Fuelling Botswana

ANNUAL REPORT 2017|2018

BOTSWANA OIL
Your Fuel. Your Future

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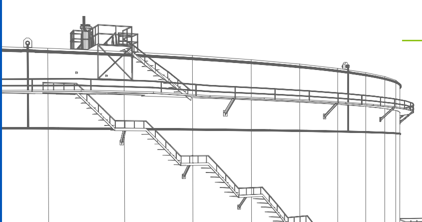
THREE YEAR PERFORMANCE

Figures in BWP	2018 P	2017 P	2016 P
Revenue	539,258,815	250,385,746	230,976,015
Cost of Sales	531,161,678	(250,604,598)	(181,303,499)
Gross Profit/(Loss)	***8,097,137***	***(218,852)***	***49,672,516***
Other Operating Income	256,582	9,461,197	3 ,493,110
Administrative Expenses	(61,947,245)	(53,985,302)	(42,719,080)
(Loss)/Profit from Operations	***(53,593,526)***	***(44,742,956)***	***10,446,546***
Finance Income	2,786,640	4,247,772	5,179,358
Finance Cost	(1,317,041)	(2,368,648)	-
(Loss)/Profit Before Income Tax Expense	***(52,123,927)***	***(42,863,832)***	***15,625,904***
Income Tax Expense	5,084,734	9,414,983	(3,379,564)
(Loss)/Profit After Income Tax Expense	***(57,208,670)***	***(33,448,849)***	***12,246,340***
Total Comprehensive Income	***(57,208,670)***	***(33,448,849)***	***12,246,340***



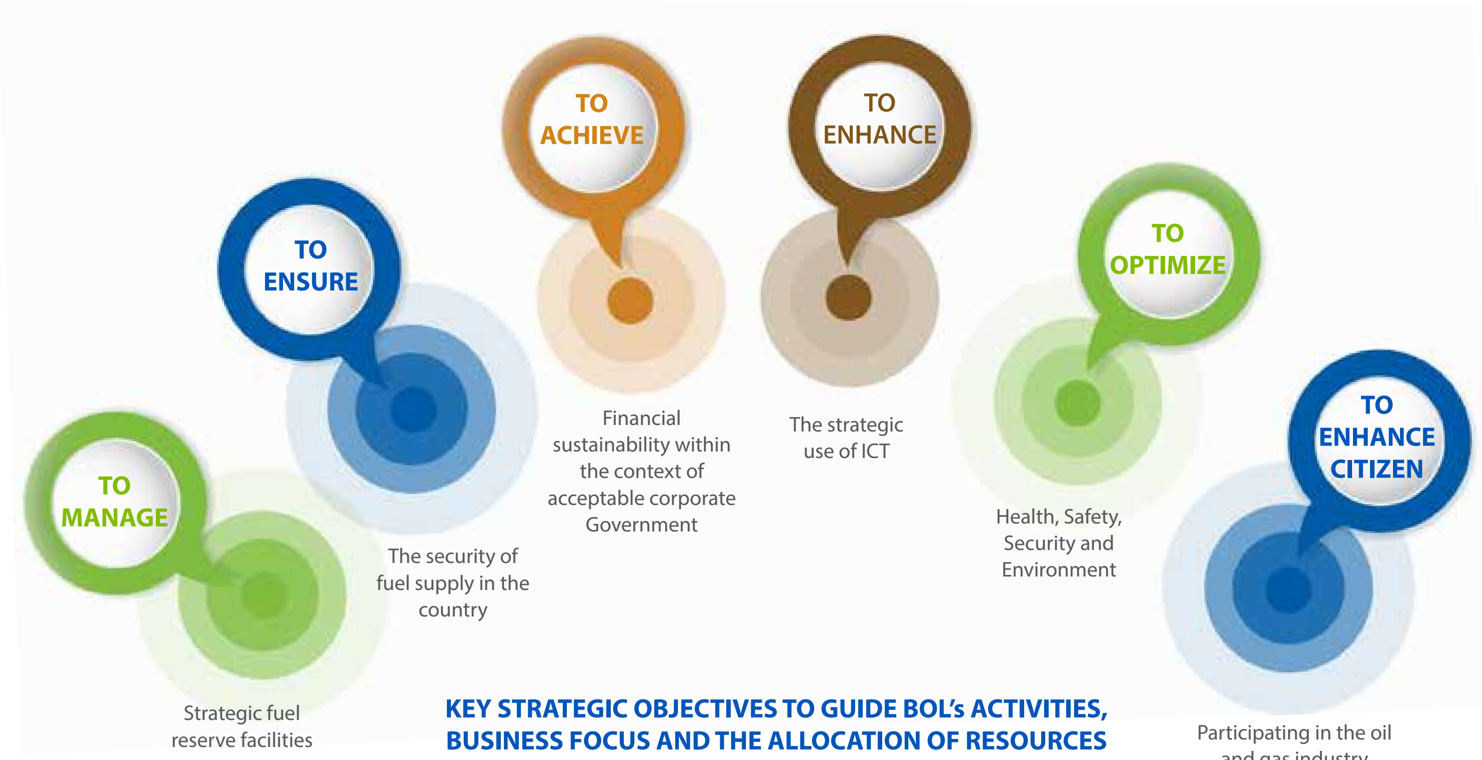
CORPORATE PROFILE, GOVERNANCE STRUCTURE AND STRATEGY

Botswana Oil Limited (BOL) was incorporated through the Companies Act of Botswana in 2011. The Company is wholly owned by the Botswana Government and operates under defined governance and operating principles.

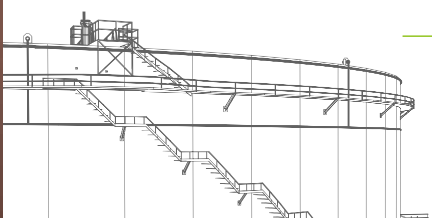
BOL was established to achieve the Botswana Government's broader economic objectives of ensuring the security of fuel supply, management of the Government's strategic fuel storage facilities and the facilitation of active citizen involvement in the petroleum industry. As the National Oil Company of Botswana, BOL serves as the Government transformation agent charged with this important responsibility. Over the four years since establishment, the Company has amassed assets valued over P10 million.

STRATEGIC OBJECTIVES

In keeping with its vision ***"To be a significant player in the oil and gas industry"***, BOL needs to be adequately prepared to fully assume this mandate once all enabling legal instruments are in place, to be able to deliver adequately on this mandate and in compliance with internationally accepted corporate governance. To this end BOL identified key strategic objectives to guide its activities, business focus and the allocation of resources for its planning period 2015-2018. These are:



KEY STRATEGIC OBJECTIVES TO GUIDE BOL's ACTIVITIES, BUSINESS FOCUS AND THE ALLOCATION OF RESOURCES FOR ITS PLANNING PERIOD 2015-2018




Dr. Joel Sentsho
Board Chairman

BOARD CHAIRMAN'S REMARKS

I present to you Botswana Oil Limited's fourth Annual Report. This Annual Report covers the operational and financial performance of the Company for the year ended 31st March 2018. The first three reports have placed emphasis on establishing the Company and introducing it to the market as a new entrant. During these early years our education and awareness efforts have established BOL as a key player in Botswana's economy.

During the review period, four years after its establishment, BOL shifted its emphasis from introducing itself to Botswana and the world, to consolidating its position as a major player and backbone of Botswana's economy, supporting the economy, from small businesses to the largest companies in the country and all other services in-between.

In line with this Report's theme, ***"Fuelling Botswana"*** and BOL's strategic plan for the period 2013 -19, the Board of Directors stirred the Company towards ensuring the security of fuel for the nation at all times. Top on the Board's agenda was to ensure that BOL is adequately legislatively enabled to deliver maximally on its mandate. As Daniel Yergin, an energy expert aptly put it, ***"oil" is a strategic commodity. Oil is too important a commodity to be left to the vagaries of the spot or futures market, or any other type of speculative endeavour."***

It was from this position that BOL was established, to ensure the security of Botswana regarding fuel availability and efficiency, manage the Government's strategic reserve facilities and stocks, as well as lower the barriers of entry into the industry for citizens. However, since establishment, BOL has lacked enabling legislation to enable it to fully deliver on its mandate. Operating at a lower percentage of the market volumes, has made it tough for BOL to be self-sustaining and has eroded shareholder value.

This negates the Government's original intention to ensure that the business is self-sustaining and delivers on its mandate at no cost to Government. To address this, BOL applied for an exclusive import licence from the newly established Botswana Energy Regulatory Authority (BERA). The licence will grant BOL the right to consolidate the nation's volumes for importation, thereby resulting in economies of scale. The benefits that will accrue from this arrangement will eventually be passed down to the consumer in the form of reduced pump prices, amongst other benefits.

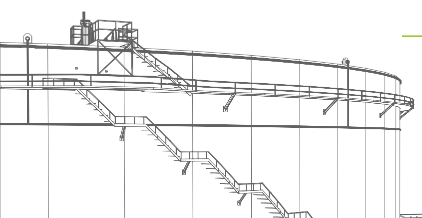
By the close of the year, BOL awaited BERA's decision on its application.

CORPORATE GOVERNANCE

Guided by its Board Charter, the Board remained committed to its fiduciary duties and the task ahead of it, to see the development of BOL into a fully-fledged organization that delivers adequately on its mandate. Although three of the nine Members 'terms lapsed during the year and another one resigned, the remaining five members formed a quorum that progressed the Company's business ensuring sustainable corporate performance and strategic guidance of the Company's business. By the close of the year, the appointment of new members was awaited, so that the Board could be fully constituted.

FINANCIAL PERFORMANCE

BOL recorded a loss of P52.1 million before tax during the period under review against a loss of P42.9 million last year. The growth in the loss was driven by a number of factors key being an increase in expenses due to the ongoing capacity building activities in readiness for the implementation of the sole import mandate. The organisation anticipated a net profit of P36.4 million but the mandate to import product is yet to be approved.



BOARD CHAIRMAN's REMARKS

Board Chairman's Remarks (continued)

Overall the results show a great improvement in sales volumes, revenue and gross margins and shows that the Company has potential to return a positive net margin with the necessary statutory instruments in place to enable it to consolidate volumes and aggressively negotiate good margins for the organisation.

Going forward, the Supply function will continue to be critical in ensuring the Company earns an adequate margin to enable BOL to return to profitability while we tighten the belt on cost and optimize business operations to do more with less. BOL is also exploring other alternative business models, in the absence of the exclusives import licence. The Board will also continue lobbying the Shareholder to implement the sole importer mandate.

STRATEGIC PLANNING

To keep the Company relevant and in a position to address emerging risks in its operations, the Board, together with Management, reviewed the Company's Corporate Strategy and aligned it with the Company's operations. Relevant initiatives to implement the Strategy were agreed and included in the Corporate Scorecard which was cascaded down to even the lowest rung in the Company's operations, to ensure alignment.

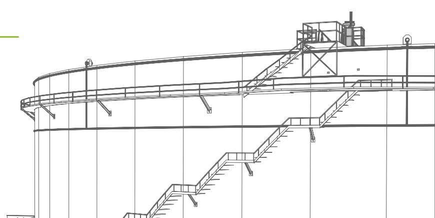
Going forward, BOL, through its Business Readiness Programme, will plan for the envisaged implementation of the import licence. Work to implement a fit for purpose organizational structure, source relevant skills and put in place systems and processes will progress. BOL will continue with its quest to diversify its supply sources and routes to minimise the risk that comes with having a single source and route of supply, which is currently South Africa. The Company will also progress work to securing coastal storage as another measure to ensure the security of supply. The suspension, due to funding challenges, of the construction of storage facilities at Tshele Hills and storage facility expansion in Francistown during the year will delay the increase of storage facilities' capacity to the planned 60days cover.

My Board remains committed to work with Management to lobby the Shareholder and relevant authorities for the granting of an exclusive import licence and the passing of the Petroleum Products Bill (PPB). These will give BOL the sole importer mandate of petroleum products and empower the Company to fully deliver on its mandate of ensuring fuel security in the country.

APPRECIATION

My gratitude goes to the Shareholder, Botswana Oil Limited Management and Staff, the BOL Board and above all, International Oil Companies and Citizen Emerging Companies as well as all our customers and the public at large for their support. Without them, it would not have been possible for us to adequately fuel Botswana and ensure the wheels of Botswana's economy keep turning.

Dr. Joel Sentsho
Board Chairman



"Oil is a strategic commodity. Oil is too important a commodity to be left to the vagaries of the spot or futures market, or any other type of speculative endeavour."

D. Yergin

CORPORATE GOVERNANCE

Botswana Oil Limited subscribes to and is committed to the accepted practices of good governance and international best practice. As an establishment incorporated under the Companies' Act, BOL is compelled to ensure that its processes and practices comply with the requirements of the Companies Act (Cap 42:01) of the Laws of Botswana and its amendments and directives.

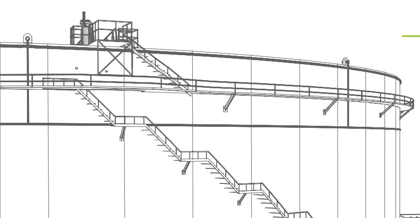
Botswana Oil Limited is a company wholly owned by the Botswana Government. The BOL Constitution defines the ***raison d'etre*** for the Corporation as well as the limits within which it can operate, including the roles for the Minister of Mineral Resources, Green Technology and Energy Security (MMGE), the Board, and the Executive Management.

THE BOARD

The Board of the Corporation is appointed by the Minister of Mineral Resources, Green Technology and Energy Security. In appointing the Board Members, the Minister takes into consideration their areas of expertise, experience and ability to make meaningful contributions to the business of the Company.

The composition of the Board at any one time does not exceed eight members, including the Chairman. The present Board comprises a fair balance of expertise, skills, knowledge and experience to meet this requirement. The role of the BOL Board is to determine corporate policy and provide strategic direction. In carrying out this mandate, it is expected to bring to bear the highest standards of ethical conduct and good governance, in line with laid down statutes and generally accepted international practice. By the close of the year under review, BOL did not have a full Board as some of the Members' terms had lapsed and the process of filling these positions was still on-going. Despite this, the remaining Members formed a quorum and the Board could still operate. Botswana Oil Limited's Board was constituted as follows:

Dr. Joel Sentsho	Board Chairman
Willie Mokgatlhe	Executive Director
Golekanye Rabasha	Board Member
Ogomoditse Maruapula	Board Member
Batsho Dambe-Groth	Board Member
Stephen Kebakile	Board Member



CORPORATE GOVERNANCE

Corporate Governance (continued)

MEMBERS' DECLARATION OF INTEREST

Members declare their interest at every meeting in relation to the matters before them for their decision.

BOARD REMUNERATION

Board remuneration rates are determined by the Botswana Government. Fees for members are assigned to the BOL Board by the Minister of Mineral Resources, Green Technology and Energy Security. The applicable rates (per sitting) during the year were as follows:

Chairman	P2 250
Member	P1 800

Chairmen and non-executive members of the various Board Committees were also remunerated at P2 250 and P1 800 respectively.

BOARD MEETINGS

The Board meets at least quarterly. It follows a structured approach of delegation, reporting and accountability. This includes reliance on four Board Committees to carry out delegated duties, namely the Board Tender Committee (BTC), Finance, Audit and Risk Committee (FARC), Nominations and Human Resources Committee (NHRC) and the Social and Ethics Committee. During the year under review, the Board convened four (4) ordinary meetings and 1 (one) special meeting.

BOARD TENDER COMMITTEE (BTC)

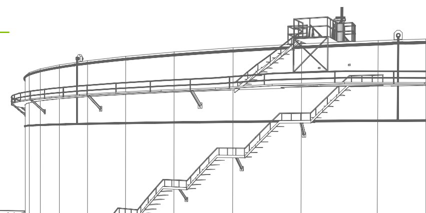
The Tender Committee is tasked with approving tenders in accordance with the Procurement Policy and set BOL Procurement Procedures. The Committee comprises at least three members made up of two non-executive members of the Board, and the Chief Executive Officer. One of the non-executive members shall be nominated as Chairman.

The Committee may appoint a professional adviser/s to attend any specific meeting or all meetings at its discretion. The executive member may however, not vote on resolutions of the Board Tender Committee. The Committee meets as and when there are tender issues for its consideration. During the reporting period it met thrice.

THE FINANCE AUDIT AND RISK COMMITTEE (FARC)

The Audit Committee comprises three members of the Board. Its activities are governed by the Internal Audit Charter approved by the Board and the charter empowers the Committee primarily to assist the Board carry out its duties based on the Corporation's accounting policies, internal controls and accepted financial practices. The Committee provides assurance to the Board on matters relating to compliance with the corporate policy, laws and regulations, and the ethical conduct of daily business operations. It reviews budgets and the annual financial reports with Management before consideration and approval by the Board.

The Committee also provides advice on corporate risk management. The Committee convened four (4) meetings during the review period.



CORPORATE GOVERNANCE

Corporate Governance (continued)

SOCIAL AND ETHICS COMMITTEE (SEC)

The mission of the Committee is to advise the Board on ethical issues that are related to the BOL's activities by producing opinions and reports on issues referred to it, amongst other responsibilities. It oversees the monitoring, assessment and measurement of the Company's activities relating to good corporate citizenship, including the Company's activities relating to the environment, health and public safety, the impact of the Company's activities and of its products or services.

It also provides oversight on the monitoring, assessment and measurement of the Company's compliance with the terms of the International Labour Organization Protocol on decent work and working conditions, the Company's employment relationships, and its contribution toward the educational development of its employees. The committee is scheduled to meet four times. During the year, it convened no meetings as it was not fully constituted"

NOMINATIONS AND HUMAN RESOURCES COMMITTEE (NHRC)

The Committee is mandated with reviewing the balance of skills, experience and composition of the Board and its Committees, ensuring that they remain relevant. In addition, the Committee keeps under review the leadership needs of, and succession planning for the Company in relation to both its executive directors and other senior executives. The Committee deals with policies relating to the management of the human resource, including the organization structure, terms and conditions of service, remuneration, the appointment and dismissal of senior staff other than those appointed by the Board, pensions and any other matters delegated to it by the Board. The Committee meets at least quarterly. During the year under review it met six (6) times.

REPORTING TO THE SHAREHOLDER

As a Company wholly owned by the Botswana Government, the BOL Board reports to the Minister of Mineral Resources, Green Technology and Energy Security regularly, as guided by the Shareholder Compact. Management reports to the Shareholder regularly through meetings with the Minister as well as with the Permanent Secretary in the Ministry of Mineral Resources, Green Technology and Energy Security. Quarterly briefings are done for the State President as part of the larger Ministry's reporting, to apprise him of the operations of the ompany, its successes, challenges and future plans.

GOING CONCERN

Since it commenced operations in 2013, BOL has had unqualified accounts. The financial statements for the year ending 31^{st} March 2018 have also been prepared on a going concern basis. The Board is satisfied with the Company's future performance projections, particularly with the approval of the 17.5 thebe per litre Security of Supply Margin which effected on the 11^{th} of July 2017.

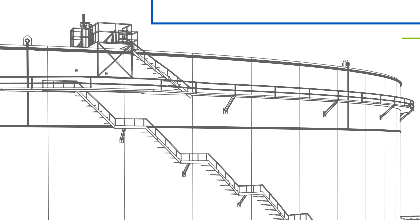
STATUTORY REPORTING REQUIREMENTS

The Companies' Act stipulates that, following the close of the financial year, Companies registered under it should prepare an Annual Report on the affairs of the Company during the accounting period.

The Board is satisfied that Botswana Oil Limited has complied with this and other statutory requirements for the year ended 31^{st} March 2018. A statement by the Board members on their responsibility for the maintenance of adequate accounting records, the preparation and integrity of the financial statements and related information is detailed at page 36 to 64 of this Report.

EXECUTIVE MANAGEMENT

The management and daily running of the BOL is the responsibility of the Chief Executive Officer with the assistance of the Executive Management Team (EXCO). The role of Exco is to implement the strategic direction and objectives as set out by the Board within the confines of the corporate vision, mission and values, assisted by the Senior Management Team.



BOARD OF DIRECTORS

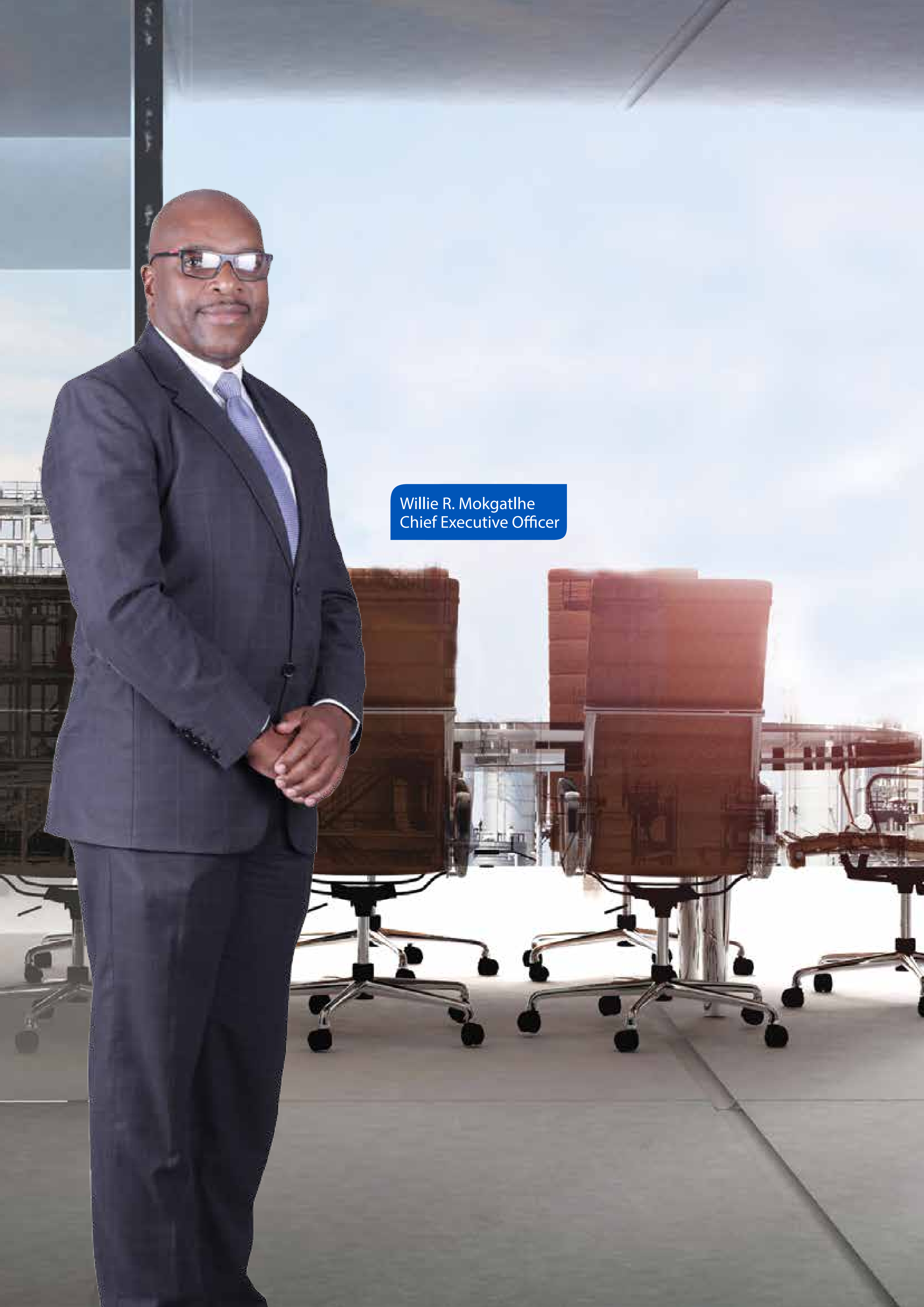
Stephen Kebakile
Board Member

Willie Mokgatlhe
Executive Director

Ogomoditse Maruapula
Board Member

Dr. Joel Sentsho
Board Chairman


Golekanye Rabasha
Board Member
Batsho Dambe-Groth
Board Member


Willie R. Mokgatlhe
Chief Executive Officer

CHIEF EXECUTIVE OFFICER'S STATEMENT

In comparison to 2016/17, in 2017/18 Botswana Oil Limited (BOL's) overall performance improved significantly despite the delayed issuance of the import license. The company was resourced in preparation for the import license as it is anticipated to significantly increase the company's activities. The Company applied for the import license as required under the Botswana Energy Regulatory Authority (BERA) and a hearing was scheduled for the 10th of April 2018.

There were no supply interruptions and BOL kept the country wet. Days cover remained at a 9-11 days on average, with fluctuations occasioned by maintenance of storage facilities. It remains a priority for BOL in supporting Government in its pursuit to increase of storage facilities in order to improve days cover.

The conversion into equity of a loan the Shareholder had advanced BOL at establishment improved the Company's balance sheet. However, oil and gas prices which closed the year at over US$68.00 per barrel resulted in huge under-recoveries by national oil companies as pump price adjustment lagged behind. The under-recoveries, coupled with other factors led to the depletion of the National Petroleum Fund (NPF) which negatively impacted on the delivery of BOL projects, purchase of strategic stocks and support of citizen companies.

FINANCIAL PERFORMANCE

Revenue grew by 115% from previous year due to Oil Companies purchasing 10% of their demand from BOL. The gross profit also improved due to improved sales and better supply margins from suppliers, resulting in a gross profit of P8 million against a loss of P0.22 million the previous year. There was no replenishment of strategic reserves on behalf of Government during the year hence no management fee was realized during the reporting period.

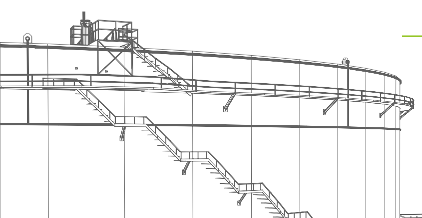
To improve revenues, the Company discontinued the 5t/l margin charge on sales to marketers. The increased volumes enabled the Company to generate better supply margins. Overall the results indicate a significant improvement in sales volumes and revenue, indicating that, with sustained effort, the Company has potential to return a positive net margin. Expenses went up by 15% as BOL was preparing for implementation of an exclusive import license with a resultant loss of P52.1 million. Going forward, BOL will ensure that it earns an adequate supply margin and that there is cost productivity and improved operational efficiency to enable it to return to profitability.

BOL's financial position (balance sheet) improved as the shareholder converted a 20 million litres of product loan it had given BOL at establishment of the Company into equity. There was no equity injection when the Company was formed as it was financed through shareholder loans. The conversion of the product loan to equity coupled with the introduction of the Security of Supply Margin (SSM) improved the financial position of the Company.

Going forward, it is critical that the Company obtain the import license or explore alternative business models to assist the business to remain sustainable.

CAPITAL PROJECTS

The Francistown Depot Expansion project which BOL was in the preliminary stages of executing had to be put on hold at award stage due to inadequate funding. This is one of the projects BOL will be undertaking to ensure the security of supply of petroleum products in the country. The project will see the 35 million litre depot expand to 95 million litres. Situated in the north of the country, the depot will receive product mainly from Mozambique and serve the north eastern part of the country. By the close of the year, plans to take over the management of the Government's Francistown Depot



CHIEF EXECUTIVE OFFICER'S STATEMENT

Chief Executive Officer's Statement (continued)

from Vivo Energy were still ongoing. Following the takeover of the Gaborone Depot in 2017, the takeover of the Francistown Depot will ensure that all Government strategic fuel reserve facilities fall under BOL's management.

Preliminary work also started on the identified plot for construction of a 20million litre depot in Ghanzi, with the flighting of tenders for the fencing of the plot. The depot will mainly receive product through Namibia and will service the western part of the country.

COOPERATION AGREEMENTS

To facilitate strategic working relations with other oil companies as well as to adopt best business practice, BOL maintained relationship with other oil companies nationally, regionally and internationally. The Company held regular meetings with its various partners, to explore improved ways of doing business as well as to review existing cooperation agreements. With the planned implementation of alternative routes, good relationships with countries such as Namibia, Mozambique, South Africa and Zimbabwe will become crucial. BOL will also need to benchmark international best practice from those who have been in the oil industry for a long time.

CORPORATE SOCIAL RESPONSIBILITY

BOL's Social Responsibility Policy (CSR) emphasizes the Company's involvement and improvement of the lives of the communities it is part of. Through this policy, BOL strives to be an exemplary corporate citizen and positively impact the said communities, and the country at large. During the period under review, BOL participated in and supported several projects under its CSR programme, with its focus on the development of science-based education, with emphasis on energy. BOL sponsored BIUST to the tune of P100 000.00. The sponsorship will be awarded to the best science student annually over five years.

With the Botswana Government's largest fuel storage under construction at Tshele Hills, in the Kgatleng area, BOL has become a resident of the area. During the year, the Company completed an elderly Dikgonnye Village resident's house and painted it, fenced the yard and connected water supply. BOL also donated computers and other learning aids to Dikgonnye Primary School.

INTO THE FUTURE

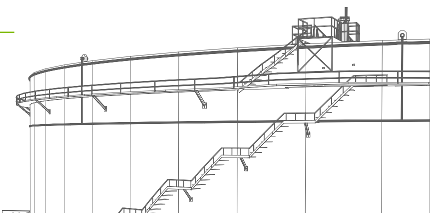
BOL has its sights set on being a key regionally player in the oil and gas industry. To achieve this, the Company will work closely with its Shareholder, the Botswana Government to ensure that it is legislatively empowered, to deliver adequately on its mandate and beyond. The review of the Company's Corporate Strategy towards the end of the year will open a window of opportunity for BOL to review its operations and redirect its strategy to satisfy the national oil industry needs accordingly. BOL will explore other business models to ensure its sustainability.

CONCLUSION

It is with a deep sense of appreciation that I would like to acknowledge the efforts the Shareholder, BOL Board, Management and Staff have put into building this Company during its formative years. The support of our customers and other key stakeholders have been noted. With the dedication and guidance of the Board I undertake to direct and anchor BOL on the shores of success where it will transform the oil and gas industry in Botswana, facilitating Batswana to play a meaningful role in this industry.

Thank You!

Willie R. Mokgatlhe
Chief Executive Officer



"BOL has its sights set on being a regional giant in the oil and gas industry. To achieve this, the Company will need to work closely with its Shareholder, the Botswana Government to ensure that it is legislatively empowered to deliver adequately on its mandate and beyond."

EXECUTIVE MANAGEMENT TEAM

01. **Mosetlho Kenamile**
General Manager
Operations

02. **Olivia Ramaselwana**
Acting General Manager
Corporate Servicess

03. **Modise Koofhethile**
General Manager
Strategy and Business Planning

04. **Meshack Tshekedi**
General Manager
Supply

05. **Willie Mokgatlhe**
Chief Executive Officer


04
05

SENIOR MANAGEMENT TEAM

01. Latelang Chakalisa
Corporate Counsel & Company Secretary

02. Otlaabotsa Tsie
Risk Manager

03. Matida Mmipi
Government & Stakeholder Relations Manager

04. Tshegofatso Kenosi
Terminal Operations & Distribution Manager

05. Mantho Mokobi
Internal Audit Manager

06. Bruce Buno
Business Development Manager

07. Phatsimo Moeti-Joel
Health, Safety, Security & Environment Manager

08. **Bidoh Kgaimena**
Engineering & Technology Services Manager

09. **Julia Batlhoki**
Human Resource Manager

10. **Gamu Mpofu**
New Ventures Manager

11. **Iven Segaise**
Business Planning Manager

12. **Thabo Simon**
Supply Operations Manager

13 **Galeboe Mmelesi**
Information Communication & Technology Manager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OPERATIONAL HIGHLIGHTS

During the review period BOL expended its energies on delivering on its mandate, to ensure the security and efficiency of petroleum products supply in Botswana, to manage the Government's strategic fuel reserves, as well as to facilitate the meaningful participation of citizens in the Oil and Gas industry.

The establishment of BOL outpaced the promulgation of enabling legislative instruments to enable the Company to deliver effectively on its mandate. Since establishment, BOL has been lobbying for the passing of the Petroleum Products Bill (PPB). This bill will enable BOL to consolidate the country's volumes, resulting in economies of scale which will be passed down to the consumer. Other benefits will include the transformation of the oil and gas sector to include citizens.

When the Botswana Energy Regulatory Authority (BERA) came into operation during the reporting period, BOL applied for an Exclusive Import Licence to the Authority, while awaiting the PPB.

The Import Licence would assist BOL consolidate Botswana's import volumes resulting in improved margins which would contribute to the sustainability of BOL and benefit the economy as a whole. BOL, as an exclusive importer for the consolidated Botswana volume requirements will be able to negotiate better pricing which in turn will be extended to the consumer through periodic price reviews by the Regulator (BERA). With higher volumes, BOL will also be able to negotiate longer term contracts with suppliers therefore achieving better margins (economies of scale). Margins will be accrued 100% to Botswana and taxed accordingly, hence benefiting the economy of Botswana and ultimately the consumer.

By the close of the reporting period, BOL was awaiting the outcome of its licence application.

GOVERNMENT RESERVE STORAGE (GRS) MANAGEMENT

The combined storage volume for the Gaborone and Francistown Depots is 55 million litres, which translates to 18 days cover. On average, during the year under review BOL was able to maintain 7-11 days cover as some tanks needed maintenance. The average Government Reserve Storage (GRS) stock cover for the year was 7 - 11 days. Fluctuations occurred as a result of the unavailability of two tanks which were undergoing maintenance in Francistown and two tanks in Gaborone which were being commissioned following maintenance.

STOCK POSITION AT 31st MARCH 2018
Opening stock (As at 1st April 2017

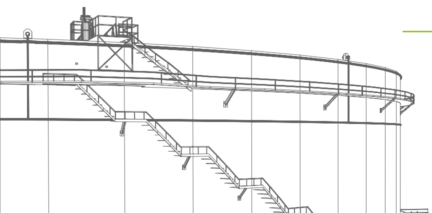
ULP 93
10,181,267
Closing book stock
10,181,267

ULP 95
8,798,311
Closing book stock
4,505,935

AGO 500
20,873,358
Closing book stock
10,326,574

AGO 50PPM
5,288,234
Closing book stock
5,900,289

TOTAL
45,141,170
Closing book stock
24,935,760



OPERATIONAL HIGHLIGHTS

Operational Highlights (continued)

MAJOR PROJECTS

One of the three prongs of BOL's mandate is to manage the Government's strategic fuel reserves storage. To achieve this and ensure that the country has adequate days cover in the event of any interruption to supply, the Government, together with BOL embarked on some projects to increase Government Storage facilities. Once completed, these projects will bring the country's combined storage capacity to 60 days cover.

TSHELE HILLS DEPOT PROJECT

The Government through the department of Energy and with the assistance of BOL embacked on a fuel storage facility construction project at Tshele Hills. The Tshele Hills project will deliver a 186 million litre depot in Tshele, just outside Gaborone. The depot will be the biggest in the country and will mainly receive product imported through South Africa. The Tshele Hills Depot will service the southern central part of the country. The depot will receive product through rail and road. During the review period, the rail spur component of the project progressed well, and it was scheduled for completion in the next review period. The other project packages including the construction of the tank farm and associated works as well as housing and buildings remained suspended due to lack of funding.

REMOTE AREAS ENERGY CENTRES

To promote access to petroleum products for under-serviced areas, BOL progressed its project of introducing Remote Areas Energy Centres. These are mobile filling stations which are less costly than traditional filling stations. During the review period, standards to guide the construction of the mobile units were developed by the Botswana Bureau of Standards (BOBS), in conjunction with BOL. The pilot areas were reduced from the initially planned five to one. The selection criteria includes commercial viability, absence of other oil companies in the area.

COASTAL STORAGE PROJECT

The BOL security of supply strategy includes the development of alternative routes and sources of the product. In line with this, BOL is exploring securing coastal storage in Mozambique, Namibia and South Africa, respectively. These reserves will cushion any disruptions in supply that may arise in the major producer supply areas. By the close of the reporting period engagements with Namibia, Mozambique and South Africa were ongoing.

FRANCISTOWN EXPANSION PROJECT

The Francistown Depot expansion project will see the existing 35 million litre capacity depot expand to 90million litres. The depot services the northern part of the country and will mainly receive product through Mozambique. During the year under review the project was suspended due to lack of funding.

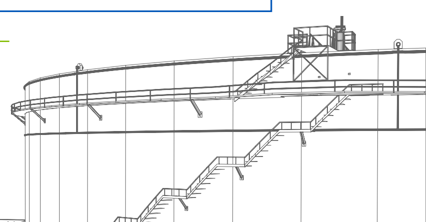
GHANZI STORAGE PROJECT

Following the securing of land to construct a depot in Ghanzi, the process to conduct an Environmental Impact Assessment as well as to fence the land commenced during the reporting period. The 20 million litre depot will receive product mainly through Namibia and will serve the western part of the country.

COAL TO LIQUIDS PROJECT (CTL)

In delivering its mandate of ensuring security of supply and efficiency in the distribution of petroleum products in the country BOL is exploring the development of Coal to liquids (CTL) as the country has vast deposits of coal which can be exploited. Over and above self-sufficiency in petroleum products, the CTL project stands to benefit the country in multiple ways, including job creation and the potential to make Botswana a fuel exporter.

Work towards the delivery of the project continued during the year under review, with a progression in the process to pre-qualify companies that BOL can facilitate in the project. By the close of the period, the process to evaluate the pre-qualification tender was ongoing.



OPERATIONAL HIGHLIGHTS

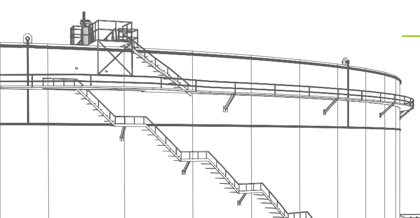
Operational Highlights (continued)

SUPPLY AND SALES

Oil prices for the year averaged $65.90. This resulted in national oil companies recording significant over-recoveries. BOL managed to successfully supply the required volumes during the year ensuring that there were no supply disruptions and shortages during the period despite some occasional refinery shutdowns in Botswana's main supply source, South Africa. On average BOL managed to import and land product at 14 thebe per litre lower than the slate during the year under review. The Company continued to negotiate sales contracts with International Oil Companies (IOCs) and intesified efforts to get decent import margins. In-transit losses remained a challenge during the year. To address this, BOL engaged its various transporters to agree on strategies to curb in-transit losses and improve efficiencies.

During the year under review, the Company performed satisfactorily, trading a combined 87.3 million litres of fuel representing an 81.2% increase in sales volumes from the previous review period. The majority of the volume, 96% were sales to IOC's while 3% went to CEC's and the remaining 1% to Government. There were no major supply disruptions recorded in the country during the year and BOL successfully offered supply back up to all International Oil Companies (IOC's) trading in Botswana, ensuring security of supply.

It is a key objective for Botswana Oil Limited to ensure self-sufficiency in petroleum products, to facilitate access to petroleum products in all parts of the country. In a quest to achieve this, during the review period, BOL worked on the development of alternative routes and sources, with a focus on developing the Namibia and Mozambique routes. Currently almost all product is sourced from South Africa, with small percentages sourced from Namibia and Mozambique.



Stakeholder Engagement Forum

OPERATIONAL HIGHLIGHTS

Operational Highlights (continued)

STAKEHOLDER MANAGEMENT AND CORPORATE SOCIAL RESPONSIBILITY

During the review period, BOL effectively managed its relationships with its various stakeholders. Stakeholder consultations were done at every level, through briefings to His Excellency the President, Cabinet, the Minister, Parliament, Ntlo ya Dikgosi, community leaders, general meetings with various interest groups such as Business Botswana, International Oil Companies (IOCs) and Citizen Emerging Companies (CECs).

The findings of a Customer Satisfaction Survey BOL embarked on during the previous reporting period indicated that on average, the Company's customers are satisfied with the services it offers them. The Company recorded a 74% satisfaction level on the survey.

Recommendations for improvement centred around improving the Company's visibility, community engagement and improving accessibility of our facilities to customers. To address these, and in line with its Stakeholder Engagement Plan, BOL embarked on face to face stakeholder engagements. Stakeholders were segmented into interest groups and targeted engagement carried out. In line with its mandate of facilitating the meaningful participation of citizens in the oil and gas industry, BOL hosted several workshops to train those intrested in entering the oil and gas industry.

Guided by its Corporate Social Responsibility Policy, BOL embarked on numerous projects in the communities it operates it, to assist it to remain socially sustainable. The Company completed the construction of a needy elderly woman's house in Dikgonnye, hosted a clean-up campaign in Rasesa, donated ICT equipment to Dikgonnye Primary School and sponsored the Ghanzi Horse Endurance Race. It also donated a full kit to a Second Division Football Team, Rasesa Shining Stars.

BOL CSR project in Dikgonnye

OPERATIONAL HIGHLIGHTS

Operational Highlights (continued)

OUR EMPLOYEES

BOL values its human capital and recognizes it as its greatest asset. The Company is committed to building capacity for staff, evidenced through leadership development, health and safety training as well as other professional development interventions. The company utilises Human Resource Development Counsel training levy to maximise its capacity to train and develop staff. As and when required, the Company conducts lunch and learn sessions for staff to facilitate knowledge sharing by experts from different professional backgrounds.

During the review period, the Company continued to benchmark on best practice in employee satisfaction and retention strategies. BOL proactively ensured that its human capital was kept abreast of operational developments, so they could contribute in efforts to achieve the Company's set mandate. The Company came up with a new structure to ensure role clarity and functional alignment to adequately address the needs of the ever-evolving oil and gas industry and keep BOL relevant and competitive. The new structure introduced new functions and roles which led to opportunities for re-deployments and growth.

During the reporting period, BOL reviewed its Corporate Strategy and re-focused it towards the expansion of the Company as it takes on more responsibility in the maximisation of the implementation of its mandate of ensuring the security of supply. In line with the Corporate Strategy, the Company ensured that change management strategies, team building, and staff communication were embedded in its operational activities to ensure staff were well informed and prepared for new initiatives that the Company embarked upon. The Company reviewed its Conditions of Employment to facilitate a conducive working environment for its employees. To further promote the employees' wellbeing, BOL continued providing them with a gym subsidy.

In line with the Government's initiatives of engaging interns to provide them with industry experience and groom them for the labour market, BOL engaged eight interns under the Government internship programme. One of these interns was subsequently absorbed into a permanent position.

OPERATIONAL HIGHLIGHTS

Operational Highlights (continued)

ANONYMOUS TIP-OFF PROGRAMME

BOL remained cognizant of the rising incidents of fraud in the country and put policies, procedures and processes to safe-guard against these. BOL subscribes to the PPADB Tender Regulations to ensure transparency and guard against fraud and other unethical tendering malpractices.

The Tip- Off Anonymous programme continued to operate, with channels open to both internal and external customers to report any suspicions of fraud in the Company. The administration of the programme remained in the hands of an external firm to ensure transparency and objectivity.

HEALTH SAFETY SECURITY ENVIRONMENT AND QUALITY

BOL aims to have an excellent HSSEQ performance to be proud of, to earn the confidence of customers, shareholders and society, to be a good neighbour and to contribute to the sustainable development of the Company. Overall BOL recorded satisfactory HSSEQ performance against its set targets during the review period. Only one recorded product spill incident was recorded at its Gaborone Depot.

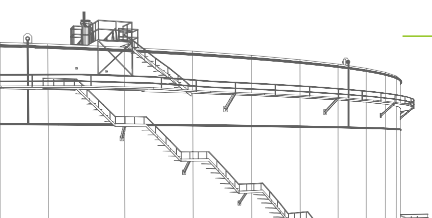
BOL HSSEQ commitment is "

Goal zero: Protect personnel, property, environment, information and reputation against security threats as well as deliver quality goods.

To achieve BOL HSSEQ commitment BOL embarked on a project to develop the organization's Health Safety Security Environment and Quality (HSSEQ) Management System (MS). The HSSEQ framework will guide the implementation and management of HSSEQ in the Company, in line with statutory requirements, oil and gas industry, national and international standards.

The MS is intended to meet the requirements of and qualify for accreditation to the national and international standards that include, but are not limited to:

To realise these and inculcate a culture of safety in the Company, BOL took its staff through various relevant HSSEQ training.



OPERATIONAL HIGHLIGHTS

Operational Highlights (continued)

HSSEQ KEY PERFORMANCE INDICATOR'S FOR YEAR 2017/2018 YTD

STOCK POSITION AT 31st MARCH 2018

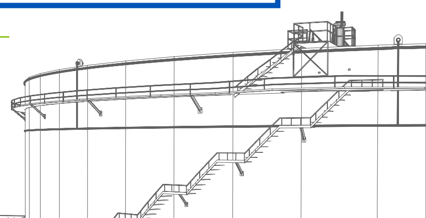
Key Performance Indicators	Actual 2016/2017	Targets 2017/2018	Actual March 2018	YTD March 2017/2018	COMMENTS
Zero Days (# of Days without LTI)	365	365	31	365	
No of Fatalities	0	0	0	0	
No. of spills >100KG	0	0	0	1	22,047.82kg Rail tanker product spill ULP. Product contained on spill containment and fully recovered at oil separator.
LTFR (Lost Time Frequency Rate)	0. 0	0	0. 0	0. 0	
No. of significant HSSE audit findings	0	2% of red audit findings	0	0	

ENTERPRISE RISK MANAGEMENT

The inherent risks within the oil and gas industry require BOL to identify, assess, measure, aggregate and manage its risks to reinforce resilience should such risks arise. Effective risk management is essential the the achievement of BOL strategic objectives. During the review period cross-risk analysis reviews were conducted quarterly across the company to validate that sound risk management practices are adhered to and to promote a strong risk culture where employees at all level are responsible for the management and escalation of risks.

During the year, BOL started the implementation of a Business Management System (BMS) project with the aim to document and communicate the company's core documents, stream-line business processes and improve customer service. The BMS project is scheduled for completion during the next reporting period.

The BOL Enterprise Risk Management (ERM) programme supports the company make sound decisions, through the facilitation of a better understanding of BOL business risks and their likely impact.




ALLOWED
PPE TO BE WORN AT ALL TIMES
SMOKING PROHIBITED
CONNECT BONDING CABLES
GRW

CORPORATE INFORMATION

for the year ended 31 March 2018

REGISTRATION NUMBER

CO2011/10626

NATURE OF BUSINESS

Botswana Oil Limited serves as the Government of Botswana's transformation agent and is mandated to ensure security and efficiency of supply of petroleum products for Botswana, to manage state-owned strategic fuel reserve facilities and to facilitate participation of citizen emerging companies in the petroleum sector.

DIRECTORS

Joel Sentsho	Chairman
Reetsang Willie Mokgatlhe	Member / CEO
Stephen Kagiso K Kebakile	Member
Golekanye Rabasha	Member
Kenneth Kerekang	Member (Resigned 01 September 2017)
Batsho Dambe Groth	Member
Mbako Mbo	Member (Resigned 31st May 2018)
Ogomoditse Maruapula	Member

REGISTERED OFFICE

Plot 54373, Petroleum House

Matante Mews, Central Business District

COMPANY SECRETARY

Desert Secretarial Services (Pty) Ltd

Plot 64518, Fairgrounds Office Park, Gaborone

AUDITORS

PricewaterhouseCoopers Plot 50371,

Fairground Office Park, Gaborone.

BANKERS

Stanbic Bank of Botswana

Banc ABC

Standard Chartered Bank Botswana

Barclays Bank Botswana

First National Bank Botswana

(The financial statements are expressed in Pula, the currency of Botswana)

ANNUAL FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 MARCH 2018

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STATEMENT OF DIRECTOR'S RESPONSIBILITY

for the year ended 31 March 2018

The directors of Botswana Oil Limited are responsible for the financial statements and all other information presented therewith. Their responsibility includes the maintenance of true and fair financial records and the preparation of annual financial statements in accordance with International Financial Reporting Standards.

The company maintains systems of internal controls, which are designed to provide reasonable assurance that the records accurately reflect its transactions and to provide protection against serious misuse or loss of company assets. The directors are also responsible for the design, implementation, and maintenance and monitoring of these systems of internal financial control. Nothing has come to the attention of the directors to indicate that any significant breakdown in the functioning of these systems has occurred during the year under review.

The going concern basis has been adopted in preparing the annual financial statements. The directors have no reason to believe that the company will not be a going concern in the foreseeable future based on forecasts and available cash resources.

Our external auditors conduct an examination of the financial statements in conformity with International Standards on Auditing, which include tests of transactions and selective tests of internal accounting controls. Regular meetings are held between management and our external auditors to review matters relating to internal controls and financial reporting. The external auditors have unrestricted access to the Board of Directors.

The annual financial statements set out on pages 36 to 64 were authorised for issue by the Board of Directors and are signed on its behalf by.

Acting Chief Executive Officer Director
Meshack Tshekedi
29 November 2018

Director

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Botswana Oil Limited

OUR OPINION

In our opinion, the financial statements give a true and fair view of the financial position of Botswana Oil Limited (the "Company") as at 31 March 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

Botswana Oil Limited's financial statements set out on pages 36 to 64, comprise:

- the statement of financial position at 31 March 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Botswana Institute of Chartered Accountants Code of Ethics (the "BICA Code") and the ethical requirements that are relevant to our audit of financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with these requirements and the BICA Code. The BICA Code is consistent with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (Parts A and B).

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. The matter detailed below was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Accounting for Security of Supply Margin

During the financial year, the Company has received P154,505,005 from the Security of Supply Margin (the "SSM") included in the sales price of regulated petroleum products since 11 July 2017.

The SSM - which is collected by national and international oil companies operating in Botswana before being remitted to the Company - has been included in a Non-Distributable Reserve in equity. This Non-Distributable Reserve will be utilised - amongst others - for financing of the Company's strategic initiatives, working capital and specific projects as approved by the SSM Management Committee.

Accounting for the SSM was a matter of most significance to the current year audit due to the materiality of the amount, combined with reliance on third parties to ensure the completeness and accuracy of amounts received.

PricewaterhouseCoopers, Plot 50371, Fairground Office Park, Gaborone, P O Box 294, Gaborone, Botswana
T: (267) 395 2011, F: (267) 397 3901, www.pwc.com/bw

Country Senior Partner: B D Phirie
Partners: R Binedell, A S Edirisinghe, L Mahesan, R van Schalkwyk, S K K Wijesena

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Botswana Oil Limited

The disclosures relating to fair value assessments are set out in the financial statements in the following notes:

- Critical Accounting Estimates and Assumptions (Accounting for Security of Supply Margin (SSM))
- Note 13 Non-Distributable Reserve

How our audit addressed the key audit matter

Together with our IFRS accounting experts, we assessed whether the Company's policy to account for the SSM directly in equity was consistent with the requirements of IFRS, and concluded that such an accounting election was allowed under IFRS.
We tested SSM amounts due from by national and international oil companies for the financial year by:

- agreeing sales volumes underpinning amounts received to sales analyses prepared by the remitting companies;
- agreeing amounts received to the Company's bank records, including receipts subsequent to year-end with respect to amounts due at year-end; and
- assessing reports issued by independent auditors of the remitting companies detailing the results of procedures which had been performed on the completeness and accuracy of amounts remitted.

Our tests did not identify any material exceptions.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Botswana Oil Limited Annual Financial Statements for the year ended 31 March 2018, but excludes the financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Botswana Oil Limited

high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

PricewaterhouseCoopers

Individual practicing member: Rudi Binedell
Registration number: 20040091

29 November 2018
Gaborone

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STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Note	2018 P	2017 P
Revenue	1	539,258,815	250,385,746
Cost of sales		(531,161,678)	(250,604,598)
Gross profit/(loss)		***8,097,137***	***(218,852)***
Other operating income	2	256,582	9,461,197
Administrative expenses		(61,947,245)	(53,985,302)
Loss from Operations		***(53,593,526)***	***(44,742,956)***
Finance income	4	2,786,640	4,247,772
Finance cost	4	(1,317,041)	(2,368,648)
Loss before income tax expense		***(52,123,927)***	***(42,863,832)***
Income tax (expense)/credit	5	(5,084,743)	9,414,983
Loss after income tax expense		***(57,208,670)***	***(33,448,849)***
Other comprehensive income		-	-
Total comprehensive income		***(57,208,670)***	***(33,448,849)***

STATEMENT OF FINANCIAL POSITION

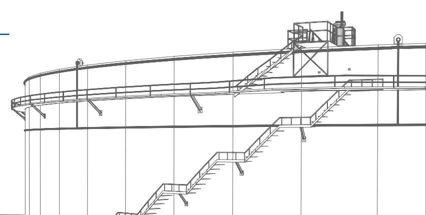
For the year ended 31 March 2018

	Note	2018 P	2017 P
ASSETS			
Non Current Assets			
Property, plant & equipment	6	5,004,326	5,337,450
Intangible Asset	7	6,576,506	8,330,646
Deferred Tax Assets	8	-	5,084,743
		11,580,832	18,752,839
Current Assets			
Inventories	9	24,317,710	10,021,625
Trade and other receivables	10	41,929,266	74,000,965
Cash and bank balances	11	208,234,840	93,287,341
		274,481,816	177,309,931
Total Assets		286,062,648	196,062,770
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated capital	12	113,127,939	1
Non-Distributable Reserve	13	154,505,005	-
Retained earnings		(75,413,171)	(18,204,501)
		192,219,773	(18,204,500)
Current Liabilities			
Shareholder's loan	14	9,652,112	64,432,887
Government advances	15	43,783,125	54,827,882
Trade and other payables	16	40,407,638	95,006,501
		93,842,875	214,267,270
Total Liabilities		***93,842,875***	***214,267,270***
Total Equity and Liabilities		***286,062,648***	***196,062,770***

STATEMENT OF CHANGE IN EQUITY

For the year ended 31 March 2018

	Stated Capital P	Non-Distributable Reserve P	Retained earnings P	Total Equity P
Balance as at 1 April 2016	1	-	15,244,348	15,244,349
Loss for the year	-	-	(33,448,849)	(33,448,849)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(33,448,849)	(33,448,849)
Balance at 31 March 2017	1	-	(18,204,501)	(18,204,500)
Balance as at 1 April 2017	1	-	(18,204,501)	(18,204,500)
Issue of shares	113,127,938	-	-	-
Non-Distributable Reserve arising from SSM receipts (note 13)	-	154,505,005	-	-
Profit for the year	-	-	(57,208,670)	(57,208,670)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	113,127,938	154,505,005	(57,208,670)	(57,208,670)
Balance at 31 March 2018	113,127,939	154,505,005	(75,413,171)	192,219,773



STATEMENT OF CASH FLOW

For the year ended 31 March 2018

	Note	2018 P	2017 P
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before Income tax expense		(52,123,927)	(42,863,832)
Adjustments for :			
Profit on disposal of assets		-	(537)
Depreciation	6&7	3,675,815	3,018,202
Product loan - drawn from Government reserves	14	(54,780,775)	32,573,967
Product loan converted to equity	12	113,127,939	-
Interest income	4	(2,741,691)	(3,969,166)
Cash flows before working capital changes		7,157,361	(11,241,366)
Inventories	9	(14,296,085)	(4,475,041)
Trade and other receivables	10	32,071,699	(58,877,830)
Trade and other payables	16	(54,598,863)	43,733,903
Net cash used in operations		(29,665,888)	(30,860,334)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant & equipment	6	(1,186,911)	(6,245,114)
Acquisition of Intagible assets	7	(401,641)	
Proceeds from disposal of assets	-	-	5,235
Interest received	4	2,741,691	3,969,166
Net cash generated from/(utilised in) investing activities		1,153,139	2,270,713
CASH FLOWS FROM FINANCING ACTIVITIES			
Shareholder loan settled	-	-	(83,099,711)
Government advance received for projects		5,862,890	20,752,500
Government advance utilised for projects		(21,131,339)	(14,516,176)
Government advance settled for projects		-	(1,491,628)
Government procurement loan received		78,960,670	-
Government procurement loan utilised		(74,736,978)	(43,249,389)
Movement in Non-Distributable Reserve		154,505,005	-
Net cash generated from/(utilised in) financing activities		143,460,248	(121,604,404)
Net Increase/(decrease) in cash and cash equivalents		114,947,499	(154,735,451)
Cash and cash equivalents at the beginning of the year		93,287,341	248,022,792
Cash and cash equivalents at the end of the year	11	208,234,840	93,287,341

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1 GENERAL

Botswana Oil Limited ("BOL"/ the "Company") is a company incorporated in the Republic of Botswana. The address of its registered office and principal place of business is disclosed in the corporate information section of the financial statements. The company undertakes bulk sale of petroleum products to customers. The current customer base consists of citizen own companies and international oil companies active in the local market.

The company's financial statements were authorised for issue by the Board of directors.

2 BASIS OF PREPARATION

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements are prepared under the historical cost convention and on a going concern basis. The principal accounting policies applied in the preparation of the company financial statements are set out below. These policies have been consistently applied in the last year, unless otherwise stated.

The financial statements are presented in Botswana Pula, which is the company's functional and presentation currency.

Changes in accounting policies and disclosures

(a) International Financial Reporting Standard and amendments effective for the first time for 31 March 2018 year end		
IFRS	**Effective Date**	**Executive summery**
Amendment to IAS 12 – Income taxes Recognition of deferred tax assets for unrealised losses.	Annual periods beginning on or after 1 January 2017 (published Feb 2016)	The amendment was issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendment clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets. The amendment clarifies the existing guidance under IAS 12. It does not change the underlying principles for the recognition of deferred tax assets. The amendment will not significantly impact the entity.
Amendment to IAS 7 – Cash flow statements	1 January 2017	In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities. The amendment will not significantly impact the entity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

(b) International Financial Reporting Standards and amendments issued but not effective for 31 March 2018 year-end

IFRS	Effective Date	Executive summary
IFRS 15 – Revenue from contracts with customers.	1 January 2018	The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer. Management is yet to assess the impact of the standard.
IFRS 9 – Financial Instruments (2009 &2010) • Financial liabilities • Derecognition of financial instruments • Financial assets General hedge accounting	1 January 2018	This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss. Management is yet to assess the impact of the standard.
IFRS 16 – Leases	Annual periods beginning on or after 1 January 2019 – earlier application permitted if IFRS 15 is also applied. (published January 2016)	This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. Management is yet to assess the impact of the standard.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FOREIGN CURRENCY TRANSLATION

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

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the statement of comprehensive income.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property Plant & Equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes; and are expected to be used during more than one period.

Intangible assets consist of computer software, including the SAP-Oil-in-one system.

Costs include costs incurred initially to acquire or construct an item of property plant and equipment or to acquire or develop intangible assets, and costs incurred subsequently to add to, replace part of, or service it.

Property, plant and equipment and intangible assets are carried at costs less accumulated depreciation and accumulated amortization (respectively) and after accounting for any impairment losses.

Depreciation and amortization are provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment and intangible assets, which is as follows.

Item	**Useful life time**
Leasehold Improvements	Over the operating lease period
Buildings – Porto-cabins	10 years
Plant & Machinery	7 years
Furniture and Fixtures	10 years
Motor Vehicles	4 years
Office Equipment	7 years
IT equipment	4 years
SAP-Oil-in-one	5 years
Software's	4 Years

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (Continued)

The residual values and useful lives of property, plant and equipment and intangibles are reviewed at each reporting date. If appropriate, adjustments are made and accounted for prospectively as a change in estimate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

IMPAIRMENT OF NON-FINANCIAL ASSETS

In respect of assets that are subject to depreciation or amortisation, the company assesses at each reporting date whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated. An asset's recoverable amount is the higher of its fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying values exceed the estimated recoverable amounts, the tangible assets concerned are written down to their estimated recoverable amounts. 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.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot 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 comprehensive income. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

FINANCIAL ASSETS

Classification

The company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These arise when the company provides goods or services directly to a debtor with no intention of trading the receivable and are carried at amortised cost using the effective interest rate method.

They are included in current assets, except for maturities greater than 12 months after the reporting date; these are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DE-RECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised where:

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

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expires.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) basis and is the net of the invoice price, insurance, freight, customs duties and discounts.

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

TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and its recoverable amount, being the present value of estimated future cash flows, discounted at the original effective interest rate.

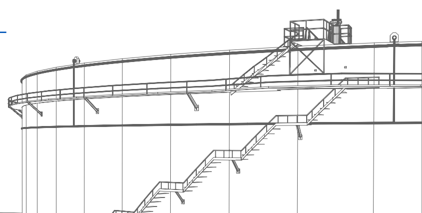
The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When a receivable is uncollectible, it is written off against the allowance account for trade or other receivables. Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in the statement of comprehensive income. Bad debts are written off in the year in which they are identified.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank borrowings.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

STATED CAPITAL

Ordinary shares are classified as equity and stated at the fair value of the consideration received.
Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

TRADE AND OTHER PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

PROVISIONS

A provision is recognised when the company has a present obligation (legal or constructive) as a result of a past event, for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

EMPLOYEE BENEFITS

The company operates a defined contribution retirement fund. The company's contributions to the fund are charged to the statement of comprehensive income in the year to which they relate.

Severance benefits are payable in terms of the Employment Act to all employees not belonging to the retirement fund. These benefits are recognised when they accrue to the employees.

Employee entitlements to annual leave, gratuities and bonuses are recognised when they accrue to employees. The company recognises a liability and expense for bonuses based on contractual and constructive obligations.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as described below.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION (Continued)

(a) Sales of goods – fuel

The entity sells Petrol, Diesel and Illuminating Paraffin from the government storage. Sales are recognised when the product has been loaded to the customers' tankers at the product uplift point at which point the risk and rewards of ownership is transferred to the buyer. The quantity of the product shall be determined as per the facility managers' report at loading point and the tankers will be sealed before departure. There are no unfulfilled obligations that would affect the buyers' acceptance of the product.

(b) Sales of Services - Management fee - Fuel procurement

The entity sources fuel on behalf of the Government to supplement the Government Reserve Stocks managed by the entity. These costs are borne by the Government through the Ministry of Minerals, Energy and Water Resources. The entity earns a management fee for the service provided. Management fee is recognised when the service is provided.

COST OF SALES

Cost of sales represents the purchase cost of fuel for resale, duties, levies and includes all overheads appropriate to the sale.

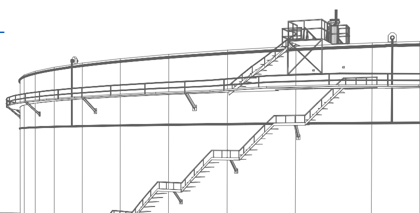
CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent it relates to items recognised directly in other comprehensive income. In this case, tax is also recognised in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided for in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income taxes arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

FINANCIAL RISK MANAGEMENT

FINANCIAL RISK FACTORS

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

The Board of Directors regularly reviews these risks and approves the risk management policies, which covers the management of these risks.

MARKET RISK

(i) Foreign currency risk

The company principally operates in Botswana and uses the pula as the reporting currency. The company is exposed to foreign exchange rate fluctuations arising primarily with respect to Unites State Dollar and South African Rand. Foreign exchange risk arises from import of fuel. However, as the financial instruments held in foreign currencies are denominated in the functional currencies of the respective trading partners, the company`s risk to foreign currency fluctuations is largely mitigated through the operation of such natural hedges.

At 31 March 2018 the company's financial assets and liabilities denominated in foreign currencies are:

	2018 Debit/(Credit)	2017 Debit/(Credit)
Bank balances		
United States Dollar	2 916	2 147
South African Rands	26 549	31 843
Trade payables		
United States Dollar	(950 289)	(50 851 947)
South African Rands	(7 787 568)	(3 995 589)

At 31 March 2018, if the Botswana Pula had strengthened/weakened by 10% against the USD with all other variables held constant, post-tax profit for the year would have been P 73 895 (2017: P 3 966 283) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar denominated bank balances and payables.

At 31 March 2018, if the Botswana Pula had strengthened/weakened by 10% against the ZAR with all other variables held constant, post-tax profit for the year would have been P 605 359 (2017: P 334 009) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar denominated bank balances and payables.

(ii) Cash flow and fair value interest rate risk

The company`s exposure is limited to cash flow interest rate risk arising from the cash and cash equivalents held with banks and their investment in money market funds. The cash flow varies according to movements in underlying market rates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (Continued)

The balances held with counter parties are callable at the option of the company and are exposed to an insignificant risk of change in value. The counterparties are generally with financial institutions of high repute only. These include subsidiaries of international and regional institutions.

Amount subject to cash flow interest rate risk.

	2018 P	2017 P
Stanbic Bank Botswana Limited	179 611 583	65 860 001
First National Bank Botswana Limited	2 834 135	4 869 811
African Alliance Botswana	23 158 874	22 393 473

(iii) Price risk

As disclosed in Note 12 to the financial statements, the outstanding quantity of fuel loaned from the Government strategic reserve at the year-end date was 1.5 million litres. The monetary value of drawdowns on this loan is determined with reference to the value of fuel drawn from government reserves measured at the published slate price per litre on the day of drawdown. Subsequently, the value of this liability will fluctuate based on changes in the published slate price per litre. During the current financial year, the company accounted for a loss of P 7 338 909 (2017: P 2 184 664 gain) through increase of this liability as a result of increases in the published slate price per litre subsequent to the initial drawdown.

At the financial year end, a 1% increase/ (decrease) in the published slate price per litre would result in an increase/(decrease) of the liability by P 965 211 (2017: P 6 443 400).

CREDIT RISK

The financial assets of the company which are subject to credit risk consists mainly of cash resources and debtors. Cash resources are placed with reputable financial institutions. Financial institutions are not rated, however the company`s policy is to hold cash resources in subsidiaries of rated United Kingdom and South African Banks. The company ensures that sales of petroleum products and services are made to customers with appropriate credit history and vetting. The company`s exposure to credit risk is limited to the carrying value of financial assets as at 31 March 2018.

The Board, has delegated responsibility for the oversight of credit risk to the CEO and the heads of business units.
The maximum amount subject to credit risk is as follows.

	2018 P	2017 P
Trade and other receivables	41 014 060	72 644 891
Cash and cash equivalents	208 234 840	93 287 341
	249 248 900	***165 932 232***

Cash, cash equivalents and similar deposits are placed with financial institutions of high repute only. The company monitors the outcomes of regulatory inspections and reports with respect to these counter parties. The company is not aware of any facts and circumstances which would indicate that the counterparty is exposed to such risks beyond those normally associated with such relationship.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (Continued)

In respect of trade customers, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. For some of the trade receivables the entity may obtain security in the form of guarantees, lien over property, where necessary.

The company's management considers all financial assets which were fully performing and past due for each of the reporting dates under review as being of good quality.

The table below shows an age analysis of trade receivables at their carrying value respectively as at the balance sheet date.

	Total P	Fully performing P	Past due P	Impaired P
At 31 March 2018				
Trade receivables	11 992 096	7 410 674	3 594 202	987 220
At 31 March 2017				
Trade receivables	71 468 978	66 252 462	4 229 296	987 220

LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The company manages its liquidity needs by carefully managing cash outflows due in day to day business and by ensuring that borrowing facilities could be made available at short notice from their principal banker Stanbic Bank Botswana Limited. The entity currently has sufficient cash flows to manage its operations.

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

	Total P	Less than 1 year 2017	Between 1 and 2 years 2017	Between 2 and 5 years 2017
At 31 March 2018				
Trade and other payables (excluding statutory liabilities)	39 392 340	39 392 340	-	-
At 31 March 2018				
Trade and other payables (excluding statutory liabilities)	94 077 150	94 077 150	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

FAIR VALUE ESTIMATION

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities approximate their carrying amounts at the balance sheet date.

The entity makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

IMPAIRMENT LOSS ON DEBTORS

The entity reviews its debtors to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the entity makes judgements as to whether there is any observable data indicating that there is a measurable decrease in estimated cash flows from individual debtors. Management uses estimates based on historical loss experience of assets. The assumptions used for estimating the amount and timing of cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Residual values and useful lives

Residual values are based on current estimates of the value of these assets at the end of their useful lives.

ACCOUNTING FOR SECURITY OF SUPPLY MARGIN (SSM)

The Security of Supply Margin was introduced by the Cabinet on the 11th of July 2017 in the pricing of slate as a way to capitalize BOL. The SSM is measured at P0.175 per litre on all regulated petroleum products. The SSM will be collected from all sales over a 5-year period accumulating to approximately P1 billion, paid to BOL on a monthly basis and converted to equity held by the Government of Botswana at regular intervals. BOL has taken the decision to account for SSM as Non-Distributable Reserve under equity. Such accounting treatments aligns most closely with the Company's understanding of the purpose of the SSM.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2018 P	2017 P
1. REVENUE		
Sale of petroleum products	539,258,815	250,385,746
	539,258,815	250,385,746
2. OTHER OPERATING INCOME		
Management fee	14,015	9,169,605
Tender fee	175,201	82,812
Other income	67,366	208,780
	256,582	9,461,197
3. PROFIT BEFORE INCOME TAX IS STATED AFTER CHARGING THE FOLLOWING ITEMS:		
Auditors' remuneration - audit fees	(306,750)	(426,786)
Consulting fees (PWC)	(3,483,330)	(1,100,000)
Depreciation	(3,675,815)	(3,018,202)
Directors' fees	(127,371)	(70,842)
Employee costs include		
Salaries and allowances	(24,508,438)	(21,448,170)
Gratuity, pension and severance	(5,059,502)	(4,536,387)
Lease rental expense	(1,148,243)	(1,005,218)
Cost of inventories expensed	(531,161,678)	(250,604,598)
4. FINANCE INCOME AND COSTS		
Finance cost		
Exchange loss - realised	(1,317,041)	(2,368,648)
	(1,317,041)	(2,368,648)
Finance income		
Interest income on call deposit	2,741,691	3,969,166
Exchange gains - unrealised	44,949	278,606
	2,786,640	4,247,772
Net finance income	1,469,599	1,879,124
5. INCOME TAX EXPENSE		
Deferred income tax	5,084,743	(9,414,983)
	5,084,743	(9,414,983)

The entity is liable to income tax at the rate of 22%.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2018 P	2017 P
Reconciliation of accounting Profit to Income Tax expense		
Loss before tax	(52,123,927)	(42,863,832)
Income tax @ 22%	(11,467,264)	(9,430,043)
Expenses not deductible for tax purposes	52,557	15,060
Unused tax losses for which no deferred tax asset has been recognised	18,954,687	-
Temporary differences for which deferred tax liabilities have not been recognised:		
- PPE	(1,443,734)	-
- Rent - straightlining impact of the lease	52,397	-
- Unrealised gain on remeasurement of the product loan	(1,048,629)	-
- Unrealised exchange gain	(9,889)	-
Over recognition of deferred tax in prior year	(5,382)	-
	5,084,743	(9,414,983)

The company has tax losses amounting to P 86 157 670 (2017: P 33 674 533) available for utilisation within five years from the years during which the loss arose. Deferred tax assets not recognised relate to the estimated tax losses as it is not likely to generate taxable income in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

6. PROPERTY PLANT & EQUIPMENT

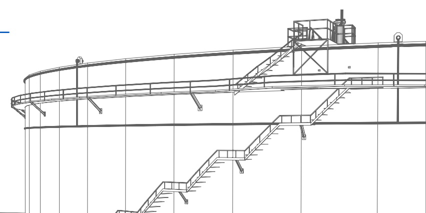
	Building Porto cabins	Plant & Equipment	Motor Vehicles	Furniture & Fittings	Computers IT Equipment	Leasehold Improvements	Office Equipment	Capital Work in progress	Total
	Pula	Pula	Pula	Pula	Pula	Pula	Pula	Pula	Pula
Year-ended 31 March 2017									
Opening net book amount	286,712	235,034	1,221,802	1,979,321	978,383	1,300,896	59,730	3,817,078	9,878,956
Additions	-	-	-	184,977	510,199	28,000	45,306	5,328,829	6,097,311
WIP capitalised	-	-	-	-	-	-	-	(9,100,227)	(9,100,227)
Disposals	-	-	-	-	(10,738)	-	-	-	(10,738)
Depreciation charge	(34,513)	(36,027)	(413,162)	(275,580)	(514,550)	(237,671)	(22,388)		(1,533,891)
Depreciation on disposals	-	-	-	-	6,040	-	-	-	6,040
Closing net book amount	252,199	199,007	808,640	1,888,718	969,334	1,091,225	82,648	45,680	5,337,450
At cost	344,793	312,081	1,674,203	2,646,975	2,295,931	1,978,170	118,600	45,680	9,416,433
Accumulated depreciation	(92,594)	(113,074)	(865,563)	(758,257)	(1,326,598)	(886,945)	(35,952)	-	(4,078,983)
Net book amount	252,199	199,007	808,640	1,888,718	969,333	1,091,225	82,648	45,680	5,337,450
Year-ended 31 March 2018									
Opening net book amount	252,199	199,007	808,640	1,888,718	969,333	1,091,225	82,648	45,680	5,337,450
Additions	15,500	-	-	103,649	1,006,459	39,011	22,292		1,186,911
WIP capitalised	-	-	-	-	-	45,680	-	(45,680)	-
Disposals	-	-	-	-	-	-	-	-	-
Depreciation charge	(34,772)	(36,837)	(221,284)	(288,147)	(678,683)	(232,755)	(27,557)	-	(1,520,035)
Depreciation on disposals	-	-	-	-	-	-	-	-	-
Closing net book amount	232,927	162,170	587,356	1,704,220	1,297,109	943,161	77,383	-	5,004,326
At cost	360,293	312,081	1,674,203	2,750,625	3,302,390	2,062,861	140,892	-	10,603,345
Accumulated depreciation	(127,366)	(149,911)	(1,086,847)	(1,046,405)	(2,005,281)	(1,119,700)	(63,509)	-	(5,599,019)
Net book amount	232,927	162,170	587,356	1,704,220	1,297,109	943,161	77,383	-	5,004,326

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

7. INTANGIBLE ASSETS

	Software	SAP Oil-in-one	Capital Work in progress	Total
	P	P	P	P
Year-ended 31 March 2017				
Opening net book amount	566,926	-	3,817,078	4,384,004
Additions	151,968	-	5,283,149	5,435,117
WIP capitalised	-	9,100,227	(9,100,227)	-
Disposals	-	-		-
Depreciation charge	(276,773)	(1,211,702)		(1,488,475)
Depreciation on disposals	-	-	-	-
Closing net book amount	442,121	7,888,525	-	8,330,646
At cost	974,609	9,100,227		10,074,836
Accumulated depreciation	(532,488)	(1,211,702)	-	(1,744,190)
Net book amount	442,121	7,888,525	-	8,330,646
Year-ended 31 March 2018				
Opening net book amount	442,121	7,888,525	-	8,330,646
Additions	401,640	-		401,640
WIP capitalised	-	-	-	-
Disposals		-	-	-
Depreciation charge	(267,878)	(1,887,902)	-	(2,155,780)
Depreciation on disposals		-	-	-
Closing net book amount	575,883	6,000,623	-	6,576,506
At cost	1,376,249	9,100,227	-	10,476,476
Accumulated depreciation	(800,366)	(3,099,604)	-	(3,899,970)
Net book amount	575,883	6,000,623	-	6,576,506



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

8. DEFERRED INCOME TAX

	2018 P	2017 P

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

	2018 P	2017 P
Deferred income tax asset		
Deferred income tax asset to be crystallised after more than 12 months	-	5,084,743
Total net deferred income tax asset	-	5,084,743

The gross movement on the deferred income tax account is as follows:

	2018 P	2017 P
At beginning of the year	(5,084,743)	4,330,240
Accelerated capital allowance for tax purposes	-	1,678,562
Straightlining impact of operating leases	-	2,723
Timing difference from unrealised exchange gains/(losses)	-	22,551
Unrealised gain on remeasurement of product loan	-	(8,681,014)
De-recognition of deferred tax asset	5,084,743	-
Tax losses Utilised	-	(2,437,805)
At end of the year	-	(5,084,743)

9. INVENTORIES

	2018 P	2017 P
Fuel inventory	20,963,488	-
Fuel supplies in transit	3,354,222	10,021,625
	24,317,710	10,021,625

10. TRADE & OTHER RECEIVABLES

	2018 P	2017 P
Trade receivables	11,992,096	71,468,978
Impairment provision	(987,220)	(987,220)
	11,004,876	70,863,888
Withholding tax receivables	629,087	382,129
Value added tax receivable	1,282,983	1,356,074
SSM receivable	21,038,826	-
Other receivables	7,973,494	1,781,004
Net book amount	41,929,266	74,000,965

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

8. DEFERRED INCOME TAX

	2018 P	2017 P

10. TRADE & OTHER RECEIVABLES

As of 31 March 2018, trade receivables of P 7 410 674 (2017 : P66 252 462) were fully performing.

Trade receivables of P 3 594 202 (2017 : P 4 229 296) were past due but not impaired.

Trade receivables of P 987 220 (2017 : P 987 220) were impaired and fully provided.

The age analysis of these trade receivable is as follows;

	2018 P	2017 P
Upto 3 months	7,410,674	66,252,462

11. CASH & CASH EQUIVALENTS

	2018 P	2017 P
Cash at Bank	208,232,803	93,283,125
Cash in Hand	2,037	4,216
Net book amount	208,234,840	93,287,341

The entity had outstanding guarantee of P 70 000 and Letter of Credit of USD 15 million issued by Stanbic bank in favour of third parties. These expire on the 30 November 2018.

12. STATED CAPITAL

	2018 P	2017 P
12.1 Issued number of shares	123,127,938	10,000,000

During the year Government through the Ministry of Minerals Energy and Green Technology have converted 20million litres worth P113, 127, 938 of loan to equity through issuance of 113 127 938 ordinary shares.

	2018 P	2017 P
12.2 Stated Capital	113,127,939	1

13. NON-DISTRIBUTABLE RESERVE

	2018 P	2017 P
Balance as at 31 March	154,505,005	-

The shareholder through cabinet, approved capitalisation of Botswana Oil Ltd (BOL) in July 2017 by way of introduction of a Security of Supply Margin (SSM) of 17.5thebe/litre on all regulated petroleum products. The SSM is to be collected over a five-year period at a total of P1.048 billion to enable BOL achieve its mandate. The BOL has treated this SSM as a Non-Distributable Reserve under equity. As part of administering the SSM, the Ministry in collaboration with BOL shall set up an SSM Management Committee which shall be responsible for the day to day administration and management of the SSM. This reserve will be utilised for BOL's strategic initiatives, administrative cost to manage SSM, consultancy costs, depot maintenance costs, tender costs, project costs, procurement of petroleum product for BOL or any costs associated with the projects. No SSM funds shall be disbursed for any other initiatives except as per above, unless otherwise approved by the SSM Management Committee.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

14. SHAREHOLDER'S LOAN

	2018 P	2017 P
Product loan	9,652,112	64,432,887
	9,652,112	64,432,887

Product loan
A Presidential directive No CAB 97 dated 19 April 2017 allowed for capitalisation of obligation for 20 million litres of fuel advanced to Botswana Oil Ltd by Governement of Botswana to set up Company. As at the beginning of the financial year, the Company had an outstanding obligation of 11.6 million litres in respect of the loan facility at a value of P 64.4 million.

The Company continued to drawdown from the Botswana Government reserve and converted liabilities creating subscription pending capitalisation, until the full allocation of 20 million litres was utilised. The capitalisation/issue of shares (113,127,938 shares) was initiated in the month of September 2017 for a total value of P 113,127,938.

The movement of the product loan is reflected below:

	2018		2017	
	Qty in Ltrs	Pula	Qty in Ltrs	Pula
Opening balance	11,648,362	64,432,887	24,605,337	114,958,631
Utilisation	65,433,649	374,528,168	45 631 057	242 405 820
Replenishment to the strategic reserves	(55,531,395)	(323,519,914)	(42,713,624)	(207,647,189)
Equity Conversion	(20,000,000)	(113,127,938)	-	-
Cash settlements	-	-	(15,874,408)	(83,099,711)
Measurement adjustment to cost of sales	-	7,338,909	-	(2,184,664)
Closing balance	***1,550,616***	***9,652,112***	***11,648,362***	***64,432,887***

The measurement adjustment at each month-end resulted in a loss of P 7.3 million (2017 2.2 million profit) representing the impact of the slate prices at each measurement date with the carrying value in the accounting records for the outstanding quantities. This amount has been debited to Cost of Sales in the Statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

15. GOVERNMENT ADVANCES

	2018 P	2017 P
Government advance - BOL procurement	4,468,834	245,142
Government advance - Francistown Expansion Project	32,454,750	39,721,554
Government advance - Ghanzi Project	5,862,890	-
Government advance - Tank conversion Project	996,651	14,861,186
	43,783,125	54,827,882

The Government advance procurement loan represents the specific amounts received by BOL to procure strategic reserve stocks on behalf of the Government directly and through CEC's (Citizen Emerging Companies) in order to facilitate these companies to participate in the petroleum sector. BOL earns management fees as a result of the sourcing on behalf of the Government strategic stock reserves. The advance does not attract interest.BOL received funding through the Department of Energy towards specific projects during the year. Expenses relating to these projects are charged to the specific accounts. As at the year end date the balances represent the amounts remaining to be spent for the projects.

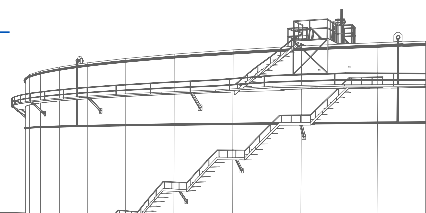
16. TRADE & OTHER PAYABLES

	2018 P	2017 P
Trade payables	27,663,433	71,557,457
Other payables		
- Accruals	189,293	13,603,465
- Gratuity and severance provision	6,549,762	3,742,480
- Other	6,005,150	6,103,099
	40,407,638	95,006,501

17. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to financial assets and financial liabilities as applicable. Financial assets of the company are classified as follows:

	2018 P	2017 P
Trade and other receivables	18,978,370	72,644,891
Cash and cash equivalents	208,234,840	93,287,341
	227,213,210	165,932,232



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2018 P	2017 P

18. FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to financial assets and financial liabilities as applicable. Financial liabilities of the company are classified as follows:

	2018 P	2017 P
Trade and other payables	39,237,007	94,077,150
	39,237,007	94,077,150

19. COMMITMENT AND CONTINGENCIES

Lease Commitments

Non cancellable operating lease

	2018 P	2017 P
Not later than one year	1,797,248	-
	1,797,248	-

20. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On the 23 May 2018, P100million was reallocated from the SSM to Botswana Government. The amount is deemed to be a related party short term reallocation of funds to be replenished in the next budget cycle.

21. ASSETS PLEDGED

No assets were pledged as security for liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2018 P	2017 P

22. RELATED PARTY BALANCES AND TRANSACTIONS

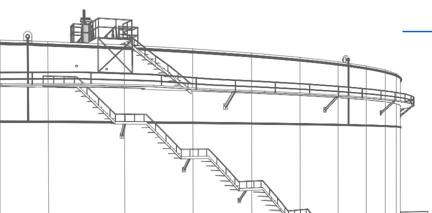
The entity has availed the exemption under Para 25 of IAS 24: Related Party Disclosures, from the disclosure requirements in relation to related party transactions and outstanding balances. Botswana Oil Limited is wholly owned by the Government of the Republic of Botswana. During the year BOL utilised inventory from the strategic reserves owned by the Government and obtained advances to manage projects on behalf of the Government. These have been disclosed under note 12 and note 13 of the financial statements.

BOL generates revenue through sale of fuel to government departments in the normal course of their operations.

	2018 P	2017 P
Details of transactions during the year:		
Value of inventory utilised	(51,008,254)	(48,341,080)
Sales of fuel to government departments	8,274,807	4,026,842
Details of balances at the year end date:		
Amounts receivable from government owned entities	5,408,569	62,294,022
Amounts payable to government owned entities	53,435,237	(119,260,769)
Key Management Personnel		
Directors Emoluments		
For services as directors	127,371	70,842
For managerial services	1,538,907	2,735,652
	1,666,278	2,806,494
Directors Emoluments		
Gratuity payable	582,833	194,278

ACRONYMS

Botswana Energy Regulatory Authority	**BERA**
Botswana Oil Limited	**BOL**
Citizen Emerging Company	**CEC**
Coal-to-Liquids	**CTL**
Department of Energy	**DoE**
Gas-to-Liquids	**GTL**
Hazard and Operability Study	**HAZOP**
International Oil Company	**IOC**
Liquified Petroleum Gas	**LPG**
Management Tender Committee	**MTC**
Ministry of Mineral Resources, Green Technology and Energy Security	**MMGE**
Mobile Filling Stations	**MFS**
Remote Areas Energy	**RAECs**
Mozambique NOC	**PetroMoc**
Namibia NOC	**NamCor**
National Oil Companies	**NOC**
National Strategy Office	**NSO**
Non-Bank Financial Institutions Regulatory Authority	**NBFIRA**
Oil Marketing Company	**OMC**
Petroleum Products Bill	**PPB**
Public Enterprises Evaluation and Privatisation Agency	**PEEPA**
Public Procurement and Asset Disposal Board	**PPADB**
South Africa NOC	**PetroSA**
Underground Coal Gasification	**UCG**
Village Development Committee	**VDC**



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Your Fuel. Your Future

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