

BOTSWANA PRIVATISATION ASSET HOLDINGS
Registration number CO 2008/312
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2018

BOTSWANA PRIVATISATION ASSET HOLDINGS

INDEX TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

GENERAL INFORMATION

Main business activity: To collect, receive and hold the portion of assets from privatised entities, on behalf of the Government of Botswana.

Registered address: Government Enclave
Khama Crescent
Block 25 State Drive
Private Bag 008
Gaborone

Company registration number: CO 2008/312

Directors: K Ndobano - Chairman	M E Juma - expired contract October 2017
R Sebako	T kgatlwane - expired contract October 2017
K Balopi - appointed October 2017	K Ramaphane- expired contract October 2017
D Mongudi - appointed October 2017	P Nhlekisana- deceased October 2017
B Tema - appointed April 2018	E Moumakwa - appointed April 2018
N Hubona - appointed April 2018	

Postal address: Private Bag 008
Gaborone

Auditors: KPMG

Banker: First National Bank of Botswana Limited

Managers and secretaries: PricewaterhouseCoopers (Proprietary) Limited.

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BOTSWANA PRIVATISATION ASSET HOLDINGS

STATEMENT OF DIRECTORS' RESPONSIBILITIES AND APPROVAL for the year ended 31 March 2018

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

The 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 controls established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints. Nothing has come to the attention of the board to indicate that any significant breakdown in the functioning of these systems has occurred during the year under review.

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

The directors have reviewed the company's cash flow forecast for the year to 31 March 2019 and, in the light of this review and the current financial position, they are satisfied that the company has or 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 company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on page 3-5

The annual financial statements set out on pages 6-24, which have been prepared on the going concern basis, were approved by the board on 26 September 2018 and were signed on its behalf by:



Director



Director



KPMG, Chartered Accountants
Audit
Plot 67977, Off Tlokweng Road,
Fairgrounds Office Park
PO Box 1519, Gaborone, Botswana
Telephone +267 391 2400
Fax +267 397 5281
Web <http://www.kpmg.com/>

Independent auditor's report

To the members of Botswana Privatisation Asset Holdings

Opinion

We have audited the financial statements of Botswana Privatisation Asset Holdings ("the company"), which comprise the statement of financial position as at 31 March 2018, the statement of comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 24.

In our opinion, the financial statements give a true and fair view of the financial position of Botswana Privatisation Asset Holdings as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in relation to our audit of the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the statement of Directors' responsibilities and approval and general information. Other information does not include the financial statements and our auditor's report thereon.

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



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

KPMG

KPMG

Certified Auditors

Practicing member: Francois Roos (20010078:45)

Date: 27 September 2018

Gaborone

BOTSWANA PRIVATISATION ASSET HOLDINGS

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 March 2018

	Notes	2018 P	2017 P
Revenue	4	11,696,025	16,374,362
Fair value (loss)/gain on financial assets at fair value through profit or loss	5	(244,000)	1,204,180
Disposal gain on BTCL Shares		14,462	-
Administrative expenses		(1,892,993)	(1,668,609)
Operating profit	5	<u>9,573,494</u>	<u>15,909,933</u>
Finance income	6	9,066	28,886
Profit before income tax		<u>9,582,560</u>	<u>15,938,819</u>
Income tax expense	7	(877,202)	(920,907)
Profit for the year		<u>8,705,358</u>	<u>15,017,912</u>
Other comprehensive income for the year		-	-
Total comprehensive income		<u><u>8,705,358</u></u>	<u><u>15,017,912</u></u>

BOTSWANA PRIVATISATION ASSET HOLDINGS

STATEMENT OF FINANCIAL POSITION as at 31 March 2018

	Notes	2018 P	2017 P
ASSETS			
Non-current assets			
Investment in BBS Shares	8	<u>177,511,477</u>	<u>177,511,477</u>
Current assets			
Financial assets at fair value through profit or loss	9	3,660,000	5,056,000
Trade and other receivables	10	5,619,259	534,951
Cash and cash equivalents	11	<u>25,632,161</u>	<u>20,579,037</u>
		<u>34,911,420</u>	<u>26,169,988</u>
Total assets		<u><u>212,422,897</u></u>	<u><u>203,681,465</u></u>
FUNDS AND LIABILITIES			
Funds			
Capital contribution		117,970,739	117,970,739
Retained earnings		<u>92,328,617</u>	<u>83,623,259</u>
		<u>210,299,356</u>	<u>201,593,998</u>
Current liabilities			
Deferred financial grant	12	1,904,394	1,904,394
Trade and other payables	13	219,147	183,073
		<u>2,123,541</u>	<u>2,087,467</u>
Total funds and liabilities		<u><u>212,422,897</u></u>	<u><u>203,681,465</u></u>

BOTSWANA PRIVATISATION ASSET HOLDINGS

STATEMENT OF CHANGES IN FUNDS for the year ended 31 March 2018

	Capital contribution	Retained income	Total funds
	P	P	P
For the year ended 31 March 2017			
Balance at 1 April 2016	117,970,739	68,605,347	186,576,086
Total comprehensive income			
Profit for the year	-	15,017,912	15,017,912
Balance at 31 March 2017	<u>117,970,739</u>	<u>83,623,259</u>	<u>201,593,998</u>
For the year ended 31 March 2018			
Balance at 1 April 2017	117,970,739	83,623,259	201,593,998
Total comprehensive income			
Profit for the year	-	8,705,358	8,705,358
Balance at 31 March 2018	<u>117,970,739</u>	<u>92,328,617</u>	<u>210,299,356</u>

BOTSWANA PRIVATISATION ASSET HOLDINGS

STATEMENT OF CASH FLOWS for the year ended 31 March 2018

	Notes	2018 P	2017 P
Cash flows from operating activities			
Operating profit		9,573,494	15,909,933
Adjusted for:			
Grant income recognised		-	(4,095,606)
Fair value loss/(gain) on financial assets		244,000	(1,204,180)
Disposal (gain)/loss on financial assets		(14,462)	16,974
Changes in working capital			
Trade and other receivables		(5,084,308)	5,270,569
Trade and other payables		36,074	(90,156)
Cash generated from operations		4,754,798	15,807,534
Income tax paid		(877,202)	(920,907)
Net cash generated from operating activities		3,877,596	14,886,627
Cash flows from investing activities			
Finance income	6	9,066	28,886
Sales proceeds from disposal of financial assets		1,166,462	226,812
Purchase of financial assets		-	(4,095,606)
Net cash generated from/(used) in investing activities		1,175,528	(3,839,908)
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year		5,053,124	11,046,719
Cash and cash equivalents at end of year	11	20,579,037	9,532,318
		25,632,161	20,579,037

BOTSWANA PRIVATISATION ASSET HOLDINGS

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 March 2018

1 General information

Botswana Privatisation Asset Holdings ('the Company') is a special purpose entity, incorporated for the purpose of collecting, receiving, warehousing and holding shares and other assets from privatised entities on behalf of the Government of Botswana. It has been incorporated as a company limited by guarantee in terms of the Companies Act and domiciled in Botswana. The address of registered office of the Company is Government Enclave, Khama Crescent, Block 25 State Drive, Gaborone.

The financial statements set out on pages 6 to 24 have been approved by the board of directors on 26 September 2018.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities held at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the current events and actions, actual results may ultimately differ from those estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.2 Financial assets

2.2.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

BOTSWANA PRIVATISATION ASSET HOLDINGS

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2018

2.2 Financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Company's loans and receivables comprise 'Investments in Botswana Building Society shares', 'trade receivables' and 'cash and cash equivalents' in the statement of financial position.

2.2.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Company commits to purchase or sell the asset. Loans and receivables are carried at amortised cost using the effective interest method. The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Impairment testing of trade receivables is described in policy number 2.3.

2.2.3 Off-setting financial instruments

Financial assets and liabilities are off-set and the net amount reported in the statement of financial position when there is a legally enforceable right to off-set the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

BOTSWANA PRIVATISATION ASSET HOLDINGS

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) **for the year ended 31 March 2018**

2.3 Trade receivables

Trade receivables are related to investment income in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. 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 amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. 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.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss.

2.4 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.5 Provisions

Provision claims are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

BOTSWANA PRIVATISATION ASSET HOLDINGS

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2018

2.6 Government grants

Government grants are recognised when there is a reasonable assurance that:

- the company will comply with the conditions attaching to them; and
- the grants will be received.

Government grants related to investments in indefinite period shares require fulfillment of certain obligations as required by the constitution of the company such as dilution of interests to citizens and citizen owned companies. Government grants would be recognised in profit or loss in the period in which the investments are transferred from citizens and citizen companies.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred grant or by deducting the grant in arriving at the carrying amount of the asset.

2.7 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.8 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Botswana Pula, which is the Company's functional and the presentation currency.

2.9. Revenue recognition

Revenue is recognised as follows:

2.9.1 Dividend income

Dividend income is recognised when the right to receive dividend is established.

2.10 Finance income

Finance income is recognised using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as finance income. Finance income on impaired loan and receivables are recognised using the original effective interest rate.

BOTSWANA PRIVATISATION ASSET HOLDINGS

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2018

2.11 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income. The current income tax is recognised on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in Botswana.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

BOTSWANA PRIVATISATION ASSET HOLDINGS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2018

3.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Company

The following new standards, amendments and interpretations to existing standards are mandatory for the company's accounting periods beginning on or after 1 April 2017. These have been adopted by the company during the year. The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

Number	Effective date	Executive summary
Amendment to IAS 12 – Income taxes Recognition of deferred tax assets for unrealised losses.	Annual periods beginning on or after 1 January 2017	<p>The amendment was issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendment clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets.</p> <p>The amendment clarifies the existing guidance under IAS 12. It does not change the underlying principles for the recognition of deferred tax assets.</p>
Amendment to IAS 7 – Cash flow statements Statement of cash flows on disclosure initiative	Annual periods beginning on or after 1 January 2017	<p>In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.</p> <p>The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities.</p>

BOTSWANA PRIVATISATION ASSET HOLDINGS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2018

(b) New standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following new standards, amendments and interpretations to existing standards are mandatory for the Company. These have not been early adopted by the Company.

Number	Effective date	Executive summary
IFRS 9 – Financial Instruments (2009 & 2010) <ul style="list-style-type: none"> • Financial liabilities • De-recognition of financial instruments • Financial assets • General hedge accounting 	Annual periods beginning on or after 1 January 2018	<p>This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.</p> <p>Impact of the Standard:</p> <ul style="list-style-type: none"> - Equity investments currently measured at fair value through profit or loss will continue to be measured on the same basis under IFRS 9. - Investments currently classified as loans and receivables and measured at amortised cost will measure at fair value through profit or loss for listed shares and amortised cost for investments on Debentures and Call deposit. - There will be no impact on the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities.
IFRS 15 – Revenue from contracts with customers.	Annual periods beginning on or after 1 January 2018	<p>The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.</p> <p>Impact of the Standard: There will be no impact from this Standard as there are no contracts with customers.</p>

BOTSWANA PRIVATISATION ASSET HOLDINGS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2018

Number	Effective date	Executive summary
<p>Amendment to IFRS 15 – Revenue from contracts with customers.</p>	<p>Annual periods beginning on or after 1 January 2018</p>	<p>The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.</p> <p>Impact of the Standard: There will be no impact from this Standard as there are no contracts with customers.</p>
<p>Amendment to IFRS 9 -'Financial instruments',</p> <ul style="list-style-type: none"> • on general hedge accounting 	<p>Annual periods beginning on or after 1 January 2018</p>	<p>The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. Effective 1 January 2018.</p> <p>Early adoption of the above requirements has specific transitional rules that need to be followed. Entities can elect to apply IFRS 9 for any of the following:</p> <ul style="list-style-type: none"> • The own credit risk requirements for financial liabilities. • Classification and measurement (C&M) requirements for financial assets. • C&M requirements for financial assets and financial liabilities. <p>Impact of the Standard: There will be no impact from this Standard as there are no hedging instruments.</p>

BOTSWANA PRIVATISATION ASSET HOLDINGS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2018

Number	Effective date	Executive summary
Amendment to IFRS 9 'Financial instruments', - prepayment features with negative compensation and modification of financial liabilities	Annual periods beginning on or after 1 January 2019	The narrow-scope amendment covers two issues: -The amendments allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met—instead of at fair value through profit or loss. It is likely to have the biggest impact on banks and other financial services entities. Impact of the Standard: There will be no impact from this Standard as there are no financial liabilities.

Management is currently assessing the impact of the application of these new standards, amendments and interpretations on the company's financial statements in the period of initial application. At this time, the adoption of these standards and interpretations is only expected to have an impact on the classification and disclosure of items in the company's financial statements.

3.2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be under the circumstances.

3.2.1 Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

3.2.2 Income taxes

The company is subject to income tax under the Income Tax Act in Botswana. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company 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.

BOTSWANA PRIVATISATION ASSET HOLDINGS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2018

4 Revenue	2018	2017
	P	P
Dividend income	11,696,025	12,278,756
Grant income recognised	-	4,095,606
	<u>11,696,025</u>	<u>16,374,362</u>

5 Operating profit

The following items have been charged / (credited) in arriving at operating profit:

	2018	2017
	P	P
Fair value loss/(gain) on financial assets at fair value through profit or loss	<u>244,000</u>	<u>(1,204,180)</u>

Expenses by nature

Audit fees -current year	78,400	78,400
-underprovision for the last year	840	14,320
Bank charges	2,376	2,590
Directors' fees	43,470	11,907
Management fees	750,012	700,054
Legal fees	-	193,127
CSD Fees	13,440	8,960
Fees for Market Maker role	961,414	634,667
Other expenses	43,041	24,584
Total administrative expenses	<u>1,892,993</u>	<u>1,668,609</u>

6 Finance income

	2018	2017
	P	P
Interest received from call deposit	<u>9,066</u>	<u>28,886</u>

7 Income tax expense

	2018	2017
	P	P
Withholding tax on dividend income	877,202	920,907
Income tax expense	<u>877,202</u>	<u>920,907</u>

The tax on the company's profit before taxation differs from the theoretical amount using the basic tax rates as follows :

Profit before income tax	<u>9,582,560</u>	<u>15,938,819</u>
Tax calculated at a tax rate of 22% (2017 : 22%)	2,108,163	3,506,540
Expenses not deductible for tax purposes	468,145	90,120
Income not subject to tax	(3,182)	(895,333)
Effect on income subject to different tax rate	(1,695,924)	(1,780,420)
Income Tax expense	<u>877,202</u>	<u>920,907</u>

Withholding taxes on dividend income deducted at source has been charged to the statement of comprehensive income as income tax expense for the year. The estimated tax losses available for set-off against future taxable income is P 2,716,254 (2017: P 1,230,092) which expires in 2022 and 2023 respectively amounting to P 1,230,092 and P 1,486,162.

BOTSWANA PRIVATISATION ASSET HOLDINGS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2018

8 Investment in Botswana Building Society Shares	2018	2017
	P	P
Balance at end of year	<u>177,511,477</u>	<u>177,511,477</u>

	Price per share P	Number of Shares	Value Shares P
Indefinite period shares	<u>1</u>	<u>177,511,477</u>	<u>177,511,477</u>

Investment in indefinite period shares of Botswana Building Society (BBS) is an unquoted investment. The rate of dividends on the shares shall be fixed by BBS board at the time of issue and subsequently from the time to time as the BBS Board may in its discretion decide.

9 Financial assets at fair value through profit or loss	2018	2017
	P	P
Balance at the beginning of the year	5,056,000	-
Additions	-	4,095,606
Disposals	(1,152,000)	(243,786)
Fair value (loss) /gain	<u>(244,000)</u>	<u>1,204,180</u>
Balance at the end of the year	<u>3,660,000</u>	<u>5,056,000</u>

Fair value information

Financial assets at fair value through profit or loss are recognised at fair value, which is therefore equal to their carrying amounts.

	Market price per share P	Number of Shares	Value Shares P
BTCL Shares valuation as at 31 March 2018	<u>1.20</u>	<u>3,050,000</u>	<u>3,660,000</u>
BTCL Shares valuation as at 31 March 2017	<u>1.28</u>	<u>3,950,000</u>	<u>5,056,000</u>

Investment in Botswana Telecommunications Corporation Limited (BTCL) shares comprise of marketable equity securities listed on the Botswana Stock Exchange. These are fair valued annually and at the close of business on the 31 March 2018. For these financial assets traded in active markets, fair value is determined by references to stock exchange quoted prices.

Fair value hierarchy of financial assets at fair value through profit or loss

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices).

Level 3 applies inputs which are not based on observable market data.

	2018	2017
	P	P
Level 1		
Investments in listed shares (BTCL)	<u>3,660,000</u>	<u>5,056,000</u>

10 Trade and other receivables	2018	2017
	P	P
Receivable from CSD Liquidity Account	507,225	505,421
Prepayments	62,380	29,530
Dividends receivable	<u>5,049,654</u>	<u>-</u>
	<u>5,619,259</u>	<u>534,951</u>

The carrying amounts of the trade and other receivables approximates its fair value due to the short term nature of these assets.

BOTSWANA PRIVATISATION ASSET HOLDINGS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2018

11 Cash and cash equivalents	2018	2017
	P	P
Cash at bank	<u>25,632,161</u>	<u>20,579,037</u>

For the purpose of the statement of cash flows the year-end cash and cash equivalents comprise of the following:

Cash at bank - current and call bank accounts	<u>25,632,161</u>	<u>20,579,037</u>
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12 Deferred financial grant	2018	2017
	P	P
Grant received as market maker	<u>1,904,394</u>	<u>1,904,394</u>

In the year 2016, a grant of P 6 000 000 was received from Public Enterprises Evaluation and Privatisation Agency as working capital to facilitate the Market maker mandate of buying and selling of Botswana Telecommunications Corporations Limited shares from and to citizens. Working capital of P4,095,606 was utilised to invest in Botswana Telecommunications Corporation Limited shares during the previous year. There is no repayment terms for this grant and the remainder will be utilised to perform the Market maker mandate of buying and selling of BTCL shares.

13 Trade and other payables	2018	2017
	P	P
Management fees payable	62,841	40,587
Directors' fees payable	-	8,085
Other payables	<u>156,306</u>	<u>134,401</u>
	<u>219,147</u>	<u>183,073</u>

14 Analysis of financial instruments

Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Assets as per the statement of financial position	2018	2017
- Assets at fair value through profit or loss	P	P
Investments in BTCL shares	<u>3,660,000</u>	<u>5,056,000</u>

Assets as per the statement of financial position
- Loans and receivables

Investments in BBS shares	177,511,477	177,511,477
Trade and other receivables	5,619,259	534,951
Cash and cash equivalents	<u>25,632,161</u>	<u>20,579,037</u>
	<u>208,762,897</u>	<u>198,625,465</u>

Liabilities as per the statement of financial position	2018	2017
- Other financial liabilities at amortised cost:	P	P
Trade and other payables	<u>219,147</u>	<u>183,073</u>

BOTSWANA PRIVATISATION ASSET HOLDINGS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2018

15 Related parties

Parent organisation

The Company has a related party relationship with the Government of Botswana, being the parent organisation, represented by the Ministry of Finance and Economic Development.

Key management personnel

The Board of Directors of the Company are considered as the key management personnel. The transactions between the Company and key management personnel related to fees paid for Board of Directors meetings. Fees paid during the year amounted to P 43,470 (2017: P 11,907).

16 Financial risk management

16.1 Financial risk factors

The Company's activities may expose it to a variety of financial risks such as market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

16.1.1 Market risk

a) Foreign currency risk

As the Company has no significant financial assets or liabilities denominated in foreign currencies, the Company's income and operating cash flows are substantially independent of changes in foreign currency exchange rates.

b) Price risk

Equity risk is the financial risk involved in holding equity in a particular investment. The company's investment in listed equities exposes the company to equity price risk. If equity prices had increased / (reduced) by 5% as at 31 March 2018, then the impact on profit before tax would be P 183 000 / (2017: P 252 800) respectively.

c) Interest rate risk

Cash flow and fair value interest rate risk

Fluctuations in interest rates impact on the value of short-term cash investments giving rise to interest rate risk. The cash is managed to ensure surplus funds are invested in a manner to achieve maximum returns while minimising risk. The Company has no significant impact due to interest rate risk on the value of short term cash investments.

16.1.2 Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. These cash resources and deposits are placed with reputable banks and financial institutions.

BOTSWANA PRIVATISATION ASSET HOLDINGS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2018

16 Financial risk management (continued)

16.1.2 Credit risk (Continued)

Maximum exposure to credit risk on assets are as follows:

	2018 P	2017 P
Financial assets (Note 8)	177,511,477	177,511,477
Trade and other receivables (Note 10)	5,619,259	534,951
Cash at bank (Note 11)	25,632,161	20,579,037
Total assets bearing credit risk	208,762,897	198,625,465

16.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The table below analyses the Company's financial liabilities based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 6 months P	Total P
As 31 March 2018		
Trade and other payables	219,147	219,147
As 31 March 2017		
Trade and other payables	183,073	183,073

16.2 Capital risk management

The company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company does not have any borrowings from third parties at the reporting date.

BOTSWANA PRIVATISATION ASSET HOLDINGS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2018

16 Financial risk management (continued)

16.3 Fair value estimation of financial instruments

The nominal value of trade receivables and payables are assumed to approximate their fair values. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

17 Contingent liabilities

There were no contingent liabilities outstanding as at the end of reporting period (2017: P Nil).

18 Commitments

There were no material capital commitments outstanding at 31 March 2018 (2017: P Nil).

19 Events after the reporting period

Botswana Building Society (BBS) has converted to a limited liability Company from a Society on 26 April 2018 (BBS Limited). As a result, the Company's investment in BBS has been split as follows subsequent to the year-end. BBS Limited's Ordinary Shares were listed on the Botswana Stock Exchange with effect from 03 September 2018. BBS Limited is currently in the process of obtaining a banking license. There were no other material events that occurred after the end of reporting period which requires adjustment to or disclosure in these financial statements.

Investment on BBS Limited on 26 April 2018	Amount
	P
Debentures 10 year period with interest payable bi-annually	50,000,000
Ordinary Shares	56,353,137
Call deposit 07 year period term deposit interest payable bi-annually	71,158,340
	<u><u>177,511,477</u></u>

Investments will be measured in the following manner for the financial year ending 31 March 2019:

Ordinary Shares - at fair value through profit or loss (Listed Shares on the Botswana Stock Exchange)
Debentures and Call deposit - at amortised cost (holding for maturity and interest income bi-annually)