INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ENGEN BOTSWANA LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion
We have audited the consolidated and separate financial statements of Engen Botswana Limited set out on pages 3 to 51, which comprise the consolidated and separate statements of financial position as at 31 December 2018, and the consolidated and separate statements of profit or loss and other comprehensive income, statements of changes in equity, the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

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

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

Key Audit Matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

<table>
<thead>
<tr>
<th>Key Audit Matter</th>
<th>How the matter was addressed in the audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision for dismantling and restoration cost of sites</td>
<td>Our audit procedures comprised, amongst others:</td>
</tr>
</tbody>
</table>

52
As described in note 16, the Group has a significant provision for the dismantling and restoration cost of sites stated at P69.2 million at 31 December 2018 representing 21% of the Group’s total liabilities.

The provision is based upon current cost estimates and is determined on a discounted basis with reference to current legal requirements and technology. The calculation of the provision therefore depends significantly on the exercise of judgment in determining assumptions around decommissioning costs, inflation rates, discount rates, and timing of the decommissioning based on the estimated life of the sites. These assumptions are subject to change over time.

At each reporting date, the provision is reviewed and re-measured in line with the changes in observable assumptions, timing and the latest estimates of the costs to be incurred on each site.

In addition to the above, we considered the provision to be significant to the current year audit of Engen Botswana Limited (Group) due to the following reason:

- During the year, six service stations across the country were opened compounding the judgement regarding cost estimation as restoration and rehabilitation of each site is relatively unique. In addition, there has been a limited number of decommissioning activities in the past, resulting in an increased estimation uncertainty.

The provision for dismantling and restoration cost of sites is disclosed in Note 16 to the financial statements together with the key judgements and estimates described in Note 1.

- We analysed management’s estimate of future costs by comparing the estimated amounts to quotes from third parties, taking into account the new sites added in the current year, inflation and exchange rates over time.
- We agreed the lease terms used in the calculation to the terms in the lease contracts. For existing sites we assessed the consistency of terms to that in the prior year.
- For the new sites, we evaluated the assumptions made by management in the determination of the useful lives to the principles of IAS 16 Property, Plant and Equipment (IAS 16).
- We assessed whether the useful lives were reasonable by challenging management’s judgements through comparing the useful lives to external market data.
- We reviewed and assessed the stage of completion of the new sites and evaluated it against the recognition requirements of IAS 16.
- We involved our internal specialists to test the reasonableness of the discount rate used in the calculation of the provision by considering the decrease in the real discount rate in the current year.
- We assessed the reasonability of the discount rate and the risk free rate by comparing to external data sources.
- We also tested the accuracy of other inputs used by management such as checking that all the sites have been included in the calculation.
- We performed a recalculation of the unwinding of the discount rate arising from the present value calculations applied to the future cash flows.
- We assessed the completeness and accuracy of the disclosures relating to the provision in terms of the requirements of IFRS.

**Existence and recoverability of the slate receivable**

As at 31 December 2018, the overdue slate balance receivable from the Department of Energy in the Ministry of Mineral Resources, Green Technology and Energy Security (National Petroleum Fund) equals P297.7 million (2017: P216.2 million). This represents 69% (2017: 71%) of the trade and other

- Our audit procedures comprised, amongst others:
  - We held several discussions with management about the past due slate receivable balance to understand the judgement exercised in assessing the collectability of the slate receivable that was past due but not impaired.
receivables and 31% (2017: 25%) of the total assets as at 31 December 2018. The debtor days were 62 days as at 31 December 2018 (2017: 50 days).

We identified the recoverability of the slate receivable balance as a key audit matter due to the following reasons:

- Significance of the balance to the consolidated financial statements
- The significant degree of judgements made by management in assessing the recoverability of the balance from the National Petroleum Fund given the significant delays experienced by the Group in the recovery of the overdue amount.
- The estimation uncertainty around management’s judgements which include assumptions around the stability of forecasted crude oil prices (on the global market) and local oil sales prices as determined by the Government which drives the recovery of the slate receivable balance.

The slate receivable is disclosed in note 13 to the financial statements.

- We reviewed and assessed the reasonableness of management’s assumptions supporting the forecasted sales prices and stability of the crude oil prices on the global market in comparison to external data sources.
- We obtained external confirmation of the slate receivable balance and the rates used in computing the slate receivable balance through to December 2018.
- We inspected and evaluated the repayment plans agreed with the Department of Energy.
- We corroborated amounts recovered from the Department of Energy post year-end through inspection of bank statements.

Other Information

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

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

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

**Responsibilities of the Directors for the Consolidated and Separate Financial Statements**

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group and company audit. We remain solely responsible for our audit opinion.

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

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

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

Ernst & Young
Practicing Member: Bakani Ndwapi
Partner
Certified Auditor
Membership number: 19980026
Gaborone

29/3/19