letlole la rona

2017 **ANNUAL REPORT**

Long term sustainable returns

COMPANY OVERVIEW

In direct translation, it 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.

Letlole
la rona

MISSION

To invest prudently in real estate and real estate instruments that create a quality, balanced and diversified property portfolio for optimum returns.

VISION

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

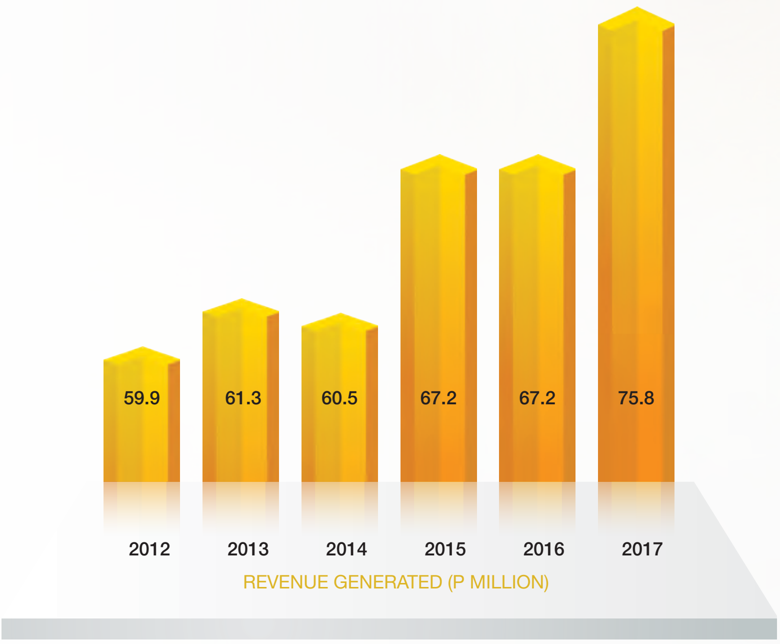
VALUES

Integrity
Innovation
Agility
Customer focus
Excellence

Performance **Highlights**

INVESTMENT PROPERTY PORTFOLIO GROWTH

REVENUE GROWTH



Performance **Highlights**

LLR TOP 15 UNIT HOLDERS

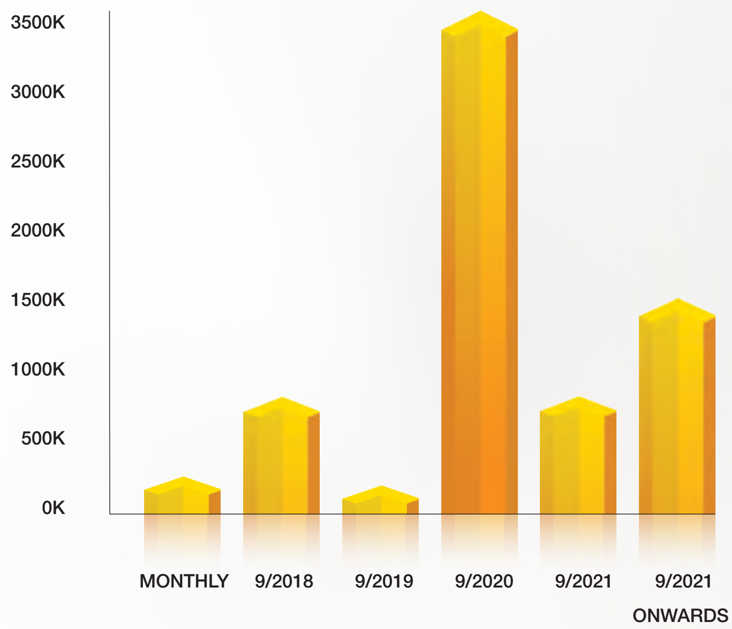
BENEFICIAL SHAREHOLDER		%
BOTSWANA DEVELOPMENT CORPORATION LIMITED		65.79
FNB BOTSWANA NOMINEES (PTY) LTD RE: BIFM BPOPF - EQU		6.71
DELTA INTERNATIONAL MAURITIUS LIMITED		6.25
BOTSWANA PUBLIC OFFICERS PENSION FUND		4.09
FNB NOMINEES (PTY) LTD RE: AGRAY BPOPF 10001010		3.78
BOTSWANA INSURANCE FUND MANAGEMENT		2.25
FNB BOTSWANA NOMINEES (PTY) LTD RE: KGORI BPOPF WP		1.84
ACB RE DEBSWANA PENSION FUND LOCAL EQUITY		1.73
STANBIC NOMINEES BOTSWANA RE: BNY10000099		1.33
ZAC CONSTRUCTION (PTY) LTD		0.36
SCBN (PTY) LTD RE: SIMS 207/002		0.32
STANBIC NOMINEES BOTSWANA RE BIFM BOMAID		0.20
STANBIC NOMINEES BOTSWANA RE BIFM: DEBSWANA ART FU		0.19
SCBN (PTY) LTD RE: BIFM 028914400008		0.18
SCBN (PTY) LTD RE: BIFM 028914400010		0.14

UNITHOLDER GROUPS ARE AS FOLLOWS:

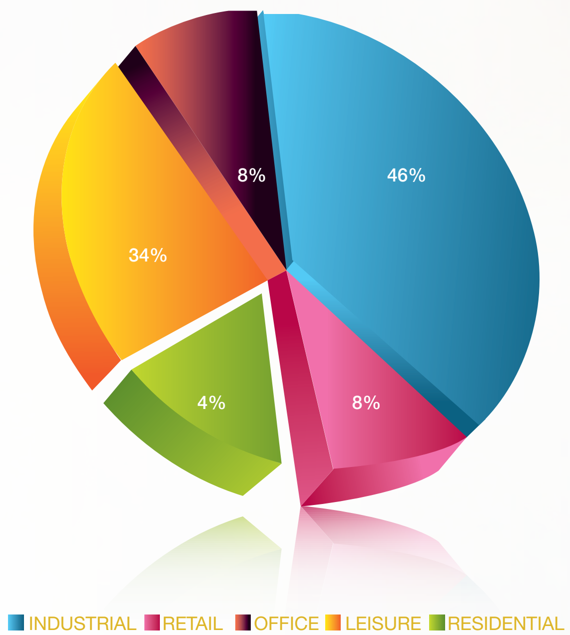
LINKED UNITS	NUMBER OF HOLDERS	%
>100 000 LINKED UNITS	42	97.1
>50 000 LINKED UNITS	31	0.8
>10 000 LINKED UNITS	142	1.2
>5 000 LINKED UNITS	136	0.4
>2 000 LINKED UNITS	186	0.2
>1 000 LINKED UNITS	181	0.1
1000 LINKED UNITS OR LESS	938	0.2
	1656	100.0

Performance **Highlights**

LEASE EXPIRY PROFILE

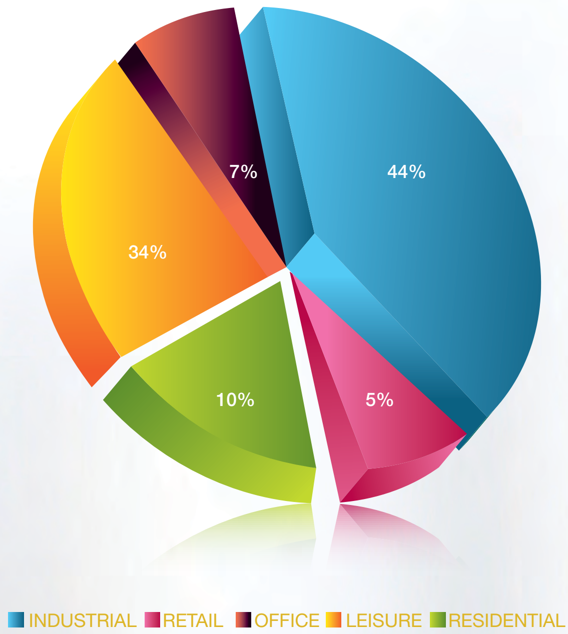


SECTORIAL SPREAD BY INCOME

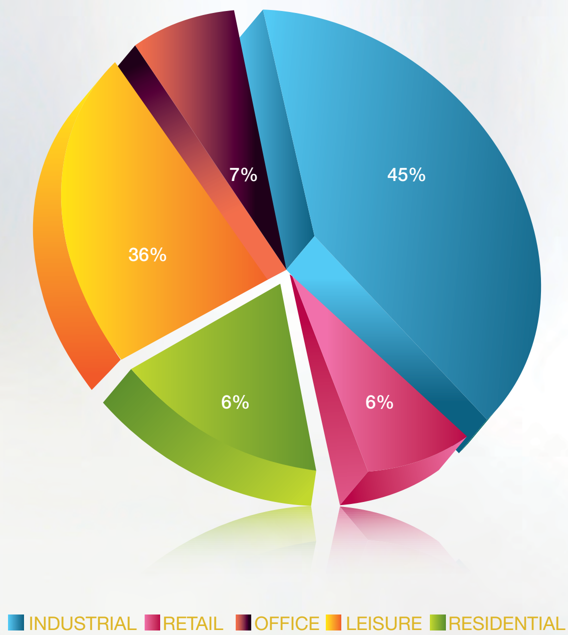


Performance **Highlights**

FY 2017 - PROPERTY PORTFOLIO PER SECTOR (BY VALUE)



FY 2016 - PROPERTY PORTFOLIO PER SECTOR (BY VALUE)



Board of **Directors**

FROM LEFT TO RIGHT

MS. BOITUMELO MOGOPA
Board Chairperson and Member of Audit Risk and Compliance Committee

MR. TERENCE DAMBE
Board Member and Chairperman of the Investment Committee

MR. BAFANA MOLOMO
Board Member and Member of the Investment Committee

MS. JANE TSELAYAKGOSI
Board Member and Chairperson of Audit, Risk and Compliance Committee

MR. CURTIS MATOBOLO
Board Member and Member of the Investment Committee and Audit, Risk and Compliance Committee

MS. TINY KGATLWANE
Board Member and Member of Audit, Risk and Compliance Committee

Executive Management

FROM LEFT TO RIGHT

MS. MAGDELINE TSIANE
Finance and Administration Manager

MR. BAALAKANI NLUMBILE
Acting Chief Executive Officer

Chairperson's **Report**

It gives me great pleasure to present the 2017 Annual Report for Letlole La Rona Limited (LLR).

As I sit at the helm of the company forging the way forward, giving direction to Management with my fellow Directors, we always have in mind the promise that LLR made to the Unit Holders, that is, growth in distribution and capital appreciation of assets and in turn growing Unit Holders' wealth.

LLR has continued to post impressive results albeit the current challenging economic environment, I am therefore proud to announce that LLR has again managed to offer Unit Holders a distribution which outperforms the weighted average distribution/yield when comparing to its peers in the local bourse. The Company has experienced a growth of over 54% in unit price since initial public offering and has also seen more than 80% growth of its investment assets base for the same period.

In as much as LLR's portfolio is heavily skewed towards industrial and leisure sectors contributing 46% and 34% respectively of the overall portfolio value, these sectors have continued to yield good returns over the past years. The company has increased retail contribution from 6% to 10% this financial year.

We have observed that contrary to the general belief that retail sector is nearing saturation in Gaborone, all major retail centers are achieving almost 100% occupancy, and at the backdrop of this have expanded significantly over the years, this sector continues to yield good returns. In addition there are some planned retail developments in Gaborone and greater Gaborone area. We are relentlessly pursing a pipe line of projects and are giving emphasis and priority to retail to create a well-diversified portfolio.

During the financial year under review, the company brought additional skill set and talent to the Board, Mr. Curtis Matobolo a seasoned property surveyor and Ms. Tiny Kgatlwane who has had an illustrious career in the banking and investment arena.

There are six members on the Board of Directors, with a wealth of expertise and knowledge from various fields. The company further has two Board sub-committees: The Audit Risk and Compliance Committee under the stewardship of Ms. Jane Tselayakgosi; and the Investment Committee under Mr. T Dambe.

LOOKING AHEAD

For the coming years, the mettle of LLR will continue to be tested as the company must demonstrate potential for growth in both capital value and contractual income. These important business fundamentals call on the Board not only to support the company's operations for consolidating its domestic investment base but to be more outward looking in pursuit of bankable property investments in the continent.

Lastly, I would like to thank Management and the Board of Directors for their unwavering commitment and dedication in ensuring that the promise made to unit holders by the company is honoured. The Board's strategic guidance received from them as a collective has helped to crystallise and consolidate LLR's position in Botswana's property market.

I would also like to say a special word of heartfelt gratitude to the late Mr Peter Stevenson for his quality leadership and contribution to LLR's success over the years.

BOITUMELO MOGOPA
CHAIRPERSON

CEO's **Report**

I am delighted to present the Letlole La Rona Limited (LLR) annual report for the financial year ended 30 June 2017.

LLR continues to assert itself as a prolific player in the real estate investment arena, and prides itself for being the market leader in industrial and leisure space of the BSE listed property funds. These sectors have proved to be resilient despite the current challenging trading environment.

The company recorded a 20% growth in operating profit and a 13% growth in revenue. The property portfolio's gross rental yield for the 12 months from July 2016 to June 2017 stood at 10.3%. The company has also kept the vacancy minimal, at the close of the financial year, vacancy rate for industrial and commercial portfolio was insignificant, sitting at 1.2%.

ECONOMIC OUTLOOK

The International Monetary Fund's World Economic Outlook update for July 2017 forecasted acceleration of economic activity for advanced, emerging and developing economies. For the former, economic activity is anticipated to accelerate to 2%. The forecast for the latter is 4.6%, at the back of gradual improvement in commodity prices. Global growth is projected to be 3.5%.

The outlook for Sub-Saharan Africa is not very positive. While there is expectation for growth to rise in 2017 and the following year, the forecast is that growth for a third of the countries in the region will be negative. South Africa is expected to grow modestly due to improved rainfall and increased mining output.

At the August 2017 meeting , the Monetary Policy Committee of the Bank of Botswana maintained the central bank's lending rate at 5.5%. This decision was informed by a positive outlook on price stability with inflation expected to be at the lower end of the 3% to 6% medium term bracket set by the Bank. There was a modest decline of 0.1% for inflation, from 3.5% in June 2017 to 3.4% in July 2017.

In the twelve months to March 2017, the Gross Domestic Product in Botswana grew by 3.9% which is an improvement over prior year, considering the contraction of 1.8% experienced in the corresponding period ending March 2016.

LLR'S PERFORMANCE

I am pleased to report that LLR's contractual rental revenue for the year under review grew to P75.8 million compared to P67.2 million in the prior year. This 13% growth was largely driven by prudent management of vacancies, compounded annual escalations which are embedded in the lease agreements as well as rentals from Red Square, a residential property that was added to the company's portfolio in June 2016.

The company further posted profit from operations of P63.8 million (2016: P53.2 million), representing a 20% growth from the prior year. This growth is attributable to increased rental revenues and income from the newly acquired investment in NBC. The dividend pay out received from this investment netted a yield of 8%.

CEO's **Report**

PORTFOLIO GROWTH

The company experienced a 10% growth in its investment assets, from P710 million to P778 million. LLR will continue to explore deals in the market with a view to creating a well-diversified and efficient portfolio which could survive market shocks at any given time.

In line with its growth and diversification strategy, LLR acquired a third stake in NBC Partnership. This partnership has invested in a retail centre with an underlying asset valued at P110 million in Francistown. This retail centre occupies a dominant position within the hierarchy of retail developments in the city because of its proximity to the main bus/taxi rank.

With its asset base and a fairly lazy balance sheet, with current gearing level of 6%, LLR has great potential to grow its portfolio through debt capital. The company has engaged a number of financial institutions and they are willing to gear the portfolio up-to 50%. This position gives LLR an opportunity to raise capital within a reasonable time and take advantage of any transaction in the market available for sale.

In the bid to further improve and retain quality properties which would yield good returns, LLR Management has identified projects/properties to invest in.

DISTRIBUTION

The Company continues to pay an inflation beating distribution bi-annually. The total distribution paid in the year-ending June 2017 was P37.5 million, comprising of debenture interest and dividend, translating to a 6% distribution yield.

PROPERTY MARKET OVERVIEW

The capacity to appreciate in real terms will continue to make property attractive to investors, as they balance their demand for growth in contractual income with capital appreciation over time. Ordinarily short term unexpected negative effects in the economy may weigh negatively on property investment, but in the long run, strategically located and well maintained property in the country will continue to remain competitive relative to other investment classes.

OFFICE MARKET

The position of supply outstripping demand has not changed for the office market especially in Gaborone as developments of office space are ongoing in the CBD despite vacancies in the city. Some of the demand that has been generated for office space in Gaborone is largely a result of relocations from secondary to prime office space. This has seen vacancies rising for secondary office space, with areas like Kgale Mews bearing the brunt of this.

RETAIL MARKET

The anticipated offloading of new retail space into the market, especially in Gaborone, with the completed expansion of Game City, the ongoing expansion of Airport Junction Mall and the planned development of the Smart Partnership retail centre may result in saturation of retail space.

However, relaxation of licensing requirements for foreign retailers, following the granting of waivers for compliance with set procurement criteria considered pro-citizen empowerment will result in increased demand for retail space, especially from South African retailers. Prime yields for retail space are around 8%.

CEO's **Report**

INDUSTRIAL MARKET

The strong outlook on the industrial property remains positive, but lately rentals for larger industrial space exceeding 1,000 square metres have been contained in the P32 to P40 per square metre per month range and higher rates achieved for smaller units less than 500 square metres. However, as there are few new industrial properties coming into the market, especially in key strategic areas commanding greater demand and higher rentals, it is expected that industrial property will continue to be competitive in the medium to long term. Prime yields for industrial property are around 9%.

Some of LLR's industrial units exceed 1,000 square metres, and these have achieved lease renewal rates of between P32 and P40 per square metre per month with annual compound escalations ranging from 6% to 10%.

RESIDENTIAL MARKET

The demand for residential space is good at the lower end. There has been an uptick in the medium range with a substantial number of dwellings sold in Tsholofelo East in Gaborone. On average, these were sold for P1 million, mostly to civil servants taking advantage of the Government's Gemvas loan scheme. For the high end, demand is outstripped by supply and this has resulted in a slow uptake of houses falling in this category.

LEISURE SPACE

The Gaborone hotel and hospitality market has been evolving over the years and is becoming highly competitive. This has seen international brands establishing in Gaborone. The Hilton Hotel in CBD is nearing completion. Room 52; a 54-serviced apartments in I-Towers has just opened for business. Avani Gaborone Resorts and Casino is currently under refurbishment in order to counter the ever-increasing competition. The market is also experienced mushrooming of bed & breakfast establishments, some of which provide accommodation and service of similar quality and standard as the conventional hotels.

CONCLUSION

In conclusion, I would like to thank the Directors of the Board and my Team for the continued commitment in driving the strategy for LLR.

BAALAKANI NLUMBILE
ACTING CHIEF EXECUTIVE OFFICER

Corporate **Governance**

The Board of Directors is committed to maintaining the highest standards of corporate governance. It is collectively responsible for the long-term success of the company. The Board guides and monitors the business and affairs of LLR on behalf of the unitholders whom they are accountable to. It operates in accordance with the principles as set out in the Charter which is available in the company's website.

The Board provides strategic direction for, and approval of the company's business strategies and objectives. It establishes procedures to ensure that financial results are appropriately and accurately reported on a timely basis in accordance with all legal and regulatory requirements. 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.

Corporate **Governance**

The Board has delegated responsibility for management of LLR to executive management and the team. It's 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.

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 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): The Committee has been established primarily, to assist the Board in overseeing the quality and integrity of the Company's annual report and annual financial statements, qualifications and independence of the 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 Investment Committee (IC): 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.

TABLE1:
Board of Directors: Attendance at meetings during the year ended 30 June 2017

NAME	AUDIT RISK AND COMPLIANCE COMMITTEE	INVESTMENT COMMITTEE	BOARD	SPECIAL BOARD	ANNUAL GENERAL MEETING
Jane Tselayakgosi	5	-	3	4	1
Boitumelo Mogopa	5	-	4	4	1
Terence Dambe	-	4	3	5	1
Bafana Molomo	-	4	4	6	1
*Curtis Matobolo	5	3	4	6	1
**Tiny Kgatlwane	-	-	1	-	-

*Appointed 21/09/2016
**Appointed 09/06/2017

Corporate **Governance**

The Board consists of six non-executive Directors, with a good mix of skills and diversity which are aligned with the strategy of the company and which provide good corporate governance and oversight. 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.

PROFILES OF BOARD OF DIRECTORS OF LLR'S BOARD

MS. BOITUMELO MOGOPA

Board Chairperson and Member of Audit Risk and Compliance Committee

Ms. Mogopa holds a Bachelor of Commerce degree from the University of Botswana and is a fellow member of ACCA (UK) and BICA. She currently serves as 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 17 years, during which she has developed a firm understanding of strategy direction and implementation in financial services.

Ms. Mogopa joined First National Bank of Botswana in 2007 to set up FNBB Private Clients, a green field business at the time. Subsequent to successfully heading the very first Private Bank in Botswana, she was promoted to Director; Consumer Segment in 2010. This is the position she held until being appointed CFO in 2012.

Prior to FNBB Ms. Mogopa worked at Standard Chartered Bank and Barclays Bank in the Finance environment.

MR. TERENCE DAMBE

Board Member 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 25 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.

Mr. Dambe is a past member of the Judicial Services Commission, Executive Committee member of the Botswana Football Association and the Confederation Africaine de Football (CAF) Legal Affairs and Player Statutes Committee. He is active as a Director of various companies, Chairman of Kabelano Charity Trust and a Board Member of the Botswana Investment and Trade Centre. Owing to his diverse social and business interests, Mr. Dambe has distinguished himself as a well-rounded leader.

Corporate **Governance**

MR. BAFANA MOLOMO
Board Member and Member of the Investment Committee

Mr. Molomo serves as the Chief Investment Officer at the Botswana Development Corporation (BDC). He joined BDC in 2015 from Vantage Capital - a leading mezzanine fund manager based in Johannesburg and operating across Sub-Saharan Africa.

At Vantage, Mr. Molomo was a Senior Associate originating and structuring deals in South Africa, Botswana, Namibia and Mozambique. He brings extensive experience in; private equity, corporate finance, venture capital, mezzanine finance, structured finance and project finance.

He was previously with VPB in Botswana and Namibia as a senior investment professional. He began his career as an investment analyst with Fleming Asset Management Botswana.

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

MS. JANE TSELAYAKGOSI
Board Member and Chairperson of Audit, Risk and Compliance Committee

Ms. Tselayakgosi has been the Managing Director of Hollard Insurance Company of Botswana (Pty) Ltd since June 2005, a company she set up. She also assisted with the setting up of Hollard Life Botswana in 2013. She is the Country Manager of the Hollard Group of Companies in Botswana (which includes both the short term and life companies).

Her key responsibilities include: strategic development and implementation, the day-to-day running of the company and overseeing the financial, business development, compliance and human resources areas of the business.

She started her career at Botswana Insurance Company, working her way up from trainee graduate to Assistant General Manager of Finance.

Ms. Tselayakgosi has a Bachelor of Commerce degree, majoring in Accounting and Business Studies from the University of Botswana, and is a fellow member of the Association of Chartered Certified Accountants (ACCA) in the UK.

COMPLIANCE STATEMENT

LLR has complied, throughout the year ended 30 June 2017 with the provisions as set out in the Companies Act (CAP 42:01) and the requirements of the Botswana Stock Exchange.

Corporate **Governance**

MR. CURTIS MATOBOLO

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

Matobolo is a Chartered Surveyor who has had an illustrious career within the property consultancy field, which spans over 20 years. He joined KF as a graduate surveyor and rose through the ranks to become the managing director, a position he holds to date.

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 1999. He is a seasoned property valuer with vast experience in the Botswana Market and some southern African countries including Namibia and Lesotho. He has advised almost all listed property funds in Botswana including Primetime where upon he was a transactional valuer. He was a joint lead adviser with CBRE in property consulting in the transactional listing of Turnstar Holdings. He was the property consultant in the listing of Letlole La Rona whereupon he advised from the due diligence stage to the final portfolio selection. He has over the years advised at a strategic level pension funds, affluent individual property investors and institutions on matters of property development, property investments and town planning.

MS. TINY KGATLWANE

Board Member and Member of Audit, Risk and Compliance Committee

Ms. Kgatlwane has an extensive career in the banking sector as well as the broader financial services industry. Her career started with Botswana Development Corporation where she was in the Projects Division where she was exposed to projects development as well as projects management earlier in her career. She then had an opportunity to work locally as well as internationally for Standard Chartered Bank (Pty) Ltd in Corporate Banking, Board Secretariat as well as in the Treasury divisions where she rose to the position of Country Treasurer. She worked for the bank for over 11 years having gained lots of skills in business and leadership. Tiny later worked for another international bank, Barclays Bank of Botswana where she was Country Treasurer as well as Head of Retail Sales.

A result oriented and effective leader with proven skills, she held the position of Principal Executive Officer for the largest private pension fund, Debswana Pension Fund for over 4 years. This was followed by the position of Chief Executive of Botswana Insurance Fund Management (BIFM). The company is the largest asset management firm in Botswana and a 100% subsidiary of BIHL, a company listed on the Botswana Stock Exchange. Tiny has, over her career, held many Executive Directorships as well as non-Executive positions. The Executive positions held were at BIFM Holdings and BIFM Botswana, Debswana Pension Fund, and Ridge Reality (Pty) Ltd. She has held Non-Executive Directorship positions at Botswana Competition Authority, Botswana Medical Aid Society, Botswana Red Cross, Sechaba Breweries Holdings Limited and Botswana Tourism Organization just to mention a few. She is currently a Director at Botswana Privatization Asset Holding (Pty) Ltd, and ABM University College. She also currently holds the position of Executive Director at First Sun Insurance Brokers (Pty) Ltd, a majority citizen-owned company.

Corporate **Governance**

The Board consists of six non-executive Directors, with a good mix of skills and diversity which are aligned with the strategy of the company and which provide good corporate governance and oversight. 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.

PROFILES OF EXECUTIVE MANAGEMENT OF LLR'S BOARD

MS. MAGDELINE TSIANE

Finance and Administration Manager

Ms. Magdeline Tsiane is a seasoned certified Chartered Accountant with thorough knowledge and experience in the accounting profession. She worked at Botswana Development Corporation for 25 years where she was the Chief Financial Accountant, having previously worked in various positions. Before leaving BDC she served as acting General Manager; Management Services, responsible for various management support services.

She joined Letlole La Rona Limited in October 2015 as the Finance and Administration Manager. At the time of joining LLR, there were no internal systems and processes for running finance and administration functions as these had been outsourced. Ms. Tsiane played a leading role in putting together all requisite systems and processes.

Ms. Tsiane is a committed and dedicated Member of LLR who has to date demonstrated a high level of responsibility in all the different functions she is currently responsible for such as, preparation of Financial Reports, Treasury Function, Human Resources and Administration.

She is a Fellow Member of the Association of Chartered Certified Accountants FCCA, and the Botswana Institute of Chartered Accountants FCA (Bots). She is also a fellow Member of the Association of Accounting Technicians (FMAAT). Ms. Tsiane has done a Senior Management Development Program with the University of Stellenbosch.

Corporate **Governance**

MR. BAALAKANI NLUMBILE
Acting Chief Executive Officer

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.

PROPERTIES
OTHERS

LLR is the market leader in industrial property investments in Botswana

THAPAMA HOTEL
VALUE: **BWP 68 000 000.00**

CRESTA LODGE
VALUE: **BWP 83 500 000.00**

BOSELE HOTEL
VALUE: **BWP 27 000 000.00**

PRESIDENT HOTEL
VALUE: **BWP 84 000 000.00**

PROPERTIES
OTHERS

LLR is the market leader in industrial property investments in Botswana

LOT 74204 - GABORONE
VALUE: **BWP 80 000 000.00**

LOT 14457 - GABORONE
VALUE: **BWP 7 300 000.00**

LOT 14460 - GABORONE
VALUE: **BWP 6 500 000.00**

LOT 14453 - GABORONE
VALUE: **BWP 8 500 000.00**

PROPERTIES
OTHERS

LLR is the market leader in industrial property investments in Botswana

LOT 14454 - GABORONE
VALUE: **BWP 8 800 000.00**

LOT 28911 - GABORONE
VALUE: **BWP 67 500 000.00**

LOT 22038 - GABORONE
VALUE: **BWP 30 000 000.00**

LOT 32084 - GABORONE
VALUE: **BWP 82 000 000.00**

PROPERTIES
OTHERS

LLR is the market leader in industrial property investments in Botswana

LOT 4738 - RETAIL - GABORONE
VALUE: **BWP 42 000 000.00**

MOEDI - OFFICE - GABORONE
VALUE: **BWP 54 000 000.00**

RED SQUARE - RESIDENTIAL - GABORONE
VALUE: **BWP 42 000 000.00**

CONTENTS

Annual Financial Statements

THE FOLLOWING SUPPLEMENTARY INFORMATION DOES NOT FORM PART OF THE ANNUAL FINANCIAL STATEMENTS AND IS UNAUDITED:

General **Information**

FOR THE YEAR ENDED 30 JUNE 2017

COUNTRY OF INCORPORATION AND DOMICILE	Botswana
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	The company is a Variable Loan Stock company engaged in property investment and deriving revenue primarily from property rentals and trade in property and property instruments.
DIRECTORS	B Mogopa (Chairperson) J Tselayakgosi B Molomo T Dambe C Matobolo (Appointed 21/09/2016) T Kgatlwane (Appointed 09/06/2017) P Stevenson (Deceased 12/09/2016)
REGISTERED OFFICE	Letlole La Rona Limited 1st Floor, 5 Matante Mews, Plot 54373, CBD P O Box 700ABG Gaborone, Botswana
BUSINESS ADDRESS	1st Floor, 5 Matante Mews, Plot 54373, CBD P O Box 700ABG Gaborone, Botswana
AUDITORS	Grant Thornton Chartered Accountants and Certified Auditors of Public Interest Entities
SECRETARY	KPMG Plot 67977, Fairgrounds Office Park P O Box 1519 Gaborone, Botswana
COMPANY REGISTRATION NUMBER	CO2010/6316
DATE OF INCORPORATION	8 July 2010
TRANSFER SECRETARIES	DPS Consulting Services (Proprietary) Limited Plot 50371, Fairgrounds Office Park P O Box 1453 Gaborone, Botswana
LEGAL ADVISORS	Armstrongs Attorneys Acacia House, Plot 54358, New CBD P O Box 1368 Gaborone, Botswana
DEBENTURE TRUST TRUSTEES	Corpserve Transaction Management Services (Proprietary) Limited

Directors' **Report**

FOR THE YEAR ENDED 30 JUNE 2017

The directors have pleasure in submitting to the linked unitholders their report and the audited annual financial statements of the Company for the year ended 30 June 2017.

1. REVIEW OF ACTIVITIES

MAIN BUSINESS AND OPERATIONS

The Company is a variable rate loan stock public company and derives its revenue primarily from the rental of investment properties.

2. 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.

3. 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 75% of available cash after prudent retention and provision for foreseeable capital expenditure and cash flow requirements as per the Trust Deed of the Company.

4. INTERESTS OF DIRECTORS AND SECRETARY

None of the Directors or Secretary who held office at 30 June 2017 had any interest in the company.

DIRECTOR

DIRECTOR

Directors' **Responsibilities** and Approval

FOR THE YEAR ENDED 30 JUNE 2017

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 2017, and the statement of 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 and 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.

Directors' **Responsibilities** and Approval

FOR THE YEAR ENDED 30 JUNE 2017

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 34 to 38.

The annual financial statements set out on pages 39 to 84, which have been prepared on the going concern basis, were approved by the board of directors on 21 September 2017 and were signed on its behalf by:

APPROVAL OF FINANCIAL STATEMENTS

DIRECTOR

DIRECTOR
GABORONE

Independent **Auditor's Report**

FOR THE YEAR ENDED 30 JUNE 2017

Grant Thornton
An instinct for growth

Chartered Accountants

Grant Thornton
Acumen Park.
Plot 50370
Fairgrounds
P O Box 115V
Gaborone, Botswana

T +267 395 E313
F +267 397 2357

TO THE SHAREHOLDERS OF LETLOLE LA RONA LIMITED

OPINION

We have audited the annual financial statements of Letlole La Rona Limited set out on pages 39 to 84, which comprise the statement of financial position as at 30 June 2017, 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 2017, 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.

Independent **Auditor's Report**

FOR THE YEAR ENDED 30 JUNE 2017

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	
VALUATION OF THE INVESTMENT PROPERTY	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
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. The total values of investment properties recorded in the financial statements amounts to P 712.08 million Due to the significant assumptions, estimates and judgements involved in the process of determining the market values of these investment properties, these matters are considered as key audit matters.	The fair values of the external properties were determined by experts appointed by the management. We have held discussions with these experts to gather an understanding of the various inputs, assumptions, estimates and process used in arriving at the values. We have assessed the competence, independence and integrity of the external valuers. We have verified the underlying data used by them significant ones being rental yields, escalation terms and lease period on a sample basis. Further, we have compared the market capitalisation rates used by them for various segments with the prevailing market conditions to assess reasonableness. Also, a part of our audit procedure, we sampled individual properties and verified the registration of the title deeds of these properties to establish the ownership as belonging to the company. Our audit procedures have resulted in appropriate audit evidence towards ownership and values of these investment properties

Independent **Auditor's Report**

FOR THE YEAR ENDED 30 JUNE 2017

Grant Thornton
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KEY AUDIT MATTER	
RECOGNITION OF REVENUE	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
The company's significant portion of revenue is derived through rents from its tenants. The company applies IAS 17 to recognise rental income on a straight line basis over the lease term. The total revenue recognised in the financial statement amounts to P75.85 million. Operating lease asset is the cumulative difference between the contractual rent and the straight line rent over the period of lease.	We have performed walkthroughs on the revenue cycle to gain an understanding of various process and controls over revenue recognition. This testing includes the verification of the details of lease agreements, approvals and changes to the lease terms and upload of this information to the company's management system. We have assessed the design effectiveness of the controls and performed controls testing on the billings.
Due to the significance of the total revenue and its effect on the reported results, the matter is considered Key.	We have obtained the rental income schedule from the operating system and determined that rental income has been appropriately recorded in the general ledger. We selected a sample of lease agreements to verify that the rental has been appropriately recognised in the operating system and the operating lease asset has been computed appropriately. We obtained the monthly schedule of rental income for several tenants and reviewed the variations of the rental income to budgets to identify any unusual trends. We have reviewed the company's credit policy on its debtors and assessed that appropriate provision is made on overdue accounts where the recoverability of the balances was doubtful. We have gathered appropriate audit evidence towards the revenue and the operating lease asset.

Independent **Auditor's Report**

FOR THE YEAR ENDED 30 JUNE 2017

KEY AUDIT MATTER	
INVESTMENT IN ASSOCIATE	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
During the year, the company acquired 1/3 stake in a partnership whose underlying assets are made up of investment properties. The value of the stake was determined based on the fair value of the investment property belonging to the partnership as at the date of acquisition. At the year end, the equity accounted value of the associate was reported at P38.63 million representing the 1/3rd share of the total equity of the associate. The underlying investment property of this associate was determined using external valuation experts. During the year, the company received P2.7 million as its share of dividends and distribution and further reported P 3.6 m as the undistributed income share from the associate. Due to the significance of this transaction during the year and the judgements involved in assessing the values, this matter is considered key to the audit.	We have reviewed the agreements that portray the substance of the acquisition, reviewed the minutes of the board approving this transaction from the related party and have verified the payments made towards the acquisition. We have also obtained the valuation report of the underlying investment property of the partnership, held discussions with the external valuers to gather an understanding of the various assumptions and inputs used. Our audit procedures have resulted in appropriate audit evidence towards the investment in the associate.

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.

Independent **Auditor's Report**

FOR THE YEAR ENDED 30 JUNE 2017

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.

- 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.

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

Grant Thornton

Chartered Accountants
Certified Auditor: Mr. Madhavan Venkatachary: 20030049
Certified Auditor of Public Interest Entity
Certificate Number: CAP 0017 2017

21 SEPTEMBER 2017
GABORONE

Statement of **Profit or Loss**

AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 P	2016 P
Revenue	3	75 858 589	67 214 037
Other income	4	465 374	302 413
Dividend and distribution income	4	2 700 000	-
Property related expenses	5	(4 895 994)	(7 390 188)
Administration and operating expenses	5	(10 353 310)	(6 964 206)
Operating profit		**63 774 659**	**53 162 056**
Finance income	6	416 489	1 776 892
Fair value adjustment of investment properties	7	24 472 153	39 322 167
Income from equity accounted investments	12	3 631 486	-
Finance costs	8	(3 392 024)	(1 994 684)
Profit before taxation		**88 902 763**	**92 266 431**
Taxation	9	(14 760 322)	(18 390 731)
Profit for the year		**74 142 441**	**73 875 700**
Other comprehensive income		-	-
Total comprehensive income for the year		**74 142 441**	**73 875 700**
Earnings per share			
Earnings per linked unit (thebe)	21	29.41	29.29
Distribution per linked unit (thebe)	22	13.40	13.30
Dividends per linked unit (thebe)	22	0.10	0.10
Debenture interest per linked unit (thebe)	22	13.30	13.20

Statement of **Financial Position**

AS AT 30 JUNE 2017

	Note	2017 P	2016 P
Assets			
Non-Current Assets			
Investment property	10	712 083 069	685 325 100
Operating lease asset	10	27 316 932	24 774 900
Plant and equipment	11	817 069	753 255
Investment in associate	12	38 631 486	-
Deferred taxation recoverable - related party	13	5 387 628	5 582 788
		784 236 184	**716 436 043**
Current Assets			
Taxation refundable		282 275	242 294
Trade and other receivables	14	3 250 346	11 260 023
Cash and cash equivalents	15	19 486 931	13 321 143
		23 019 552	24 823 460
Total Assets		**807 255 736**	**741 259 503**
Equity and Liabilities			
Equity			
Stated capital	16	2 718 884	2 718 884
Reserves	17	405 113 547	405 113 547
Accumulated profit	18	278 594 038	233 778 797
		686 426 469	**641 611 228**
Liabilities			
Non-Current Liabilities			
Borrowings	19	44 762 004	-
Deferred tax	20	43 157 076	36 784 714
		87 919 080	**36 784 714**
Current Liabilities			
Debenture interest and dividend payable	22	19 740 000	19 600 000
Trade and other payables	23	11 195 287	6 750 339
Borrowings	19	1 974 900	-
Bank overdraft	15	-	36 513 222
		32 910 187	**62 863 561**
Total Liabilities		**120 829 267**	**99 648 275**
Total Equity and Liabilities		**807 255 736**	**741 259 503**

Statement of **Changes in Equity**

FOR THE YEAR ENDED 30 JUNE 2017

	Stated capital	Debentures	Total stated capital and debentures	Accumulated profit	Total equity
	P	P	P	P	P
Balance at 1 July 2015	**2 718 884**	**405 113 547**	**407 832 431**	**189 011 897**	**596 844 328**
Profit for the year	-	-	-	73 875 700	73 875 700
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**73 875 700**	**73 875 700**
Taxation attributable to debenture interest	-	-	-	8 131 200	8 131 200
Dividends declared	-	-	-	(280 000)	(280 000)
Debenture interest declared	-	-	-	(36 960 000)	(36 960 000)
Total distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**(29 108 800)**	**(29 108 800)**
Balance at 1 July 2016	**2 718 884**	**405 113 547**	**407 832 431**	**233 778 797**	**641 611 228**
Profit for the year	-	-	-	74 142 441	74 142 441
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**74 142 441**	**74 142 441**
Taxation attributable to debenture interest	-	-	-	8 192 800	8 192 800
Dividends declared	-	-	-	(280 000)	(280 000)
Debenture interest declared	-	-	-	(37 240 000)	(37 240 000)
Total distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**(29 327 200)**	**(29 327 200)**
Balance at 30 June 2017	**2 718 884**	**405 113 547**	**407 832 431**	**278 594 038**	**686 426 469**
Note(s)	16	17		18	

Statement of **Cash Flows**

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 P	2016 P
Cash flows from operating activities			
Profit before taxation		88 902 763	92 266 431
Adjustments for:			
Depreciation		220 353	102 361
Loss on sale of plant and equipments		11 789	5 687
Income from equity accounted investments		(3 631 486)	-
Finance income	6	(416 489)	(1 776 892)
Finance costs	8	3 392 024	1 994 684
Fair value adjustment investment properties	7	(24 472 153)	(39 322 167)
Impairment losses on receivables		595 531	615 855
Movements in operating lease asset		(2 542 032)	(2 701 204)
Dividend income		(2 700 000)	-
Changes in working capital:			
Trade and other receivables		7 414 146	(2 562 230)
Trade and other payables		4 444 949	436 450
		71 219 395	49 058 975
Tax paid	24	(39 981)	(127 157)
Net cash from operating activities		**71 179 414**	**48 931 818**
Cash flows from investing activities			
Acquisition of plant and equipment	11	(295 956)	(714 106)
Additions of investment property	10	(2 285 817)	(45 816 629)
Investment in associate		(35 000 000)	-
Finance Income	6	416 489	1 776 892
Dividends received		2 700 000	-
Net cash from investing activities		**(34 465 284)**	**(44 753 843)**
Cash flows from financing activities			
Proceeds from borrowings		47 756 000	-
Repayment of borrowings		(1 019 096)	(37 937 216)
Distribution		(37 100 000)	(36 820 000)
Dividends		(280 000)	(280 000)
Finance costs	8	(3 392 024)	(1 994 684)
Net cash used in financing activities		**5 964 880**	**(77 031 900)**
Total cash and cash equivalents movement for the year		**42 679 010**	**(72 853 925)**
Cash and cash at the beginning of the year		(23 192 079)	49 661 846
Total cash and cash equivalents at end of the year	**15**	**19 486 931**	**(23 192 079)**

Accounting **Policies**

FOR THE YEAR ENDED 30 JUNE 2017

1. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The annual financial statements have been prepared in accordance with International Financial Reporting Standards. The annual financial statements have been prepared on 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.

1.1 REVENUE

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.

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.

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 or substantively 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. In the case of a business combination, the tax effect is taken into account in calculating or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

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 to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. 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 statement of comprehensive income 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 comprehensive income.

1.6 PLANT AND EQUIPMENT

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.

An item of 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.

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 assets and adjustments in respect of hedge accounting, where appropriate.

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 plant and equipment have been assessed as follows:

Item	**Depreciation method**	**Average useful life**
Furniture and fixtures	Straight line	10 years
IT equipment	Straight line	4 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. 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 plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of 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 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 plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of 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 professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the company's accounting policy.

1.8 INVESTMENT IN ASSOCIATE

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.

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. Losses in an associate in excess of the company's interest in that associate, including any other unsecured receivables, are recognised only to the extent that the group has incurred a legal or constructive obligation to make payments on behalf of the associate.

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.

1.9 IMPAIRMENT OF ASSETS (CONTINUED)

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

CLASSIFICATION

The company classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

INITIAL RECOGNITION AND MEASUREMENT

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at trade date.

SUBSEQUENT MEASUREMENT

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

1.10 FINANCIAL INSTRUMENTS (CONTINUED)

DERECOGNITION

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire.

IMPAIRMENT OF FINANCIAL ASSETS

At each reporting date the company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

Trade receivables are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account.

Subsequent recoveries of amounts previously written off are credited in profit or loss.

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.10 FINANCIAL INSTRUMENTS (CONTINUED)

TRADE AND OTHER RECEIVABLES

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

TRADE AND OTHER PAYABLES

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at 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 DEBENTURE INTEREST AND DIVIDENDS

Debenture interest and dividends proposed after the reporting date are shown as a component of equity.

1.13 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.

1.13 LEASES (CONTINUED)

THE COMPANY AS LESSOR

Amounts due from lessees under finance leases are recorded as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of the leases.

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

THE COMPANY AS LESSEE

Assets held under finance leases are initially recognised as assets of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss. Contingent rentals are recognised as expenses in the periods in which they are incurred.

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.

1.14 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.

1.15 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.

Accounting **Policies**

FOR THE YEAR ENDED 30 JUNE 2017

1.15 EMPLOYEE BENEFITS (CONTINUED)

SHORT-TERM EMPLOYEE BENEFITS (CONTINUED)

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.

1.16 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.

All dealings with related parties are transacted on an arm's length basis and accordingly included in profit or loss for the year.

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

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.

Critical **Accounting Judgements**

AND KEY SOURCES OF ESTIMATION UNCERTAINTY

FOR THE YEAR ENDED 30 JUNE 2017

In the application of the Company's accounting policies management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future and other sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts within the next financial year.

TRADE RECEIVABLES

Management identifies impairment of trade receivables on an ongoing basis. Impairment adjustments are raised against trade receivables when the collectability is considered to be doubtful. Management believes that the impairment write-off is conservative and there are no significant trade receivables that are doubtful and have not been provided for. In determining whether a particular receivable could be doubtful, the following factors are taken into consideration e.g. age, customer current financial status, security held and disputes with customer.

FAIR VALUE ESTIMATION

The directors use their judgment in selecting an appropriate valuation technique for the investment properties. Investment properties are valued using methods that include discounted cash flow analysis based on assumptions supported, where possible, by observable market prices.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

IMPAIRMENT TESTING

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of assets.

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply and demand, together with economic factors such as exchange rates, inflation and interest.

Critical **Accounting Judgements**

AND KEY SOURCES OF ESTIMATION UNCERTAINTY

FOR THE YEAR ENDED 30 JUNE 2017

PROVISIONS

Provisions were raised and management determined an estimate based on the information available.

TAXATION

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax law. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

USEFUL LIFE AND RESIDUAL VALUE OF PROPERTY, PLANT AND EQUIPMENT

The estimates of useful lives as translated into depreciation rates are detailed in property, plant and equipment policy on the annual financial statements. These rates and residual lives of the assets are reviewed annually taking cognisance of the forecasted commercial and economic realities and through benchmarking of accounting treatments in the industry.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 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:

AMENDMENT TO IFRS 7: FINANCIAL INSTRUMENTS: DISCLOSURES: ANNUAL IMPROVEMENTS PROJECT

The amendment provides additional guidance regarding transfers with continuing involvement. Specifically, it provides that cash flows excludes cash collected which must be remitted to a transferee. It also provides that when an entity transfers a financial asset but retains the right to service the asset for a fee, that the entity should apply the existing guidance to consider whether it has continuing involvement in the asset.

The effective date of the company is for years beginning on or after 1 January 2016.

The company has adopted the amendment for the first time in the 2017 annual financial statements.

The impact of the amendment is not material.

DISCLOSURE INITIATIVE: AMENDMENT TO IAS 1: PRESENTATION OF FINANCIAL STATEMENTS

The amendment provides new requirements when an entity presents subtotals in addition to those required by IAS 1 in its annual financial statements. It also provides amended guidance concerning the order of presentation of the notes in the annual financial statements, as well as guidance for identifying which accounting policies should be included. It further clarifies that an entity's share of comprehensive income of an associate or joint venture under the equity method shall be presented separately into its share of items that a) will not be reclassified subsequently to profit or loss and b) that will be reclassified subsequently to profit or loss.

The effective date of the company is for years beginning on or after 1 January 2016.

The company has adopted the amendment for the first time in the 2017 annual financial statements.

The impact of the amendment is not material.

2.2 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 1 July 2017 or later periods:

AMENDMENTS TO IFRS 10 AND IAS 28: SALE OR CONTRIBUTION OF ASSETS BETWEEN AN INVESTOR AND ITS ASSOCIATE OR JOINT VENTURE

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parents' profit or loss only to the extent of the unrelated investors' interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture. The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parents' profit or loss.

The effective date of the amendment is to be determined by the IASB.

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

IFRS 16 LEASES

IFRS 16 Leases is a new standard 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.
- 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-ofuse 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 standard is for years beginning on or after 1 January 2019.

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

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

AMENDMENTS TO IFRS 15: CLARIFICATIONS TO IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The amendment provides clarification and further guidance regarding certain issues in IFRS 15. These items include guidance in assessing whether promises to transfer goods or services are separately identifiable; guidance regarding agent versus principal considerations; and guidance regarding licenses and royalties.

The effective date of the amendment is for years beginning on or after 1 January 2018.

The company expects to adopt the amendment for the first time in the 2019 annual financial statements.

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

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 as 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.

- 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 the standard is for years beginning on or after 1 January 2018.

The company expects to adopt the standard for the first time in the 2019 annual financial statements.

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

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after 1 January 2018.

The company expects to adopt the standard for the first time in the 2019 annual financial statements.

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

AMENDMENTS TO IAS 7: DISCLOSURE INITIATIVE

The amendment requires entities to provide additional disclosures for changes in liabilities arising from financing activities.

Specifically, entities are now required to provide disclosure of the following changes in liabilities arising from financing activities:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchanges;
- changes in fair values; and
- other changes.

The effective date of the amendment is for years beginning on or after 1 January 2017.

The company expects to adopt the amendment for the first time in the 2018 annual financial statements.

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

AMENDMENTS TO IAS 12: RECOGNITION OF DEFERRED TAX ASSETS FOR UNREALISED LOSSES

In terms of IAS 12 Income Taxes, deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. The following amendments have been made, which may have an impact on the company:

If tax law restricts the utilisation of losses to deductions against income of a specific type, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type.

Additional guidelines were prescribed for evaluating whether the company will have sufficient taxable profit in future periods.

The company is required to compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences. This comparison shows the extent to which the future taxable profit is sufficient for the entity to deduct the amounts resulting from the reversal of those deductible temporary differences.

The amendment also provides that the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

The effective date of the amendment is for years beginning on or after 1 January 2017.

The company expects to adopt the amendment for the first time in the 2018 annual financial statements.

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

Notes to the **Annual Financial** Statements

FOR THE YEAR ENDED 30 JUNE 2017

	2017 P	2016 P
3. REVENUE		
Contractual revenue	73 316 558	64 512 833
Straight line lease rental adjustment	2 542 031	2 701 204
	75 858 589	**67 214 037**
4. OTHER INCOME		
Administration fees	61 975	19 500
Bad debts recovered	40 620	9 769
Sundry Income	362 779	273 144
Dividend and distribution income	2 700 000	-
	3 165 374	**302 413**

Notes to the **Annual Financial** Statements

FOR THE YEAR ENDED 30 JUNE 2017

	2017 P	2016 P
5. PROPERTY RELATED AND ADMINISTRATION EXPENSES		
Remuneration, other than to employees, for:		
Management and administration fees	-	2 664 573
Operating lease charges		
Premises		
Contractual amounts	228 512	224 874
Advertising	280 161	214 893
Auditor's remuneration	211 000	204 353
Consulting and professional fees	2 306 130	441 092
Depreciation on property, plant and equipment	220 353	102 361
Directors fees	880 000	912 000
Employee costs	4 274 603	3 011 037
Garden maintenance	87 255	52 000
Impairment on trade and other receivables	595 531	615 855
Insurance	680 034	578 903
Lease renewal	-	553 557
Letting fees	254 014	238 698
Loss on sale of plant and equipment	11 789	5 687
Property management fees	-	1 451 016
Rates	956 480	1 689 271
Repairs and maintenance	1 108 968	1 551 151
Secretarial fees	-	660 000
Security	767 153	357 693
Utilities	282 659	432 845
6. FINANCE INCOME		
Interest income		
Bank	257 173	671 210
Other interest	159 316	1 105 682
	416 489	**1 776 892**

	2017 P	2016 P
7. FAIR VALUE ADJUSTMENT OF INVESTMENT PROPERTIES		
As per valuation	27 014 184	42 023 371
Straight line lease adjustment	(2 542 031)	(2 701 204)
	24 472 153	**39 322 167**
8. FINANCE COSTS		
Bank borrowings and interest	3 392 024	1 994 684
9. TAXATION		
Major components of the tax expense		
Current		
Attributable to debenture interest credited to statement of changes in equity	8 192 800	8 131 200
Deferred		
Deferred tax charge	5 110 480	3 516 539
Deferred capital gains tax	1 457 042	6 742 992
	6 567 522	**10 259 531**
	14 760 322	**18 390 731**
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense.		
Accounting profit	88 902 763	92 266 431
Tax at the applicable tax rate of 22% (2016: 22%)	19 558 608	20 298 615
Tax effect of adjustments on taxable income		
Permanent differences	(6 255 328)	(8 650 876)
Tax effect due to capital gains	1 457 042	6 742 992
	14 760 322	**18 390 731**

No provision has been made for 2017 tax as the company has no taxable income. The estimated tax loss available for set off against future taxable income is P4 826 520 (2016: P15 374 950).

	2017 P	2016 P
10. INVESTMENT PROPERTY		
At fair value		
Freehold properties	84 000 000	87 240 800
Leasehold properties	655 400 000	622 859 200
	739 400 000	710 100 000
Straight line rental adjustment	(27 316 931)	(24 774 900)
	712 083 069	**685 325 100**
Reconciliation of fair value:		
At valuation	710 100 000	622 260 000
Straight line lease rental adjustment at the beginning of the year	(24 774 901)	(22 073 696)
Opening fair value	**685 325 099**	**600 186 304**
Additions during the year	2 285 817	45 816 629
Increase in fair value during the year	27 014 184	42 023 371
Straight line rental adjustment	(2 542 031)	(2 701 204)
	712 083 069	**685 325 100**

The fair value of the company's investment properties at 30 June 2017 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 Riberry Botswana (Proprietary) Limited, independent valuers. Riberry 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.

	2017	2016
	P	P

10. INVESTMENT PROPERTY (CONTINUED)

Freehold land comprises of:
- Plot 1169 Gaborone

Leasehold properties comprise:

- Plot 2989 Gaborone	50 year State Grant from 26 August 1970
- Plot 4738 Gaborone	50 year State Grant from 30 August 1977
- 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
- Plot 14459 Gaborone	50 year State Grant from 22 August 1986
- 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 50719 Gaborone	50 year State Grant from 06 December 1990
- Plot 54233 Gaborone	50 year State Grant from 10 October 1997
- Plot 6384 Francistown	50 year State Grant from 06 December 1984
- Plot 9787 Francistown	50 year State Grant from 23 August 1991
- Plot 276 Selebi Phikwe	50 year State Grant from 28 June 1973

Plots 4378 and 50380, with a total carrying value of P96 million have been encumbered as described in note 15.

Amounts recognised in profit and loss for the year

	2017	2016
Rental income from investment property	(75 858 589)	(67 214 037)
Direct operating expenses from rental generating property	6 337 255	7 390 188
	(69 521 334)	**(59 823 849)**

	2017			2016		

11. PLANT AND EQUIPMENT

	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Plant and machinery	41 033	(32 484)	8 549	41 033	(11 968)	29 065
Motor vehicles	232 383	(53 255)	179 128	-	-	-
Office equipment	197 606	(51 911)	145 695	197 606	(32 151)	165 455
IT equipment	410 234	(151 606)	258 628	360 134	(58 391)	301 743
Computer software	274 446	(49 377)	225 069	274 446	(17 454)	256 992
Total	**1 155 702**	**(338 633)**	**817 069**	**873 219**	**(119 964)**	**753 255**

Reconciliation of plant and equipment - 2017

	Opening carrying value	Additions	Disposals	Depreciation	Closing carrying value
Plant and machinery	29 065	-	-	(20 516)	8 549
Motor vehicles	-	232 383	-	(53 255)	179 128
Office equipment	165 455	-	-	(19 760)	145 695
IT equipment	301 743	63 573	(11 789)	(94 899)	258 628
Computer software	256 992	-	-	(31 923)	225 069
	753 255	**295 956**	**(11 789)**	**(220 353)**	**817 069**

Reconciliation of plant and equipment - 2016

	Opening carrying value	Additions	Disposals	Depreciation	Closing carrying value
Plant and machinery	-	41 033	-	(11 968)	29 065
Office equipment	128 094	55 279	-	(17 918)	165 455
IT equipment	19 103	343 348	(5 687)	(55 021)	301 743
Computer software	-	274 446	-	(17 454)	256 992
	147 197	**714 106**	**(5 687)**	**(102 361)**	**753 255**

12. INVESTMENT IN ASSOCIATE

The following table lists all of the associates in the company:

Name of the associate	% ownership ownership interest 2017	% ownership ownership interest 2016	Carrying amount 2017	Carrying amount 2016
NBC Developments (Partnership)	33.33 %	- %	38 631 486	-

Summarised financial information of material associates

Summarised Statement of Profit or Loss and Other Comprehensive Income	NBC Developments 2017	2016
Revenue	6 227 096	-
Other income and expenses	(1 756 093)	-
Profit from continuing operations	4 471 003	-
Total comprehensive income	**4 471 003**	**-**

Summarised Statement of Financial Position	NBC Developments 2017	2016
Assets		
Non-current	112 115 830	-
Current	5 627 468	-
Total assets	**117 743 298**	**-**
Liabilities		
Current	1 837 249	-
Total liabilities	**1 837 249**	**-**
Total net assets	**115 906 049**	**-**

	2017 P	2016 P
12. INVESTMENT IN ASSOCIATE (CONTINUED)		
Interest in associates at percentage ownership	38 631 486	-
Carrying value of investment in associate	38 631 486	-
Acquisitions	35 000 000	-
Share of profit	3 631 486	-
Investment at end of period	**38 631 486**	**-**

The summarised information presented above reflects the financial statements of the associates after adjusting for differences in accounting policies between the company and the associate.

13. DEFERRED TAXATION RECOVERABLE - RELATED PARTY

Amount of capital gains tax recoverable from Botswana Development Corporation Limited ("the Vendors") on disposal of investment properties acquired as part of listing.

	2017 P	2016 P
Capital gains tax recoverable from Botswana Development Corporation Limited	5 387 628	5 582 788

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.

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 2017, calculated on the purchase price of the properties paid by the Company which is recoverable from the Vendors.

	2017 P	2016 P
14. TRADE AND OTHER RECEIVABLES		
Trade receivables	2 556 471	6 373 339
Prepayments	651 226	679 672
Deposits	42 649	24 649
Value added tax	-	4 182 363
	3 250 346	**11 260 023**

The average credit period is 30 days. No interest is charged on overdue trade receivables. The Company has provided for all past due and impaired trade receivables based on estimated irrecoverable amounts determined by reference to past default experience. There are no past due amounts in trade receivables at the reporting date for which the Company has not provided.

Reconciliation of provision for impairment of trade and other receivables

	2017	2016
Opening balance	649 642	1 047 787
Provision for impairment	595 531	615 855
Amounts written off as uncollectable	(117 519)	(1 014 000)
	1 127 654	**649 642**

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.

	2017 P	2016 P
15. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Cash on hand	2 000	2 000
Bank balances	15 813 617	9 761 833
Short-term deposits	3 671 314	3 557 310
Bank overdraft	-	(36 513 222)
	19 486 931	**(23 192 079)**
Current assets	19 486 931	13 321 143
Current liabilities	-	(36 513 222)
	19 486 931	**(23 192 079)**
The total amount of undrawn facilities available for future operating activities and commitments	-	3 486 778

Plots 54233 and 14398 were pledged as security for overdraft facilities with Stanbic Bank Botswana Limited of P nil (2016: P40 000 000) of the company. At year end the overdraft amounted to P nil (2016: P36 513 222).

16. STATED CAPITAL

	2017 P	2016 P
Issued		
280 000 000 (2015: 280 000 000) Ordinary shares of no par value	2 718 884	2 718 884

Each Linked Unit in the Company comprises one ordinary share and one variable rate unsecured debenture as per Note 13, which are indivisibly linked. It is not possible to trade the shares or the variable rate unsecured debentures separately from one another.

The linked units are listed on the Botswana Stock Exchange.

All of the issued shares are of the same class and rank pari passu in every respect.

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.

	2017 P	2016 P
17. DEBENTURES		
280 000 000 (2015: 280 000 000) Ordinary shares of no par value	405 113 547	405 113 547

Each Linked Unit in the Company comprises one ordinary share as per note 12, and one variable rate unsecured debenture, which are indivisibly linked. It is not possible to trade with the shares or the variable rate unsecured debentures separately from one another.

All of the variable rate unsecured debentures are of the same class and rank pari passu in every respect.

The debentures are governed in terms of a Trust Deed entered into between the Company and the Trustee for the debenture holders.

18. ACCUMULATED PROFITS

	2017 P	2016 P
Accumulated profits		
Arising from normal operations	77 212 135	55 412 005
Arising from revaluation of investment property	201 381 903	178 366 792
	278 594 038	**233 778 797**
Reconciliation		
Arising from normal operations		
At the beginning of the year	55 412 005	43 224 279
Profits from normal operations (net of taxation)	59 320 130	49 427 726
Dividends and debenture interest declared	(37 520 000)	(37 240 000)
	77 212 135	**55 412 005**
Arising from revaluation of investment property		
At the beginning of the year	178 366 792	145 787 618
Increase in fair value surplus (net of taxation)	25 557 142	35 280 378
Straight line rental adjustment	(2 542 031)	(2 701 204)
	201 381 903	**178 366 792**

	2017 P	2016 P
19. BORROWINGS		
Held at amortised cost		
Bank Gaborone	46 736 904	-

The loan facility of P47.756 million is payable to Bank Gaborone Limited. The loan accrues interest at base rate plus 1% margin, base rate means Bank's prime lending rate prevailing from time to time which is currently 7.5% per annum. The loan is repayable in 180 months instalments from the signature date in structured capital instalments and interest payments. The loan is secured by a first covering mortgage bond of P24 million over Lot 4738 station, Gaborone, registered cession of fire policy for P45.5 million and first covering mortgage bond of P24 million over Lot 50380, showgrounds, Gaborone.

	2017 P	2016 P
Non-current liabilities		
At amortised cost	44 762 004	-
Current liabilities		
At amortised cost	1 974 900	-
	46 736 904	**-**
20. DEFERRED TAX		
Deferred tax liability		
Capital gains on revaluation of investment property	(23 821 077)	(22 364 035)
Accelerated capital allowances	(13 948 372)	(8 837 891)
Capital gains recoverable on disposal of investment property	(5 387 627)	(5 582 788)
Total deferred tax liability	**(43 157 076)**	**(36 784 714)**
Deferred tax liability	(43 157 076)	(36 784 714)
Reconciliation of deferred tax liability		
At beginning of year	(36 784 714)	(26 680 716)
Capital gains tax recoverable/(payable) to related party	195 160	155 532
Capital gains charges to the statement of comprehensive income	(1 457 042)	(6 742 992)
Deferred tax charge	(5 110 480)	(3 516 538)
	(43 157 076)	**(36 784 714)**

	2017 P	2016 P

21. EARNINGS PER LINKED UNIT

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:

	2017 P	2016 P
Total profit and comprehensive income for the year	74 142 441	73 875 700
Taxation on debenture interest credited to the income statement	8 192 800	8 131 200
Earnings attributable to linked unit holders	**82 335 241**	**82 006 900**
Weighted average number of linked units in issue for the year	280 000 000	280 000 000
Earnings per linked unit (thebe)	29.41	29.29

22. DEBENTURE INTEREST AND DIVIDEND PAYABLE

			2017 P	2016 P
Debenture interest				
Interim paid	6.30 (2016: 6.25) thebe		17 640 000	17 500 000
Final declared	7.00 (2016: 6.95) thebe		19 600 000	19 460 000
Subtotal	13.30	-	37 240 000	36 960 000
Interim paid	0.05 (2016: 0.05) thebe		140 000	140 000
Final declared	0.05 (2016: 0.05) thebe		140 000	140 000
	13.40	**-**	**37 520 000**	**37 240 000**

	2017 P	2016 P
Debenture interest and dividend payable		
Debenture interest	(19 600 000)	(19 460 000)
Dividend payable	(140 000)	(140 000)
	(19 740 000)	**(19 600 000)**

The interim debenture interest and dividend per linked unit was paid on 15 April 2017. A final debenture interest and dividend per linked unit has been declared for.

	2017 P	2016 P
23. TRADE AND OTHER PAYABLES		
Trade payables and accruals	3 142 056	2 512 554
Amounts due to related parties	-	248 539
Amounts received in advance	1 684 048	-
Refundable deposit held for tenants	5 546 033	3 989 246
Accrued gratuity and leave pay	809 587	-
Value Added Tax	13 563	-
	11 195 287	**6 750 339**
24. TAX PAID		
Balance at beginning of the year	242 294	115 137
Balance at end of the year	(282 275)	(242 294)
	(39 981)	**(127 157)**

25. COMMITMENTS

Investment properties

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 10 years. The lessees do not have an option to purchase the properties at the expiry of the lease period.

The property rental income earned by the Company from its investment properties, before straight-line adjustment, amounts to P73 316 558 (2016: P64 572 833) as reflected in the statement of comprehensive income. Direct operating expenses arising on the investment property for the year amounted to P6 337 255 (2016: P7 390 188).

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

	2017	2016
Minimum lease payments due		
- within one year	73 110 356	65 065 098
- in second to fifth year inclusive	17 462 435	217 600 074
- later than five years	198 937 817	35 290 546
	289 510 608	**317 955 718**

	2017 P	2016 P
26. RELATED PARTIES		
During the year the Company entered into the following trading transactions with related parties and had the following balances with related parties.		
Related party balances		
Amounts included in Trade Payable regarding related parties		
Botswana Development Corporation Limited	-	(248 539)
Amounts included in Trade receivable regarding related parties		
Botswana Development Corporation Limited	-	4 060 791
Related party transactions		
Rental income received from related parties		
Botswana Development Corporation Limited	-	(3 369 808)
Management fees		
Botswana Development Corporation Limited	-	1 451 016
Lease renewal fees		
Botswana Development Corporation Limited	-	553 557
Administration fees		
Botswana Development Corporation Limited	-	660 000
Directors emoluments		
Directors's emoluments-fees as directors	880 000	912 000
Executive remuneration	1 814 133	1 277 878
	2 694 133	**2 189 878**

Compensation to directors and other key management

Management fees are calculated on a fixed percentage of net rental collections. Administration and lease renewal fees are calculated on a commercial basis.

27. CATEGORIES OF FINANCIAL INSTRUMENTS

Categories of financial instruments - 2017	Carrying amount	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost	Non-Financial assets
Assets					
Investment property	712 083 069	-	-	-	712 083 069
Operating lease asset	27 316 932	-	-	-	27 316 932
Plant and equipment	817 069	-	-	-	817 069
Investment in associate	38 631 486	38 631 486	-	-	-
Deferred taxation recoverable - related party	5 387 628	-	-	-	5 387 628
Taxation refundable	282 275	-	-	-	282 275
Trade and other receivables	3 250 346	-	2 556 471	-	693 875
Cash and cash equivalents	19 486 931	-	19 486 931	-	-
	807 255 736	**38 631 486**	**22 043 402**	**-**	**746 580 848**

Equity and Liabilities	Carrying amount	Financial liabilities at fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost	Non-Financial liabilities
Stated capital	2 718 884	-	-	-	2 718 884
Debentures	405 113 547	-	-	-	405 113 547
Accumulated profit	278 594 038	-	-	-	278 594 038
Borrowings	44 762 004	-	-	44 762 004	-
Deferred taxation	43 157 076	-	-	-	43 157 076
Debenture interest and dividend payable	19 740 000	-	-	-	19 740 000
Trade and other payables	11 195 287	-	-	4 826 104	6 369 183
Borrowings	1 974 900	-	-	1 974 900	-
	807 255 736	**-**	**-**	**51 563 008**	**755 692 728**

27. CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments - 2016	Carrying amount	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost	Non-Financial assets
Assets					
Investment property	685 325 100	-	-	-	685 325 100
Operating lease asset	24 774 900	-	-	-	24 774 900
Plant and equipment	753 255	-	-	-	753 255
Deferred taxation recoverable - related party	5 582 788	-	-	-	5 582 788
Taxation refundable	242 294	-	-	-	242 294
Trade and other receivables	11 260 023	-	6 373 339	-	4 886 684
Cash and cash equivalents	13 321 143	-	13 321 143	-	-
	741 259 503	**-**	**19 694 482**	**-**	**721 565 021**

Liabilities	Carrying amount	Financial liabilities at fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost	Non-Financial liabilities
Stated capital	2 718 884	-	-	-	2 718 884
Debentures	405 113 547	-	-	-	405 113 547
Accumulated profit	233 778 797	-	-	-	233 778 797
Deferred taxation	36 784 714	-	-	-	36 784 714
Debenture interest and dividend payable	19 600 000	-	-	-	19 600 000
Trade and other payables	6 750 339	-	-	2 761 093	3 989 246
Bank overdraft	36 513 222	-	-	36 513 222	-
	741 259 503	**-**	**-**	**39 274 315**	**701 985 188**

28. RISK MANAGEMENT

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 2017, the Company had interest bearing borrowings of P46 736 904 (2016: P36 513 222) .

FINANCIAL RISK MANAGEMENT

The directors monitor and manage the financial risks relating to the operations of the Company through analysis of exposures by degree and magnitude of each risk. These risks include market risk (including currency risk and interest rate risk) and credit risk.

MARKET RISK

The Company's activities expose it primarily to the financial risks of changes in interest rates as described below.

INTEREST RATE RISK

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.

Financial instruments that are sensitive to interest rate risk are bank balances on call and long term borrowings, whose interest rates are linked to the prime lending rate. If interest rates were 1% higher while all other variables were held constant the profit for the year would increase by P397 264 (2016: P390 391). An exact and opposite effect would occur if the interest rates were 1% lower.

CREDIT RISK

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

At the reporting date there were no significant concentrations of credit risk for receivables. The carrying amount of trade and other receivables represents the Company's maximum exposure to credit risk for receivables.

29. 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.

Segmental Statement of Financial Position at 30 June 2017	Corporate	Commercial & retail	Leisure	Industrial	Residential	Total
	P	P	P	P	P	P
Investment property including straight lining of rental income	-	96 000 000	262 500 000	338 900 000	42 000 000	739 400 000
Property Plant and equipment	817 069	-	-	-	-	817 069
Deferred tax recoverable from Vendors	-	3 264 820	-	-	2 122 809	5 387 629
Taxation refundable	282 275	-	-	-	-	282 275
Investment in joint venture	38 631 486	-	-	-	-	38 631 486
Trade and other receivables	693 875	1 757 418	180	491 622	307 251	3 250 346
Cash and cash equivalents	19 486 931	-	-	-	-	19 486 931
Total assets	**59 911 636**	**101 022 238**	**262 500 180**	**339 391 622**	**44 430 060**	**807 255 736**

Due to the pooling of funds, disclosure of segmental liabilities has all been included under Corporate.

29. SEGMENTAL REPORTING (CONTINUED)

Segmental Statement of Comprehensive Income for the year ended 30 June 2017	Corporate	Commercial & retail	Leisure	Industrial	Residential	Total
	P	P	P	P	P	P
Segment revenue-rental income	-	12 548 662	24 514 892	35 952 073	2 842 962	75 858 589
Property operating expenses	-	(958 315)	(704 972)	(2 108 569)	(960 238)	(4 732 094)
Net rental and related revenue	-	11 590 347	23 809 920	33 843 504	1 882 724	71 126 495
Finance income	416 489	-	-	-	-	416 489
Other income	3 165 374	-	-	-	-	3 165 374
Income from equity accounted investments	3 631 486	-	-	-	-	3 631 486
Finance costs	(3 392 024)	-	-	-	-	(3 392 024)
Fair value gain on investment property net of adjustment resulting from straight lining of rental revenue	-	584 659	5 345 453	18 542 041	-	24 472 153
Depreciation	(220 353)	-	-	-	-	(220 353)
Other administration expenses	(10 296 857)	-	-	-	-	(10 296 857)
Income tax expense	(12 921 280)	86 417	42 485	(1 967 944)	-	(14 760 322)
Total segment result	**(19 617 165)**	**12 261 423**	**29 197 858**	**50 417 601**	**1 882 724**	**74 142 441**
Rental income from individual customers contributing more than 10% of rental income		-	20 276 728	13 134 841	-	33 411 569

29. SEGMENTAL REPORTING (CONTINUED)

Segmental Statement of Financial Position at 30 June 2016	Corporate	Commercial & retail	Leisure	Industrial	Residential	Total
	P	P	P	P	P	P
Investment property including straight lining of rental income	-	95 300 000	256 100 000	316 700 000	42 000 000	710 100 000
Property Plant and equipment	753 255	-	-	-	-	753 255
Deferred tax recoverable from Vendors	-	3 351 237	-	2 231 551	-	5 582 788
Taxation refundable	242 294	-	-	-	-	242 294
Trade and other receivables	4 300 991	5 992 652	285 869	680 511	-	11 260 023
Cash and cash equivalents	13 321 143	-	-	-	-	13 321 143
Total assets	**18 617 683**	**104 643 889**	**256 385 869**	**319 612 062**	**42 000 000**	**741 259 503**

Due to the pooling of funds, disclosure of segmental liabilities has all been included under Corporate.

29. SEGMENTAL REPORTING (CONTINUED)

Segmental Statement of Comprehensive Income for the year ended 30 June 2016	Corporate P	Commercial & retail P	Leisure P	Industrial P	Residential P	Total P
Segment revenue-rental income	-	8 341 444	24 703 467	34 169 126	-	67 214 037
Property operating expenses	-	(1 239 227)	(1 166 358)	(4 984 603)	-	(7 390 188)
Net rental and related revenue	-	7 102 217	23 537 109	29 184 523	-	59 823 849
Finance income	1 776 892	-	-	-	-	1 776 892
Other income	302 413	-	-	-	-	302 413
Finance costs	(1 994 684)	-	-	-	-	(1 994 684)
Fair value gain on investment property net of adjustment resulting from starlight lining of rental revenue	-	4 773 466	16 196 747	18 351 954	-	39 322 167
Depreciation	(102 361)	-	-	-	-	(102 361)
Other administration expenses	(6 861 845)	-	-	-	-	(6 861 845)
Income tax expense	(11 647 741)	(1 018 111)	(819 153)	(4 905 726)	-	(18 390 731)
Total segment result	**(18 527 326)**	**10 857 572**	**38 914 703**	**42 630 751**	**-**	**73 875 700**
Rental income from individual customers contributing more than 10% of rental income		-	8 639 649	8 345 051	-	16 984 700

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.

Levels of fair value measurements

Level 3

Recurring fair value measurements

Assets	Note	2017	2016
Investment property			
Investment property	10	712 082 069	685 325 100
Total		**712 082 069**	**600 186 304**

30. FAIR VALUE INFORMATION (CONTINUED)

Reconciliation of assets and liabilities measured at level 3

	Note(s)	Opening balance	Fair value adjustment	Straight line rental adjustment	Additions	Closing balance
2017						
Assets						
Investment property						
Investment property	10	685 325 100	27 014 183	(2 542 031)	2 285 817	712 083 069
Total		**685 325 100**	**27 014 183**	**(2 542 031)**	**2 285 817**	**712 083 069**
2016						
Assets						
Investment property						
Investment property	10	600 186 304	42 023 372	(2 701 204)	45 816 628	685 325 100
Total		**600 186 304**	**42 023 372**	**(2 701 204)**	**45 816 628**	**685 325 100**

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 2017 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 Riberry Botswana (Proprietary) Limited, independent valuers. Riberry 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.

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	Unobservable input	Range
Discounted cash flow	Capitalisation rate	8.5% - 11%

31. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period that may require adjustment or disclosure in the financial statements.

Detailed Income Statements

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 P	2016 P
Revenue			
Contractual revenue		73 316 558	64 512 833
Straight line lease rental adjustment		2 542 031	2 701 204
	3	**75 858 589**	**67 214 037**
Other income			
Administration and management fees received		61 975	19 500
Recoveries		40 620	9 769
Sundry Income		362 779	273 144
Dividend income		2 700 000	-
		3 165 374	**302 413**
Expenses (Refer to page 86)		**(15 249 304)**	**(14 354 394)**
Operating profit		**63 774 659**	**53 162 056**
Finance income	6	416 489	1 776 892
Fair value adjustment of investment properties	7	24 472 153	39 322 167
Income from equity accounted investments		3 631 486	-
Finance costs	8	(3 392 024)	(1 994 684)
		25 128 104	**39 104 375**
Profit before taxation		**88 902 763**	**92 266 431**
Taxation	9	(14 760 322)	(18 390 731)
Profit for the year		**74 142 441**	**73 875 700**

The supplementary information presented does not form part of the annual financial statements and is unaudited

Detailed Income Statements

FOR THE YEAR ENDED 30 JUNE 2017

	Note(s)	2017 P	2016 P
Operating expenses			
Administration and management fees		(100 000)	-
Advertising		(280 161)	(214 893)
Annual report cost		(182 050)	(156 425)
Assessment rates		(956 480)	(1 689 271)
Auditors remuneration		(211 000)	(204 353)
BSE Review fee		-	(10 000)
BSE Sustaining fee		(150 000)	(150 000)
Bank charges		(129 831)	(17 752)
CSDC FEE		(8 748)	(4 375)
Cleaning		(44 782)	(16 862)
Computer expenses		(192 173)	(65 104)
Consulting and professional fees		(2 306 130)	(441 092)
Corporate social responsibility		(60 000)	-
Depreciation		(220 353)	(102 361)
Directors fees		(880 000)	(912 000)
Employee costs		(4 274 603)	(3 011 037)
Entertainment		(31 096)	(26 141)
Fees Letting		(254 014)	(238 698)
Garden		(87 255)	(52 000)
Impairment of trade receivables		(595 531)	(615 855)

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Detailed Income Statements

FOR THE YEAR ENDED 30 JUNE 2017

	Note(s)	2017 P	2016 P
Operating expenses (continued)			
Lease renewals		-	(553 557)
Lease rentals on operating lease		(228 512)	(224 874)
Legal expenses		(386 134)	(105 542)
Levies		(144 243)	(128 986)
Loss on disposal of assets		(11 789)	(5 687)
Motor vehicle expenses		(10 800)	-
Postage		(23 066)	(36 030)
Printing and stationery		(75 660)	(45 184)
Property management costs		-	(1 451 016)
Repairs and maintenance		(1 108 968)	(1 551 151)
Secretarial fees		-	(660 000)
Security		(767 153)	(357 693)
Subscriptions		(51 388)	-
Sundry expense		(50 338)	(92 420)
Telephone and fax		(61 774)	(46 376)
Training		(32 460)	(68 251)
Travel - local		(181 547)	(66 190)
Trustee fees		(24 672)	(21 470)
Utilities		(282 659)	(432 845)
Valuation fees		(163 900)	-
		(15 249 304)	**(14 354 394)**

The supplementary information presented does not form part of the annual financial statements and is unaudited

Form of **Proxy**

The Seventh Annual General Meeting of members to be held on 7th December 2017 at 12:00hrs at AVANI Gaborone Hotel & Casino.

I/We..of...being a member/members of the above named Company do hereby appoint:

....of...or failing that person the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Seventh Annual General Meeting of the Company to be held on 7th December 2017 at 12:00 hrs.

	Number of linked units		
	For	Against	Abstain
Ordinary Resolution No. 1			
Ordinary Resolution No. 2			
Ordinary Resolution No. 3			
Ordinary Resolution No. 4			
Ordinary Resolution No. 5			
Ordinary Resolution No. 6			
Ordinary Resolution No. 7			
Ordinary Resolution No. 8			

Signed this..day of...2017

Signature..

Unless otherwise instructed, the proxy will vote as he/she deems fit.

A member entitled to attend and vote may appoint a proxy to attend and vote for him/her on his/her, behalf and such proxy need not also be a member of the Company. The instrument appointing such a proxy must be deposited at the registered office of the Company not less than 48 hours before the meeting with the Company Secretary.

CONTACT US

www.letlole.co.bw or info@letlole.co.bw