FUELING the future.

ENGEN

ANNUAL REPORT

2018

2018 Annual Report Theme

Fueling the future:

INVESTING IN COMMUNITIES

We believe it is vital that CSR is embedded into Engen's identity.

ENGEN BOTSWANA 2018 THEME

As Engen continues to grow its retail footprint and its nationwide distribution network, it is demonstrating its commitment to ensuring that the country is adequately fuelled for future development. Not only do we challenge ourselves to support Botswana's progress by proactively expanding our service stations and distribution capabilities to facilitate economic growth in all parts of the country, but through our Corporate Social Responsibility (CSR) initiatives we seek to ensure that we also promote and sustain community development – particularly for our youth and the less fortunate members of society.

Engen has a proud record of assisting selected rural schools by donating books through its library facilitation CSR project, and is now venturing into other areas of CSR, particularly safety, environment and community development. HOPE Worldwide, Botswana's Early Childhood Development project at Molepolole, was identified as one of Engen's 2019 CSR projects and almost P300 000 has already been donated to this cause.

We believe it is vital that CSR is embedded into Engen's identity. It is who we are; and starts with a desire to serve the community in which we operate; delivering support and growth opportunities for our youth, particularly in disadvantaged communities. We believe this will help them to reach their full potential as productive citizens who are able to substantively contribute to the development of Botswana.

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ENGEN

Our Vision

TO BE THE OIL COMPANY OF CHOICE IN SUB-SAHARAN AFRICA

Our Core Business

Engen is an African-based energy group focused on the refining and marketing of petroleum and petroleum-based products, and the provision of retail convenience services, through an extensive network of service stations across 18 countries in sub-Saharan Africa and the Indian Ocean Islands. Engen also exports its products to more than 30 other territories.

At Engen Botswana Limited our corporate values are the standards of excellence we strive to achieve as a successful business and responsible corporate citizen. The values driving our actions are:

PERFORMANCE

- We actively pursue, define, measure and recognise excellence in all business activities.

OWNERSHIP

- We are responsible and accountable for our actions and performance.
- We are committed to continuously finding new and better ways to deliver value to the business.

TEAMWORK

- We work together as one team to realise Engen's vision – to the benefit of the whole organisation.

EMPOWEREMENT

- Employees have the capability, authority and resources to act and perform in their jobs.
- Employees are developed to be competent in their current jobs and their potential is developed to meet the current and future needs of the company.

INTEGRITY

- We demonstrate ethical, fair and transparent behaviour.
- Our actions earn trust and respect from others.

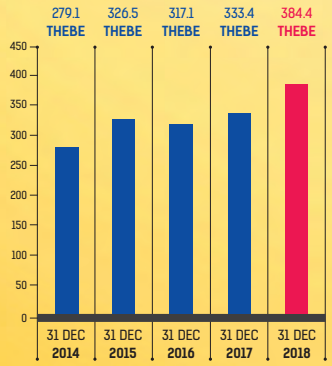
Financial Highlights

Engen Botswana Limited continued to deliver robust financial results in 2018, in the face of a challenging business environment.

This was driven by a clear and focused strategy underpinned by astute fiscal management, an industry-leading management team, balanced and accountable corporate governance structures, carefully selected dealers, best in sector logistics and distribution capability. Our commercial and retail channels continued to operate optimally providing value adding solutions and excellent customer service

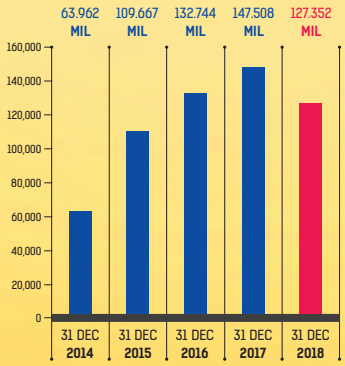
NET ASSET VALUE PER SHARE

Net Asset Value Per Share = 384.4 thebe



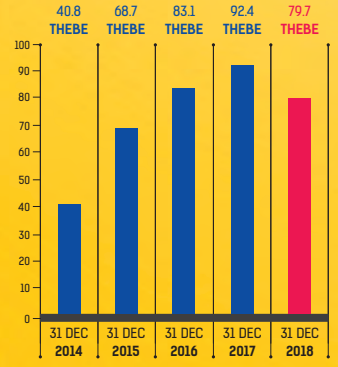
ATTRIBUTABLE PROFIT

Attributable Profit = 127.352 Mil



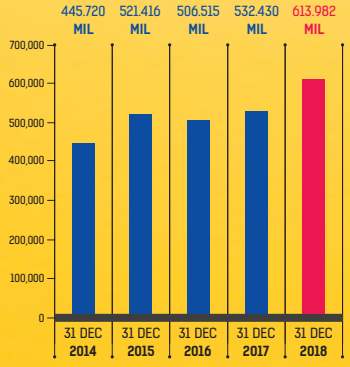
EARNINGS PER SHARE

Earnings Per Share = 79.7 thebe



ORDINARY SHAREHOLERS INTEREST

Ordinary Shareholders Interest = 613.982 thebe



About ENGEN Limited

Engen Limited's majority shareholder is Petronas, the Malaysian national oil and gas company, which holds 70% of shares and is one of the leading sixty corporations in the world.

Through this association, Engen has access to global resources and technology that enable it to become a leading player in the downstream petroleum industry in sub Saharan Africa and the Indian Ocean Islands. South African-based Pembani Group, formerly Worldwide African Investment Holdings (WAIH), holds 20% of the Company.

Today, Engen enjoys a significant presence in 16 Sub-Saharan African countries and the Indian Ocean Island States.

Extensive storage and distribution infrastructure, including: depots, terminals, lubricant warehouses, a bitumen plant and aviation facilities.

135,000 BARRELS PER DAY

Engen supplies the bulk fuel volume requirements of our South African market, our affiliates in Lesotho, Botswana and Swaziland, and half of our Namibian operation's needs.

1500 SERVICE AND FILLING STATIONS

600 ENGEN filling stations have convenience stores

40 TONS

of product per hour including Lubricating Oils Blending Plant (in Durban, SA)

100% ENGEN LIMITED Incorporated in South Africa

- **70%** PETROLEUM INVESTMENT HOLDING Ltd. [Mauritius]
- **30%** LOCAL SHAREHOLDERS

100% ENGEN BOTSWANA LIMITED Incorporated in Botswana

100% ENGEN MARKETING BOTSWANA (PTY) LTD Incorporated in Botswana

Our Presence

Engen Botswana Limited is the only oil company listed on the Botswana Stock Exchange. Our citizen empowerment drive is demonstrated by our broad-based shareholding, with over 800 Batswana holding 30% of our equity.

Our majority shareholder, Petroleum Investment Holding Limited, Mauritius, holds 70% of equity, and it in turn is 100% owned by Engen Limited, based in South Africa. As a result, we have access to relevant infrastructure in South Africa and around the region. This ensures improved product availability.

ENGEN FILLING STATIONS

The Engen Group has also invested in storage and supply infrastructure in Beira, Mozambique, to ensure continuity of supply and to support marketing assets situated in Southern Africa.

Board of Directors

Directors of Engen Botswana Limited continued to focus on ensuring the business mandate was delivered upon, providing strategic direction at every turn.

Shabani Ndzinge | *Chairman*

Chimweta Monga | *Managing Director*

Vhulahani Bvumbi | *Member*

Anthony Siwawa | *Member*

Chwayita Mareka | *Member*

Leonard Makwinja | *Member*

Frederik Kotze | *Member*

Robert Matthews | *Member*

Board of Directors Profiles

Shabani Ndzinge
Chairman

Independent Non-Executive Director
BA, Dar Es Salaam, MS, Delaware, PhD Kent.

Shabani is an experienced leader, administrator and academic, with over 30 years of work experience. In 2011, he was appointed Deputy Vice Chancellor of Botswana International University of Science and Technology (BIUST), where he oversaw finance and administration. He executed a similar role at the University of Botswana and previously headed the Business Faculty at the same institution. Shabani is a member of several Boards, including Botswana Accountancy College, the Institute of Development Management and TA Sebube (Proprietary) Limited.

He is a former Board Member of Botswana Development Corporation, the University of Botswana and BIUST.

Chimweta Monga
Managing Director

Executive Director
MBA University of Lincolnshire and Humberside (UK) Bachelor of Accounting and Finance (Zambia)

Chimweta studied Accounting and Finance at the University of Zambia and worked briefly as a computer programmer before joining first Citibank and then Caltex. He was rapidly promoted to Managing Director of Caltex Zambia before joining Chevron as a Regional Manager for Commercial Business in Chevron's associated companies based in South Africa. Chimweta was appointed Managing Director of Engen Botswana Limited in 2012, and has over 25 years of experience in the oil industry in Southern Africa.

Vhulahani Bvumbi
Member

Non-Executive Director
BCom, University of the North, Higher Diploma in Tax Law, UCT.

Joined Engen Petroleum as a senior tax analyst in 2011 where he extended his tax knowledge within the oil industry and was also seconded to PETRONAS Trading Company in 2012. He has extensive experience in crude and petroleum products trading and supply which has been obtained through various managerial roles within Engen after having been responsible for managing Engen's supply and trading portfolio for South Africa and all African affiliates as well as the international marine bunker fuels business. He currently manages the Engen Enterprise Optimisation department.

Anthony Siwawa
Member

Independent Non-Executive Director
BSc(Hons) Comp. Sc. (Aston,UK) ACCA(UK), MBA Chicago Booth

Anthony has extensive experience in developing and formulating business strategy, economics and finance. He has worked in private equity, venture capital, investment banking and corporate finance and management consulting, and has developed a thorough understanding of the Southern African region. He is the founder and Managing Director of Private Equity Fund manager VPB (Proprietary) Limited and founded Corporate Finance company AMS Capital. He sits on various Boards in Botswana and across the region, including the South African Venture Capital Association, and the African Venture Capital Association. He is a sought-after speaker throughout Africa and the United States.

Chwayita Mareka
Member

Non-Executive Director Chartered HR Practitioner (CHRP), National Diploma in Public Management and Administration, Border Technikon, Management Development Programme (MDP), University of South Africa, Master of Business Administration

Chwayita has 15-years of experience in HR and management roles. She is currently the Head of Human Resources for Engen Petroleum Limited, responsible for managing the human resources function for Engen, and its affiliates in Sub-Saharan Africa. She joined Engen as its Talent Development Manager in 2011, having spent 6-years in various HR roles with the Coega Development Corporation.

Leonard Makwinja
Member

Independent Non-Executive Director BSc Hons, Cardiff, MBA (London)

Leonard has been an Independent Non-Executive Director of Engen Botswana Limited since August 2016, also serving as Executive Director of Six Plus One Consulting (Pty) Ltd. He has had an illustrious career within the mining field, spanning over a 30-years, with the past 15-years spent in the management field. He has been the General Manager of Orapa and Letlhakane Mines, and was the Deputy Managing Director at Debswana Diamond Company (Pty) Ltd. from 2005 to 2007. He has served several directorships in listed and non-listed entities, including Chairman of Morupule Colliery, Chairman of Botswana Telecommunications Corporation Limited (2006 to 2014), Director of Botswana Telecommunications Corporation Limited, and Non-Executive Director in African Banking Corporation.

Frederik Kotze
Member

Non-Executive Director Business Science Hons, Stellenbosch, MBA Stellenbosch

Frederik was a Director of three Petronas subsidiaries in Malaysia, namely Petronas Ethylene Malaysia, Petronas Polyethylene Malaysia, and Petronas Polypropylene Malaysia. He joined Engen Petroleum in 1993 as a retail pricing executive and has served in various capacities throughout the group. He is currently the Head of the International Business Division.

Robert Matthews
Member

Independent Non-Executive Director Fellow: Botswana Institute of Chartered Accountants (BICA), Fellow: Institute of Chartered Accountants in England and Wales (ICAEW).

Robert serves as Chairman on several audit committees of private and public companies, and acts as an Independent Non-Executive Board Member. A retired partner of PricewaterhouseCoopers Gaborone, in charge of audit and business advisory services, he has gained extensive professional and commercial experience in audit, taxation and business services. He currently offers consulting and advisory services for various organisations.

Chairman's Report

On behalf of the Board of Directors, it is my pleasure to present the Engen Botswana Ltd 2018 annual report.

I am happy to report that the Company rose to the challenges of a difficult trading environment and showed good performance during the year. Against a backdrop of a slower than anticipated pace of economic growth, volatile oil prices and the absence of any government regulated margin adjustments, Engen Botswana Ltd was able to achieve positive results despite the challenging market conditions.

The adverse economic circumstances were compounded by the pricing slate levy mechanism under-recovery, reaching record levels; a situation that if not resolved expeditiously is likely to impact negatively on the financial robustness of the industry. We are mindful of efforts by the Botswana Government to address this challenge, and hope that concerted efforts will persist with the view to normalising the situation in the shortest time possible.

Business Environment

Despite reasonably strong growth at the beginning of the year, the global economy showed signs of a slowdown towards the end of 2018. Continued geopolitical uncertainty, particularly with regard to Brexit, as well as increasing trade tensions impacted negatively on global economic growth. Brent crude oil, an international industry benchmark, averaged around $71 per barrel for 2018 against an average of $54 per barrel in 2017, ending the year at $51 per barrel. As a result, Engen Botswana Ltd incurred considerable inventory revaluation losses due to the lower crude price at the end of the year. According to the International Energy Agency's (IEA) Oil Market Report published in January 2019, global oil demand in 2018 grew by 1.2%, to 99 million barrels per day, driven largely by the emerging economies.

The global growth outlook is mixed, with developing economies expected to perform ahead of the global mean in 2019. Botswana's GDP growth showed an upturn towards the end of 2018 and there are encouraging signs of increasing economic activity for 2019, particularly in the non-mining sectors.

Botswana continued to have a stable macroeconomic environment as Government maintained a sound balance between fiscal, monetary and exchange rate policies. Headline inflation rose slightly in 2018 but continued to be managed well within the Bank of Botswana's target range of between 3 and 6 percent. Expectations are that inflation in 2019 will be between 3.5% and 4%. Botswana's political landscape remained stable with a positive outlook in the run up to the 2019 general election, and indications that expected reforms directed in improving the country's ease of doing business index contributed to positive business sentiment.

Chairman's Report [continued]

Industry Developments

We are gratified that the Botswana Energy Regulatory Authority (BERA), which provides a regulatory framework for the industry, did not agree to an application by Botswana Oil Ltd for the exclusive licence for the importation of fuel into Botswana. The dangers inherent in entrusting a single, largely untried entity with this strategic responsibility were therefore avoided, and we believe that BERA will ensure that appropriate standards are complied with and that continued investment in the petroleum sector is sustained, while ensuring that the interests of consumers of petroleum products are protected.

Subsequent to the series of engagements with the Government of Botswana that we initiated during 2017, requesting them to urgently settle the accumulated slate under-recovery, indications are that a substantial effort will be made in the first part of 2019 to significantly reduce the amount owing to the industry. This is essential in order to prevent the financial stability of the sector being placed under further duress and to avoid possible disruption of the supply of fuel into the country should local oil companies be unable to meet their financial obligations as a result of continued slate under-recovery.

Outlook

While the global economic recovery remains uncertain, several indicators, including improving employment figures, suggest that the Botswana economy has largely recovered from the effects of the closure of BCL mine and associated support industries. We remain convinced that steady growth and increasing diversification will see a stronger Botswana economy in the short to medium-term. The Company is confident that there is still considerable growth potential in the local market and it will continue to invest in an expanded business footprint and retail presence across the country.

We continuously seek to improve our operating performance and maximise sustainable results, with an emphasis on health, safety, security, the environment, our ethics and core beliefs. In order to achieve this, we strive to attract and retain highly qualified and motivated employees who will take the Company forward while being encouraged to maximise their potential.

In conclusion, I would like to thank my fellow Board members, our investors, and all stakeholders for their support throughout the year. We assure all of them that we see a positive future for Engen Botswana Ltd and look forward to their continued support. I also extend my thanks to the management team and employees for their dedication and hard work that will ensure that Engen Botswana Ltd will continue to show a satisfactory return for its shareholders and remain a major player in Botswana's dynamic commercial environment in the years to come.

SHABANI NDZINGE
Chairman

The Company is confident that there is still considerable growth potential in the local market and it will continue to invest in an expanded business footprint and retail presence across the country.

Managing Director's Report

Engen Botswana Ltd delivered strong performance despite these challenges, enabling the Company to achieve positive financial results under difficult market conditions

Overview

2018 was a challenging year for the market. No adjustment was made to the government-controlled margins throughout the period under review, resulting in pressure on profitability as a result of inflationary increases in industry operating expenses.

The pricing slate under-recovery amount owed to the industry reached P 1 billion in 2018, although some relief is in sight for the coming year. Weakening crude oil import parity prices in November and December resulted in significant inventory revaluation losses as the price of crude oil declined from around $80 to $40 per barrel. Engen Botswana Ltd delivered strong performance despite these challenges, enabling the Company to achieve positive financial results under difficult market conditions.

The retail sales channel remained the cornerstone of the Company's business in Botswana during the year under review, despite contracting marginally by 0.8%, while commercial volumes increased by 2% over 2017. Substantial capital resources were expended to grow our retail and convenience network, strengthening our competitive advantage in our retail offering. The consolidated sales volume grew by 0.1% in 2018 over the previous year.

While overall Group revenue for the year increased by 14.3% over 2017, net profit after tax declined by 13.7% on the back of increased cost of sales, as well as higher administration costs, distribution expenses and marketing expenses, resulting in attributable earnings per share declining from 94.4 to 79.7 thebe. All things considered, I believe that the Company's performance continued to be robust under very challenging operating conditions.

Macroeconomic Review

The global economy showed reasonably strong growth despite evidence of a slowdown towards the end of 2018 with falling global leading indicators caused by trade war tensions and geopolitical concerns, and growth was expected to slow to 2.9% in 2019. International trade and investment moderated, trade tensions remained elevated, and financing conditions continued to tighten. Amid recent episodes of financial stress, growth in emerging markets and developing economies lost momentum and is projected to stall at 4.2% in 2019, with a weaker-than-expected rebound in commodity exporters accompanied by deceleration in commodity importers. Downside risks have become more acute and financial market pressures and trade tensions could escalate, further denting global activity.

Botswana showed signs of a broad-based upturn in economic growth, an improving economic climate and an increase in the rate of job creation, along with some positive policy changes. GDP data for the 12 months to September 2018 showed an improvement in economic growth to 5.1% and this reflects an improvement in growth across most economic sectors. Employment increased by 1.6%, and while this figure is low, it reverses the loss of jobs resulting from the closure of BCL in 2016 and is an improvement over the 0.8% contraction in employment in 2017. The Botswana banking sector saw improved profitability against an increase of lending to the private business sector and a decline in household borrowing, as well as reduced impairments.

Inflation remained within the lower half of the Bank of Botswana's inflation objective range although it rose slightly in response to higher fuel prices. Interest rates have remained at historically low levels, but the expectation is that interest rates will rise in 2019 to between 3.5% and 4%. The Monetary Policy committee of the Bank of Botswana maintained its monetary policy stance and held the Bank reserve rate at 5% in February 2018 due to the positive inflation outlook. The commercial banks' prime lending rate remained at 6.5%. Continued instability in the SA Rand/US Dollar exchange rate impacted on the Pula exchange rate as these are the two main currencies in the basket of currencies to which the Pula is pegged.

New government policies and a promised range of business environment reforms, including deregulation and improved co-ordination between different government departments, are encouraging signs, although enabling legislation will come at a slow pace. The process of foreign investors and skilled workers obtaining work and residence permits has become more streamlined, and this should be a positive foreign investment driver going forward.

Credit Ratings agency Moody's maintained Botswana's credit rating at A2 stable. Moody's positive view was influenced by the country's good institutional strength supported by strong governance indicators and the control of corruption. The government was said to have a transparent and rule based fiscal policy, low debt stock with a small foreign currency exposure and a strong government balance sheet.

Economic Outlook

The Government is expected to continue managing the economy on the path of economic consolidation. This is characterised by low debt levels, stable inflation, and high national savings as a percentage of GDP. The government is expecting to create a conducive environment to promote the development of the private sector which is predicted to be the source of future economic growth. Economic diversification yielded positive results in 2018 moving away from mining output to other non-mining sectors of the economy. The mining sector's contribution to GDP declined from 25% to 18% and this trend is expected to continue into 2019.

Regional growth is expected to increase to 3.4% in 2019, on the back of improved investment in African economies together with continued robust growth in non-resource intensive countries. Growth in Nigeria is expected to rise to 2.2% in 2019, based on an assumption that oil production will recover and a slow improvement in private demand will constrain growth in the non-oil industrial sector. Angola is forecast to grow 2.9% in 2019 as the oil sector recovers and new oil fields come on stream and as reforms bolster the business environment. South Africa

is projected to accelerate modestly to a growth rate of 1.3%, amid constraints on domestic demand and limited government spending. Emerging markets could also be supported by a weaker US Dollar as US interest rates peak.

Retail Performance

Against this mixed economic backdrop, the retail performance of Engen Botswana Ltd remained flat, with the network recording a decline of -0.8% compared to the same period last year, attributable to government restrictions on container filling at border located sites and commercial competitors offering discounts within the retail market. Some of our big volume sites were adversely affected by the filling restrictions, others were impacted by cashflow constraints and competition from green field sites, while some major sites were affected by adjacent road construction works and consequent access difficulties. Replacement of some underperforming dealers resulted in certain sites being closed for between three to four months while new dealers were properly identified and selected for appointment. However, on the positive side, the year under review saw the addition of several new retail facilities which only streamed in the third and fourth quarters of 2018, and the benefits of volumes through these sites will only be realised in 2019.

Despite the challenging conditions, the retail market continued to be the cornerstone of the Engen Botswana Ltd business, contributing around 65% of total portfolio revenues compared to approximately 35% of revenues contributed by the commercial market.

The retail business unit ran a number of promotions during the period under review which were designed to increase traffic into our retail fuel, convenience and food facilities. Our convenience and food offering performed exceptionally well in 2018 compared to the previous year in spite of a persistent shortage of soft drinks and water in the market which constitute a significant proportion of shop revenues. The popular Farmer`s Dream promotion rolled out in the second and third quarters of the year, and four lucky customers won tractors complete with implements. An independent research company was commissioned to undertake a retail outlet service level provision survey and we obtained very high scores confirming the fact that Engen continues to be strongly customer centric throughout its retail operations.

Managing Director's Report [continued]

Our Growing Footprint

A number of new retail sites were streamed during the year, with Engen Palapye Riverview and Engen Bokaa in particular, exemplifying the latest facilities for a truly convenient one-stop customer experience. The new retail outlets all include convenience facilities such as Quick Shops and food offerings, setting a high standard for the industry. Additional service stations are earmarked for 2019, and we expect to continue to grow our retail facility footprint during 2019 and beyond.

Commercial Performance

Engen Botswana Ltd was able to grow its commercial business volume by 2% year-on-year in 2018 on the back of our truly diversified commercial customer portfolio and a moderate increase in demand in the commercial market as economic activity continued to recover from the impact of the 2016 mining and associated business closures. Engen continued to diversify its customer base through market penetration on the back of strong supply chain capability and the offering of business solutions and products which met the needs of our customers.

Our logistics partners continued to perform efficiently and there was a considerable degree of reliance on our distributors to achieve the level of operations that was realised in the commercial sector. Non-price regulated lubricants continued to make a valuable contribution to the growth of the commercial channel of the business, contributing around 40% of the commercial gross profit. LPG supply was disrupted over a four-month period when a planned refinery maintenance shutdown was extended beyond the scheduled period, impacting negatively on LPG sales for the year. Price competition during the year was stiff, especially involving product from Mozambique which infiltrated the commercial sales channel.

Distribution

There were no disruptions to the supply of primary product during the year under review.

Engen Botswana implemented the Road Transport Safety Operations Guide (RTSOG), an international Petronas standard, which is designed to improve the safety of road transport. We are pleased to report that the Company was the one of the highest achievers in this programme amongst all the Petronas affiliates in Africa in 2018.

Convenience Retailing

All new retail outlets developed during the year included a convenience offering, a feature which is becoming the hallmark of Engen retail facilities, and have been well received by the public, differentiating us from our competitors.

Areas of Excellence

Engen Botswana Ltd credit management continued to be among the best managed parts of the business on the back of prudent decision making and a focus on minimising organisational exposure and risk. Return on average capital employed showed positive movement for the year. The Company scored very well on metrics for governance, audit, road

transport, safety operations and HSE compliance. No Loss of Primary Containment (LOPC), contamination exceptions or accidents were recorded during the year.

Industry Developments

Botswana Oil Ltd applied to BERA in February for the exclusive licence for the importation of fuel into Botswana. Industry players lodged objections, and after public hearings conducted in April 2018, the application was rejected. This was indeed a significant industry achievement as the efficient supply chain of petroleum products into Botswana would have been placed at risk arising from the untested organisational capabilities of Botswana Oil Ltd.

The Pricing Slate Mechanism

Fuel price adjustments of 23 thebe per litre and 45 thebe per litre for petrol and diesel respectively were implemented in April 2018 with two further adjustments in October and November. These adjustments were implemented in order to reduce the slate under-recovery amount owing to the Oil Marketing Companies (OMCs), although fuel prices in Botswana continue to be the lowest in the region.

The slate under-recovery owing to Engen Botswana Ltd had reached P298 million at the close of December 2018. The delayed payments of the slate under-recovery to the industry remained an issue of grave concern and the government was continuously engaged to find expeditious resolution to this long outstanding matter which placed the oil marketing companies the risk of financial distress.

The Property Portfolio

All service stations performed well for the better part of the year, and those dealers who were not up to speed were encouraged to conform to the shared vision and values of the brand. The Company owns a shopping centre in Palapye which continued to enjoy a high occupancy rate. Some upgrades to this property were carried out in order to maintain high standards consistent with the new shopping centres that have been developed in the area. The performance of Maun Centre continued to be stable in terms of profitability and occupancy.

Corporate Culture

The entire Engen Group operates under a single cultural banner known as the Petronas Cultural Beliefs, and these have been disseminated to all staff, allowing the values to be embedded in the Company's culture as the backbone of our business conduct. Our aim is for our culture to reflect our sense of duty and responsibility in upholding our commitment towards contributing to the well-being of the community in which we operate.

For the period under review, two NPS surveys were conducted in June 2018 and November 2018. The first recorded an overall improvement score of 46% as compared to the high score of 84% achieved in November 2017, and the second recorded a further improvement of 60%. Along with the highest standards of fuel sales customer service, our excellent retail and convenience offerings continued to provide our customers with a sound value proposition.

SUSTAINABILITY HSE

There were no incidents or accidents during the year under review, and this is consistent with our health and safety strategy and our solid focus on HSE management.

Excellence in all our activities, wherever we operate

Through our adherence to national environmental legislation (Environment Act 2011, and Environmental Regulations 2012) in the development of all facilities – service stations, depots and administrative buildings, Engen Botswana Ltd aims to maintain, promote and protect the health, safety and well-being of all stakeholders in the communities in which we operate. We continue to make efficient use of natural resources, thereby proactively minimising damage to the environment, our assets and investments. Where legislation does not cover certain parts of our operations, we apply international best practices, developed through our experience in the sector.

All construction and operational activities, manufacturing and processing, and services comply with appropriate legislation and relevant industry best practices. Engen applies the international Petronas Group Health, Safety, Environment and Quality (HSEQ) protocols, which far exceed national requirements. While requiring substantial financial investment, implementation of these protocols ensures the wellbeing and safety of our staff, partners and customers, the protection of the environment from adverse environmental impacts, and a comprehensive approach to quality throughout the organisation; all assessed through establishment and regular review of clear objectives, plans and measurable targets. Contingency plans are in place to deal with emergencies in the unlikely event of a major incident, and Engen staff take individual and personal responsibility for adherence to safe work practices and procedures. In 2014, Engen introduced the LOPC (Loss of Primary Containment) programme intended to reduce spills to the environment. Since inception, this programme has been highly effective, and no spills were recorded in 2018.

Environmental Health and Safety

All possible efforts are made to eradicate or minimise hazards through the implementation of the Mandatory Control Framework (MCF) management system. Fuel storage, distribution, and delivery are high-risk activities in terms of health and safety for employees, suppliers, distributors and customers, and external consultants are employed to perform independent health risk assessments, focusing on identifying concentrations of airborne contaminants within all operational sites, including depots, warehouses, offices and retail sites. Our policies ensure that any Engen employee has the right to refuse to perform unsafe work instructions on health and safety grounds. In addition, all employees exposed to airborne contamination undergo routine health checks every year, including during the period under review, and no negative impacts were detected.

We strive to meet expectations and customer standards, leading to satisfaction with our products and services, and service excellence through ongoing stakeholder engagement.

Human Resource

Every company needs a strong, skilled, motivated and well-trained workforce to be effective and fulfil its mandate. However, maintaining such a group in a highly competitive environment, where skilled workers are in short supply, brings new and increasing challenges for staff recruitment, retention and empowerment. Engen endeavours to close skills gaps and keep employees up-to-date with the latest market trends in their respective areas of operation, and maintains a robust programme for people development, aimed at building and supporting our most important asset – our people.

All new staff are trained on operational and systems requirements to ensure productivity and quality of service from recruitment onwards. The Engen Integrated Talent Management Programme seeks to provide a structured and prepared leadership pipeline for the organisation, through cohesive training and personnel development interventions, intended to up-skill and multi-skill our workforce, preparing them to face the various challenges of the corporate world. A critical element of this programme is the effective leveraging of the Botswana Human Resource Development Fund to enable staff to undertake short-term skills development training, closing skills gaps and ensuring that all employees are appropriately trained to fulfil the responsibilities of their position.

Engen Marketing Botswana participates in the Mercer annual salary survey and incorporates the results of the survey into its remuneration package computation to ensure that we remain competitive in Botswana's dynamic labour market in order to attract and retain key talent. Engen strives to offer not just monetary, but also value-adding benefits to its employees. Succession planning continued to be a key focus for 2018, with all senior staff members working with at least two mentees, a programme that is reviewed by the Board of Directors on a regular basis.

While we cultivate a positive professional environment at Engen, we also have a Zero Tolerance (ZeTo) policy, in that any actions or behaviour of an individual staff member or group thereof that compromises the business, reputation or health and safety of other employees will be subject to strict disciplinary action.

Our ongoing focus on wellness – physical, mental and financial – was appreciated by employees. Corporate Wellness sessions focusing on education, as well as screening for chronic health conditions were held regularly at all sites during 2018. This was supplemented by a comprehensive Wellness Day that enabled employees to engage with various wellness providers, offering services in everything from personal hygiene and weight control to substance abuse, oral health and family health.

CSR

Following the evaluation of the previous library facilitation CSR projects, a recommendation was made to venture into other areas of CSR, particularly safety, environment and community development; and several community development proposals were submitted. Engen Marketing Botswana identified HOPE Worldwide, Botswana's Early Childhood Development project at Molepolole, as one of its 2019 CSR projects. The project will be rolled out in the first quarter of 2019. At the urging of the Board, greater emphasis will be placed on adequate media coverage to increase our visibility where CSR projects are undertaken.

Managing Director's Report [continued]

Ethics

All Engen employees are required to maintain the highest ethical standards, to adhere to the terms of Engen's formal Code of Ethics, and to conduct all Company business in a manner that is above reproach.

Going Concern

The Directors believe the business will be a going concern for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Annual Financial Statements.

Outlook

We believe that the government's stated aim to create a conducive environment in which the private sector can develop augurs well for future economic growth. Continued economic diversification away from mining output to other non-mining sectors is likely to create further growth opportunities. We therefore expect the Company to show strong performance in 2019 in both the retail and commercial arms of the business.

We remain optimistic about the standard of governance of the country and prospects for the Botswana economy in the future and are confident that we will be able to continue to grow Engen Botswana Ltd in the years to come. We believe that good governance, sound financial policies and expected business environment reforms will result in increased foreign investment and increased growth opportunities.

The Way Forward

Engen Botswana continues on the path of developing its retail network until reaching a level of critical concentration that will be consistent with its strategic objectives. The commercial side of the business continues to be an important component of our portfolio and attention will be given to ensure that the channel is developed to its full potential so that it makes a meaningful contribution to the overall performance of the Company. We will continue to focus on stringent standards of HSE performance to ensure that we have zero accidents or incidents that will affect employees, customers, or the public at large.

We are confident that the Company will continue to grow its market position in the years to come and believe that the Botswana market still has room for growth despite the significant number of new retail facilities being built in the country.

In Conclusion

I would like to express my thanks on behalf of Engen Botswana to all our stakeholders, our customers, dealers and strategic partners for their support and loyalty. I also extend my gratitude to the management team and staff for their dedication and hard work, recognising that the Company's continued success is the result of their efforts.

CHIMWETA MONGA
Managing Director


Whole some meals every day
Crispy Fried Chicken
corner bakery
YOU CAN PAY YOUR SUBSCRIPTIONS HERE
DSTV
MULTICHOICE

Management

At Engen we pride ourselves in bringing Botswana's captains of the industry who hold the wisdom, credentials and passion to lead our people to drive both results and innovation.

With backgrounds derived from a variety of different corporate cultures and experiences, our strong leaders and champions of the Engen Botswana Limited brand are committed towards ensuring that each and every customer experience transcends the level of excellence even they may expect.

Chimweta Monga
Managing Director

Patrick Matshane
Commercial Manager

Brian Sameke
Finance Manager

Ishmael Mbulawa
Property Manager

Francinah Tswai
Human Capital Manager

Thuso Phule
Distribution Manager

Tawanda Kitsi
Retail Manager

Paul Shabane
Health, Safety, Environment and Quality Manager

Engen Botswana Limited Staff

Five Year Financial Review

FOR THE YEAR ENDED 31 DECEMBER 2018

	31 Dec 2018 P'000	31 Dec 2017 P'000	31 Dec 2016 P'000	31 Dec 2015 P'000	31 Dec 2014 P'000
BASED ON HISTORICAL COST					
Revenue	2,534,340	2,217,465	2,054,060	2,236,373	2,600,213
Operating profit	174,209	207,321	190,998	150,400	99,346
Finance (costs)/income	(5,168)	(3,818)	(3,409)	(3,471)	(3,799)
Profit before taxation	169,041	203,503	187,589	146,929	95,547
Taxation	(41,689)	(55,995)	(54,845)	(37,252)	(30,342)
Other comprehensive income	-	-	-	-	(1,243)
Attributable profit	127,352	147,508	132,744	109,677	63,962
Earnings per share (thebe)	79.73	92.35	83.11	68.67	40.82
Dividend per share (thebe)					
- Paid and provided (include extra ordinary dividend)	79.7	92.35	83.11	68.67	40.82
- Paid and proposed - not provided	31.00	77.20	99.0	23	40.00
Dividend cover (times)					
- Paid and provided	1.00	1.00	1.00	1.00	1.00
- Paid and proposed - not provided	2.57	1.20	0.83	2.99	1.02
Net asset value per share (thebe)	384.41	333.353	17.123	26.452	79.06
BSE price of share (thebe)					
- Closing	1,040	1,050	980	851	950
- Highest	1,040	1,060	989	950	1015
- Lowest	1,040	1,040	800	817	820
Earnings yield (%)	7.67	8.80	8.48	8.07	4.30
Dividend yield (%)					
- Paid and provided	7.66	8.80	8.48	8.07	4.30
- Paid and proposed - not provided	2.98	7.35	10.19	2.70	4.21
Price earnings ratio	13.04	11.37	11.79	12.39	23.27
Total assets (thousands)	948,209	867,106	788,210	817,013	841,519
Ordinary shareholders' interest	613,982	532,430	506,515	521,416	445,720
Shares in issue (thousands)	159,722	159,722	159,722	159,722	159,722
Return on shareholders' funds (%)	20.7	27.7	26.2	21.0	14.4
Return on total assets employed (%)	13.4	17.0	16.8	13.4	7.6

Value Added Statement

FOR THE YEAR ENDED 31 DECEMBER 2018

The value added statement is a summary of the wealth the Group has created and its distribution.

	31 Dec 2018 P'000	31 Dec 2017 P'000	31 Dec 2016 P'000	31 Dec 2015 P'000	31 Dec 2014 P'000
Revenue	2,534,340	2,217,465	2,054,060	2,236,373	2,600,213
Net cost of products	(1,870,704)	(1,571,629)	(1,498,723)	(1,780,131)	(2,308,912)
Duties and levies	(398,420)	(346,669)	(285,774)	(219,724)	(110,455)
Total value added	265,216	299,167	269,563	236,518	180,846
To pay employees' gross salaries, wages and benefits	15,785	15,519	14,251	14,028	13,521
To pay income taxes	41,689	55,995	54,845	37,252	30,342
To pay providers of capital	42,418	122,459	145,654	22,262	55,298
- net finance costs/(income)	(3,382)	866	(1,991)	(11,719)	(3,799)
- dividends	45,800	121,593	147,645	33,981	59,097
Retained in the Group for future growth	165,324	105,194	54,813	162,976	81,685
- depreciation	24,684	21,443	19,039	20,001	17,662
- retained income for the year	140,640	83,751	35,774	142,975	64,023
Total value added	265,216	299,167	269,563	236,518	180,846

Supplementary Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2018

	31 Dec 2018 P'000	31 Dec 2017 P'000	31 Dec 2016 P'000	31 Dec 2015 P'000	31 Dec 2014 P'000
Historical cost net profit	127,532	147,508	132,744	109,677	65,205
Less: Inventory effects net of taxation	(59,136)	(66,610)	(49,674)	(27,550)	(23,370)
Inventory profits	(75,815)	(85,398)	(63,684)	(35,321)	(29,961)
Taxation @ 22%	16,679	18,788	14,010	7,771	6,591
Replacement cost net profit	68,396	80,898	83,070	82,127	41,835
Weighted average number of shares in issue	159,722,220	159,722,220	159,722,220	159,722,220	159,722,220
Replacement cost earnings per share (thebe per share)	42.8	50.6	52.0	51.4	26.2
Historical cost earnings per share (thebe per share)	79.7	92.4	83.1	68.7	40.8
Dividend per share paid and provided (thebe per share)	31	77.2	99.9	23	40
Total dividend per share including proposed amount not provided for	70.9	108.2	126.5	45.3	21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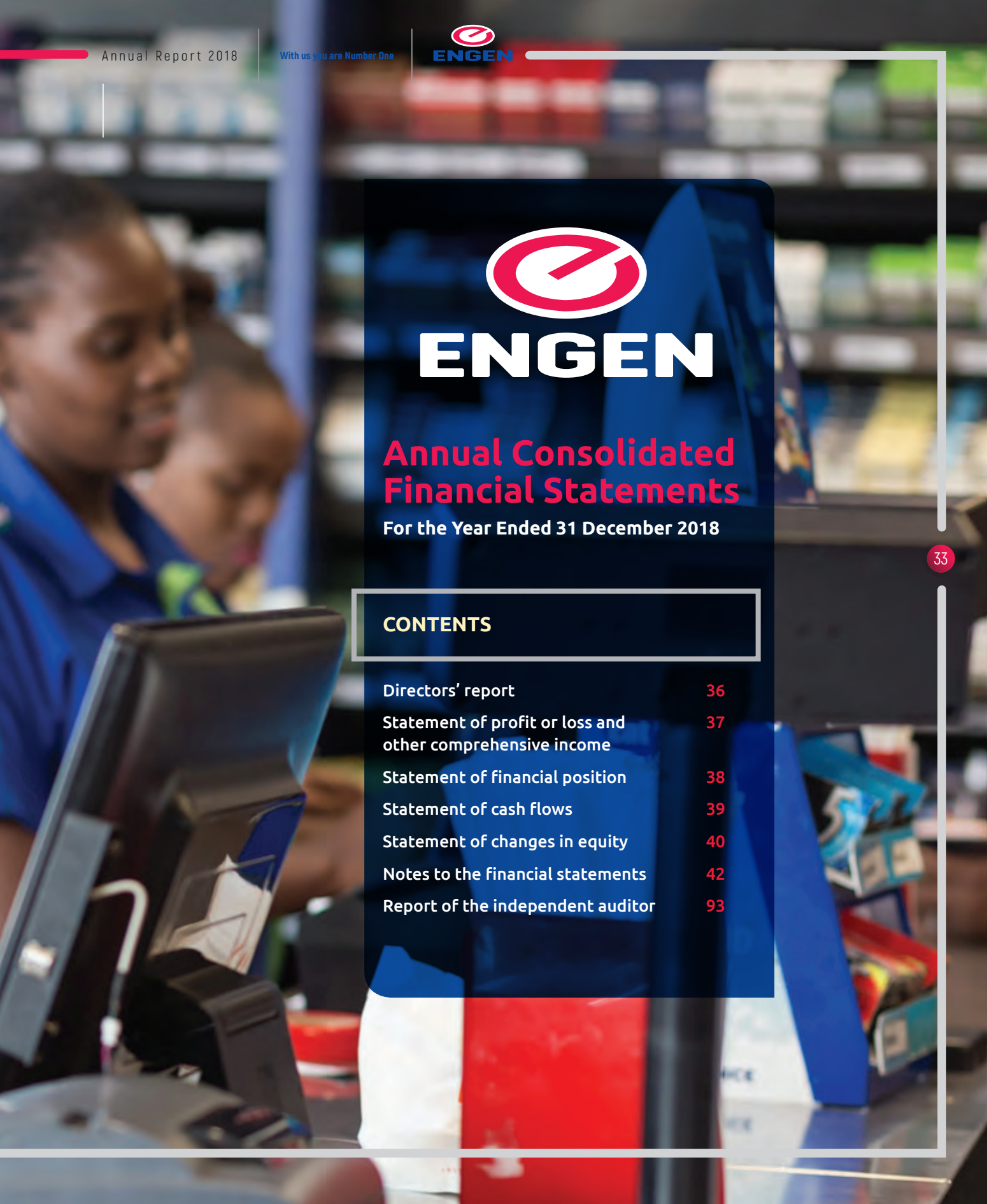

Annual Consolidated Financial Statements

For the Year Ended 31 December 2018

CONTENTS

General Information

Directors:	S Ndzinge	Motswana	(Chairman)
	C C Monga	Zambian	(Managing Director)
	A M Siwawa	Motswana	
	A M Bryce	South African	(Resigned 30 April 2018)
	F J Kotze	South African	
	V Bvumbi	South African	
	R N Matthews	British	
	C Mareka	South African	
	L Makwinja	Motswana	

Principal Activities:	Petrochemical investments and property operations
Parent Company:	Petroleum Investment Holding Limited (Incorporated in Mauritius)
Ultimate Parent Company:	PETRONAS (Incorporated in Malaysia)
Transfer Secretary:	PricewaterhouseCoopers (Pty) ltd Fairgrounds Office Park Plot 50371 P O Box 1453, Gaborone
Company Number:	1966/335
Registered Office:	Plot 54026 Western Bypass P O Box 867 Gaborone
Auditor:	Ernst & Young, Botswana
Bankers:	First National Bank of Botswana Limited Barclays Bank of Botswana Limited Standard Chartered Bank Botswana Limited Stanbic Bank Botswana Limited
Country of Incorporation and Domicile:	Botswana
Currency:	Botswana Pula

Approval of Consolidated Annual Financial Statements

The annual consolidated financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors and are signed on their behalf by:

DIRECTOR

DIRECTOR

27 March 2019

Directors' Report

NATURE OF BUSINESS

The core business of the group is petrochemical investments and property operations.

There have been no material changes to the nature of the group's business from the prior year.

REVIEW OF ACTIVITIES

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Botswana.

The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these annual financial statements.

FINANCIAL RESULTS

Revenue increased by 14% mainly due to volume growth of 0.1% between 2017 and 2018. Retail sales declined by 0.8% whilst commercial sales increased by 2% between 2017 and 2018. In addition, there were three upward price adjustments that were made during the year.

Foreign exchange gains increased from P 7.5 million at the end of 2017 to P 14 million at the end of 2018.

The group exercised good margin management and cost control throughout the year.

Overall the group's performance reflects a 14% decrease in net profit after tax.

GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

STATED CAPITAL

There were no changes to the stated capital during the year under review.

DIRECTORS

Mr A M Bryce resigned from the Board on 30 April 2018. There were no other changes to directors during the year.

DIVIDENDS

Dividends amounting to P45 800 347 (2017: P121 592 533) were paid during the year.

EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any material event which occurred after the reporting date and up to the date of the approval of the annual financial statements.

CONCLUSION

The Directors would like to thank our valued customers, suppliers, shareholders, management and staff and all other stakeholders for their ongoing support towards the performance of Engen Botswana Limited.

Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2018

		Group		Company	
	Notes	2018 P '000	2017 P '000	2018 P '000	2017 P '000
Revenue	2	2 534 340	2 217 465	50 285	132 207
Cost of goods sold		(2 269 124)	(1 918 298)	-	-
Gross profit		265 216	299 167	50 285	132 207
Other income	3.1	26	-	-	-
Foreign currency gains	3.4	14 056	7 502	-	-
Administrative expenses		(17 817)	(14 215)	-	-
Distribution and marketing expenses		(93 563)	(87 022)	-	-
Other operating expenses		(2 834)	(2 694)	(2 834)	(2 694)
Profit before finance costs and tax		165 084	202 738	47 451	129 513
Share of profit of joint ventures	8	9 125	4 583	-	-
Finance costs	3.3	(5 168)	(3 818)	-	-
Profit before tax	3	169 041	203 503	47 451	129 513
Taxation	4	(41 689)	(55 995)	(4 737)	(10 763)
Profit for the year		127 352	147 508	42 714	118 750
Profit for the year attributable to equity holders of the parent		127 352	147 508	42 714	118 750
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		127 352	147 508	42 714	118 750
Total comprehensive income for the year attributable to equity holders of the parent		127 352	147 508	42 714	118 750
Earnings per share (thebe)					
Basic earnings, profit for the year attributable to ordinary equity holders of the paren	5	79.7	92.4		
Diluted earnings, profit for the year attributable to ordinary equity holders of the parent	5	79.7	92.4		

Statement of Financial Position

AS AT 31 DECEMBER 2018

	Notes	Group Dec 2018 P '000	Group Dec 2017 P '000	Company Dec 2018 P '000	Company Dec 2017 P '000
ASSETS					
Non-Current Assets					
Property, plant and equipment	7	323 005	313 310	1 097	1 137
Investments in joint ventures	8	39 686	30 561	4 524	4 524
Prepaid leases	9	14 998	16 608	-	-
Investments	10	37	37	10	10
Investments in subsidiaries	11	-	-	72 209	72 209
		377 726	360 516	77 890	77 880
Current Assets					
Inventories	12	14 084	13 803	-	-
Trade and other receivables	13	430 017	305 479	9	-
Tax receivable	4	5 402	-	296	405
Prepaid leases	9	1 706	540	-	-
Forward exchange contract asset		-	4 102	-	-
Cash and cash equivalents	14	119 274	182 666	31 547	34 399
		570 483	506 590	31 852	34 804
TOTAL ASSETS		948 209	867 106	109 692	112 684
EQUITY AND LIABILITIES					
Equity					
Stated capital	15	8 138	8 138	8 138	8 138
Non distributable reserves		2 200	2 200	344	344
Retained earnings		603 644	522 092	99 680	102 766
Total equity		613 982	532 430	108 162	111 248
Non-Current Liabilities					
Deferred tax liabilities	4	8 638	3 436	21	22
Deferred operating lease liability	19.2	595	1 071	-	-
Provisions	16	69 189	57 158	-	-
		78 422	61 665	21	22
Current Liabilities					
Trade and other payables	17	254 916	254 235	1 509	1 414
Tax payable	4	-	18 111	-	-
Deferred operating lease liability	19.2	480	388	-	-
Forward exchange contract liability		409	277	-	-
		255 805	273 011	1 509	1 414
Total Liabilities		334 227	334 676	1 530	1 436
TOTAL EQUITY AND LIABILITIES		948 209	867 106	109 692	112 684

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2018

		Group		Company	
	Notes	2018 P '000	2017 P '000	2018 P '000	2017 P '000
Cash flows from operating activities					
Profit before tax		169 041	203 503	47 451	129 513
Adjustments for:					
Interest received	2	(1 786)	(2 952)	(708)	(756)
Loss on disposal and scrapping of property, plant and equipment	3.2	-	245	-	-
Dividends income from subsidiary	2	-	-	(49 514)	(131 451)
Finance costs	3.3	5 168	3 818-	-	
Fair value on forward exchange contracts		4 234	(3 367)	-	-
Share of profit of joint ventures	8	(9 125)	(4 583)	-	-
Depreciation	7	24 684	21 443	40	40
Deferred lease liability		(384)	(135)	-	-
Health, safety and environment provision	16	(582)	(5)	-	-
Amortisation of prepaid leases	9	878	546	-	-
Operating profit/(loss) before working capital changes		192 128	218 513	(2 731)	(2 654)
(Increase)/Decrease in trade and other receivables		(124 538)	(236 802)	(8)	116
Increase in inventories		(281)	(1 665)	-	-
Increase in trade and other payables		686	40 357	94	14
Cash generated from (used in) operations		67 995	20 403	(2 645)	(2 524)
Interest received	2	1 786	2 952	708	756
Finance costs	3.3	(642)	(107)	-	-
Income taxes paid	4	(60 000)	(48 283)	(915)	(896)
Net cash flows from/(used in) operating activities		9 139	(25 035)	(2 852)	(2 664)
Cash flows from investing activities					
Acquisition of property, plant and equipment to expand operations	7	(26 297)	(43 720)	-	-
Prepaid leases	9	(434)	(12 200)	-	-
Dividends received from subsidiary		-	-	45 800	121 593
Net cash flows (used in)/from investing activities		(26 731)	(55 920)	45 800	121 593
Cash flows from financing activities					
Dividends paid	6	(45 800)	(121 593)	(45 800)	(121 593)
Net cash flows used in financing activities		(45 800)	(121 593)	(45 800)	(121 593)
Net decrease in cash and cash equivalents		(63 392)	(202 548)	(2 852)	(2 664)
Cash and cash equivalents at the beginning of the year		182 666	385 214	34 399	37 063
Cash and cash equivalents at end of the year	14	119 274	182 666	31 546	34 399

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2018

Group

		Attributable to equity holders of the parent			
	Notes	Stated capital P '000	Non Distributable Reserves (2) P '000	Retained earnings P '000	Total equity P '000
31 December 2018					
Balance, beginning of year		8 138	2 200	522 092	532 430
Profit for the year		-	-	127 352	127 352
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	127 352	127 352
Dividends (1)	6	-	-	(45 800)	(45 800)
At 31 December 2018		8 138	2 200	603 644	613 982
31 December 2017					
Balance, beginning of year		8 138	2 200	496 177	506 515
Profit for the year		-	-	147 508	147 508
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	147 508	147 508
Dividends (1)	6	-	-	(121 593)	(121 593)
At 31 December 2017		8 138	2 200	522 092	532 430

(1) The holders of ordinary shares are entitled to receive dividends as and when declared by the company. All ordinary shares carry one vote per share without restriction. All ordinary shares have similar rights.

(2) Non distributable reserves arose from the capitalisation of a shareholder loan account and on the revaluation of property, plant and equipment in 1993.

Statement of Changes in Equity [continued]

FOR THE YEAR ENDED 31 DECEMBER 2018

Company

	Notes	Stated capital P '000	Non Distributable Reserves (2) P '000	Retained earnings P '000	Total equity P '000
31 December 2018					
Balance, beginning of year		8 138	344	102 766	111 248
Profit for the year		-	-	42 714	42 714
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	42 714	42 714
Dividends (1)	6	-	-	(45 800)	(45 800)
At 31 December 2018		8 138	344	99 680	108 162
31 December 2017					
Balance, beginning of year		8 138	344	105 609	114 091
Profit for the year		-	-	118 750	118 750
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	118 750	118 750
Dividends (1)	6	-	-	(121 593)	(121 593)
At 31 December 2017		8 138	344	102 766	111 248

(1) The holders of ordinary shares are entitled to receive dividends as and when declared by the company. All ordinary shares carry one vote per share without restriction. All ordinary shares have similar rights.

(2) Non distributable reserves arose on the revaluation of property, plant and equipment in 1993.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are presented in Botswana Pula. The functional currency is also the Botswana Pula. The amounts in the financial statements have been rounded to the nearest thousand. The financial statements have been prepared on a historical cost basis except as modified by the revaluation of certain financial instruments to fair value as indicated in the notes below.

The consolidated and separate financial statements are prepared on the going concern basis.

The accounting policies adopted are consistent with those applied in the prior period, except for those noted in Note 2, related to new standards effective for the reporting period beginning on or after 1 January 2018. The Group applied IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers for the first time.

Statement of compliance

The financial statements have been prepared in compliance with the International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB"), Interpretations issued by the International Financial Reporting Interpretations Committee of the IASB and the requirements of the Companies Act of Botswana (CAP 42:01).

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity

Notes to the Financial Statements [continued]

FOR THE YEAR ENDED 31 DECEMBER 2018

Basis of consolidation [continued]

- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Foreign currency translation

Functional currency

Transactions in foreign currency are initially recorded in the functional currency at a rate of exchange ruling on transaction date. Monetary assets and liabilities designated in foreign currencies are subsequently translated at rates of exchange ruling at the reporting date. Non monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated at the exchange rate at the date of the initial transaction.

Foreign exchange translation gains or losses arising on the settlement of monetary items or on translating monetary items at rates different from those used when translating at initial recognition during the period or in previous financial statements are taken to the statement of profit or loss and other comprehensive income in the year they arise.

Investments in subsidiaries

Investments in subsidiaries are measured at cost in the separate financial statements of the Company.

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in joint ventures are accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in Other Comprehensive Income (OCI) of those investees is presented as part of the Group's OCI.

In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

Investments in joint ventures [continued]

If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss as 'Share of loss of a joint venture' in the statement of profit or loss and other comprehensive income.

Upon loss of the joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in the statement of profit or loss and other comprehensive income. Joint ventures are carried at cost in the separate financial statements of the company.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. An operating lease is a lease other than a finance lease.

Operating leases

Group as lessee

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Group as lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Rental income related to minimum lease payments are recognised on a straight line basis over the lease term. Contingent rents are recognised as revenue in the year in which they are incurred.

Property, plant and equipment

Property, plant and equipment are stated at historical cost excluding the costs of day to day servicing that are expensed, less accumulated depreciation and any impairment in value. Cost includes the cost of replacing part of such plant and equipment when that cost is incurred if the recognition criteria are met. Costs also include the estimated costs of dismantling and removing the assets where the obligation has been incurred when the asset was acquired or as a consequence of using the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a component, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenditures are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation commences when the assets are available for their intended use. Property, plant and equipment are depreciated on a straight-line basis over the expected useful lives of the various classes of assets, after taking into account residual values. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or is included in a disposal group that is classified as held for sale or the date that the asset is derecognised.

Notes to the Financial Statements [continued]

FOR THE YEAR ENDED 31 DECEMBER 2018

Property, plant and equipment [continued]

The residual value of an asset may increase to an amount equal to or greater than the asset's carrying amount. If it does, the asset's depreciation charge is zero until its residual value subsequently decreases to an amount below the asset's carrying amount.

Useful lives of the property, plant and equipment, the depreciation method, depreciation rates, and residual values are reviewed on an annual basis. Estimated useful lives of the assets are as follows:

Leasehold buildings	shorter of period of lease or 50 years
Plant, equipment, and other	4 – 30 years

Land is not depreciated as it is deemed to have an indefinite life. No depreciation is provided on capital work-in-progress.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in the year the asset is derecognized.

Improvements to assets held under operating leases are capitalized and depreciated over the remaining lease term.

Capital work in progress comprises costs incurred in constructing property, plant and equipment that are directly attributable to the construction of the asset. Assets remain in capital work in progress until they are available for use. At that time they are transferred to the appropriate class of property, plant and equipment additions.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

Impairment of non-financial assets [continued]

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss and other comprehensive income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss and other comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The carrying amounts of assets are reviewed at each reporting date to assess if there are any indications of impairment. If any such indication exists and where assets are recorded in excess of their recoverable amounts, assets or cash generating units are written down to their recoverable amounts. A cash generating unit is considered only when the recoverable amount for the individual asset cannot be determined.

Decommissioning and rehabilitation of assets

The provision for dismantling and restoration costs is initially recognised at the expected cost of any committed decommissioning or restoration programme and is discounted to its net present value using a real pre tax discount rate provided at the beginning of each project.

Subsequent changes in the initial estimates of rehabilitation and decommissioning costs that results from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation or a change in the discount rate are added to or deducted from the cost of the related asset in the current period. Where the change results in a reduction in the liability, the cost deducted from the asset shall not exceed the carrying amount of the related asset. If a decrease in the liability exceeds the carrying amount of the related asset, the excess is recognised immediately in the statement of profit or loss and other comprehensive income.

Where the change results in an increase in the cost of the asset, the amount is capitalised as part of the cost of the item and depreciated prospectively over the remaining life of the item to which they relate. If there is any indication that the carrying amount of the related asset is not fully recoverable, an impairment test is conducted in accordance with the impairment policy. These estimates are reviewed annually.

The cost of ongoing programmes to prevent and control pollution and to rehabilitate the environment is taken to profit or loss as incurred.

Notes to the Financial Statements [continued]

FOR THE YEAR ENDED 31 DECEMBER 2018

Decommissioning and rehabilitation of assets [continued]

Where a retail site or a depot is disposed of, the unutilised portion of the Disaster, Remediation and Restoration (DRR) costs will be released to the statement of profit or loss and other comprehensive income.

Health, safety and environment costs

Costs associated with the remediation of the environment where the company operates retail and commercial sites and depots are recognized in the statement of profit or loss and other comprehensive income. The best estimate of the cost is made taking into account probabilities of the occurrence of spillages.

Inventories

Inventories consist of petroleum products and are initially recognised at cost and subsequently measured at the lower of cost and net realisable value. Cost is determined on the first-in-first-out (FIFO) method. The cost of inventories comprises of all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The amount of any write-down of inventory to net realisable value and all losses of inventory are recognised as an expense in the period that the write-down or loss occurs and is included under distribution and marketing expenses.

The carrying value of inventories derecognised is included in the cost of sales in the statement of profit or loss and other comprehensive income.

Cost of goods sold

Cost of goods sold is normally the carrying value of inventories sold and any net realizable value adjustments. Upon re-measurement product loaned/borrowed is revalued and the corresponding entry is included in the cost of sales in the statement of profit or loss and other comprehensive income.

Dividend distribution

Dividend distributions to the Group's shareholders are recognized as a liability in the period in which the dividends are declared by the Group's shareholders. Dividends distributed are recognized in equity. Tax is withheld on dividends distributed at the statutory rate of 7.5%.

Employee benefits

During the year, employees contributed to the Engen Botswana Retirement Fund. The fund is a defined contribution fund. The fund is governed by the Retirement Funds Act of 2014. Membership of this fund is compulsory for all employees. In terms of the rules of the Fund, the company is committed to contribute 9.5% of the employees' pensionable emoluments. The defined contribution funds are not required to be actuarially valued. The Group's contributions to the defined contribution plan are charged to the statement of profit or loss and other comprehensive income in the year to which they relate.

Employee entitlements to annual leave, bonuses, and pension and severance benefits are recognised as incurred. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date. Provision for bonuses is recognised when a present obligation exists to make such payments and a reliable estimate of the amount can be made.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

Revenue recognition
In its adoption of IFRS 15 Revenue from Contracts with Customers, the Group has used the modified retrospective approach, with adjustments made to balances at the date of initial application. The accounting policies related to revenue recognition applied in periods is included here below as it represents the basis for accounting for revenue in the comparative period disclosed in the annual financial statements.

Accounting policy applicable in the comparative period:
Revenue is recognised at the fair value of the consideration received or receivable net of discounts, rebates and related taxes. Revenue consists primarily of the sale of products, convenience store income, rental income, fees, dividends received, recovery on service station assets and interest received.

Revenue is recognised to the extent that it is probable that the economic benefits will be realised and the revenue can be reliably measured. The following specific criteria must also be met before revenue is recognised:

Sale of goods
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Convenience store income
Revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Interest income
Revenue is recognised as interest accrues using the effective interest rate method.

Dividends
Revenue is recognised when the Group's right to receive the dividend is established.

Operating lease rental income
Income is recognised on a straight-line basis over the lease term. Contingent rentals received or incurred are accounted for as and when the rentals are received or incurred.

Revenue from contracts with customers

Accounting policy applicable on and after 1 January 2018:

Performance obligations and timing of revenue recognition
The majority of the Group's revenue is derived from the marketing and distribution of petroleum products, as well as convenience store income. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration which the Group expects to be entitled in exchange for those goods. Revenue is recognised at a point in time when control of the goods has transferred to the customer. The point at which control passes depends on the terms and conditions of the contract and related transport terms and is effective either once physical delivery or receipt of the products at the agreed location has occurred, or when products are loaded onto the specific mode of transport. Transfer of control usually coincides with title passing to the customer. The normal credit term is 30 days upon delivery.

The Group acts as principal in its revenue arrangements as it typically controls the goods and services before transferring to the customer.

Determining the transaction price
The majority of the Group's revenue is derived from contracts which define a fixed price per unit sold.

In certain contracts the consideration includes a variable element in the form of retrospective volume rebates and discounts. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with

Notes to the Financial Statements [continued]

FOR THE YEAR ENDED 31 DECEMBER 2018

Determining the transaction price [continued]

the variable consideration is subsequently resolved. Certain contracts for the sale of petroleum and related products provide customer elements of variable consideration in the form of volume rebates and discounts.

Customers are entitled to volume rebates and discounts, provided that they meet specific criteria. Historical experience enables the Group to estimate reliably the value of discount to be granted or rebates to be paid and restrict the amount of revenue that is recognised such that it is highly probable that there will not be a reversal of previously recognised revenue when goods are returned. In its estimation, the Group considers the expected value of discounts or rebates that would be applicable to the transaction. Rebates are not offset against the customer but recognised as a separate refund liability.

Allocating amounts to performance obligations

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

For most contracts, there is a quoted per unit price for each product sold, with reductions given for bulk orders placed at a specific time. Therefore, there is no judgement involved in allocating the contract price to each unit ordered in such contracts.

Where a customer orders more than one product line, the Group is able to determine the split of the total contract price between each product line by reference to each product's standalone selling prices, as all product lines are capable of being, and are, sold separately.

Practical expedients applied

The Group's contracts with customers are short term in nature (less than 12 months). Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of the consideration for the effects of a significant financing component if it expects at contract inception that the period between the transfer of the promised goods to the customer and when the customer pays for the goods will be one year or less.

Furthermore, the Group has elected to apply the optional practical expedient for costs incurred to obtain a contract and expenses any incremental costs related to a contract when they are incurred as the amortisation period would be less than one year.

Contract balances (other than contract assets)

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customers. If a customer pays consideration before the Group transfers the goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities at the end of each reporting period. Refer to the accounting policy on variable consideration.

Other revenue streams of the Group include the following:

- Rental income;
- Interest income; and
- Dividend income;

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

Contract balances (other than contract assets) [continued]

Recognition and measurement of rental income, interest income and dividend income are scoped and described in other accounting policies (leases and financial instruments, respectively).

Taxes

Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss. Withholding taxes are paid to the government and they are a portion of the total dividend that is declared. Where the Group receives a dividend on which withholding tax is levied, that withholding tax is recognised as a current tax expense.

Deferred tax
Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Also taking into account the manner of recovery of the underlying asset or liability. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss.

Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes to the Financial Statements [continued]

FOR THE YEAR ENDED 31 DECEMBER 2018

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) 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 amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement. The Group has recognised provisions for dismantling and restoration costs and health, safety and environment costs.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Finance income and finance costs

Interest income on deposits is included in finance income.

Finance costs consist of interest expense on term loans and bank overdraft and the unwinding of the discount of the dismantling and removal provision.

Financial instruments

In its adoption of IFRS 9 Financial Instruments, the Group has used the modified retrospective approach with adjustments made to balances at the date of initial application. The accounting policy related to financial instruments applied in prior periods is included here below as it represents the basis for accounting for financial instruments in the comparative disclosed in the annual financial statements.

Accounting policy applicable in the comparative period:

Financial assets are classified into three categories: at fair value through profit or loss, loans and receivables and available for sale.

The following asset classes are included in financial assets at fair value through profit or loss: forward exchange contracts (FEC), commodity derivatives and fund and other investments. The following asset classes are included in loans and receivables: cash and cash equivalents, loans, trade receivables and other receivables.

Financial liabilities are categorised into two categories: at fair value through profit or loss or at amortised cost.

The following liabilities are included in fair value through profit or loss: forward exchange contracts (FEC) and commodity derivatives. The following liabilities are included in amortised cost: crude liability, interest bearing loans and borrowings, trade and other payables and excludes VAT, duties and levies and income tax accrued.

Financial assets and financial liabilities are initially measured at fair value plus transaction costs.

However, transaction costs in respect of financial assets classified as fair value through profit or loss are expensed.

The Group measures derivatives at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

Financial instruments [continued]

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions the market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest-level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's audit committee determines the policies and procedures for both recurring fair value measurements, such as derivatives, and non-recurring fair value measurements, such as impairment tests. At each reporting date, the group treasury department analyses the movements in the values of assets and liabilities which are required to be re-measured or reassessed as per the Group's accounting policies. For this analysis, the group treasury department verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

On an interim basis, the group treasury department presents the valuation results to the audit committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.
For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Impairment of financial assets
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is/are impaired.

Notes to the Financial Statements [continued]

FOR THE YEAR ENDED 31 DECEMBER 2018

Impairment of financial assets [continued]

Impairment losses are incurred only if there is objective evidence of impairment as a result of a loss event and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Assets carried at amortised cost
All existing long term receivables and significant trade receivables are to be examined individually for evidence of impairment.

The balance of the loans, trade receivables and individually assessed amounts that were not impaired will be grouped according to their credit risk characteristics. This group of assets will then be assessed on a collective basis.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced by the impairment loss through the use of allowance account.

For the purpose of a collective evaluation of impairment, the financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms. If there is objective evidence that impairment exists on a group of assets on a collective basis, the amount of the loss is measured as the difference between the assets carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have been incurred) discounted at the group of financial assets original effective interest rate (i.e. the effective interest rate computed at initial recognition). The objective evidence could be based on the historical loss experience for those different groupings of assets or could be based on the history of write offs on those different types of groupings of assets. The carrying amount of this group of financial assets will be reduced by the impairment loss through the use of an allowance account.

The extent of any impairment will be accounted for through the allowance account with the corresponding entries through the statement of profit or loss.

A provision for impairment is made where there is objective evidence that the group will not be able to collect all the amounts due under the original invoice. The carrying amount of the receivables is reduced through the use of the allowance account. Impaired trade and other receivables are derecognised when they are assessed as being uncollectible.

Events that could lead to the individual impairment of trade and other receivables and loans to Group companies are:

a) Breach of contract – either regarding the capital or principal repayments or interest.

b) Significant financial difficulty by the debtor (as then evidenced by (a) above).

c) Granting the debtor a concession that it would not otherwise do under normal circumstances.

d) It, becoming apparent that the customer will enter bankruptcy or other financial re-organisation.

e) A downgrade in the credit rating of the customer along with other unfavourable factors – a downgrade of an entity's credit rating is not, of itself, evidence of impairment, although it may be evidence of impairment when considered with other available information.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

Assets carried at amortised cost [continued]

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The reversal shall not result in a carrying amount of the financial asset which exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the statement of profit or loss.

Any impaired balance which proves uncollectible due to the customers' inability to pay, is written off to bad debts. A bad debt can be active or inactive. A debt becomes an active bad debt when all initial debt collection efforts have been unsuccessful, but it is still expected that some recovery will be made. A debt becomes an inactive bad debt when all reasonable efforts have been made to recover the debt and it is obvious that no recovery or further recovery will be achieved.

Available for sale financial assets
If an available for sale asset is impaired (such as when there has been a significant or prolonged decline in the fair value of the investment below its cost), an amount comprising the difference between its acquisition cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income to the statement of profit or loss. Reversals in respect of equity instruments classified as available for sale are not recognised in profit.

Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss. The extent of any impairment will be accounted for through the allowance account with the corresponding entries through the statement of profit or loss.

Accounting policy applicable on and after 1 January 2018:

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that

Notes to the Financial Statements [continued]

FOR THE YEAR ENDED 31 DECEMBER 2018

Initial recognition and measurement [continued]

require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at amortised cost (debt instruments); and
- Financial assets at FVTPL

Financial assets at amortised cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, long term receivables and debt instruments.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without a material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised for those credit exposures for which there has been a significant increase in credit risk since initial recognition, over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

Derecognition [continued]

For trade receivables, the Group applies a simplified approach in calculating ECLs. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates and judgments concerning the future. Estimates and judgments are continually evaluated and are based on historical factors coupled with expectations about future events that are considered reasonable. In the process of applying the groups accounting policies, management has made the following estimates that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next year.

The key assumptions concerning the future and other key sources of estimation uncertainty and judgments at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year as they involve assessments or decisions that are particularly complex or subjective, are discussed below:

Significant accounting judgments and estimates

Allowances for credit losses
The expected loss rates derived are based on the payment profiles of sales over a 36-month period before 31 December 2018 (being 1 January 2016 to 31 December 2018) and the corresponding historical credit losses that occurred over the same period. The historical loss rates are adjusted to reflect current and forward-looking information affecting the ability of the customers to settle the receivables. The group has identified the gross domestic product, consumer price index and the unemployment rate of Botswana to be the most relevant indicators affecting a customers' ability to pay, and accordingly adjusts the historical loss rates based on expected changes in these factors. Refer to note 13.

Allowances for slow moving inventory
Based on prior management practice, inventory that has not moved for a 12-month period is considered to be obsolete. Obsolete and discontinued products are considered to have no value. The provision is raised based on the full cost or net realisable values of the product. Refer to note 12.

Asset retirement and removal obligations
Estimating the future costs of these obligations is complex and requires management to make estimates and judgments regarding future cash flows and discount rates because most of the obligations will only be fulfilled in the future. Changing technologies, political, environmental, safety, business and statutory considerations, could also influence the resulting provisions.

Notes to the Financial Statements [continued]

FOR THE YEAR ENDED 31 DECEMBER 2018

Asset retirement and removal obligations [continued]

Management judgement is exercised when determining the present value of expected future cash flows when the obligation to dismantle or restore the sites arises as well as the estimated useful life of the related asset. The useful lives of the assets are considered to be equal to the remaining lease term under the assumption that the lease will not be renewed, and this impacts on the obligation. The provision for the costs of decommissioning these sites at the end of their economic lives has been estimated using existing technology, at current prices and discounted using a real discount rate of 7.96% (December 2017 – 8.14%).

The Group's asset retirement obligations are coupled with the estimated remaining useful lives of the asset to which they relate. The carrying value of the dismantling and removal costs provision as at 31 December 2018 is P69 189 431 December 2017: P56 581 321) (Note 16). There is uncertainty regarding both the amount and timing of incurring these costs.

Allowance for health safety and environment

This allowance is based on probabilities of spillages of petroleum products occurring at each retail, commercial or fuel depot. The costs are based on the point in time costs.

Slate receivable

Management makes a significant degree of judgment in assessing the recoverability of the slate receivable balance by assessing available evidence based on negotiations with the Government. If indications exist that the balance will not be recoverable, an impairment allowance is raised to reflect the balance which will be recovered from Government.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

NEW STANDARDS, NEW INTERPRETATIONS AND AMENDMENTS TO STANDARDS ADOPTED IN THE CURRENT PERIOD

On 1 January 2018, Engen Botswana Limited adopted the following new standards, new Interpretations and amendments to Standards.

	Effective for accounting period beginning on or after
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018

All the amendments and annual improvements above did not have an impact on the entity.

Standards issued but not yet effective:

New or revised standards and interpretations:

New or revised standards	Effective for accounting period beginning on or after
IFRS 16 Leases	1 January 2019
IFRIC 23 Uncertainty over income tax treatments	1 January 2019
Prepayment Features with Negative Compensation - Amendments to IFRS 9	1 January 2019
Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28	1 January 2019
IFRS 3 Business Combinations - Previously held interests in a joint operation	1 January 2019
AIP IFRS 11 Joint Arrangements - Previously held interests in a joint operation	1 January 2019
IAS 12 Income Taxes - Income tax consequences of payments on financial instrument classified as equity	1 January 2019
IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation	1 January 2019
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or indefinitely Joint Venture	Effective date deferred indefinitely

Notes to the Financial Statements [continued]

FOR THE YEAR ENDED 31 DECEMBER 2018

NEW STANDARDS, NEW INTERPRETATIONS AND AMENDMENTS TO STANDARDS ADOPTED IN THE CURRENT PERIOD [continued]

The above new standards and amendments to existing standards issued but not yet effective are not expected to have an impact on the Company except for IFRS 16 as listed below:

The scope of IFRS 16 includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. The group expects this standard to have a material effect on its financial statements and will assess its potential impact in the 2018 financial statements.

Transition

The Group will apply the standard from its mandatory adoption date of 1 January 2019 and intends to apply the modified respective approach in its transition. In its application of the modified retrospective approach, the Group will apply the Standard from the beginning of the current period by:

- Calculating lease assets and lease liabilities values as at the beginning of the current period using the rules included in the new standard;
- Not restating its prior period financial information;
- Recognising an adjustment in equity at the beginning of the current period; and
- Provide additional disclosures specified in the new standard.

Measurement of ROU asset and corresponding lease liability

For leases previously classified as operating leases under IAS 17, a lessee is permitted to choose in its application of IFRS 16 Leases, on a lease-by-lease basis, how to measure the ROU asset using one of two methods:

- Option A: as if IFRS 16 had always been applied (but using the incremental borrowing rate at the date of initial application); or
- Option B: at an amount equal to the lease liability (subject to certain adjustments).

The Group has selected to measure ROU assets using Option A and apply an incremental borrowing rate that would be applicable rate should the Group borrow to finance an asset of a similar nature and over the same term, in a similar economic environment.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

Short term and low value leases
On transition and subsequently, a lessee can elect not to apply the lessee accounting model to low value leases and short-term leases.

The Group has elected to apply the expedients to the low value expedient to leases where the indicative value of the underlying asset to the agreement is US$ 5,000 or less, when new. In addition, the Group has elected to apply the expedient for short term expedient to agreements in respect of which the term, or remaining term at initial application of IFRS 16, is 12 months or less.

Impact
The application of IFRS 16 will result in significant changes in both the Statement of Financial Position, and Statement of Profit or Loss. These include but are not limited to property, plant and equipment, leased assets, lease liabilities, depreciation, other operating costs and finance costs.

The Group is in the process of assessing the overall impact the new standard will have on these consolidated annual financial statements. Management's view is that changes to the statement of financial position and statement of comprehensive income line items can be expected.

Notes to the Financial Statements [continued]

FOR THE YEAR ENDED 31 DECEMBER 2018

2 REVENUE AND REVENUE FROM CONTRACTS WITH CUSTOMERS

	Group		Company	
	Dec 2018 P '000	Dec 2017 P '000	Dec 2018 P '000	Dec 2017 P '000
Revenue from contracts with customers				
Petroleum turnover	2 505 142	2 186 510	-	-
Convenience income	14 164	14 934	-	-
Revenue from contracts with customers	2 519 306	2 201 444	-	-
Rental income	13 248	13 069	63	-
Interest: bank and term deposits	1 786	2 952	708	756
Dividend income from subsidiary	-	-	49 514	131 451
	2 534 340	2 217 465	50 285	132 207

Disaggregation of revenue

The company has disaggregated revenue into various categories in the following table which is intended to depict how the nature, amount and uncertainty of revenue and cash flows are affected by economic date.

	Petroleum and related products P'000	Convenience income P'000	Total P'000
2018			
Primary geographic markets			
Botswana	2 505 142	14 164	2 519 306
Product type			
Petroleum products	2 410 520	-	2 410 520
Petrochemical products	34 777	-	34 777
Lubricants	59 845	-	59 845
Convenience	-	14 164	14 164
	2 505 142	14 164	2 519 306
Timing of transfer of goods or services			
Point in time	2 505 142	14 164	2 519 306

	Petroleum and related products P'000	Convenience income P'000	Total P'000
2017			
Primary geographic markets			
Botswana	2 186 510	14 934	2 201 444
Product type			
Petroleum products	2 090 570	-	2 090 570
Petrochemical products	44 524	-	44 524
Lubricants	51 416	-	51 416
Convenience	-	14 934	14 934
	2 186 510	14 934	2 201 444
Timing of transfer of goods or services			
Point in time	2 186 510	14 934	2 201 444

3 PROFIT BEFORE TAX

Profit before tax is stated after the following:

3.1 Other income				
Application fees for service station dealership	26	-	-	-
	26	-	-	-
3.2 Expenses				
Auditors Remuneration				
- current year	913	910	291	152
Depreciation (Note 7)	24 684	21 443	40	40
Amortisation of prepaid rentals (Note 9)	878	546	-	-
Operating lease rentals				
- service stations	4 846	4 090	-	-
- land and buildings	990	597	-	-
- plant and equipment	191	171	-	-
Management and computer fees (Note 18)	11 892	12 785	-	-
Provision for bad & doubtful debts (Note 13)	1 095	2 784	-	-
Salaries and employment benefits	15 785	15 519	-	-
Loss on disposal and scrapping of property, plant and equipment	-	245	-	-
Contributions to defined contribution funds	1 085	1 074	-	-

Notes to the Financial Statements [continued]

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Group Dec 2018 P '000	Group Dec 2017 P '000	Company Dec 2018 P '000	Company Dec 2017 P '000
3 PROFIT BEFORE TAX [continued]					
3.3 Finance costs					
Unwinding of dismantling, removal and restoration provision (Note 16)		4 526	3 711	-	-
Finance costs arising from financial liabilities		642	107	-	-
		5 168	3 818	-	-
3.4 Foreign exchange gains					
Foreign exchange gains (Including gains on fair value movements due to financial assets and liabilities that are at fair value through profit and loss (P1 965 686) 2017: P9 661 316)		14 056	7 502	-	-
4 TAXATION					
Botswana normal taxation					
Current					
Company tax at statutory rate		31 976	50 00	5 842	909
Withholding tax on dividends from subsidiary		3 714	9 859	3 714	9 859
Prior year under provision		797	-	182	-
Deferred					
Attributable to temporary differences arising in the current year		5 202	(3 869)	(1)	(5)
		41 689	55 995	4 737	10 763
Reconciliation of tax rate		%	%	%	%
Standard tax rate		22.0	22.0	22.0	22.0
Adjusted for:					
Exempt income		(1.0)	(1.1)	(14.0)	(14.7)
Non-allowable expenses		1.1	1.7	1.6	0.8
Withholding tax on dividends from subsidiary		2.1	4.8	-	-
Prior year under provision		0.5	0.1	0.4	0.2
Effective tax rate		24.7	27.5	10.0	8.3

	Group		Company	
	Dec 2018 P '000	Dec 2017 P '000	Dec 2018 P '000	Dec 2017 P '000
4 TAXATION [continued]				
Deferred tax liability				
Origination of temporary differences from: Property, plant and equipment	(9 578)	(5 884)	(21)	(22)
Trade accounts receivable	1 022	803	-	-
Trade accounts payable	(82)	1 645	-	-
Deferred tax liability	(8 638)	(3 436)	(21)	(22)
Reconciliation of deferred tax liabilities				
Opening balance	(3 436)	(7 305)	(22)	(28)
Tax expense recognised in profit or loss	(5 202)	3 869	1	6
Closing balance	(8 638)	(3 436)	(21)	(22)
Tax payable/(receivable)				
Opening balance	18 111	6 530	(405)	(418)
Tax paid	(60 000)	(48 283)	(915)	(896)
Charge for the year	36 487	59 864	1 024	909
Closing balance	(5 402)	18 111	(296)	(405)

5 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the group's total comprehensive income for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The following reflects the income and share data used in the basic earnings per share computations for the years 31 December 2018 and 31 December 2017.

Profit for the year	127 350	147 508
Profit for the year attributable to ordinary shareholders	127 350	147 508
Weighted average number of ordinary shares in issue	159 722 220	159 722 220
Earnings Per Share	79.7	92.4

There have been no transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements. There is no dilution effect.

Notes to the Financial Statements [continued]

FOR THE YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	Dec 2018 P '000	Dec 2017 P '000	Dec 2018 P '000	Dec 2017 P '000
6 DIVIDENDS PAID AND PROPOSED				
Dividends declared during the year	45 800	121 593	45 800	121 593
Amount paid	45 800	121 593	45 800	121 593

The total gross amounts of dividends paid in 2018 was P49 513 888 (2017: P131 451 387). Withholding taxes of 7.5% of gross dividends were deducted and paid to Botswana Unified Revenue Service and these amounted to P3 713 542) (2017: P9 858 854) in total. The total off net dividends paid was P45 800 347 (2017: P121 592 533).

Declared and paid in the year				
- final dividend related to the prior year	31.0	24.6	31.0	24.6
- interim dividend for the current year				
- first special dividend paid from retained earnings	-	-	15.0	37.6
	-	-	15.0	37.6
Proposed (not recognised as a liability)				
- final dividend for the current year	39.9	31.0	39.9	31.0

7 PROPERTY, PLANT & EQUIPMENT – GROUP

	Freehold Land P'000	Leasehold Buildings P'000	Plant, equipment and other P'000	Capital work in progress (1) P'000	Total P'000
31 December 2018					
Balance at beginning of year					
At cost	6 078	183 662	243 580	33 955	467 275
Accumulated depreciation	-	(68 915)	(85 050)	-	(153 965)
Net carrying amount	6 078	114 747	158 530	33 955	313 310
Additions	-	24 587	1 710	-	26 297
Dismantling and restoration costs (Note 16)	-	-	8 082	-	8 082
Transfers	-	-	12 967	(12 967)	-
Depreciation (Note 3.2)	-	(8 874)	(15 810)	-	(24 684)
Balance at end of year, net of accumulated depreciation	6 078	130 460	165 479	20 988	323 005
Balance at end of year					
At cost	6 078	208 249	266 339	20 988	501 654
Accumulated depreciation	-	(77 789)	(100 860)	-	(178 649)
Net carrying amount	6 078	130 460	165 479	20 988	323 005

Notes to the Financial Statements [continued]

FOR THE YEAR ENDED 31 DECEMBER 2018

7 PROPERTY, PLANT & EQUIPMENT – GROUP [continued]

	Freehold Land P'000	Leasehold Buildings P'000	Plant, equipment and other P'000	Capital work in progress (1) P'000	Total P'000
31 December 2017					
Balance at beginning of year					
At cost	5 228	180 551	219 236	17 893	422 908
Accumulated depreciation	-	(61 050)	(71 727)	-	(132 777)
Net carrying amount	5 228	119 501	147 509	17 893	290 131
Additions	850	3 111	16 103	23 656	43 720
Dismantling and restoration costs (Note 16)	-	-	1 147	-	1 147
Transfers	-	-	7 594	(7 594)	-
Disposals and Scrapping – Cost	-	-	(500)	-	(500)
- Accumulated depreciation	-	-	255	-	255
Depreciation (Note 3.2)	-	(7 865)	(13 578)	-	(21 443)
Balance at end of year, net of Accumulated depreciation	6 078	114 747	158 530	33 955	313 310
Balance at end of year					
At cost	6 078	183 662	243 580	33 955	467 275
Accumulated depreciation	-	(68 915)	(85 050)	-	(153 965)
Net carrying amount	6 078	114 747	158 530	33 955	313 310

7 PROPERTY, PLANT & EQUIPMENT – COMPANY

	Freehold Land P'000	Leasehold Buildings P'000	Plant, equipment and other P'000	Total P'000
31 December 2018				
Balance at beginning of year				
At cost	568	731	352	1 651
Accumulated depreciation	-	(162)	(352)	(514)
Net carrying amount	568	569	-	1 137
Depreciation (Note 3.2)	-	(40)	-	(40)
Balance at end of year, net of accumulated depreciation	568	529	-	1 097
Balance at end of year				
At cost	568	731	352	1 651
Accumulated depreciation	-	(202)	(352)	(554)
Net carrying amount	568	529	-	1 097

Notes to the Financial Statements [continued]

FOR THE YEAR ENDED 31 DECEMBER 2018

7 PROPERTY, PLANT & EQUIPMENT – COMPANY [continued]

	Leasehold Buildings P'000	Plant, equipment and other P'000	Capital work in progress (1) P'000	Total P'000
31 December 2017				
Balance at beginning of year				
At cost	568	731	352	1 651
Accumulated depreciation	-	(122)	(352)	(474)
Net carrying amount	568	609	-	1 177
Depreciation (Note 3.2)	-	(40)	-	(40)
Balance at end of year, net of accumulated depreciation	568	569	-	1 137
Balance at end of year				
At cost	568	731	352	1 651
Accumulated depreciation	-	(162)	(352)	(514)
Net carrying amount	568	569	-	1 137

(1) Capital work in progress includes all assets that are under construction and not yet in use as at the reporting date. These items of property, plant and equipment will be reallocated to the respective asset class on completion of the construction.

(2) No items of property, plant and equipment have been pledged as security for liabilities.

(3) There was no revaluation of property, plant and equipment in 2018.

(4) The gross carrying amount of fully depreciated property, plant and equipment that is still in use was P2 308 797 (2017: P2 308 797).

	Group		Company	
	Dec 2018 P '000	Dec 2017 P '000	Dec 2018 P '000	Dec 2017 P '000

8 INTERESTS IN JOINT VENTURES

The Group has a 40% and 25% interest in the joint arrangements, Engen Palapye Partnership and Engen Maun Partnership, respectively, which are involved in property letting.
The Group's interest in both joint arrangements is accounted for using the equity method in the consolidated financial statements. The financial year end of both joint ventures is 31 December and is the same as the group. Summarised financial information of the joint arrangements, based on their IFRS financial statements, and the reconciliations with the carrying amounts of the investments in the consolidated financial statements are set out below:

Engen Palapye Partnership				
Current assets; Including cash and cash equivalents of P12 040 848 (2017: P19 747 240)	12 664	20 130	-	-
Non current assets	88 912	46 601	-	-
Current liabilities	(4 131)	(1 181)	-	-
Equity	97 445	65 550	-	-
Group's carrying amount of the investment	30 869	23 611	-	-
Engen Maun Partnership				
Current assets; Including cash and cash equivalents of P5 884 568 (2017: P3 957 095)	6 082	4 208	-	-
Non current assets	29 501	24 644	-	-
Current liabilities	(603)	(1 123)	-	-
Equity	34 980	27 729	-	-
Group's carrying amount of the investment	8 817	6 950	-	-
Total carrying amount of the investments	39 686	30 561	-	-

Engen Palapye Partnership				
Rental income	7 580	7 723	-	-
Rentals	6 916	7 048	-	-
Other	664	675	-	-
Fair value gains on property	11 541	2 200	-	-
Interest income	529	397	-	-
Direct operating expenses	(1 505)	(1 314)	-	-
Profit for the year	18 145	9 006	-	-
Share of profit of joint venture – Palapye	7 258	3 602	-	-

Notes to the Financial Statements [continued]

FOR THE YEAR ENDED 31 DECEMBER 2018

8 INTERESTS IN JOINT VENTURES [continued]

	Group		Company	
	Dec 2018 P '000	Dec 2017 P '000	Dec 2018 P '000	Dec 2017 P '000
Engen Maun Partnership				
Rental income	3 624	3 368	-	-
Rentals	3 334	3 109	-	-
Other	290	259	-	-
Fair value gains on property	4 900	1 300	-	-
Interest income	145	59	-	-
Other income	4	-	-	-
Direct operating expenses	(1 205)	(802)	-	-
Profit for the year	7 468	3 925	-	-
Share of profit of joint venture - Maun	1 867	981	-	-
Total share of profits of the joint ventures – Palapye and Maun	9 125	4 583	-	-

Non current assets comprise of the total investment properties owned by the joint arrangements.

The Engen Maun investment property is held by way of a 50 year lease with the Tawana Land Board commencing 12 November 2003 with an option to renew for a further 50 years. The joint arrangement was entered into on 16 July 1993.

The Engen Palapye investment property comprises of a shopping complex erected on Lot 68 in Palapye, measuring 16500 square metres held in terms of Tribal Lease Number L/E/4/788, commencing on 6 June 1982, for fifty years and registered under title deed number 9/83 dated 7 September 1983. The joint arrangement was entered into on 7 November 1991.

Investment properties are stated at fair value, which has been determined, based on valuations performed by an independent professionally qualified valuer, as at 31 December 2018 and 31 December 2017 for the current and previous year respectively. The valuer has recent experience in the location and category of the investment property being valued. The fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value is based on recent prices of similar properties in the same category and location.

The joint arrangements had no contingent liabilities or capital commitments as at 31 December 2018 and 2017. The joint arrangements cannot distribute their profits until they obtain consent from the four venture partners.

The values of the investment in joint arrangements in the company are shown below:

Unlisted				
- Engen Palapye Partnership (At cost)	-	-	2 762	2 762
- Engen Maun Partnership (At cost)	-	-	1 762	1 762
	-	-	4 524	4 524

	Group		Company	
	Dec 2018 P '000	Dec 2017 P '000	Dec 2018 P '000	Dec 2017 P '000
9 PREPAID LEASES				
Balances at beginning of the year	17 148	5 494	-	-
Charge for the year (Note 3.2)	(878)	(546)	-	-
Additions	434	12 200	-	-
	16 704	17 148	-	-
Balances to be amortised within one year	1 706	540	-	-
Balances to be amortised after one year	14 998	16 608	-	-
	16 704	17 148	-	-

Prepaid leases represent payments made for land use rights and are amortised over 15 to 20 years.

10 INVESTMENTS				
Unlisted				
- School debentures (At amortised cost)	37	37	10	10
	37	37	10	10

The investments in debentures have no maturity date and no interest applies to them.

11 INVESTMENT IN SUBSIDIARIES				
Unlisted Holding				
Shares at cost:				
- Engen Marketing Botswana (Pty) Ltd 100%	-	-	72 209	72 209

A listing of the Group's principal subsidiaries is set out in Note 22.

12 INVENTORIES				
Petroleum products purchased for resale - at cost	14 387	14 165	-	-
Provision for obsolete stock	(303)	(362)	-	-
	14 084	13 803	-	-

Notes to the Financial Statements [continued]

FOR THE YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	Dec 2018 P '000	Dec 2017 P '000	Dec 2018 P '000	Dec 2017 P '000
13 TRADE AND OTHER RECEIVABLES				
Financial assets				
Trade receivables, net of allowance for impairment	124 110	71 302	-	-
Other receivables	1 545	1 014	-	-
	125 655	72 316		
Non-financial assets				
Slate receivable	297 727	216 237	-	-
Security of supply margin levy	-	9 845	-	-
Other receivables	6 635	7 081	9	116
	430 017	305 479	9	116

Trade and other receivables are non-interesting bearing and are generally on 30-60 days' terms with the exception of the slate receivable from Government which has no set terms. Other receivables comprise of staff loans and value added tax receivable.

Trade and other receivables at 31 December				
Neither past due nor impaired	100 395	68 332	-	-
Past due but not impaired				
Less than 30 days	23 720	3 539	-	-
Between 30 days and 60 days	497	213	-	-
Between 60 days and 90 days	904	74	-	-
More than 90 days	139	158	-	-
Total	125 655	72 316	-	-

Past due but not impaired is based on time since recognition and after 30 days, the balances have no factors that would evidence impairment, management still considers these balances as fully recoverable. The directors consider the carrying amount to approximate the fair value.

13 TRADE AND OTHER RECEIVABLES [continued]

As at 31 December 2018, trade receivabl es at nominal value of P3 878 930 (December 2017: P2 783 974) were impaired and fully provided for. Movements in the allowance for expected credit losses of receivables were as follows:

	Group		Company	
	Dec 2018 P '000	Dec 2017 P '000	Dec 2018 P '000	Dec 2017 P '000
At beginning of year	2 784	218	-	-
Charge for the year	1 095	2 784	-	-
Reversal of unused provision	-	(218)	-	-
At end of year	3 879	2 784	-	-

The allowance represents impairment losses on individually assessed financial assets only.

The significant increase in the slate receivable was due to insufficient funds in the National Petroleum Fund that were required to settle the slate under-recoveries in the oil industry in Botswana. The slate under-recoveries accumulated over the period December 2017 to December 2018. Management has engaged with the Government and recoveries of these amounts are expected to take place in 2019. Hence, no impairment of these amounts was required.

14 CASH AND CASH EQUIVALENTS

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following:				
Cash on hand and at bank	88 672	148 742	2 203	1 686
Short term deposits	30 602	33 924	29 344	32 713
Cash resources	119 274	182 666	31 547	34 399

The short term deposits had variable effective interest rates of between 1.1% and 1.6% (December 2017 – 1.1% and 1.6%) for the year. At year end the short-term deposits were maturing within 60 days (December 2017:60 days). No interest is earned on cash amounts maintained in the Group's current accounts. The Group has unutilised banking facilities with First National Bank of Botswana Limited of P150 000 000 (December 2017: P2 500 000) and unutilised contingent guarantee facilities of P2 100 000 (December 2017: P2 100 000).

Notes to the Financial Statements [continued]

FOR THE YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	Dec 2018 P '000	Dec 2017 P '000	Dec 2018 P '000	Dec 2017 P '000
15 STATED CAPITAL				
159 722 220 authorised and issued ordinary shares at no par value	8 138	8 138	8 138	8 138
	8 138	8 138	8 138	8 138

For capital management disclosures refer to Note 21.

16 DISMANTLING AND RESTORATION COSTS				
Balance at beginning of year	56 581	51 724	-	-
Additional provision	4 981	-		
Change in estimate (Note 7)	3 101	1 146	-	-
Finance costs (Note 3.3)	4 526	3 711	-	-
	69 189	56 581	-	-
Health, safety and environment				
Balance at beginning of year	577	582	-	-
Reversal of unused provision	(577)	(5)	-	-
	-	577	-	-
Total provisions	69 189	52 306	-	-

The provision for dismantling and restoration costs relates to petrochemical sites in locations in which Engen Botswana Limited has operations. The group is required to restore sites at the end of their useful lives to an acceptable condition consistent with the Group's environmental policies and statutory regulations. The expected cost of any committed decommissioning or restoration programme, discounted to its net present value using a real pre tax discount rate of 7.96% (December 2017: 8.14%), is provided at the beginning of each project. The discount rate is determined by adjusting the South African risk free rate by the Botswana country risk. These estimates are reviewed at least annually. Any change to the provision as a result of a revision in estimate of dismantling and restoration costs or a revision in the discount rate must be accounted for in the same manner as the initial estimated cost. It is expected that most of these will be incurred in the next 9 to 40 years. Assumptions used to calculate the provision for dismantling and restoration costs were based on current information available. The change in estimate led to a increase (December 2017: decrease) in the cost of certain property, plant and equipment as it related to the future costs to dismantle the assets and restore the land. This change in estimates will affect the current and future depreciation. It is impracticable to allocate the change in estimate due to the number of items its applicable to and different useful lives thereof. The change in estimate emanated from the difference in exchange rates between the two reporting periods. Future cash outflows are expected to occur at the end of the useful lives of the sites.

16 DISMANTLING AND RESTORATION COSTS [continued]

The health, safety and environment provision relates to remediation of the environment that may be caused by spillage of petroleum products at each our retail, commercial and fuel depots. Probabilities of the spillages occurring have been used in order to determine the provision. Future cash outflows are expected to occur whenever a spill of petroleum products is made on the environment. The amount of the provision is determined using the average cost of spillage per site and an inflation rate of 3.50% (2017: 3.80%) was used in the calculations. The current portion of the Health and Safety provision is included on Other Payables in Note 17.

	Group		Company	
	Dec 2018 P '000	Dec 2017 P '000	Dec 2018 P '000	Dec 2017 P '000
17 TRADE AND OTHER PAYABLES				
Financial liabilities				
Trade payables	18 547	19 114	-	-
Related party payables (Note 18)	182 519	176 886	-	-
Other payables	5 854	9 911	1 509	1 414
	206 920	205 911	1 509	1 414
Non-financial liabilities				
Duties & Levies	41 612	46 025	-	-
Leave pay	920	866	-	-
Other payables	5 464	1 433	-	-
	254 916	254 235	1 509	1 414

Trade payables are non interest bearing and are normally settled on 30-60 day terms.

Other payables, duties and levies are non-interest bearing and have an average term of 30 – 60 day terms. Other payables consist of accruals, value added tax payable, provision for bonus and the health and safety provision.

For terms and conditions relating to related parties, refer to Note 18.

Notes to the Financial Statements [continued]

FOR THE YEAR ENDED 31 DECEMBER 2018

18 RELATED PARTY DISCLOSURES

Related party transactions where control exists include Petroleum Investment Holdings Limited, which owns 70% of the Company's shares. The remaining 30% of the shares are widely held. The ultimate parent of the Group is PETRONAS of Malaysia.

During the year, the Group entered into transactions with fellow subsidiaries. Those transactions along with related balances at 31 December 2018 and 31 December 2017 are presented in the following table:

	Group		Company	
	Dec 2018 P '000	Dec 2017 P '000	Dec 2018 P '000	Dec 2017 P '000
(i) Purchase of goods/services:				
Purchase of refined oil products - Engen Petroleum Limited	2 344 939	2 003 695	-	-
Service fees for the provision of technical, accounting and computer support - Engen Petroleum Limited (Note 3.2)	11 892	12 785	-	-
Dividends received from Engen Marketing Botswana (Proprietary) Limited	-	-	49 514	131 451
Rent paid to Joint Ventures	203	226	-	-

Engen Petroleum Limited, a company incorporated in the Republic of South Africa, is a subsidiary of PETRONAS of Malaysia and is therefore an entity related through common control. The above transactions were carried out on commercial terms and conditions.

18 RELATED PARTY DISCLOSURES [continued]

	Group		Company	
	Dec 2018 P '000	Dec 2017 P '000	Dec 2018 P '000	Dec 2017 P '000
(ii) Outstanding balances arising from purchases of goods/services				
Purchase of refined oil products and services fees for technical, accounting and computer support				
- Engen Petroleum Limited (Note 17)	182 519	176 886		
(iii) Compensation of key management personnel				
Short-term employee benefits	7 188	6 988	1 592	1 378
Post-employment benefits	340	377	-	-
Total compensation of key management personnel	7 528	7 365	1 592	1 378

The non-executive directors do not receive pension entitlement from the Group. A listing of the members of the Board of Directors is shown on page 1 of the financial statements

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at normal market prices. Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For year ended 31 December 2018, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (December 2017: Nil). This assessment is undertaken every financial year through examining the financial position of the related parties and the market in which the related parties operate. Related party balances are normally settled on 30 -60 days terms.

Notes to the Financial Statements [continued]

FOR THE YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	Dec 2018 P '000	Dec 2017 P '000	Dec 2018 P '000	Dec 2017 P '000
19 COMMITMENTS AND CONTINGENCIES				
19.1 Capital expenditure commitments				
The Group has the following purchase commitments for property, plant and equipment incidental to the ordinary course of business.				
Approved and committed	-	-	-	-
Approved but not committed	67 810	29 192	-	-
	67 810	29 192	-	-
19.2 Operating lease commitments - group as a lessee				
Future minimum rentals under non-cancellable leases are as follows:				
Within one year	1 650	1 522	-	-
More than one year but not more than five years	4 189	5 839	-	-
More than five years	-	-	-	-
	5 839	7 361	-	-
Deferred operating lease - group as a lessee				
Current portion of lease	480	388	-	-
Long term portion of lease	595	1 071	-	-
	1 075	1 459	-	-

The majority of leases between Engen Marketing Botswana (Pty) Ltd and the various lessors are in respect of premises on which service stations have been built and sub-let by the Group to its dealers. These leases are for periods ranging between 3 and 50 years with annual escalations of between 7% and 10% per annum with renewal options. Due to straight lining, the difference between the expense and cash payments will lead to prepaid amounts or accruals on the statement of financial position. The rental expense as disclosed in Note 3.2 is higher that the lease commitments shown above as it includes contingent rentals.

	Group		Company	
	Dec 2018 P '000	Dec 2017 P '000	Dec 2018 P '000	Dec 2017 P '000
19 COMMITMENTS AND CONTINGENCIES [continued]				
19.3 Contingent liabilities				
The Group, through its bankers, has provided the following guarantees at 31 December:				
Bond to the Department of Customs & Excise for the movement of petroleum products from the Republic of South Africa and Namibia to Botswana and whilst in transit.	248	248	-	-
Guarantee to Botswana Railways in respect of security for compliance with performance obligations in accordance with the fuel supply contract	300	300	-	-
	548	548	-	-

The Group's bankers issued guarantees in favour of the Department of Customs and Excise and Botswana Railways in terms of which the bankers (as guarantors) will reimburse the Department of Customs and Excise and Botswana Railways in the unlikely event that Engen default on their payments. This is limited to P248 000 and P300 000 respectively. In accordance with the agreed terms, any amounts paid by the bankers will be recovered from Engen. No liability is expected to arise.

19.5 Lease rentals receivable – group as a lessor

Contingent lease rentals receivable are based on volumes sold and a value has not been attributed to these agreements. Total contingent rentals recognised as income in the year amounted to P12 843 045 (2017: P12 790 718). Other lease rentals which are under cancellable lease arrangements relate to commercial property leases from third parties.

19.6 Legal claims

In the ordinary course of business, the Group is a defendant in a litigation arising from trade claims. Although there can be no assurances, the Group believes, based on information currently available, that the ultimate resolution of the legal proceedings would not likely have a material adverse effect on the results of its operations, financial position or liquidity of the Group. The Group has not raised any liability in respect of these claims which amount to nil (2017: nil).

Notes to the Financial Statements [continued]

FOR THE YEAR ENDED 31 DECEMBER 2018

20 SEGMENT REPORTING

Operating segment information

The property letting segment is made up of the two joint ventures (Refer to Note 8). The Directors consider that on the basis of risks and returns and the Group's organisational and reporting structure for management purposes there are primarily two operating segments, petrochemical activities and property letting business. Within the petrochemical activities there are two main business units, Commercial and Retail, the two segments have similar economic characteristics and the distribution channel is similar and as such have been aggregated as one segment; petrochemical activities segment. Petrochemical activities primarily involve the selling and distribution of fuel. All revenue is earned in Botswana and all assets are situated in Botswana. Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Amounts disclosed are based on the numbers included in the consolidated financial statements.

Year ended 31 December 2018

	Petrochemical Activities P'000	Property Letting P'000	Consolidated P'000
Segment Revenue			
External sales	2 519 306	-	2 519 306
Total Segment Revenue (Note 2)	2 519 306	-	2 519 306
Results			
Depreciation (Note 3.2)	24 684	-	24 684
Foreign exchange gains (Note 3.5)	14 056	-	14 056
Finance costs (Note 3.3)	(5 168)	-	(5 168)
Taxation (Note 4)	(41 689)	-	(41 689)
Share of profit of joint ventures	-	9 125	9 125
Profit for the year after tax	**118 227**	**9 125**	**127 352**
Total assets	**908 523**	**39 686**	**948 209**
Total liabilities	**334 227**	**-**	**334 227**
Capital Expenditure (Note 7)	**26 297**	**-**	**26 297**

20 SEGMENT REPORTING [continued]

Year ended 31 December 2017

	Petrochemical Activities P'000	Property Letting P'000	Consolidated P'000
Segment Revenue			
External sales	2 201 444	-	2 201 444
Total Segment Revenue (Note 2)	2 201 444	-	2 201 444
Results			
Depreciation (Note 3.2)	21 443	-	21 443
Foreign exchange gains (Note 3.5)	7 502	-	7 502
Finance costs (Note 3.3)	(3 818)	-	(3 818)
Taxation (Note 4)	(55 995)	-	(55 995)
Share of profit of joint ventures	-	4 583	4 583
Profit for the year after tax	**142 925**	**4 583**	**147 508**
Total assets	**836 545**	**30 561**	**867 106**
Total liabilities	**334 676**	**-**	**334 676**
Capital Expenditure (Note 7)	**43 720**	**-**	**43 720**

	Dec 2018 P '000	Dec 2017 P '000
Geographic information		
Revenues from external customers		
Botswana (Note 2)	2 519 306	2 201 444
Total revenue from external customers per the consolidated statement of profit or loss and other comprehensive income (Note 2)	2 519 306	2 201 444

The revenue information above is based on the location of the customers.

Notes to the Financial Statements [continued]

FOR THE YEAR ENDED 31 DECEMBER 2018

21 FINANCIAL INSTRUMENTS

Group

	Note	Loans and receivables P'000	Financial liabilities measured at amortised cost P'000	Assets/ (liabilities) held at fair value through P& P'000	Total carrying amount P'000
31 December 2018					
Financial assets					
Investments – unlisted debentures	10	37	-	-	37
Trade and other receivables	13	125 655	-	-	125 655
Cash at bank and in hand	14	119 274	-	-	119 274
Financial liabilities					
Trade and other payables	17	-	(206 920)	-	(206 920)
Forward exchange contract liability		-	-	(409)	(409)
		244 966	(206 920)	(409)	37 637
31 December 2017					
Financial assets					
Investments – unlisted debentures	10	37	-	-	37
Trade and other receivables	13	72 316	-	-	72 316
Cash at bank and in hand	14	182 666	-	-	182 666
Forward exchange contract asset		-	-	4 102	4 102
Financial liabilities					
Trade and other payables	17	-	(205 911)	-	(205 911)
Forward exchange contract liability		-	-	(277)	(277)
		255 019	(205 911)	3 825	52 933

21 FINANCIAL INSTRUMENTS [continued]

Company

The accounting classification of each category of financial instruments, and their carrying amounts, are set out below.

	Note	*Loans and receivables P'000*	*Financial liabilities measured at amortised cost P'000*	*Total carrying amount P'000*
31 December 2018				
Financial assets				
Investments – unlisted debentures	10	10	-	10
Cash at bank and in hand	14	31 547	-	31 547
Trade and other payables	17	-	(1 509)	(1 509)
		31 557	(1 509)	30 048
31 December 2017				
Financial assets				
Investments – unlisted debentures	10	10	-	10
Cash at bank and in hand	14	34 399	-	34 399
Financial liabilities				
Trade and other payables	17	-	(1 414)	(1 414)
		34 409	(1 414)	32 995

Notes to the Financial Statements [continued]

FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL INSTRUMENTS [continued]

Total interest income and total interest expense calculated using the effective interest method for financial assets or financial liabilities that are not at fair value through profit or loss are as follows:

	Group			Company		
	Interest income	*Interest expense*	*Total net gains and losses*	*Interest income*	*Interest expense*	*Total net gains and losses*
December 2018						
Loans and receivables/ payables	1 786	642	1 144	708	-	708
December 2017						
Loans and receivables/ payables	2 952	107	2 845	756	-	756

Total exchange gains and losses for financial assets or financial liabilities that are at fair value through profit or loss are as follows:

	Group		Company	
	Fair value gains/(losses)	*Total net fair value gains/(losses)*	*Interest income*	*Total net gains and losses*
December 2018				
Trade payables	14 793	14 793	-	-
Bank balances	1 229	1 229	-	-
Forward exchange contracts	(1 966)	(1 966)	-	-
December 2017				
Trade payables	(1 532)	(1 532)	-	-
Bank balances	(627)	(627)	-	-
Forward exchange contracts	9 661	9 661	-	-

21 FINANCIAL INSTRUMENTS [continued]

Financial risk management objectives and policies

The main risks arising from the group's and company's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

Interest rate risk

Financial instruments that are sensitive to interest rate risk are bank balances and cash (refer note 14). Interest rates applicable to these financial instruments compare favourably with those currently available in the market and are only applicable to Botswana interest rates. The group's policy is to minimise the interest rate risk exposure as such the group has no external debt and invests in the best interest yielding call and fixed deposits accounts.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates at reporting date, with all other variables held constant, of the group's and company's profit before tax (through the impact on floating rate financial instruments) and equity at reporting date. The reasonable possible change is based on past trends of interest rates and expected future changes. The impact was calculated by applying the reasonable possible change to the exposures at reporting date, and with reference to the next 12 months. There is no direct impact on the group's and company's equity apart from the after tax amount of the statement of profit or loss and other comprehensive income impact.

	Group		Company	
	Dec 2018 P '000	Dec 2017 P '000	Dec 2018 P '000	Dec 2017 P '000
Effect on profit before tax				
Increase of 1% in interest rates	1 192	1 827	315	344
Decrease of 1% in interest rates	(1 192)	(1 827)	(315)	(344)

Foreign currency risk

The group purchases its petroleum products in other countries and, as a result, is exposed to movements in foreign currency exchange rates. Foreign currency risk is managed at a senior level and monitored by the group management. Foreign currency risk is only with regard to transactions with a fellow subsidiary in South Africa payable in Rands.

The group and company use foreign currency forward exchange to manage foreign exchange exposure.

The following table demonstrates the sensitivity to a reasonably possible change in the South African Rand exchange rate, with all other variables held constant, of the group's and company's profit before tax (due to changes in the fair value of monetary assets and liabilities). The reasonable possible change is based on past trends of foreign exchange rates and expected future changes. The impact was calculated by applying the reasonable possible change to the exposures at reporting date, and with reference to the next 12 months. There is no effect on the group's and company's equity apart from the after tax amount of the statement of profit or loss and other comprehensive income impact.

Notes to the Financial Statements [continued]

FOR THE YEAR ENDED 31 DECEMBER 2018

21 FINANCIAL INSTRUMENTS [continued]

	Dec 2018 P '000	Dec 2017 P '000
Effect on profit before tax		
Increase of 10% in the ZAR rate	(16 904)	(20 350)
Decrease of 10% in the ZAR rate	16 904	20 350

Financial Risk Management

The group mitigates the risk of foreign exchange rate movements through the use of forward exchange contracts. The notional amount of coverage from forward contracts as at 31 December 2018 was P171 082 898 (31 December 2017: P140 215 022).

Currency profile

The Pula equivalent values of amounts translated from foreign currencies at year end are as follows:

	Group		Company	
	Dec 2018 P '000	Dec 2017 P '000	Dec 2018 P '000	Dec 2017 P '000
Related party payables (Note 17)	182 519 125	246 583 338	176 885 753	220 930 305
Exchange rate	1.000	1.351	1.000	1.249

Credit risk management

Transactions are only conducted with approved counterparties that satisfy the assessment in terms of specific guidelines, rules, and parameters in terms of an approved counterparty selection list and limits. The purpose of credit risk policies and processes is to set the foundation for the establishment of effective credit risk management across the Group.

The Group's credit risk is primarily attributable to trade and other receivables. The amounts presented in the Statement of Financial Position are net of allowances for expected credit losses. For allowances for doubtful receivables disclosure, refer to note 12. An allowance for impairment is made based on historical credit loss experience adjusted for forward-looking factors specific to the receivable and the economic environment.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for various customer segments with similar loss patterns, specifically with respect to geographical region, customer type and rating. The calculation reflects the probability-weighted outcome, current conditions and forecasts of future economic conditions.

21 FINANCIAL INSTRUMENTS [continued]

Credit risk management [continued]

The Group has collateral against some of its trade and other receivables in the form of cessions over trade and other receivables, bonds over movable and immovable property and letters of guarantee.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents and certain derivative instruments, the Group's exposure to credit risks arises from default of the counter party. The credit quality of these counterparties is good as all of these counterparties are reputable banking institutions.

Maximum credit risk exposure per class in total is the carrying values of loans and receivables and financial assets at fair value disclosed in Note 13.

For trade and other receivables, all new counterparties are subject to a credit risk assessment. This is a process whereby a counterparty's credit worthiness is evaluated using qualitative and quantitative weighted criteria. Use is made of outside vetting agencies to vet new potential customers. The information obtained from these agencies is used in the Group's own credit risk rating system.

As a result of these evaluations the customers are assigned a risk rating. The credit risk rating framework is used as the primary credit evaluation tool. Exposure limits, credit terms and security requirements are all set according to these risk ratings.

All customers are grouped according to their risk category.

The risk rating determines how often the counterparties risk rating will be reviewed. If the counterparties risk rating is rated as average risk, low risk, or minimal risk the review takes place every 6 months. Each business stream and division will monitor their credit exposure and credit risk for reporting to management on a monthly basis.

The following is a table highlighting the credit quality of Engen's trade and other receivables.

%	Low Risk	Minimal Risk	Average Risk	Significant/ High risk	Total
2018	97%	-	-	3%	100%

The following is a table highlighting the credit quality of Engen's trade and other receivables that are neither past due nor impaired.

%	Low Risk	Minimal Risk	Average Risk	Significant/ High risk	Total
2017	96%	-	-	4%	100%

Notes to the Financial Statements [continued]

FOR THE YEAR ENDED 31 DECEMBER 2018

21 FINANCIAL INSTRUMENTS [continued]

Debtors in government and industry and commerce category are the main trade categories that fall into low risk, with industry and commerce being the main trade category in minimal risk. Industry and commerce and retail are the main trade categories in average risk; and sales and distribution companies, fleet, retail and export debtors are the main categories in significant risk.

Listed below is the age analysis of trade and other receivables. The age analysis is based on credit terms.

2018 P'000	Carrying Amount	Current	Less than 30 days	Between 30 and 60 days	Between 60 and 90 days	More than 90 days
Expected credit loss rate						
Trade receivables and gross carrying amount	129 534	100 395	23 720	497	904	4 018
Expected credit losses	(3 879)	-	-	-	-	(3 879)
	125 655	100 395	23 720	497	904	139

2017 P'000	Total	Neither past due nor impaired	Past due but not impaired
Trade receivables	71 302	67 318	3 984
Other receivables	1 014	1 014	-
	72 316	68 332	3 984

Impairment refers to individual and collective impairment in accordance with the Group's accounting policies.

The movement in the allowance account for impaired receivables is set out in Note 13.

21 FINANCIAL INSTRUMENTS [continued]

Liquidity risk

Liquidity risk is the risk that the group and company have insufficient funds available to fulfil their existing and future cash flow obligations. Several elements are regarded as fundamental in the management of liquidity. These include the maintenance of minimum levels of marketable and liquid assets; effective cash flow management; implementation of long term funding strategies; diversification of funding; and adequate contingency plans.

The group and company have access to banking facilities in excess of their current and anticipated future requirements. The group's and company's borrowing powers are not limited by its Articles of Association.

The following table summarises the maturity profile of the group's financial liabilities at 31 December 2018 based on contractual undiscounted payments:

	Less than 1 month P'000	1 to 3 months P'000	3 to 12 months P'000	1 to 5 years P'000	> 5 years P'000	Total P'000
Group						
31 December 2018						
Trade and other payables	-	206 920	-	-	-	206 920
Forward exchange contract liability	-	409	-	-	-	409
	-	207 329	-	-	-	207 329
31 December 2017						
Trade and other payables	-	205 911	-	-	-	205 911
Forward exchange contract liability	-	277	-	-	-	277
	-	206 188	-	-	-	206 188
Company						
31 December 2018						
Trade and other payables	-	1 509	-	-	-	1 509
31 December 2017	-	1 414	-	-	-	1 414
Trade and other payables	-	1 414	-	-	-	1 414

Notes to the Financial Statements [continued]

FOR THE YEAR ENDED 31 DECEMBER 2018

21 FINANCIAL INSTRUMENTS [continued]

FAIR VALUE MEASUREMENTS

The following table provides fair value measurement hierarchy of the group's assets and liabilities.
Quantitative disclosures fair value measurement hierarchy for instruments as at 31 December 2018:

		Fair value measurement using:			
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2	Significant unobservable inputs (Level 3)
Assets measured at fair value:					
	Date of valuation	**P'000**	**P'000**	**P'000**	**P'000**
Foreign exchange forward contracts	31 December 2018	-	-	-	-
Liabilities measured at fair value:					
Foreign exchange forward contracts	31 December 2018	409	-	409	-

There have been no transfers between level I and 2 during the year.

Quantitative disclosures fair value measurement hierarchy for instruments as at 31 December 2017:

		Fair value measurement using:			
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2	Significant unobservable inputs (Level 3)
Assets measured at fair value:					
	Date of valuation	**P'000**	**P'000**	**P'000**	**P'000**
Foreign exchange forward contracts	31 December 2017	4 102	-	4 102	-
Liabilities measured at fair value:					
Foreign exchange forward contracts	31 December 2017	277	-	277	-

21 FINANCIAL INSTRUMENTS [continued]

Fair values

The directors consider the carrying amount of all financial instruments to approximate their fair value since the financial assets and liabilities have a short term to maturity and the interest rate on other receivables approximate the market rate. The fair value of foreign forward exchange contracts (FEC) is determined by using quoted prices in a market that is not active for the identical item held by another party as an asset. The fair value is measured using a valuation model. The input to this model being exchange rates are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

Capital management

The group and company define capital as the total equity of the group and company as noted in the statement of changes in equity. The group's and company's long-term objective for managing capital is to deliver competitive, secure and sustainable returns to maximise long-term shareholder value. Management is of the view that these objectives are being met. The group and company are not subject to any externally-imposed capital requirements.

The group and company aim to maintain capital discipline in relation to investing activities while growing the dividend per share. The Group and company do not have any long term debt. Cash retained in the group and company is used to self-fund investing activities.

22 SUBSIDIARY COMPANY

The subsidiary company of Engen Botswana Limited which is incorporated in Botswana, is as follows:

	% Holding	Business Description
Engen Marketing Botswana (Pty) Ltd	100	Marketing of petroleum products

The major portion of the group's activities are conducted by Engen Marketing Botswana (Pty) Ltd.

23 EVENTS AFTER THE REPORTING PERIOD

There are no events that occurred after the reporting period that may require adjustment or disclosure in the annual financial statements.

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Independent auditor's report

TO THE SHAREHOLDERS OF ENGEN BOTSWANA LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Engen Botswana Limited set out on pages 37 to 92, which comprise the consolidated and separate statements of financial position as at 31 December 2018, and the consolidated and separate statements of profit or loss and other comprehensive income, statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Engen Botswana Limited as at 31 December 2018, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act of Botswana (CAP 42:01).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the ***Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements*** section of our report. We are independent of the Company in accordance with the ***International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)*** and other independence requirements applicable to performing audits of the Group. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audits of the Group. 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 consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

Building a better working world

Independent auditor's report [CONTINUED]

TO THE SHAREHOLDERS OF ENGEN BOTSWANA LIMITED

Key Audit Matter	How the matter was addressed in the audit
Provision for dismantling and restoration cost of sites (Consolidated financial statements) As described in note 16, the Group has a significant provision for the dismantling and restoration cost of sites stated at P69.2 million at 31 December 2018 representing 21% of the Group's total liabilities. The provision is based upon current cost estimates and is determined on a discounted basis with reference to current legal requirements and technology. The calculation of the provision therefore depends significantly on the exercise of judgment in determining assumptions around decommissioning costs, inflation rates, discount rates, and timing of the decommissioning based on the estimated life of the sites. These assumptions are subject to change over time. At each reporting date, the provision is reviewed and re-measured in line with the changes in observable assumptions, timing and the latest estimates of the costs to be incurred on each site. In addition to the above, we considered the provision to be significant to the current year audit of Engen Botswana Limited (Group) due to the following reason: During the year, six service stations across the country were opened compounding the judgement regarding cost estimation as restoration and rehabilitation of each site is relatively unique. In addition, there has been a limited number of decommissioning activities in the past, resulting in an increased estimation uncertainty. The provision for dismantling and restoration cost of sites is disclosed in Note 16 to the financial statements together with the key judgements and estimates described in Note 1.	Our audit procedures comprised, amongst others: • We analysed management's estimate of future costs by comparing the estimated amounts to quotes from third parties, taking into account the new sites added in the current year, inflation and exchange rates over time. • We agreed the lease terms used in the calculation to the terms in the lease contracts. For existing sites we assessed the consistency of terms to that in the prior year. • For the new sites, we evaluated the assumptions made by management in the determination of the useful lives to the principles of IAS 16 Property, Plant and Equipment (IAS 16). • We assessed whether the useful lives were reasonable by challenging management's judgements through comparing the useful lives to external market data. • We reviewed and assessed the stage of completion of the new sites and evaluated it against the recognition requirements of IAS 16. • We involved our internal specialists to test the reasonableness of the discount rate used in the calculation of the provision by considering the decrease in the real discount rate in the current year. • We assessed the reasonability of the discount rate and the risk free rate by comparing to external data sources.

Building a better working world

Independent auditor's report [CONTINUED]

TO THE SHAREHOLDERS OF ENGEN BOTSWANA LIMITED

Key Audit Matter	How the matter was addressed in the audit
Provision for dismantling and restoration cost of sites (Consolidated financial statements) The Group has a 40% and 25% interest in the joint venture arrangements, Engen Palapye Partnership and Engen Maun Partnership, respectively, which are involved in property letting. As at 31 December 2017, the carrying amount of the investments in the joint ventures amounted to P30.6 million and the share of profit therefrom amounted to P4.6 million. The valuation of the properties held in the joint ventures was considered to be significant to the audit of Engen Botswana Limited (Group) due to the following reasons; • The valuation of the properties held in the joint ventures is complex as it is sensitive to unobservable valuation inputs, uncertain future cash flows and assumptions that require considerable judgement. • The high degree of judgment required is driven by the fact that the properties held by the partnerships are on tribal land in remote locations with few similar properties that provide comparable valuations and there is no active market in trading such properties on tribal land. The Interests in Joint Ventures are disclosed in Note 8 to the financial statements together with the investments in joint ventures accounting policy described in Note 1.	Our audit procedures included, amongst others: • We also tested the accuracy of other inputs used by management such as checking that all the sites have been included in the calculation. • We performed a recalculation of the unwinding of the discount rate arising from the present value calculations applied to the future cash flows. • We assessed the completeness and accuracy of the disclosures relating to the provision in terms of the requirements of IFRS.
Existence and recoverability of the slate receivable (Consolidated financial statements) As at 31 December 2018, the overdue slate balance receivable from the Department of Energy in the Ministry of Mineral Resources, Green Technology and Energy Security (National Petroleum Fund) equals P297.7 million (2017: P216.2 million). This represents 69% (2017: 71%) of the trade and other receivables and 31% (2017: 25%) of the total assets as at 31 December 2018. The debtor days were 62 days as at 31 December 2018 (2017: 50 days) We identified the recoverability of the slate receivable balance as a key audit matter due to the following reasons;	Our audit procedures comprised, amongst others: • We held several discussions with management about the past due slate receivable balance to understand the judgement exercised in assessing the collectability of the slate receivable that was past due but not impaired. • We reviewed and assessed the reasonableness of management's assumptions supporting the forecasted sales prices and stability of the crude oil prices on the global market in comparison to external data sources.

Building a better working world

Independent auditor's report [CONTINUED]

TO THE SHAREHOLDERS OF ENGEN BOTSWANA LIMITED

Key Audit Matter	How the matter was addressed in the audit
Existence and recoverability of the slate receivable (Consolidated financial statements) • Significance of the balance to the consolidated financial statements • The significant degree of judgements made by management in assessing the recoverability of the balance from the National Petroleum Fund given the significant delays experienced by the Group in the recovery of the overdue amount. • The estimation uncertainty around management's judgements which include assumptions around the stability of forecasted crude oil prices (on the global market) and local oil sales prices as determined by the Government which drives the recovery of the slate receivable balance. The slate receivable is disclosed in note 13 to the financial statements.	Our audit procedures comprised, amongst others: • We obtained external confirmation of the slate receivable balance and the rates used in computing the slate receivable balance through to December 2018. • We inspected and evaluated the repayment plans agreed with the Department of Energy. • We corroborated amounts recovered from the Department of Energy post year-end through inspection of bank statements.

Building a better working world

Independent auditor's report [CONTINUED]

TO THE SHAREHOLDERS OF ENGEN BOTSWANA LIMITED

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of Botswana (CAP 42:01), which we obtained prior to the date of this report and the annual report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Botswana (CAP42:01), and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group and 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 intends to liquidate the group or company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group and Company's financial reporting processes.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

Building a better working world

Independent auditor's report [CONTINUED]

TO THE SHAREHOLDERS OF ENGEN BOTSWANA LIMITED

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves a fair representation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group and company audit. We remain solely responsible for our audit opinion.

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

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

Building a better working world

Independent auditor's report [CONTINUED]

TO THE SHAREHOLDERS OF ENGEN BOTSWANA LIMITED

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

Ernst + Young

Ernst & Young
Practicing Member: Bakani Ndwapi
Partner
Certified Auditor
Membership number: 20030022
Gaborone

29 March 2019

Notice of Annual General Meeting

Notice is hereby given that the 53rd Annual General Meeting of the company will be held at the Avani Gaborone Resort & Casino, on Thursday 20 June 2019 at 09:00hrs for the following business:

Agenda

1. To read the notice convening the meeting.

2. To receive and consider the audited financial statements for the year ended 31 December 2018.

3. To approve the dividends as recommended by the directors.

4. To elect directors of the company who are retiring by rotation in terms of the articles of association:
   Messrs L Makwinja, F Kotze and V Bvumbi being eligible have offered themselves for re-election.

   4a) To confirm the re-election of L Makwinja who retires in accordance with Article 62 of the Constitution and being eligible, offers himself for re-election.

   4b) To confirm the re-election of F Kotze who retires in accordance with Article 62 of the Constitution and being eligible, offers himself for re-election.

   4c) To confirm the re-election of V Bvumbi who retires in accordance with Article 62 of the Constitution and being eligible, offers herself for re-election.

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

6. To approve the auditor's remuneration for the 2018 audit.

7. To appoint Ernst & Young as auditors for the 2019 audit.

8. To transact such other business as may be transacted at an Annual General Meeting.

Every member entitled to attend and vote at the meeting may appoint one or more persons as a proxy to attend, speak and vote in his/her stead. A proxy need not be a member of the company. The instructions appointing such a proxy must be deposited at the company's transfer offices or registered offices at least 48 hours before the time to meeting.

By order of the Board.

PricewaterhouseCoopers (Proprietary) Limited
Company Secretaries
Gaborone

23 May 2019

Proxy form

For completion by holders of Ordinary shares

Please read the notes overleaf before completing this form.
For use at the Annual General Meeting of Shareholders of the company to be held at Avani Gaborone Resort & Casino on 20th June 2019.

I/We _____
(Name in block letters)
Of (Address) _____

Hereby appoint 1. _____

or failing him/her, _____

or failing him/her, _____

The Chairman of the meeting

As my /our proxy to act for me/us at the 2019 Annual General Meeting of the Company to be held at Avani Gaborone Resort & Casino, Gaborone on 20th June 2019 at 09:00hrs and at any adjournment thereof to vote for or against the resolutions and/or abstain from voting in respect of the Ordinary Shares registered in my/our name in accordance with the following instruction

		Number of ordinary shares		
		For	Against	Abstain
Ordinary resolution 1	Agenda No 2			
Ordinary resolution 2	Agenda No 3			
Ordinary resolution 3	Agenda No 4			
Ordinary resolution 4a)	Agenda No 5			
Ordinary resolution 4b)	Agenda No 5			
Ordinary resolution 4c)	Agenda No 5			
Ordinary resolution 5	Agenda No 6			
Ordinary resolution 6	Agenda No 7			
Ordinary resolution 7	Agenda No 8			

Signed at _____

Date: _____ Signature: _____

Assisted by (where applicable) _____

Each shareholder who is entitled to attend and vote at a General Meeting is entitled to appoint one or more persons as proxy to attend speak and vote in place of the shareholder at the Annual General Meeting and the proxy so appointed need not be a member of the company.

Please read notes 1 - 7 on the reverse side hereof.

PROXY FORM [CONTINUED]

1. A Shareholder must insert the names of two alternative proxies of the Shareholders choice in the space provided with or without deleting "Chairman of the Annual General Meeting". The person whose name appears first on the form of proxy and whose name has not been deleted shall be entitled to act as proxy to the exclusion of those whose names follow.

2. A shareholders instruction to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the Shareholder in the appropriate space provided. Failure to comply herewith will be deemed to authorize the proxy to vote at the General Meeting as he/she deems fit in respect of the Shareholders votes exercisable thereat, but where the proxy is the Chairman, failure to comply will be deemed to authorize the proxy to vote in favour of the resolution. A Shareholder or his/her proxy is obliged to use all the votes exercisable by the Shareholder or by his/her proxy.

3. The completion and lodging of this form will not preclude the relevant Shareholder from attending the General Meeting. and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof.

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

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

6. The authority of a person signing the form of proxy under power of attorney or on behalf of a company must be attached to the form of proxy.

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

ENGEN

Plot 54026, Western Bypass
P O Box 867, Gaborone