	**1 005 571 472**

* Gains and losses recognised in profit or loss are included in Fair value adjustments on the Statement of Profit or Loss.

Foreign exchange movements on translation of foreign operations are recognised in other comprehensive income, under "exchange differences on translation of foreign operations on the Statement of Profit or Loss.

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, Super Save Mall. The fair values of these properties determined by independent valuers is P 788 794 305. 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 Annual Financial Statements

36. Fair value information (continued)

Investment property - Commercial segment

Commercial segment comprises of the following properties Turnstar House, Fairgrounds, Plot 63 in Commerce Park and Plot 14444 Hyundai. There fair values of these properties determined by independent valuers is P 174 680 270. 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 38 390 1521. 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 25 March 2015 and the inputs used in the valuations for the year ended 31 January 2015 were:

Assumptions	Retail	Commercial	Residential
Average discount rate	8.25- 12%	9-10%	5-9.5%
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%
Discounted cash flow period	5	5	5
Average lease period	2 - 25 Yrs	3 - 5 Yrs	1 - 2 Yrs
Average Escalation/ Rental- From MDA	8-9%	8-10%	9-10%
Current rental per Month (sqm)/(unit)	P84.314	P 80.62	P 5 388.45
Gross rental per Month (sqm)/(unit)	P 90.277	P 89.86	P 5 502.86
Market rental per Month (sqm)/(unit)	P 90.9737	P 76.90	P 5 858.25

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

Mlimani Holdings Limited properties comprises of the following properties Retail, Office Park, Conference, Housing centre and unutilized bulk land with their fair values determined by independent valuers at Pula 47 4804 104 (USD 42 400 000), Pula 297 334 872 (USD 26 552 000), Pula 57 110 871 (USD 5 100 000), Pula 58 230 692 (USD 5 200 000) and Pula 78 387 470 (USD 7 000 000) 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.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Pula	**2016**	**2015**	**2016**	**2015**

36. Fair value information (continued)

Assumptions	**Retail**	**Office Park**	**Conference Centre**	**Housing**
Income capitalisation rate	14.77%	15.43%	13.22%	10.64%
Discount rate	8.25%	9 %	13%	-
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	5 -10 years	5 - 6 years	-	-
Average Escalation/ Rental- From MDA	3 - 5%	3 - 5%	-	-
Gross rent per month (US$)	-	-	1 550 - 1 365	800-1 400

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 on a regular 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 11.34% for group and 8.87% for comapny (2015: 9.01% for the group and 9.14% for company)and a 1% upward shift in this rate would have an estimated P 180.6 million for Group and P 114.6 million for company (P2015: P 225.1 million for group and P 124.6 million for company) adverse impact on the aggregate for company's independent valuation of the investment properties, while a 1% downward shift in capitalisation rate would have an estimated P 151.4 million for group and P 91.4 million for company (2015: P 182.2 million for group and P 100.0 million for company) favourable impact for company on the valuations.

Fair value of financial instruments measured at amortised cost

Financial Instruments measured at amortised cost for which the fair value is disclosed he carrying amount of the following financial assets and liabilities is considered a reasonable approximation of fair value:

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

37. Events after the reporting period

Company intends to launch an offering of USD denominated senior unsecured compulsory convertible bonds to raise gross proceeds of US$ 30 million. It is expected that the Convertible Bonds will be issued during May 2016 at which the final terms thereof will be announced and subject to necessary approval.

38. SEGMENT REPORT

Primary segment - Geographical segment	2016	2015	2016	2015	Figures in Pula 2016	Figures in Pula 2015
	Botswana	Botswana	Tanzania	Tanzania	Consolidated	Consolidated
Revenues from external customers	126 714 345	132 248 334	120 848 478	103 534 554	247 562 823	235 782 888
Inter segment revenues	-	-	-	-	-	-
Total segment revenues	**126 714 345**	**132 248 334**	**120 848 478**	**103 534 554**	**247 562 823**	**235 782 888**
Segment property direct and indirect expenses	35 840 895	34 415 019	35 632 806	34 393 068	71 473 701	68 808 087
Segment operating profit	**90 873 450**	**97 833 315**	**85 215 672**	**69 141 486**	**176 089 122**	**166 974 801**
Segment Assets	**1 268 852 306**	**1 130 896 443**	**1 132 153 979**	**860 396 506**	**2 401 006 285**	**1 991 292 949**

Secondary segment- Operating segment	2016	2015	2016	2015	2016	2015	2016	2015	Figures in Pula 2016	Figures in Pula 2015
Revenues		Retail				Commercial				
	Botswana	Botswana	Tanzania	Tanzania	Botswana	Botswana	Tanzania	Tanzania	Consolidated	Consolidated
Rental income from external customers	102 491 365	103 610 619	62 598 968	51 225 489	24 188 831	28 637 716	58 283 659	52 309 065	247 562 823	235 782 888
Inter segmental revenues		-		-		-		-		-
Total segment revenues	**102 491 365**	**103 610 619**	**62 598 968**	**51 225 489**	**24 188 831**	**28 637 716**	**58 283 659**	**52 309 065**	**247 562 823**	**235 782 888**
Segment expenses	31 624 761	29 607 359	26 675 461	17 016 558	4 216 135	4 807 660	8 957 344	17 376 510	71 473 701	68 808 087
Segment operating profit	**70 866 604**	**77 359 081**	**35 923 507**	**34 208 931**	**19 972 697**	**23 830 056**	**49 326 315**	**34 932 555**	**176 089 122**	**166 974 801**

	Figures in Pula 2016	Figures in Pula 2015
Reconciliation of group net profit before tax		
Total reporting segment operating profit	176 089 122	166 974 802
Salaries and wages	(15 934 815)	(13 200 882)
Loss on exchange difference	(48 880 631)	(7 356 022)
Profit on exchange differences	77 796 659	17 245 498
Fair value adjustments	46 900 905	9 277 047
Finance income	4 400 794	2 649 328
Sundry income	3 572 486	4 083 402
Gains on disposal of assets	7 576 854	-
Corporate expenses	(9 329 611)	(9 158 739)
Operating profit	**242 191 763**	**170 514 433**
Finance costs	(12 603 233)	(12 190 135)
Group profit before tax	**229 588 530**	**158 324 298**

Segment information is organised into two, georaphical 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 and Tanzania.

TURNSTAR HOLDINGS LIMITED
(Incorporated in the Republic of Botswana on 07/11/2000)
(Company number: 2000/5302)
("Turnstar" or "the Company")

NOTICE OF THE 2016 ANNUAL GENERAL MEETING

Notice is hereby given of the Annual General Meeting (**"AGM"**) of linked unitholders of Turnstar ("**Linked Unitholders**"), to be held at 17h00 at the Avani Hotel, Gaborone on Thursday, 28th July 2016, for the purpose of transacting the following business and considering and if deemed fit, passing, with or without modification, the following resolutions:

AGENDA:

ORDINARY BUSINESS

1. To read the notice convening the meeting.

ORDINARY RESOLUTION 1:

2. To receive, consider and adopt the Audited Financial Statements for the year ended 31 January 2016 together with the Report of Auditors to the Board of Directors.

ORDINARY RESOLUTION 2:

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

ORDINARY RESOLUTION 3:

4. To re-elect the following Directors of the company
   Ishmael Nshakazhogwe

   Peo Pillar
   who retire by rotation in terms of 63 of the Articles of Association and, being eligible, offer themselves for re-election.

ORDINARY RESOLUTION 4:

5. To approve the remuneration of the Directors for the year ended 31 January 2016.

ORDINARY RESOLUTION 5:

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

ORDINARY RESOLUTION 6:

7. The answering by the Directors and Management of questions put by Linked Unitholders in respect of the affairs and the business of the company.

SPECIAL BUSINESS

SPECIAL RESOLUTION 1: – SPECIFIC AUTHORITY TO ISSUE LINKED UNITS

To resolve as a Special Resolution that the Company, in accordance with the terms and conditions on which the Convertible Bonds are proposed to be issued ("Terms and Conditions"), allots and issues up to an anticipated 69,000,000, or such additional Linked Units as may be required to satisfy the conversion right attached to the Convertible Bonds in the stated and debenture capital of the Company ("Linked Units"), to those holders of Convertible Bonds on maturity of the Convertible Bonds in the year 2023, or pursuant to an early redemption as provided for in the Terms and Conditions, and that the Board be authorised to take all the steps and actions that may be required to issue those Linked Units to those holders in accordance with the Terms and Conditions."

Reason for the Special Resolution

The reason for proposing the above Special Resolution is to seek a specific authority and approval for the directors of the Company to allot and issue up to an anticipated 69,000,000 Linked Units in the stated and debenture capital of the Company, to the holders of up to US$30,000,000 of 4.5% senior unsecured convertible bonds proposed to be issued by the Company ("Convertible Bonds"), which Convertible Bonds are anticipated to mature in 2023.

This Special Resolution will grant the Company's directors the authority to issue the necessary Linked Units in the stated and debenture capital of the Company to those holders of Convertible Bonds so as to settle the mandatorily Convertible Bonds upon their maturity, or subject to any early redemption. As the conversion price and the USD / BWP exchange rate at which the Convertible Bonds will be converted to Linked Units will only be fixed on issue of the Convertible Bonds, which is anticipated to take place during August 2016, there may be fluctuations in the final number of Linked Units to be issued. Linked Unitholders are referred to the circular dated 4 July 2016 for further information in this regard.

SPECIAL RESOLUTION 2: – WAIVER OF PRE-EMPTIVE RIGHTS IN RESPECT OF ISSUE OF CONVERTIBLE BONDS AND LINKED UNITS ON CONVERSION

To resolve as a Special Resolution that, subject to the Special Resolution 1 being passed, all rights of pre-emption which Linked Unitholders are entitled to under the Articles of Association of Turnstar, the Botswana Companies Act (CAP. 42:01) ("the Act") or the Listings Requirements of the Botswana Stock Exchange in connection with the issue of the Convertible Bonds and up to an anticipated 69,000,000 Linked Units, or such additional Linked Units as may be required to satisfy the conversion right attached to the Convertible Bonds proposed to be issued to bondholders on conversion in 2023, or subject to any early redemption as provided for in accordance with the terms and conditions on which the Convertible Bonds are proposed to be issued ("Terms and Conditions"), are hereby waived to the fullest extent possible by all Linked Unitholders.

Reason for the Special Resolution

In terms of the BSE Listings Requirements and the Act, a listed company proposing to issue equity securities for cash must first offer those securities by rights offer to existing equity holders in proportion to their existing holdings. Only to the extent that the securities are not taken up by such persons under the offer, may they then be issued for cash to others or otherwise than in the proportion mentioned above. Further, in terms of Paragraph 5.98 of the BSE Listings Requirements, classes of securities which have participating rights to profits or that have equity conversion rights must be offered to ordinary shareholders of a company by means of a rights offer, unless issued by: a claw-back offer; an issue for cash; for the acquisition of assets or a merger; or in circumstances which the BSE Committee considers exceptional. The BSE Listings and Trading Sub-Committee has approved the issue by Turnstar of the Convertible Bond, subject to a waiver of pre-emptive rights by Linked Unitholders of Turnstar. Turnstar therefore requires existing Linked Unitholders to waive their pre-emptive rights to the Convertible Bonds and the Linked Units that will be issued on conversion, so that these may be placed with potential bondholders.

ORDINARY RESOLUTION 7: - AUTHORITY TO ISSUE A NEW CLASS OF SECURITIES

To resolve as an Ordinary Resolution that, subject the Special Resolution 1 and Special Resolution Number 2 being passed, for purposes of satisfying clause 28 the Articles of Association of the Company and for all other purposes, the Company be authorised by its Linked Unitholders to create a new class of debt instruments, namely the Convertible Bonds.

Reason for the Ordinary Resolution

In terms of clause 28 of the Articles of Association of the Company, Linked Unitholder approval is required for the issue of a new class of securities in the capital of the Company.

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

____

Chairman

____

LEO BUSINESS SERVICES (PROPRIETARY) LIMITED
Company Secretaries

Gaborone
4 July 2016

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

PROXY FORM

For Completion By Holders Of Linked Units.

Please read the notes overleaf before completing this form.

For use at the Annual General Meeting ("**AGM**") of linked unitholders of Turnstar (**"Linked Unitholders"**), to be held at 17h00 at the Avani Hotel, Gaborone on Thursday, 28th July 2016.

A Linked Unitholder entitled to attend and vote at the general meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the Company.

Linked Unitholders who have dematerialised their Linked Units, other than "own name" dematerialised Linked Unitholders, with the CSDB Participant or broker should advise the CSDB Participant or broker as to what action they wish to take. This must be done in terms of the agreement entered into between them and the CSDB Participant or broker. Linked Unitholders, other than "own name" dematerialised Linked Unitholders who have dematerialised their Linked Units must **not** return this form of proxy to the transfer secretaries. Their instructions must be sent to their CSDB Participant or broker for action.

I/We
(Full name in block letters)

of (address)

being the holder/s of Linked Units hereby appoint:

1. or failing him/her

2. or failing him/her

3. the Chairman of the AGM.

as my/our proxy to attend, speak on my/our behalf at the AGM and at any adjournment thereof, and to vote or to abstain from voting on my/our behalf on the resolutions to be proposed at the AGM as follows:

	For	Against	Abstain
Ordinary Resolution 1			
Ordinary Resolution 2			
Ordinary Resolution 3			
Ordinary Resolution 4			
Ordinary Resolution 5			
Ordinary Resolution 6			
Special Resolution – Specific authority to issue Linked Units			
Special Resolution 1 – Waiver of pre-emptive rights in respect of issue of Convertible Bonds and Linked Units on conversion			
Ordinary Resolution 7 – Authority to issue new class of securities			

Please indicate with an "X" how you wish your votes to be cast. Unless otherwise directed, the proxy will vote or abstain as he thinks fit in respect of your entire holding.

Signed this
day of
2016

Signature of member(s)

Assisted by me (where applicable)

Please read the notes and instructions on the reverse hereof.

NOTES

1. Every Linked Unitholder present in person or represented by proxy and entitled to vote at the AGM of the Company shall, on a show of hands, have only one vote, irrespective of the number of Linked Units such Linked Unitholder holds. In the event of a poll, every member present in person or represented by proxy and entitled to vote shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the Linked Units held by such Linked Unitholder bears to the aggregate amount of the nominal value of all the Linked Units issued by the Company.
2. A Linked Unitholder may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided overleaf, with or without deleting "the Chairman of the AGM", but any such deletion must be initialled by the Linked Unitholder. Should this space be left blank, the proxy will be exercised by the Chairman of the AGM. The person whose name appears first in the list of names which has not been deleted on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.
3. A Linked Unitholder's voting instructions to the proxy must be indicated by the insertion of an "X", or the number of votes exercisable by that Linked Unitholder, in the appropriate spaces provided overleaf. Failure to do so will be deemed to authorise the proxy to vote or to abstain from voting at the AGM, as he/she thinks fit in respect of all the Linked Unitholder's exercisable votes. A Linked Unitholder or his/her proxy is not obliged to use all the votes exercisable by him/her or by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the Linked Unitholder or by his/her proxy.
4. The proxy shall have the power to vote for and attend at any adjournment of the meeting and to vote on any amendment to any of the resolutions which may be proposed at the meeting.
5. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
6. To be valid, the completed forms of proxy must be lodged with the transfer secretaries of the Company, LEO BUSINESS SERVICES (PROPRIETARY) LIMITED, or posted to the transfer secretaries at PO Box 1157, Gaborone, to be received by them by not later than 16h30 on Tuesday, 26th July 2016.
7. The power of attorney or other authority establishing the authority of a person signing this form of proxy in a representative capacity or a notarially certified copy thereof must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the chairman of the AGM.
8. The completion and lodging of this form of proxy will not preclude the relevant Linked Unitholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Linked Unitholder wish to do so.
9. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this form of proxy must be initialled by the signatory/ies.
10. The Chairman of the AGM may accept any form of proxy which is completed other than in accordance with these instructions provided that he is satisfied as to the manner in which a Linked Unitholder wishes to vote.
11. A vote given in accordance this form of proxy shall be valid notwithstanding the previous legal incapacity of the principal or revocation of the form of proxy or the transfer of the linked unit in respect of which the vote is given, unless an intimation in writing of such legal incapacity or transfer shall have been lodged with the transfer secretaries of the Company, Grant Thornton Business Services or posted to the transfer secretaries at PO Box 1157, Gaborone, to be received by them by not later than 16h30 on Tuesday, 26th July 2016.

Notes


SHOPRITE

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