

**ABRIDGED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 JUNE 2019**

	Unaudited		% change	Audited
	6 Months to 30.06.19	6 Months to 30.06.18		12 Months to 31.12.18
	P'000	P'000		P'000
Revenue	1,352,795	1,116,718	21%	2,534,340
Cost of Sales	(1,207,005)	(965,742)		(2,269,124)
<b>Gross Profit</b>	<b>145,790</b>	<b>150,976</b>	<b>-3%</b>	<b>265,216</b>
Other income	238	-		26
Forex gains	2,010	5,790		14,056
Administrative Expenses	(7,412)	(9,081)		(17,817)
Distribution & Marketing Expenses	(49,794)	(44,718)		(93,563)
Other Operating Expenses	(1,845)	(1,495)		(2,834)
<b>Operating Profit</b>	<b>88,987</b>	<b>101,472</b>	<b>-12%</b>	<b>165,084</b>
Share of profit of joint ventures	1,553	1,653		9,125
Finance costs	(3,318)	(1,939)		(5,168)
<b>Profit before taxation</b>	<b>87,222</b>	<b>101,186</b>	<b>-14%</b>	<b>169,041</b>
Taxation	(25,970)	(27,817)		(41,689)
<b>Profit for the period attributable to equity holders of the parent</b>	<b>61,252</b>	<b>73,369</b>	<b>-17%</b>	<b>127,352</b>
Other comprehensive income	-	-		-
<b>Total comprehensive income for the period</b>	<b>61,252</b>	<b>73,369</b>	<b>-17%</b>	<b>127,352</b>

Note:  
Accounting Policies  
The financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) 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 (Companies Act, 2003).

**SUPPLEMENTARY GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 JUNE 2019**

	Unaudited		% change	Audited
	6 Months to 30.06.19	6 Months to 30.06.18		12 Months to 31.12.18
	P'000	P'000		P'000
Historical cost net profit	61,252	73,369		127,352
Less: Inventory effects	44,104	46,295		59,135
Inventory profits	56,543	59,352		75,814
Taxation @ 22%	(12,439)	(13,057)		(16,679)
Replacement cost net profit	17,148	27,074	-37%	68,217
Shares in issue	159,722,220	159,722,220		159,722,220
Historical cost earnings per share (thebe)	38.3	45.9		79.7
Replacement cost earnings per share (thebe)	10.7	17.0		42.7
Dividend per share paid and provided (thebe)	39.9	31.0		31.0
Historical cost dividend cover	1.0	1.5		2.6
Replacement cost dividend cover	0.3	0.5		1.4

**ABRIDGED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

	Unaudited		% change	Audited
	As at 30.06.19	As at 30.06.18		As at 31.12.18
	P'000	P'000		P'000
<b>ASSETS</b>				
<b>Non current assets</b>				
Property, plant and equipment	309,314	314,910		323,005
Right of Use of Assets	43,210	-		-
Investments	37	37		37
Prepaid leases	-	9,982		14,998
Share of investments in joint ventures	41,239	32,216		39,686
	393,800	357,145		377,726
<b>Current assets</b>				
Inventories	11,343	21,300		14,084
Trade and other receivables	369,767	422,677		430,017
Taxation receivables	8,523	-		5,402
Right of Use of Assets	6,671	-		-
Prepaid leases	-	540		1,706
Forward exchange contracts asset	453	10		-
Cash and cash equivalents	177,647	88,107		119,274
	574,404	532,634		570,483
<b>Total Assets</b>	<b>968,204</b>	<b>889,779</b>	<b>9%</b>	<b>948,209</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Stated capital	8,138	8,138		8,138
Non distributable reserve	2,200	2,200		2,200
Retained income	597,938	549,661		603,644
	607,376	559,999		613,982
<b>Non current liabilities</b>				
Deferred tax liabilities	6,667	3,436		8,638
Right of Use liability	36,339	-		-
Deferred lease liability	-	1,095		595
Provisions	72,558	59,014		69,189
	115,564	63,545		78,422
<b>Current Liabilities</b>				
Trade and other payables	238,980	248,683		254,916
Taxation payable	-	13,932		-
Right of Use Liability	6,278	-		-
Deferred lease liability	-	364		480
Forward exchange contracts liability	6	3,256		409
	245,264	266,235		255,805
<b>Total Liabilities</b>	<b>360,828</b>	<b>329,780</b>		<b>334,227</b>
<b>Total Equity and Liabilities</b>	<b>968,204</b>	<b>889,779</b>	<b>9%</b>	<b>948,209</b>

**Executive Comments**

During the first half of 2019 Real GDP Growth was estimated at 4.2% year on year and this is expected to be sustained for the remainder of the year. Diamond production remained a key factor behind the economic growth although global demand in the diamond industry deteriorated as did the performance of other export industries. GDP was largely sustained by the buoyant performance of the non-mining sectors of the economy which registered a reasonable high level of economic growth. While there was an improvement in the performance of the mining sector of the economy compared to prior periods, we need to see higher levels of performance in this sector in order to achieve economic growth levels that will have a meaningful impact on the performance of the economy. Mining plays an important role in the performance of the economy and subdued activity in this sector has a negative impact on economic output and results in the inherent contagion effect on other sectors of the economy.

Headline inflation remained at low levels by comparative historical standards at 2.8% and was still below the lower level of the Bank of Botswana target band of 3-6%. Low inflation is a reflection of the lack of strong demand price influences. Inflation is however expected to increase in the second half of the year due to upward pressure on prices caused by the 18% increase in the minimum wage.

During the second half of the year, the relatively strong external buffers will continue to shield the country from potential diamond sector volatility. It is expected the Government will continue to exercise fiscal prudence even with the upcoming elections, which are scheduled for 23 October 2019.

Crude oil prices remained volatile during the first half of 2019 moving from around 58

**ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2019**

	Stated Capital		Non Distributable Reserves	Retained Income	Total
	P'000	P'000			
Balance at 31 December 2018	8,138	2,200		603,644	613,982
Profit for six months ended 30 June 2019				61,252	61,252
Change in Accounting Policy - IFRS 16				(8,957)	(8,957)
Other comprehensive income for the period				-	-
Dividends on ordinary shares				(58,901)	(58,901)
Balance at 30 June 2019	8,138	2,200		597,038	607,376

**ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2018**

	Stated Capital		Non Distributable Reserves	Retained Income	Total
	P'000	P'000			
Balance at 31 December 2017	8,138	2,200		522,092	532,430
Profit for six months ended 30 June 2018				73,369	73,369
Other comprehensive income for the period				-	-
Dividends on ordinary shares				(45,800)	(45,800)
Balance at 30 June 2018	8,138	2,200		549,661	559,999

**ABRIDGED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 30 JUNE 2019**

	Unaudited		Unaudited	% change	Audited
	6 Months to 30.06.19	6 Months to 30.06.18			6 Months to 30.06.18
	P'000	P'000	P'000		P'000
Net cashflow from operations	85,537	126,560	35,909		193,277
Movement in working capital	80,633	(130,247)	(27,381)		(124,138)
Taxation paid	(31,062)	(31,996)	(11,420)		(60,000)
<b>Cash flow available (used in) from operations</b>	<b>135,108</b>	<b>(35,683)</b>	<b>(2,892)</b>		<b>9,139</b>
Dividend paid	(58,901)	(45,800)	(15,972)		(45,800)
<b>Net cash flows from operating activities</b>	<b>76,207</b>	<b>(81,483)</b>	<b>(18,864)</b>		<b>(36,661)</b>
Net cash flows from investing activities	(14,290)	(13,076)	1,825		(26,731)
Net cash flows from financing activities	(3,544)	-	1,825		-
Net increase/(decrease) in cash and cash equivalents	58,373	(94,559)	(15,214)		(63,392)
Cash and Cash equivalents at the beginning of the period	119,274	182,666			182,666
<b>Cash and Cash equivalents at the end of the period</b>	<b>177,647</b>	<b>88,107</b>	<b>(15,214)</b>	<b>102%</b>	<b>119,274</b>

**SEGMENTAL REPORTING FOR THE HALF YEAR ENDED 30 JUNE 2019**

**Operating segments**

2019

	Petrochemical Activities		Property Letting	Consolidated
	P'000	P'000		
Revenues	1,352,795	-	-	1,352,795
Profit before taxation	85,669	1,553	-	87,222
Taxation	-	-	-	(25,970)
Net profit for the period	-	-	-	61,252
Total assets	926,965	41,239	-	968,204
Total liabilities	360,828	-	-	360,828

2018

	Petrochemical Activities		Property Letting	Consolidated
	P'000	P'000		
Revenues	1,116,718	-	-	1,116,718
Profit before taxation	99,533	1,653	-	101,186
Taxation	-	-	-	(27,817)
Net profit for the period	-	-	-	73,369
Total assets	857,563	32,216	-	889,779
Total liabilities	329,780	-	-	329,780

USD per barrel in January to over 71 USD per barrel in May and down to just over USD 60 per barrel at the end of June. The price instability was a result of a number of reasons including OPEC supply restrictions, USA/China trade wars, USA inventory holdings and the geo political tensions in the Middle East. Since Botswana imports most of its fuel products from South Africa, the acquisition cost from suppliers in South Africa would have been impacted by all these factors in addition to the South African Rand/US Dollar rate of exchange. While fuel pump prices in Botswana have been constant throughout the first half of the year, this has been made possible by the slate pricing mechanism which has been used to stabilise the local prices. The equalisation of the slate still remained a subject of vigorous discussion between the petroleum companies and the Government at the end of June 2019.

The petroleum sector continued to expand very rapidly with a number of new retail facilities being constructed and reconstructed during the period under review. Notwithstanding an increase in the level of competition the company continued to deliver strong performance from its operations. It is expected that performance will continue to be robust for the remainder of the year.

While government made some payments to the industry towards the slate under-recovery during 2018, a substantial amount remained unpaid as at the end of June 2019 thereby affecting the liquidity of the oil marketing companies. We hope that the Government will take the hard decisions that are necessary in order to address this long outstanding issue.

**Financial Performance**

Net Profit Before Tax decreased by 14% during the period under review compared to the previous year. This was mainly as a result of inventory gains being lower than the comparative period in 2018 due to movements in international crude oil and finished product prices. In addition, there was no margin increase that was awarded by the Government during the period under review. The slate receivable from Government decreased from P298 million to P250 million from December 2018 to 30 June 2019 respectively. Although there was an improvement in the recovery of the slate under-recovery balances, our cash flow and financing income was affected adversely. The slate under-recovery is being actively pursued by the industry.

The company adopted IFRS 16 Leases by applying the modified retrospective approach effective from 1 January 2019. This standard had the effect of recognising Right of Use Assets of P49.9 million and the Right of Use Liabilities of P42.6 million as at 30 June 2019. In addition, depreciation on the Right of Use of Assets balance was P1.9 million and finance charges on the Right of Use Liability were P1 million for the half year which had the impact of increasing operating expenses during the period.

Earnings per share decreased from 45.9 thebe per share during the same period in 2018 to 38.3 thebe per share for the period under review.

**Operating Review**

The performance of the retail sales channel of the business improved by 8% compared to prior year as a result of some operational efficiencies gained in the base retail network and volume contributions made by new sites. Retail will continue to be the cornerstone of the business in Botswana in the years to come.

Our strong brand and unique convenience offering continued to be a valuable differentiator in the market and contributed to the financial performance in the period under review.

The commercial side of the business continued to be a strong contributor to overall company performance. Although there was a shortage of LPG in the first few months of the year due to refinery shutdowns, we expect this situation to improve during the second half of the year.

The lubricants sales channel continued to perform well and it is expected that this performance will be enhanced during the second half of the year through supply chain process improvements.

The company achieved an outstanding level of HSEQ performance with no injuries and

no loss of primary containment or contaminations, which are critical KPI's, recorded in the period under review.

**Conclusion**

The Directors of the company acknowledge the contribution of the management, staff, valued customers, shareholders and all other stakeholders for the support toward the success of Engen Botswana Limited during the first half of 2019.

**By order of the Board**

Dr. S Ndzinge (Chairman)



C C Monga (Managing Director)



10 September 2019

**Declaration of Interim Dividend**

Notice is hereby given that an interim gross dividend of 15 thebe per share in respect of the half year ended 30 June 2019 has been declared payable to ordinary shareholders registered in the books of the company at the close of business on 17 October 2019 with an ex-dividend date of 15 October 2019.

In compliance with the requirements of the Income Tax Act, withholding tax at the rate of 7.5% will be deducted by the company from all dividends.

Dividend cheques and transfers will be dispatched by the Transfer Secretaries on or about 29 October 2019. A shareholder who requires the company to make any changes in regard to the payment of their dividend must lodge a written request with the Transfer Secretaries on or before 23 October 2019.

**Registered Office**

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**Transfer Secretaries**

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**Auditors**

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