



Letlole La Rona Limited

**TRANSFORMING SPACES**

**ANNUAL REPORT  
2019**



## COMPANY OVERVIEW

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In direct translation, Letlole La Rona means 'our basket of wealth'. To us the basket of wealth is symbolical to a collection of principles that nurture true wealth and success.

In everything we do we strive to create a basket of wealth for Batswana.

## MISSION

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To invest prudently in real estate that cultivates and connects communities.

## VISION

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To be the premier real estate company in Botswana and selected markets in Africa.

## VALUES

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- Integrity
- Innovation
- Agility
- Customer focus
- Excellence

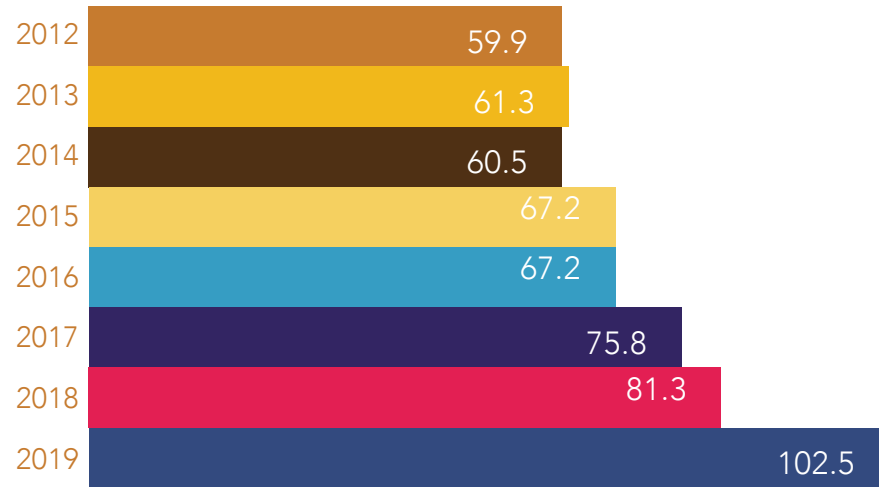


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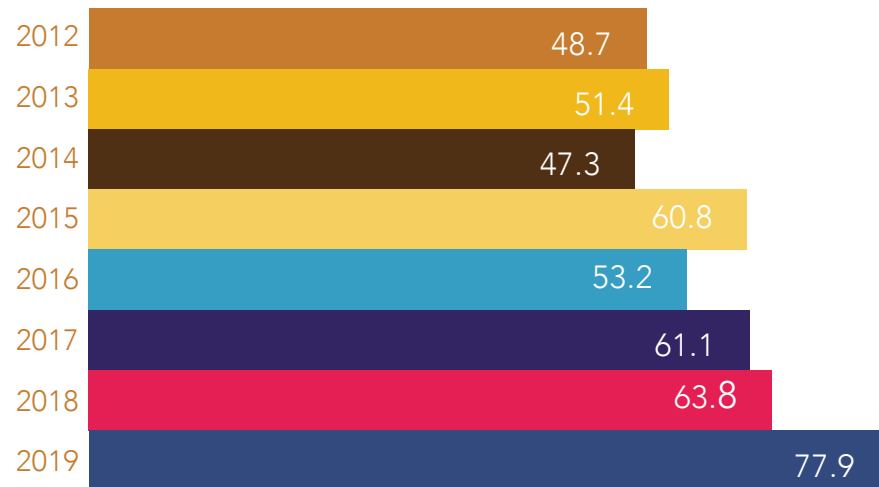
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# HIGHLIGHTS

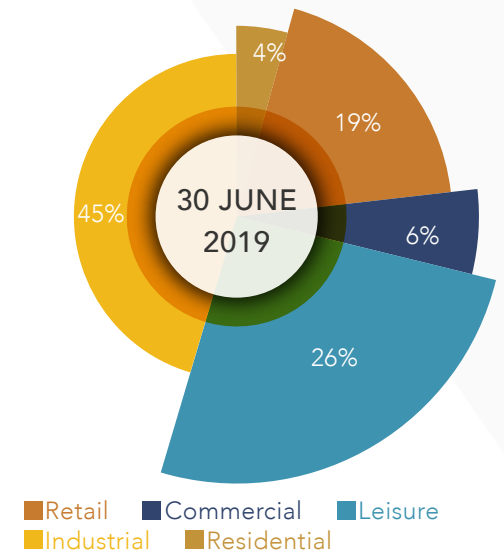
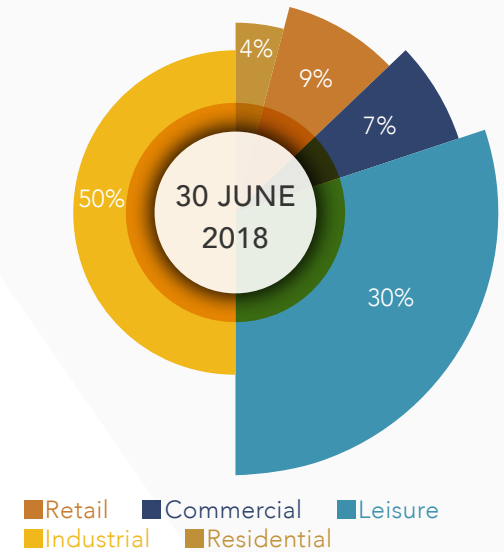
## Revenue (Pmillion)



## Operating Profit (Pmillion)

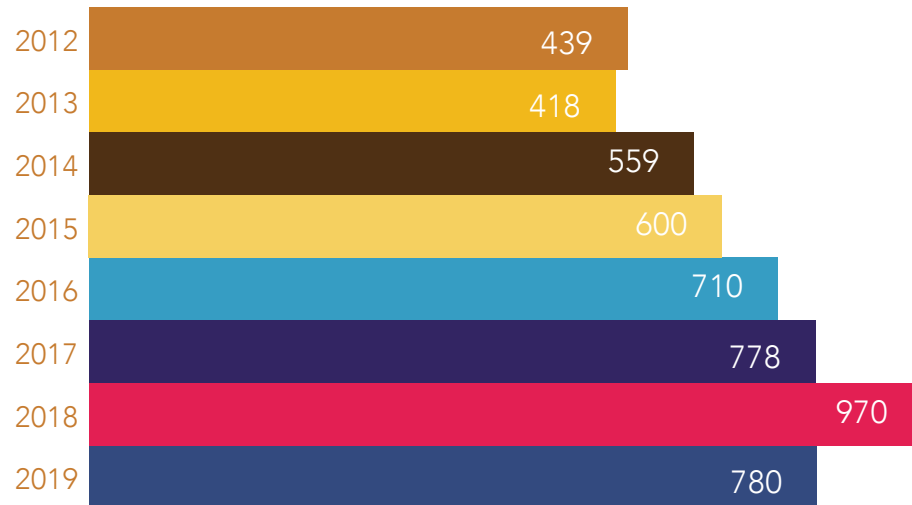


## Sectoral Revenue

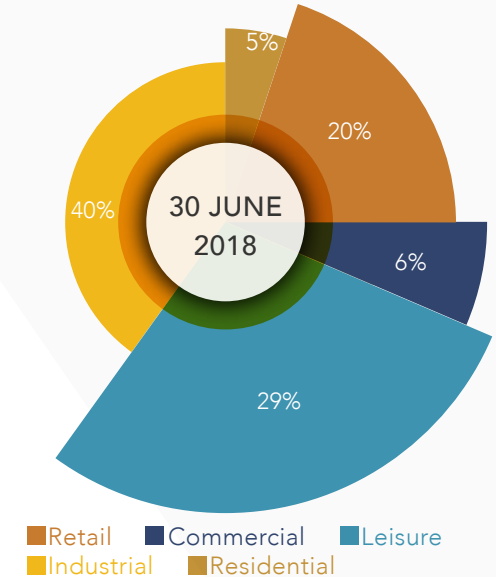


# HIGHLIGHTS

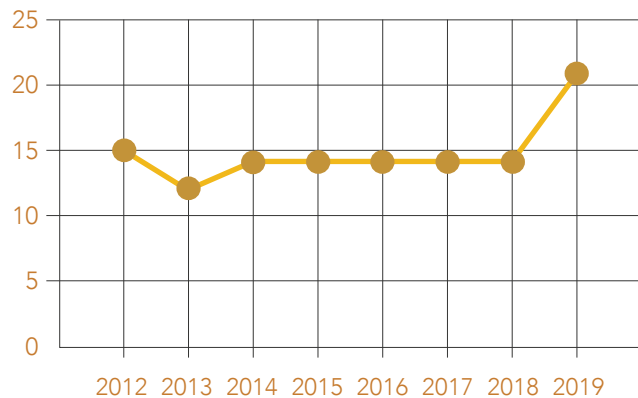
## Investment Property Portfolio (Pmillion)



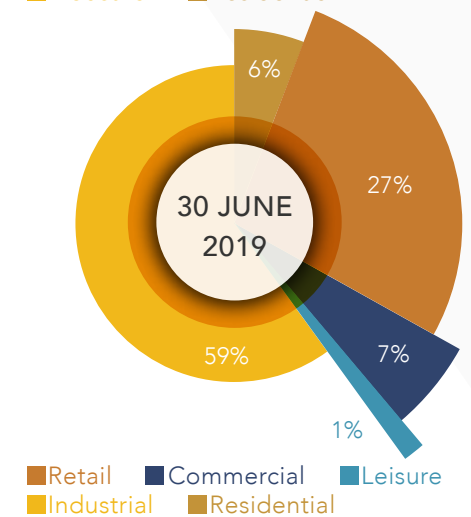
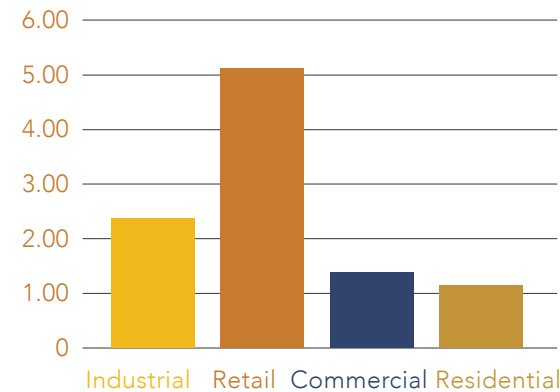
## Investment Sectoral Property Portfolio Value



## Distribution per linked unit (thebe)



## Weighted average lease expiry per sector



# UNITHOLDERS

FOR THE YEAR ENDED 30 JUNE 2019

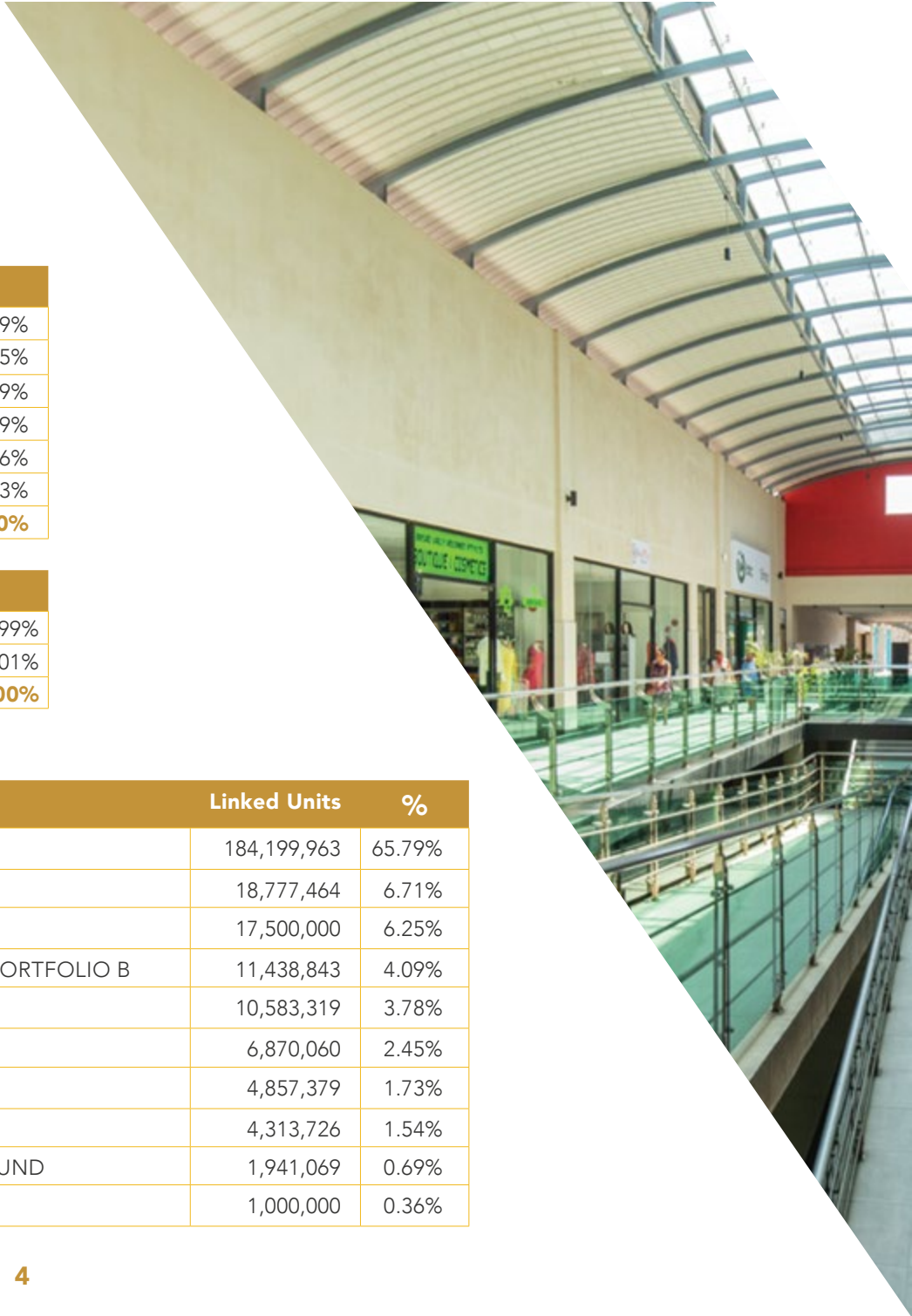
## LINKED UNITS BANDS

Linked Units	Number of Holders	%
0-1,999	1,010	0.19%
2,000-4,999	250	0.25%
5,000-9,999	125	0.29%
10,000-49,999	176	1.19%
50,000-99,999	27	0.66%
>100,000	55	97.43%
<b>TOTAL</b>	<b>1,643</b>	<b>100.00%</b>

TYPE OF UNITHOLDER	Linked Units	%
PUBLIC	279,959,000	99.99%
NON-PUBLIC	41,000	0.01%
<b>TOTAL</b>	<b>280,000,000</b>	<b>100.00%</b>

## TOP 10 UNITHOLDERS

BENEFICIAL SHAREHOLDER	Linked Units	%
BOTSWANA DEVELOPMENT CORPORATION LIMITED	184,199,963	65.79%
FNB BOTSWANA NOMINEES (PTY) LTD RE:BIFM BPOPF-EQUITY	18,777,464	6.71%
GRIT SERVICES LIMITED	17,500,000	6.25%
FNB BOTSWANA NOMINEES (PTY) LTD RE: ALLANGRAY BPOPF EQUITY PORTFOLIO B	11,438,843	4.09%
FNB BOTSWANA NOMINEES (PTY) LTD RE:AG BPOPF EQUITY	10,583,319	3.78%
STANBIC NOMINEES RE: BOTSWANA INSURANCE FUND MANAGEMENT	6,870,060	2.45%
ALLAN GRAY RE DEBSWANA PENSION FUND	4,857,379	1.73%
FNB NOMS BW (PTY) LTD RE: BPOPF EQUITY PORTFOLIO C - ALLAN GRAY	4,313,726	1.54%
FNBBN (PTY) LTD RE:KGORI CAPITAL ALEXANDER FORBES RETIREMENT FUND	1,941,069	0.69%
ZAC CONSTRUCTION (PTY) LTD	1,000,000	0.36%



# BOARD OF DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2019

**MR CURTIS MATOBOLO**

Board Member and Member of the Investment Committee and Audit Risk & Compliance Committee



**MS. SERTY LEBURU**

Board Member and Member of the Audit Risk & Compliance Committee



**MR. BAFANA MOLOMO**

Board Member and Member of the Investment Committee



**MS. TINY KGATLWANE**

Board Member and Chairperson of Audit Risk & Compliance Committee

**MS. BOITUMELO MOGOPA**

Chairperson of the Board



**MR. TERENCE DAMBE**

Vice Chairperson of the Board and Chairman of the Investment Committee

# MANAGEMENT TEAM

FOR THE YEAR ENDED 30 JUNE 2019





# CHAIRPERSON'S REPORT

FOR THE YEAR ENDED 30 JUNE 2019



It gives me great pleasure to present the 2019 Annual Report for your company.

The year was indeed watershed year for Letlole, with a number of key milestones achieved.

Most significantly, your company divested entirely from its hospitality portfolio, which as recently as two years ago accounted for about 30% of the investment portfolio. The four hotels were coming to the end of their leases during the 2020 financial year and, based as they were in an increasingly competitive industry which required focus by a dedicated owner, the disposal was ideal for both parties.

Proceeds raised from the disposals will enable the restructure and refocus the portfolio, a strategic shift which is now well underway. During the course of the 2020 financial year, the company shall be approaching shareholders to seek approval for a number of transactions, both in Botswana and the region.

The period under review also saw the full year's contribution from the recently acquired (and aptly – named) Watershed Mall. This retail property which, at 11,400 sqm gross lettable area (GLA), is far and away Mahalapye's dominant destination, contributed approximately 12% of revenues.

Along with a corporate re-branding which reflects the brighter future ahead, your company also relocated its offices to Peelo Place, located in the exciting new upmarket

mixed-use property development in Gaborone's CBD which also houses the Hilton Garden Inn.

Operationally, operations were very strong: revenues from both continued and discontinued operations up 28% to P105m, following through to an 16% increase in cashflow generated from operating activities. This was driven by the contribution from Watershed Mall in Mahalapye and the average annual 7.5% rental escalation across the lease profile. This financial performance allowed the Board to declare an increased distribution for the year from P37.8m in 2018 to P57.3m – consisting of a 6% increase in normal distribution and a P17.1m special distribution.

The Company further strengthened its executive bench with the appointment of Ms. Kamogelo Mowaneng as Chief Financial Officer in January 2019. Kamogelo is a Chartered Accountant and has a certificate in Property Development and Investment, with a number of years experience in the property sector. During the coming years, she will be instrumental in executing LLR's ambitious growth strategy.

At the same time, we bid a fond farewell to Ms. Magedeline Tsiane, who as Letlole's Finance and Administration Manager superbly led the business's finance function over the past five years, bringing inhouse many of then-outsourced functions. I wish her all the best in her future endeavours.

# CHIEF EXECUTIVE OFFICER'S REPORT

FOR THE YEAR ENDED 30 JUNE 2019



## LLR's FINANCIAL PERFORMANCE

Letlole's eventual triumph in the extended, seesaw battle over the acquisition of Watershed Mall in Mahalapye is proving worth it, with the property contributing 12% to the year's revenue. This addition, combined with continuing low vacancy rate (1.28% of gross lettable area) on the rest of the portfolio, focused collections policy and escalations of 7.5%, drove total income up to P105.7m from the previous year's P83.6m.

As indicated in the Chairperson's report, during the year under review, LLR successfully disposed of the entire hospitality portfolio to Cresta Marakanelo Limited, the sitting tenant. The sale of these assets was at a combined value under their carrying amount on the books and subsequently resulted in an accounting loss of P27m on disposal. The combination of the book loss and the non-recurrence of 2018 substantial revaluation gain at one of the industrial properties resulted in earnings per linked unit retreating 25% to 23.4 thebe based on a profit after tax of P53m adjusted for the tax on debenture interest credited to the statement of changes in equity.

Accounting aside, the underlying business was very strong, recording a 16% increase in cashflow generated from operating activities which allowed the declaration of a distribution totaling P57.3m, consisting of a P40.2m normal distribution (up 6% from previous year) and a P17.1m special distribution.

The distribution was paid out entirely from cash generated from core operations.

At the time of writing, just P31.1m of the funds received from the disposal of the hotels had been utilized to acquire an industrial property in Gaborone's industrial hub.

## THE BROADER ECONOMY

Botswana's economic performance during the year under review, though considered tepid at 4.2%, was in reality a standout in a flatlining region where avoiding economic contraction was considered a positive achievement. Inflation moved to long-forgotten lows, averaging 3.1% during the period. As a result, the Bank of Botswana continued its dovish stance on interest rates, with its base rate being slashed to 4.75% at the time of writing as the bank sought to ignite economic activity.

While the Botswana government was unable to spur growth by an expansionary budget largely due to reduced SACU proceeds and foregone dividends from Debswana, this was very much a medium-to-long term positive from the perspective of investors: it shows that even in an election year, the country's fiscal prudence and foresight remains intact (forfeited dividends at Debswana were ploughed back into expansion projects at two key diamond mines).

Arguably one of the world's most stable currencies, the Pula continued on its impressively predictable path: its largest trading partner, the South African rand, was tightly range-bound between 1.29 and 1.41 to the Pula, with the currency itself trading between 10.19 to 10.95 to the US dollar over the same period.

# CHIEF EXECUTIVE OFFICER'S REPORT *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

The cold war between two of the largest economies on the globe, China and the US, turned hot, degenerating to a tit-for-tat tariff battle, further damaging the global growth outlook. The IMF acknowledged this alarming new reality by repeatedly slashing its economic forecasts for the world economy. The trade war has dragged down the performances of commodities, most global equity markets and bellweathers such as Germany. It was an unfortunate coincidence that these developments coincided with leadership changes at the multilateral financial institutions such as the IMF and ECB whom would normally be at the forefront of responding to these events.

Concerns continued over the sustainability of growth of the American economy as the sugar-high of the 2018 tax cuts tapered off. Record low interest rates – an increasing number of EU Central Bank now have negative base rates - and the drawn-out Brexit continued to weigh on global business confidence and consequently investment and consumer spending which drives commodity prices upon which most African countries depend.

Closer to home, lower commodity prices have debt-laden regional economies struggling to get traction while facing their own particular headwinds: Eskom remains the bright purple elephant camped in the room for South Africa, while Mozambique, Namibia and Zambia go to the polls during the next two years with the former poised to recovery quickly from the one-two punch of Cyclone Idai and the so-called tuna bond scandal with massive investment boom expected from the discovery of massive offshore gas reserves.

## CORPORATE ACTIVITY

The imminent lease expiry and inevitable (downward) reversion to market rentals for the hospitality assets and unavoidable industry shift to variable rentals for hotels made resolution this the key strategic issue facing the business during the past two years.

The successful resolution of this onrushing matter through disposal of these hospitality assets have given the company a unique opportunity to both diversify and remodel a portfolio which was largely unchanged from the time of LLR's listing in 2011.

At the same time, LLR increased its industrial footprint with the acquisition of an estate comprising of 9 mini-warehouses in Block 3 amounting to P31.5m and post year-end, another industrial property for P31.1m situated in Gaborone's key nodes of G-West

We expect to deploy the disposal proceeds during the course of the financial year – the company has a solid and growing investment pipeline to meet our growth target of at least trebling the portfolio value over the next five years.

Prospective legislative changes related to property transactions will be a matter which shall be closely watched.

## PROPERTY MARKET OVERVIEW

The real estate market, like any other investment sector, has had its fair share of turbulence in the year under review, particularly the residential and office sub-sectors. However, seen as a whole, the resilience of the sector as a dependable store of value and its generation of reliable income streams was apparent during a year when many other economic segments appeared to falter.

### Industrial

The industrial sector is largely driven by logistics and manufacturing and has continued to be resilient in spite of the current challenging trading environment. Its hallmarks continue to stay true to testament: robust demand which has stretched over a number of years now, with significantly low vacancy rates.

Industrial prime rentals currently range between P30/m<sup>2</sup> - P55/m<sup>2</sup>, achieving yields of 8.5%. The vacancy rates in the sector have held steady within the range of 1% – 2.5%.

### Retail

Apocalypse in retail sector, long feared for the past 5 years, has not yet arrived with several of the major shopping centres in the capital city, notably Game City and Airport Junction, having gone on to expand their developments.

# CHIEF EXECUTIVE OFFICER'S REPORT *(continued)*

## FOR THE YEAR ENDED 30 JUNE 2019

Furthermore, there are several projects in the pipeline within Gaborone and the Greater Gaborone. We foresee a delivery approximately 80,000m<sup>2</sup> of retail space in the next 24 months in this area.

Similarly, most of the larger secondary towns appear to have opportunities for retail offerings.

The sector's resilience has been shown in its unrelenting rentals, with the anchors still ranging between P85/m<sup>2</sup>-95/m<sup>2</sup> and yields hovering around 8%. Notwithstanding the amount of space coming into the market, the segment continues to enjoy good occupancy rates and inflation beating escalations.

### Office

The Gaborone office market has experienced a flatline in rentals for the latter part of the decade mainly due to the influx of office space in the CBD. The development of the CBD was primarily driven by expiring development covenants as opposed to any underlying fundamentals of supply/ demand. Thus the period has been characterized by downward market reversions upon lease renewals, which in some instances has led to drastic rent reductions. Rentals for prime spaces have remain in the P105/m<sup>2</sup> mark with yields hovering in the 8% region. Rental rates in the next tier have been limited to range between P65/m<sup>2</sup> – P75/m<sup>2</sup>.

Interestingly the above dynamics have not dampened new developments within the sector, with 60,000m<sup>2</sup> billed to come into the market within the CBD area. Worth noting is the fact that these developments are being underwritten by parastatals, who contribute up to 50% of the new stock.

### Residential

A minor upswing in the Gaborone residential market has been noted after a subdued 5year spell. However, this improvement has been limited to the mid to lower end of the sector segment. At the upper end of the market, signs of deterioration continue, indicative of a possible decline in rentals here.

Despite the gloomy outlook for the upper end, several developments are expected to be completed in the short to medium term, adding to the soon-to-be delivered Louiville Apartments in Commerce Park. These include Thobo Hamlet and Peto Estate while Khill Development's Kgale Lake City in the southern part of the city is billed to the largest residential development since the Phakalane Golf Estate.

### Hospitality

The much-awaited Hilton Garden Inn finally opened its doors during the course of the year. The 147-key hotel will be a compelling alternative, especially for the international travelers familiar with the global brand.

And this was not the only new entrant in the market: commencing trading was the Grand Aria Hotel in the cutthroat of Gaborone industry. This was at time that Cresta Marakenelo Limited, Botswana largest hotel group, recently purchased 5 of its previously-rented properties (4 of these being the LLR sale) and has vowed to defend every square inch of its market share, embarking on a massive refurbishment programme to meet all competitors head on.

Meanwhile, domestic brands such as Travel Lodge are not letting the grass grow under their feet and are expanding rapidly, while the less formal bed-and-breakfasts are mushrooming in the suburbs and towns, inevitably improving their quality. Add to this are two potential developments in Gaborone's CBD which are at planning stage with an intent to house well established international brands.

## THE ROAD AHEAD

The sale of the hospitality assets is the first decisive shift of gears as the company begins on the new strategic path. The risk profile of the business has been ratcheted down by elimination of concentration risk in a single tenant. The recent acquisition of industrial assets together with Watershed Mall show the direction that the company is heading from a portfolio perspective; narrowing our focus to industrial, retail and prime grade commercial real estate while geographically diversifying the portfolio.

# CHIEF EXECUTIVE OFFICER'S REPORT *(continued)*

## FOR THE YEAR ENDED 30 JUNE 2019

While there is increasing competition for real estate assets in Botswana, particularly from deep-pocketed institutional investors, there are opportunities for growth to be had by determined, incentivized teams.

And certainly, outside Botswana there are good quality, expansion possibilities at great yields as the excesses of previous years smoke out distressed sales. We shall remain very selective and thorough in our analysis of jurisdictions we enter and the asset themselves. However, when the opportunity meets our investment criteria, LLR shall not shy away from taking bold swings with a single-minded focus on consistently creating shareholder value and maintaining the distribution payout while growing the underlying portfolio without compromising quality.

We expect to be approaching shareholders during the course of the current year, seeking approval of certain transaction as the execution of the growth strategy gathers pace.

### GRATITUDE

Again, my sincere appreciation goes out to collaborative shareholders, an incredibly supportive Board and the entire LLR team for delivering another great year.

2019 was a period of often dramatic changes across many fronts – yet the business never appeared to miss a beat. And we are now well into the journey to create Botswana's premier real estate company which will be a recognized player in the regional market.

That is a testimony to the people here at LLR.

Finally, a heartfelt farewell to Ms. Magdeline Tsiane, the Finance and Administration Manager who was at the coal face of Letlole's finances for many years, most critically during the period when many administrative functions were being onboarded. Along with the consistently clean, smooth annual external audits she delivered, it was a task she handled superbly as with the rest of her tenure at LLR.

All here at Letlole, and I personally, wish her nothing but the best for the future.

## CORPORATE SOCIAL RESPONSIBILITY

As a listed real estate business, majority-owned by Batswana, Letlole La Rona (LLR) has always endeavoured to ensure that it supports and contributes to the communities in which it invests.

Thus in the current financial year, we revitalized our corporate social responsibility projects which are centered on the wellbeing and education of children. The thinking guiding this focus is LLR's desire to uplift and inspire a growing cadre of fresh crop of young energetic and committed thinkers and doers who will make direct, positive contributions to Botswana's future. While the provision of education is a vocation mainly charged to Government, we here at LLR understand not only the limitations of government resources but also the importance for the private sector to contribute as direct beneficiaries of young, well-educated and confident Batswana.

Below are the projects LLR took on board during the year:

**The Tsholofelong Youth & Children' Trust:** is a Non-profit-making Organisation situated in Old Naledi which aims to resolve the many problems faced by vulnerable and disadvantaged children living in the area. The Trust came to be as a result of numerous cases of child negligence, abuse and various challenges faced by these children at an early age. Currently the Trust tends to 42 children, within the age range of 8 to 16 years. Care is mainly through provision of meals, assistance with schoolwork and rehabilitation.

In order to do so the Trust depends on donations in the form of clothes, food and study materials on behalf of the children.

LLR reached out to the Centre for a needs assessment and the findings indicated the children at the Trust had worn out uniforms and shoes (woefully inadequate for the cold winter weather); there were no facilities for storage of the donated clothes as well as very limited washing facilities.

After consultation with the centre, LLR stepped in by purchasing school tracksuits and shoes for all the children and procuring lockers for storage of their clothes.

LLR also constructed a full service laundry area with sanitary fittings and basins with space to house washing machines.

The total cost of the project was P50,000.



## CORPORATE SOCIAL RESPONSIBILITY

**Ramotswa Junior Secondary School (RAMSEC):** is a public Junior Secondary School located in the village of Ramotswa. The school is also one of the very few in the country providing education to hearing-impaired students.

LLR's initial encounter with the school was through a request they had made for prize giving day sponsorship, a call to which the company heeded. The assistance rendered was laboratory equipment to assist students to visualize the concepts explained in their studies as well as sports equipment so as to ensure a balance of both mental and physical wellbeing.

At the ceremony, the company was then made aware of the dire infrastructural needs of the school which impacted negatively on the students' performance. These included a dilapidated laboratory with no running water, making it impossible for experiments to be carried out in class.

Together with the school authorities, LLR carried a survey of the works needed and proceeded to provide the following:

- a) Installation of plumbing works to enable water in the laboratories
- b) Refurbishment of the ceiling
- c) Partitioning of the laboratory to create an office and storage for science equipment
- d) Refilling of 4 gas cylinders for the science laboratory
- e) Provision of scientific calculators and mathematics sets (170 in quantity).

The project was handed over on the 11th of October 2019.

LLR has also partnered with Friends4Life, a close-knit group of six friends who turned their long-standing friendship into an opportunity to mobilize support for less privileged children in Botswana. We supported the group's Charity Winter Drive, donating stationery to the identified 310-pupil Hatsalatladi Primary School, which is based just outside Molepolole.

As a property investor offering a long-term return to its shareholders, LLR thinks beyond the here and now. Hence the P138,534 committed across these three initiatives is but the first step in LLR's contribution to its community in a way that has impact, is sustainable and adds value for years to come.



# CORPORATE GOVERNANCE

The Board of Directors of LLR is dedicated to preserving the highest standards of corporate governance practices through the provision of effective leadership. This leadership is characterized by the ethical values of responsibility, accountability, fairness and transparency.

The Board provides strategic direction for, and approval of, the company's business strategies and objectives and is also responsible for the control of the company.

The Board's responsibilities include approval and reviewing the company's internal compliance procedures and any codes of conduct, taking all reasonable steps to ensure that the business of the company is conducted in an open and ethical manner. It also reviews and amends the Board and Committees' Charters as and when necessary.

The Board has delegated the day-to-day responsibility for operating the company to executive management and it is focused on attending matters affecting the company's overall strategic objectives. Its leadership responsibilities involve working with management to set corporate values and to develop strategy, including deciding which risks it is prepared to take in pursuing its strategic objectives. Its oversight responsibilities involve it providing constructive challenge to the management team in relation to operational aspects of the business, including approval of the budgets and business plans, and probing whether risk management and internal controls are sound.

Board members are appointed by shareholders at the company's Annual General Meetings.

## LLR Board Composition and Profiles

LLR recognizes the need to have a clear balance of power and authority as well as to promote gender diversity at the Board of Directors' level. It is for that reason that the Board comprises of six independent non-executive Directors of whom three are males and three are females. The Directors possess adequate experience and expertise necessary to manage the company's affairs. The Board's objective is to have the appropriate mix of skills, knowledge and experience, from which a wide range of industries and backgrounds necessary to address any challenges for the company.

To ensure that the responsibilities of the Board are upheld and executed to the highest level, the Board has established the Audit, Risk and Compliance Committee and the Investment Committee. Each of these committees has established charters and operating procedures in place which are reviewed on a regular basis. The committees have access to the company's executive management as well as independent advice. The company has also engaged Internal Auditors in pursuit of discharging the responsibility for corporate governance. The Board has also established a framework for the management of the company including a system of internal control, a business risk management process and establishment of appropriate ethical standards.

**The Audit, Risk and Compliance Committee (ARAC):** is constituted as a sub-Committee of the LLR Board to assist in fulfilling its statutory duties in terms of the Companies Act (Cap 42:01), the Company's Constitution and the BSEL Listings rules and regulations. The committee has been established amongst others, to assist the Board in overseeing the quality and integrity of the Company's integrated reporting, qualifications and independence of the internal and external auditors, scope and effectiveness of internal controls, effectiveness of risk management and compliance with legal and regulatory requirements to the extent that it might have an impact on the financial statements. The duties and responsibilities of members are set out in the Audit Risk and Compliance Charter. The committee comprises three members, all of whom are independent non-executive directors. In order to fulfil its duties ARAC meets a minimum of four times in a year.

**The Investment Committee (IC):** is constituted as a sub-committee of the Board to assist in fulfilling its statutory duties in terms of the Companies Act (Cap 42:01), the Company's Constitution and the BSEL Listings rules and regulations. The Committee has been established primarily to assist the Board in overseeing the development and implementation of the Company's investment policies, guidelines, strategies and activities including but not limited to ensuring that there is an appropriate, robust and consistent framework for objective analysis of proposed real estate investment, analysis of divestment/disposals, review and approval of major property refurbishments and performance review of the Company's investment portfolio. The committee comprises three members, all of whom are independent non-executive directors. The committee meets a minimum of four times in a year.



# CORPORATE GOVERNANCE *(continued)*

**Board of Directors: Attendance at meetings during the year ended 30 June 2019.**

Name	Audit Risk and Compliance Committee	Investment Committee	BOARD	AGM	Other*
Boitumelo Mogopa	-	-	7	1	6
Terence Dambe	-	6	5	1	8
Bafana Molomo	-	7	7	1	9
Curtis Matobolo	7	6	7	1	9
Tiny Kgatlwane	6	-	7	1	8
Serty Leburu	7	-	6	1	7

*\*Other refers to EGMs, Executive interviews and other extended board commitments*

## Company Secretary

A representative from KPMG, the company secretary, attends all Board & Committee meetings, annual and extraordinary general meetings. The company secretary ensures compliance with applicable procedures and legislation. The Board has through its annual assessment satisfied itself that the company secretary is competent, qualified & experienced to perform this role.

## Compliance Statement

The Board of Directors recognise the need to conduct the business of the company with integrity and in accordance with generally accepted practices and endorses the internationally accepted principles of Corporate Governance and public responsibility.

LLR has complied with the provisions as set out in the Companies Act (CAP 42:01) and the requirements of the Botswana Stock Exchange during the year ended 30 June 2019.

# LEADERSHIP PROFILES



**Ms. Boitumelo Mogopa**  
**Board Chairperson**

Ms. Boitumelo Mogopa is the Director of Retail Segment at First National Bank of Botswana (FNBB). She has had an outstanding career in Banking and Finance over the past 20 years, during which she has developed a firm understanding of strategy and implementation in financial services.

It was during her time as CFO that First National Bank of Botswana claimed its dominant position in the market, a feat she has continued with the Retail Segment.

Prior to this she launched the first Private Banking in Botswana, before moving onto Head the Consumer Segment. Her skills earned her the call to be the Chief Financial Officer for the Bank, from 2012 to 2015. Before taking up her current role, Ms. Mogopa worked at Standard Chartered Bank as the General Manager for Wealth Management and Shared Distribution, as well as at Barclays Bank and Botswana Housing Corporation in the Finance environment.

She holds a Bachelor of Commerce degree majoring in Accounting and Business from the University of Botswana and is a fellow member of Association of Chartered Certified Accountants (UK) and BICA.

She also holds a Harvard Senior Executives Leadership Certificate from the Harvard Business School.

Her passion encapsulates innovation, leadership and coaching.



**Mr. Terence Dambe**  
**Vice Chairperson of the Board and Chairman of the Investment Committee**

Mr. Dambe holds a Bachelor of Laws degree (LLB) from the University of Botswana. He is a seasoned legal practitioner and brings to the Board extensive experience of over 29 years in the legal and business fields. He started his legal career at Minchin & Kelly (Botswana) Attorneys in 1989 as a Professional Assistant and meritoriously rose through the ranks to become a Partner in 1993. He currently serves as the firm's Managing Partner.

A past member of the Judicial Services Commission, Mr Dambe is active as a Director of various companies, Chairman of Kabelano Charity Trust and a Board Member of the Botswana Investment and Trade Centre.



**Mr. Curtis Matobolo**  
**Board Member and Member of the Investment Committee and Audit, Risk and Compliance Committee**

Curtis Matobolo is a Chartered Surveyor who has had an illustrious career within the property consultancy field, which spans over 24 years.

He holds a BSc (Honours) degree in Estate Management from Oxford Brookes University, UK. He attained his chartership with the Royal Institute of Chartered Surveyors London in

## LEADERSHIP PROFILES *(continued)*

1999. He is a seasoned property valuer with vast experience in the Botswana Market and southern African countries including Namibia and Lesotho. He has advised most of the listed property funds in Botswana. He was a joint lead adviser with CBRE in property consulting in the listing of Turnstar Holdings, the lead valuer on an annual valuation for FAR Properties, Primetime Holdings and NAFPROP. He currently advising the transitional assessment of BMC for possible listing purposes.



**Mr. Bafana Molomo**

**Board Member and Member of the Investment Committee**

Mr. Molomo is Co-founder and Managing Partner at Aleyo Capital, a Botswana-based private equity fund manager. He was previously the Chief Investment Officer at the Botswana Development Corporation (BDC) having joined BDC from Vantage Capital - a leading mezzanine fund manager based in Johannesburg and operating across Sub-Saharan Africa.

At Vantage Capital, Mr. Molomo was a Senior Associate originating and structuring deals in South Africa, Botswana, Namibia and Mozambique. Prior to that he was with Venture Partners Botswana as a senior investment professional in their private equity team in Botswana and Namibia.

He holds a Bachelor of Commerce (Economics and Finance) and a Master of Business Administration (MBA) both from the University of Cape Town. He also earned a Post-graduate Diploma in Business from the University of Pretoria's Gordon Institute of Business Science.



**Ms. Tiny Kgatlwane**

**Board Member and Chairperson of Audit Risk and Compliance Committee**

Ms. Kgatlwane is the Managing Director of Kgare Insurance Brokers and has an extensive career in the banking sector as well as the broader financial services industry for over 32 years. Her career started with Botswana Development Corporation where her early exposure was in project development as well as project management. She then had an opportunity to work locally as well as internationally for two

international banks for more than 15 years. Whilst working for the banks she had an opportunity to work in different departments, thus moulding her into the consummate all - rounder.

A results oriented and effective leader with proven skills, she held executive positions in other non- bank financial institutions including pension fund and asset management.

Ms. Kgatlwane has held a number of non- Executive positions. She has served as a Director in more than 10 companies both listed and non- listed within Botswana and outside the country. She currently holds directorships in PEEPA, Letlole La Rona Limited, Mascom Pension Fund, and ABM University College.

Ms. Kgatlwane is a keen churchgoer, wife and a mother. Although she only has two children, she has nurtured and raised many because she is a strong believer in family. She has over the years developed deep-rooted friendships that have been very fulfilling in her life.

## LEADERSHIP PROFILES *(continued)*



**Ms. Serty Leburu**

**Board Member and Member of Audit, Risk and Compliance Committee**

Ms. Serty Leburu is currently the Executive Director of Botswana Accountancy College (BAC). She has over 26 years of experience in Strategy, Leadership, Finance, Supply Chain, General Management and Administration, 19 years of which were at Senior, Executive and Board roles combined.

Ms. Leburu has a wealth of commercial and non-commercial experience having cut her teeth at Debswana Diamond Company, a company that is a joint venture between the Government of Botswana and DeBeers. After 17 years of service with Debswana she then moved to Standard Chartered Bank as a Chief Finance Officer and advanced through the Chief Operations Officer role to Deputy Chief Executive Officer and Executive Director of the Bank. Ms. Leburu then joined Botswana Housing Corporation 5 years later as a Deputy Chief Executive Officer - Support Services.

Ms. Serty Leburu is a CGMA and a Fellow Chartered Public Accountant (FCPA). She holds a Bachelor of Commerce degree from the University of Botswana and she has done Leading Across Boundaries an Executive Leadership Programme from Oxford University in the UK and a Management Development Programme of the University of Stellenbosch in South Africa. Other training includes Securitization, Mortgage Bonds and International Housing Finance Programs from the Wharton School of Business-University of Pennsylvania, Philadelphia USA. Ms. Leburu is a member of the Board of Directors for Botswana Telecommunications Corporation Limited and Letlole la Rona Limited and has held various Board roles including social responsibility roles as a Patron for Thutano Youth Group for two years, she is currently a trustee and treasurer of the Sponsor a Child Trust and a unicef Council Member.



**Mr. Chikuni Shenjere - Mutiswa**  
**Chief Executive Officer**

Mr. Shenjere - Mutiswa is a CFA charter holder whose experience in executive investment management spans two decades.

After completing a Bachelors in Accountancy degree at the University of Zimbabwe, he joined First Mutual Asset Management Company in Harare as a Trainee Investment Analyst. At the time, the company was the country's largest domestic asset manager.

Over the next years, he held various portfolio management roles, covering the complete cradle-to-grave investment cycle: origination, research and analysis, execution and monitoring.

Prior to joining LLR, Chikuni spent 10 years as Investment Director at Ceres Funds, a period of steady growth in the firm's global assets. Here he had oversight of the investment cycle where he committed and managed funds in diverse alternative asset classes across private equity, real estate, hedge funds and mezzanine finance.

More recently, his mandate focus has been sub Saharan Africa where he made a number of property-related investments across the capital structure. These include direct equity investments in property development consortiums in Swaziland and Malawi, syndicated debt financing of Nairobi student housing, pre-IPO investments in two Zimbabwean property companies carved out of insurance businesses as well as advisory work on the unbundling and subsequent listing of a pan-African hotel group's real estate holdings.

Chikuni holds an MSc in Finance from London Business School.

## LEADERSHIP PROFILES *(continued)*



**Ms. Kamogelo Mowaneng**  
**Chief Financial Officer**

Ms Mowaneng is a qualified Chartered Accountant registered with the South African Institute of Chartered Accountants, CA (SA) and an Associate Certified Professional Accountant registered with the Botswana Institute of Chartered Accountants, ACPA (BICA).

She holds a Bachelor of Business Science Degree with Finance Honors from the University of Cape Town, South Africa; after which she continued with her Post Graduate Diploma in Accounting at the same Institution.

Upon completion of her studies, Ms Mowaneng proceeded to work for Deloitte Johannesburg, South Africa, as an external auditor, specialising in Financial Institutions. She then later joined the Deloitte Botswana Office as an Audit Manager before branching off into the Property Sector.

Prior to joining LLR, she held the position of Finance Manager at RDC Properties Limited.

She holds a Certificate in Property Development and Investment from the University of Cape Town, South Africa.



**Mr Baalakani Nlumbile**  
**Property Manager**

Mr Baalakani Nlumbile holds a Bachelor of Science Degree with honours in Estate Management from Birmingham City University (UK). He later obtained a Master of Science with merit in Finance from Bradford University (UK), School of Management. He is a full member of the Real Estate Advisory Council and the Real Estate Institute of Botswana.

Mr. Nlumbile's career spans over a decade, and has covered all facets of the real estate profession, from investment analysis, property development, valuation and property management. He has been exposed to all property sectors, i.e. offices, retail, hotel, industrial and residential properties.

Prior to joining LLR as the Company's Property Manager, Mr. Nlumbile served as a Property Valuation Manager for Bank Gaborone, where he played a critical role in the Bank's lending decision making process. He was responsible for approval of external valuations, project appraisals, and was also involved in undertaking valuations of the Bank's financed assets.

Mr. Nlumbile has also served in different senior positions in various organisations including Botswana Housing Corporation, Botswana Development Corporation and Seeff Properties. During his tenure at BDC, he managed a diverse property portfolio valued in excess of P500 million comprising commercial, hotels and residential properties. He joined Letlole La Rona Limited in October 2015.

# RESIDENTIAL

Lot 2989, Red Square - Gaborone

Value: BWP 47,950,000



# COMMERCIAL

Lot 50380, Moedi House - Gaborone

Value: BWP 49,000,000



# RETAIL

Lot 29052, Watershed Mall - Mahalapye

Value: BWP 149,000,000





# INDUSTRIAL



Lot 14454 - Gaborone  
Value: BWP 9,800,000



Lot 28911 - Gaborone  
Value: BWP 79,250,000



Lot 14457 - Gaborone  
Value: BWP 8,300,000



Lot 14460 - Gaborone  
Value: BWP 8,200,000

# INDUSTRIAL



Lot 14458 - Gaborone  
Value: BWP 8,200,000



Lot 74204 - Gaborone  
Value: BWP 108,500,000



Lot 14453 - Gaborone  
Value: BWP 11,150,000



Lot 74204 - Gaborone  
Value: BWP 108,500,000

# INDUSTRIAL



Lot 28911 - Gaborone  
Value: BWP 79,250 000



Lot 22038 - Gaborone  
Value: BWP 32,000,000



Lot 64260 - Gaborone  
Value: BWP 31,900,000



Lot 22033 - Gaborone  
Value: BWP 31,100,000

# INDUSTRIAL AND RETAIL



Lot 32084 - Gaborone  
Value: BWP 88,000,000



Lot 14455 - Gaborone  
Value: BWP 10,350,000



Lot 14459 - Gaborone  
Value: BWP 8,200,000



Lot 4738 - Retail, Gaborone  
Value: BWP 46,200,000

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# DIRECTORS' REPORT 2019

## FOR THE YEAR ENDED 30 JUNE 2019

The directors have pleasure in submitting their report on the annual financial statements of Letlole La Rona Limited for the year ended 30 June 2019.

### Nature of business

The Company is a variable rate loan stock company engaged in property investment and deriving revenue primarily from property rentals.

### Stated Capital and Debentures

The Stated Capital of the company consists of 280 000 000 linked units, each comprising one ordinary share and one variable debenture which are indivisibly linked. Each linked unit comprises an ordinary share issued at P0.01 and one variable rate unsecured debenture issued at P1.49. The yield on the unit comprises a dividend on the share component and interest on the debenture component of the linked unit.

There were no changes in the stated capital and debentures during the year.

### Financial statements

The operating results for the year ended 30 June 2019 and state of affairs of the company are fully set out in the attached annual financial statements.

### Linked Units Distribution Policy

Distributions to linked unit holders is primarily in the form of debenture interest. The company has adopted the policy of distributing profits to linked unit holders by means of debenture interest payments with a nominal amount being dividends. The directors intend to ensure that rolling over any period of three consecutive financial years the company will distribute at least 80% of available cash after prudent retention and provision for foreseeable capital expenditure and cash flow requirements as per the Trust Deed of the Company.

The following distributions were paid/declared during the year:

<b>30 June 2019</b>	<b>Debenture interest (thebe)</b>	<b>Dividend (thebe)</b>	<b>Total (thebe)</b>
Interim-paid	9.67	0.05	9.72
Final declared	10.70	0.05	10.75
	<b>20.37</b>	<b>0.10</b>	<b>20.47</b>
<b>30 June 2018</b>			
Interim-paid	6.35	0.05	6.40
Final-paid	7.05	0.05	7.10
	<b>13.40</b>	<b>0.10</b>	<b>13.50</b>

### Directors

The directors in office at the date of this report are as follows:

#### Directors

B Mogopa (Chairperson)  
T Dambe  
T Kgatlwane

B Molomo  
C Matobolo  
S Leburu

There have been no changes to the directors for the year under review.

### Interests of Directors and Secretary

None of the Directors or Secretary who held office at 30 June 2019 had any interest in the company.

### Events after the reporting period

The directors are not aware of any matter or circumstance arising since the end of the financial year that affects these financial statement, apart from what has been mentioned in note 33.



Director



Director

# DIRECTORS' RESPONSIBILITIES AND APPROVAL

FOR THE YEAR ENDED 30 JUNE 2019

The directors are responsible for the preparation and fair presentation of the annual financial statements of Letlole la Rona Limited comprising the statement of financial position at 30 June 2019, and the Statement of Profit or Loss and Other Comprehensive Income, the 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 and other explanatory notes in accordance with International Financial Reporting Standards ("IFRS").

The directors are required in terms of the Companies Act of Botswana (Cap 42:01) to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

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

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates. The directors responsibilities also include maintaining adequate accounting records and an effective system of risk management.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within

a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors have made an assessment of the Company's ability to continue as a going concern and there is no reason to believe the business will not be a going concern in the year ahead.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The external auditors are responsible for independently reviewing and reporting on the company's annual financial statements. and their unmodified report is presented on pages 30 - 32.

The annual financial statements set out on pages 33 - 90, with supplementary information which have been prepared on the going concern basis, were approved by the board of directors on 26 September 2019 and were signed on their behalf by:

## Approval of financial statements



Director



Director

# INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2019

To the unit holders of Letlole La Rona Limited

## Opinion

We have audited the annual financial statements of Letlole La Rona Limited set out on pages 33 to 87, which comprise the statement of financial position as at 30 June 2019, and 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 notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements give a true and fair view of, the financial position of Letlole La Rona Limited as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the annual 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 (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of annual financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Botswana. 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 annual financial statements of the current period. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and the report below is not intended to constitute separate opinions on those key audit matters.

Key audit matter	How the matter was addressed in our audit
Valuation of the investment property The company's significant assets are the investment properties in various segments. The values of these properties are determined using valuation experts in the field of real estate valuations. Significant judgement is required to determine the fair value of investment property, especially with respect to determination of appropriate capitalisation rates and net cash flows. We considered the valuation of these assets to be a matter of most significance to the current year audit due to magnitude of balances combined with significant assumptions associated with determining the fair values	Experts appointed by the management determined the fair values of the external properties. We assessed the competence and capabilities of the valuer by verifying qualifications and experience. We held discussions with these experts to gather an understanding of the various inputs, assumptions, estimates and process used in arriving at the values. We compared the valuation approach used by the valuer against IFRS requirements and Industry norms to confirm that the methodology was appropriate. The valuation method was comparable to those typically used in the market.  We verified on a sample basis the underlying data used by the valuers, significant ones being rental yields, escalation terms and lease periods. We compared the capitalisation rates utilised in the valuation to rates used in historical valuations, general market factors (such as comparable bond yield rates) and property specific risk factors. These inputs were found to be within a reasonable range. Our audit procedures have resulted in appropriate audit evidence with regards to the values of the investment properties.



# INDEPENDENT AUDITOR'S REPORT *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Letlole La Rona Limited annual financial statements for the year ended 30 June 2019", which includes the Directors' Report and the Detailed Income Statement, 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 annual financial statements and our auditor's report there on.

Our opinion on the annual 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 annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual 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 Annual Financial Statements

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

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

Those charged with governance are responsible for overseeing the company's financial reporting process.

## Auditor's responsibilities for the audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual 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 International Standards on Auditing 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 annual financial statements.

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

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

# INDEPENDENT AUDITOR'S REPORT *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual 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.



**Chartered Accountants**

Certified Auditor:

Mr. Madhavan Venkatachary: 20030049

Certified Auditor of Public Interest Entity

Certificate Number: CAP 0017 2019

**26<sup>th</sup> September 2019**

**Gaborone**

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

Figures in Pula	Note	2019	2018
<b>Continuing operations</b>			
Revenue	3	102 475 707	79 877 791
Other operating income	4	338 616	532 106
Movement in credit loss allowances	5	(1 656 004)	(1 043 918)
Administration and operating expenses		(26 113 188)	(17 946 269)
<b>Operating profit</b>	5	<b>75 045 131</b>	<b>61 419 710</b>
Finance income	6	1 374 355	821 785
Finance costs	9	(15 593 918)	(5 095 969)
Other non-operating losses	7	(14 000 000)	-
Share of profit from equity accounted investments		1 623 066	3 165 208
Fair value adjustment of investment properties	8	26 314 126	32 115 408
<b>Profit before taxation</b>		<b>74 762 760</b>	<b>92 426 142</b>
Taxation	10	(11 512 163)	(15 893 108)
<b>Profit from continuing operations</b>		<b>63 250 597</b>	<b>76 533 034</b>
<b>Discontinued operations</b>			
(Loss)/profit from discontinued operations	18	(10 177 549)	2 337 671
<b>Profit for the year</b>		<b>53 073 048</b>	<b>78 870 705</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>53 073 048</b>	<b>78 870 705</b>
<b>Profit attributable to:</b>			
<b>Owners of the parent:</b>			
From continuing operations		63 250 597	76 533 034
From discontinued operations		(10 177 549)	2 337 671
		<b>53 073 048</b>	<b>78 870 705</b>
<b>Earnings per share</b>			
<b>Per share information</b>			
Basic earnings per linked unit (thebe) from continuing operations	24	27.07	30.29
Basic earnings per linked unit (thebe) from discontinued operations	24	(3.63)	0.83
		<b>23.44</b>	<b>31.12</b>
<b>Distribution, dividends and debenture interest per linked unit</b>			
<b>Distribution per linked unit (thebe)</b>			
Dividends per linked unit (thebe)	25	0.10	0.10
Debenture interest per linked unit (thebe)	25	20.37	13.40

# STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2019

Figures in Pula	Note	2019	2018
<b>Assets</b>			
<b>Non-Current Assets</b>			
Investment property	11	716 511 503	901 851 990
Operating lease asset	11	17 824 497	27 748 010
Property, plant and equipment	12	2 177 916	768 922
Investments in associates	14	39 619 760	40 296 694
Investments at fair value	15	6 250 000	-
Deferred tax	22	188 631	-
Deferred taxation recoverable - related party	13	5 192 926	5 250 192
		<b>787 765 233</b>	<b>975 915 808</b>
<b>Current Assets</b>			
Taxation refundable		646 285	491 834
Trade and other receivables	16	29 087 500	3 538 466
Cash and cash equivalents	17	270 613 048	34 467 719
		<b>300 346 833</b>	<b>38 498 019</b>
Non-current assets held for sale and assets of disposal groups	18	9 000 000	-
<b>Total Assets</b>		<b>1 097 112 066</b>	<b>1 014 413 827</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Stated capital	19	2 718 884	2 718 884
Debentures - unit linked	20	405 113 547	405 113 547
Retained income		336 224 111	327 919 143
		<b>744 056 542</b>	<b>735 751 574</b>

# STATEMENT OF FINANCIAL POSITION *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

Figures in Pula	Note	2019	2018
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Borrowings	21	233 618 394	194 390 467
Deferred tax	22	48 454 090	49 358 480
		<b>282 072 484</b>	<b>243 748 947</b>
<b>Current Liabilities</b>			
Debenture interest and dividend payable	25	30 100 000	19 880 000
Trade and other payables	23	37 548 647	11 716 796
Borrowings	21	3 334 393	2 016 642
Current tax payable		-	1 299 868
		<b>70 983 040</b>	<b>34 913 306</b>
<b>Total Liabilities</b>		<b>353 055 524</b>	<b>278 662 253</b>
<b>Total Equity and Liabilities</b>		<b>1 097 112 066</b>	<b>1 014 413 827</b>

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

Figures in Pula	Stated capital	Debentures	Accumulated profit	Total equity
<b>Balance at 01 July 2017</b>	<b>2 718 884</b>	<b>405 113 547</b>	<b>278 594 038</b>	<b>686 426 469</b>
Profit for the year	-	-	78 870 705	78 870 705
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	<b>78 870 705</b>	<b>78 870 705</b>
Taxation attributable to debenture interest	-	-	8 254 400	8 254 400
Dividends and debenture interest declared (Note 25)	-	-	(37 800 000)	(37 800 000)
<b>Total contributions by and distributions to owners of company recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>(29 545 600)</b>	<b>(29 545 600)</b>
<b>Balance at 30 June 2018</b>	<b>2 718 884</b>	<b>405 113 547</b>	<b>327 919 143</b>	<b>735 751 574</b>
Profit for the year	-	-	53 073 048	53 073 048
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>53 073 048</b>	<b>53 073 048</b>
Taxation attributable to debenture interest	-	-	12 547 920	12 547 920
Dividends and debenture interest declared (Note 25)	-	-	(57 316 000)	(57 316 000)
<b>Total contributions by and distributions to owners of company recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>(44 768 080)</b>	<b>(44 768 080)</b>
<b>Balance at 30 June 2019</b>	<b>2 718 884</b>	<b>405 113 547</b>	<b>336 224 111</b>	<b>744 056 542</b>
Note	19	20		

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019	2018
<b>Cash flows from operating activities</b>			
Profit before taxation from continuing operations		74 762 760	92 426 142
(Loss)/profit before taxation from discontinued operations		(10 177 549)	2 337 671
<b>Adjustments for:</b>			
Depreciation		542 462	260 870
Losses on disposal of investment property		14 000 000	-
Loss on sale of property, plant and equipment		-	12 805
Results from equity accounted investments		(1 623 066)	(3 165 208)
Finance income		(1 374 355)	(821 785)
Finance costs		15 593 918	5 095 969
Fair value adjustment of investment properties		(26 314 126)	(32 115 408)
Impairment losses on receivables		1 656 004	1 043 918
Movements in operating lease assets relating to assets held for sale		(420 352)	-
Movements in operating lease assets		9 923 513	(431 078)
<b>Changes in working capital:</b>			
Trade and other receivables		(27 205 038)	(1 332 038)
Trade and other payables		25 831 854	521 509
<b>Cash generated from operations</b>			
Tax paid	26	(1 454 319)	(209 559)
<b>Net cash from operating activities</b>		<b>73 741 706</b>	<b>63 623 808</b>

# STATEMENT OF CASH FLOWS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019	2018
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	12	(1 951 456)	(225 528 )
Additions of investment property	11	(36 925 036)	(157 653 513 )
Proceeds on sale of investment property	11	226 000 000	-
Purchase of investments at fair value		(6 250 000)	-
Distributions from associate		2 300 000	1 500 000
Finance Income		1 374 355	821 785
		<b>184 547 863</b>	<b>(155 557 256 )</b>
<b>Cash flows from financing activities</b>			
Net Proceeds from borrowings		40 545 678	149 670 205
Dividends and debenture interest	32	(47 096 000)	(37 660 000 )
Finance costs		(15 593 918)	(5 095 969 )
		<b>(22 144 240)</b>	<b>106 914 236</b>
<b>Total cash and cash equivalents movement for the year</b>			
		<b>236 145 329</b>	<b>14 980 788</b>
Cash and cash equivalents at the beginning of the year		34 467 719	19 486 931
<b>Total cash and cash equivalents at end of the year</b>	17	<b>270 613 048</b>	<b>34 467 719</b>



# ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2019

## 1. Basis of preparation and compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards using the historical cost basis, except for the measurement of investment properties and certain financial instruments at fair value, and incorporate the principal accounting policies set out below. They are presented in Botswana Pula.

These accounting policies are consistent with the previous period.

### A. New Standards and Interpretations

#### A.i Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

#### Foreign Currency Transactions and Advance Consideration

This applies to circumstances when an entity has either paid or received an amount of consideration in advance and in a foreign currency, resulting in a non-monetary asset or liability being recognised. The specific issue addressed by this is how to determine the date of the transaction for the purposes of determining the exchange rate to use on the initial recognition of the related asset, expense or income when the non-monetary asset or liability is derecognised. This specifies that the date of the transaction, for purposes of determining the exchange rate to apply, is the date on which the entity initially recognises the non-monetary asset or liability.

The effective date of this standard is for years beginning on or after 01 January 2018.

The company has adopted the for the first time in the 2019 annual financial statements. The impact of the interpretation is not material.

#### IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and

measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.

# ACCOUNTING POLICIES *(continued)*

## FOR THE YEAR ENDED 30 JUNE 2019

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The effective date of this standard is for years beginning on or after 01 January 2018.

The company has adopted the for the first time in the 2019 annual financial statements. The impact of the standard is set out in note 2 Changes in Accounting Policy.

### A.ii Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 July 2019 or later periods:

#### Uncertainty over Income Tax Treatments

This clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. Specifically, if it is probable that the tax authorities will accept the uncertain tax treatment, then all tax related items are measured according to the planned tax treatment. If it is not probable that the tax authorities will accept the uncertain tax treatment, then the tax related items are measured on the basis of probabilities to reflect the uncertainty. Changes in facts and circumstances are required to be treated

as changes in estimates and applied prospectively. The effective date of the is for years beginning on or after 01 January 2019.

The company expects to adopt the for the first time in the 2020 annual financial statements.

It is unlikely that the interpretation will have a material impact on the company's annual financial statements.

#### IFRS 16 Leases

IFRS 16 Leases is a new which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the company are as follows:

Company as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.

# ACCOUNTING POLICIES *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

## Company as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.
- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is

accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.

- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

## Sale and leaseback transactions:

- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of-use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16
- If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

The effective date of the is for years beginning on or after 01 January 2019.

The company expects to adopt the standard for the first time in the 2020 annual financial statements. The impact of this standard is currently being assessed.

## 1.1 Revenue and income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is significantly earned from rental income and is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer credits and other similar allowances.

# ACCOUNTING POLICIES *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

## 1.1 Revenue and income *(continued)*

### Rental Income

Rental income from operating leases is recognised in the statement of comprehensive income on a straight line basis over the term of the relevant leases.

### Other Operating Revenue

Other operating revenue comprises utility expenses, service levies and other costs recovered from tenants.

### Interest Revenue

Interest is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. This is presented as finance income.

### Dividend and distribution Income

Dividend and distribution income is recognised when the right to receive payment is established.

## 1.2 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

### Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted by the reporting date.

### Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

### Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination.

# ACCOUNTING POLICIES *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

## 1.3 Translation of foreign currencies

### Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Pula, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Pula by applying to the foreign currency amount the exchange rate between the Pula and the foreign currency at the date of the cash flow.

## 1.4 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying

asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

## 1.5 Investment property

Investment properties, which are properties held to earn rentals and capital appreciation, are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Costs incurred for additions to investment properties in the interim period between the fair value measurements are capitalised to the carrying value of such investment properties at cost. Gains and losses arising from changes in the fair value of investment properties are included in the profit or loss in the period in which they arise.

The change in fair value of investment properties is offset against the rental straight-line adjustment in the statement of profit or loss and other comprehensive income.

## 1.6 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one period.

# ACCOUNTING POLICIES *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

## 1.6 Property, plant and equipment *(continued)*

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Plant and machinery	Straight line	6-7 years
Motor vehicles	Straight line	4 years
Office equipment	Straight line	6-7 years
IT equipment	Straight line	4 years
Computer software	Straight line	4 years
Leasehold improvements	Straight line	5 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item.

## 1.7 Work in progress

Properties in the course of construction or development for use as investment properties are carried at cost, less any recognised impairment loss. Cost includes construction costs, professional fees and for qualifying assets, borrowing costs capitalised in accordance with the company's accounting policy.

## 1.8 Investments in associates

An associate is an entity over which the company has significant influence and which is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. It generally accompanies a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method, except when the investment is classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the Statement of Financial Position at cost adjusted for post-acquisition changes in the company's share of net assets of the associate, less any impairment losses.

# ACCOUNTING POLICIES *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

## 1.8 Investments in associates *(continued)*

The company's share of post-acquisition profit or loss is recognised in profit or loss, and its share of movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in profit or loss.

Profits or losses on transactions between the company and an associate are eliminated to the extent of the company's interest therein. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the company.

When the company reduces its level of significant influence or loses significant influence, the company proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal.

## 1.9 Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

## 1.10 Financial instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments. Broadly, the classification possibilities, which are adopted by the company, as applicable, are as follows: Financial assets which are equity instruments:

- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:

- Amortised cost.

Financial liabilities:

- Amortised cost; or

# ACCOUNTING POLICIES *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

## 1.10 Financial instruments *(continued)*

Note 29 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

### Trade and other receivables

#### Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 16).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on trade and other receivables.

#### Recognition and measurement

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

### Impairment

The company recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

### Measurement and recognition of expected credit losses

The company makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 16.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in administration and operating expenses in profit or loss as a movement in credit loss allowance (note 5).

### Write off policy

The company writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.



# ACCOUNTING POLICIES *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

## Credit risk

Details of credit risk are included in the trade and other receivables note (note 16) and the financial instruments and risk management note (note 29).

## Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

## Investments in equity instruments

### Classification

Investments in equity instruments are presented in note 15. They are classified as mandatorily at fair value through profit or loss. As an exception to this classification, the company may make an irrevocable election, on an instrument by instrument basis, and on initial recognition, to designate certain investments in equity instruments as at fair value through other comprehensive income.

The designation as at fair value through other comprehensive income is never made on investments which are either held for trading or contingent consideration in a business combination.

### Recognition and measurement

Investments in equity instruments are recognised when the company becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition, at fair value. Transaction costs are added to the initial carrying amount for those investments which have been designated as at fair value through other comprehensive income. All other transaction costs are recognised in profit or loss.

Investments in equity instruments are subsequently measured at fair value with changes in fair value recognised in other comprehensive income (and accumulated in equity in the reserve for valuation of investments). Details of the valuation policies and processes are presented in note 30.

Dividends received on equity investments are recognised in profit or loss when the company's right to received the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

## Impairment

Investments in equity instruments are not subject to impairment provisions.

## Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

The gains or losses which accumulated in equity in the reserve for valuation of investments for equity investments at fair value through other comprehensive income are not reclassified to profit or loss on derecognition. Instead, the cumulative amount is transferred directly to retained earnings.

## Trade and other payables

### Classification

Trade and other payables (note 23), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

### Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 9).

# ACCOUNTING POLICIES *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

## Trade and other payables *(continued)*

### Recognition and measurement *(continued)*

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 29 for details of risk exposure and management thereof.

### Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

### 1.11 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments, which comprise stated capital and variable rate unsecured debentures, are recognised at the proceeds received, net of direct issue costs.

### 1.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### The Company as Lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease and is recorded under revenue.

#### The Company as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### 1.13 Provisions

A provision is recognised in the statement of financial position when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### 1.14 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

### 1.15 Related party

Related parties are defined as those parties:

- (a) directly, or indirectly through one or more intermediaries, if the party:
  - (i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
  - (ii) has an interest in the entity that gives it significant influence over the entity; or
- (b) that are members of the key management personnel of the entity, including close members of the family.

# ACCOUNTING POLICIES *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

## 1.16 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for distribution to owners when the entity is committed to distribute the asset or disposal group to the owners. This condition is regarded as met only when the distribution is highly probable and the asset (or disposal group) is available for immediate distribution in its present condition, provided the distribution is expected to be completed within one year from the classification date.

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.<sup>a</sup>

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in profit or loss.

## 1.17 Segmental Reporting

A segment is a distinguishable component of a company that is engaged either in providing services (business segment), or in providing services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. The company's primary segment is based on business segments. There are no secondary segments. The business segments are determined based on the company's management and internal reporting structure.

On a primary basis, the company operates in the following segments:

- Leisure
- Industrial
- Commercial & retail
- Residential

In addition, the company's corporate and administrative functions are managed at corporate level.

The company will from time to time invest in/divest from certain primary segments, in which case segmental reporting will be adjusted to reflect only the relevant operating segments.

Segmental results include revenue and expenses directly attributable to a segment and the relevant portion of revenue and expenses that can be allocated on a reasonable basis to a segment. Segmental assets comprise those assets that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

## 1.18 Distributions

Distributions to linked unit holders are recognised as a liability in the company's financial statements in the period in which the distributions are approved by the board.

## 1.19 Government Grants

Government grants are recognised when there is reasonable assurance that:

- the company will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are presented as a credit in the profit or loss (separately).

# ACCOUNTING POLICIES *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

## 1.19 Government Grants *(continued)*

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

## 2. Changes in accounting policy

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

### Application of IFRS 9 Financial Instruments

In the current year, the company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 replaces IAS 39 Financial Instruments and introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the company's financial statements are described below.

The company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

### Classification and measurement of financial assets

The date of initial application (i.e. the date on which the company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 01 July 2018. Accordingly, the company has applied the requirements of IFRS 9 to instruments that have not been derecognised as at 01 July 2018 and has not applied the requirements to instruments that have already been derecognised as at 01 July 2018. Comparatives in relation to instruments that

have not been derecognised as at 01 July 2018 have not been restated. Instead, cumulative adjustments to retained earnings have been recognised in retained earnings as at 01 July 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The measurement requirements are summarised below:

Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost.

### Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the company to recognise a loss allowance for expected credit losses on debt investments subsequently measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets and loan commitments and financial guarantee contracts to which the impairment requirements of IFRS 9 apply. In particular, IFRS 9 requires the company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the company is required to measure the loss allowance for that financial instrument at an **2.**

# ACCOUNTING POLICIES *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

## Changes in accounting policy *(continued)*

### Impairment of financial assets *(continued)*

amount equal to 12 months expected credit losses. IFRS 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables in certain circumstances.

As at 01 July 2018, the directors reviewed and assessed the company's existing financial assets, amounts due from customers and financial guarantee contracts for impairment using reasonable and supportable information that was available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at 01 July 2017 and 01 July 2018. The result of the assessment is as follows:

# Notes to the Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

## 2. Changes in accounting policy

Cumulative additional loss allowance recognised on:

Items existing on 01 July 2018 that are subject to the impairment provisions of IFRS 9:	Note	Credit risk attributes at 01 July 2017 and 01 July 2018	01 July 2018
Trade and other receivables	16	The company applies the simplified approach and recognises lifetime expected credit losses for these assets.	32 964
Impact of deferred tax			(7 252)
<b>Decrease in retained earnings</b>			<b>25 712</b>

### Reconciliation of the reclassifications and remeasurements of financial assets as a result of adopting IFRS9

The following table presents a summary of the financial assets as at 01 July 2018.

The table reconciles the movement of financial assets from their IAS 39 measurement categories and into their new IFRS 9 measurement categories.

	Previous measurement	New measurement category: IFRS 9		Change attributable to:
	IAS 39	Amortised cost	Re-measurement changes - Adjustment to equity	
<b>Previously Loans and receivables:</b>				
Trade and other receivables	2 714 102	2 681 138	(32 964)	Change in measurement attribute
Cash and cash equivalents	34 471 937	34 471 937	-	No change
	<b>37 186 039</b>	<b>37 153 075</b>	<b>(32 964)</b>	

### Reconciliation of the reclassifications and remeasurements of financial liabilities as a result of adopting IFRS9

The following table presents a summary of the financial liabilities as at 01 July 2018. The table reconciles the movement of financial liabilities from their IAS 39 measurement categories and into their new IFRS 9 measurement categories.

# Notes to the Annual Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2019

Figures in Pula		2019	2018
<b>2. Changes in accounting policy (continued)</b>			
	<b>Previous measurement</b>	<b>New measurement category: IFRS 9</b>	
	<b>IAS 39</b>	<b>Amortised cost</b>	<b>Re-measurement changes - Adjustment to equity</b>
			<b>Change attributable to:</b>
<b>Previously Amortised cost:</b>			
Trade and other payables (excluding VAT, payroll accruals and advances from customer)	9 796 854	9 796 854	-
Borrowings	196 407 109	196 407 109	-
	<b>206 203 963</b>	<b>206 203 963</b>	<b>-</b>
<b>3. Revenue</b>			
Contractual income		96 911 490	78 197 926
Straightline lease rental adjustment		3 561 839	766 973
Operating cost recoveries		2 002 378	912 892
		<b>102 475 707</b>	<b>79 877 791</b>
<b>4. Other income</b>			
Administration fees		80 610	38 978
Bad debts recovered		258 006	493 128
		<b>338 616</b>	<b>532 106</b>
<b>5. Operating profit</b>			
Operating profit for the year is stated after charging (crediting) the following, amongst others:			
<b>Auditor's remuneration - external</b>			
Audit fees		275 000	250 000
<b>Employee costs</b>			
Salaries, wages, bonuses and other benefits		8 549 228	5 940 874

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

Figures in Pula	2019	2018
<b>5. Operating profit <i>(continued)</i></b>		
<b>Leases</b>		
<b>Operating lease charges</b>		
Premises	594 178	238 129
Equipment	40 899	-
	<b>635 077</b>	<b>238 129</b>
<b>Depreciation and amortisation</b>		
Depreciation of property, plant and equipment	542 462	260 870
<b>Movement in credit loss allowances</b>		
Trade and other receivables	1 656 004	1 043 918
<b>Other</b>		
Auditor's remuneration	275 000	250 000
Consulting and professional fees	3 579 809	2 315 816
Directors fees	1 622 774	882 400
Insurance	877 159	735 797
Security	1 099 477	890 302
Assessment rates	966 128	798 333
Legal expenses	779 167	603 683
Repairs and maintenance	1 153 876	1 357 099
<b>6. Finance income</b>		
<b>Interest income</b>		
<b>Investments in financial assets:</b>		
Bank	1 374 355	719 846
Interest charged on trade and other receivables	-	101 939
<b>Total interest income</b>	<b>1 374 355</b>	<b>821 785</b>
<b>7. Other non-operating losses</b>		
<b>Loss on disposals</b>		
Investment property	(14 000 000)	-



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

Figures in Pula	2019	2018
<b>8. Fair value adjustment of investment properties</b>		
Fair value surplus for the year - as per the valuation (Note 11)	29 875 965	32 546 486
Straight line lease adjustment	(3 561 839)	(431 078)
	<b>26 314 126</b>	<b>32 115 408)</b>
<b>9. Finance costs</b>		
Bank borrowings and interest	15 593 918	5 095 969
<b>10. Taxation</b>		
<b>Major components of the tax expense</b>		
<b>Current</b>		
Local income tax - current period	-	1 299 868
Attributable to debenture interest credited to statement of changes in equity	12 547 920	8 254 400
	<b>12 547 920</b>	<b>9 554 268</b>
<b>Deferred</b>		
Arising from tax losses	(188 631)	-
Deferred tax charge	(4 311 181)	4 131 342
Deferred capital gains tax	3 269 354	2 012 338
Arising due to Capital gains tax recoverable from related party	194 701	195 160
	<b>(1 035 757)</b>	<b>6 338 840</b>
	<b>11 512 163</b>	<b>15 893 108</b>
<b>Reconciliation of the tax expense</b>		
Reconciliation between accounting profit and tax expense.		
Accounting profit	74 762 760	92 426 142
Tax at the applicable tax rate of 22% (2018: 22%)	16 447 807	20 333 751
<b>Tax effect of adjustments on taxable income</b>		
Effects of fair value surplus	(5 789 108)	(7 065 390)
Arising due to Capital gains tax recoverable from related party	-	195 160
Effects of debenture interest	-	(61 600)
Expenses not deductible for tax	79 338	39 664
Income from associate not subject to tax	(357 075)	(75 103)
Tax effect due to capital gains	3 269 353	2 012 338
Effects of discontinued operations	(2 239 061)	514 288
Other permanent differences	100 909	-
	<b>11 512 163</b>	<b>15 893 108</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

Figures in Pula	2019	2018
<b>11. Investment property</b>		
<b>At fair value</b>		
Freehold properties	46 200 000	81 000 000
Leasehold properties	688 136 000	848 600 000
	734 336 000	929 600 000
Straight line rental adjustment	(17 824 497)	(27 748 010)
	<b>716 511 503</b>	<b>901 851 990</b>
<b>Reconciliation of fair value:</b>		
At valuation	929 600 000	739 400 000
Straight line lease rental adjustment at the beginning of the year	(27 748 010)	(27 316 931)
Opening fair value	901 851 990	712 083 069
Additions during the year	36 925 036	157 653 513
Disposals during the year	(240 000 000)	-
Transfers to non-current assets held for sale	(9 000 000)	-
Impairment on asset held for sale	(13 065 000)	-
Increase in fair value during the year	29 875 964	32 546 486
Straight line rental adjustment	9 923 513	(431 078)
	<b>716 511 503</b>	<b>901 851 990</b>

The fair value of the company's investment properties at 30 June 2019 has been arrived at on the basis of the open market value of the properties as at year end. The valuation was carried out by Knight Frank Botswana (Proprietary) Limited. Knight Frank Botswana (Proprietary) Limited are members of the Real Estate Institute of Botswana and are registered in terms of the Real Estate Professionals Act 2003. The valuations, which conform to International Valuation Standards, were determined by reference to commercial rental streams and market evidence of transaction prices for similar properties.

Freehold land comprises of:

- Plot 4738 Gaborone
- Plot 2989 Gaborone      50 year State Grant from 26 August 1970

Leasehold properties comprise:

- Plot 14459 Gaborone      50 year State Grant from 22 August 1986-
- Plot 14398 Gaborone      50 year State Grant from 03 February 1984
- Plot 14453 Gaborone      50 year State Grant from 16 November 1984
- Plot 14454 Gaborone      50 year State Grant from 16 November 1984
- Plot 14455 Gaborone      50 year State Grant from 16 November 1984
- Plot 14457 Gaborone      50 year State Grant from 28 August 1989
- Plot 14458 Gaborone      50 year State Grant from 22 August 1986

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

## Figures in Pula

- Plot 14460 Gaborone 50 year State Grant from 22 August 1986
- Plot 22038 Gaborone 50 year State Grant from 28 June 2002
- Plot 28911 Gaborone 50 year State Grant from 27 August 1989
- Plot 32084 Gaborone 50 year State Grant from 10 July 1995
- Plot 50380 Gaborone 50 year State Grant from 04 February 1994
- Plot 74204 Gaborone 50 year State Grant from 10 October 1997
- Plot 9787 Francistown 50 year State Grant from 23 August 1991
- Plot 276 Selebi Phikwe 50 year State Grant from 28 June 1973
- Plot 29052 Mahalapye 50 year State Grant from 21 March 2003
- Plot 64260 Gaborone 50 year State Grant from 23 September 2010

Plots 4738,50380, 74204,32084 and 29052 have been encumbered as described in note 21.

## 11. Investment property *(continued)*

Operating leases receivable by the Company as a lessor relate to the investment properties owned by the Company with lease terms of between 1 and 25 years. The lessees do not have an option to purchase the properties at the expiry of the lease period.

At the end of the reporting period the Company had contracted with tenants for the following future minimum lease payments:

### Minimum lease payments due

- within one year
- in second to fifth year inclusive
- later than five years

### Amounts recognised in profit and loss for the year

- Rental income from investment property after straightline adjustment
- Direct operating expenses from rental generating property

	2019	2018
	67 778 441	95 113 379
	153 371 442	213 655 135
	27 382 240	22 434 473
	<b>248 532 123</b>	<b>331 202 987</b>
	(103 360 780)	(81 302 570)
	8 257 480	5 765 720
	<b>(95 103 300)</b>	<b>(75 536 850)</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
<b>12. Property, plant and equipment</b>						
Leasehold property	1 185 264	(158 035)	1 027 229	-	-	-
Plant and machinery	41 033	(41 033)	-	41 033	(41 033)	-
Motor vehicles	472 114	(194 418)	277 696	232 383	(111 350)	121 033
Office equipment	458 392	(108 362)	350 030	236 116	(73 822)	162 294
IT equipment	881 011	(519 274)	361 737	576 825	(284 377)	292 448
Computer software	274 446	(113 222)	161 224	274 446	(81 299)	193 147
<b>Total</b>	<b>3 312 260</b>	<b>(1 134 344)</b>	<b>2 177 916</b>	<b>1 360 803</b>	<b>(591 881)</b>	<b>768 922</b>

## Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Depreciation	Total
Leasehold property	-	1 185 258	(158 029)	1 027 229
Motor vehicles	121 033	239 731	(83 068)	277 696
Office equipment	162 294	222 276	(34 540)	350 030
IT equipment	292 448	304 191	(234 902)	361 737
Computer software	193 147	-	(31 923)	161 224
	<b>768 922</b>	<b>1 951 456</b>	<b>(542 462)</b>	<b>2 177 916</b>

## Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Plant and machinery	8 549	-	-	(8 549)	-
Motor vehicles	179 128	-	-	(58 095)	121 033
Office equipment	145 695	38 509	-	(21 910)	162 294
IT equipment	258 628	187 019	(12 805)	(140 394)	292 448
Computer software	225 069	-	-	(31 922)	193 147
	<b>817 069</b>	<b>225 528</b>	<b>(12 805)</b>	<b>(260 870)</b>	<b>768 922</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

Figures in Pula	2019	2018
<b>13. Deferred taxation recoverable - related party</b>		
Amount of capital gains tax recoverable from Botswana Development Corporation Limited ("the Vendors") on disposal of investment properties acquired as part of listing.		
Capital gains tax recoverable from Botswana Development Corporation Limited	5 192 926	5 250 192

In the year ended 30 June 2011, the company acquired all the investment properties that were held by Botswana Development Corporation Limited.

As part of the Initial Public Offer, exemption was obtained from Botswana Unified Revenue Services for the payment of capital gains tax on transfer of properties from the subsidiaries of Botswana Development Corporation Limited ("the Vendors"), until such time as the properties are disposed of by the Company. As per the terms of acquisition, vendors have given commitment to the company to reimburse the capital gains tax upon eventual disposal of the property on a future date.

The actual liability arising on the disposal of any of the properties will be settled on disposal of the properties by the Company. This amount represents the potential deferred capital gains tax liability at 30 June 2019, calculated on the purchase price of the properties paid by the Company which is recoverable from the Vendors.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

## 14. Investments in associates

Name of company	% ownership interest 2019	% ownership interest 2018	Carrying amount 2019	Carrying amount 2018
NBC Developments (Partnership)	33.33 %	33.33 %	39 619 760	40 296 694

### Summarised financial information of material associates

#### Summarised Statement of Profit or Loss and Other Comprehensive Income

	NBC Developments	
	2019	2018
Revenue	13 230 360	12 924 588
Other income and expenses	(1 211 283)	(3 428 180)
Profit from continuing operations	12 019 077	9 496 408
Total comprehensive income	12 019 077	9 496 408

#### Summarised Statement of Financial Position

##### Assets

Non-current	111 500 000	113 377 196
Current	9 214 826	14 188 297
<b>Total assets</b>	<b>120 714 826</b>	<b>127 565 493</b>

##### Liabilities

Current	1 843 659	6 663 320
<b>Total liabilities</b>	<b>1 843 659</b>	<b>6 663 320</b>

#### Total net assets

	118 871 167	120 902 173
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# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

## 14. Investments in associates *(continued)*

### Reconciliation of net assets to equity accounted investments in associates

Interest in associates at percentage ownership  
Carrying value of investment in associate

Investment at beginning of period  
Share of profit  
Dividends and distributions received from associate  
Investment at end of year

	NBC Developments	
	2019	2018
	39 619 760	40 296 694
	39 619 760	40 296 694
	40 296 694	38 631 486
	1 623 066	3 165 208
	(2 300 000)	(1 500 000)
	39 619 760	40 296 694

The summarised information presented above is unaudited and unpublished information.

The stake in NBC Development (Partnership) was acquired from a related party, Botswana Development Corporation Limited.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

Figures in Pula

## 15. Investments at fair value

Investments held by the company which are measured at fair value, are as follows:  
Equity investments at fair value through other comprehensive income

	2019	2018
Equity investments at fair value through other comprehensive income	6 250 000	-
<b>Equity investments at fair value through other comprehensive income:</b>		
Mogo'lori Mall (Proprietary) Limited	6 250 000	-
15% shareholdings of shares and linked debentures.		
	<b>6 250 000</b>	<b>-</b>

### Equity investments at fair value through other comprehensive income:

Mogo'lori Mall (Proprietary) Limited  
15% shareholdings of shares and linked debentures.

### Fair value information

Refer to note 30 Fair value information for details of valuation policies and processes.

### Risk exposure

The investments held by the company expose it to various risks, including credit risk, currency risk, interest rate risk and price risk. Refer to note 29 Financial instruments and risk management for details of risk exposure and the processes and policies adopted to mitigate these risks.

### Equity instruments at fair value through other comprehensive income

The specific investments which are measured at fair value through other comprehensive income are as follows:

### Investments held at reporting date

Mogo'lori Mall (Proprietary) Limited

	2019	2019	2018	2018
	Fair value	Dividends received	Fair value	Dividends received
Mogo'lori Mall (Proprietary) Limited	6 250 000	-	-	-

IFRS 9 Financial Instruments was adopted in the current year and replaces IAS 39. This note reflects the application of IFRS 9 to the specified instruments. Prior year figures have been restated in this note.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

Figures in Pula	2019	2018
<b>16. Trade and other receivables</b>		
<b>Financial instruments:</b>		
Trade receivables	2 190 232	2 521 607
Related party receivable	-	1 500 000
Loss allowance	(1 170 582)	(1 357 025)
Trade receivables at amortised cost	1 019 650	2 664 582
Deposits	144 894	49 520
Other receivable	27 120 180	-
<b>Non-financial instruments:</b>		
Employee costs in advance	80 000	-
Prepayments	722 776	824 364
<b>Total trade and other receivables</b>	<b>29 087 500</b>	<b>3 538 466</b>
<b>Split between non-current and current portions</b>		
Current assets	29 087 500	3 538 466
<b>Financial instrument and non-financial instrument components of trade and other receivables</b>		
At amortised cost	28 284 724	2 714 102
Non-financial instruments	802 776	824 364
	<b>29 087 500</b>	<b>3 538 466</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

## 16. Trade and other receivables *(continued)*

### Trade and other receivables pledged as security

The rental income and related receivables from certain properties which have been mortgaged to the bankers are also pledged as security.

### Exposure to credit risk

Trade receivables inherently expose the company to credit risk, being the risk that the company will incur financial loss if customers fail to make payments as they fall due. More information is presented in the risk management note.

Trade receivables arise from rental income. The customer base is spread across commercial and retail, leisure, industrial and residential with no specific significant concentration of credit risk from these trade receivables.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The company measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

The estimation techniques explained have been applied for the first time in the current financial period, as a result of the adoption of IFRS 9. Trade receivables were previously impaired only when there was objective evidence that the asset was impaired. The impairment was calculated as the difference between the carrying amount and the present value of the expected future cash flows.

The company's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

### Expected credit loss rate:

Not past due:  
30 to 60 days past due  
More than 90 days past due

### Total

	2019	2019	1 July 2018	1 July 2018
	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Not past due:	28 418 156	244 771	1 034 456	279 769
30 to 60 days past due	321 699	210 367	754 005	405 551
More than 90 days past due	715 451	715 444	733 146	704 668
<b>Total</b>	<b>29 455 306</b>	<b>1 170 582</b>	<b>2 521 607</b>	<b>1 389 988</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

Figures in Pula	2019	2018
<b>16. Trade and other receivables <i>(continued)</i></b>		
<b>Reconciliation of loss allowances</b>		
The following table shows the movement in the loss allowance (lifetime expected credit losses) for lease receivables:		
<b>Opening balance in accordance with IAS 39 Financial Instruments: Recognition and Measurement</b>	(1 357 025)	-
Adjustments upon application of IFRS 9	(32 964)	-
<b>Opening balance in accordance with IFRS 9</b>	<b>(1 389 989)</b>	-
Amounts recovered	-	-
Provision raised on new trade receivables	(1 656 004)	-
Provisions reversed	1 875 411	-
<b>Closing balance</b>	<b>(1 170 582)</b>	-
<b>Credit risk disclosures for comparatives under IAS 39</b>		
The following sections provide comparative information for trade and other receivables which have not been restated. The information is provided in accordance with IAS 39 Financial Instruments: Recognition and Measurement.		
<b>Reconciliation of provision for impairment of trade and other receivables</b>		
Opening balance	-	1 127 654
Provision for impairment	-	1 043 918
Amounts written off as uncollectable	-	(321 419)
Recoveries	-	(493 128)
	-	<b>1 357 025</b>

The company considers the concentration of credit risk to be limited due to the customer base being small and unrelated. There are no other impaired receivables. Accordingly, the directors believe that no further provision is required in excess of the allowance for doubtful debts.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

Figures in Pula	2019	2018
<b>17. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	2 000	2 000
Bank balances	260 585 281	29 459 812
Short-term deposits	10 025 767	5 005 907
	<b>270 613 048</b>	<b>34 467 719</b>
Cash and cash equivalents held by the entity that are not available for use by the company. This amount represents the lien that the bank holds as a security for the facilities granted is as follows:		
	100 000 000	-

### Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. None of the banks in Botswana are rated, but are subsidiaries of reputed and rated financial institutions in Southern Africa.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

Figures in Pula	2019	2018
<b>18. Non-current assets held for sale</b>		
<p>During the year, the company resolved to dispose all the investment properties in the Leisure Sector to an identified party who occupied these properties. By the year end, most of the properties were disposed and ownerships transferred save for one of the property. Though the sale terms and conditions were agreed and contracts drawn up, the company could not transfer the ownership before the year end. Hence this piece of investment property is accounted as "held for sale" and is measured at the agreed sale consideration which reflects the fair value of the property. The impairment loss reflects the decrease in value from the carrying values recorded in the financial statements before the sale.</p> <p>Since all the other properties in the Leisure sector have been disposed of, the property retained by the company at the year-end is classified as discontinued operation and information required under IFRS 5 is presented.</p> <p>Subsequent to the year end, this property had been disposed of.</p> <p>The operating costs and taxation relating to discontinued operations are insignificant, hence, are not presented below. The profit or loss and fair value less costs to sell of the investment property are set out below.</p>		
<b>Profit and loss</b>		
Rental income	2 887 451	2 337 671
Net profit before tax	2 887 451	2 337 671
Tax	-	-
Net profit after tax	2 887 451	2 337 671
Losses on measurement to fair value less cost to sell	(13 065 000)	-
	<b>(10 177 549)</b>	<b>2 337 671</b>
<b>Assets held for sale</b>		
<b>Non-current assets held for sale</b>		
Investment property	9 000 000	-

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

Figures in Pula	2019	2018
<b>19. Stated capital</b>		
<b>Issued</b>		
280 000 000 (2018: 280 000 000) Ordinary shares of no par value	2 718 884	2 718 884
<p>Each Linked Unit in the Company comprises one ordinary share and one variable rate unsecured debenture as per Note 20, which are indivisibly linked. It is not possible to trade the shares or the variable rate unsecured debentures separately from one another.</p> <p>The linked units are listed on the Botswana Stock Exchange.</p> <p>All of the issued shares are of the same class and rank pari passu in every respect.</p> <p>In accordance with the Constitution, at any general meeting, every shareholder present in person or by authorised representative or proxy shall have one vote on a show of hands and on a poll, every member present in person, by authorised representative or by proxy shall have one vote for every share held.</p>		
<b>20. Debentures</b>		
<p>Each Linked Unit in the Company comprises one ordinary share as per note 19, and one variable rate unsecured debenture, which are indivisibly linked.</p> <p>It is not possible to trade with the shares or the variable rate unsecured debentures separately from one another.</p> <p>All of the variable rate unsecured debentures are of the same class and rank pari passu in every respect.</p> <p>The debentures are governed in terms of a Trust Deed entered into between the Company and the Trustee for the debenture holders.</p> <p>The debentures have been sub-ordinated to First National Bank of Botswana Limited for facilities availed.</p>		
280 000 000 (2018: 280 000 000)	<b>405 113 547</b>	<b>405 113 547</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

Figures in Pula	2019	2018
<b>21. Borrowings</b>		
<b>Held at amortised cost</b>		
First National Bank of Botswana Limited	194 100 849	151 576 000
Bank Gaborone Limited	42 851 938	44 831 109
	<b>236 952 787</b>	<b>196 407 109</b>
<b>Split between non-current and current portions</b>		
Non-current liabilities	233 618 394	194 390 467
Current liabilities	3 334 393	2 016 642
	<b>236 952 787</b>	<b>196 407 109</b>

Bank Gaborone Limited

The loan facility of P47.75 million carries interest at prime rate (base rate of the bank) plus 1% currently at 7.5% per annum. The loan is repayable in 180 months installments and is secured by a first covering mortgage bond of P24 million over Lot 4738 station, Gaborone and first covering mortgage bond of P24 million over Lot 50380, showgrounds, Gaborone.

First National Bank of Botswana Limited

The loan facility is for P230 million split as Tranche A carrying interest at 7.28% and Tranche B carrying interest at 6.5%. The loan is repayable after 5 years from initial drawdown in 2018. The loan is secured by

- (i) a first covering mortgage bond for P80 million over Lot 74204, Gaborone.
- (ii) a first covering mortgage bond for P82 million over Lot 32084, Gaborone
- (iii) a first covering mortgage bond of P137 million over Lot 29052, Mahalapye
- (iv) cession of lease rentals in relation to mortgaged properties
- (v) lien of P 100 million maintained in the bank account.
- (vi) cession of insurance policies and proceeds with regards to mortgaged properties.
- (vii) cession of receivable balances..

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

Figures in Pula	2019	2018
<b>22. Deferred tax</b>		
<b>Deferred tax liability</b>		
Capital gains on fair value increase in investment property	(29 492 630)	(26 028 573)
Accelerated capital allowances	(13 768 534)	(18 079 715)
Capital gains on disposal of investment property recoverable from related party	(5 192 926)	(5 250 192)
<b>Total deferred tax liability</b>	<b>(48 454 090)</b>	<b>(49 358 480)</b>
<b>Deferred tax asset</b>		
Tax losses available for set off against future taxable income	188 631	-
Deferred tax liability	(48 454 090)	(49 358 480)
Deferred tax asset	188 631	-
<b>Total net deferred tax liability</b>	<b>(48 265 459)</b>	<b>(49 358 480)</b>
<b>Reconciliation of deferred tax asset / (liability)</b>		
At beginning of year	(49 358 480)	(43 157 076)
Increases in tax loss available for set off against future taxable income	188 631	-
Movement in capital gains tax recoverable/payable to related party	(137 437)	(57 724)
Other movements in deferred tax assets and liabilities	4 311 181	(4 131 342)
Capital gains charges to the statement of comprehensive income	(3 269 354)	(2 012 338)
	<b>(48 265 459)</b>	<b>(49 358 480)</b>

On disposal of certain investment properties during the year, the company's taxes on such disposal resulted in capital losses which was arrived at using the sale consideration less the indexed cost according to the laws and regulations of the Botswana Income Tax Act. As per the Income Tax Act, capital losses can only be set off against capital gains and if not set off in the same year, it can be carried forward for a maximum of an additional tax year. The capital tax losses that the company could carry forward was P 29 730 578. No deferred tax has been recognized in the financial statements as there is no certainty that the company will dispose any capital asset in the next financial year which can result in capital gains tax.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

Figures in Pula	2019	2018
<b>23. Trade and other payables</b>		
<b>Financial instruments:</b>		
Trade payables and accruals	2 949 180	3 100 293
Refundable deposit held	6 899 849	6 696 566
<b>Non-financial instruments:</b>		
Amounts received in advance	836 826	846 130
Accrued gratuity and leave pay	1 954 642	977 581
Value Added Tax	24 908 150	96 226
	<b>37 548 647</b>	<b>11 716 796</b>
<b>24. Earnings per linked unit</b>		
Earnings per linked unit is calculated based on the average number of linked units in issue and total comprehensive income for the year, adjusted by the taxation on debenture interest credited to the statement of changes in equity.		
The earnings and weighted average number of linked units used in the calculation of earnings per linked unit are as follows:		
Total profit and comprehensive income for the year	53 073 048	78 870 705
Taxation on debenture interest credited to the income statement	12 547 920	8 254 400
	<b>65 620 968</b>	<b>87 125 105</b>
<b>Earnings attributable to linked unit holders</b>		
Weighted average number of linked units in issue for the year	280 000 000	280 000 000
Profit before taxation	74 762 760	92 426 142
Taxation	(11 512 163)	(15 893 108)
Profit from continuing operations	63 250 597	76 533 034
Profit or loss from discontinued operations	(10 177 549)	2 337 671
Profit or loss for the year	53 073 048	78 870 705
<b>Earnings per share from</b>		
Continuing operations (including taxation on debenture interest)	27.07	30.29
Discontinued operations (excluding taxation on debenture interest)	(3.63)	0.83
<b>Total Earnings per linked unit (thebe)</b>	<b>23.44</b>	<b>31.12</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

Figures in Pula	2019	2018
<b>25. Debenture interest and dividend payable</b>		
<b>Debenture interest</b>		
Interim paid - 9.67 (2018: 6.35) thebe	27 076 000	17 780 000
Final declared - 10.70 (2018: 7.05) thebe	29 960 000	19 740 000
Total debenture interest	57 036 000	37 520 000
Interim paid - 0.05 (2018: 0.05) thebe	140 000	140 000
Final declared - 0.05 (2018: 0.05) thebe	140 000	140 000
<b>Total distribution</b>	<b>57 316 000</b>	<b>37 800 000</b>
<b>Debenture interest and dividend payable</b>		
Debenture interest	(29 960 000)	(19 740 000)
Dividend payable	(140 000)	(140 000)
	<b>(30 100 000)</b>	<b>(19 880 000)</b>
The interim debenture interest and dividend per linked unit was paid on 16 March 2019. A final debenture interest and dividend per linked unit has been declared.		
<b>26. Tax paid</b>		
Balance at beginning of the year	(808 034)	282 275
Current tax for the year recognised in profit or loss	-	(1 299 868)
Balance at end of the year	(646 285)	808 034
	<b>(1 454 319)</b>	<b>(209 559)</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

Figures in Pula	2019	2018
<b>27. Related parties</b>		
Parties are considered related when one has power, through ownership, contractual right, family relationship, or otherwise, to directly or indirectly control or significantly influence the other party. Parties also are related when they are under the common control or significant influence of a third party.		
Botswana Development Corporation Limited owns 66% of the issued linked units of the Company at 30 June 2019 (2018: 66%)		
During the year the Company entered into the following trading transactions with related parties and had the following balances with related parties.		
<b>Relationships</b>		
Holding company		Botswana Development Corporation Limited
Associates		Refer to note 14
Members of key management		Mr C Shenjere-Mutiswa (CEO) Ms Kamogelo Mowaneng (CFO) Ms M Tsiane (Finance Manager) Mr B Nlumbile (Property Manager)
<b>Related party balances</b>		
<b>Deferred tax recoverable from related party</b>		
Botswana Development Corporation Limited	5 213 984	5 250 192
<b>Amounts included in Trade receivable regarding related parties</b>		
NBC Development (Partnership)	-	1 500 000
<b>Related party transactions</b>		
<b>Dividend received/Distribution income</b>		
NBC Partnership	2 300 000	1 500 000
<b>Share of profit from partnership</b>		
NBC Partnership	1 798 243	3 165 208
<b>Directors emoluments</b>		
Directors' emoluments - fees as director	1 622 774	882 400
Executive remuneration	4 558 013	3 681 007
	<b>6 180 787</b>	<b>4 563 407</b>
<b>Dividend and debenture interest paid</b>		
Botswana Development Corporation Limited	37 705 732	24 866 995

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

Figures in Pula

2019

2018

## 28. Commitments

### Authorised capital expenditure

#### Already contracted for but not provided for

- Investment property

32 300 000

31 500 000

The current year committed expenditure relates to acquisition of investment property and will be financed by available bank facilities.

### Operating leases – as lessee (expense)

#### Minimum lease payments due

- within one year
- in second to fifth year inclusive

637 375

-

2 382 189

-

**3 019 564**

-

Operating lease payments represent rentals payable by the company for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

## 29. Financial instruments and risk management

### Categories of financial instruments

#### Categories of financial assets

#### 2019

	Note(s)	Fair value through other comprehensive income - equity instruments	Amortised cost	Total
Investments at fair value	15	6 250 000	-	6 250 000
Trade and other receivables	16	-	28 284 724	28 284 724
Cash and cash equivalents	17	-	270 633 262	270 633 262
		<b>6 250 000</b>	<b>298 917 986</b>	<b>305 167 986</b>

#### 2018

Trade and other receivables	16	-	2 714 102	2 714 102
Cash and cash equivalents	17	-	34 471 937	34 471 937
		<b>-</b>	<b>37 186 039</b>	<b>37 186 039</b>

#### Categories of financial liabilities

#### 2019

Trade and other payables	23	-	9 849 026	9 849 026
Borrowings	21	-	236 952 787	236 952 787
		<b>-</b>	<b>246 801 813</b>	<b>246 801 813</b>

#### 2018

Trade and other payables	23	-	9 796 853	9 796 853
Borrowings	21	-	196 407 109	196 407 109
		<b>-</b>	<b>206 203 962</b>	<b>206 203 962</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

Figures in Pula

2019

2018

## 29. Financial instruments and risk management *(continued)*

### Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances.

The capital structure of the Company consists of cash and cash equivalents and equity, comprising the stated capital, the variable rate unsecured debentures and accumulated profits as disclosed in the statement of financial position. At 30 June 2019, the Company had interest bearing borrowings of P 236 952 787 (2018: P 196 407 109).

The capital structure and gearing ratio of the company at the reporting date was as follows:

Borrowings	21	236 952 787	196 407 109
Cash and cash equivalents	17	(270 613 048)	(34 467 718)
<b>Net borrowings</b>		<b>(33 660 261)</b>	<b>161 939 391</b>
Equity		744 056 542	735 751 574
Gearing ratio		0 %	22 %

### Financial risk management

#### Overview

The company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The board of directors has overall responsibility for the establishment and oversight of the company's risk management framework. The board has established the risk committee, which is responsible for developing and monitoring the company's risk management policies. The committee reports quarterly to the board of directors on its activities.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

## 29. Financial instruments and risk management *(continued)*

### Financial risk management *(continued)*

#### Overview *(continued)*

The company's audit and risk committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit and risk committee

#### Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The company is exposed to credit risk on debt instruments at fair value through other comprehensive income, trade and other receivables, and cash and cash equivalents.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring at the inception of the lease agreement. The company evaluates credit worthiness of its tenants through several mechanism and only deals with reputable counterparties with consistent payment histories. Deposits are also obtained when necessary. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

Credit risk exposure arising on cash and cash equivalents is managed by the company through dealing with well-established financial institutions with high credit ratings.

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss.

In order to calculate credit loss allowances, management determine whether the loss allowances should be calculated on a 12 month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year.

Management apply the principle that if a financial asset's credit risk is low at year end, then, by implication, the credit risk has not increased significantly since initial recognition. In all such cases, the loss allowance is based on 12 month expected credit losses. Credit risk is assessed as low if there is a low risk of default (where default is defined as occurring when amounts are 90 days past due). When determining the risk of default, management consider information such as payment history to date, and other factors. In any event, if amounts are 30 days past due, then the credit risk is assumed to have increased significantly since initial recognition.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

## 29. Financial instruments and risk management *(continued)*

### Financial risk management *(continued)*

#### Credit risk *(continued)*

Where necessary, the assessment for a significant increase in credit risk is made on a collective basis. Management typically adopt this approach when information relevant to the determination of credit risk is not available on an individual instrument level. Often, the only information available on individual instruments which could indicate an increase in credit risk, is "past due" information. It is typical that more forward-looking information is generally more readily available on a collective basis. Therefore, making the determination on a collective basis, helps to ensure that credit loss allowances are determined on the basis of lifetime expected credit losses before they reach the point of being past due. Forward looking, macro-economic information is applied on a collective basis when it is readily available without undue cost or effort. When loss allowances are determined on a collective basis, management determines the loss allowances by grouping financial instruments on the basis of shared credit risk characteristics.

The maximum exposure to credit risk is presented in the table below:

		2019			2018		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Trade and other receivables	16	29 455 306	(1 170 582)	28 284 724	4 071 127	(1 357 025)	2 714 102
Cash and cash equivalents	17	270 633 262	-	270 633 262	34 471 937	-	34 471 937
		<b>300 088 568</b>	<b>(1 170 582)</b>	<b>298 917 986</b>	<b>38 543 064</b>	<b>(1 357 025)</b>	<b>37 186 039</b>

#### Liquidity risk

The company is exposed to liquidity risk, which is the risk that the company will encounter difficulties in meeting its obligations as they become due.

The company manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long and short term borrowings. Committed borrowing facilities are available for meeting liquidity requirements and deposits are held at banking institutions.

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period. The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

## 29. Financial instruments and risk management *(continued)*

2019		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total	Carrying amount
<b>Non-current liabilities</b>							
Borrowings	21	-	2 516 968	201 797 099	29 304 327	233 618 394	233 618 394
<b>Current liabilities</b>							
Trade and other payables		9 849 026	-	-	-	9 849 026	9 849 026
Borrowings	21	3 334 393	-	-	-	3 334 393	3 334 393
Dividend payable	25	30 100 000	-	-	-	30 100 000	30 100 000
Bank overdraft	17	20 214	-	-	-	20 214	20 214
		<b>43 303 633</b>	<b>2 516 968</b>	<b>201 797 099</b>	<b>29 304 327</b>	<b>276 922 027</b>	<b>276 922 027</b>
<b>2018</b>							
<b>Non-current liabilities</b>							
Borrowings	21	-	-	-	-	-	194 390 467
<b>Current liabilities</b>							
Trade and other payables	23	9 796 853	-	-	-	9 796 853	9 796 853
Borrowings	21	2 016 642	-	-	-	2 016 642	2 016 642
Dividend payable	25	19 880 000	-	-	-	19 880 000	19 880 000
Bank overdraft	17	4 218	-	-	-	4 218	4 218
		<b>31 697 713</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31 697 713</b>	<b>226 088 180</b>

### Interest rate risk

Fluctuations in interest rates impact on the financing activities, giving rise to interest rate risk.

The debt of the company is comprised of different instruments, which bear interest at either fixed or floating interest rates. The ratio of fixed and floating rate instruments in the loan portfolio is monitored and managed, by incurring either variable rate bank loans or fixed rate bonds as necessary. Interest rates on all borrowings compare favourably with those rates available in the market.

There have been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

Fluctuations in interest rates impact on the value of short-term cash investment and financing activities, giving rise to interest rate risk. The cash is managed to ensure surplus funds are invested in a manner to achieve maximum returns while minimising risks.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

## 29. Financial instruments and risk management *(continued)*

### Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

#### Increase or decrease in rate by 1% Impact on profit or loss:

Net finance income

	2019	2019	2018	2018
	Increase	Decrease	Increase	Decrease
Net finance income	132 247	(132 247)	509 597	(509 597)

## 30. Fair value information

### Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the company can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

### Level 3: Recurring fair value measurements

#### Levels of fair value measurements

#### Assets

#### Investment property

Investment property

Note	2019	2018
11	716 511 503	901 851 990

#### Financial assets at fair value through other comprehensive income

Investments at fair value

#### Total

#### Non recurring fair value measurements

#### Assets held for sale with IFRS 5

Investment property

#### Total

6 250 000	-
<b>722 761 503</b>	<b>901 851 990</b>
9 000 000	-
<b>9 000 000</b>	<b>-</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

## 30. Fair value information *(continued)*

### Reconciliation of assets and liabilities measured at level 3

	Note	Opening carrying amount	Fair value adjustment	Straight line rental adjustment	Transfer to non-current held for sale	Additions	Impairment	Disposals during the year	Carrying amount
<b>2019</b>									
<b>Assets</b>									
<b>Investment property</b>									
Investment property	11	901 851 990	29 875 964	(3 561 839)	(9 000 000)	36 925 036	(13 065 000)	(226 514 648)	716 511 503
<b>Fair value through other comprehensive income</b>									
Investments at fair value in unlisted entities		-	-	-	-	6 250 000	-	-	6 250 000
<b>Assets held for sale with IFRS 5</b>									
Investment property		-	-	-	9 000 000	-	-	-	9 000 000
<b>Total</b>		<b>901 851 990</b>	<b>29 875 964</b>	<b>(3 561 839)</b>	<b>-</b>	<b>43 175 036</b>	<b>(13 065 000)</b>	<b>(226 514 648)</b>	<b>731 761 503</b>
<b>2018</b>									
<b>Assets</b>									
<b>Investment property</b>									
Investment property	11	712 082 069	32 546 486	(431 078)	-	157 653 513	-	-	901 850 990
<b>Total</b>		<b>712 082 069</b>	<b>32 546 486</b>	<b>(431 078)</b>	<b>-</b>	<b>157 653 513</b>	<b>-</b>	<b>-</b>	<b>901 850 990</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

## 30. Fair value information *(continued)*

### Information about valuation techniques and inputs used to derive level 3 fair values

#### Valuation process

The fair value of the company's investment properties at 30 June 2019 has been arrived at on the basis of the open market value of the properties as at year end. The valuation was carried out by Knight Frank Botswana (Proprietary) Limited. Knight Frank Botswana (Proprietary) Limited are members of the Real Estate Institute of Botswana and are registered in terms of the Real Estate Professionals Act 2003. The valuations, which conform to international Valuation Standards, were determined by reference to commercial rental streams and market evidence of transaction prices for similar properties using capitalisation rates (Cap rates) which are based on risk free rate of returns duly adjusted by risk premiums and factors such as sector risk, location risk, age of the property risk etc. The Cap rates represents the yield of a property over a time horizons and indicates the property's intrinsic, natural, and un-leveraged rate of return.

The fair value of investments in unlisted entities measured through other comprehensive income is determined based on inputs that the management receives. At at the year end, the fair value of this investment is estimated to be no different from the cost due to the timing of the investment coupled with the underlying business operations of the investee company which has not changed significantly from the time the investment was initially made.

#### Information about the sensitivity to changes in unobservable inputs

The significant unobservable inputs used in the fair value measurement of the investment properties are the capitalisation rates. Significant increases/ (decreases) in the capitalisation rates would result in significantly lower/(higher) fair value measurement. The changes to capitalisation rates are dependent on various market factors including location of properties, interest rates, length of leases and quality of tenants.

#### Valuation techniques

Discounted cash flow

#### Unobservable input

Capitalisation rate

#### Range

8.5%-11%

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

## 31. Segmental reporting

The Company's business activities are concentrated in the segment of property rentals and are carried out within the geographical region of Botswana.

	Corporate P	Commercial & retail P	Leisure P	Industrial P	Residential P	Total P
<b>Segmental Statement of Financial Position at 30 June 2019</b>						
Investment property including straight lining of rental income	-	244 200 000	7 586 000	434 600 000	47 950 000	734 336 000
Property Plant and equipment	2 177 916	-	-	-	-	2 177 916
Deferred tax	188 631	-	-	-	-	188 631
Deferred tax recoverable from Vendors	5 192 926	-	-	-	-	5 192 926
Taxation refundable	646 285	-	-	-	-	646 285
Investment in associate	39 619 760	-	-	-	-	39 619 760
Investments at fair value	6 250 000	-	-	-	-	6 250 000
Trade and other receivables	278 888	1 149 530	27 175 816	376 766	106 500	29 087 500
Cash and cash equivalents	270 613 048	-	-	-	-	270 613 048
Assets classified as held for sale	-	-	9 000 000	-	-	9 000 000
<b>Total assets</b>	<b>324 967 454</b>	<b>245 349 530</b>	<b>43 761 816</b>	<b>434 976 766</b>	<b>48 056 500</b>	<b>1 097 112 066</b>

Due to the pooling of funds, all liabilities in the statement of financial position are Corporate liabilities.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

## 31. Segmental reporting *(continued)*

	Corporate	Commercial & retail	Leisure	Industrial	Residential	Total
	P	P	P	P	P	P
<b>Segmental Statement of Comprehensive Income for the year ended 30 June 2019</b>						
Revenue	-	25 116 538	26 404 510	46 505 360	4 449 299	102 475 707
Other operating income	-	12 600	52 425	242 858	30 733	338 616
Administration and operating expenses	(17 628 536)	(1 928 994)	(959 702)	(3 629 111)	(1 424 385)	(25 570 728)
Movement in Credit loss allowances	(1 656 004)	-	-	-	-	(1 656 004)
Net rental and related revenue	(19 284 540)	23 200 144	25 497 233	43 119 107	3 055 647	75 587 591
Finance income	1 374 355	-	-	-	-	1 374 355
Income from equity accounted investments	1 623 066	-	-	-	-	1 623 066
Finance costs	(15 593 918)	-	-	-	-	(15 593 918)
Fair value gain on investment property net of adjustment resulting from straight lining of rental revenue	-	(3 610 834)	651 000	23 780 297	5 493 665	26 314 128
Loss on sale of investment property	-	-	(14 000 000)	-	-	(14 000 000)
Depreciation	(542 462)	-	-	-	-	(542 462)
Income tax expense	(11 512 163)	-	-	-	-	(11 512 163)
<b>Profit from continuing operations</b>	<b>(43 935 662)</b>	<b>19 589 310</b>	<b>12 148 233</b>	<b>66 899 404</b>	<b>8 549 312</b>	<b>63 250 597</b>
<b>Discontinued operations</b>						
Profit for the year	-	-	(10 177 549)	-	-	(10 177 549)
<b>Profit for the year</b>	<b>(43 935 662)</b>	<b>19 589 310</b>	<b>12 148 233</b>	<b>66 899 404</b>	<b>8 549 312</b>	<b>53 073 048</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

## 31. Segmental reporting *(continued)*

	Corporate	Commercial & retail	Leisure	Industrial	Residential	Total
	P	P	P	P	P	P
<b>Segmental Statement of Comprehensive Income for the year ended 30 June 2018</b>						
Investment property including straight lining of rental income	-	244 700 000	269 000 000	373 900 000	42 000 000	929 600 000
Property Plant and equipment	768 922	-	-	-	-	768 922
Deferred tax recoverable from Vendors	5 250 192	-	-	-	-	5 250 192
Taxation refundable	491 834	-	-	-	-	491 834
Investment in associate	40 296 694	-	-	-	-	40 296 694
Trade and other receivables	2 373 883	316 796	211 085	551 645	85 057	3 538 466
Cash and cash equivalents	34 467 719	-	-	-	-	34 467 719
<b>Total assets</b>	<b>83 649 244</b>	<b>245 016 796</b>	<b>269 211 085</b>	<b>374 451 645</b>	<b>42 085 057</b>	<b>1 014 413 827</b>

Due to the pooling of funds, all liabilities in the statement of financial position are Corporate liabilities.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

## 31. Segmental reporting *(continued)*

	Corporate	Commercial & retail	Leisure	Industrial	Residential	Total
	P	P	P	P	P	P
<b>Segmental Statement of Comprehensive Income for the year ended 30 June 2018</b>						
Segment revenue-rental income	-	12 995 623	22 093 620	41 429 116	3 359 432	79 877 791
Other operating income	-	-	121 019	363 345	47 742	532 106
Administration and Property operating expenses	(12 360 839)	(360 600)	(895 556)	(2 891 007)	(1 438 267)	(17 946 269)
Movement in credit allowances	(1 043 918)	-	-	-	-	(1 043 918)
Net rental and related revenue	(13 404 757)	12 635 023	21 319 083	38 901 454	1 968 907	61 419 710
Finance income	821 785	-	-	-	-	821 785
Income from equity accounted investments	3 165 208	-	-	-	-	3 165 208
Finance costs	(5 095 969)	-	-	-	-	(5 095 969)
Fair value gain on investment property net of adjustment resulting from starlight lining of rental revenue	-	(5 007 136)	9 824 404	28 425 418	(1 127 278)	32 115 408
Income tax expense	(15 893 108)	-	-	-	-	(15 893 108)
<b>Profit from continuing operations</b>	<b>(30 406 841)</b>	<b>7 627 887</b>	<b>31 143 487</b>	<b>67 326 872</b>	<b>841 629</b>	<b>76 533 034</b>
<b>Discontinued operations</b>						
Profit from discontinued operations	-	-	2 337 671	-	-	2 337 671
	<b>(30 406 841)</b>	<b>7 627 887</b>	<b>33 481 158</b>	<b>67 326 872</b>	<b>841 629</b>	<b>78 870 705</b>

Figures in Pula

## 32. Dividends and debenture interest

	2019	2018
Balance at beginning of the year	(19 880 000)	(19 740 000)
Dividends and debenture interest	(57 316 000)	(37 800 000)
Balance at end of the year	30 100 000	19 880 000
	<b>(47 096 000)</b>	<b>(37 660 000)</b>



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

## 33. Events after the reporting period

As at 30 June 2019, the company had entered into a purchase and sale agreement with an independent third party (the "Seller") to purchase property for the company at a cash consideration of P 31 100 000 from the Seller. Subsequent to the end of the reporting period the company, on 14 August 2019, purchased the property, Lot 22033, which is located in Gaborone's prime industrial area and is fully occupied.

Apart from what has been mentioned in the preceeding paragraph, there are no other adjusting or significant non-adjusting events that have occurred between the 30 June reporting date and the date of authorisation.

### Unaudited Detailed Income Statement

Figures in Pula	Note	2019	2018
<b>Continuing operations</b>			
<b>Revenue</b>			
Contractual income		96 911 490	78 197 926
Straightline lease rental adjustment		3 561 839	766 973
Operating cost recoveries		2 002 378	912 892
	3	<b>102 475 707</b>	<b>79 877 791</b>
<b>Other operating income</b>			
Administration and management fees received		80 610	38 978
Bad debts recovered		258 006	493 128
	4	<b>338 616</b>	<b>532 106</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

## Detailed Income Statement *(continued)*

Figures in Pula	Note	2019	2018
<b>Other operating gains (losses)</b>			
Losses on disposal of assets		(14 000 000)	-
Movement in credit loss allowances	5	(1 656 004)	(1 043 918)
<b>Expenses (Refer to page 89)</b>		<b>(26 113 188)</b>	<b>(17 946 269)</b>
<b>Operating profit</b>	5	<b>61 045 131</b>	<b>61 419 710</b>
Finance income	6	1 374 355	821 785
Finance costs	9	(15 593 918)	(5 095 969)
Share of profit from equity accounted investments		1 623 066	3 165 208
<b>Fair value adjustment of investment properties</b>			
Fair value adjustment of investment properties		26 314 126	32 115 408
<b>Profit before taxation</b>		<b>74 762 760</b>	<b>92 426 142</b>
Taxation	10	(11 512 163)	(15 893 108)
<b>Profit for the year from continuing operations</b>		<b>63 250 597</b>	<b>76 533 034</b>
Discontinued operations		(10 177 549)	2 337 671
<b>Profit for the year</b>		<b>53 073 048</b>	<b>78 870 705</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

## Detailed Income Statement *(continued)*

Figures in Pula	Note	2019	2018
<b>Other operating expenses</b>			
AGM expenses		(48 792)	(25 273 )
Administration and management fees		-	(15 000 )
Advertising		(426 940)	(394 913 )
Annual report cost		(197 715)	(201 273 )
Auditors remuneration - external auditors	5	(275 000)	(250 000 )
BSE Sustaining fee		(136 600)	(150 000 )
Bank charges		(40 738)	(65 245 )
CSDC Fees		(10 000)	(9 374 )
Cleaning		(53 053)	(50 000 )
Computer expenses		(620 380)	(410 483 )
Consulting and professional fees		(3 579 809)	(2 315 816 )
Consulting and professional fees - legal fees		(779 167)	(603 683 )
Corporate social responsibility		(107 713)	(120 000 )
Depreciation		(542 462)	(260 870 )
Employee costs		(10 172 002)	(6 823 274 )
Entertainment		(96 291)	(27 155 )
Fees Letting		(52 050)	(354 179 )
Garden		(1 329 971)	(179 244 )
Insurance		(877 159)	(735 797 )
Lease rentals on operating lease		(635 077)	(238 129 )
Levies		(200 356)	(164 551 )
Loss on sale of assets		-	(12 805 )
Motor vehicle expenses		(37 813)	(19 080 )
Municipal expenses		(1 558 490)	(1 196 205 )
Other expenses		(108 388)	(63 403 )
Refuse collection		(78 000)	-
Postage		(28 002)	(57 857 )
Printing and stationery		(68 218)	(76 277 )
Property management costs		(219 707)	(46 844 )
Repairs and maintenance		(1 146 021)	(1 357 099 )
Secretarial fees		(244 198)	(248 940 )
Security		(1 099 477)	(890 302 )
Subscriptions		(145 753)	(57 810 )
Telephone and fax		(277 565)	(174 920 )

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 30 JUNE 2019

Figures in Pula	Note	2019	2018
<b>Detailed Income Statement <i>(continued)</i></b>			
<b>Other operating expenses <i>(continued)</i></b>			
Training		(143 974)	(14 288 )
Travel - local		(391 164)	(135 330 )
Trustees feesw		(24 518)	(20 560 )
Valuation fees		(360 625)	(180 290 )
		<b>(26 113 188)</b>	<b>(17 946 269 )</b>

# Notes

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