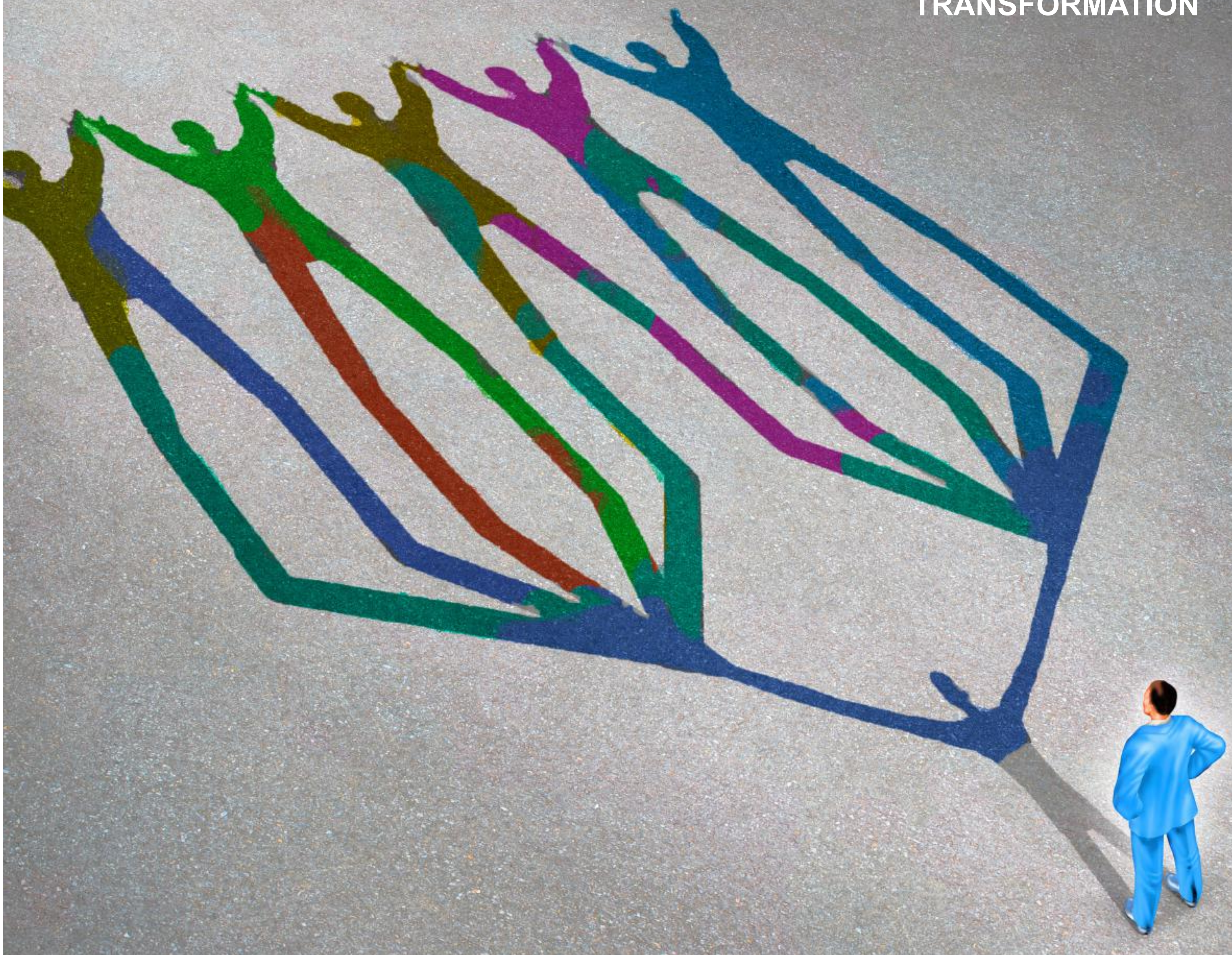
17/18
ANNUAL REPORT

STRENGTH THROUGH TRANSFORMATION



B.B.S

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ABOUT **US**

BBS, domiciled in Botswana, was first established as a building society under the Building Societies Act, during December 1976 primarily to be involved in property finance and the provision of services in connection therewith. Its philosophy is the provision of affordable property finance and attractive investment returns through the efficient utilisation of resources in the spirit of teamwork for the benefit of all stakeholders.

BBS's initial business commenced with an asset base of some P4 million comprised of P0,2 million Botswana Government stock, advances of P2,5 million and cash and investments amounting to some P1,3 million.

Advances comprised of 488 mortgages assumed by BBS from the then United Building Society of South Africa, which Society had until then operated as a branch. During the first three months of operation, only nine new home loans were advanced. Liabilities consisted of P2,6 million in capital, mostly subscribed to by the Botswana Government in shares, a statutory reserve of a mere P0,2 million, and retained earnings of P1,900. Savings and fixed deposits accounted for P1,39 million, with creditors and provisions making up the balance.

During its first ten years of operation, BBS was restricted by law to lend only against the security of immovable urban property. The Building Societies Act was amended in April 1986 to permit lending in rural areas. Since then, the number of mortgages in respect of rural properties has grown to 517, representing 5% of BBS's mortgage book, compared with 5,115 advances in urban areas, as at 31 March 2018.

Up until 1986, BBS restricted its lending only to residential properties, as a matter of policy. It was only during 1986 that BBS ventured into commercial lending for the first time. These represent 8.5% of BBS's mortgage book in terms of value. The exceptional growth of BBS over the past 40 years can best be measured by the phenomenal increase in reserves from inception to the present P212 million in March 2018. The Statutory reserve decreased from P200 million to almost P124 million over this period. BBS has consistently met its dividend obligations to its shareholders every year over the past 40 years of its existence, and occasionally, has paid bonus dividends.

Presently, BBS continues to operate in a niche market of mortgage lending in Botswana where it has a substantial presence. It has nine branches in Botswana, namely, three branches in Gaborone, and one in each of Lobatse, Serowe, Selibe-Phikwe, Francistown, Maun and Kasane.

On 26 April 2018, Botswana Building Society was converted into a company limited by shares, under the name BBS Limited.

The Company intends to apply for a banking licence in terms of Section 6 of the Banking Act. If the licence is granted, the Company will be the first bank in Botswana to be majority owned and controlled by citizens of Botswana. As a building society, the Company already had a strong business presence and the expansion of banking services offered will only increase its presence and market share in the economy.

Mission

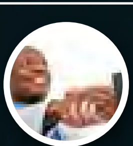
To provide attractive financial products and services that create value for our stakeholders.

Vision

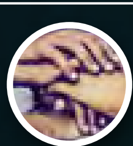
To be the regional leader in the provision of financial services solutions.

Values

BBS Limited has 5 values. The BBS values do not just describe the Botswana Building Society's culture, but also encapsulate the spirit of Botho. BBS therefore understands that everything it does is about Batswana and hence our values give substance to what we are and why we are proud to serve within our society. BBS is committed to the following key values which are fundamental to our business philosophy.



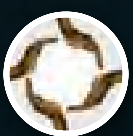
Respect
To serve customers with honor and esteem



Integrity
To be ethical and trustworthy in the way we conduct business

Innovation
To be creative in the way we do business

Service Excellence
To be premier provider of financial services



Teamwork
To work together towards a common goal

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FIVE YEAR **SUMMARY**

Analysis of Amounts (P'000)	2018 P'000	2017 P'000	2016 P'000	2015 P'000	2014 P'000
Deposits (Ordinary, Special savings, Letsibogo and Tlamelo and Lerako)	376,615	396,253	558,699	581,082	528,111
Fixed deposits	898,180	734,731	747,143	445,369	118,554
Advances (mortgages and short loans)	3,186,492	3,199,264	3,152,025	3,010,432	2,605,177
All classes of shares and reserves	1,472,917	1,381,328	1,350,322	1,307,830	1,210,267
Analysis of Account holdings					
Number of mortgage bond holders	5,632	5,772	5,780	5,723	5,484
Number of short-term loan account holders	7,195	6,824	6,939	7,020	6,955
Number of paid up share account holders	46,033	45,923	45,142	44,227	43,310
Number of subscription share account holders	5,848	5,787	5,825	5,684	5,573
Number of fixed-deposit account holders	114	149	326	130	126
Number of savings account holders	125,180	125,986	123,636	122,766	118,142
	190,002	**190,441**	**187,648**	**185,550**	**179,590**

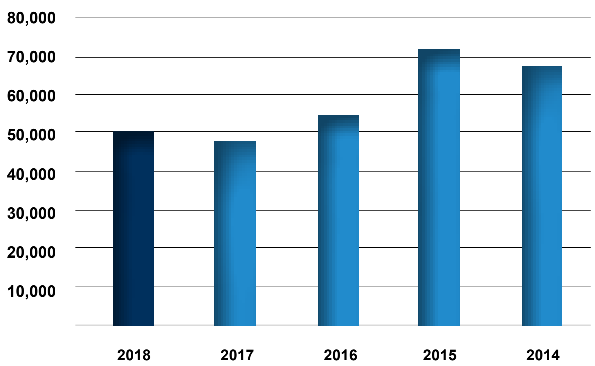
VALUE ADDED **STATEMENT**

for the year ended 31 March 2018

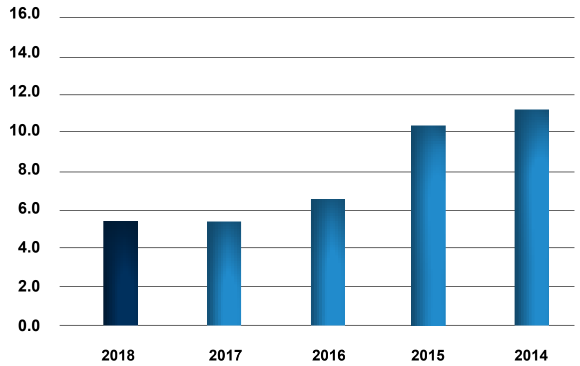
	2018 P'000	2017 P'000
Value created		
Income from lending and banking activities	324,281	321,849
Cost of services	(136,363)	(139,031)
Value created by operations	187,918	182,818
Non-operating income	4,855	5,271
Operating expenditure excluding staff costs and depreciation	(59,982)	(63,478)
	132,791	124,611
Value distributed		
Employees - Salaries and benefits	70,776	65,506
Shareholders-Dividends	57,805	59,376
	128,581	124,882
Value retained		
Retained income (including transfer to statutory reserve)	(7,864)	(11,491)
Depreciation	12,074	11,220
	4,210	(271)
Total value distributed and retained	132,791	124,611

PERFORMANCE HIGHLIGHTS

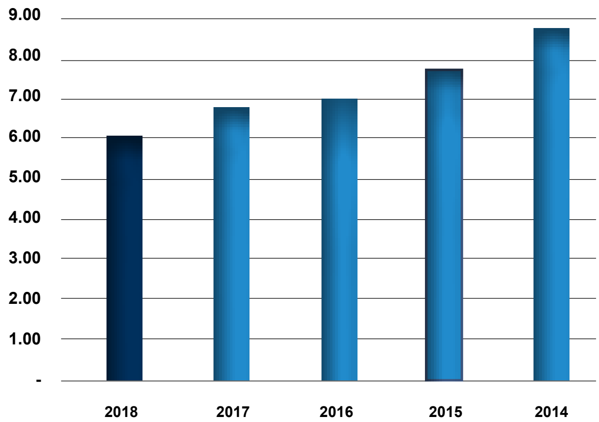
Profit for the year (P'000)



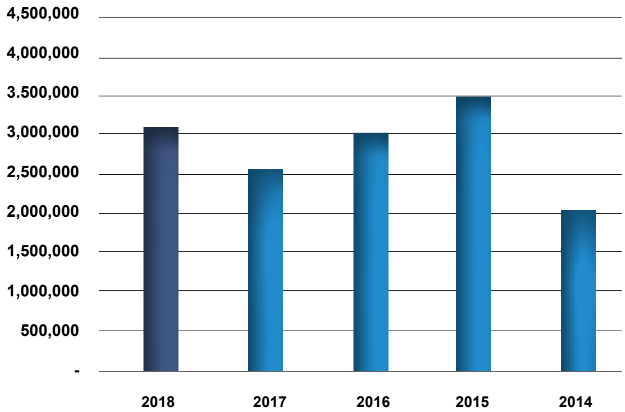
Earnings per share (thebe)



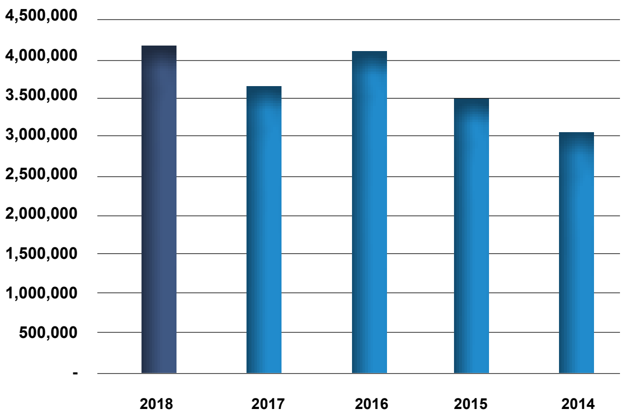
Dividend per share (thebe)



Total liabilities (P'000)



Total assets (P'000)



BOARD OF DIRECTORS

1.	**Taolelo Mosetlhi**	Chairman
2.	**Pius K. Molefe**	Managing Director
3.	**Pelani D. Siwawa-Ndai**	Director
4.	**Kgalalelo N. Monthe**	Director
5.	**Richard Molosiwa**	Director
6.	**James M. Kamyuka**	Director
7.	**Michael M. Tlhagwane**	Director

The following Directors retired on 26 April 2018 following the incorporation of BBS Limited:

1. **Kelapile Ndobano**
2. **Tsetsele C. Fantan**
3. **Simon A. Hirschfeld**
4. **Kelebamang Motlhanka**
5. **Gerald N. Thipe**

The following Director retired on 24 August 2017

1. **Frederick Selolwane**

EXECUTIVE MANAGEMENT

1. **Pius K. Molefe** Managing Director
2. **Pearl C. Ramokate-Nkoane** Head of Finance
3. **Sipho H. Showa** Head of Communications & Marketing,Board Secretary
4. **Thelma O'Reilly** Head of Banking
5. **Keona B. Mphetlhe** Head of Corporate Services
6. **Punah G. Moyo** Head of Projects & Strategy
7. **Susan L. Ntsima** Head of Operations
8. **Freddie L. Rakwadi** Head of Information Technology
9. **Julia S. Ntshole** Head of Risk
10. **Palesa A. Semele** Head of Internal Audit

CHAIRMAN'S REPORT

As you are aware, we are no longer Botswana Building Society following the incorporation of its successor entity BBS Limited on 26 April 2018. This is another important milestone in the history of our organisation as it marks progress towards commercialisation. Therefore, I am particularly pleased to be able to present this report to you as the first Chairman of BBS Limited.

It has been a long journey which can be traced back to 2004 when the idea to demutualise Botswana Building Society was proposed to the Board by the then new Chief Executive Officer, now Managing Director, Mr. Pius Molefe. It is now coming to fruition at the right time when the fortunes of the business have been declining due to increased competition and reliance on two products being mortgages and investments.

Even though we are now a company, until BBS Limited is issued with a commercial banking license by the Bank of Botswana, it will continue to conduct the business of a building society. Therefore, all arrangements made with customers and other stakeholders continue under the new company as they are and will remain so under the envisaged commercial bank.

In the meantime, ordinary shares of those that bought them in BBS Limited using their shares as they then were under Botswana Building Society being Paid Up, Indefinite Period and Subscription, are now listed on the Botswana Stock Exchange's Over the Counter Platform called "Serala". BBS Limited was the first to list on this special counter and it should be noted that it is separate and different to the one for publicly listed entities which many of you are familiar with.

The rationale for listing on the Serala platform was to enable BBS Limited shareholders to trade their shares as and when they would like to. This time, trading in such shares will be carried out through a broker entirely under the supervision of the Botswana Stock Exchange.

Financial performance

We delivered an admirable set of results achieving a profit of P49.941 million (2017:P47.885 million). It increased by 4% compared to that of the prior year which affirms the resilience of our business. However, we can only build on this success if we can transform BBS quickly into a commercial bank, a process that is moving apace.

The Board also recommended a dividend of P57.805 million compared to P59.376 million the previous year to Shareholders. The decline in the dividend paid is mainly due to the reduction of the interest rate by 50 basis points by the Bank of Botswana in October 2017.

It is also important for me to remind Shareholders that it is projected that for the first three years after commercialisation, BBS Limited will make losses or a small profit. However, I must point out that the anticipated losses will not necessarily be because of poor performance. They will be a result of costs associated with the rolling out of new products and services, putting in place new systems for the commercial banking environment and the change in our capital structure since indefinite paid up shares are now categorized as liabilities having an impact on interest expenses as opposed to a dividend payment.

Board evolution

Following the incorporation of BBS Limited, some Directors of the then Botswana Building Society retired to make way for new ones who will help take the organisation forward. Therefore, I would like to thank the following retired Directors for their dedicated service to BBS over the years: Mr. Simon Hirschfeld, Mr. Gerald Thipe, Mrs. Tsetsele Fantan, Mr. Kelebamang Motlhanka and Mr. Kelapile Ndobano.

On behalf of the BBS Limited Board and Staff, I would like to wish them well in their future endeavours. Over the years, the Botswana Building Society Board of Directors presided over a profitable organisation whose performance was admired by many especially given its competitors and the fact that it had a limited catalogue of products and services.

No doubt there have been other successes of the Botswana Building Society Board of Directors over the years: The Demutualisation Project itself whose ultimate prize will be the anticipated commercial banking license; upgrading of our core banking system T24 so that it has sufficient capacity for banking operations; putting in place solid governance structures; helping to maintain a commendable Staff morale, and; supporting Management in all its endeavours to improve the business. The former Directors should rightly be proud of these achievements.

Following the retirement of the above Directors after the incorporation of BBS Limited a new Board came into being. It comprises myself, a former commercial banker with vast experience in banking, Ms. Pelani Siwawa-Ndai, a businesswoman and former senior central banker who held various positions at the Bank of Botswana, and; Mr. Kgalalelo Monthe a businessman and senior attorney with vast commercial law experience. We look forward to their contributions to the growth and development of BBS Limited. The new Directors joined those continuing from the Botswana Building Society Board being the Managing Director Mr. Pius K. Molefe, my immediate predecessor as Chairman of the Board Mr. James M. Kamyuka, Mr. Richard Molosiwa, and Mr. Michael M. Tlhagwane. I would like to thank the continuing Directors for ensuring that there was a seamless transition between the two Boards and for their support in welcoming us, the new Directors. Their institutional memory has also been invaluable.

Way forward

As stated above, we are hopeful that our application to the Bank of Botswana for a banking licence will be successful. We are targeting to start operating as a commercial bank in the second half of 2019.

Once again, I wish to assure you that we are well poised for the task ahead.

The necessary infrastructure, physical, technological, customers, shareholders and human resources, are in place ready to start serving you and the wider nation as Botswana's first indigenous commercial bank. It must be said, however, that we would not be where we are without your firm support for which we are grateful.

Sincerely

Taolelo Mosetlhi
Board Chairman

PEGO YA GA MODULASETILO

Jaaka lo itse, ga re sa tlhole re le mokgatlho wa Botswana Building Society morago ga gore re fetoge sebopego go nna kompone ya BBS Limited ka Moranang a le 26, 2018. Se e ne e le nngwe ya dikgato tse di botlhokwa mo mosepeleng wa rona wa go nna banka. Ka jalo ke motlotlo go lo rolela pego ke le Modulasetilo wa ntlha wa BBS Limited.

Mosepele wa go nna banka ga o simologe fano. Mogopolo o o sale o rolelwa Khuduthamaga ka 2004 ke Mookamedi wa BBS Rre Pius Molefe. Jaanong o simolola go ungwa ka nako e e maleba ka kgwebo ya rona e wela tlase ntateng ya go ikaega ka ditlamelo di le pedi fela e le dipeeletso le go adima batho madi a go reka kana go aga dikago.

Le fa jaanong re le kompone, go fitlhelela BBS e fiwa setlankana sa go dira e le banka ke Banka Kgolo ya Botswana, e tla tswelela e dira kgwebo ya mokgatlho (building society). Ka jalo dithulaganyo le ditumalano tsotlhe tse re nang natso le badirisi ba ditlamelo tsa rona di tsweletse ka fa tlase ga kompone fela jaaka go tla diragala fa re le banka.

E re re santsane re emetse setlankana sa go dira jaaka banka, diabe tsa BBS Limited jaanong di kwadisitswe mo thulaganyong ya theko le thekiso ya diabe ya Serala kwa Botswana Stock Exchange go letlelela ba ba direkileng ba dirisa diabe tsa bone tsa pele tsa mokgatlho wa Botswana Building Society tsa Paid Up, Indefinite Period le Subscription go gweba ka tsone. Thulaganyo e ya Serala ke ya diabe tsa dikompone tse di jaaka BBS Limited tse di sa kwadisiwang mo thulaganyong ya diabe e e tlwaelesegileng ya dikompone. Ka jalo BBS Limited ke kompone ya ntlha go kwadisiwa mo Serala go letlelela bana le diabe ba yone go gweba ka tsone. Mo go rekeng kana go di rekisa, ba tla tshwanelwa ke go dirisa morekisi yo o letleletsweng (broker) ka fa tlase ga tlhokomelo ya ba Botswana Stock Exchange.

Maduo

Re ne ra dira poelo ya P49.941 million (2017:P47.885 million). E ne ya oketsega ka 4% mo go ya ngogola mme se e le sekao sa go itshetlela ga kgwebo ya rona. Le fa go ntse jalo, re ka godisa le go tiisa kgwebo e fa re ka fetola BBS go nna banka ka bofefo, thulaganyo e e leng gore e tsweletse.

Khuduthamaga gape e ne ya rebola tuelo ya morokotso wa P57.805 million go duela babeeletsi fa go tshwantshanngwa le P59.376 million wa ngogola. Kwelo tlase ya morokotso o duetsweng babeeletsi ke ka ntata ya go fokodiwa ga seelo sa merokotso ka sephatlho mo bongweng ke ba Banka Kgolo ya Botswana ka Phalane 2017.

Go botlhokwa gape gore ke gakolole babeeletsi gore mo digwageng tse tharo BBS e sena go nna banka, ga e nke e dire dipoelo. Fa e le sengwe, e tla dira dipoelo tse di boutsana. Le gale, go sa direng dipoelo mo e tlaabo e se ka ntata ya go sa dire sentle ga kgwebo. E tlaabo e le ka go duelela ditiro tsa go simolodisa ditirelo tse di sha tsa banka, go tsenya mo tirisong ditsamaiso tse di sha tsa go dira jaaka banka le phetogo e ntsha ya ka fa madi le dithoto tsa BBS Limited di tshwanetseng go balwa ka teng.

Diphetogo mo Khuduthamageng

Morago ga go kwadisiwa ga kompone ya BBS Limited, maloko mangwe a Khuduthamaga e kgologolo ya Botswana Building Society a ne a ithola marapo go sutela a masha go isa kompone kwa pele. Ka jalo, ke batla go leboga maloko a pele a Khuduthamaga go bo ba diretse BBS ka boineelo e bong Rre Simon Hirshchfeld, Rre Gerald Thipe, Mme Tsetsele Fantan, Rre Kelebamang Motlhanka le Rre Kelapile Ndobano.

Mo boemong jwa Khuduthamaga ya BBS Limited le Babereki, ke batla go ba eleletsa masego mo isagong ya bone. Mo dingwageng tse di fetileng, Khuduthamaga ya BBS e ne ya tsamaisa kgwebo e e nang le dipoelo selo se se neng se itumedisa ba le bantsi segolobogolo re lebile gore ditlamelo tsa

PEGO YA GA MODULASETILO

yone di ne di felela mo seatleng fa di tshwantshwanngwa le ba phadisanyi ba yone. Khuduthamaga ya Botswana Building Society e nnile le diphitlhelelo tse di ngwe tse di ntsi mo tsamaong ya nako jaaka thulaganyo ya go fetola mokgatlho go nna banka; go atolosiwa le go tokafadiwa ga mafaratlhatlha a maranyane a a dirisiwang mo go tsa banka le go tiisa moko botsamaisi le badiri mo ditirong tsotlhe tsa bone ka maikaelelo a go tlhabolola kgwebo. Ka jalo, maloko a pele a Khuduthamaga a tshwanetse a ipela ka diphitlhelelo tse.

Morago ga gore maloko a pele a Khuduthamaga a tlogele tiro, gone ga tlhongwa maloko a masha go tsena mo khuduthamageng ya BBS Limited. Maloko a ke nna mme ke berekile ka lobaka mo dibankeng tse di ikemetseng ka nosi, Mme Pelani Siwawa-Ndai yo e leng mogwebi e bile a kile a dira e le mogolwane kwa Bankeng Kgolo ya Botswana le Rre Kgalalelo Nneiseng Monthe yo e leng mogwedi e bile e le lebutswa pele mo go tsa molao go akarediwa le wa dikgwebo. Maloko a masha a fitlhela a a tswelelang go tswa mo khuduthamageng ya pele ya Botswana Building Society e leng Modulasetilo wa pele Rre James M. Kamyuka, Rre Richard Molosiwa le Rre Michael M. Tlhagwane. Ke batla go leboga maloko a go bo ba thusitse gore go seka ga nna le kgoreletsego epe mo go neelaneng tiro ya khuduthamaga ya pele le ya gompieno. Kitso ya bone mo go tse di diragetseng moragonyana fale e thusitse thata.

Go ya pele

Jaaka ke setse ke boletse, re dumela gore kopo ya rona e re e tsentseng kwa go ba Banka kgolo ya go dira jaaka banka e tla atlega re lebile gore re simolole go dira jaaka banka ngwaga wa 2019 o le fa gare.

Ke eletsa go gatelela gore re eme sentle go dira jaaka banka. Sengwe le sengwe se se tlhokegang jaaka dikago, maranyane, babereki, badirisi ba ditlamelo, bana le diabe se teng go re kgontsha go dira jaaka banka ya ntlha e e tlholegang mo Botswana. Mme ke wetsa ka temogo ya gore re ka bo re se fa re leng teng kwa ntle ga kemo nokeng ya lona. Ka jalo, re a leboga.

Ke le

Taolelo Mosetlhi
Modulasetilo wa Khuduthamaga

MANAGING DIRECTOR'S STATEMENT

As our Board Chairman Mr. Taolelo Mosetlhi notes in his statement, this has been a very busy period for BBS Limited since you passed the resolution to demutualise the then Botswana Building Society on 24 August 2017 paving the way to apply for a banking licence. It was absolutely the correct decision and much has been done to ensure that it becomes a reality in the shortest time possible.

The building society business model limits products and services offerings to mortgages and investment products such as Paid Up Shares. Once it has registered as a bank, BBS will build on its solid foundation as a mortgage lender and savings institution to offer a full range of products and services. It will deliver these through the existing distribution channels such as branches and ATMs. It will also leverage on technology to deliver quality and exciting customer experience.

We remain optimistic that our banking licence application will be considered favourably by the Bank of Botswana. In the meantime, we have upgraded our core banking system T24 to be ready for the exciting challenges of a commercial bank. On the people side, I am continually engaging with employees to ensure that we are all aligned and fully prepared for the commercial banking environment. Taking cognizance of the need to have people with the right skills and competencies and in appropriate business units, the company has embarked on a skills and competency audit. The intention is that where there are skills gaps, there should be targeted training and recruitment of people to handle specialist functions.

Results

I am sure you will be heartened to note that despite the on-going transformation process, the difficult trading environment and the total expenses having escalated from P140.0 million (2017) to P143.0 million, BBS continues to perform impressively.

BBS earned a profit of P49.941 million during the year ended 31 March 2018 (2017: P47.885 million). This being a 4% increase compared to that of the previous year.

Our assets are at P4.207 billion in 2017/18 this being a 15% increase from the previous year.

As for Paid Up and Subscription Shares there was an increase of 4% from P508.619 million (2016/17) to P527.201 million.

Fee and commission income registered a decrease of 6% from P22.465 million (2016/17) to P21.202 million.

Interest income increased by 1% from P299.384 million (2016/17) to P303.079 million.

Dividends paid amounted to P57.805 million compared to P 59.376 million the previous year, this being a decrease of 3% which was also as result of a decrease in interest rates.

The cost to income ratio is 67% compared to 68.45% in the previous financial year. The cost to income ratio is expected to be high for the next few years as we continue to implement initiatives pertaining to the transformation process.

Transition

As indicated above, we are well prepared to transition to the new commercial bank. Our upgraded systems are in place; we will strengthen the leadership team with new members in relation specialist functions, and; we are embedding the new organisational structure amongst a number of initiatives. By the time BBS is issued with a commercial banking license, we would have been long ready for the new dispensation.

Rebranding of BBS

I imagine that one of the issues you may be asking yourselves is what your new bank will look like, that is its brand, what its personality will be and perhaps more importantly, how it will interact with you, employees and other stakeholders. We are working on a new brand for BBS and we have all these and more in mind to ensure that it will set BBS Bank apart from the competition. This will have to be a brand that is unique and competitive. It will be a brand that understands the market it is serving and will stand the test of time. Therefore, we are looking forward to the outcome of this rebranding project and we will ask for your input through a research exercise before the brand is finalised.

Supporting our communities

BBS continued to lend its support to various community initiatives during the year. As usual, we supported entities such as the Albinism Society of Botswana, the Sir Ketumile Masire Foundation, the women's social and economic empowerment group Shegotja Molelo, Happy Hearts Foundation which is raising funds to build a cancer treatment facility in Gaborone, Kalahari Conservation Society and Business Botswana.

With regard to supporting education, we equipped the computer laboratory at Mowana Primary School in Mowana, North East, with computers and internet connectivity for the benefit of pupils. We also carried out an eye testing exercise at Letswai Primary School in Zutshwa, Kgalagadi North, and donated spectacles to 42 pupils with eye sight challenges. It has generally been found that many pupils do not do well in their academic work not because they are not gifted but as a result of poor eye sight. Therefore, we hope that the pupils of Letswai Primary School will not only look after them but put them to good use as well. Perhaps more importantly, they will have a significant positive impact on their lives from now onwards. Many will recall that our relationship with Letswai Primary School started in 2013 when we adopted it and in the process, built the school a library for about P1.2 million. Since then, every year we have been helping the school in whatever way that we can including buying gifts for the best performing pupils.

Another of our projects was the construction of ablution facilities for teachers and pupils at Molapowabojang Primary School in Molapowabojang village in the southern part of our country. The project also included upgrading some of the existing ablution facilities. The pupils had been using pit latrines dating back to 1966 when the school opened.

Appreciation

On behalf of Management, I would like to express my appreciation to you our Shareholders for your steadfast support in this historic journey and to recently retired and present Board Members for their guidance.

In particular, I would also like to thank BBS Staff for their patience, understanding and forbearance during this period of transition and for working tirelessly to ensure that the Demutualisation Project is a success. Their hard work, including over weekends, late into nights and during public holidays on various aspects of the project have not gone unnoticed and will be rewarded by the envisaged main result: The first indigenous commercial bank in Botswana.

Thank you

Pius Komane Molefe
Managing Director

PEGO YA GA MOOKAMEDI

Jaaka Modulasetilo wa Khuduthamaga Rre Taolelo Mosetlhi a bolela mo pegong ya gagwe, re ntse re tshwere ka natla mo BBS Limited morago ga gore lo dumalane mo phuthegong e e faphegileng ka Phatwe a le 24 ka 2017 gore mokgatlho wa Botswana Building Society o nne banka. Lo ne lwa tsaya tshwetso e e maleba mme go gontsi mo go dirilweng go tlhomamisa gore tshwetso ya lona e diragadiwa ka bofefo jo bo kgonagalang.

Mokgatlho o re neng re dira re le one o ne o remeletse fela mo go adimeng sechaba madi a go reka kana go aga dikago le matlole a peeletso jaaka a diabe tsa Paid Up. Jaanong fa BBS e sena go kwadisiwa jaaka banka, e tla nna le ditlamelo tse di ntsi. E bile, e tla di phasalatsa ditlamelo tsa yone ka ditsela tse di farologanyeng le tse di leng teng jaaka makalana le di ATM le mafaratlhatlha a maranyane go itumedisa le go kgatlha badirisi ba ditlamelo tsa yone.

Re na le tsholofelo ya gore Banka kgolo ya Botswana e tla dumalana le kopo ya rona ya go nna banka. Go ipaakanyetsa se, re tlhabolotse maranyane a go dirisa ditlamelo a banka a T24 go ipaakanyetsa go dira e le banka, re lootsa le tebelopele ya rona e e akaretsang go oketsa ditlamelo le ditiriso tsa rona ka tse di sha fa mo go tsa bodiredi ke tsweletse ka go buisanya le babereki go tlhomamisa gore re moono mongwe e bile re ipaakanyeditse go dira re le banka. Ka go na le temogo ya go tlhomamisa gore re nna le bodiredi jo bo nang le dikitso tse di maleba mo maphataneng a kgwebo ka go farologana, kompone e simolotse letsholo la go tlhodumela gore modiri mongwe le mongwe o na le dikitso le dithutego di fe. Maikaelelo ke go dira gore fa mongwe a tlhaelang teng, a rutuntshiwe le gone go hira ba basha ba ba nang le dikitso tse di faphegileng.

Maduo

Ke dumela gore lo tla namediwa dipelo ke gore le fa re le mo motsing wa diphetogo, phadisanyo e le e mashetla le boturu jwa go tsamaisa kgwebo bo oketsegile go tswa kwa go P140.0 million ka 2017 go ya kwa go P143.0 million, BBS e tsweletse ka go dira sentle. BBS e ne ya dira dipoelo tsa P49,941 million mo ngwageng o wetseng ka Mopitlo a le 31, 2018 (2017: P47.885 million). Se e nnile koketsego ya 4% mo poelong ya ngogola.

Palo gotlhe ya dithoto tsa rona ke P4.207 billion mo ngwageng wa 2017/18 se e le koketsego ya 15% mo go tsa ngogola. Diabe tsa Paid Up and Subscription di oketsegile ka 4% di tswa kwa go P508.619 million (2016/17) go ya kwa go P527.201 million.

Madi a re a lefisang sechaba go ba thusa ka ditlamelo a fokotsegile ka 6% a tswa kwa go P22.465 million (2016/17) go ya kwa go P21.202 million. Morokotso o oketsegile ka 1% o tswa kwa go P229.384 million (2016/17) go ya kwa go P303.079 million.

Babeeletsi ba duetswe morokotso wa P57.805 million fa o tshwantshanngwa le wa P59.376 million ngogola se e le kwelo tlase ya 3% mme lengwe la mabaka a se e le kwelo tlase ya morokotso mo mmarakeng ka kakaretso. Boturu jwa go tsamaisa kgwebo bo kwa go 67% fa go tshwantshanngwa le 68.45% ngogola. Go solofetswe gore seemo se se turele pele mo dingwageng di le mmalwa tse di tlang jaaka re tlaabo re tsweletse re dira gore banka e e itshetlele.

Seemo sa phetogo

Jaaka ke setse ke boletse, re ipaakantse sentle go nna banka. Re tlhabolotse maranyane a banka a T24, re tiisa botsamaisi ka maloko a masha fa go tlhokegang teng go lebilwe ditiro dingwe tse di haphegileng e bile re tsweletse ka go tsenya mo tirisong ditiro le maemo a masha ka kakaretso, magareng ga tse dingwe. Re tlaabo re sale bolo go ipaakanya ka nako e re tlaabong re fiwa teseletso ya go dira re le banka.

Phetogo ya tebego ya BBS

Ke dumela gore nngwe ya dilo tse lo di ipotsang ke gore letshwao lwa banka lo tla nna jang le mebala ya yone gore e tlaabo e le e tsiang, bomangmang kana botho jwa yone e tla nna bofe le gone gore e tla dirisanya jang le lona le bana-le-seabe ba bangwe. Re semeletse mo go ageng sebogego sa BBS o mosha mme dikakanyo tse le rona di mo ditlhaloganyong tsa rona go tlhomamisa gore re nna le banka e tla nnang pharologanyo e bile e lepalepana le tse dingwe.

PEGO YA GA MOOKAMEDI

Re batla go nna le banka e tla tlhaloganyang mmaraka wa yone e bile e e tla e tshwarelelang go ya goileng. Ka jalo re emetse maduo a tiro e le lona re tla kopang dikakanyo tsa lona mo go yone.

Thuso e re e fang sechaba

Mo ngwageng o re o sekasekang o, BBS e ne ya tswelela ka go thusa sechaba mo maitekong a sone ka go farologana. Re ne ra thusa ba mokgatlho wa ba ba tshelang le boswafe, lekgotla la Tautona wa rona wa Pele la Sir Ketumile Masire Foundation, le le itebagantseng le go tlhabolola matshelo a bo Mme la Shegotja Molelo, la Happy Hearts Foundation le le kgobokanyang madi go aga lefelo la go tlhokomela balwetse ba kankere, la tshomarelo tikologo la Kalahari Conservation Society le la dikgwebo tse di ikemetseng ka nosi la Business Botswana.

Mo go tsa thuto, re ne ra abela sekolo se se botlana sa Mowana kwa bokone botlhaba dikhomputara, ra digokelela le ka maranyane a inthanete tota; re ne gape ra tlhatlhobela matlho bana ba sekolo se se botlana sa Letswai kwa motsaneng wa Zutshwa kwa Kgalagadi Bokone ra bo ra abela ba le masome a mane le bobedi ba go neng go bonwe fa ba na le mathata a pono digalase tsa matlho. Re ne re aba digalase tsa matlho ka go setse go lemogesegile gore fa gongwe bana ba tlholwa ke dithuto e se ka gore tlhaloganyo ga di a itshetlela sentle e le ka gore ga ba bone sentle. Ka jalo, re solofela fa bana ba le batsadi ba tla tlhokomela digalase tse le gone gore di tla thusa go tokafatsa maduo a thuto a sekolo sa Letswai. Kamano ya rona le Letswai Primary School e simologile ka 2013 fa re ne re se agela motlobo wa dibuka ka madi a a kana ka P1.2 million. E sale ka nako eo, ngwaga le ngwaga re se thusa ka dimpho tsa go leboga baithuti ba ba dirileng sentle mo dithutong tsa bone. Nngwe gape ya dithuso tsa rona ke go agela barutabana le baithuti ba sekolo se se botlana sa Molapowabojang Primary School, se e saleng se agiwa ka 1966, matlwana a boiteketso le go baakanya a mangwe a a neng a le teng ka a ne a sa agega.

Tebogo

Mo boemong jwa Botsamaisi, ke eletsa go lo legoba go bo lo tsweletse ka go re ema nokeng mo tseleng e e masisi e. Ke leboga gape maloko a Khuduthamaga a pele le a a leng teng go re kaetsa tsela.

Segolobogolo, ke batla go leboga babereki ba BBS go bo ba nnile pelotelele le gone go tlhaloganya seemo mo nakong e ya diphetogo le gone go dira ka natla go tlhomamisa gore phetogo e a atlega. Boineelo jwa bone mo tirong, le ka mafelo a beke tota, go tsena ka mpa ya bosigo le ka malatsi a boikhutsho re bo bone mme maduo a jone e tla nna go diragala ga banka ya ntlha e tlholegang mo fatsheng ja rona.

Ke a leboga

Pius Komane Molefe
Mookamedi

CORPORATE **GOVERNANCE**

“The BBS Board, working closely with BBS Executive Management, has committed itself to high levels of ethical leadership, integrity and governance.”

CORPORATE
GOVERNANCE (continued)

BBS Board

BBS Limited (BBS) has a Board of Directors appointed in terms of the Companies Act and its constitution. In terms of the BBS Limited Constitution, the minimum number of Directors is 5 while the maximum is 9, the majority of whom should be non-executive Directors.

The BBS Board, working closely with BBS Executive Management, has committed itself to high levels of ethical leadership, integrity and governance. It thus understands that for BBS to continue being a sustainable and profitable business and key stakeholder in the economy that delivers attractive returns to its shareholders and customers, it must ensure that it provides the necessary oversight to ensure that this reputation remains solid. The BBS Board also recognises the need to have strong risk management frameworks and practices as this ensures that the business remains viable and competitive.

BBS Board Governance and Structure

The role of the BBS Board is to provide strategic direction to the business of BBS Limited guided by the various constitutive documents, including the Board Charter. In addition, BBS has adopted relevant corporate governance principles as laid out in the King Code on Corporate Governance to enhance its effectiveness.

Directors are:

- **Mr. Taolelo Mosetlhi- Board Chairman**
- **Mr. Pius K. Molefe- Managing Director**
- **Mr. James M. Kamyuka**
- **Mr. Kgalalelo N. Monthe**
- **Mr. Michael M. Tlhagwane**
- **Mr. Richard Molosiwa**
- **Ms. Pelani D. Siwawa-Ndai**

In addition to the Board Charter, BBS Limited also has Charters in place to guide its various Committees being:

- **Tender Committee**
- **Finance and Audit Committee**
- **Demutualisation Committee**
- **Human Resources and Remuneration Committee**

Board and Board Committee meetings

The BBS Board and its Committees respectively meet at least four times a year to consider business and strategic issues, consider and approve financial results, budgets, monitor progress of matters delegated to Executive Management and generally help set the tone of the business. A summary of meetings and attendance by Directors for the financial year 2017/18 is indicated below.

Botswana Building Society Board attendance

	BBS Board Meeting	Tender Committee Meeting	Human Resources Remuneration & Committee Meeting	Finance & Audit Committee Meeting	Demutua-lisation Committee Meeting	BBS Annual General Meeting	BBS Special General Meeting
James Kamyuka **(Chairman)**	8/8					1/1	1/1
Pius K. Molefe **(Managing Director)**	8/8	6/6	7/7	6/6	5/5	1/1	1/1
Tsetsele C. Fantan**	7/8		6/7		5/5	1/1	1/1
Richard Molosiwa	8/8	5/6	7/7			1/1	1/1
Simon Hirschfeld**	7/8	6/6				0	0
Frederick Selolwane*	3	1/6			3/5	0	0
Kelebamang Motlhanka**	7/8	6/6		6/6		1/1	1/1
Michael Tlhagwane	7/8			5/6		1/1	1/1
Gerald N. Thipe**	8/8		7/7	6/6	5/5	1/1	1/1
Kelapile Ndobano**	7/8			1	4/5	0	0

***Mr. Selolwane retired from the BBS Board effective 24 August 2017.**
****Retired from the BBS Board effective 26 April 2018.**

CORPORATE **GOVERNANCE** (continued)

Finance and Audit Committee

The Finance and Audit Committee is chaired by Mr. Michael M. Tlhagwane. The other Committees members are Mr. James Kamyuka and Ms. Pelani Siwawa-Ndai.

Its role is to provide the Board with additional assurance regarding the efficacy and reliability of the financial and risk information. It also assists the Board in discharging its duties and the exercise of its oversight role in relation to the safeguarding of assets, the operation of adequate systems, control processes and the preparation of accurate financial reporting and statements in compliance will all applicable legal requirements and accounting standards.

Tender Committee

The Tender Committee is chaired by Mr. James Kamyuka. Its other members are Ms. Pelani Siwawa-Ndai, Mr. Richard Molosiwa and the Managing Director Mr. Pius Molefe. It assists the Board in discharging its duties by reviewing the BBS's tendering and procurement policies and practices to ensure that the Tender Rules and Procurement Procedures are recognised as "best practice", that all tenders are conducted in a fair and ethical manner and that no conflict of interest exists with any Board Member or employee of the BBS Limited connected to the tendering and procurement processes.

Human Resources and Remuneration Committee

The Chairman of the Human Resources and Remuneration Committee ("HRRC") is Mr. Richard Molosiwa. Other members are Mr. Kgalalelo Monthe and the Managing Director Mr. Pius Molefe. The HRRC assists the Board of Directors ("Board") in human resources as well as remuneration related matters.

Demutualisation Committee

The Chairman of the Demutualisation Committee is Ms. Pelani Siwawa-Ndai. It has as its other members being Mr. P. K. Molefe, Managing Director, Mr. Kgalalelo Monthe, Mr. Richard Molosiwa, Mr. Michael Tlhagwane and Mr. James Kamyuka. The Demutualisation Committee's role is to provide oversight on the implementation of the BBS Limited demutualisation strategy.

Resignations and re-appointments

Following the conversion of the then Botswana Building Society into a company called BBS Limited which will apply for a commercial banking licence, a number of Directors from the previous Board resigned to make way for new ones.

The Directors of the old BBS Board that retired did so because they would not be able to be appointed to the Board of the new commercial bank by the Bank of Botswana in terms of its guidelines. The guidelines indicate that people who work or sit on the Boards of quasi-government institutions should not sit on the Board of a commercial bank.

The affected former Directors elected not to resign from the Boards of such entities and thus left the service of the BBS Board. The BBS Limited Constitution also puts a maximum age limit of 70 years for Board membership which affected one Director in particular who also sits on the Boards of some Government entities. Therefore, Directors that retired on 26 April 2018 when BBS Limited was incorporated are Mrs. Tsetsele Fantan, Mr. Gerald Thipe, Mr. Kelebamang Motlhanka, Mr. Simon Hirschfeld and Mr. Kelapile Ndobano. Mr. Frederick Selolwane resigned long before then at the 24 August 2017 Annual General Meeting.

However, from the old BBS Board there are some Directors who joined the new BBS Limited Board thus ensuring continuity. These are Mr. James Kamyuka (former Board Chairman), Mr. Pius Molefe (Managing Director), Mr. Richard Molosiwa and Mr. Michael Tlhagwane who is the Chief Executive Officer of the MVA Fund. Mr. Tlhagwane was granted permission to serve on the BBS Limited Board because of his specialist skills.

The new Directors that joined the BBS Limited Board on 26 April 2018 on account of their skills, qualifications and experience taking into account the future direction of the business are Mr. Taolelo Mosetlhi who is the Board Chairman, Mrs. Pelani Siwawa-Ndai and Mr. Kgalalelo Monthe.

The new Directors have already attended Board and Board Committee meetings as indicated in a separate table below for the BBS Limited Board.

CORPORATE
GOVERNANCE (continued)

BBS Limited Board attendance from 26 April 2018 to 07 September 2018

	BBS Board Meeting	Tender Committee Meeting	Human Resources Remuneration & Committee Meeting	Finance & Audit Committee Meeting	Demutua-lisation Committee Meeting
Taolelo Mosetlhi **(Chairman)**	5/5				
Pius K. Molefe **(Managing Director)**	5/5	4/4	2/2		1/1
Pelani Siwawa-Ndai	5/5	4/4		2/2	1/1
Richard Molosiwa	5/5	4/4	2/2		1/1
Kgalalelo N. Monthe	3/5		2/2		1/1
Michael M.Tlhagwane	3/5		2/2	2/2	1/1
James M. Kamyuka	5/5	4/4		2/2	1/1

Director's remuneration

BBS Limited Board fees are structured as follows:

Board Meeting fees
- Board Chairman P12,000.00
- Other Directors P7,500.00

Board Committee fees
- Committee Chairman P7,000.00
- Other Directors P6,000.00

Board Retainer*
- Board Chairman P60,000.00 per annum
- Other Directors P30,000.00 per annum

During the year under review, a total of P1,233,247 was paid towards Board fees and related expenses compared to P1,369,828 in the previous year.

Conflict interest

BBS Directors are required to notify the company, through the Board Secretary, in reasonable time of conflicts or potential conflicts of interest that they may have in relation to their dealings with the business.

In addition, as a matter of entrenched practice, BBS Directors declare conflicts of interest, if any, at each of their meetings.

Further, BBS Directors are required to declare their shareholding in other entities and in the BBS Limited every year in line with corporate governance requirements. This information is also submitted to the Bank of Botswana as per its oversight role over BBS as mandated by the Ministry of Finance and Development Planning.

Communication with stakeholders

The BBS Board is committed to ensuring that various BBS stakeholders, including shareholders, are kept informed of necessary information pertaining to the functioning of the business. One of the ways of doing so is through the Annual General Meeting where the financial performance of BBS is presented to shareholders and discussions are held on them and other pertinent matters of mutual interest.

In addition to the full set of results, BBS also publishes its mid-term results in the media to update stakeholders on the performance of the business.


DAILY TARGET
WEEKLY TARGET

Financial Statements for the year ended 31 March 2018

Botswana Building Society
DIRECTOR'S REPORT
for the year ended 31 March 2018

The directors have pleasure in presenting their report together with the financial statements of Botswana Building Society ("the Society") for the year ended 31 March 2018.

Business activities

The Society is primarily involved in property finance and the provision of banking services.

Financial results and position

The Society's financial results and position are reflected in the financial statements set out on pages 30 to 87. The Society realised an increase of 3% in operating income from P188 million in 2017 to P193 million for the current year and an increase of 4% in profit for the year from P48 million in 2017 to P50 million for the current year.

Dividends

A gross dividend of P58 million was declared and paid to Indefinite Period Shareholders (2017: P59 million).

Board of directors as at 31 March 2018

Mr. James M. Kamyuka	Chairman
Mrs. Tsetsele C. Fantan	Member
Mr. Simon Hirschfeld	Member
Mr. Michael M Tlhagwane	Member
Mr. Kelebamang Motlhanka	Member
Mr. Richard Molosiwa	Member
Mr. Gerald N. Thipe	Member
Mr. Kelapile Ndobano	Member
Mr. Pius K. Molefe	Managing Director

Registered address	**Auditors**
Plot 13108-112 Broadhurst Gaborone, Botswana	KPMG Plot 67977, Off Tlokweng Road Fairgrounds Office Park Gaborone, Botswana

Stated capital

The Society issued P73.01 million (net) Indefinite Period Shares during the current financial year (2017: P25.74 million (net).

Events occurring after the reporting date

The Society successfully held a Special General Meeting (SGM) on 24 August 2017 where certain resolutions detailed in note 39 were passed.

Subsequently, Botswana Building Society was successfully converted to a company, BBS Limited on 26 April 2018 following its application to Companies and Intellectual Property Authority (CIPA).

BBS Limited will continue to operate the business of a building society until such a time that that the Banking license application is evaluated by Bank of Botswana. The conversion resulted in a change in the capital structure as outlined in note 39.

BBS Limited successfully registered its shares on the Over The Counter (OTC) trading platform of Botswana Stock Exchange on 03 September 2018.

Botswana Building Society

DIRECTOR'S RESPONSIBILITY STATEMENT
for the year ended 31 March 2018

The directors are responsible for the preparation and fair presentation of the financial statements of Botswana Building Society, comprising the statement of financial position at 31 March 2018 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies, in accordance with International Financial Reporting Standards and in the manner required by the Building Societies Act (CAP 42:03).

The directors are also responsible 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 and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the Society to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Approval of the annual financial statements

The annual financial statements of Botswana Building Society, as identified in the first paragraph, were approved by the board of directors on 07 September 2018 and signed on their behalf by:

Taolelo Mosetlhi
Board Chairman

M.M. Tlhagwane
Chairman-Finance and Audit Committee

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BOTSWANA BUILDING SOCIETY

Opinion

We have audited the financial statements of Botswana Building Society ("the Society"), which comprise the statement of financial position at 31 March 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies, as set out on pages 30 to 87.

In our opinion, the financial statements give a true and fair view of the financial position of Botswana Building Society at 31 March 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Building Societies Act (Cap: 42:03).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Society's financial statements of the current period. These matters were 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 these matters.

Impairment of mortgage loans and advances to customers

Refer to note 2(iii) on key sources of estimation uncertainties and notes 4(f)(vii) on credit impairment charges, 5(i) on credit risk and 11 on mortgage loans and advances to customers.

Key audit matter	How the matter was addressed
The Society's core business involves providing mortgage loans and advances to individuals and corporate customers. Consequently, the main component of the Society's financial assets is mortgage loans and advances to customers. These assets comprise more than 70% of the total assets of the Society. Impairments relating to loans and advances to customers represent management's best estimate of the losses incurred within the loan portfolios at the reporting date. Impairments are calculated on a specific basis for non-performing loans and on a portfolio basis for loans of a similar nature. The portfolio impairment relating to performing loans is calculated based on historical loss ratios. The impairment to be recognised in respect of the specific and portfolio exposures involves significant judgement and estimation, primarily related to estimated future cash flows related to the mortgage loans and advances which include judgements made in respect of the customers financial situation and the net realisable value of any collateral held by the Society. In addition the Society experienced challenges with the upgrades performed on its core banking system at the reporting date some of which had an impact on the accuracy of Impairment of mortgage loans and advances to customers.These challenges included amongst others: • inconsistency of the status of the ageing between number of days due and overdue in respect of customer accounts in arrears per system generated reports. Accurate ageing of customer accounts is key in determining specific impairment allowance; and • the accurate allocation of monthly instalments to the appropriate customer accounts. The abovementioned resulted in a number of transactions not being allocated to the correct individual mortgage loans and advances accounts. Consequently management performed manual processes to correct the effect of these inconsistencies. Due to the significance of the loans and advances to customers, the significant estimates and judgement involved and the challenges experienced with regard to the change to the core banking system, the impairment of these loans and advances to customers was considered to be a key audit matter.	Our procedures included: **In relation to the impairment allowance:** - We evaluated the design and implementation, and where applicable, the operating effectiveness of key controls over the loans and advances impairment process, focusing on the identification of impairment losses, the governance processes implemented for provisioning methodologies and inputs, and the management's oversight over the allowance for credit losses. - We evaluated the design and implementation and the operating effectiveness of controls relating to the Society's loan origination process and credit reviews. - We critically assessed the impairment allowance methodologies and key assumptions applied in the calculation of both the specific and portfolio impairment allowances. - We evaluated the reasonableness of the total impairment allowance estimate at year-end which included benchmarking of the portfolio impairment against current market indicators. - For a sample of mortgage loans and advances that had been individually assessed and impaired, we performed an independent recalculation of the allowance based on default of payment by mortgage customers, expected recoveries and information available from third parties and market trends and compared our calculation to management's estimate. - We assessed the reasonableness of the inputs used in the calculation of the historic loss ratios at year-end and recalculated the portfolio impairment allowance based on the historic credit loss ratios. In addition, we assessed the adequacy of this allowance based on current market conditions, specifically matters that have a direct impact on the Society. - We assessed the valuation of collateral, particularly for locations affected by retrenchment of mortgage customers by certain major Government parastatals and closure of certain companies in the mining sector during the year. Where management's experts provided valuations in respect of collateral, we assessed the experts' competence and evaluated management's controls in respect of appointment of the experts, including assessment of their professional qualifications, experience and independence. - We evaluated the appropriateness of the disclosures in respect of mortgage loans and advances to customers and the related allowances for credit losses based on our understanding of the Society's accounting policies, underlying supporting documentation provided and comparison with other similar entities. **In relation to the upgrade on the core banking system:** - We obtained a detailed understanding of the challenges experienced in the upgrade of the Society's core banking system, the impact on the Society's financial reporting processes as well as the manual processes performed by management in resolving these matters. - For a sample of loans and advances to customers identified for specific impairment, which was based on the last payment date reflected on the respective statement of account, we independently aged the outstanding loans and advances balance to verify that these customers had been correctly identified as non-performing and thus were appropriately assessed for specific impairment. - We critically assessed assumptions applied by management in performing the manual processes and determining adjustments to be processed to the respective customer loans and advances accounts based on our understanding of the customer billing process and related automated processes. - For a sample of loan and advances balances at the reporting date, we re-performed the manual process of correcting customer accounts including the recalculation of accrued interest and the clearing of suspense accounts.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report, the Directors' Responsibility Statement and the rest of the information contained in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of the financial statements which give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Building Societies Act (Cap 42:03), 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 Society'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 Society or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Botswana Building Society
INDEPENDENT AUDITOR'S REPORT (continued)
TO THE MEMBERS OF BOTSWANA BUILDING SOCIETY

- 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 Society'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 Society to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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.

Report on Other Legal and Regulatory Requirements

In accordance with Section 54 of the Building Societies Act (CAP42:03), we confirm that in our opinion:

- Botswana Building Society has kept proper books of account with which the financial statements are in agreement,

- We have satisfied ourselves as to the existence and contents of mortgage bonds and other securities belonging to the Botswana Building Society; and

- Botswana Building Society has complied with all the financial provisions of the Act.

KPMG
Certified Auditors
Practicing member: Gaborone
Francois Roos (20010078:45) 07 September 2018

Botswana Building Society
STATEMENT OF FINANCIAL POSITION
at 31 March 2018

	Notes	2018 P'000	2017 P'000
Assets			
Cash and cash equivalents	6	81 008	70 308
Investments with banks	7	777 918	232 251
Other assets	8	21 778	19 529
Short term loans and advances to customers	9	87 442	81 600
Properties-in-possession	10	13 700	11 792
Mortgage loans and advances to customers	11	3 099 050	3 117 664
Intangible assets	12	29 227	9 282
Property and equipment	13	96 714	110 204
Total assets		**4 206 837**	**3 652 630**
Liabilities			
Customers' savings and fixed deposit accounts	14	1 274 795	1 130 984
Paid up and subscription shares	15	527 201	508 619
Withholding tax	16	2 698	3 140
Borrowings	17	1 175 740	846 915
Other liabilities	18	68 813	70 525
Total liabilities		**3 049 247**	**2 560 183**
Equity			
Indefinite period shares	19	945 716	872 709
Retained earnings		23 412	36 270
Statutory reserve	20	124 462	119 468
General market risk reserve	20	64 000	64 000
Total equity		**1 157 590**	**1 092 447**
Total liabilities and equity		**4 206 837**	**3 652 630**

Botswana Building Society
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 March 2018

	Notes	2018 P'000	2017 P'000
Interest income	21	303 079	299 384
Interest expense	22	(135 258)	(137 914)
Net interest income		167 821	161 470
Fee and commission income	23	21 202	22 465
Fee and commission expense	23	(1 105)	(1 117)
Net fee and commission income		20 097	21 348
Revenue		**187 918**	**182 818**
Other operating income	24	4 855	5 271
Operating income		**192 773**	**188 089**
Impairment loss	25	14 270	11 460
Personnel expenses	26	70 776	65 506
Depreciation and amortisation	27	12 074	11 220
Operating lease expenses	28	2 492	2 548
Other expenses	29	43 220	49 470
Total expenses		**142 832**	**140 204**
Profit for the year		**49 941**	**47 885**
Total comprehensive income for the year		**49 941**	**47 885**
Basic and diluted earnings per share (thebe)	31	5.5	5.4

Botswana Building Society
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2018

	Indefinite period shares P'000	Statutory reserve P'000	General market risk reserve P'000	Retained earnings P'000	Total equity P'000
Balance at 01 April 2016	**846 970**	**114 680**	**64 000**	**52 549**	**1 078 199**
Total comprehensive income					
Profit for the year	-	-	-	47 885	**47 885**
Transactions with owners of the Society					
Issue of new shares (net)	25 739	-	-	-	**25 739**
Dividends paid	-	-	-	(59 376)	**(59 376)**
Transfers during the year	-	4 788	-	(4 788)	**-**
Total contributions and distributions	25 739	4 788	-	(64 164)	**(33 637)**
Balance at 31 March 2017	**872 709**	**119 468**	**64 000**	**36 270**	**1 092 447**
Total comprehensive income					
Profit for the year	-	-	-	49 941	**49 941**
Transactions with owners of the Society					
Issue of new shares (net)	73 007	-	-	-	**73 007**
Dividends paid	-	-	-	(57 805)	**(57 805)**
Transfers during the year	-	4 994	-	(4 994)	**-**
Total contributions and distributions	73 007	4 994	-	(62 799)	**15 202**
Balance at 31 March 2018	**945 716**	**124 462**	**64 000**	**23 412**	**1 157 590**

Refer to note 20 for details on the Society's reserves.

Botswana Building Society
STATEMENT OF CASH FLOWS
for the year ended 31 March 2018

	Notes	2018 P'000	2017 P'000
Cash flows from operating activities			
Interest receipts		296 632	298 105
Commission receipts		21 202	22 465
Interest payments		(155 986)	(137 101)
Commission payments		(1 105)	(1 117)
Other operating income		4 855	5 269
Cash payments to employees and suppliers		(120 603)	(122 159)
Net cash received from operating activities before changes in working capital		**44 995**	**65 462**
Movement in:			
- Short term loans and advances		(5 842)	(2 215)
- Mortgage loans and advances		4 344	(56 484)
- Property in possession (net)		(1 908)	(378)
- Other assets		(2 222)	(1 221)
- Customer savings and fixed deposits accounts		143 811	(174 858)
Net cash generated from/(used in) operating activities		**183 178**	**(169 694)**
Cash flows from investing activities			
Purchase of property and equipment	13	(18 435)	(13 358)
Proceeds from disposal of property and equipment		-	9
Movement in fixed deposits with banks		(539 220)	425 375
Purchase of intangible assets	12	(94)	(35)
Net cash (used in)/generated from investing activities		**(557 749)**	**411 991**
Cash flows from financing activities			
Receipt of borrowed funds		440 000	174 000
Repayment of borrowed funds and debt securities		(100 038)	(433 298)
Proceeds received from issue of indefinite period shares		102 980	106 457
Payment made for redemption of indefinite shares		(29 973)	(80 718)
Proceeds from paid up and subscription shares		18 582	5 267
Dividends paid		(46 280)	(73 724)
Net cash (used in)/generated from financing activities		**385 271**	**(302 016)**
Movement in cash and cash equivalents		10 700	(59 719)
Cash and cash equivalents at beginning of the year	6	70 308	130 027
Cash and cash equivalents at end of the year	6	**81 008**	**70 308**

1. Reporting entity

Botswana Building Society is domiciled in Botswana. The address of the Society's registered office is Plot 13108-112 Broadhurst, Gaborone. The Society is primarily involved in property finance and the provision of banking services. These financial statements represent the society's statutory financial statements.

The financial statements were approved by the directors on 07 September 2018.

2. Basis of preparation

(i) Statement of compliance

The Society's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS's) and the Building Societies Act (Cap 42:03). The financial statements are prepared on the historical cost basis except for the valuation of certain financial assets measured at fair value. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The preparation of the Society's financial statements requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Society's accounting policies. The areas requiring a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Society's financial statements are disclosed in the key sources of estimation uncertainty section of the financial statements below.

(ii) Functional and presentation currency

The financial statements are presented in Botswana Pula, which is the Society's functional and presentation currency. Except where otherwise indicated, financial information presented in Botswana Pula has been rounded to the nearest thousand.

(iii) Key sources of estimation uncertainty

Allowances for credit losses

The specific component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are separately approved by the Credit Risk Function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired loans, but the individual impaired items cannot yet be identified. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions.

iii) Key sources of estimation uncertainty (continued)

The accuracy of the allowances depends on the reasonableness of estimated future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

Residual values of properties

Residual values of properties are based on current estimates of the values of these assets at the end of their useful lives. The estimated residual values of the properties have been determined based on information provided by property experts.

Collateral valuation

The Society seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Society's quarterly reporting schedule. Some collateral, for example, cash or securities relating to margining requirements, is valued daily. To the extent possible, the Society uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties including mortgage brokers, housing price indices, audited financial statements and other independent sources.

Staff loans

The Society extends advances to staff at preferential interest rates that are below market rates. The fair value for these loans is the present value of all future cash receipts using a market interest rate for a similar loan. The difference between present value and amount advanced is deferred over the term of the loan. Subsequently a portion is expensed in profit or loss as part of personnel expenses.

Intangible assets

Significant judgement is required in determining the intangible assets' useful lives and residual values. The estimated useful life is three to five years. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if necessary. There have been no changes in the estimated useful lives from those applied in the previous financial year.

Property and equipment

Significant judgement is required in determining the assets' useful lives and residual values. The estimated useful lives ranges between three to five years. The residual value of an asset may be less than or equal to the asset's carrying amount. In this case, the asset's depreciation is nil until the carrying amount exceeds the residual value. Depreciation methods, useful lives and residual values are in line with industrial averages and are reviewed at each financial year end and adjusted if necessary. There have been no changes in the estimated useful lives from those applied in the previous financial year.

3. 1 New standards and interpretations, which became effective during the year

The following amendments to standards and interpretations became effective during the year ended 31 March 2018:

Standard/Interpretation	Effective date	Impact on these financial statements
Disclosure Initiative (Amendments to IAS 7)	01 January 2017	The amendments require the disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. To satisfy the disclosure requirements, the Society has presented a reconciliation between the opening and closing balances for liabilities that form part of financing activities in the statement of cash flows.
Amendments to IAS 12: Recognition of deferred tax for unrealised losses.	01 January 2017	No impact on these financial statements

3. 2 New standards and interpretations not yet effective

The following new standards, amendments to standards and interpretations which are expected to have an impact on the Society are in issue and not yet effective for the year ended 31 March 2018, and have not been applied in preparing these financial statements:

- **IFRS 16 Leases:** IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases standard, IAS 17 *Leases*, and related interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial Position. No significant changes have been included for lessors.

  The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors.

  The Society has not yet quantified the impact on its reported assets and liabilities of adoption of IFRS16. The quantitative effect will depend on, inter alia, the transition method chosen, the extent to which the Society uses the practical expedients and recognition exceptions, and any additional leases that the Society enters into. The Society expects to disclose its transition approach and quantitative information before adoption.

- **IFRS 15 Revenue from Contracts with Customers:** This standard replaces IAS 11 *Construction Contracts,* IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services*.

3. 2 New standards and interpretations not yet effective (continued)

- **IFRS 15 Revenue from Contracts with Customers (continued)**

  The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

  The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. This standard may have an impact on the amount and timing of revenue transactions to be recognised by the Society. The Society has not yet performed a detailed assessment of the impact of this standard on its financial statements. The society is planning to engage an external expert to calculate the impact on its financial statements. The appointment of the external expert and the completion of the impact assessment will be completed for the next reporting date.

- **IFRIC 23 Uncertainty over Income Tax Treatments:** IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

  IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

  - judgments made;
  - assumptions and other estimates used; and
  - the potential impact of uncertainties that are not reflected.

  IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted. The society has converted to a public company subsequent to year-end (refer note 38) and as a result has become liable for income tax under The Botswana Income Tax Act. IFRIC 23 will be considered in the preparation of the Society's financial statements for the year ending 31 March 2020.

- **IFRS 9 Financial Instruments:** IFRS 9, published in July 2014, replaces IAS 39 Financial Instruments: *Recognition and Measurement*. IFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities, and some contracts to buy and sell non-financial assets. Financial assets and liabilities are to be classified and measured based on the entity's business model on which they are held, and the characteristics of their contractual cash flows. IFRS 9 includes revised guidelines on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets and the new hedge accounting requirements.

  The package of improvements introduced by IFRS 9 includes a logical model for classification and measurement, a forward-looking expected credit loss (ECL) impairment model and a substantially-reformed approach to hedge accounting.

  Requirement and changes presented by IFRS 9 include the following:

  Classification and measurement

  - How financial assets and liabilities are accounted for in financial statements
  - How they are measured on an ongoing basis

3. 2 New standards and interpretations not yet effective (continued)

- **IFRS 9 Financial Instruments (continued)**

Impairment

- Forward looking impairment model based on expected loss (vs previous model) based on incurred loss;
- Timely measurement and recognition of expected credit losses (ECL) at each reporting period to reflect changes in the underlying credit risk of financial instruments;
- An impairment model that estimates and reports ECL provisions under three stages as the deterioration in credit quality occurs since origination;
- Account for expected credit losses from when financial instruments are originated until de-recognition;
- Improved disclosure about expected credit losses and credit risk

Hedge accounting

- Substantially-reformed model for hedge accounting with enhanced disclosures about risk management activity
- Aligns the accounting treatment with risk management activities

Management established a steering committee for the implementation of this standard made up of the Head of Operations, Head of Finance and Head of Risk. The committee is led by the Head of Operations who is also responsible for the Society's credit risk portfolio. The society engaged the services of an independent consulting firm to assist with the full implementation of the standard which included the development of an IFRS 9 policy and development of models required for the calculation of expected credit losses. The committee is also responsible for capacity building within the Society through delivering both external and in house training across business units.

The Society is also in the process of assessing the impact of IFRS 15 *Revenue from contracts with customers* on its financial instruments. IFRS 9 has a bearing on revenue recognition. The Society used to suspend interest income from all non- performing loans (NPL). Loans were classified as non-performing when they were more than 90 days in arrears. With the implementation of IFRS 9, the Society will replace the suspension of interest for non-performing loans with another methodology. Going forward, interest income for all loans classified under stage 3 as per IFRS 9 impairment model illustrated below, will be calculated on the net basis method as opposed to the gross basis method where by interest revenue is calculated by applying the effective interest rate to the amortised cost balance which comprises the gross carrying amount adjusted for any loss allowance. A loan can be classified under stage 3 when it is considered to be credit impaired. A financial asset is credit impaired when one or more events have occured which had a significant impact on the expected future cashflows of the financial asset.

Transitioning methodology

The Society has opted not to early adopt IFRS 9 but will make use of the transition relief as provided by the standard. The standard dictates that one has an option of restating its comparative information for prior periods with respect to classification and measurements (including impairment) changes or the option of all adjustments arising from the implementation will be adjusted to the opening retained earnings or other components of equity.

3. 2 New standards and interpretations not yet effective (continued)

- **IFRS 9 Financial Instruments (continued)**

Classification of financial instruments

IFRS 9 contains a new classification and measurement approach to financial assets that reflect the Business model in which assets are managed and their cash flow characteristics. The financial assets are classified into three measurement categories being:

- Measurement at amortised cost
- Fair value through the profit and loss (FVTPL)
- Fair value through other comprehensive income (FVOCI)

There is no impact of the classification and measurements of financial liabilities.

Impact assessment

The Society complied with requirements of IAS 39 for recognised portfolio and specific provisions for its financial assets. With the implementation of IFRS 9, the Society is now required to transition from the incurred loss model to the expected credit loss (ECL) model which is more forward looking. The IFRS 9 impairment approach is expected to recognise loan losses on a timely basis.

The methodology used for the calculation of provisions depends on the credit performance of the credit facility, current conditions and forecasts of future conditions (considering macro-economic factors). IFRS 9 requires that the ECL is measured, monitored and reported on levels of credit risk associated with financial instruments at each reporting date into three risk stages. As such, it requires entities to conduct a staging assessment that requires them to use reasonable and supportable information without undue cost to measure and monitor the credit risk exposure since origination.

Based on the outcome of the staging assessment, the respective ECL is calculated based on the risk stage associated with the asset, i.e. performing (Stage 1), under-performing (Stage 2) or non-performing assets (Stage 3).

In calculating the ECL an entity needs to estimate the probability of a customer defaulting (PD), the estimated exposure in the event of a default (EAD) and the subsequent loss given default (LGD). The parameters are calculated based on the reasonable and supportive information available without undue cost or effort about past events, current conditions and forecasts of future conditions (considering macro-economic factors). The ECL is estimated over the lifetime of the asset and discounted to the reporting date.

3. 2 New standards and interpretations not yet effective (continued)

An illustration of the IFRS 9 impairment model.

Increse in credit risk since initial recognition

Stage 1 Performing	Stage 2 Under-performing	Stage 3 Non-performing
Impairment Recognition:		
12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses
At origination a 12-month expected credit loss is recognised in the P&L for financial instruments. This serves as a proxy for initial expectations of credit losses. Ongoing monitoring will suffice to configure if the expected credit loss has remained consistent during the reporting period.	The credit risk increases significantly during the reporting period since origination and the resulting credit quality is not considered to be low credit risk, therefore a full lifetime expected credit loss is recognised.	The credit risk of a financial asset increases to a point that it is considered to be credit impaired.

Estimated impact on the tax position

IFRS 9 implementation process is still on-going; thus the Society has managed to produce preliminary impairment results which do not include the impact of macro-economic factors. The Society expects the macro-economic adjustment to negatively impact the ECLs. There will be no impact on tax as the Society is currently a tax exempt entity.

Based on assessment undertaken to date, the Society expects impairments to increase up-to 45% due to the IFRS 9 impairments including forward looking information. The IAS 39 impairments as at 31 March 2018 amounted to P45.864 million inclusive of interest in suspense, portfolio and specific provisions. Management is yet to validate the output from the model which is currently housed by the external consultant engaged to develop the IFRS 9 model.

3. 2 New standards and interpretations not yet effective (continued)

- **IFRS 9 Financial Instruments (continued)**

In October 2017, the IASB issued an amendment to IFRS 9 *Prepayment Features with Negative Compensation*. Under the current IFRS 9 requirements, the SPPI condition is not met if the lender has to make a settlement payment in the event of termination by the borrower (also referred to as early repayment gain). The amendment clarifies how an entity would classify and measure a debt instrument if the borrower was permitted to prepay the instrument at an amount less than the unpaid principal and interest owed. Such a prepayment amount is often described as including 'negative compensation'.

Under the amendments, the sign of the prepayment amount is not relevant. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain. This amendment is effective on 1 January 2019 and is not expected to have a significant impact on the Society's financial statements.

The following are other new standards, amendments to standards and interpretations in issue and not yet effective for the year ended 31 March 2018 which are not expected to have a significant impact on the Society's financial statements and have not been applied in preparing these financial statements:

Standard/Interpretation	Effective date
Amendments to IFRS 2: *Clarifying share based payment accounting*	Annual periods beginning on or after 1 January 2018
Amendments to IAS 40: *Transfers of Investment property*	Annual periods beginning on or after 1 January 2018
IFRIC 22: *Foreign Currency Transactions and Advance Considerations*	Annual periods beginning on or after 1 January 2018
Amendment to IAS 28: *Long-term Interests in Associates and Joint Ventures*	Annual periods beginning on or after 1 January 2019
Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	The IASB has decided to defer the effective date for these amendments indefinitely
IFRS 17: *Insurance Contracts*	Annual periods beginning on or after 1 January 2021
Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts* (Amendments to IFRS 4)	Annual periods beginning on or after 1 January 2019
Plan, Amendment, curtailment or settlement (Amendments to IAS 19)	Annual periods beginning on or after 1 January 2019

4. Significant accounting policies

The accounting policies have been consistently applied by the Society and are consistent with those used in the previous year, except where otherwise stated.

(a) Interest income and expenses

Interest income and interest expenses are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Society estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

(b) Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income and expenses relate mainly to transaction and service fees, which are recognised as the services are performed and received.

(c) Dividends

Dividends paid are recorded in the Society's financial statements, based on rates determined by the Board of Directors from time to time. Dividends are recognised as a liability in the period in which they are declared by the directors. Dividends declared are recognised directly in equity.

(d) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives are considered an integral part of the total lease expense.

- *Where the Society is the lessee*
  The total contractual lease payments are recognised in profit or loss on a straight line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

- *Where the Society is the lessor*
  Receipts of operating lease payments from properties are accounted for as rental income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required by the lessee by way of penalty is recognised as income in the period in which the termination takes place.

4. Significant accounting policies (continued)

(d) Leases (continued)

Lease payments (continued)
Minimum lease payments made under finance leases are apportioned between the interest expense and the reduction of the outstanding liability. The interest expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(e) Income tax
The Society is exempt from income tax as per paragraph (vi), Part I of the Second Schedule of the Income Tax Act (Cap 50:01).

Withholding tax of 7.5% is payable on the gross value of dividends paid. The Society also deducts and pays to Botswana Unified Revenue Services, withholding tax on interest earned by customers on savings deposits.

(f) Financial instruments

(i) Initial recognition
A financial asset or financial liability is measured initially at fair value plus, for an item not measured at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification
The Society classifies its financial assets in the following categories:
- loans and receivables;
- held to maturity.

The Society classifies its financial liabilities as measured at amortised cost.
Management determines the classification of its investments at initial recognition.

Loans and receivables
Loans and advances are measured at amortised cost using the effective interest rate. Origination transaction costs and origination fees received that are integral to the effective rate are capitalised to the value of the loan and amortised through interest income as part of the effective interest rate. The majority of the Society's advances are included in the loans and receivables category. These advances are stated net of allowances for specific and portfolio impairments.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are disclosed at amortised cost in the statement of financial position and classified as part of loans and receivables.

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Society's management has the positive intention and ability to hold to maturity. If the Society were to sell other than an insignificant amount of held-to maturity assets, the entire category would be reclassified as available-for-sale. Held-to-maturity fixed interest instruments, held in investment portfolios, are stated at amortised cost using the effective interest method, less any impairment losses. Held to maturity investments comprise fixed deposits with banks.

4. Significant accounting policies (continued)

(f) Financial instruments (continued)

Borrowings
Borrowings are recognised initially at fair value, generally being their issue proceeds, net of directly attributable transaction costs incurred. Borrowings are subsequently measured at amortised cost and interest is recognised using the effective interest method.

Debt Participation Capital Funding Limited (DPCFL) loans which are at rates below the ruling market rates were originally recorded at fair value, determined based on the effective interest method. Under this method, the fair value of the borrowing is measured as the present value of anticipated future cash flows discounted at an applicable market interest rate. The difference between the borrowing received and the amortised cost is recognised as income when the borrowing is received and unwinds to interest expense over the period of the loan based on the effective interest yield curve.

Shares, which are redeemable on a specific date, or at the option of the shareholder or which carry non-discretionary dividend obligations are classified as financial liabilities. Dividends on these shares classified as financial liabilities are accounted for as interest on an amortised cost basis using the effective interest method and are recognised in the profit or loss as interest expense.

Customers' savings and fixed deposit accounts

Amounts due to customers on savings and fixed deposit accounts are initially recorded at the fair value of the consideration received. Such accounts are subsequently measured at amortised cost. All ordinary and special savings accounts are repayable on demand. Fixed deposits are repayable on maturity.

Fixed deposits with banks

Fixed deposit investments are held with regulated banks that have risk ratings above "non-investment grade – Baa3, per Moody's ratings", with original maturities of one month or more from the acquisition date, that are subject to an insignificant risk of changes in their fair value and are used by the Society in the management of its loan commitments.

Fixed deposit investments are measured at amortised cost in the statement of financial position.

(iii) Derecognition of financial instruments

Financial asset
The Society derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive contractual cash flows in a transaction in which substantially all the risks and rewards of ownership are transferred or in which the Society neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liability
The Society derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

4. Significant accounting policies (continued)

(f) Financial instruments (continued)

(iv) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when the Society has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and liability simultaneously. No financial assets or liabilities were offset in preparation of the Society's financial statements.

(v) Amortised cost measurement

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount minus any reduction for impairment.

(vi) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Society has access at that date. The fair value of a liability reflects its non-performance risk.

(vii) Impairment of financial assets

Assets carried at amortised cost

The Society assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets are impaired. A financial asset or group of financial assets are impaired and impairment losses incurred if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ("a loss event") and prior to the financial year-end-date, and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Society about the following events:

- significant difficulty of the issuer or obligator;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Society granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the Society would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial re-organisation;
- the disappearance of an active market for the financial asset because of financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets held by the Society, including: adverse changes in the payment status of borrowers in the Society or national or local economic conditions that correlate with defaults on the assets in the Society.

4. Significant accounting policies (continued)

(f) Financial instruments (continued)

(vii) Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

The Society first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Society determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and advances has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original effective interest rate. The amount of the loss is recognised in profit or loss. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Renegotiated loans

Loans that would otherwise be past due or impaired and whose terms have been renegotiated and exhibit the characteristics of a performing loan are reset to performing loan status. Loans whose terms have been renegotiated are subject to ongoing review to determine whether they are considered to be impaired or past due. The effective interest rate of renegotiated loans that have not been derecognised is predetermined based on the loan's renegotiated terms. Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. After reassessment of the borrower's ability to repay the accumulated arrears are capitalised over the remaining term.

Collateral repossessed

The Society's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset.

(g) Properties in possession

Properties in possession consist of residential and commercial properties repossessed from defaulting mortgage loan bond holders. Such properties are held with the express intention to sell in the short to medium term and are recorded at the lower of cost of repossession and net realisable value. Cost of repossession is determined with reference to the outstanding capital balance on the mortgage loan at the date of default. The net realisable value is determined with reference to current market values for comparable properties net of estimated marketing and selling expenses.

4. Significant accounting policies (continued)

(h) Property and equipment

Property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. The gain or loss on disposal of an item of property and equipment in the ordinary course of business is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and is recognised in profit or loss. Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Society. Ongoing repairs and maintenance are expensed. Freehold and leasehold land is not depreciated. Depreciation on other assets is provided on a straight line basis. Depreciation is recognised from the time these assets are available for use, so as to write off their costs over the estimated useful lives taking into account any residual values. The residual value of an asset may be less than or equal to the asset's carrying amount. In this case, the asset's depreciation is nil until the carrying amount exceeds the residual value.

The estimated useful lives assigned to property and equipment are as follows:

Leasehold property	the lower of 50 years or remaining lease period
Freehold property	50-80 years
Motor vehicles	6-8 years
Computer hardware	3-5 years
Equipment, furniture and fittings	4-5 years

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted prospectively if appropriate, at each reporting date.

Capital work-in-progress represent the amount of expenditure recognised in the course of construction. Assets remain in work in progress until they have become available for use or commissioned, whichever is the earlier date. At that time these assets are transferred to the appropriate class of property and equipment as additions and depreciated.

(i) Asset held for sale

Assets classified as held for sale are measured at lower of carrying amount and fair value less costs to sell. Impairment loss on initial classification as held for sale and gains and losses on subsequent re-measurements are included in profit or loss. No depreciation is recognised on assets held for sale.

Assets are classified as held for sale if their carrying amount will be recovered or settled principally through a sale transaction rather continuing use, the asset is available for immediate sale and the sale is highly probable within one year.

4. Significant accounting policies (continued)

(j) Intangible assets

Software acquired by the Society is stated at cost less accumulated amortisation and accumulated impairment losses. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Society and will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as capital improvement and added to the original cost of the software. Computer software acquisition costs recognised as intangible assets are amortised using the straight line method over their useful lives from the date on which it is available for use. The estimated useful life assigned to computer software is three to five years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively if appropriate.

(k) Impairment of non-financial assets

Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). In determining value in use, the estimated future cash flows are discounted using a current market interest rate, which reflects the asset's specific risks. An impairment loss is recognised in profit or loss.

(l) Retirement benefits

The Society operates a defined contribution pension fund for all its permanent citizen staff. This fund is registered under the Retirement Funds Act, 2014. The Society contributes to the fund 15% of the pensionable earnings of the members and the employees contribute 7% of their pensionable earnings. The Society's contributions are recognised in profit or loss in the period in which they accrue. Other than regular contributions made in terms of the rules of the fund, the Society does not have any further liability to the fund.

(m) Other employee benefits

Employees on contract receive terminal gratuities in accordance with their contracts of employment. An accrual is recognised for the estimated liability towards such employees up to the reporting date. All other employees are members of the Society's pension scheme and do not qualify for such terminal gratuities.

Employees' entitlement to annual leave and other benefits is recognised when they accrue to employees. An accrual is recognised for the estimated liability for annual leave and other benefits as a result of services rendered up to the reporting date and is based on undiscounted current wage and salary rates. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Society has a present legal or constructive obligation to pay this amount as a result of past service provided by employees and the obligation can be estimated reliably.

4. Significant accounting policies (continued)

(n) Indefinite period shares and reserves

The Society classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. The Society's indefinite period shares are not redeemable at the option of the holders, and bear an entitlement to distributions that is non-cumulative and at the discretion of the Directors. Accordingly they are presented as a component within equity.

(o) Related party transactions

All related party transactions are carried out on normal commercial terms and in the ordinary course of business.

(p) Other reserves

General market risk reserve
Under rule 73 of the rules of Botswana Building Society, a general market reserve is established by a society other than the statutory reserve fund and is built up out of profit and not set aside for any specific purpose. The Board shall transfer to the general reserve, out of the profits of the society or out of other reserves, such amounts (if any) as it deems necessary and may draw upon the general market risk reserve for such purpose including transfer to other reserves, as it deems fit, regard being had at all times to the adequacy of the general market risk reserve.

Statutory reserve
Under paragraph 39 of the Building Societies Act (42:03), the Society is to establish a fund known as the statutory reserve fund. At the end of every financial year the society pays into the statutory reserve fund an amount not less than 10% of its net profits. The society may charge against the statutory reserve fund any net loss remaining to the society in any year after applying to such loss any undistributed profits brought forward from previous years.

(q) Prepayments and deposits

Prepayments and deposits consists of amounts paid to third parties either in advance or to comply with contractual requirements. These amounts are recognised at the original amount paid.

5. Financial risk management

Introduction and overview

The Society manages the enterprise wide risks assumed by the Society through the Risk Department. The Society has adopted the Basel II Risk Management Framework for the management of risks it is exposed to. It is also intended to enhance the Society's management of its capital. The Society has exposure to the following risks from its use of financial instruments:

- Credit risk
- Interest rate risk
- Liquidity risk
- Operational risk

5. Financial risk management (continued)

Introduction and overview (continued)

This note presents information about the Society's exposure to each of these risks, the Society's objectives, policies and processes for measuring and managing risk, and the Society's management of capital.

Risk management framework

The Board of Directors has the overall responsibility for the establishment and oversight of the risk management framework. The Board has the following sub committees:

- Finance and Audit Committee
- Human Resources and Remuneration Committee
- Tender Committee
- Demutualisation Committee

The above Board Sub-committees and Board convene on a quarterly basis. The Society's Board and its committees are comprised of nine non-executive directors and one executive director. Management reports risk management matters to the Finance and Audit committee. The Society has a separate Risk Department. The risk department focuses on the management of different risk classes. The department currently manages the liquidity and interest rates risks, operational risk and other risk classes. The Society's enterprise–wide risk framework is aligned to Basel II. The Society remains well capitalised and its capital is reflective of the underlying economic risks it is exposed to. The Society's risk management policies are established to identify and analyse the risks faced by the Society, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Society through its training and management procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Internal Audit Department is tasked with the responsibility of monitoring compliance with the Society's risk management policies and procedures. The Internal Audit Department reports to the Finance and Audit Committee. The Board is responsible for reviewing the adequacy of the risk management framework in relation to the risks faced by the Society.

(i) Credit risk

Credit risk is the risk of financial loss to the Society if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Society's loans and advances to customers, balances with banks and investments in debt securities. For risk management reporting purposes, the Society considers and consolidates all elements of credit risk exposure (such as individual obligator default risk and sector risk).

5. Financial risk management (continued)

(i) Credit risk (continued)

For management of credit risk, the Society structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Such risks are monitored by the Credit Approvals Committee which reports to the Global Credit Risk Management Committee and ultimately to the Finance and Audit Committee. The Board approves management's lending limits and monitors loans and advances that are not performing.

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to Senior Management. The Risk Department is responsible for oversight of the Society's credit risk, including:

- Formulating credit policies in consultation with the business units, covering collateral requirements, credit assessments, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to the Credit underwriting unit which reports to the Head of Operations. Larger facilities require approval by the Credit Approvals Committee and the Global Credit Risk Management Committee (GCRMCO). Any loans which are more than 5% of the Society's unimpaired capital require approval by the Board of Directors.
- Reviewing and assessing credit risk. The Society assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals of facilities are subject to the same review process.
- Limiting concentration of exposure to counterparties, geographies and industries (for loans and advances).
- Developing and maintaining the Society's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The responsibility for setting risk grades lies with the Global Credit Risk Management Committee.
- Reviewing compliance of business units with agreed exposure limits, including those for sector and individual exposure. Reports are provided to the Board every quarter.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Society in the management of credit risk.

5. Financial risk management (continued)

(i) Credit risk (continued)

As at 31 March credit risk exposures relating to recognised financial assets are as follows:

	2018 P'000	2017 P'000
Balances with banks (call and current accounts)	74 739	64 839
Money market balances	886	857
Fixed deposits with banks	777 918	232 251
Short term loans and balances	87 442	81 600
Mortgage loans and advances to customers	3 099 050	3 117 664
Other assets	13 932	12 193
	4 053 967	**3 509 404**

The above table represents a worst case scenario of credit risk exposure to the Society at 31 March 2018 and 2017, without taking account of any collateral held or other credit enhancements attached. The exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As shown above 76 percent of the total maximum exposure is derived from mortgage loans and advances to customers (2017: 89 percent) and 19 percent represents fixed deposits with banks (2017: 7 percent).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Society resulting from both its mortgage loans and advances to customers' portfolio and debt securities based on the following:

- Short term loans and balances are fully secured;
- Mortgage loans and advances to customers are backed by collateral; and
- 88 percent of the mortgage loans and advances are considered to be neither past due nor impaired (2017: 90 percent).

Description of collateral held as security and other credit enhancements, in respect of the exposure above is outlined below.

5. Financial risk management (continued)

(i) Credit risk (continued)

	Loans and advances to customers 2018 P'000	Loans and advances to customers 2017 P'000
Carrying amount		
Long term loans	3 099 050	3 117 664
Short term loans	87 442	81 600
	3 186 492	**3 199 264**
Past due for less than 90 days and not impaired		
Residential	130 741	129 057
Commercial	13 318	40 360
	144 059	**169 417**
Neither past due nor impaired		
Residential	2 487 634	2 604 963
Commercial	216 541	202 133
	2 704 175	**2 807 096**
Unimpaired loans and advances to customers	**2 848 234**	**2 976 513**
Individually impaired (specific)		
Residential	120 705	89 438
Commercial	16 411	5 029
Gross amount	**137 116**	**94 467**
Allowance for impairment	(39 287)	(28 860)
	97 829	**65 607**

The gross amount for loans subject to collective impairment excludes short term loans and advances to customers as these are fully secured as per note 9.

5. Financial risk management (continued)

(i) Credit risk (continued)

	Loans and advances to customers 2018 P'000	Loans and advances to customers 2017 P'000
Collectively impaired		
Gross amount	3 007 798	3 058 742
Allowance for impairment	(6 577)	(6 685)
	3 001 221	**3 052 057**
Past due but not impaired comprises:		
30-60 days	96 282	92 224
60-90 days	47 777	77 193
90-180 days	90 318	52 040
180 days +	81 923	50 051
	316 300	**271 508**

The Society writes off loan balances (and any related allowances for impairment losses) when the Society determines that the loans are uncollectable as per the impairment policy.

Non-performing loans as a proportion of total loans	9.7%	6.1%
Past due but not impaired accounts as a proportion of total loans	9.9%	8.5%
Number of loans individually impaired	159	121
Total non-performing loans	309 357	196 558

5. Financial risk management (continued)

(i) Credit risk (continued)

Impaired loans and securities

Impaired loans are loans for which the Society determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements.

Past due but not impaired loans

Loans where contractual interest or principal payments are past due but the Society believes that impairment is not appropriate on the basis of the level of security/collateral available and/ or the stage of collection of amounts owed to the Society.

Non-performing loans

Non-performing loans are loans on which an event of default has occurred for 90 days or more consecutively, and the loans are not accruing interest or principal repayment. This will trigger an immediate impairment. However an impairment is not recorded for non-performing loans that are fully secured.

Allowances for impairment

The Society establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are the specific loss component that relates to individually significant exposures, and the collective loan loss allowance established for Society's homogeneous assets in respect of losses that have been incurred but have not been identified.

Write-off policy

The Society writes off loan balances (and any related allowances for impairment losses) when the Society determines that the loans are uncollectable. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to settle the entire exposure.

Bank balances

The Society held bank balances of P859 million as at 31 March 2018 (2017: P303 million) . The bank balances are held with licensed financial institutions and consist of current, call and fixed deposit accounts. Management has set exposure limits for the different financial institutions to minimise credit risk on bank balances.

5. Financial risk management (continued)

(i) Credit risk (continued)

Collateral

The Society holds collateral against loans and advances to customers in the form of mortgage interests over property, cash and guarantees. Estimates of collateral fair values are assessed at the time of borrowing and are updated every three years or when a loan is individually assessed as impaired or when the customer requests further facilities against the same bond.

An estimate of the fair value of collateral and other tangible security enhancements held against financial assets is summarised as follows:

	Loans and advances to customers 2018 P'000	Loans and advances to customers 2017 P'000
Against individual impaired - Property	153 910	150 211
Against collectively impaired - Property	6 524 763	6 580 026
Against short term loans not impaired - Cash deposit	87 442	81 600
Total	**6 766 115**	**6 811 837**
Carrying amount as a proportion of collateral cover	**47%**	**47%**

5. Financial risk management (continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations arising from its financial liabilities.

Management of liquidity risk

The Society's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Society's reputation. The Society is exposed to daily calls on its available cash resources from deposits, maturing shares and loan draw downs. Experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high degree of certainty.

The Society sets limits on the minimum proportion of maturing funds available to meet such calls and borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand. The liquidity position of the Society is monitored on a daily basis. For regulatory purposes, the Building Societies Act, Section 42, requires the Society to maintain certain proportions of its liabilities in liquid assets. The Society also submits a monthly report to the Central Bank which includes the liquidity position.

	At 31 March 2018 P'000	At 31 March 2017 P'000
Total statutory requirement	286 347	251 996
Total cash and cash equivalents, investments or authorised deposits	858 926	302 559
Surplus	**572 579**	**50 563**

Exposure to liquidity risk

The liquidity requirement is managed in accordance with the Building Societies Act, Section 42 which states that every society shall, after making provisions to meet its liabilities other than those mentioned in this section, from day to day hold an amount in cash or on authorised deposits or in approved investments as security for prompt repayment of fixed period and subscription shares and of deposits, loans and overdrafts and for the payment of interest accrued thereon. The Society was granted a variation to the requirements of Section 42. The variation now permits the Society to hold 10% deposit balances as liquid assets as compared to holding an average of 25% of deposits as liquid assets before 1 April 2012.

The Society complied with requirements of Section 42 (after the variation) during the current and previous financial year.

5. Financial risk management (continued)

(ii) Liquidity risk (continued)

The Board of Directors sets limits on the level of risk that may be accepted. The Building Societies Act sets limits within which the Society should operate as regards to concentrations of assets and liabilities. However, use of this limit regime does not prevent losses outside of these limits in the event of more significant market movements.

The table below discloses the undiscounted cash flows of the Society's assets and liabilities on the basis of their earliest possible contractual maturity. The Society's expected cash flows on some financial assets and liabilities vary significantly from contractual cash flows. For example, demand deposits from customers are expected to maintain a stable and increasing balance, and unrecognised loan commitments are not all expected to be drawn down immediately. Also, retail mortgage loans have an original contractual maturity of up to 30 years but with lower average expected maturities as customers take advantage of early repayment periods. As part of the management of its liquidity risk arising from financial liabilities, the Society holds liquid assets comprising cash and cash equivalents to meet liquidity requirements.

The summary of the Society's contractual liquidity gap position is as follows:

5. Financial risk management (continued)

(ii) Liquidity risk (continued)

	On demand P'000	1-3 months P'000	3-12 months P'000	1-5 years P'000	Over 5 years P'000	Total P'000
At 31 March 2018						
Assets						
Cash and cash equivalents	81 008	-	-	-	-	**81 008**
Investments with banks	344 450	83 594	349 874	-	-	**777 918**
Short term loans and advances to customers	3 335	5 295	14 237	64 575	-	**87 442**
Mortgage loans and advances to customers	36 895	73 594	327 932	1 646 230	1 014 399	**3 099 050**
Other assets	394	1 625	3 517	8 396	-	**13 932**
Total assets	**466 082**	**164 108**	**695 560**	**1 719 201**	**1 014 399**	**4 059 350**
Liabilities						
Customer savings and fixed deposit accounts	505 458	171 446	604 700	30 174	-	**1 311 778**
Borrowings	159 550	31 984	215 407	689 508	419 168	**1 515 617**
Paid up and subscription shares	-	-	-	527 511	-	**527 511**
Other liabilities	11 104	-	-	-	-	**11 104**
Total equity and liabilities	**676 112**	**203 430**	**820 107**	**1 247 193**	**419 168**	**3 366 010**
Net liquidity gap	**(210 030)**	**(393 22)**	**(124 547)**	**472 008**	**595 231**	**693 340**
At 31 March 2017						
Assets						
Cash and cash equivalents	70 308	-	-	-	-	**70 308**
Investments with banks	-	20 946	211 305	-	-	**232 251**
Short term loans and advances to customers	3 935	4 674	20 155	52 836	-	**81 600**
Mortgage loans and advances to customers	36 258	72 496	325 432	1 678 807	1 004 671	**3 117 664**
Other assets	392	784	3 502	7 515	-	**12 193**
Total assets	**110 893**	**98 900**	**560 394**	**1 739 158**	**1 004 671**	**3 514 016**
Liabilities						
Customer savings and fixed deposit accounts	356 506	176 801	579 785	67 149	-	**1 180 241**
Borrowings	6 244	42 183	251 527	449 582	362 237	**1 111 773**
Paid up and subscription shares	-	-	-	509 218	-	**509 218**
Other liabilities	20 965	-	-	-	-	**20 965**
Total equity and liabilities	**383 715**	**218 984**	**831 312**	**1 025 949**	**362 237**	**2 822 197**
Net liquidity gap	**(272 822)**	**(120 084)**	**(270 918)**	**713 209**	**642 434**	**691 819**

5. Financial risk management (continued)

(iii) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Society's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Society's operations and are faced by all business entities. The Society's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Society's reputation with overall cost effectiveness and to avoid control procedures that restricts initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to Senior Management within each business unit. The Senior Managers are members of the Operational Risk Management Committee which meets on a quarterly basis to consider the consolidated Operational Risk Report and monitor progress on any outstanding matters. This responsibility is supported by the development of overall Society standards for the management of operational risk in the following areas:

1. Requirements from appropriate segregation of duties, including the independent authorisation of transactions
2. Requirements for the reconciliation and monitoring of transactions
3. Compliance with regulatory and other legal requirements
4. Documentation of controls and procedures
5. Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
6. Requirements for the reporting of operational losses and proposed remedial action
7. Development of contingency plans
8. Training and professional development
9. Ethical and business standards
10. Risk mitigation, including insurance where this is effective

Compliance with the Society's standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with Management of the respective business units to which these relate, and summaries are submitted to the Finance and Audit Committee and Executive Management of the Society.

5. Financial risk management (continued)

(iv) Interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the cash flows or fair values of financial instruments because of a change in market interest rates. Interest rates are managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Treasury in its day-to-day monitoring activities. The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Society's financial assets and liabilities to various standard interest rate scenarios. Interest rate movements affect reported equity as increases or decreases in net interest income and the fair value changes are reported in profit or loss.

Overall non-trading interest rate risk positions are managed by Treasury, which uses investment securities, advances to banks and deposits from banks to manage the overall position arising from non-trading activities. The Society is precluded by the Building Societies Act to the use of any derivatives to manage interest rate risk.

Interest rate - Sensitivity analysis

A principal part of management of market risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios. The Society aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income.

The scenarios are run only for assets and liabilities that represent the major interest-bearing positions. Financial instruments subject to interest rate risk are summarised as follows:

	2018 P'000	2017 P'000
Total financial assets	(4 053 130)	(3 508 700)
Total financial liabilities	3 923 452	3 359 227
	(129 678)	(149 473)

Based on the simulations performed, the impact on pre-tax profit of a shift by 50 basis points would be a maximum increase of P648 thousand (2017: P747 thousand) or decrease of the same amount respectively, on the basis that all other variables remain constant. The simulation is done on a monthly basis to verify that the maximum loss potential is within the limit set by management.

The profile of assets and liabilities and the interest sensitivity gap is as follows:

5. Financial risk management (continued)

(iv) Interest rate risk (continued)

Interest sensitivity gap analysis

	0-3 months P'000	3-12 months P'000	1-2 years P'000	2-5 years P'000	Over 5 years P'000	Total P'000
At 31 March 2018						
Assets						
Cash and cash equivalents	75 625	-	-	-	-	**75 625**
Investments with banks	428 044	349 874	-	-	-	**777 918**
Other assets	13 095	-	-	-	-	**13 095**
Short term loans and advances to customers	87 442	-	-	-	-	**87 442**
Mortgage loans and advances to customers	3 057 074	163	5 628	1 521	34 664	**3 099 050**
Total assets	**3 661 280**	**350 037**	**5 628**	**1 521**	**34 664**	**4 053 130**
Liabilities and equity						
Customers' savings and fixed deposit accounts	718 974	536 210	14 078	5 533	-	**1 274 795**
Borrowings	693 250	111 290	75 000	59 500	236 700	**1 175 740**
Paid up and subscription shares	527 201	-	-	-	-	**527 201**
Indefinite period shares and reserves	-	945 716	-	-	-	**945 716**
Total liabilities	**1 939 425**	**1 593 216**	**89 078**	**65 033**	**236 700**	**3 923 452**
Net interest sensitivity gap	**1 721 855**	**(1 243 179)**	**(83 450)**	**(63 512)**	**(202 036)**	**129 678**
At 31 March 2017						
Assets						
Cash and cash equivalents	65 696	-	-	-	-	**65 696**
Investments with banks	36 009	196 242	-	-	-	**232 251**
Other assets	11 489	-	-	-	-	**11 489**
Short term loans and advances to customers	81 600	-	-	-	-	**81 600**
Mortgage loans and advances to customers	3 059 238	462	4 557	8 531	44 876	**3 117 664**
Total assets	**3 254 032**	**196 704**	**4 557**	**8 531**	**44 876**	**3 508 700**
Liabilities and equity						
Customers' savings and fixed deposit accounts	589 552	531 403	614	9 415	-	**1 130 984**
Borrowings	362 178	113 537	75 000	-	296 200	**846 915**
Paid up and subscription shares	508 619	-	-	-	-	**508 619**
Indefinite period shares and reserves	-	872 709	-	-	-	**872 709**
Total liabilities	**1 460 349**	**1 517 649**	**75 614**	**9 415**	**296 200**	**3 359 227**
Net interest sensitivity gap	**1 793 683**	**(1 320 945)**	**(71 057)**	**(884)**	**(251 324)**	**149 473**

5. Financial risk management (continued)

(v) Capital management

To monitor the adequacy of its capital, the Society uses ratios established by the Bank of Botswana. These ratios measure capital adequacy by comparing the Society's eligible capital with its reported assets and commitments at weighted amounts to reflect their relative risk. The regulator has advised all financial institutions to ensure capital requirements to be based on the Basel II framework. The Society started complying with Basel II in January 2016.

For prudential supervisory purposes, Tier 1 capital consists of indefinite period shares together with the general, statutory and retained earnings reserves. The Society's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain growth of the business. The objective is to strike a balance between the higher returns that might be possible with greater earnings and the advantages and security afforded by a sound capital position. The Society has complied with all externally imposed capital requirements throughout the period. The capital adequacy ratio was 58.19% as at 31 March 2018 (2017: 61.43%). The high ratio is as a result of the requirements of the Building Societies Act (Section 41) which requires the Society to hold certain amounts of permanent capital (Indefinite shares) as a proportion of borrowings.

The minimum capital adequacy ratio set by the Bank of Botswana is 15%.

5. Financial risk management (continued)

(v) Capital management (continued)

At 31 March 2018	Note	Balance P'000	Risk weight	Weighted value P'000
Capital adequacy				
Tier 1 capital				
Stated capital				945 716
Other revenue reserves				161 934
Regulatory adjustment				(17 536)
				1 090 114
Tier 2 capital				
Collective impairment				6 577
Unpublished current year's profits				49 941
Total unimpaired capital				1 146 632
Assets				
Cash	6	5 383	0%	-
Other cash balances – claims from banks	6	75 625	20%	15 125
Fixed deposits with banks	7	777 918	20%	155 584
Properties in possession	10	13 700	50%	6 850
Short term loans and advances to customers	9	87 442	0%	-
Long term loans and advances to customers	11	3 099 050		1 448 180
Residential loans secured		2 525 365	35%	883 878
Residential loans unsecured		73 755	75%	55 316
Past due for more than 90 days and specific provision is less than 20% of loan		212 810	100%	212 810
Past due for more than 90 days and specific provision is more than 20% of loan		19 015	50%	9 508
Commercial loans secured		229 859	100%	229 859
Past due exposure where specific provision is less than 20% of the loan		37 125	150%	55 688
Past due exposure where specific provision is equal to or greater than 20% but less than 50% of the loan		1 121	100%	1 121
Intangible assets	12	29 227	100%	29 227
Property, plant and equipment	13	96 714	100%	96 714
Other assets	8	21 778	100%	21 778
Off-Balance sheet assets				
Commitments:				
Corporate portfolio @ 20%		12	100%	12
Retail portfolio @ 20%		14 137	100%	14 137
Total credit risk weighted assets		**4 220 986**		**1 787 607**
Operational risk weighted assets				182 735
Total risk weighted assets				**1 970 342**
Capital adequacy ratio				58.19%
Regulatory requirement				15.00%

5. Financial risk management (continued)

(v) Capital management (continued)

At 31 March 2017	Note	Balance P'000	Risk weight	Weighted value P'000
Capital adequacy				
Tier 1 capital				
Stated capital				872 709
Other revenue reserves				171 853
Regulatory adjustment				(3 713)
				1 040 849
Tier 2 capital				
Collective impairment				6 685
Unpublished current year's profits				47 885
Total unimpaired capital				1 095 419
Assets				
Cash	6	4 612	0%	-
Other cash balances – claims from banks	6	65 696	20%	13 139
Fixed deposits with banks	7	232 251	20%	46 450
Properties in possession	10	11 792	50%	5 896
Short term loans and advances to customers	9	81 600	0%	-
Long term loans and advances to customers	11	3 117 664		1 377 558
Residential loans secured		2 657 317	35%	930 061
Residential loans unsecured		63 100	75%	47 325
Past due for more than 90 days and specific provision is less than 20% of loan		129 807	100%	129 807
Past due for more than 90 days and specific provision is more than 20% of loan		9 678	50%	4 839
Past due non-qualifying exposure where specific provision is less than 20% of the loan		15 528	150%	23 292
Commercial loans secured		242 234	100%	242 234
Intangible assets	12	9 282	100%	9 282
Property, plant and equipment	13	110 204	100%	110 204
Other assets	8	19 529	100%	19 529
Off-Balance sheet assets				
Commitments:				
Corporate portfolio @ 20%		1 851	100%	1 851
Retail portfolio @ 20%		16 001	100%	16 001
Total credit risk weighted assets		**3 670 482**		**1 599 910**
Operational risk weighted assets				183 229
Total risk weighted assets				**1 783 139**
Capital adequacy ratio				61.43%
Regulatory requirement				15.00%

5. **Financial risk management (continued)**

(vi) **Classification of assets and liabilities**

The tables below set out the Society's classification of assets and liabilities, and their fair values.

31 March 2018	Note	Loans and receivables P'000	At amortised cost P'000	Held to maturity P'000	Other non-financial assets/ liabilities P'000	Current assets and liabilities P'000	Non-current assets and liabilities P'000	Total carrying amount P'000	Fair value P'000
Assets			-						
Cash and cash equivalents	6	81 008	-	-	-	**81 008**	**-**	**81 008**	**81 008**
Investments with banks	7	-	-	777 918	8 396	**777 918**	**-**	**777 918**	**777 918**
Other assets	8	13 392	-	-	-	**8 396**	**-**	**21 778**	**21 778**
Short term loans and advances to customers	9	87 442	-	-	-	**22 867**	**64 575**	**87 442**	**87 442**
Mortgage loans and advances to customers	11	3 099 050	-	-	-	**438 421**	**2 660 629**	**3 099 050**	**3 099 050**
		3 280 892	**-**	**777 918**	**8 396**	**1 328 610**	**2 725 204**	**4 067 196**	**4 067 196**
Liabilities									
Customers' savings and fixed deposit accounts	14	-	1 274 795	-	-	**1 247 805**	**26 990**	**1 274 795**	**1 274 795**
Paid up and subscription shares	15	-	527 201	-	-	**-**	**527 201**	**527 201**	**527 201**
Borrowings	17	-	1 175 740	-	-	**345 561**	**830 179**	**1 175 740**	**1 175 740**
Other liabilities	18	-	11 104	-	57 709	**68 813**	**-**	**68 813**	**68 813**
		-	**2 988 840**	**-**	**57 709**	**1 662 179**	**1 384 370**	**3 046 549**	**3 046 549**

5. Financial risk management (continued)

(vi) Classification of assets and liabilities (continued)

The tables below set out the Society's classification of assets and liabilities, and their fair values.

31 March 2017	Note	Loans and receivables P'000	At amortised cost P'000	Held to maturity P'000	Other non-financial assets/ liabilities P'000	Current assets and liabilities P'000	Non-current assets liabilities P'000	Total carrying amount and liabilities P'000	Fair value P'000
Assets									
Cash and cash equivalents	6	70 308	-	-	-	**70 308**	**-**	**70 308**	**70 308**
Investments with banks	7	-	-	232 251	-	**232 251**	**-**	**232 251**	**232 251**
Other assets	8	12 193	-	-	7 336	**4 678**	**14 851**	**19 529**	**19 529**
Short term loans and advances to customers	9	81 600	-	-	-	**28 764**	**52 836**	**81 600**	**81 600**
Mortgage loans and advances to customers	11	3 117 664	-	-	-	**434 186**	**2 683 478**	**3 117 664**	**3 117 664**
		3 281 765	**-**	**232 251**	**7 336**	**770 187**	**2 751 165**	**3 521 352**	**3 521 352**
Liabilities									
Customers' savings and fixed deposit accounts	14	-	1 130 984	-	-	**1 071 953**	**59 031**	**1 130 984**	**1 130 984**
Paid up and subscription shares	15	-	508 619	-	-	**-**	**508 619**	**508 619**	**508 619**
Borrowings	17	-	846 915	-	-	**252 243**	**594 672**	**846 915**	**846 915**
Other liabilities	18	-	20 965	-	49 560	**70 525**	**-**	**70 525**	**70 525**
		-	**2 507 483**	**-**	**49 560**	**1 394 721**	**1 162 322**	**2 557 043**	**2 557 043**

5. Financial risk management (continued)

(vii) Fair value hierarchy

Financial instruments measured at fair value are categorised in three levels by valuation method. The different levels are defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

This category includes instruments valued using:

- quoted market prices in active markets for similar instruments;
- quoted prices for identical or similar instruments in markets that are considered less than active; or
- other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. The categorisation of financial instruments within the fair value hierarchy is presented below.

5. Financial risk management (continued)

(vii) Fair value hierarchy (continued)

31 March 2018	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total P'000
Assets				
Cash and cash equivalents	5 383	75 625	-	**81 008**
Investments with banks	-	777 918	-	**777 918**
Short term loans and advances to customers	-	-	87 442	**87 442**
Mortgage loans and advances to customers	-	-	3 099 050	**3 099 050**
Other assets	-	-	13 932	**13 392**
	5 383	**853 543**	**3 200 424**	**4 059 350**
Liabilities				
Customers' savings and fixed deposit accounts	-	1 274 795	-	**1 274 795**
Paid up and subscription shares	-	527 201	-	**527 201**
Borrowings	-	1 175 740	-	**1 175 740**
Other liabilities	-	11 104	-	**11 104**
	-	**2 988 840**	**-**	**2 988 84**

31 March 2017	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total P'000
Assets				
Cash and cash equivalents	4 612	65 696	-	**70 308**
Investments with banks	-	232 251	-	**232 251**
Short term loans and advances to customers	-	-	81 600	**81 600**
Mortgage loans and advances to customers	-	-	3 117 664	**3 117 664**
Other assets	-	-	12 193	**12 193**
	4 612	**297 947**	**3 211 457**	**3 514 016**
Liabilities				
Customers' savings and fixed deposit accounts	-	1 130 984	-	**1 130 984**
Paid up and subscription shares	-	508 619	-	**508 619**
Borrowings	-	846 915	-	**846 915**
Other liabilities	-	20 965	-	**20 965**
	-	**2 507 483**	**-**	**2 507 483**

		2018 P'000	2017 P'000
6.	**Cash and cash equivalents**		
	Cash balances	5 383	4 612
	Balances with banks (call and current accounts)	74 739	64 839
	Money market balances	886	857
		81 008	**70 308**

Interest rates on current, call and money market accounts range from nil to 3.8% (2017: nil to 3.3%) per annum.

		2018 P'000	2017 P'000
7.	**Investments with banks**		
	Redeemable within one year	**777 918**	**232 251**

Fixed deposits have a term of up to 12 months (2017: 12 months) at interest rates ranging from 3.85% to 5.15% (2017: 3.49% to 5.75%) per annum.

		2018 P'000	2017 P'000
8.	**Other assets**		
	Rent debtors	837	704
	Rent deposits	-	13
	Staff debtors	13 095	11 489
	Prepayments and other debtors	7 846	6 273
	Asset held for sale	-	1 050
		21 778	**19 529**
	Lease commitments		
	At the reporting date the following minimum lease rentals are receivable		
	Within one year	4 421	3 679
	One to five years	8 884	2 617
		13 305	**6 296**

Staff debtors

Staff debtors are unsecured loans and advances to staff for purchase of motor vehicles, furniture and other personal effects. The loans are advanced at 50% of the Botswana prime lending rate per annum. The term of staff loans vary from six months to sixty months.

	2018 P'000	2017 P'000
9. Short term loans and advances to customers		
Amount to be recovered within one year	22 867	28 764
Amount to be recovered after one year	64 575	52 836
	87 442	**81 600**

Short term loans are for periods between twelve and sixty months, bear interest at 9.5% (2017: 10%) per annum and are secured by Paid up shares and Subscription shares.

	2018 P'000	2017 P'000
10. Properties-in-possession		
Balance at beginning of the year	11 792	11 414
Repossessions during the year	4 972	4 916
Disposals during the year	(3 064)	(4 538)
Balance at the end of the year	**13 700**	**11 792**
Number of properties in possession - residential	**17**	**12**

The properties-in-possession are premises the Society has repossessed. These properties are held with the express intention to sell in the short to medium term and are recorded at the lower of cost of repossession and net realisable value.

		2018 P'000	2017 P'000
11.	**Mortgage loans and advances to customers**		
	Gross amounts	3 144 914	3 153 209
	Impairment allowance	(45 864)	(35 545)
	Carrying amount	**3 099 050**	**3 117 664**
	Amount to be recovered within one year	438 421	434 186
	Amount to be recovered after one year	2 660 629	2 683 478
		3 099 050	**3 117 664**
	Specific allowance for impairment and interest in suspense		
	Specific allowance for impairment		
	Balance at the beginning of the year	15 638	11 357
	Impairment loss for the year	6 468	4 281
		22 106	**15 638**
	Interest in suspense		
	Balance at the beginning of the year	13 222	10 621
	Interest arising during the year	3 959	2 601
		17 181	**13 222**
	Balance at the end of the year	**39 287**	**28 860**
	General (collective) impairment		
	Balance at the beginning of the year	6 685	5 489
	Impairment loss movement per profit and loss	(108)	1 196
	Balance at the end of the year	**6 577**	**6 685**

Mortgage loans are granted up to a maximum period of thirty years. The variable rate loans and advances amount to P3.106 billion (2017: P 3.095 billion) and P38 million (2017: P 58 million) are at fixed rates of interest.

Interest is charged at rates between 6.5% and 11.5% (2017: 6.5% and 13.8%) per annum and loans are secured by a first mortgage bond against the financed property. The rate of interest on staff mortgage loans is 3.5% (2017: 4.0%) per annum. The Society lends up to 90% of the market value of the property being financed.

The Society experienced challenges with regular IT upgrades performed to its corebanking system since October 2017 to the reporting of which had an impact on the completeness of the interest in suspense on mortgage loans and advances. These challenges included amongst others:

- Inconsistency of ageing between number of days due and overdue status of customer accounts in arreas per the system generated reports. Accurate ageing of customer accounts is key in determining specific impairment provision; and
- Completeness in allocation of monthly instalments to the appropriate customer accounts.

The above mentioned resulted in a number of transactions not allocated to the correct individual mortgage loans and advances accounts.
Consequently, management performed manual processes to correct the effect of these inconsistencies. The manual adjustments have been considered as part of the above disclosure. Management has since put measures in place to address these issues related to the system which got upgraded recently.

	2018 P'000	2017 P'000
12. Intangible assets		
Cost		
Balance at the beginning of the year	20 634	15 898
Acquisitions	94	35
Transfers from capital work in progress	24 410	4 701
Balance at the end of the year	**45 138**	**20 634**
Accumulated amortisation		
Balance at the beginning of the year	11 352	8 132
Amortisation for the year	4 559	3 220
Balance at the end of the year	**15 911**	**11 352**
Carrying amounts		
At beginning of the year	**9 282**	**7 766**
At end of the year	**29 227**	**9 282**

The intangible assets consist mainly of costs incurred in respect of the software system implemented in stages.

13. Property and equipment

	Freehold property P'000	Freehold land P'000	Leasehold property P'000	Leasehold land P'000	Equipment, furniture & fittings P'000	Computer hardware P,000	Motor vehicles P'000	Capital work-in-progress P'000	Total P'000
Cost									
Balance at 1 April 2016	**33 793**	**365**	**50 549**	**4 223**	**23 954**	**9 513**	**567**	**18 483**	**141 447**
Acquisitions	-	-	-	-	622	556	-	12 180	13 358
Transfers	-	-	4 027	-	1 161	8 520	-	(18 409)	(4 701)
Disposals	-	-	-	-	(34)	(44)	-	-	(78)
Balance at 31 March 2017	**33 793**	**365**	**54 576**	**4 223**	**25 703**	**18 545**	**567**	**12 254**	**150 026**
Acquisitions	-	-	-	-	353	599	-	17 483	18 435
Transfers	-	-	94	-	3 893	912	-	(29 309)	(24 410)
Balance at 31 March 2018	**33 793**	**365**	**54 670**	**4 223**	**29 949**	**20 056**	**567**	**428**	**144 051**
Accumulated depreciation									
Balance as 1 April 2016	**-**	**-**	**10 864**	**-**	**14 574**	**6 079**	**376**	**-**	**31 893**
Depreciation charge for the year	-	-	1 326	-	3 780	2 867	27	-	8 000
Disposals	-	-	-	-	(32)	(39)	-	-	(71)
Balance at 31 March 2017	**-**	**-**	**12 190**	**-**	**18 322**	**8 907**	**403**	**-**	**39 822**
Depreciation charge for the year	-	-	1 442	-	3 299	2 752	22	-	7 515
Balance at 31 March 2018	-	**-**	**13 632**	**-**	**21 621**	**11 659**	**425**	**-**	**47 337**
Carrying amounts									
At 31 March 2017	**33 793**	**365**	**42 386**	**4 223**	**7 381**	**9 638**	**164**	**12 254**	**110 204**
At 31 March 2018	**33 793**	**365**	**41 038**	**4 223**	**8 328**	**8 397**	**142**	**428**	**96 714**

13. Property and equipment (continued)

The Society owns several freehold and leasehold properties. The leasehold properties each has a lease term of fifty years. A register of freehold and leasehold properties is available at the following address: Plot 13108-112 Broadhurst, Gaborone, Botswana.

	2018 P'000	2017 P'000
14. Customers' savings and fixed deposit accounts		
Fixed deposits	894 721	734 731
Letsibogo savings	116 850	114 751
Tlamelo mortgage savings	8 020	15 369
Ordinary and special savings	159 325	169 801
Lerako (pensioners' savings account)	50 859	55 469
Lerako B (pensioners' savings account)	40 196	40 000
Fixed term deposit	3 459	-
SMME Ordinary savings accounts	1 365	863
	1 274 795	**1 130 984**

Fixed deposits have a term ranging from three months to sixty months and earn interest at between 1.50% and 6.0% (2017: 1.89% and 7.5%) per annum. The Letsibogo savings product is repayable on demand and earns interest between 0.5% and 1.05% (2017: 0.5% to 1.25%) per annum.

Savings deposits are repayable on demand. The ordinary savings deposit accrues interest at 0.25% (2017: 0.25%) per annum while the special savings earn interest between 0.5% and 0.85% (2017: 0.5% and 1.00%) per annum. Tlamelo mortgage savings accounts earn interest at 2.25% (2017: 2.75%) annually. Lerako savings accounts earn interest from 1.75% to 3.50% (2017: between 2.25% to 4.5%) annually. Interest earned on savings accounts is linked to the Botswana prime lending rate.

	2018 P'000	2017 P'000
15. Paid up and subscription shares		
Paid up share	463 648	448 940
Subscription shares	63 553	59 679
	527 201	**508 619**

Paid up shares are invested for a period of not less than 18 months and may be redeemed subject to the Board's approval upon 3 months' notice. Early redemption is permitted with a proportionate forfeiture of dividends accrued.

The Board may, at its discretion, from time to time issue paid up and subscription shares and all such shares shall accrue dividends distributed out of the available profits of the Society. The rates of dividend on the shares shall be fixed by the Board at the time of issue and subsequently from time to time as the Board may, in its discretion decide.

Paid up shares and subscription shares earn coupon rates of 1.65% and 2.50% (2017: 2.15% and 3.0%) per annum respectively.

	2018 P'000	2017 P'000
16. Withholding tax		
Tax liability	**2 698**	**3 140**

This relates to withholding tax on dividends and interest paid to the Society's members and customers and which is due to Botswana Unified Revenue Services.

	2018 P'000	2017 P'000
17. Borrowings		
Gross future cash flows		
DPCFL loans	-	2 499
Unsecured long term – bonds	680 167	722 294
Stanbic Bank Botswana Limited	-	37 818
BancABC Botswana Limited	308 720	178 704
International Finance Corporation	376 362	-
Stanlib Investment Management Services (Pty) Ltd	150 369	170 458
Total borrowings	**1 515 618**	**1 111 773**
Less: future interest payments		
DPCFL loans	-	(172)
Unsecured long term bonds	(188 064)	(230 312)
Stanbic Bank Botswana Limited	-	(376)
BancABC Botswana Limited	(32 166)	(24 334)
International Finance Corporation	(119 358)	-
Stanlib Investment Management Services (Pty) Ltd	(290)	(9 664)
	(339 878)	**(264 858)**
Capital amount due at the reporting date (balance carried forward)	**1 175 740**	**846 915**

	2018 P'000	2017 P'000
17. Borrowings (continued)		
Capital amount due at the reporting date (balance brought forward)	**1 175 740**	**846 915**
Less : Amounts due within one year		
DPCFL loans	-	(2 327)
Unsecured long term bonds	(121 177)	(10 781)
Stanbic Bank Botswana Limited	-	(37 442)
BancABC Botswana Limited	(74 085)	(40 899)
International Finance Corporation	(220)	-
Stanlib Investment Management Services (Pty) Ltd	(150 079)	(160 794)
	(345 561)	**(252 243)**
Borrowings repayable after one year		
Unsecured long term bonds	370 926	481 201
BancABC Botswana Limited	202 469	113 471
International Finance Corporation	256 784	-
Stanlib Investment Management Services (Pty) Ltd	-	-
	830 179	**594 672**

BancABC Botswana Limited

The Society currently has three loans with BancABC. Two of the loans are priced at the Botswana prime lending rate less 1% while the other one is priced at the Botswana prime lending rate and are repayable over five years commencing 30 November 2015, 30 June 2017 and 28 February 2018 respectively.

Stanlib Investment Management Services (Pty) Ltd

This is a roll-over of the original note with a total of P150 million (2017: P160 million) for a duration of one month. The interest payments are payable in arrears at the 91-day BoBC rate plus a margin of 500 basis points (2017: 91- day BoBC rate plus a margin of 500 basis points) per annum.

International Finance Corporation

IFC original loan at P260 million, bears interest rate at the Bank of Botswana Bank rate plus 2.1% per annum. Interest is payable every 3 months commencing 5 December 2017. The principal repayment shall commence on the 15th of December 2020 and repays every quarter thereafter. The loan is repayable over seven years.

17. Borrowings (continued)

Unsecured long term – bonds
These bonds are listed on the Botswana Stock Exchange and are summarised below:

2018 Number	Maturity date	Amount P'000	Type	Interest rate per annum
BBS004	26 November 2019	75 000	Fixed	11.10%
BBS005	3 December 2023	150 000	Fixed	11.20%
BBS006	4 August 2018	110 000	Floating	91 days BOBC plus1.50%
BBS007	26 August 2025	86 700	Fixed	9%
BBS008	2 October 2022	45 500	Fixed	7.75%
BBS009	3 March 2022	14 000	Floating	Bank of Botswana Bank rate plus 2%
2017 Number	**Maturity Date**	**Amount P'000**	**Type**	**Interest rate** per annum
BBS004	26 November 2019	75 000	Fixed	11.10%
BBS005	3 December 2023	150 000	Fixed	11.20%
BBS006	4 August 2018	110 000	Floating	91 days BOBC plus1.50%
BBS007	26 August 2025	86 700	Fixed	9%
BBS008	2 October 2022	45 500	Fixed	7.75%
BBS009	3 March 2022	14 000	Floating	Bank of Botswana Bank rate plus 2%

18. Other liabilities

	2018 P'000	2017 P'000
Accounts payable	11 104	20 965
Mortgage deferred administration fees	12 136	8 989
Other creditors	469	486
Dividend payable	13 317	1 792
Bonus accrual	7 087	5 864
Other payroll liabilities	8 516	6 555
Accrued interest on deposits	16 138	25 776
Accrued interest on paid up shares	46	98
	68 813	**70 525**

	2018 P'000	2017 P'000
19. Indefinite period shares		
19.1 Issued		
Indefinite period shares	**945 716**	**872 709**
Balance at the beginning of the year	872 709	846 970
Issue of shares	102 980	106 457
Redemption of shares	(29 973)	(80 718)
Balance at the end of the year	**945 716**	**872 709**

The shareholder shall not be entitled at any time to demand redemption, but the Society shall be entitled to redeem these shares, upon 6 months' notice, which may be tendered 12 months from the date of deposit.
The Board may, at its discretion, issue indefinite period shares and all such shares shall accrue dividends distributed out of the available profits of the Society. The rates of dividends on the shares shall be fixed by the Board at the time of issue and subsequently from time to time as the Board may in its discretion decide. As at 31 March 2018 indefinite period shares earned a coupon rate of 6% (2017: 6.5%) per annum.

20. Reserves

Statutory reserve

The statutory reserve fund is established in terms of paragraph 39 of the Building Societies Act. The Act requires the Society to set aside a minimum of 10% of its undistributed profits into the reserve fund. The Society may charge against the reserve fund any net loss remaining after applying such loss against any undistributed profits brought forward from previous years.

	2018 P'000	2017 P'000
Balance at the beginning of the year	119 468	114 680
Transfers in	4 994	4 788
Balance at the end of the year	**124 462**	**119 468**

General market risk reserve

The general market risk reserve has been established in terms of rule 73 of the rules of Building Societies Act to cover general market risks. There are no restrictions on the application of funds in this reserve.

	2018 P'000	2017 P'000
Balance at the beginning and end of the year	**64 000**	**64 000**

		2018 P'000	2017 P'000
21.	**Interest income**		
	Cash and cash equivalents	28 425	19 013
	Long term loans and advances	265 958	271 522
	Short term loans and advances	8 696	8 849
		303 079	**299 384**
22.	**Interest expense**		
	DPCFL loans	78	638
	Bonds	40 580	51 737
	Term loans	32 894	30 849
	Fixed period paid up and subscription shares	10 326	12 362
	Fixed deposits	45 535	33 576
	Savings accounts	5 845	8 752
		135 258	**137 914**
23.	**Fee and commission income**		
	Commission on other services	9 322	7 938
	Transaction and loan origination fees	11 880	14 527
		21 202	**22 465**
	Fee and commission expense		
	Interbank transaction fees	**1 105**	**1 117**
24.	**Other operating income**		
	Rental income	4 578	4 910
	Profit on disposal of sundry assets, property and equipment	-	2
	Sundry income	277	359
		4 855	**5 271**

		2018 P'000	2017 P'000
25.	**Impairment loss**		
	Impairment loss on financial assets		
	Specific impairment	10 427	6 882
	General impairment	(108)	1 196
		10 319	8 078
	Impairment loss on non-financial assets		
	Net loss on disposal of properties sold in execution	3 951	3 382
		14 270	**11 460**
26.	**Personnel expenses**		
	Salaries and wages	56 440	51 469
	Pension fund contributions	5 045	4 739
	Bonus accrual-current year	7 087	5 864
	Leave pay accrual	2 232	1 434
	Fair value adjustment- off market staff loans	(28)	2 000
		70 776	**65 506**
27.	**Depreciation and amortisation**		
	Depreciation charge	7 515	8 000
	Amortisation charge	4 559	3 220
		12 074	**11 220**
28.	**Operating lease expenses**		
	Cash payments	2 561	2 601
	Movement in operating lease liability	(69)	(53)
		2 492	**2 548**

	2018 P'000	2017 P'000
29. Other expenses		
Director's fees	1 233	1 370
Audit fees – current year	1 227	1 374
Advertising and marketing	1 481	4 898
Computer maintenance expense	5 184	3 363
Insurance	1 436	1 329
Legal and professional expenses	2 801	5 791
License fees	10 508	9 056
Repairs and maintenance	4 136	4 803
Stationery and printing	356	1 185
Telephone and postage	3 926	3 098
Travel and subsistence	2 017	2 543
Office supplies	1 346	1 987
Security expenses	3 230	2 431
Subscriptions	311	163
Other expenses	1 214	3 108
Net input VAT not claimable	2 814	2 971
	43 220	**49 470**

30. Dividend per share

The dividend per share has been calculated by dividing the dividend declared to indefinite period shareholders by the balance of indefinite period shares at the time of declaration.

	2018 P'000	2017 P'000
Dividend to indefinite period shareholders	57 805	59 376
Indefinite period shares	954 479	900 244
Dividend per share (thebe)	6.1	6.6

31. Basic and diluted earnings per share

Earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of indefinite period shares during the year.

	2018 P'000	2017 P'000
Profit attributed to shareholders	49 941	47 885
Weighted average number of indefinite period shares in issue	911 074	881 308
Earnings per share (thebe)	5.5	5.4
Indefinite period shares at the beginning of the year	872 709	846 970
Effect of shares in issue	49 074	52 832
Effect of shares redeemed	(10 709)	(18 494)
Weighted average number of indefinite period shares for the year	**911 074**	**881 308**

	2018 P'000	2017 P'000

31. Basic and diluted earnings per share (continued)

No instruments at the reporting date were considered to have a dilutive effect on the indefinite period share value and as a result no difference was recognised between the basic and dilutive earnings per share for the current or prior financial year.

32. Operating lease commitments

The Society had the following outstanding commitments under operating lease agreements for its branch premises at the reporting date:

	2018 P'000	2017 P'000
Within one year	2 581	2 443
One to five years	12 285	6 900
	14 866	**9 343**

33. Commitments

	2018 P'000	2017 P'000
Commitment in respect of mortgages approved but not yet disbursed	70 744	89 262
Capital expenditure - approved but not yet committed	48 157	36 640
Capital expenditure - approved and committed	2 133	22 933

Commitments will be met from the Society's own resources.

34. Related party transactions

The Society transacts part of its business with related parties including directors and parties related to or under the control of the directors. Details of related party transactions of the Society are set out below:

34.1 Amounts due to related parties:

	2018 P'000	2017 P'000
Savings accounts		
Held by the Society's Directors	-	1 310
Held by the Society's Executive members	653	832
	653	**2 142**

	2018 P'000	2017 P'000
34. Related party transactions (continued)		
34.1 Amounts due to related parties: (continued)		
Interest expense on savings accounts		
Held by the Society's Directors	47	53
Held by the Society's Executive members	13	16
	60	**69**
Share accounts		
Held by the Society's Directors	13 312	11 526
Held by the Society's Executive members	3 361	2 755
	16 673	**14 281**
Dividends on shares		
Held by the Society's Directors	779	724
Held by the Society's Executive members	187	89
	966	**813**
Borrowings		
Loan from Debt Participation Capital Fund Limited	**-**	**2 327**
Indefinite period shares		
Motor Vehicle Accident Fund	202 377	202 377
Botswana Privatisation Asset Holdings	177 511	177 511
Botswana Police Staff Savings and Loans Guarantee Scheme	167 531	158 859
Total amounts due to related parties	**547 419**	**538 747**
Dividends paid		
Motor Vehicle Accident Fund	11 858	13 662
Botswana Privatisation Asset Holdings	10 401	11 987
Botswana Police Staff Savings and Loans Guarantee Scheme	9 444	10 242
Total amounts due to related parties	**31 703**	**35 891**

Botswana Privatisation Asset Holdings is wholly owned by the Government of Botswana whereas the Botswana Police Staff savings and loans guarantee scheme is owned by its employees.

Motor Vehicle Accident Fund is a related party as it is wholly owned by the Government of Botswana.

The Debt Participation Capital Fund Limited is a wholly owned Government company. Interest paid on loans due to Debt Participation Capital Fund Limited amounted to P 0.078 million (2017: P 0.638 million) (Note 17 and 22).

	2018 P'000	2017 P'000
34. Related party transactions (continued)		
34.2 Amounts due from related parties		
Mortgages		
Held by the Society's Non-Executive Directors	2 063	2 194
Held by the Society's Executive members	31 280	35 425
Held by shareholders	31 681	33 085
	65 024	**70 704**
Short term loans		
Held by the Society's Executive members	231	241
Held by the Society' Non-Executive members	5	7
	236	**248**
Staff loans		
Held by the Society's Executive members	**2 870**	**2 233**
Total amounts due from related parties	**68 130**	**73 185**

Advances are made to employees on concessionary terms in accordance with the conditions of employment.

Advances to directors and parties related thereto are in the normal course of business and considered to be adequately secured.

Advances to related parties at concessionary rates of interest are valued at the present value of expected future repayments of the advances discounted at a pre-tax discount rate that equates to the interest rate charged on similar loans to non-related parties. No impairment losses have been recorded against loans/ mortgages to related parties.

34.3 Amounts paid to related parties

Related party	**Nature of transaction**	2018 P'000	2017 P'000
Board of directors	Remuneration fees	1 233	1 370
Board of directors	Interest expense	826	777
Executive management	Interest expense	199	105
		2 258	**2 252**

		2018 P'000	2017 P'000
34.	**Related party transactions (continued)**		
34.3	**Amounts paid to related parties (continued)**		
	Executive management		
	Gross emoluments of the key management personnel are analysed as follows:		
	Salaries, allowances and other short term benefits	12 300	17 599
	Post-employment benefits	3 721	3 168
		16 021	**20 767**

Key management personnel for the Society have been defined as the executive committee of Botswana Building Society.

			2018 P'000	2017 P'000
34.3	**Amounts received from related parties**			
	Board of directors	Interest income	154	129
	Executive management	Interest income	1 518	1 593
	Shareholders	Interest income	1 733	1 755
			3 405	**3 477**

35. Events after the reporting date

The Society successfully held a Special General Meeting (SGM) on 24 August 2017 where certain resolutions detailed in note 39 were passed. Subsequently, Botswana Building Society was successfully converted to a company, BBS Limited on 26 April 2018 following its application to Companies and Intellectual Property Authority (CIPA). BBS Limited will continue to operate the business of a building society until such a time that that the Banking license application is evaluated by Bank of Botswana. The conversion resulted in a change in the capital structure as outlined in note 39.

BBS Limited successfully registered its shares on the Over The Counter (OTC) trading platform of Botswana Stock Exchange on 03 September 2018.

36. Litigations

The Society is defendant in a number of litigations which arise from its normal day to day operations. This includes a claim by Southern African Furniture Manufacturers (SAFCO) against the Society of P40.55 million, in respect of damages incurred and replacement of movable property which they allege the Society wrongfully sold in 2005. This matter has been ongoing since November 2015 and is going through the judicial process. Management believe that the defence against the claim will be successful.

37. Compliance with sections 39, 41 and 42 of the Building Societies Act

The Society complied with the requirements of Sections 39, 41 and 42 of the Building Societies Act, as varied by the Register of Building Societies.

38. Operating segments

The Society has no separate segments for consideration by the managing director as its main business consists of providing mortgage facilities and advances to individuals and corporates in Botswana. The chief operating decision maker of the Society is considered to be the managing director. The main business of the Society is evaluated as a whole by the managing director.

39. Demutualisation

The Society successfully held a Special General Meeting (SGM) on 24 August 2017. The SGM resolved on the following matters;

- The conversion of Botswana Building Society from a society owned by its members into BBS Limited a company limited by shares in accordance with the enabling legislation
- Approval of the share allocation rules
- Approval of the BBS Limited constitution
- Permission for BBS Limited to apply for a banking license

Subsequently, Botswana Building Society was successfully converted to a company; BBS Limited on 26 April 2018 following its application to Companies and Intellectual Property Authority (CIPA). BBS Limited will continue to operate the business of a building society until such a time that that the Banking license application has been evaluated Bank of Botswana.

The conversion resulted in a change in the capital structure as outlined below:

31-Mar-18		26-Apr-18	
Pre demutualisation		**Post demutualisation**	
	P'000		**P'000**
Tier 1 Capital	**1 090 114**	**Tier 1 Capital**	**617 226**
Indefinite period paid up shares	945 716	Ordinary shares	482 166
Other revenue reserves	161 934	Other revenue reserves	152 193
Intangible assets	(17 536)	Intangible assets	(17 134)
Tier II Capital	**56 518**	**Tier II Capital**	**93 029**
Collective impairment	6 577	Collective impairment	6 849
Unpublished current year's profits	49 941	Unpublished current year's Profits	(14 820)
		Debentures	101 000
Total unimpaired capital	**1 146 632**	**Total unimpaired capital**	**710 254**
Total Risk Weighted Assets	**1 970 342**	**Total Risk Weighted Assets**	**1 979 685**
Capital Adequacy Ratio	**58.19%**	**Capital Adequacy Ratio**	**35.88%**

Other significant changes include the composition of the Board as detailed in the Chairman's report.

NOTICE OF MEETING & AGENDA

Notice is hereby given that the first annual general meeting of shareholders of BBS Limited ("BBS") will be held at **AVANI HOTEL & CONFERENCE CENTER, GABORONE on Friday 28 September 2018 at 10h00** or any adjournment or postponement thereof, to: (i) consider and, if deemed fit, pass, with or without modification, the ordinary resolutions set out below, and (ii) deal with such other business as may be dealt with at the meeting.

Each of the ordinary resolutions number 1 to 3 requires the support of more than 50% of the votes exercised on the resolution in order to be approved.

1. **Acceptance and adoption of Minutes of the then Botswana Building Society Annual General Meeting held on 24 August 2017**

   Ordinary Resolution number 1

   "**Resolved that** the Minutes of the BBS Annual General Meeting held on 24 August 2017 be and are hereby approved"

2. **Acceptance and adoption of annual financial statements, auditor's report and the annual report**

   Ordinary Resolution number 2

   "**Resolved that** the audited financial statements of the Company, including the Independent Auditor's Report, Directors' Report and the Finance and Audit Committee's Report, for the year ended 31 March 2018, be accepted and adopted."

   Additional information in respect of Ordinary resolution number 2

   The full set of annual financial statements of the Company for the 2017/18 financial year are available on our website, have been emailed to shareholders or are available by request from the Company Secretary at 3971396 or **bbs@bbs.co.bw**

3. **Re-appointment of the independent external auditor**

   Ordinary Resolution number 3

   "**Resolved that** KPMG be re-appointed as the independent external auditor of the Company until the conclusion of the next annual general meeting in accordance with section 191(1) of the Companies Act, 2009".

4. **Update on the demutualisation of BBS**

   The Chairman of the Board will give a verbal update on progress in respect of the demutualisation of BBS. Shareholders will be given an opportunity to comment or seek clarification.

Attendance and voting by shareholders or proxies

A BBS shareholder is entitled to attend and vote at the annual general meeting. Alternatively, a BBS shareholder may appoint a proxy to attend, participate in and vote at the meeting in the place of the shareholder. A proxy need not be a shareholder of the company.

Voting on the ordinary and special resolutions will in the first instance be decided by voice or show or hands, unless a poll is demanded pursuant to section 67.1 of the BBS Limited Constitution. If voting is by show of hands, every shareholder or proxy present will have one vote, irrespective of the number of shares held in the company by the shareholder. On a poll, every shareholder or proxy present shall have one vote for every share held in the company by the shareholder.

Proof of identification

All persons, including shareholders and proxies, will be required to provide reasonably satisfactory identification before attending or participating in the meeting. Forms of identification, which must be presented are a valid identity card, driver's licence or passport. **Registration for the meeting will open at least 30 minutes before the meeting.**

The form of proxy or other authority appointing the proxy must be delivered to BBS Limited, Plot 13108-12, Corner of Lemmenyane and Segoditshane Roads, Broadhurst, Gaborone; posted **(at the risk of the shareholder)** to BBS Limited at PO Box 40029, Gaborone; or emailed to BBS Limited at **bbs@bbs.co.bw** and must be duly received by the Company at least 48 hours before the annual general meeting. The proxy form is available at the end of this report.

By order of the Board

Company Secretary
07 September 2018

Form of Proxy
for use at the 2018 BBS Limited Annual General Meeting

I/We (shareholder's name)…………………………………………………………………………………………

being the holder of (number of shares)………………………………………………………………...ordinary shares

hereby appoint (proxy's name)…………………………….......……………………………………………………………

or failing him/her (alternative proxy's name)………………...……………………………………………………………

or failing him/her, the chairperson of the annual general meeting…………………………….....……………………..

as my/our proxy to participate in, and speak and vote on my/our behalf or abstain from voting on any matter at the above meeting or any adjournment thereof, in accordance with the following instructions:

Item	Ordinary resolutions	For	Against	Abstain
1.	Ordinary resolution 1: Acceptance and adoption of minutes of the then Botswana Building Society Annual General Meeting held on 24 August 2017			
2.	Ordinary resolution 2: Acceptance and adoption of annual financial statements, auditor's report and the annual report			
3.	Ordinary resolution 3: Re-appointment of independent external auditor KPMG			

Insert X or a tick in the relevant space above according to how you wish your vote to be cast. On a poll, if you wish to cast your vote in respect of less than your entire shareholding or not to cast all your votes in the same way, insert the number of shares in respect of which you desire to vote or vote in different ways.

Signed at……………………………………………………………on…………………………………2018

Signature………………………………………………………Name………………………………………………………

Capacity…………………………………………………………… Duly authorised

Notes

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