

Annual Report **21**  
20



Letlole La Rona Limited

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## About Report



This is an interactive report, wherever this icon is, there is an active button.

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

### Mission

To invest prudently in real estate that cultivates and connects communities

### Values

- Excellence
- Customer Focus
- Agility
- Integrity
- Innovation

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

### Vision

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

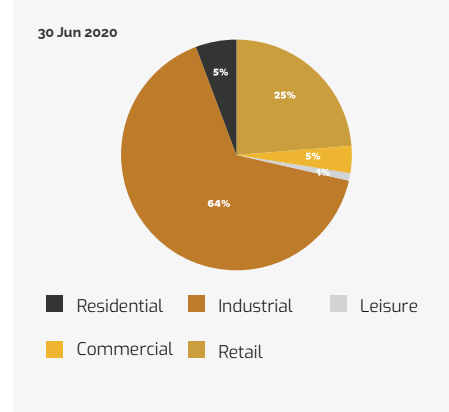
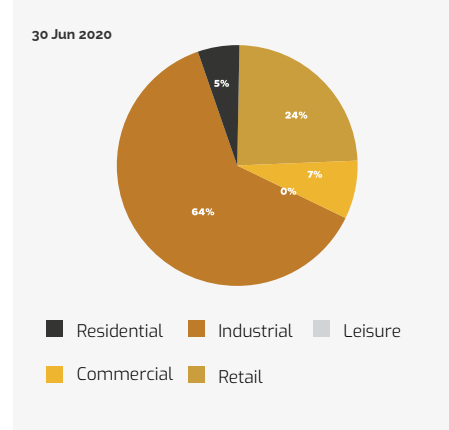
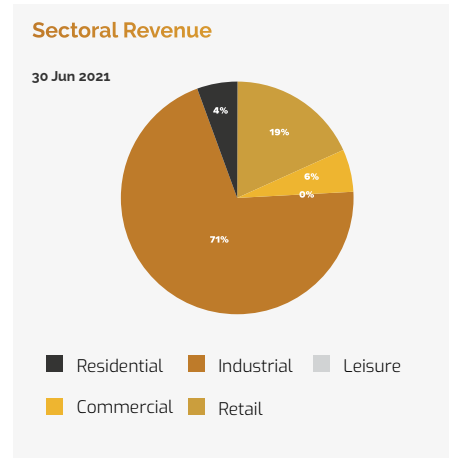
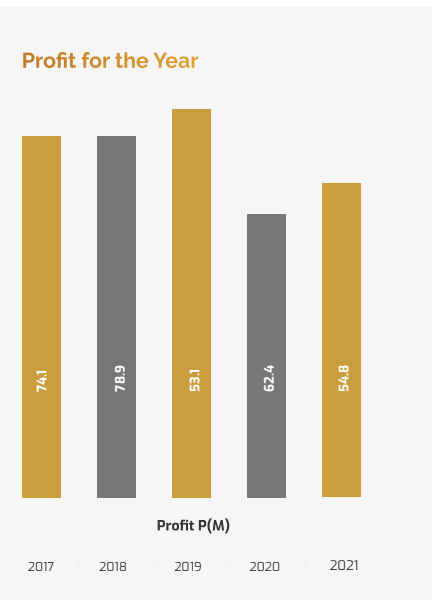
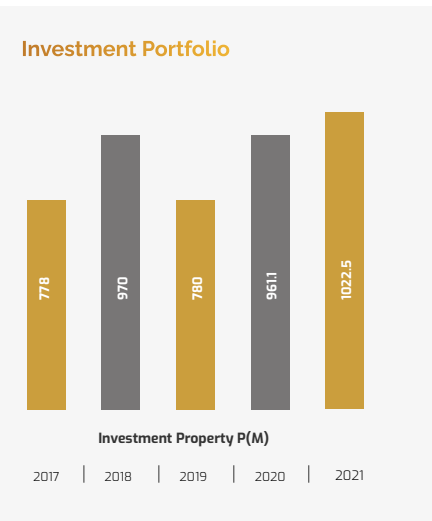
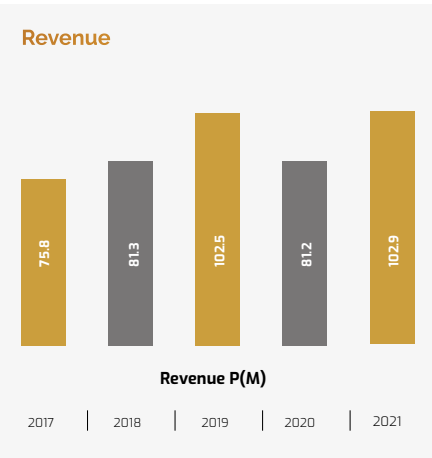


# Highlights

## Highlights compared to prior year

- Revenue ▲ **27%**
- Operating Profit ▲ **37%**
- Net Asset Value ▲ **2%**
- Investment Portfolio ▲ **7%**
- Distribution ▲ **8%**

Acquisition of **2 prime industrial assets** during the current period



# Unitholders

## FOR THE YEAR ENDED 30 JUNE 2021

### LLR Unit Bands

Linked Units	Number of Holders	%
0-1,999	1,028	61.93%
2,000-4,999	251	15.12%
5,000-9,999	124	7.47%
10,000-49,999	175	10.54%
50,000-99,999	22	1.33%
>100,000	60	3.61%
<b>TOTAL</b>	<b>1,660</b>	<b>100.00%</b>

Type of unitholder	Linked units	%
Non-public	196,011,263	70.00%
Public	83,988,737	30.00%
<b>TOTAL</b>	<b>280,000,000</b>	<b>100.00%</b>

### TOP 10 UNITHOLDERS

Beneficial Shareholder	Linked Units	%
Botswana Development Corporation Limited	112,011,263	40.00%
Grit Services Limited	84,000,000	30.00%
FNB Botswana Nominees (Pty) LTD RE:BIFM BPOPF-Equity	18,777,464	6.71%
FNB Botswana Nominees (Pty) Ltd RE:AG BPOPF - Equity	10,583,319	3.78%
BPOPF - Active Members and Deferred Pensioners	8,920,608	3.19%
SBBL O/A BIFM Professional Local Equity Fund	4,921,431	1.76%
FNB Botswana Nominees RE: Morula WP Pen Equity	4,313,726	1.54%
SBBL O/A BIFM Market Linked Fund	4,173,295	1.49%
Morula RE Debswana Pension Fund	3,167,044	1.13%
BIFM RE University of Botswana Defined Contribution Pension Fund	2,908,286	1.04%

# Board of Directors



1

**1 Mr. Sedireng Serumola**  
Board Member And Member Of Audit, Risk And Compliance Committee  
Independent, non-executive Director

2

**2 Ms. Onthatile Tiny Ogotseng**  
Board Member And Member Of Audit, Risk And Compliance Committee  
Independent, non-executive Director

3

**3 Mr. Oteng Keabetswe**  
Board Member And Chairperson Of Investment Committee ,  
Non-executive Director

4

**4 Mr. Frederick Selolwane**  
Board Chairperson And Member Of Investment Committee  
Independent, non-executive Director

5

**5 Ms. Mmametsi Setlhare**  
Board Member And Chairperson Of Audit, Risk And Compliance Committee  
Independent, non-executive Director

6

**6 Ms. Bronwyn Knight**  
Board Member and Member of the Audit Risk and Compliance Committee  
Non-executive Director

“The Board acts as the focal point or custodian of corporate governance”

# LLR Team



1

**1 Concillia Kotewa**  
Collections Officer

2

**2 Baalakani Nlumbile**  
Property Manager

3

**3 Dinah Jonah**  
Compliance Officer | Executive Assistant

4

**4 Letlhogonolo Madigele**  
Finance Intern

5

**5 Thobo Bakwena**  
Property Officer

6

**6 Kabona Kgosidialwa**  
Financial Accountant

7

**7 Kamogelo Mowaneng**  
Acting Chief Executive Officer

8

**8 Senwelo Botlholo**  
Property Intern

9

**9 Otsetswe Mongudi**  
Property Officer

10

**10 Malebogo Montshiwa**  
Financial Accountant

11

**11 Gabarate Moalosi**  
General Office Administrator

12

**12 Gift Patson**  
Property Officer

13

**13 Bothepa Obuseng**  
Legal and Compliance Manager

# Chairperson's statement

“ The Company has made significant progress towards closing deals which will invariably contribute positively to the net asset value as well as distribution of the Company. ”

It is with great pleasure to present to you the 2021 Annual Report of your Company. This year, unlike any other in the 10-year history of the Company, has been challenging; firstly as a result of the Covid-19 pandemic which caused significant business disruption, and secondly, due to disputes the Company faced with its former Chief Executive Officer.

These circumstances not only serve to highlight the significance of the results of the Company, but provide the assurance of a solid foundation for growth as part of our Go-to-Africa strategy. In the prior financial year when the Company had been aggressively pursuing its regional growth strategy, the Covid-19 pandemic brought about unprecedented times which caused the Company to re-assess its pipeline.

For the previous two reporting periods, the impact of the Coronavirus compelled most companies to adjust their strategies from a predominantly growth focus to a more conservative approach emphasizing client or customer retention, cost reduction and balance sheet strength through cash preservation.

I am proud to share that during this time, LLR was an exception to the rule, with the acquisition of two prime industrial properties during the current year and the publication of strong results as well as declaring increased distributions to our unit holders.

This speaks to the strength of our underlying tenants and the diversity of our portfolio across defensive asset classes, coupled with prudent balance sheet management and the maintenance of low gearing levels even before the start of the pandemic.

With the Covid-19 vaccine rollout gaining significant traction globally, we remain optimistic that the economy will return to pseudo-normalcy that will result in stimulated growth and further accelerate business recovery.

With that view, I am pleased to inform you that the Company has made significant progress towards closing deals which

will invariably contribute positively to the net asset value as well as distribution of the Company, and in addition, will further diversify the portfolio of the Company.

The Board continuously reviews its strategy to ensure it remains responsive to the fluid effects of the Covid-19 pandemic and to ensure that its long-term planning will result in sustainable outcomes.

LLR remains committed to looking for further yield accretive growth opportunities and will ensure it pursues its strategic objectives.

### Board And Management

The Company continues under the stewardship of strong leadership at both Board and Management level with a well-diversified skillset which has enabled it to excel during turbulent times.

As the focal point for and custodian of corporate governance, the Board consistently monitors the implementation of the Company's governance processes and regulatory compliance. The Board has set the tone from the top, instilling an ethical foundation in the organisation and acting in the best interest of the Company.

During the year under review, there were changes to the membership of the Company's Board.

In line with the Company's Constitution, the longest serving Directors being, Ms. Boitumelo Mogopa (former Board Chairperson), Ms. Serty Leburu and Mr. Terence Dambe retired from the Board at the 2020 Annual General Meeting. This change of guard followed the development of a broader strategy to align LLR to a step-change in direction under a new executive head, once appointed.

Further to that, Ms. Tiny Kgatlwane (former Chairperson of the Audit, Risk and Compliance Committee) resigned from the Board in January 2021.

The Company is grateful for the outgoing Directors' passionate and selfless leadership



# Chairperson's statement

Continued

and wish to thank them for their dedication. These Directors have left a solid legacy at LLR, with a track record of growth and unlocking stakeholder value during difficult market conditions.

In January 2021, the Board appointed three additional members being Ms. Onthatile Tiny Ogotseng, Ms. Mmametsi Setlhare and Mr. Sedireng Serumola.

Subsequent to the financial year-end, Messrs Gregory Pearson, Khuto Balosang, Mooketsi Maphane and Donald Borthwick were nominated to the Board, subject to shareholder approval at the Annual General Meeting to be held on the 14th of December 2021.

These individuals collectively hold formidable international and Africa real estate experience that will not only provide a significant springboard and acceleration of LLR's "Go to Africa" strategy but will further enhance the governance and fiduciary oversight capabilities of the Board considerably.


In addition, Ms Onthatile Tiny Ogotseng, Ms Mmametsi Setlhare and Mr Sedireng Serumola have resigned as independent non-executive directors of the Company effective from the 3rd of December 2021.

The Board wishes to thank Ms Ogotseng, Ms Setlhare and Mr Serumola for their invaluable input and guidance in bringing stability to the Company and ensuring ongoing stakeholder value creation during a turbulent time not only for the Company but the sector and the country.

As Chairman I had the privilege of steering LLR through this period. Considering that stability has been achieved both from a leadership level and the maintenance of our solid performance track record, I have decided to retire from the Board effective at the conclusion of the Annual General Meeting. The Board will announce a new Chairman in due course.

I would like to extend a heartfelt thank-you to my fellow Directors, the Executive Team and our shareholders for their unwavering support and dedication that has seen us through these unprecedented times. The

quality of leadership displayed by the Board and Management team has set the Company on a solid growth trajectory. I wish the incumbent directors and new Chairman the very best in taking over the baton and continuing the drive for sustainable growth and increasing stakeholder value.



**Mr. Frederick Selolwane**  
Board Chairperson



# Chief Executive Officer's Statement

“ The strong cash position has enabled the Company to continue honoring its commitment to shareholders with a cash distribution that was 8% higher than the prior financial year. ”

The Company continues to abide by its strategy cultivated by excellence, customer focus, agility, integrity, and innovation.

## Excellence

Letlole La Rona Limited performed exceptionally well under the current economic climate, with revenue amounting to P102.9 million, translating into a growth of 27% from the prior year's P81.2 million. The acquisition of the 6 prime industrial properties at the tail-end of the 2020 financial year was the main driver for the improved revenue, as well as the inflation beating average annual lease escalations which have been maintained at 7%. This has resulted in an impressive increase in operating profit as well as significant rise in cash generated from operating activities by 37% (P17.6 million) and 47% (P23.0 million) respectively. This strong cash position has enabled the Company to continue honoring its commitment to shareholders with a cash distribution that was 8% higher than the prior financial year.

Despite the challenges presented by the COVID-19 pandemic, the investment portfolio continues to show resilience, achieving a growth of 7% from the prior year, driven by the moderate revaluation gains of P7.7 million and the acquisition of two prime industrial properties.

Profit before tax from continuing operations closed at P63.4 million which is a 19% decline from the prior year P78.2 million. The Company's cash position remains strong as the decline in profit is due to lower revaluation gains which do not have an impact on the cash position. The investment portfolio has crossed the P1.0 billion mark. The above has resulted in a growth in net asset value of 2% (P16.9 million) to P788.0 million.

The Company's low gearing position presents significant headroom for future debt funding as it continues to prudently pursue its growth strategy. It is against this background, and an intent to intensify gearing, that the Company continues to pursue both local and regional opportunities through its Go-To Africa strategy.

## Customer Focus

The current year's performance is underpinned by low vacancies, with the portfolio experiencing a steady decline in vacancies; October 2021 vacancies standing at 1.56% compared to the 30th of June 2021 levels of 3.59%. The Company fundamentals still remain solid with weighted average lease expiry profile of 3.4 years and weighted average lease escalation of 7%.

The measures put in place to combat the spread of the Covid-19 pandemic, namely, the national lockdowns that took place in April-May 2020 and the two-week Greater Gaborone lockdown that happened in August 2020 resulted in an increase in arrears as rental collection rates dropped from the usual 99% to as low as 61%. More robust collection efforts have been implemented and we have seen this bear fruit as since October 2020, there has been a noticeable improvement as collection rates averaged 110% which is effectively a collection of amounts billed plus arrears. Focus remains on collecting outstanding rentals as tenants' businesses gradually recover while navigating through a COVID-19 impacted economic landscape.

## Agility

The COVID-19 pandemic, having presented us with unprecedented times, pushed the Company to find new ways of doing business in order to ensure minimal disruption and business continuity. Where previously all staff members worked from the office on a full time basis, measures such as staff rotation were implemented and all staff members were adequately equipped with the necessary tools to enable them to productively work from home.

## Integrity

The Board of Directors provides effective leadership based on an ethical foundation, thus enabling the Company to maintain the highest standards of integrity. The Board, Management and all staff members remain committed to honesty, transparency and accountability.





# Chief Executive Officer's Statement

Continued

## Innovative

Through our corporate social investment programs, the Company remains innovative in investing in the future, through the support of the education system.

## PROPERTY MARKET OVERVIEW

COVID-19 has impacted the real estate industry in different ways, and the effects vary largely depending on the location and asset class. The landlords' focus during this time is value reserving and liquidity and keeping tenants and visitors safe. The sector has largely experienced pressure of downward reversion on rental and low escalations as tenants renew their leases and try to keep their businesses afloat.

As economies open for travel and business on the back of stepped-up vaccination drives, we foresee continued confidence in hopes of an accelerated economic recovery. In addition, the lifting of the state of emergency (SOE) and most of the commercial activity restrictions, has seen the general economy continue its path towards pre-pandemic trends. In turn, there has been noticeable, recovery from the property industry, as both vacancies and arrears subside.

## Industrial

The industrial sector has been resilient during the current challenging economic environment. Over the past 6 months, inquiries and demand for warehouse space has increased and the rental rates have remained stable. The prime Industrial rentals still hold between P30/sqm - P55/sqm, achieving prime yields of around 8.5% to 9.0%. The vacancy rates in the sector have held steady within the range of 1% - 3%.

## Retail

The retail sector has possibly been the most impacted by the Covid-19 pandemic. Over the past 12 months, most retailers shelved their expansion strategies, although now post SOE, there seems to be an increase in activity. On the rental perspective, the major retail centres have experienced downward reversions at renewals, mainly with anchor tenants. The sector continues to exhibit prime rentals with the anchors still ranging between P85/sqm - 95/sqm and prime yields hovering around 7.5% - 8.25%.

## Office

The office segment in Gaborone is experiencing a flatline in rentals due to significant stock which was added to the market by speculative developers, particularly in the Central Business District (CBD). This influx of space into the market has triggered market reversions upon lease renewals for both A-grade and B-grade properties, and this has had a drastic impact on the B-grade properties. Prime rentals are stagnant in the P105/sqm mark with yields hovering in the 7.5% region. The next tier (B-grade properties) in this sector exhibits rentals ranging between P65/sqm - P75/sqm.

## Residential

There is a fairly healthy demand in both rental and sales from the growing middle class. Prime residential properties, on the other hand, have been stagnant for the past 5 years, both in rental and market value, due to subdued demand. Relatively low yields in rental and capital appreciation have led to the exit of local institutions from larger residential complex investments.

Despite this trend, the Company's residential property, Red Square Apartments, is highly sought after and continues to enjoy high occupancies.

## SEGMENTAL OVERVIEW

As at 30 June 2021, the Company's segmental spread consisted of 66% industrial assets, 23% retail, 5% industrial, 5% commercial and 1% leisure (undeveloped land in Selebi-Phikwe).

This portfolio mix has greatly aided in the Company achieving such impressive results during a COVID-19 pandemic environment as the industrial assets remained resilient to the effects of the pandemic.

## GRATITUDE

I would like to extend a heartfelt thank you to the Board, Management and Staff members of LLR for working tirelessly to overcome the challenges brought about by the COVID-19 pandemic during the year under review.

I am also grateful to our tenants who continue to trust us to provide them with

appropriate facilities in which to carry out their business or reside.

Lastly, I would like to thank the owners and other stakeholders of the Company for their continued support and engagement, the Company would not have achieved its success without your support.

**Ms. Kamogelo Mowaneng**  
Acting Chief Executive Officer



# Corporate Governance

“ Good corporate governance, for any entity, is the cornerstone of its success ”

The Board of Directors of the Company continue to focus their efforts on maintaining the highest standards of good corporate governance and providing ethical leadership in directing the business of the Company. This is done with the ultimate goal of ensuring that the Board creates value for its unitholders while taking cognisance of the legitimate interests and expectations of all its key stakeholders. This ethical and effective leadership has been characterised by integrity, competence, responsibility, fairness, and transparency.

Good corporate governance, for any entity, is the cornerstone of its success. The Company has, over the past financial year, made significant strides in setting and building on the set principles of corporate governance and the Board of the Company has set the tone from the top with conduct that has driven the set strategy and operational success of the Company.

The Board acts as the focal point or custodian of corporate governance and provides for effective corporate governance that involves monitoring the relationships

between the board and management of the Company, and between the Company and its stakeholders.

The Company has adopted King III as the framework for its Corporate Governance, entrenched with the key themes of ethical leadership, sustainability and good corporate citizenship. The table on page 22 of this report details the Company's compliance with the respective principles of King III.

The Board has delegated the day-to-day responsibility for managing the Company to its Executive Management and it is focused on attending matters affecting the Company's overall strategic objectives. The Board (and its Committees) perform a critical corporate governance function through its oversight role. The Board's oversight responsibilities involve 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.

## Responsibilities of the Board



# Corporate Governance

Continued

## Board Composition and Profiles

The Company recognizes the need to have a clear balance of power and authority as well as to promote gender diversity at the Board of Directors' level. The Board comprises of six board members, four independent non-executive Directors and two non-executive Directors. The Board is further balanced with three female and three male Directors.

Newly appointed Directors undergo a robust induction programme in order to ensure that they have an understanding of the role, culture and operations of the Board and the Company. In addition, all Directors undergo continuous training and professional development.

The Board's objective is to have the appropriate mix of skills, knowledge and experience from a wide range of industries and backgrounds necessary to address any challenges for the Company. The skills and expertise on the Board range from audit and accounting experience, investments, engineering, legal as well as procurement. The Board is satisfied that the Directors possess adequate experience and expertise necessary to direct the Company's affairs.

On an annual basis, the Board conducts a self-assessment to evaluate effectiveness as a whole, the Board Committees, and the individual Directors. The objective of the evaluation is to ensure that the Board measures its performance, efficiency, and effectiveness.

During the current financial year, the Board engaged the services of an independent service provider to conduct the evaluation. The results of this evaluation will provide the basis for identifying future training needs. An action plan arising out of the evaluation is under formulation.

## Board Committees

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 further 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.

## Audit, Risk and Compliance Committee (ARAC)

The Audit, Risk and Compliance (ARAC) Committee has been established by the Company to assist in fulfilling its statutory obligations in terms of the Botswana Companies Act. The King Report on Governance (King III) emphasises the vital role of an audit committee in ensuring the integrity of financial controls and integrated reporting and identifying and managing financial risk.

It is therefore imperative that the Committee comprises of members with strong grasp of key financial reporting and accounting issues. The Committee has been delegated by the Board to oversee the quality and integrity of the Company's integrated reporting, qualifications and independence of the internal and external auditors, scope and effectiveness of internal controls, effectiveness of risk management and compliance with legal and regulatory requirements to the extent that it might have an impact on the financial statements.

In February 2021, following the appointment of Directors, the Committee was reconstituted. The Committee currently comprises of three independent non-executive Directors and is chaired by Ms. Mmametsi Setlhare, with Ms. Onthatile Tiny Ogotseng and Mr. Sedireng Serumola as members of the Committee.

## Investment Committee (IC)

The Investment Committee (IC) has been established primarily to assist the Board in overseeing the development and implementation of the Company's investment policies, guidelines, strategies and procurement activities including but not limited to ensuring that there is an appropriate, robust and consistent framework for objective analysis of proposed real estate investments, analysis of divestment/disposals, review and approval of major property refurbishments and performance review of the Company's

investment portfolio. The Committee is chaired by Mr. Oteng Keabetswe (a non-executive Director) with Mr. Frederick Selolwane and Ms. Bronwyn Knight as members of the Committee

## Independence

The Board has appointed independent non-executive directors in order to provide an independent assessment and oversight of the Company's business and activities and ensure compliance with the principles of good corporate governance.

The independent directors do not have a material relationship with the Company and are not members of the Company's executive management nor are they involved in the day-to-day operations of the Company. This is to ensure that there is a clear separation of responsibilities between the executive management of the Company, representatives of the shareholders and independent members of the Board.

The Company's Board currently comprises of four (4) independent non-executive directors.

## Board and Committee Meetings attendance

In line with the Company's Board Charter and Constitution, the Board and Committees meet at least four (4) times a year to deliberate on, amongst others, matters of strategy, investments, approval of annual financial statements and to monitor the implementation of set controls within the Company.

Over and above the prescribed minimum number of meetings, special Board and Committee meetings are held as and when necessary to further aid the Directors in discharging their duties. Directors are paid a set annual retainer amounting to P29,942.88 at the beginning of each year and a sitting allowance of P12,476.20 (Chairperson P14,971.44) per Board/ Committee meeting attended.

# Corporate Governance

Continued

Name	Designation	Board Meeting			Audit, Risk and Compliance			Investment Committee			Other**	Total Fees paid	
		Held	Eligible to Attend	Attended	Held	Eligible to Attend	Attended	Held	Eligible to Attend	Attended		2021	2020
Frederick Selolwane	Chairperson and Member of IC	20	20	20	8	-	1	6	6	6	8	P530,221	P149,714
Oteng Keabetswe	Chairperson of IC and Board Member	20	20	19	8	-	-	6	6	6	13	P510,670	P217,086
Bronwyn Knight**	Board Member and Member of IC	20	20	16	8	7	6	6	3	3	9	P492,793	P112,286
Onthatile Ogotseng***	Board Member and Member of ARAC	20	8	6	8	2	2	6	-	-	8	P165,260	-
Sedireng Serumola ***	Board Member and Member of ARAC	20	8	6	8	2	2	6	-	-	2	P140,308	-
Mmametsi Setlhare***	Board Member and Member of ARAC	20	8	8	8	2	2	6	-	-	8	P240,117	-
Boitumelo Mogopa****		20	10	8	8	-	-	6	-	-	1	P149,714	P314,400
Terence Damb*****		20	10	8	8	-	-	6	3	3	1	P179,657	P 206,723
Serty Leburu*****		20	10	9	8	6	6	6	-	-	2	P229,562	P291,943
Tiny Kgatlwane*****		20	11	10	8	6	5	6	-	-	1	P204,609	P279,467
											<b>P2,842,912.60</b>	<b>P1,998,687</b>	

\* Other includes retainer, meetings related to the former CEO matter, shareholder engagements and director and CEO interviews

\*\* Bronwyn Knight sat on the Audit Committee until February 2021 and then joined the Investment Committee

\*\*\* Ms. Ogotseng, Mr. Serumola and Ms. Setlhare were appointed in January 2021.

\*\*\*\* Retired from the Board in December 2020

\*\*\*\*\* Resigned from the Board in January 2021

## Compliance with applicable laws, regulations and governance practices

The Company regularly monitors the compliance of applicable laws and regulations through its compliance function.

The Compliance function reports quarterly to the Board's Audit, Risk and Compliance on any changes to the legal and regulatory landscape. This role of oversight on the compliance with applicable laws and regulations is one of the key principles of King III.

# Corporate Governance

Continued

In 2021, the Board approved the Company's Anti-Money Laundering (AML) And Counter- Financing of Terrorism / Proliferation (CFT / P) Policy pursuant to Financial Intelligence Act and Regulations of 2019 as well as international practices.

The Board will continuously monitor the implementation of the policy as well as other Company policies through the compliance function.

## Company Secretary

The Company Secretary is Ms Bothepa Obuseng who is a member of the Management team. Ms Obuseng is a suitably qualified, competent and experienced professional who maintains an arm's length relationship between herself and the Board.

The Board also reviews the competence, qualifications and experience of the Company Secretary annually.

## King III Application

The table below explains how Letlole La Rona Limited has applied the principles set out in King III and addresses the extent of the Company's compliance with the Code.

PRINCIPLE	APPLICATION	STATUS
<b>CHAPTER 1: ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP</b>		
<b>1.1 The Board should provide ethical and effective leadership</b>	The Board has adopted the requirements of King III and considers best corporate governance practices to be critical in delivering sustainable growth. Also ensures that the Company complies with the requirements of BSEL, Companies Act, IFRS and applicable laws.	Full compliance
<b>1.2 The Board should ensure that the organization is seen to be a responsible Corporate citizen.</b>	In addition to the comments in 1.1 above, the Company strives to maximise returns to unit holders.	Full compliance
<b>1.3 The Board should ensure that the Company's ethics are managed effectively</b>	As per 1.1 above.	Full compliance
<b>CHAPTER 2: BOARDS AND DIRECTORS</b>		
<b>2.1 The Board is the focal point and custodian of Corporate Governance.</b>	As per 1.1 & 1.2 above.	Full compliance
<b>2.2 The Board should be fairly comprised with an appropriate balance of knowledge, skills and experience required to discharge its responsibilities.</b>	The Board comprises of six Directors, all of whom are non-executives. The Chairman is an independent, non-executive Director. All Directors have the necessary skills and experience required to discharge their duties effectively.	Full compliance

# Corporate Governance

Continued

## King III Application (continued)

The table below explains how Letlole La Rona Limited has applied the principles set out in King III and addresses the extent of the Company's compliance with the Code.

PRINCIPLE	APPLICATION	STATUS
<b>CHAPTER 2: BOARDS AND DIRECTORS</b>		
<b>2.3 The Board and its Directors should act in the best interests of the Company</b>	The Board of Directors individually and collectively understand their fiduciary responsibility to act in the best interests of the Company. Disclosures of interests and dealings are declared and reported at every Board and committee meeting.	Full compliance
<b>2.4 The Board should be assisted by a competent and suitably qualified Company Secretary.</b>	The Company has a suitable and competent Company Secretary. The Company Secretary is not a director of the Company.	Full compliance
<b>2.5 The evaluation of the Board, its committees and the individual Directors should be performed every year.</b>	The evaluation of the Board, its Committees and Individual performance evaluations are performed on an annual basis.	Full Compliance
<b>2.6 The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards.</b>	The Company through the Company Secretary and Legal and Compliance Manager advises the Board on any legal, and regulatory requirements.	Full compliance
<b>2.7 The Board should ensure that there is an effective risk-based internal audit.</b>	The Company outsources internal auditors who perform internal audit services twice a year.	Full compliance
<b>2.8 Companies should remunerate Directors and executives fairly and responsibly</b>	Non-executive Directors are paid an annual retainer fee and sitting fee per meeting. These fees are reviewed annually.	Full compliance
<b>2.9 The Board should delegate to management to proactively deal with stakeholder information and relationships</b>	Financial results, trading updates and announcements are published in accordance with BSEL listings requirements. These together with the Annual Report are also published on the Company's website.	Full compliance
<b>2.10 Sustainability reporting and disclosures should be integrated with Company's financial report</b>	The drafting of a sustainability report is underway and it will be incorporated in the following financial year.	Full compliance

# Corporate Governance

Continued

## King III Application (continued)

The table below explains how Letlole La Rona Limited has applied the principles set out in King III and addresses the extent of the Company's compliance with the Code.

PRINCIPLE	APPLICATION	STATUS
<b>CHAPTER 3: AUDIT COMMITTEES</b>		
<b>3.1 The Board should ensure that the Company has an effective and independent Audit Committee.</b>	The Audit Committee comprises of three independent non-executive Directors.	Full compliance
<b>3.2 Audit Committee members should be suitably skilled and experienced independent non-executive Directors</b>	All Audit Committee members are independent non-executive Directors who are suitably skilled and experienced. Refer to Board profiles.	Full compliance
<b>3.3 The Audit Committee should be chaired by an independent non-executive director</b>	The Chairperson of the Audit Committee is an independent non-executive director.	Full compliance
<b>3.4 The Audit Committee must consider, on an annual basis, and satisfy itself of the appropriateness of the expertise and experience of the Chief Financial Officer</b>	The Audit Committee is directly involved in the employment and appraisal of finance executives who head the finance function of the Company. The Committee is satisfied with the expertise and experience of the Chief Financial Officer.	Full compliance
<b>3.5 The Audit Committee should be responsible for overseeing of internal audit</b>	The Company outsources internal auditors who perform internal audit services twice a year. The internal auditor meets with the Audit Committee to decide on the internal audit plan.	Full compliance
<b>CHAPTER 4: THE GOVERNANCE OF RISK</b>		
<b>4.1 The Board should be responsible for the governance of risk.</b>	The Board oversees the management of risk and has delegated the process to the Audit, Risk and Compliance Committee. The Committee monitors the adequacy and effectiveness of the Company's internal risk management process.	Full compliance
<b>4.2 The risk committee or Audit Committee should assist the board in carrying out its risk responsibilities</b>	As per 4.1	Full compliance

# Corporate Governance

Continued

## King III Application (continued)

The table below explains how Letlole La Rona Limited has applied the principles set out in King III and addresses the extent of the Company's compliance with the Code.

PRINCIPLE	APPLICATION	STATUS
<b>CHAPTER 4: THE GOVERNANCE OF RISK</b>		
<b>4.3 The board should delegate to management the responsibility to design, implement and monitor the risk management plan</b>	The Company has a risk register which details all risks and the management thereof. This risk register is presented to the Audit, Risk and Compliance Committee and Board of Directors for approval.	Full compliance
<b>4.4 The board should ensure that risk assessments are performed on a continual basis. Board and Audit Committee are responsible for risk</b>	As per 4.3	Full compliance
<b>CHAPTER 5: THE GOVERNANCE OF INFORMATION TECHNOLOGY</b>		
<b>5.1 The Board should be responsible for information technology (IT) governance.</b>	With the changing nature of the IT environment, the Board is currently reviewing and updating the Company's IT policies to ensure they remain relevant.	Full compliance
<b>5.2 The board should delegate to management the responsibility for the implementation of an IT</b>	Management outsources its IT function to an experienced, reputable firm who ensures the integrity of its IT system.	Full compliance
<b>CHAPTER 6: COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS</b>		
<b>6.1 The board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standard</b>	The Board ensures that the Company complies with the requirements of BSEL, Companies Act, IFRS and the applicable law	Full compliance
<b>6.2 Compliance risk should form an integral part of the Company's risk management process</b>	Compliance risk is denoted as one of the Company's key risks and forms part of the risk management process.	Full compliance

# Corporate Governance

Continued

## King III Application (continued)

The table below explains how Letlole La Rona Limited has applied the principles set out in King III and addresses the extent of the Company's compliance with the Code.

PRINCIPLE	APPLICATION	STATUS
<b>CHAPTER 7: INTERNAL AUDIT</b>		
<b>7.1 The board should ensure that there is an effective risk based internal audit</b>	As per 2.7 above	Full compliance
<b>7.2 Internal audit should follow a risk-based approach to its plan</b>	Internal audit, through its audit plan follow a risk-based approach in performing the audit	Full compliance
<b>7.3 Internal audit should provide a written assessment of the effectiveness of the Company's system of control and risk management</b>	At the end of each audit, the internal auditor provides a written assessment on his findings regarding the Company's system of control and risk management.	Full compliance
<b>7.4 The Audit Committee should be responsible for overseeing internal audit</b>	As per 3.5 above	Full compliance
<b>CHAPTER 8: GOVERNING STAKEHOLDER RELATIONSHIPS</b>		
<b>8.1 The board should appreciate that stakeholders' perceptions affect a Company's reputation</b>	Management engages with the stakeholders and reports to the Board on the perception of stakeholders and how they affect the Company's reputation.	Full compliance
<b>8.2 The board should delegate to management to proactively deal with stakeholder relationships stakeholders and the outcomes of these dealings</b>	Management engages with the stakeholders and reports to the Board on the perception of stakeholders and how they affect the Company's reputation.	Full compliance

# Corporate Governance

Continued

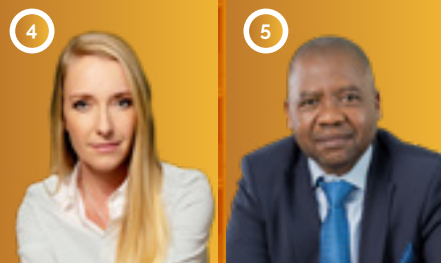
## King III Application (continued)

The table below explains how Letlole La Rona Limited has applied the principles set out in King III and addresses the extent of the Company's compliance with the Code.

PRINCIPLE	APPLICATION	STATUS
<b>CHAPTER 9: INTEGRATED REPORTING AND DISCLOSURE</b>		
<b>9.1 The board should ensure the integrity of the Company's integrated annual report</b>	The Company is currently drafting the sustainability report and will be incorporated in the following year.	In progress
<b>9.2 Sustainability reporting and disclosure should be integrated with the Company's financial reporting</b>	As per 9.1 above	In progress
<b>9.3 Sustainability reporting and disclosure should be independently assured</b>	As per 9.1 above	In progress



# LLR board and management Profiles



## 1. Mr. Frederick Selolwane Board Chairperson And Member Of Investment Committee Independent, non-executive Director

Mr. Selolwane is the Managing Director of Rider Levett Bucknall (Botswana). He is a registered Quantity Surveyor and a chartered member of the Royal Institute of Chartered Surveyors as well as the South African Council of the Quantity Surveying Profession. He has extensive experience in the construction industry specializing in procurement, construction cost management and project management of property developments.

Mr. Selolwane has previously served as a non-executive Board Member of Botswana Building Society (BBS) where he was the Chairman of the Board Tender Committee and a member of the Demutualization Committee. He was also a Board Member of BPOMAS Property Holdings overseeing the Management of Bokamoso Private Hospital Properties.

Mr. Selolwane is a former Chairman of both the Physical Resources Committee of the University of Botswana Council and served as Chairman of the Institute of Botswana Quantity Surveyors, an organization primarily responsible promoting the advancement of knowledge in the Quantity Surveying profession and the general interests of the profession.

## 2. Ms. Mmametsi Setlhare Board Member And Chairperson Of Audit, Risk And Compliance Committee Independent, non-executive Director

Ms. Setlhare currently serves as the Head of Audit Services at Debswana Diamond Company and has previously held senior positions with Motor Vehicle Accident Fund, Banc ABC Botswana and BCL Mining Company. She holds a BCom in Accounting and is a member of the Chartered Institute of Management Accountants (CIMA) where she is a Fellow Chartered Accountant (FCMA, CGMA). Other memberships include the Institute of Internal Auditors, the Institute of Directors (South Africa) (IoDSA), and the Information Systems Auditors & Control Association (ISACA).

Ms Setlhare is a seasoned Internal Audit practitioner with more than 25 years' experience at senior and executive level.

She is an experienced board member and has previously served as a member on the Botswana Power Corporation board and is a co-opted member serving on the audit committees of Botswana Gambling Authority and Botswana University of Science and Technology (BIUST).

## 3. Mr. Oteng Keabetswe Board Member And Chairperson Of Investment Committee Non-executive Director

Mr. Keabetswe is a dynamic and highly motivated Investment Professional with extensive experience in leading Debt, Mezzanine and Private Equity investments on behalf of institutions. He is currently employed by the Botswana Development Corporation (BDC) as the Acting Chief Investment Officer, overseeing the investment function of the Corporation and being the custodian of the corporation's investment strategy, policies and procedures.

Mr. Keabetswe is qualified as a Global Chartered Management Accountant (ACMA, CGMA) and has a BA (Hon) in Finance, Accounting & Management from the University of Nottingham. Mr. Keabetswe currently serves as an Independent Non-Executive Director on numerous boards, including Coca Cola Beverages Botswana (Pty) Ltd, Peermont Global Botswana (Pty) Ltd, Fairground Holdings (Pty) Ltd and Export Credit Insurance & Guarantee Company (Botswana) (Pty) Ltd ("BECI").

## 4. Ms. Bronwyn Knight Board Member And Member Of Investment Committee Non-executive Director

Ms. Knight is a founding member and CEO of Grit Real Estate Income Group ("Grit"), the largest pan-African real estate focused Company listed on the main market of the London Stock Exchange and on the Stock Exchange of Mauritius.

Born in South Africa, Ms. Knight qualified as a chartered accountant, served on several property Company boards and played a key role in listing South Africa's largest sovereign underpinned real estate investment trust (REIT), where she held the roles of both Chief Financial and Chief Investment Officer, before co-founding what would become Grit.

Under Ms. Knight's leadership, Grit has achieved consistent Dollar-based

distributions and returns and has grown the portfolio from two assets of US\$140 million at listing, to 54 assets, currently valued in excess of US\$849.2 million across eight African jurisdictions.

Ms. Knight was recognized as the 2019 EY Entrepreneur of the Year (Southern Africa) in the Exceptional Category and is also a past winner of the South African Institute of Chartered Accountants (SAICA) Top CA(SA) under 35 Award.

## 5. Mr. Sedireng Serumola Board Member And Member Of Audit, Risk And Compliance Committee Independent, non-executive Director

Mr. Serumola is the current Managing Director of Diamond Trading Company Botswana and has over 20 years of progressive mining experience gained in the public sector, engineering consultancy, mining and processing, diamond sorting and valuation environment. He holds a BSc (Honours) in Mining Engineering from the Queen's University at Kingston in Ontario, Canada as well as an MSc in Engineering Management from the University of Cape Town. He is a registered Professional Engineer with the Engineers Registration Board.

Mr. Serumola is a business leader in Botswana, with well-developed skills in people management, negotiations, change management, business and strategy development, negotiations, facilitation, and relationship building, safety management and leadership, amongst others. His two-decade long mining sector experience enabled him to gain experience in the public sector, engineering consultancy, mining, diamond processing, sorting and valuation environment.

## 6. Ms. Onthatile Tiny Ogotseng Board Member And Member Of Audit, Risk And Compliance Committee Independent, non-executive Director

Ms. Ogotseng currently works in the Legal and Corporate Secretariat Department at Africa Finance Corporation, a multilateral development financial institution in Africa. Ms. Ogotseng is an experienced Legal Counsel and Company Secretary with demonstrated history of working in

social security and health industry having previously served as the Head of Legal and Company Secretary at Sir Ketumile Masire Teaching Hospital as well as Head of Legal and Board Secretary at Motor Vehicle Accident Fund (MVA Fund).

Ms. Ogotseng holds a Masters degree in Management of Finance & Investments from the University of the Witwatersrand (Wits Business School), an LLB from the University of Botswana, and has in addition completed several leadership and management development programmes. Ms. Ogotseng is also an admitted Attorney of the High Court of Botswana and is an admitted Conveyancer and Notary Public. Her key areas of expertise include corporate governance, compliance and regulatory, strategy and risk management, corporate and commercial law as well as contracts negotiation and contracts drafting, and an in-depth understanding of critical business drivers in multiple markets and industries.

## 7. Ms. Kamogelo Mowaneng Acting Chief Executive Officer

Ms. Mowaneng, LLR's Chief Financial Officer was appointed the Company's Acting CEO on the 26th of August 2020.

Ms. Mowaneng is a qualified Chartered Accountant registered with the South African Institute of Chartered Accountants, CA (SA) and an Associate Certified Professional Accountant registered with the Botswana Institute of Chartered Accountants, ACPA (BICA). She holds a Bachelor of Business Science Degree with Finance Honors from the University of Cape Town, South Africa; after which she continued with her Post Graduate Diploma in Accounting at the same Institution.

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

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

Ms. Mowaneng is a member of the Board of Directors of NBC Developments Partnership, Mogo'lori (Pty) Ltd and Hidden Leaf (Pty) Ltd.

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

## 8. Mr. Baalakani Nlumbile Property Manager

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

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

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

Mr. Nlumbile has also served in different senior positions in various organisations including Botswana Housing Corporation (BHC), Botswana Development Corporation (BDC) 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

Vision: To be the premier real estate Company in Botswana and selected markets in Africa.



Lot 54060  
P23,880,000



Lot 2989  
P47,200,000



Lot 4738  
P48,120,000



Lot 14398  
P 27,730,000



Lot 69369  
P 27,800,000



Lot 14453  
P 11,190,000



Lot 14454  
P 11,120,000



Lot 69368  
P 44,360,000



Lot 14457  
P 9,450,000



Lot 6369 -72, Lobatse  
P 6,820,000



Lot 14458  
P 8,260,000



Lot 14459  
P 8,970,000



# Properties Continued



Lot 14460  
P8,860,000



Lot 22033  
P28,040,000



Lot 29052  
P145,240,000



Lot 32084  
P 97,250,000



Lot 50380  
P 55,090,000



Lot 74204  
P 120,900,000



Lot 64260  
P 27,120,000



Lot 22038  
P 55,090,000



Lot 14455  
P 120,900,000



Lot 28911  
P 27,120,000



# Corporate Social Investment

## “ Investing in the future through capacitating upcoming leaders ”

Lettlole La Rona Limited (“LLR”) is a socially accountable Company which aims to have a positive impact on all its stakeholders. In efforts to secure a sustainable future for all, the Company continues to focus on projects involving children and education.

### The fight against the Covid-19 Pandemic

In recognition of the adverse effects of the Covid-19 pandemic in the education sector, the Company heeded to the Government’s call for assistance by the private sector. This was done by contributing facemasks and sanitizers to Habu Primary School, to help both teachers and students in curbing the spread of the virus. The school comprises of a primary user population of 287, being 275 pupils and 12 teachers. Habu village is located in the North-West District, close to the Okavango Delta, and forms part of the communities that were affected by the downturn in the tourism economy. The Company has been working closely with the school and providing assistance in different aspects since 2019.



### Transforming the Future Spaces – Otse Children’s Hostel, Central District

In line with its commitment to transform spaces and communities that fall within the span of its business activities, LLR embarked on a project to invest in the community of Otse Village in the Central District. This was achieved through collaboration with Central District Council to assist the Otse Student Hostel on a two-pronged approach; one being a social investment amounting to over P120,000 and the other being a declaration by the Company to adopt the hostel for a period of 3 years.

The social investment entailed the procurement and installation of children’s lockers to afford them privacy and a sense of personal space, a 5,000 litre water reserve tank to address water shortages as well as two 10.5kg heavy duty washing machines. Additionally, the Company provided blankets for the children, an industrial press to address the ironing workload as well as kitchen utensils to fill the shortages that had been noted.

The Company’s undertaking to adopt the hostel will see it hosting an annual Christmas Party for the 72 children currently housed there, along with their 12 caretakers. The intention is to boost the children’s morale and encourage them to return for the following academic year.

The Company will ensure to provide any other assistance that improves the quality of stay and learning for the children at the hostel.





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Statement of Financial Position



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Notes to the Annual Financial Statements

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Statement of Changes in Equity

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Detailed Income Statement

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

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Independent Auditor's Report

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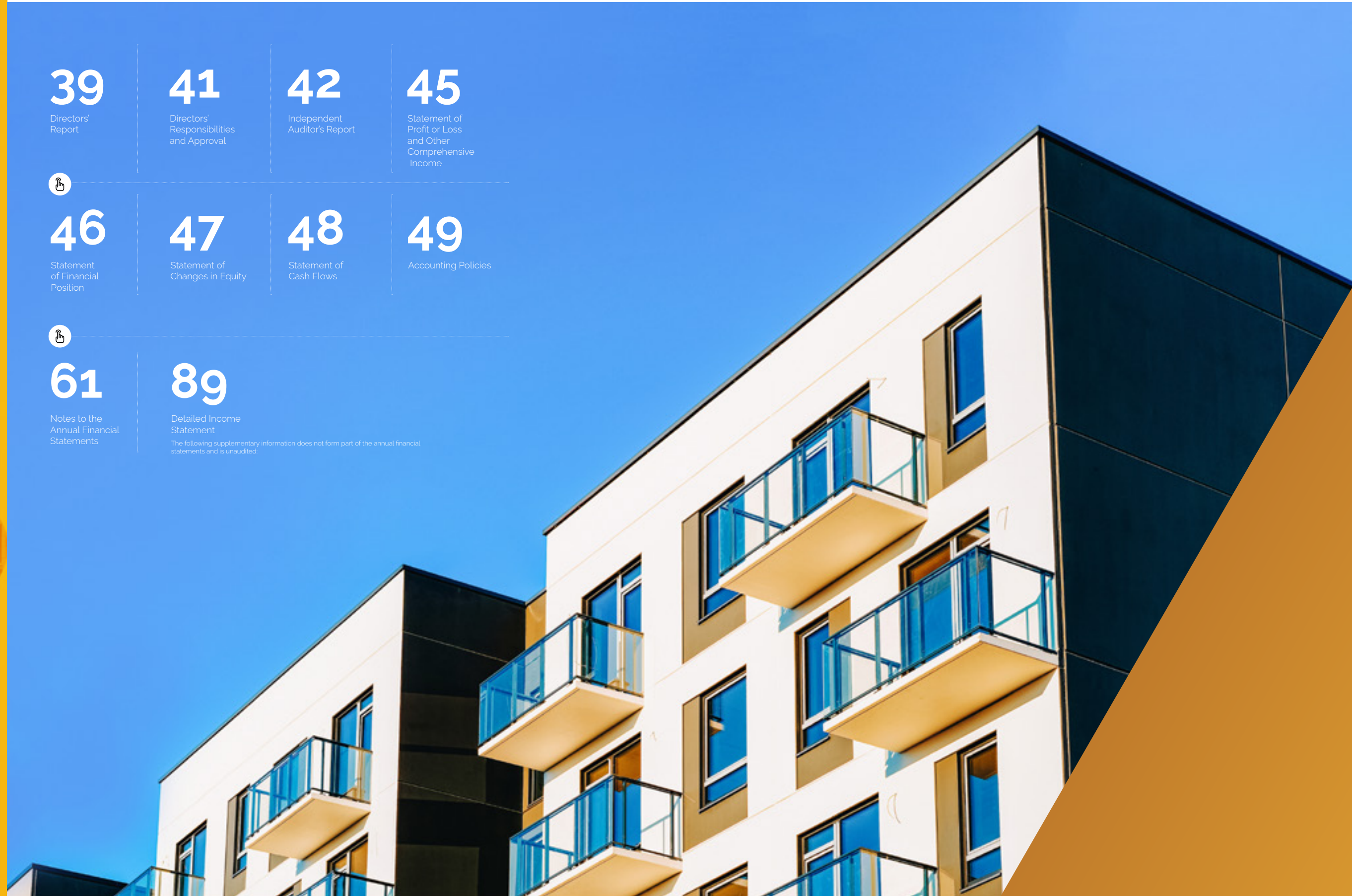
Statement of Cash Flows

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Statement of Profit or Loss and Other Comprehensive Income

49

Accounting Policies



# General Information

<b>Country of incorporation and domicile</b>	Botswana
<b>Nature of business and principal activities</b>	The Company is a Variable Rate Loan Stock Company engaged in property investment and deriving revenue primarily from property rentals.
<b>Directors</b>	F Selolwane (Board chairperson) B Knight O Keabetswe M Setlhare (Appointed 25 January 2021) S Serumola (Appointed 25 January 2021) O Ogotseng (Appointed 25 January 2021) T Kgatlwane (Resigned 29 January 2021) B. Mogopa (Retired 11 December 2020) T. Dambe (Retired 11 December 2020) S. Leburu (Retired 11 December 2020)
<b>Registered office</b>	Letlole la Rona Limited Unit 2B, 1st Floor Peelo Place, Plot 54366 CBD P O Box 700ABG Gaborone Botswana
<b>Business address</b>	Unit 2B, 1st Floor Peelo Place, Plot 54366, CBD P O Box 700ABG Gaborone Botswana
<b>Auditors</b>	Grant Thornton Chartered Accountants and Certified Auditors of Public Interest Entities
<b>Secretary</b>	Bothepa Obuseng
<b>Company registration number</b>	BW00001394482
<b>Date of incorporation</b>	08 July 2010
<b>Transfer secretaries</b>	Central Securities Depository Company Botswana 4th Floor, Landscape Precinct Plot 70667 Fairgrounds Gaborone Botswana
<b>Legal Advisors</b>	Armstrongs Attorney Accacia House Plot 54358, New CBD Gaborone Botswana
<b>Debenture Trust Trustees</b>	Corpserve Transaction Management Services (Proprietary) Limited

# Director's Report

The Directors have pleasure in submitting their report on the annual financial statements of Letlole La Rona Limited for the year ended 30 June 2021.

## 1. 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 have been no material changes to the nature of the Company's business from the prior year.

## 2. Financial statements

The operating results for the year ended 30 June 2021 and state of affairs of the Company are fully set out in the attached annual financial statements.

## 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 80% of available cash after prudent retention and provision for foreseeable capital expenditure and cash flow requirements as per the Trust Deed of the Company.

The following distributions were paid/declared during the year:

30 June 2021	Debenture interest (thebe)	Dividend (thebe)	Total (thebe)
Interim-paid	7.85	0.05	7.90
Final declared	9.41	0.05	9.46
	17.26	0.10	17.36
30 June 2020	Debenture interest (thebe)	Dividend (thebe)	Total (thebe)
Interim-paid	7.14	0.05	7.19
Final declared	8.88	0.05	8.93
	16.02	0.10	16.12

## 4. Directors

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

<b>Directors</b>	F Selolwane (Board chairperson) B Knight O Keabetswe M Setlhare (Appointed 25 January 2021) S Serumola (Appointed 25 January 2021) O Ogotseng (Appointed 25 January 2021) T Kgatlwane (Resigned 29 January 2021) B. Mogopa (Retired 11 December 2020) T. Dambe (Retired 11 December 2020) S. Leburu (Retired 11 December 2020)
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# Director's Report

Continued

The above are the only appointments and resignations to the directorate for the year under review.

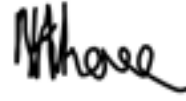
## 5. Interests of Directors and Secretary

None of the Directors or Secretary who held office at 30 June 2021 had any interest in the Company, except for the one's below:

Director's name	Shareholding	Services provider
F Selolwane	Applicable	Applicable
B Knight	Applicable	N/A
M Setlhare	Applicable	N/A

## 6. Events after the reporting period

The Directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

Director

Director

# Director's Responsibilities and Approval

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 2021, and the Statement of Profit or Loss and Other Comprehensive Income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards ("IFRS").

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

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

The annual financial statements are prepared in accordance with IFES 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 effective system of risk management.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the board of Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Company and all employees are required to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the Company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

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

The external auditors are responsible for independently reviewing and reporting on the Company's annual financial statements, and their unmodified report is presented on pages 42 to 44.

The annual financial statements set out on pages 45 to 87, which have been prepared on the going concern basis, were approved by the board of Directors on 23 September 2021 and were signed on their behalf by:

## Approval of financial statements



Chairperson



Audit, Risk and Compliance  
Committee Chairperson

# Independent Auditor's Report

To the unit holders of Letlole La Rona Limited

## Opinion

We have audited the annual financial statements of Letlole La Rona Limited set out on pages 10 to 54, which comprise the statement of financial position as at 30 June 2021, 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 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the annual financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of annual financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Botswana. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements of the current period. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and the report below is not intended to constitute separate opinions on those key audit matters.

Key audit matter	How the matter was addressed in our audit
<p><b>Valuation of the investment property</b></p> <p>The Company's significant assets are the investment properties in various segments as disclosed under note 12 of the annual financial statements.</p> <p>The values of these properties are determined using valuation experts in the field of real estate valuations.</p> <p>Significant judgement is required to determine the fair value of investment property, especially with respect to determination of appropriate capitalization rates and net cash flows. We considered the valuation of these assets to be a matter of most significance to the current year audit due to magnitude of balances combined with significant assumptions associated with determining the fair values.</p>	<p>Experts appointed by the management determined the fair values of the external properties. We assessed the competence and capabilities of the valuer by verifying qualifications and experience.</p> <p>We held discussions with these experts to gather an understanding of the various inputs, assumptions, estimates and process used in arriving at the values. We compared the valuation approach used by the valuer against IFRS requirements and Industry norms to confirm that the methodology was appropriate. The valuation method was comparable to those typically used in the market.</p> <p>We verified on a sample basis the underlying data used by the valuers, significant ones being rental income, escalation terms and lease periods. We compared the capitalisation rates utilised in the valuation to rates used in historical valuations, general market factors (such as comparable bond yield rates) and property specific risk factors. These inputs were found to be within a reasonable range.</p> <p>Our audit procedures have resulted in appropriate audit evidence with regards to the values of the investment properties.</p>

# Independent Auditor's Report

Continued

Key audit matter	How the matter was addressed in our audit
	<p>We also noted that the valuation is reported on the basis of 'material valuation uncertainty' per VPGA 10 of the RIC Valuation- Global Standards. Consequently, less uncertainty- and a higher degree of caution- should be attached to the external valuers valuation than would normally be the case. Since the future impact that COVID-19 might have on the real estate market is still unknown, its recommended by the external valuers that the valuation of the property are under frequent review.</p>

## Other Information

The Directors are responsible for the other information. The other information comprises the information included in the document titled "Letlole La Rona Limited annual financial statements for the year ended 30 June 2021", which includes the Directors' Report and the Detailed Income Statement, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the annual financial statements and our auditor's report thereon.

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

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

## Responsibilities of the Directors for the Annual Financial Statements

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

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

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

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

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

# Independent Auditor's Report

Continued

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.

## Chartered Accountants

Certified Auditor: Mr. Sunny Mulakulam: 20050097  
 Certified Auditor of Public Interest Entity  
 Certificate Number: CAP 0034 2021

# Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2021 P	2020 P
<b>Continuing operations</b>			
Revenue	3	102 865 916	81 155 468
Other operating income	4	634 607	3 577 190
Other non-operating gains	5	212 329	-
Movement in credit loss allowances	6	(3 011 736)	(3 311 256)
Impairment loss on investment property	6	-	(3 741 907)
Administrative expenses		(24 599 869)	(22 652 529)
Property related expenses		(10 573 643)	(7 077 400)
<b>Operating profit</b>	<b>6</b>	<b>65 527 604</b>	<b>47 949 566</b>
Finance income	7	2 347 319	7 614 790
Finance costs	8	(15 232 305)	(16 449 873)
Share of profit from equity accounted investments	9	2 978 328	5 773 534
Fair value adjustment of investment properties	10	7 731 845	33 309 781
<b>Profit before taxation</b>		<b>63 352 791</b>	<b>78 197 798</b>
Taxation	11	(8 780 725)	(17 635 063)
<b>Profit from continuing operations</b>		<b>54 572 066</b>	<b>60 562 735</b>
<b>Discontinued operations</b>			
Profit from discontinued operations	20	256 085	1 788 098
<b>Profit for the year</b>		<b>54 828 151</b>	<b>62 350 833</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>54 828 151</b>	<b>62 350 833</b>
<b>Profit attributable to:</b>			
<b>Owners of the parent:</b>			
From continuing operations		54 572 066	60 562 735
From discontinued operations		256 085	1 788 098
		<b>54 828 151</b>	<b>62 350 833</b>
<b>Per linked unit information</b>			
<b>Earnings per linked unit</b>			
Basic earnings per linked unit (thebe) from continuing operations	26	23.29	25.15
Basic earnings per linked unit (thebe) from discontinued operations	26	0.09	0.64
		<b>23.38</b>	<b>25.79</b>
<b>Basic headline earnings per linked unit (thebe)</b>			
Basic headline earnings per share (thebe) - continuing operations	26	23.38	26.20
Basic headline earnings per share (thebe) - discontinued operations	26	0.09	0.64
		<b>23.47</b>	<b>26.84</b>
<b>Distribution, dividends and debenture interest per linked unit</b>			
Dividend per linked unit (thebe)	27	0.10	0.10
Debenture interest per linked unit (thebe)	27	17.27	16.02
<b>Distribution per linked unit (thebe)</b>		<b>17.37</b>	<b>16.12</b>

# Statement of Financial Position

## as at 30 June 2021

	Note(s)	2021 P	2020 P
<b>Assets</b>			
<b>Non-Current Assets</b>			
Investment property	12	958 731 477	892 495 663
Operating lease asset		21 614 523	19 300 338
Property, plant and equipment	13	1 290 927	1 697 101
Right-of-use assets	14	1 415 915	1 887 886
Investments in associates	16	42 171 622	42 993 294
Investments at fair value	17	6 250 000	6 250 000
Deferred tax	24	11 858 968	9 048 190
Deferred taxation recoverable - related party	15	4 698 769	5 125 126
		<b>1 048 032 201</b>	<b>978 797 598</b>
<b>Current Assets</b>			
Taxation refundable		1 614 021	1 399 579
Trade and other receivables	18	6 215 675	9 027 428
Cash and cash equivalents	19	76 739 821	122 590 894
		<b>84 569 517</b>	<b>133 017 901</b>
<b>Total Assets</b>		<b>1 132 601 718</b>	<b>1 111 815 499</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Stated capital	21	2 718 884	2 718 884
Debentures - unit linked	22	405 113 547	405 113 547
Retained income		380 146 859	363 308 582
		<b>787 979 290</b>	<b>771 141 013</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Borrowings	23	228 661 072	231 288 123
Lease liabilities	14	717 770	1 333 279
Deferred tax	24	65 541 990	65 012 963
		<b>294 920 832</b>	<b>297 634 365</b>
<b>Current Liabilities</b>			
Debenture interest and dividend payable	27	26 492 760	25 001 200
Trade and other payables	25	18 980 977	13 983 959
Borrowings	23	3 612 350	3 512 900
Lease liabilities	14	615 509	542 062
		<b>49 701 596</b>	<b>43 040 121</b>
<b>Total Liabilities</b>		<b>344 622 428</b>	<b>340 674 486</b>
<b>Total Equity and Liabilities</b>		<b>1 132 601 718</b>	<b>1 111 815 499</b>

# Statement of Changes in Equity

	Stated capital P	Debentures P	Retained income P	Total equity P
<b>Balance at 01 July 2019</b>	<b>2 718 884</b>	<b>405 113 547</b>	<b>336 224 115</b>	<b>744 056 546</b>
Profit for the year	-	-	62 350 833	62 350 833
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>62 350 833</b>	<b>62 350 833</b>
Taxation attributable to debenture interest	-	-	9 867 950	9 867 950
Dividends and debenture interest declared (Note 28)	-	-	(45 134 316)	(45 134 316)
<b>Total contributions by and distributions to owners of company recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>(35 266 366)</b>	<b>(35 266 366)</b>
<b>Balance at 01 July 2020</b>	<b>2 718 884</b>	<b>405 113 547</b>	<b>363 308 582</b>	<b>771 141 013</b>
Profit for the year	-	-	54 828 151	54 828 151
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>54 828 151</b>	<b>54 828 151</b>
Taxation attributable to debenture interest	-	-	10 636 118	10 636 118
Dividends and debenture interest declared (Note 28)	-	-	(48 625 992)	(48 625 992)
<b>Total contributions by and distributions to owners of company recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>(37 989 874)</b>	<b>(37 989 874)</b>
<b>Balance at 30 June 2021</b>	<b>2 718 884</b>	<b>405 113 547</b>	<b>380 146 859</b>	<b>787 979 290</b>
Note	21	22		



# Statement of Cash Flows

	Note(s)	2021 P	2020 P
<b>Cash flows from operating activities</b>			
Profit before taxation from continuing operations		63 352 791	78 197 798
Profit before taxation from discontinued operations		256 085	1 788 098
<b>Adjustments for:</b>			
Depreciation		1 049 598	1 140 743
Profit on disposal of investment property		(210 000)	-
Profit on disposal of property, plant and equipment		(2 329)	-
Results from equity accounted investments		(2 978 328)	(5 773 534)
Finance income		(2 347 319)	(7 614 790)
Finance costs		15 232 305	16 449 873
Fair value adjustment of investment properties		(7 731 845)	(33 309 781)
Impairment on investment property		-	3 741 907
Credit loss allowance		3 011 736	3 311 256
Movements in operating lease assets		(2 314 185)	(1 475 841)
<b>Changes in working capital:</b>			
Trade and other receivables		(199 983)	16 748 816
Trade and other payables		4 997 015	(23 564 680)
<b>Cash generated from operations</b>		<b>72 115 541</b>	<b>49 639 865</b>
Tax paid	29	(214 442)	(753 294)
<b>Net cash generated from operating activities</b>		<b>71 901 099</b>	<b>48 886 571</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	13	(176 109)	(187 957)
Sale of property, plant and equipment	13	6 986	-
Additions of investment property	12	(65 993 969)	(146 416 285)
Proceeds on sale of investment property		7 700 000	9 000 000
Distributions from associate		3 800 000	2 400 000
Finance Income		2 347 319	7 614 790
<b>Net cash used in investing activities</b>		<b>(52 315 773)</b>	<b>(127 589 452)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(2 527 601)	(2 151 764)
Payment on lease liabilities		(542 062)	(484 516)
Dividends and debenture interest	28	(47 134 432)	(50 233 120)
Finance costs		(15 232 305)	(16 449 873)
<b>Net cash used in financing activities</b>		<b>(65 436 400)</b>	<b>(69 319 273)</b>
<b>Total cash and cash equivalents movement for the year</b>		<b>(45 851 074)</b>	<b>(148 022 154)</b>
Cash and cash equivalents at the beginning of the year		122 590 895	270 613 048
<b>Total cash and cash equivalents at end of the year</b>	<b>19</b>	<b>76 739 821</b>	<b>122 590 894</b>

# Accounting Policies

## 1. Basis of preparation and compliance

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

These accounting policies are consistent with the previous period.

### 1.1 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. 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 estimates are revised and in any future periods affected.

#### Key sources of estimation uncertainty

##### Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

##### Fair value estimation

Several assets and liabilities of the Company are either measured at fair value or disclosure is made of their fair values. Observable market data is used as inputs to the extent that it is available. Qualified external valuers are consulted for the determination of appropriate valuation techniques and inputs.

Information about the specific techniques and inputs of the valuation of investment property is disclosed in note 12 and note 33.

##### Useful lives of property, plant and equipment

Management assess the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of motor vehicles, furniture and computer equipment are determined based on Company replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters. The useful life of manufacturing equipment is assessed annually based on factors including wear and tear, technological obsolescence and usage requirements.

##### 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 group 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 group 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 group 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 laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

# Accounting Policies

Continued

## 1.2 Revenue and income

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

### 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 of expenses, service levies and other costs recovered from tenants.

### Interest Revenue

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

### Dividend and distribution Income

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

## 1.3 Taxation

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

### Current tax

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

### Deferred tax

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

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

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

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

# Accounting Policies

Continued

## 1.3 Taxation (continued)

### 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.

## 1.4 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 each reporting period:

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

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

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

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

## 1.5 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.

# Accounting Policies

Continued

## 1.6 Investment property

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

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

## 1.7 Property, plant and equipment

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

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

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

Subsequent to initial recognition, property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses.

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

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

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

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

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

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

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

# Accounting Policies

Continued

## 1.8 Work in progress

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

## 1.9 Investments in associates

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

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

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

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

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

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

## 1.10 Impairment of assets

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

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

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

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

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

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

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

# Accounting Policies

Continued

## 1.11 Financial instruments

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

Financial assets which are equity instruments:

- Designated as at fair value through other comprehensive income.

Financial assets

- Amortised cost.

Financial liabilities:

- Amortised cost.

Note 32 Financial instruments and risk management presents the financial instruments held by the Company based on their specific classifications.

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

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

### Trade and other receivables

#### Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets and are subsequently measured at amortised cost (note 18).

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

#### Recognition and measurement

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

They are subsequently measured at amortised cost.

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

#### Impairment

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

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

# Accounting Policies

Continued

## 1.11 Financial instruments (continued)

### Measurement and recognition of expected credit losses

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

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 18.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in Statement of Profit or Loss and Other Comprehensive Income as a movement in credit loss allowance (note 6).

### Write off policy

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

### Credit risk

Details of credit risk are included in the trade and other receivables note (note 18) and the financial instruments and risk management note (note 32).

### Derecognition

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

### Investments in equity instruments

#### Classification

Investments in equity instruments are presented in note 17. They are classified as mandatorily at fair value through profit or loss. As an exception to this classification, the Company may make an irrevocable election, on an instrument by instrument basis, and on initial recognition, to designate certain investments in equity instruments as at fair value through other comprehensive income.

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

#### Recognition and measurement

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

Investments in equity instruments are subsequently measured at fair value with changes in fair value recognised in other comprehensive income (and accumulated in equity in the reserve for valuation of investments). Details of the valuation policies and processes are presented in note 33.

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

# Accounting Policies

Continued

## 1.11 Financial instruments (continued)

### Impairment

Investments in equity instruments are not subject to impairment provisions.

### Derecognition

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

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

### Trade and other payables

#### Classification

Trade and other payables (note 25), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

#### Recognition and measurement

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

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

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

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 8).

Trade and other payables expose the Company to liquidity risk and possibly to interest rate risk. Refer to note 32 for details of risk exposure and management thereof.

### Cash and cash equivalents

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

### Derecognition

#### Financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. 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.

#### Financial liabilities

The Company derecognises financial liabilities when, and only when, the Company obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### Transforming Spaces

# Accounting Policies

Continued

## 1.11 Financial instruments (continued)

### Reclassification

#### Financial assets

The Company only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

#### Financial liabilities

Financial liabilities are not reclassified.

## 1.12 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.

## 1.13 Leases

The Company assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Company has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

#### Company as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Company is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense (note 6) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

However, as an exception to the preceding paragraph, the Company has elected not to separate the non-lease components for leases of land and buildings.

Details of leasing arrangements where the Company is a lessee are presented in note 14 Leases (Company as lessee).

# Accounting Policies

Continued

## 1.13 Leases (continued)

### Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the Company under residual value guarantees;
- the exercise price of purchase options, if the Company is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option;
- and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (note 6).

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 8).

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the Company will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

### Right-of-use assets

Right-of-use assets are presented as a separate line item on the Statement of Financial Position. The initial measurement of cost of the right-of-use asset includes:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the Company incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

# Accounting Policies

Continued

## 1.13 Leases (continued)

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

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

## 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.

The cost of long-term employee benefits, (those are all other employee benefits other than short term employee benefits and are not expected to be settled within 12 months after the year end after the service is rendered, deferred bonuses and remunerations), are recognised in the period in which the service is rendered on a discounted basis.

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:

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

## 1.17 Non-current assets held for sale

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

# Accounting Policies

Continued

## 1.17 Non-current assets held for sale (continued)

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

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

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

## 1.18 Segmental Reporting

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

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

- Leisure
- Industrial
- Commercial & retail
- Residential

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

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

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

## 1.19 Distributions

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

# Notes to the Annual Financial Statements

## 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:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• COVID-19 - Related Rent Concessions - Amendment to IFRS 16	01 June 2020	The impact of the amendment is not material.
• Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7	01 January 2020	The impact of the amendment is not material.
• Definition of a business - Amendments to IFRS 3	01 January 2020	The impact of the amendment is not material.
• Presentation of Financial Statements: Disclosure initiative	01 January 2020	The impact of the amendment is not material.
• Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative	01 January 2020	The impact of the amendment is not material.

### 2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2021 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Classification of Liabilities as Current or Non-Current - Amendment to IAS 1	01 January 2023	Unlikely there will be a material impact
• IFRS 17 Insurance Contracts	01 January 2023	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020 Amendments to IFRS 1	01 January 2022	Unlikely there will be a material impact
• Reference to the Conceptual Framework: Amendments to IFRS 3	01 January 2022	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9	01 January 2022	Unlikely there will be a material impact
• Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	01 January 2022	Unlikely there will be a material impact
• Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37	01 January 2022	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IAS 41	01 January 2022	Unlikely there will be a material impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 16	01 January 2021	Unlikely there will be a material impact

# Notes to the Annual Financial Statements

Continued

	2021 P	2020 P
<b>3. Revenue</b>		
<b>Revenue from contracts with customers</b>		
Contractual income	97 909 463	77 517 804
Straightline lease rental adjustment	2 344 792	1 475 841
Operating cost recoveries	2 611 661	2 161 823
	<b>102 865 916</b>	<b>81 155 468</b>
<b>4. Other operating income</b>		
Administration and management fees received	55 918	70 155
Bad debts recovered	254 701	-
Insurance claim (Refer to note 12)	323 988	3 507 035
	<b>634 607</b>	<b>3 577 190</b>
<b>5. Other non-operating gains</b>		
<b>Gains on disposals</b>		
Property, plant and equipment	2 329	-
Investment property	210 000	-
	<b>212 329</b>	<b>-</b>
<b>6. Operating profit</b>		
Operating profit for the year is stated after charging (crediting) the following, amongst others:		
<b>Auditor's remuneration - external</b>		
Audit fees	311 905	300 850
<b>Employee costs</b>		
Salaries, wages, bonuses and other benefits	11 661 910	8 734 396
<b>Leases</b>		
<b>Operating lease charges</b>		
Premises	177 304	113 845
Equipment	60 282	45 505
	<b>237 586</b>	<b>159 350</b>
<b>Depreciation and amortisation</b>		
Depreciation of property, plant and equipment	577 626	668 772
Depreciation of right-of-use assets	471 972	471 971
<b>Total depreciation and amortisation</b>	<b>1 049 598</b>	<b>1 140 743</b>
<b>Impairment losses</b>		
Investment property	-	3 741 907

# Notes to the Annual Financial Statements

Continued

	2021 P	2020 P
<b>6. Operating profit (continued)</b>		
<b>Movement in credit loss allowances</b>		
Trade and other receivables	3 011 736	3 311 256
<b>Other</b>		
Consulting and professional fees	3 397 705	3 744 021
Insurance	768 338	703 919
Security	2 481 987	1 408 385
Assessment rates	1 103 048	629 604
Legal expenses	1 933 381	857 525
Repairs and maintenance	1 857 033	1 620 980
<b>7. Finance income</b>		
<b>Interest income</b>		
<b>Investments in financial assets:</b>		
Bank and other cash	2 347 319	7 614 790
<b>8. Finance costs</b>		
Lease liabilities	117 209	147 491
Bank borrowings	15 115 096	16 302 382
<b>Total finance costs</b>	<b>15 232 305</b>	<b>16 449 873</b>
<b>9. Share of profit from equity accounted investments</b>		
Investment in associate	2 978 328	5 773 534
<b>10. Fair value adjustment of investment properties</b>		
<b>Fair value gains</b>		
Investment property	10 076 638	34 785 622
Straightline lease adjustment	(2 344 793)	(1 475 841)
	<b>7 731 845</b>	<b>33 309</b>
<b>11. Taxation</b>		
<b>Major components of the tax expense</b>		
<b>Current</b>		
Attributable to debenture interest credited to statement of changes in equity	10 636 118	9 867 950
<b>Deferred</b>		
Arising from tax losses	(2 810 778)	(8 859 559)
Deferred tax charge	4 246 292	9 627 399
Deferred capital gains tax	(2 864 550)	7 067 073
Arising due to Capital gains tax recoverable from related party	(426 357)	(67 800)
	<b>(1 855 393)</b>	<b>7 767 113</b>
	<b>8 780 725</b>	<b>17 635 063</b>



# Notes to the Annual Financial Statements

Continued

	2021 P	2020 P
<b>11. Taxation(continued)</b>		
<b>Reconciliation of the tax expense</b>		
Reconciliation between accounting profit and tax expense.		
Accounting profit	63 352 791	78 197 798
Tax at the applicable tax rate of 22% (2020: 22%)	13 937 614	17 203 516
<b>Tax effect of adjustments on taxable income</b>		
Effects of fair value surplus	(1 701 006)	(7 328 152)
Expenses not deductible for tax	196 856	405 463
Income from associate not subject to tax	(836 000)	(528 000)
Tax effect due to capital gains	(2 864 550)	7 134 873
Effects from discontinued operations	56 339	393 382
Other permanent differences	(8 528)	353 981
	<b>8 780 725</b>	<b>17 635 063</b>
<b>12. Investment property</b>		
<b>At fair value</b>		
Freehold properties	126 020 000	53 730 000
Leasehold properties	854 326 000	858 066 000
	980 346 000	911 796 000
Less : Straight line rental adjustment	(21 614 523)	(19 300 337)
	<b>958 731 477</b>	<b>892 495 663</b>
<b>Reconciliation of fair value:</b>		
At valuation	911 796 000	734 336 000
Straight line lease rental adjustment at the beginning of the year	(19 300 337)	(17 824 497)
<b>Opening fair value</b>	<b>892 495 663</b>	<b>716 511 503</b>
Additions (new acquisitions) during the year	61 763 817	146 190 000
Existing buildings (Refurbishment)	4 230 152	226 285
Disposals during the year	(7 490 000)	-
Impairment of investment property	-	(3 741 907)
Increase in fair value during the year	10 076 638	34 785 622
Straight line rental adjustment	(2 344 793)	(1 475 840)
	<b>958 731 477</b>	<b>892 495 663</b>

The was no impairment in the current financial year. In the prior year, investment property was impaired due to fire, an impairment of P3 741 907 was recorded in the books. The damages were assessed by the insurance company and an amount of P3 734 330 is shown as a receivable.

The fair value of the company's investment properties at 30 June 2021 has been arrived at on the basis of the open market value of the properties as at year end. The valuation was carried out by Knight Frank Botswana (Proprietary) Limited. Knight Frank Botswana (Proprietary) Limited are members of the Real Estate Institute of Botswana and are registered in terms of the Real Estate Professionals Act 2003. The valuations, which conform to International Valuation Standards, were carried out using the comparative and DCF methods (Discounted cashflows with reversion to market rentals).

# Notes to the Annual Financial Statements

Continued

	2021 P	2020 P
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## 12. Investment property (continued)

Freehold land comprises of:

- Plot 4738 Gaborone
- Plot 6371 Lobatse
- Plot 54060 Gaborone
- Plot 2989 Gaborone

Leasehold properties comprises of:

- Plot 14398 Gaborone
- Plot 14453 Gaborone
- Plot 14454 Gaborone
- Plot 14455 Gaborone
- Plot 14457 Gaborone
- Plot 14458 Gaborone
- Plot 14459 Gaborone
- Plot 14460 Gaborone
- Plot 22033 Gaborone
- Plot 22038 Gaborone
- Plot 28911 Gaborone
- Plot 32084 Gaborone
- Plot 50380 Gaborone
- Plot 74204 Gaborone
- Plot 29052 Mahalapye
- Plot 64260 Gaborone
- Plot 69365 Gaborone
- Plot 69368 Gaborone
- Plot 69369 Gaborone
- Plot 22047 Gaborone
- Plot 276 Selebi-Phikwe

- 50 year State Grant from 03 February 1984
- 50 year State Grant from 16 November 1984
- 50 year State Grant from 16 November 1984
- 50 year State Grant from 16 November 1984
- 50 year State Grant from 28 August 1989
- 50 year State Grant from 22 August 1986
- 50 year State Grant from 22 August 1986
- 50 year State Grant from 22 August 1986
- 99 year State Grant from 29 June 1992
- 50 year State Grant from 28 June 2002
- 50 year State Grant from 27 August 1989
- 50 year State Grant from 10 July 1995
- 50 year State Grant from 04 February 1994
- 50 year State Grant from 10 October 1997
- 50 year State Grant from 21 March 2003
- 50 year State Grant from 23 September 2010
- 99 year State Grant from 10 October 1997
- 99 year State Grant from 09 February 1984
- 99 year State Grant from 09 February 1984
- 50 year State Grant from 09 February 1984
- 50 years State Grant from 28 June 1973

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.

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

### Minimum lease payments due

- within one year
- In second to fifth year Inclusive
- later than five years

99 498 504	88 892 346
241 470 184	204 425 218
45 747 091	37 183 800
<b>386 715 779</b>	<b>330 501 364</b>
(102 865 916)	(81 155 468)
10 573 643	7 077 400
<b>(92 292 273)</b>	<b>(74 078 068)</b>

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

- Rental income from investment property
- Direct operating expenses from rental generating property

# Notes to the Annual Financial Statements

Continued

	2021			2020		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Leasehold property Improvements	1 216 639	(644 690)	571 949	1 216 639	(401 363)	815 276
Plant and machinery	41 033	(41 033)	-	41 033	(41 033)	-
Motor vehicles	472 114	(377 221)	94 893	472 114	(312 447)	159 667
Office equipment	471 035	(200 827)	270 208	458 392	(154 201)	304 191
IT equipment	896 146	(645 627)	250 519	1 037 589	(748 923)	288 666
Computer software	274 446	(171 088)	103 358	274 446	(145 145)	129 301
<b>Total</b>	<b>3 371 413</b>	<b>(2 080 486)</b>	<b>1 290 927</b>	<b>3 500 213</b>	<b>(1 803 112)</b>	<b>1 697</b>

## Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Depreciation	Total
Leasehold property Improvements	815 276	-	-	(243 327)	571 949
Motor vehicles	159 667	-	-	(64 774)	94 893
Office equipment	304 191	12 643	-	(46 626)	270 208
IT equipment	288 666	163 466	(4 657)	(196 956)	250 519
Computer software	129 301	-	-	(25 943)	103 358
	<b>1 697 101</b>	<b>176 109</b>	<b>(4 657)</b>	<b>(577 626)</b>	<b>1 290 927</b>

## Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Depreciation	Total
Leasehold property Improvements	1 027 229	31 375	(243 328)	815 276
Motor vehicles	277 696	-	(118 029)	159 667
Office equipment	350 030	-	(45 839)	304 191
IT equipment	361 737	156 582	(229 653)	288 666
Computer software	161 224	-	(31 923)	129 301
	<b>2 177 916</b>	<b>187 957</b>	<b>(668 772)</b>	<b>1 697 101</b>

## Fully depreciated assets in use (cost)

	2021 P	2020 P
IT equipment	522 835	481 125
Motor vehicles	232 383	-
Plant and machinery	41 033	41 033
	<b>796 251</b>	<b>522 158</b>

# Notes to the Annual Financial Statements

Continued

	2021 P	2020 P
<b>14. Right of use asset</b>		
Details pertaining to leasing arrangements, where the Company is lessee are presented below:		
<b>Year ended</b>		
Opening net book amount - 30 June 2021	<b>Buildings</b> 1 887 886	<b>Buildings</b> -
Adoption of IFRS 16	-	2 359 857
<b>Opening net book amount at 01 July 2020</b>	<b>1 887 886</b>	<b>2 359 857</b>
Depreciation	(471 971)	(471 971)
<b>Closing net book value</b>	<b>1 415 915</b>	<b>1 887 886</b>
<b>Made up as follows:</b>		
Cost	2 359 857	2 359 857
Accumulated depreciation	(943 942)	(471 971)
	<b>1 415 915</b>	<b>1 887 886</b>

## Net carrying amounts of right-of-use assets

## Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 6).

Buildings	471 972	471 971
<b>Other disclosures</b>		
Interest expense on lease liabilities	117 209	147 491

At 30 June 2021, the Company is committed to P237 586 (2020: P 159 350) for short-term leases. This differs from the portfolio of leases for which an expense was recognised in the current financial period.

## Lease liabilities

The maturity analysis of lease liabilities is as follows:

Within one year	705 420	659 271
Two to five years	776 693	1 468 540
	1 482 113	2 127 811
Less finance charges component	(148 834)	(252 470)
	<b>1 333 279</b>	<b>1 875 341</b>
Non-current liabilities	717 770	1 333 279
Current liabilities	615 509	542 062
	<b>1 333 279</b>	<b>1 875 341</b>

# Notes to the Annual Financial Statements

Continued

The table below describes the nature of the Company's leasing activities by type of right of use asset recognised on balance sheet. There were no leases with variable payments linked to an index and termination option.

Right of use asset	No of right of use assets leased	Range of remaining term	Average remaining lease term	No of leases with extension options	No of leases with option to purchase
Buildings	1	3-3.2 years	3.2 years	1	0

## 15. 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.

Capital gains tax recoverable from Botswana Development Corporation Limited	4 698 769	5 125 126
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In the year ended 30 June 2011, the Company acquired all the investment properties that were held by Botswana Development Corporation Limited.

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

The actual liability arising on the disposal of any of the properties will be settled on disposal of the properties by the Company. This amount represents the potential deferred capital gains tax liability at 30 June 2021, calculated on the purchase price of the properties paid by the Company which is recoverable from the Vendors.

## 16. Investments in associates

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

Name of Company	% ownership interest 2021	% ownership interest 2020	Carrying amount 2021	Carrying amount 2020
NBC Developments (Partnership)	33.33 %	33.33 %	42 171 622	42 993 294

# Notes to the Annual Financial Statements

Continued

	2021 P	2020 P
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## 16. Investments in associates (continued)

### Summarised financial information of material associates

Summarised Statement of Profit or Loss and Comprehensive Income

	NBC Developments	
	2021	2020
Revenue	14 511 252	15 614 875
Other income and expenses	(4 014 450)	(4 318 234)
Profit (loss) from continuing operations	10 496 802	11 296 641
<b>Total comprehensive income</b>	<b>10 496 802</b>	<b>11 296 641</b>

### Summarised Statement of Financial Position

	NBC Developments	
	2021	2020
<b>Assets</b>		
Non-current	122 946 700	124 570 387
Current	5 727 475	6 850 467
<b>Total assets</b>	<b>128 674 175</b>	<b>131 420 854</b>
<b>Liabilities</b>		
Current	2 159 308	2 440 971
<b>Total liabilities</b>	<b>2 159 308</b>	<b>2 440 971</b>
<b>Total net assets</b>	<b>126 514 867</b>	<b>128 979</b>

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

	NBC Developments	
	2021	2020
Interest in associates at percentage ownership	42 171 622	42 993 294
Carrying value of investment in associate	42 171 622	42 993 294
Investment at beginning of period	42 993 294	39 619 760
Share of profit	2 978 328	5 773 534
Dividends received from associate	(3 800 000)	(2 400 000)
<b>Investment at end of period</b>	<b>42 171 622</b>	<b>42 993 294</b>

The summarised information presented above is unaudited and unpublished information.

# Notes to the Annual Financial Statements

Continued

	2021 P	2020 P
<b>17. Investments at fair value</b>		
Investments held by the company which are measured at fair value, are as follows: Equity investments at fair value through other comprehensive income	6 250 000	6 250 000
<b>Equity investments at fair value through other comprehensive income:</b> Mogo'lori Mall (Proprietary) Limited 15% shareholdings of shares and linked debentures.	6 250 000	6 250 000
	<b>6 250 000</b>	<b>6 250 000</b>

## Fair value information

Refer to note 33 Fair value information for details of valuation policies and processes.

## Risk exposure

The investments held by the company expose it to various risks, including credit risk, interest rate risk and price risk. Refer to note 32 Financial instruments and risk management for details of risk exposure and the processes and policies adopted to mitigate these risks.

## Equity instruments at fair value through other comprehensive income

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

### Investments held at reporting date

	2021 Fair value	2021 Dividends received	2020 Fair value	2020 Dividends received
Mogo'lori Mall (Proprietary) Limited	6 250 000	-	6 250 000	-

## 18. Trade and other receivables

### Financial instruments:

Trade receivables	11 190 290	8 831 903
Loss allowance	(7 002 711)	(4 481 838)
Trade receivables at amortised cost	4 187 579	4 350 065
Deposits	189 394	158 394
Other receivable	978 434	3 734 330

### Non-financial instruments:

Prepayments	860 268	784 639
<b>Total trade and other receivables</b>	<b>6 215 675</b>	<b>9 027 428</b>

### Financial instrument and non-financial instrument components of trade and other receivables

At amortised cost	5 355 407	8 242 789
Non-financial instruments	860 268	784 639
	<b>6 215 675</b>	<b>9 027 428</b>

# Notes to the Annual Financial Statements

Continued

	2021 P	2020 P
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## 18. Trade and other receivables (continued)

### Trade and other receivables pledged as security

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

### Exposure to credit risk

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

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

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery.

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

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

	2021 Estimated gross carrying amount at default	2021 Loss allowance (Lifetime credit loss)	2020 Estimated gross carrying amount at default	2020 Loss allowance (Lifetime credit loss)
<b>Expected credit loss rate:</b>				
Not past due	2 613 488	(353 329)	3 370 356	(620 858)
30 - 60 days past due	2 715 021	(1 164 625)	3 087 412	(1 568 558)
More than 90 days past due	5 861 781	(5 484 757)	2 374 135	(2 292 422)
<b>Total</b>	<b>11 190 290</b>	<b>(7 002 711)</b>	<b>8 831 903</b>	<b>(4 481 838)</b>

### Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for lease receivables:

<b>Opening balance in accordance with IFRS 9</b>	<b>(4 481 838)</b>	<b>(1 170 582)</b>
Amounts recovered	490 863	-
Provision raised on new trade receivables	(3 011 736)	(3 311 256)
<b>Closing balance</b>	<b>(7 002 711)</b>	<b>(4 481 838)</b>

# Notes to the Annual Financial Statements

Continued

	2021 P	2020 P
<b>19. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	2 000	2 000
Bank balances	65 280 882	69 000 836
Short-term deposits	11 456 939	53 588 058
	<b>76 739 821</b>	<b>122 590 894</b>

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

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

### 20. Non-current assets held for sale

Letlole La Rona Limited entered into a sale agreement with a third party for the sale of Plot 9787 Francistown. The transaction was concluded in April 2021.

Plot 276 Selebi-Phikwe Cresta Bosele Hotel was sold to a third party during the prior year. The transaction was concluded in February 2020.

The revenue and operating expenses relating to the discontinued operations are disclosed below:

### Profit and loss

Revenue	721 001	1 908 705
Expenses	(464 916)	(120 607)
Net profit before tax	256 085	1 788 098
Net profit after tax	<b>256 085</b>	<b>1 788 098</b>

### 21. Stated capital

#### Issued

280 000 000 (2020: 280 000 000) Ordinary shares of no par value	2 718 884	2 718 884
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Each Linked Unit in the Company comprises one ordinary share and one variable rate unsecured debenture as per Note 22, 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 Limited.

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.

# Notes to the Annual Financial Statements

Continued

	2021 P	2020 P
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### 22. Debentures- unit linked

Each Linked Unit in the Company comprises one ordinary share as per note 21, 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.

The debentures have been sub-ordinated to First National Bank of Botswana Limited for facilities availed.

280 000 000 (2020: 280 000 000)	405 113 547	405 113 547
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### 23. Borrowings

#### Held at amortised cost

First National Bank of Botswana Limited	194 074 034	194 127 999
Bank Gaborone Limited	38 199 388	40 673 024
	<b>232 273 422</b>	<b>234 801 023</b>

#### Split between non-current and current portions

Non-current liabilities	228 661 072	231 288 123
Current liabilities	3 612 350	3 512 900
	<b>232 273 422</b>	<b>234 801 023</b>

#### Bank Gaborone Limited

The loan facility of P47.75 million carries interest at prime rate (base rate of the bank) plus 1% currently at 5.25% (2020: 5.75%) per annum. The loan is repayable in 180 months installments and is secured by a first covering mortgage bond of P24 million over Lot 4738 station, Gaborone and first covering mortgage bond of P24 million over Lot 50380, showgrounds, Gaborone.

#### First National Bank of Botswana Limited

The loan facility is for P230 million split as Tranche A carrying interest at 7.28% and Tranche B carrying interest at 5.25% (2020: 5.75%). The loan is repayable after 5 years from initial drawdown in 2018. The loan is secured by

- (i) a first covering mortgage bond for P80 million over Lot 74204, Gaborone.
- (ii) a first covering mortgage bond for P82 million over Lot 32084, Gaborone
- (iii) a first covering mortgage bond of P137 million over Lot 29052, Mahalapye.
- (iv) a first continuing covering mortgage bond of P32.25 million over Lot 22038, Gaborone.
- (v) a first continuing covering mortgage bond of P73.5 million over Lot 28911, Gaborone.
- (vi) a first continuing covering mortgage bond of P22 million over Lot 14398, Gaborone.
- (vii) a first continuing covering mortgage bond of P31.1 million over Lot 64260, Gaborone
- (viii) cession of lease rentals in relation to mortgaged properties
- (ix) cession of insurance policies and proceeds with regards to mortgaged properties.
- (x) cession of receivable balances.

# Notes to the Annual Financial Statements

Continued

	2021 P	2020 P
<b>24. Deferred tax</b>		
<b>Deferred tax liability</b>		
Capital gains on fair value increase in investment property	(33 762 953)	(36 627 503)
Accelerated capital allowances	(27 080 268)	(23 260 334)
Capital gains on disposal of investment property recoverable from related party	(4 698 769)	(5 125 126)
<b>Total deferred tax liability</b>	<b>(65 541 990)</b>	<b>(65 012 963)</b>
<b>Deferred tax asset</b>		
Tax losses available for set off against future taxable income	11 858 968	9 048 190
Deferred tax liability	(65 541 990)	(65 012 963)
Deferred tax asset	11 858 968	9 048 190
<b>Total net deferred tax liability</b>	<b>(53 683 022)</b>	<b>(55 964 773)</b>
<b>Reconciliation of deferred tax asset / (liability)</b>		
At beginning of year	(55 964 773)	(48 265 459)
Increases in tax loss available for set off against future taxable income	2 810 778	8 859 559
Movement in capital gains tax recoverable/payable to related party	426 357	67 800
Other movements in deferred tax assets and liabilities	1 909 166	(7 128 970)
Capital gains charges to the statement of comprehensive income	(2 864 550)	(9 497 703)
	<b>(53 683 022)</b>	<b>(55 964 773)</b>
<b>25. Trade and other payables</b>		
<b>Financial instruments:</b>		
Trade payables and accruals	3 033 090	3 489 434
Refundable deposit held	11 177 674	6 965 882
Other payables	622 285	553 486
<b>Non-financial instruments:</b>		
Amounts received in advance	2 631 419	1 319 204
Accrued gratuity and leave pay	1 117 055	1 587 156
Value added tax	399 454	68 797
	<b>18 980 977</b>	<b>13 983 959</b>

# Notes to the Annual Financial Statements

Continued

	2021 P	2020 P
<b>26. Earnings per linked unit</b>		
Earnings per linked unit is calculated based on the average number of linked units in issue and total comprehensive income for the year, adjusted by the taxation on debenture interest credited to the statement of changes in equity.		
The earnings and weighted average number of linked units used in the calculation of earnings per linked unit are as follows:		
Total profit and comprehensive income for the year	54 828 151	62 350 833
Taxation on debenture interest credited to the income statement	10 636 118	9 867 950
<b>Earnings attributable to linked unit holders</b>	<b>65 464 269</b>	<b>72 218 783</b>
Weighted average number of linked units in issue for the year	280 000 000	280 000 000
Profit before taxation	63 352 791	78 197 798
Taxation	(8 780 725)	(17 635 063)
<b>Profit from continuing operations</b>	<b>54 572 066</b>	<b>60 562 735</b>
Profit from discontinued operations	256 085	1 788 098
<b>Profit for the year</b>	<b>54 828 151</b>	<b>62 350 833</b>
<b>Earnings per linked unit from</b>		
Continuing operations (including taxation on debenture interest)	23.29	25.15
Discontinued operations (excluding taxation on debenture interest)	0.09	0.64
<b>Total Earnings per linked unit (thebe)</b>	<b>23.38</b>	<b>25.79</b>
<b>Basic headline earnings per share (thebe)</b>		
The calculation of headline earnings and diluted headline earnings per share is based on the weighted average number of ordinary shares		
<b>Basic headline earnings per linked unit (thebe)</b>		
Basic headline earnings per share (thebe) - continuing operations	23.38	26.20
Basic headline earnings per share (thebe) - discontinuing operations	0.09	0.64
	<b>23.47</b>	<b>26.84</b>

# Notes to the Annual Financial Statements

Continued

	2021 P	2020 P
<b>26. Earnings per linked unit (continued)</b>		
<b>Diluted headline earnings per linked unit (thebe)</b>		
Diluted headline earnings per share (thebe) - continuing operations	23.38	26.20
Diluted headline earnings per share (thebe) - discontinued operations	0.09	0.64
	<b>23.47</b>	<b>26.84</b>
<b>Reconciliation between earnings and headline earnings</b>		
Continuing operations	65 208 184	70 430 685
Discontinued operations	256 085	1 788 098
Profit for the year attributable to owners of the company (Pula)	65 464 269	72 218 783
Re-measurement:		
Impairment losses	-	3 741 907
Tax effect on re-measurement	-	(823 220)
	<b>65 464 269</b>	<b>75 137 470</b>
<b>Continuing operations</b>		
<b>Reconciliation between earnings and headline earnings</b>		
Continuing operations	65 208 184	70 430 685
Discontinued operations	-	-
Profit for the year attributable to owners of the company (Pula)	65 208 184	70 430 685
Re-measurement:		
Profit on disposal of investment property	210 000	-
Profit on disposal of property, plant and equipment	2 329	-
Impairment losses	-	3 741 907
Tax effect on re-measurement	46 712	(823 220)
	<b>65 467 225</b>	<b>73 349 372</b>
<b>Discontinued operations</b>		
<b>Reconciliation between earnings and headline earnings</b>		
Continuing operations	-	-
Discontinued operations	256 085	1 788 098
Profit for the year attributable to owners of the company (Pula)	<b>256 085</b>	<b>1 788 098</b>

# Notes to the Annual Financial Statements

Continued

	2021 P	2020 P
<b>27. Debenture interest and dividend payable</b>		
<b>Debenture interest</b>		
Interim paid - 7.85 (2020: 7.14) thebe	21 993 232	19 993 120
Final declared - 9.41 (2020: 8.88)thebe	26 352 760	24 861 200
Total debenture interest	48 345 992	44 854 320
<b>Dividend</b>		
Interim paid - 0.05 (2020: 0.05) thebe	140 000	140 000
Final declared- 0.05 (2020: 0.05) thebe	140 000	140 000
<b>Total distribution</b>	<b>48 625 992</b>	<b>45 134 320</b>
<b>Debenture interest and dividend payable</b>		
Debenture interest	(26 352 760)	(24 861 200)
Dividend payable	(140 000)	(140 000)
	<b>(26 492 760)</b>	<b>(25 001 200)</b>
<b>28. Dividends and debenture interest</b>		
Balance at beginning of the year	(25 001 200)	(30 100 000)
Dividends & Debenture Interest	(48 625 992)	(45 134 320)
Balance at end of the year	26 492 760	25 001 200
	<b>(47 134 432)</b>	<b>(50 233 120)</b>
<b>29. Tax paid</b>		
Balance at beginning of the year	1 399 579	646 285
Balance at end of the year	(1 614 021)	(1 399 579)
	<b>(214 442)</b>	<b>(753 294)</b>
<b>30. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Investment property	-	61 500 000

The prior year committed expenditure relates to acquisition of investment property which was financed by available cash reserves.

# Notes to the Annual Financial Statements

Continued

2021  
P2020  
P

## 31. Related parties

Parties are considered related when one has power, through ownership, contractual right, family relationship, or otherwise, to directly or indirectly control or significantly influence the other party. Parties also are related when they are under the common control or significant influence of a third party.

Botswana Development Corporation Limited owns 40% of the issued linked units of the Company as at 30 June 2021 (2020: 40%)

Grit services Limited owns 30% of the issued linked units of the Company as at 30 June 2021 (2020: 30%).

During the year the Company entered into the following trading transactions with related parties and had the following balances with related parties.

### Relationships

Shareholders	Botswana Development Corporation Limited Grit Services Limited
Associates	Refer to note 16
Board of Directors	Refer to <a href="#">page 1</a>
Members of key management	Mr C Shenjere-Mutiswa (Former CEO, 01 July 2020 to 18 September 2020) Ms Kamogelo Mowaneng (Acting CEO, 26 August 2020 to date) Mr B Nlumbile (Property Manager) Mr B Mokotedi (Acting CEO From 26 May to 26 August 2020)

### Related party balances

#### Deferred tax recoverable from related party

Botswana Development Corporation Limited	4 698 769	5 125 126
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#### Related party transactions

#### Dividend received/Distribution income

NBC Partnership	3 800 000	2 400 000
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#### Share of profit from partnership

NBC Partnership	2 978 328	5 773 534
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#### Dividend and debenture interest paid

Botswana Development Corporation Limited	19 623 722	18 559 251
Grit Services Limited	14 588 028	13 539 960
	<b>34 211 750</b>	<b>32 099 211</b>

#### Directors' emoluments

Directors fees	2 842 913	1 998 687
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#### Remuneration paid to members of key management

Short term employee benefits	4 611 949	4 098 340
Post-employment benefit	344 996	585 591
	<b>4 956 945</b>	<b>4 683 931</b>

# Notes to the Annual Financial Statements

Continued

## 32. Financial instruments and risk management

### Categories of financial instruments

#### Categories of financial assets

##### 2021

	Note(s)	Fair value through Other comprehensive income-equity instruments	Amortised Cost	Total
Investments at fair value	17	6 250 000	-	6 250 000
Trade and other receivables	18	-	5 355 407	5 355 407
Cash and cash equivalents	19	-	76 737 821	76 737 821
		<b>6 250 000</b>	<b>82 093 228</b>	<b>88 343 228</b>

##### 2020

	Note(s)	Fair value through Other comprehensive income-equity instruments	Amortised Cost	Total
Investments at fair value	17	6 250 000	-	6 250 000
Trade and other receivables	18	-	8 242 789	8 242 789
Cash and cash equivalents	19	-	122 588 894	122 588 894
		<b>6 250 000</b>	<b>130 831 683</b>	<b>137 081 683</b>

### Categories of financial liabilities

##### 2021

	Note(s)	Amortised cost	Total
Trade and other payables	25	14 833 049	14 833 049
Borrowings	23	232 273 422	232 273 422
Lease liabilities	14	1 333 279	1 333 279
		<b>248 439 750</b>	<b>248 439 750</b>

##### 2020

	Note(s)	Amortised cost	Total
Trade and other payables	25	11 008 808	11 008 808
Borrowings	23	234 801 023	234 801 023
Lease liabilities	14	1 875 341	1 875 341
		<b>247 685 172</b>	<b>247 685 172</b>



# Notes to the Annual Financial Statements

Continued

2021  
P2020  
P

## 32. Financial instruments and risk management (continued)

### Capital risk management

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

The capital structure of the Company consists of cash and cash equivalents and equity, comprising the stated capital, the variable rate unsecured debentures and accumulated profits as disclosed in the statement of financial position. At 30 June 2021, the Company had interest bearing borrowings of P 232 273 422 (2020: 234 801 024).

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

Borrowings	23	232 273 422	234 801 023
Cash and cash equivalents	19	(76 739 821)	(122 590 895)
<b>Net borrowings</b>		<b>155 533 601</b>	<b>112 210 128</b>
Equity		787 979 282	744 056 542
Gearing ratio		20 %	15 %

### Financial risk management

#### Overview

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. Risk management is carried out under policies approved by the board of directors.

The company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits. The company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The audit committee is responsible for monitoring compliance with the company's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to risks faced by the company. The most important types of risk are credit risk, liquidity risk, market risk and other operational risk.

#### Credit risk

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

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

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

# Notes to the Annual Financial Statements

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## 32. Financial instruments and risk management (continued)

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

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

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

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

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

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

		2021			2020		
		Gross carrying amount	Credit loss allowance	Amortised cost	Gross carrying amount	Credit loss allowance	Amortised cost
Trade and other receivables (excluding non-financial instruments)	18	12 358 118	(7 002 711)	5 355 407	12 724 627	(4 481 838)	8 242 789
Cash and cash equivalents	19	76 739 821	-	76 739 821	122 590 894	-	122 590 894
		<b>89 097 939</b>	<b>(7 002 711)</b>	<b>82 095 228</b>	<b>135 315 521</b>	<b>(4 481 838)</b>	<b>130 833 683</b>

# Notes to the Annual Financial Statements

Continued

## 32. Financial instruments and risk management (continued)

### Liquidity risk

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

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

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

#### 2021

		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total	Carrying amount
<b>Non-current liabilities</b>							
Borrowings	23	-	2 814 403	202 676 677	23 169 992	228 661 072	228 661 072
Lease liabilities		-	-	717 770	-	717 770	717 770
<b>Current liabilities</b>							
Trade and other payables		14 833 049	-	-	-	14 833 049	14 833 049
Borrowings	23	3 612 350	-	-	-	3 612 350	3 612 350
Lease liabilities		615 509	-	-	-	615 509	615 509
Dividend and distribution payable	27	26 492 760	-	-	-	26 492 760	26 492 760
		<b>45 553 668</b>	<b>2 814 403</b>	<b>203 394 447</b>	<b>23 169 992</b>	<b>274 932 510</b>	<b>274 932 510</b>

#### 2020

		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total	Carrying amount
<b>Non-current liabilities</b>							
Borrowings	23	-	2 927 293	202 373 828	25 987 002	231 288 123	231 288 123
Lease liabilities		-	630 649	702 630	-	1 333 279	1 333 279
<b>Current liabilities</b>							
Trade and other payables	25	11 008 802	-	-	-	11 008 802	11 008 802
Borrowings	23	3 512 900	-	-	-	3 512 900	3 512 900
Lease liabilities		542 062	-	-	-	542 062	542 062
Dividend and distribution payable	27	25 001 200	-	-	-	25 001 200	25 001 200
		<b>40 064 964</b>	<b>3 557 942</b>	<b>203 076 458</b>	<b>25 987 002</b>	<b>272 686 366</b>	<b>272 686 366</b>

# Notes to the Annual Financial Statements

Continued

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## 32. Financial instruments and risk management (continued)

### Interest rate risk

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

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

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

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

### Interest rate sensitivity analysis

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

	2021 Increase	2021 Decrease	2020 Increase	2020 Decrease
<b>Increase or decrease in rate by 10%</b>				
<b>Impact on profit or loss:</b>				
Net finance income and finance costs	1 288 499	(1 288 499)	883 508	(883 508)

## 33. 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.

# Notes to the Annual Financial Statements

Continued

## 33. Fair value information (continued)

### Levels of fair value measurements

#### Level 3

#### Recurring fair value measurements

#### Assets

#### Investment property

Investment property	12	958 731 477	892 495 663
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#### Financial assets at fair value through other comprehensive income

Investments at fair value	17	6 250 000	6 250 000
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#### Total

<b>964 981 477</b>	<b>898 745 663</b>
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### Reconciliation of assets and liabilities measured at level 3

	Note(s)	Opening balance	Fair value adjustment	Straight line rental adjustment	Additions	Impairment	Disposals during the year	Closing balance
<b>2021</b>								
<b>Assets</b>								
<b>Investment property</b>								
Investment property	12	892 495 663	10 076 638	(2 344 793)	65 993 969	-	(7 490 000)	958 731 477
<b>Fair value through other comprehensive income</b>								
Investments at fair value in unlisted entities	17	6 250 000	-	-	-	-	-	6 250 000
<b>Total</b>		<b>898 745 663</b>	<b>10 076 638</b>	<b>(2 344 793)</b>	<b>65 993 969</b>	<b>-</b>	<b>(7 490 000)</b>	<b>964 981 477</b>
<b>2020</b>								
<b>Assets</b>								
<b>Investment property</b>								
Investment property	12	716 511 503	34 785 623	(1 475 841)	146 416 285	(3 741 907)	-	892 495 663
<b>Fair value through other comprehensive income</b>								
Investments at fair value in unlisted entities	17	6 250 000	-	-	-	-	-	6 250 000
<b>Total</b>		<b>722 761 503</b>	<b>34 785 623</b>	<b>(1 475 841)</b>	<b>146 416 285</b>	<b>(3 741 907)</b>	<b>-</b>	<b>898 745 663</b>

# Notes to the Annual Financial Statements

Continued

## 33. Fair value information (continued)

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

#### Valuation process

The fair value of the Company's investment properties at 30 June 2021 has been carried out using the comparative DCF methods (Discounted cashflows with reversion to market rentals). The valuation was carried out by Knight Frank Botswana (Proprietary) Limited. Knight Frank Botswana (Proprietary) Limited are members of the Real Estate Institute of Botswana and are registered in terms of the Real Estate Professionals Act 2003. The valuations, which conform to international Valuation Standards, in undertaking our valuation of the Property, we have made our assessment on the basis of a collation and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the subject property. With the benefit of such transactions we have then applied these to the property, taking into account size, location, covenant terms and other material factors. We have used MRI (Cougar) software to process the DCF valuation. The software takes into account the following assumptions:

- That passing rents run and are indexed each year in line with and until the end of lease contracts
- Anticipated take up of vacant space based on current negotiations
- A running void of 2.5% for both investment buildings
- 2.5 % growth in market rents per year
- The net operating costs as detailed in the report
- Budgeted capital expenditure allocated to the improvements
- 10 year holding period
- All risk reversion yields of between 8% and 9%
- Discount rates between 10.25% and 11%

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

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

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

#### Valuation techniques

Discounted cash flow

#### Unobservable input

Capitalisation rate

#### Range

8.5%-11%

## 34. Going concern

In assessing the going concern of the Company, the Directors did consider the uncertainty of the future impact of the COVID-19 pandemic. Thus far, management has observed a minimal material impact on the business due to COVID-19.

The Company continues to monitor the situation closely and performs various sensitivity analysis on its liquidity, solvency and profitability to assess its requisite levels of preparedness for the effects of COVID-19 going forward. COVID-19 pandemic had impacted the profitability of the Company for the year ending 30 June 2021 in respect of the valuations of the properties. Although there was no impairment of investment properties, the growth in the property valuations were not within their normal rates of 4% and 6%. During the current year, the investment property portfolio grew by 2%, when excluding acquisitions and disposals made. The pandemic is still present but declining as the government works tirelessly to vaccinate the population.

The Directors believe that the Company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The Directors have satisfied themselves that the Company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The Directors are not aware of any new material changes that may adversely impact the Company.

## 35. Events after the reporting period

We are not aware of any events which occurred after the reporting date and up to the date of the report.

# Notes to the Annual Financial Statements

Continued

## 36. 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 Financial Position at 30 June 2021	Corporate P	Commercial & Retail P	Leisure P	Industrial P	Residential P	Total P
<b>Non-current Assets</b>						
Investment Property including straight lining of rental income	-	248 450 000	7 586 000	677 110 000	47 200 000	980 346 000
Property Plant and Equipment	1 290 927	-	-	-	-	1 290 927
Right Use of Asset	1 415 915	-	-	-	-	1 415 915
Investment in Associate	42 171 622	-	-	-	-	42 171 622
Investments at fair value	6 250 000	-	-	-	-	6 250 000
Deferred Tax	11 858 968	-	-	-	-	11 858 968
Deferred tax recoverable-related party	4 698 769	-	-	-	-	4 698 769
	<b>67 686 201</b>	<b>248 450 000</b>	<b>7 586 000</b>	<b>677 110 000</b>	<b>47 200 000</b>	<b>1 048 032 201</b>
<b>Current Assets</b>						
Taxation refundable	1 614 021	-	-	-	-	1 614 021
Trade and other receivables	2 028 096	777 517	-	3 327 750	82 312	6 215 675
Cash and cash equivalents	76 739 821	-	-	-	-	76 739 821
<b>Total assets</b>	<b>148 068 139</b>	<b>249 227 517</b>	<b>7 586 000</b>	<b>680 437 750</b>	<b>47 282 312</b>	<b>1 132 601 718</b>

Segmental Statement Financial Position at 30 June 2020	Corporate P	Commercial & Retail P	Leisure P	Industrial P	Residential P	Total P
<b>Non-current Assets</b>						
Investment property including straight lining of rental income	-	246 260 000	7 586 000	610 000 000	47 950 000	911 796 001
Property Plant and equipment	1 697 101	-	-	-	-	1 697 101
Right Use of Asset	1 887 886	-	-	-	-	1 887 886
Investment in Associate	42 993 294	-	-	-	-	42 993 294
Investments at fair value	6 250 000	-	-	-	-	6 250 000
Deferred Tax	9 048 190	-	-	-	-	9 048 190
Deferred tax recoverable-related party	5 125 126	-	-	-	-	5 125 126
	<b>67 001 597</b>	<b>246 260 000</b>	<b>7 586 000</b>	<b>610 000 000</b>	<b>47 950 000</b>	<b>978 797 598</b>
<b>Current Assets</b>						
Taxation refundable	1 399 579	-	-	-	-	1 399 579
Trade and other receivables	386 806	1 753 225	180	6 473 879	413 337	9 027 428
Cash and cash equivalents	122 590 895	-	-	-	-	122 590 894
<b>Total assets</b>	<b>191 378 877</b>	<b>248 013 225</b>	<b>7 586 180</b>	<b>616 473 879</b>	<b>48 363 337</b>	<b>1 111 815 499</b>

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

# Notes to the Annual Financial Statements

Continued

## 36. Segmental reporting (continued)

Segmental Statement of Comprehensive Income for the year ended 30 June 2021	Corporate P	Commercial & Retail P	Leisure P	Industrial P	Residential P	Total P
Segment revenue-rental income	-	24 875 555	-	73 460 754	4 529 607	102 865 916
Other operating income	168 074	-	-	323 988	142 545	634 607
Movement in Credit loss allowances	(3 011 736)	-	-	-	-	(3 011 736)
Profit on sale of Investment Property	-	-	-	210 000	-	210 000
Profit on sale of Plant & Equipment	2 329	-	-	-	-	2 329
Property related expenses	-	(2 572 579)	-	(6 776 396)	(1 224 669)	(10 573 644)
Administration expenses	(24 183 213)	(108 501)	-	(266 665)	(41 489)	(24 599 868)
<b>Operating Profit</b>	<b>(27 024 546)</b>	<b>22 194 475</b>	<b>-</b>	<b>66 741 681</b>	<b>3 405 994</b>	<b>65 527 604</b>
Finance income	2 347 319	-	-	-	-	2 347 319
Finance costs	(1 994 984)	(11 175 616)	-	(2 061 705)	-	(15 232 305)
Share of profit from Associate	2 978 328	-	-	-	-	2 978 328
Fair value gain on investment property net of adjustment resulting from straight lining	-	(693 050)	-	9 524 167	(1 099 272)	7 731 845
<b>Profit before tax</b>	<b>(23 693 883)</b>	<b>10 325 809</b>	<b>-</b>	<b>74 204 143</b>	<b>2 306 722</b>	<b>63 352 791</b>
Income tax	(8 780 725)	-	-	-	-	(8 780 725)
<b>Profit from continuing operations</b>	<b>(32 474 608)</b>	<b>10 325 809</b>	<b>-</b>	<b>74 204 143</b>	<b>2 306 722</b>	<b>54 572 066</b>
<b>Discontinued operations</b>						
Profit from discontinued operations	-	-	-	256 085	-	256 085
<b>Profit for the year</b>	<b>(32 474 608)</b>	<b>10 325 809</b>	<b>-</b>	<b>74 460 228</b>	<b>2 306 722</b>	<b>54 828 151</b>

Segmental Statement of Comprehensive Income for the year ended 30 June 2020	Corporate P	Commercial & Retail P	Leisure P	Industrial P	Residential P	Total P
Segmental revenue-rental income	-	25 177 614	-	51 793 139	4 184 715	81 155 468
Other operating income	2 525	11 400	-	3 528 635	34 630	3 577 190
Movement in Credit loss allowances	(3 311 256)	-	-	-	-	(3 311 256)
Impairment loss on investment property	-	-	-	(3 741 907)	-	(3 741 907)
Property related expenses	-	(2 614 606)	-	(3 194 634)	(1 268 160)	(7 077 400)
Administrative expenses	(22 652 529)	-	-	-	-	(22 652 529)
<b>Operating Profit</b>	<b>(25 961 260)</b>	<b>22 574 408</b>	<b>-</b>	<b>48 385 233</b>	<b>2 951 185</b>	<b>7 949 566</b>
Finance income	7 614 790	-	-	-	-	7 614 790
Finance costs	(3 609 426)	(10 619 499)	-	(2 220 948)	-	(16 449 873)
Share of profit from equity accounting investments	5 773 534	-	-	-	-	5 773 534
Fair value gain on investment property net of adjustment	-	(2 835 750)	-	36 174 145	(28 614)	33 309 781
<b>Profit before tax</b>	<b>(16 182 36)</b>	<b>9 119 159</b>	<b>-</b>	<b>82 338 430</b>	<b>2 922 571</b>	<b>78 197 798</b>
Income tax	(17 635 063)	-	-	-	-	(17 635 063)
<b>Profit from continuing operations</b>	<b>(33 817 425)</b>	<b>9 119 159</b>	<b>-</b>	<b>82 338 430</b>	<b>2 922 571</b>	<b>60 562 735</b>
<b>Discontinued operations</b>						
Profit from discounted operations	-	-	1 788 098	-	-	1 788 098
<b>Profit for the year</b>	<b>(33 817 425)</b>	<b>9 119 159</b>	<b>1 788 098</b>	<b>82 338 430</b>	<b>2 922 571</b>	<b>62 350 833</b>

# Detailed Income Statement

	Note(s)	2021 P	2020 P
<b>Continuing operations</b>			
<b>Revenue</b>			
Contractual income		97 909 463	77 517 804
Straightline lease rental adjustment		2 344 792	1 475 841
Operating cost recoveries		2 611 661	2 161 823
	3	<b>102 865 916</b>	<b>81 155 468</b>
<b>Other operating income</b>			
Administration and management fees received		55 918	70 155
Bad debts recovered		254 701	-
Other income		323 988	3 507 035
	4	<b>634 607</b>	<b>3 577 190</b>
<b>Other operating gains (losses)</b>			
Profit on disposal of property, plant and equipment		212 329	-
Movement in credit loss allowances	6	(3 011 736)	(3 311 256)
Impairment	6	-	(3 741 907)
		<b>(35 173 512)</b>	<b>(29 729 929)</b>
<b>Expenses (Refer to page 56)</b>			
<b>Operating profit</b>			
Finance income	7	2 347 3197	614 790
Finance costs	8	(15 232 305)	(16 449 873)
Share of profit from equity accounted investments		2 978 328	5 773 534
<b>Fair value adjustment of investment properties</b>			
Fair value adjustment of investment properties		7 731 845	33 309 781
		<b>63 352 791</b>	<b>78 197 798</b>
<b>Profit before taxation</b>			
Taxation	11	(8 780 725)	(17 635 063)
<b>Profit for the year from continuing operations</b>			
Discontinued operations		256 085	1 788 098
<b>Profit for the year</b>			
		<b>54 828 151</b>	<b>62 350 833</b>

# Detailed Income Statement

	Note(s)	2021 P	2020 P
<b>Other operating expenses</b>			
AGM expenses		(10 735)	(100 465)
Advertising		(270 395)	(295 706)
Auditors remuneration - external auditors	6	(311 905)	(300 850)
Annual report cost		(291 256)	(136 223)
Bank charges		(64 812)	(67 457)
BSE Sustaining fee		(150 580)	(136 600)
Cleaning		(162 725)	(54 512)
Commission paid		(326 653)	-
Computer expenses		(218 544)	(188 763)
CSDC Fees		(13 753)	(10 000)
Consulting and professional fees		(3 397 705)	(3 744 021)
Legal fees		(1 933 381)	(857 525)
Depreciation		(1 049 598)	(1 140 743)
Directors fees		(2 842 913)	(1 998 687)
Employee costs		(11 661 910)	(8 734 396)
Entertainment		(62 890)	(102 410)
Property management costs		(219 999)	(227 255)
Fees Letting		-	(36 921)
Corporate social responsibility		(102 193)	(1 101 694)
Fines and penalties		-	(292 168)
Garden		(1 748 162)	(1 533 636)
Insurance		(768 338)	(703 919)
Lease rentals on operating lease		(237 586)	(159 350)
Levies		(155 477)	(102 568)
Motor vehicle expenses		(31 293)	(40 634)
Municipal expenses		(2 096 992)	(1 316 775)
Other expenses		(348 203)	(226 855)
Refuse collection		(199 561)	(155 831)
Pest control		(18 015)	(49 509)
Postage		(27 064)	(38 370)
Printing and stationery		(56 876)	(64 237)
Repairs and maintenance		(1 857 033)	(1 620 980)
Secretarial fees		(409 664)	(527 930)
Security		(2 481 987)	(1 408 385)
Staff welfare		(71 823)	(12 583)
Subscriptions		(470 956)	(322 120)
Telephone and fax		(176 369)	(371 824)
Training		(69 307)	(172 079)
Travel - local		(39 204)	(618 427)
Trustees fees		(25 278)	(19 615)
Valuation fees		(792 377)	(737 906)
		<b>(35 173 512)</b>	<b>(29 729 929)</b>

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT THE 2021 ANNUAL GENERAL MEETING OF THE UNITHOLDERS OF LETLOLE LA RONA LIMITED SHALL BE HELD BY MEANS OF AUDIO OR AUDIO VISUAL COMMUNICATION ON TUESDAY 14 DECEMBER 2021 AT 14:30HOURS IN TERMS OF SECTION 11.1 (b) OF THE CONSTITUTION OF THE COMPANY FOR THE FOLLOWING PURPOSE:**

## AGENDA

1. To read the Notice convening the meeting and confirmation of quorum in accordance with the Company Constitution.
2. To approve minutes of the Annual General Meeting held on 11 December 2020.
3. To receive the Chairperson's Report.
4. **Ordinary Resolution 1**  
To receive, consider, and adopt the Audited Annual Financial Statements and the reports of the Auditors and Directors for the year ended 30 June 2021.
5. **Ordinary Resolution 2**  
To approve and ratify the distributions declared by the Directors for the year ended 30 June 2021.
6. **Ordinary Resolution 3**  
To approve the remuneration of the Directors for the year ended 30 June 2021.
7. **Ordinary Resolution 4**  
To approve the remuneration of Grant Thornton, the Auditors, for the year ended 30 June 2021.
8. **Ordinary Resolution 5**  
To re-appoint Grant Thornton as Auditors of the Company for the ensuing year.
9. **Ordinary Resolution 6**  
To appoint Mr. Mooketsi Maphane to the Board of Directors of the Company in terms of section 20.3 of the Company's Constitution. Mr. Maphane's Curriculum Vitae is available for inspection at our offices.  
  
Mr. Maphane currently serves as a director on the board of the Botswana Qualifications Authority ("BQA") where he is responsible for Human Resources. He holds a Master of Science in Industrial and Organisational Psychology from Springfield College in the USA, as well as a Bachelor of Arts in Psychology (Cum Laude) from the Hawaii Pacific University in the USA and is registered with the Botswana Health Professional Council.
10. **Ordinary Resolution 7**  
To appoint Mr. Khuto Balosang to the Board of Directors of the Company in terms of section 20.3 of the Company's Constitution. Mr. Balosang's Curriculum Vitae is available for inspection at our offices.  
  
Mr. Balosang is a graduate of Management Information Systems with a specialization in Information Systems and Quantitative Analysis from the University of Nebraska at Omaha. He is a business technology management professional with core competencies in Performance Management, Business Intelligence, Management Consulting and IT Management. He has over 20 years primarily in IT Management and exclusively in delivering business solutions that improve performance.
11. **Ordinary Resolution 8**  
To appoint Mr. Donald Gavin Borthwick to the Board of Directors of the Company in terms of section 20.3 of the Company's Constitution. Mr. Borthwick's Curriculum Vitae is available for inspection at our offices.  
  
Mr. Borthwick is the owner and a director of Hodari Africa Proprietary Limited, a company specialising in property development, property investment and project management. Hodari Africa develops industrial, commercial, retail and residential properties in South Africa and Africa both for on-sale to institutions and to retain as investments. He is a Chartered Accountant (South Africa) and holds a B Comm Hons degree in Financial Management.

# Notice of Annual General Meeting Continued

## 12. Ordinary Resolution 9

To appoint Mr. Gregory Pearson to the Board of Directors of the Company in terms of section 20.3 of the Company's Constitution. Mr. Pearson's Curriculum Vitae is available for inspection at our offices.

Mr. Pearson is a founder member and CEO of Gateway Real Estate Africa ("GREA"), a specialist real estate developer operating across eleven African countries where he is responsible for the overall strategic direction and leadership of GREA to meet its profitability growth plan and commitments to shareholders by identifying sustainable development opportunities on the African continent that deliver increased returns. He holds a degree in Business Management from Kingston University in the United Kingdom and is a member of the Chartered Management Institute

## 13. Ordinary Resolution 10

To re-elect Mr. Oteng Keabetswe who retires by rotation in accordance with Section 20.9.1 of the Company's Constitution, and who being eligible, offers himself for re election (refer to the Curriculum Vitae on page 28 of the Report)

## 14. Ordinary Resolution 11

To re-elect Ms. Bronwyn Knight who retires by rotation in accordance with Section 20.9.1 of the Company's Constitution, and who being eligible, offers herself for re- election (refer to the Curriculum Vitae on page 28 of the Report)

## 15. Matter for Noting:

- a. To take note that Ms. Tiny Kgatlwane resigned from the Board of Directors of the Company in terms of Section 20.7 of the Constitution effective 29 January 2021
- b. To take note that Ms. Mmametsi Setlhare resigned from the Board of Directors of the Company in terms of Section 20.7 of the Constitution effective 3 December 2021.
- c. To take note that Mr. Sedireng Serumola resigned from the Board of Directors of the Company in terms of Section 20.7 of the Constitution effective 3 December 2021.
- d. To take note that Ms. Onthatile Ogotseng resigned from the Board of Directors of the Company in terms of Section 20.7 of the Constitution effective 3 December 2021.
- e. To take note that in terms of Section 20.8 of the Constitution, Mr. Frederick Selolwane retires from the Board of Directors of the Company effective 14 December 2021 and has elected not to offer himself for re-election

## 16. Any other Business:

To transact any other business which may be transacted at an Annual General Meeting.

In the event that you wish to nominate any person(s) not being a retiring Director, you must deliver to the Company Secretary, not less than 5 working days before the meeting, a nomination signed by a Member qualified to attend and vote at the meeting accompanied by the consent of the candidate to assume the office of Director.

# Notice of Annual General Meeting

Continued



**Company Secretary**  
23 November 2021

**By order of the Board**

A member entitled to attend, and vote may appoint a proxy to attend and vote for him, on his behalf, and such proxy need not also be a member of the company. A proxy form is available at the end of the Annual Report.

**NOTES TO THE NOTICE:**

- In accordance with the continued public health recommendations on social distancing protocols, the Company's Annual General Meeting will be held virtually via the Microsoft Team Meeting Application.
- Unitholders who wish to attend the meeting should RSVP by email to Ms. Bothepa Obuseng at bobuseng@letlole.com OR Ms. Dinah Jonah at djonah@letlole.com OR Ms. Gabarate Molosi at gmoalosi@letlole.com by close of business on Friday 10 December 2021.
- A proxy form must be deposited at the registered office of the Company, being Unit 2B, First Floor, Peelo Place, Plot 54366, New CBD, Gaborone or emailed to the above referenced emails not less than 48hrs before the time of holding the meeting.

# Proxy Form

The 2021 Annual General Meeting of members to be held on 14 December 2021 at 14:30hrs by means of audio- or audio-visual communication in terms of Section 11.1 (b) of the Constitution of the Company.

For use at the Annual General Meeting of Unitholders of the Company to be held virtually by the Microsoft Teams Meeting Application.

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 2021 Annual General Meeting of the Company to be held on 14 December 2021 at 14:30 hrs.

	Number of linked units		
	For	Against	Abstain
<b>Ordinary Resolution 1</b> To receive, consider, and adopt the Audited Annual Financial Statements and the reports of the Auditors and Directors for the year ended 30 June 2021			
<b>Ordinary Resolution 2</b> To approve and ratify the distributions declared by the Directors for the year ended 30 June 2021.			
<b>Ordinary Resolution 3</b> To approve the remuneration of the Directors for the year ended 30 June 2021			
<b>Ordinary Resolution 4</b> To approve the remuneration of Grant Thornton, the Auditors, for the year ended 30 June 2021			
<b>Ordinary Resolution 5</b> To re-appoint Grant Thornton as Auditors of the Company for the ensuing year			
<b>Ordinary Resolution 6</b> To appoint Mr. Mooketsi Maphane to the Board of Directors of the Company in terms of section 20.3 of the Company's Constitution. Mr. Maphane's Curriculum Vitae is available for inspection at our offices			
<b>Ordinary Resolution 7</b> To appoint Mr. Khuto Balosang to the Board of Directors of the Company in terms of section 20.3 of the Company's Constitution. Mr. Balosang's Curriculum Vitae is available for inspection at our offices.			
<b>Ordinary Resolution 8</b> To appoint Mr. Donald Gavin Borthwick to the Board of Directors of the Company in terms of section 20.3 of the Company's Constitution. Mr. Borthwick's Curriculum Vitae is available for inspection at our offices			

# Proxy Form

Continued

	Number of linked units		
	For	Against	Abstain
<b>Ordinary Resolution 9</b> To appoint Mr. Gregory Pearson to the Board of Directors of the Company in terms of section 20.3 of the Company's Constitution. Mr. Pearson's Curriculum Vitae is available for inspection at our offices			
<b>Ordinary Resolution 10</b> To re-elect Mr. Oteng Keabetswe who retires by rotation in accordance with Section 20.9.1 of the Company's Constitution, and who being eligible, offers himself for re election			
<b>Ordinary Resolution 11</b> To re-elect Ms. Bronwyn Knight who retires by rotation in accordance with Section 20.9.1 of the Company's Constitution, and who being eligible, offers herself for re-election			

Signed this.....day of .....2021

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 or emailed to Ms. Bothepa Obuseng at bobuseng@letlole.com OR Ms. Dinah Jonah at djonah@letlole.com OR Ms. Gabarate Molosi at gmoalosi@letlole.com not less than 48 hours before the meeting.





## Contacts

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