SUSTAINABLE
INVESTMENTS

INTEGRATED ANNUAL
REPORT 2022

Letlole La Rona Limited

Contents

01. About this report

About this report

How we integrate

Letlole La Rona (LLR) is a Botswana-based real estate investment company. Our primary goal is to grow and improve cash flow to deliver quality earnings, which underpin growth and sustained value creation for all stakeholders.

2022 marks a first for LLR as we embrace the principles of Integrated Reporting to provide our discerning stakeholders with a comprehensive and balanced review of the Company's performance for the year under review. We do so with the intention of building on this foundation in the years to come.

A truly integrated report shows the flow of strategizing and decision making that leads to value being created for our business, shareholders, people and communities. Embedding integrated thinking in our Company supports an in-depth understanding of all factors impacting our ability to create sustainable value for our stakeholders. By outlining the steps through which LLR creates value, we intend to provide sufficient information for investors and stakeholders to logically appraise our current and future prospects.

Our Vision, Mission and Values

LLR's strategic foundations comprise the mission, vision and values of the Company.

Our mission statement clearly articulates LLR's core purpose and promise to our stakeholders, while our vision statement paints a clear picture of what we intend to achieve in five years. We aim to lead in the property market in Botswana.

Read more at page 12

Challenges and opportunities that could impact on our ability to create value

Our operating environment

LLR reviews its operating environment by identifying the economic, environmental, social and governance (ESG) factors that could substantively impact the Company's ability to create value:

- macro-economic developments
- property sector trends
- regulatory and compliance landscapes

Read more at page 41

Our stakeholder's needs

Through our stakeholder engagement process, we seek to understand the needs and concerns of our valued stakeholders:

- investors, providers of capital and asset managers
- employees
- tenants
- regulators, government and authorities
- suppliers and business partners
- communities

Read more at page 44

Our risks and opportunities

Our inward focus is on the risks and opportunities highlighted by our risk management processes:

- market conditions
- capital, debt and equity
- portfolio composition and asset selection
- attracting and retaining quality tenants
- employee value proposition
- cyber security
- legislation changes

Read more at page 46

Analyse

Identify

Plan

Our material matters

Having identified the material matters that could impact on our ability to create value, we rank these topics in terms of their potential impacts on the Group and decide on our responses to deliver short, medium and long-term value:

- business growth
- capital structure
- property management
- stakeholder engagement
- people
- key business processes
- embedding ESG

Read more at page 50

Our strategy

Our refined 'Go to Africa' strategy seeks to optimise and diversify the LLR portfolio, drive balance sheet growth, enhance shareholder value and deliver investor returns. Our strategic objectives are grouped into six strategic pillars, namely:

- streamline and expand Botswana portfolio
- quality African assets
- operational excellence
- optimised balance sheet
- strong partnerships and networks
- talented and competent people

Read more at page 37

Value creation

Resources flow through LLR in the form of the six identified capitals, being our financial, human, intellectual, social and relationship, natural and manufactured capitals. LLR manages the flow of our capital inputs to align with our strategic intent and deliver favourable outcomes for the business and our stakeholders.

Financial performance

Delivering solid growth and returns.

Read more at page 56

Operational performance

Providing relevant and attractive property rental solutions and enhancing the tenant experience.

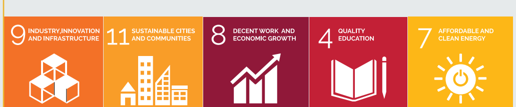
Read more at page 62

Sustainable performance

Safeguarding business continuity by adopting practices that benefit our customers, people, and business for the immediate and long term.

Read more at page 66

The UN Sustainable Development Goals (SDG's) set a long-term agenda to end poverty, protect the planet and ensure prosperity for all by 2030. LLR is committed to playing its role in the attainment of these goals. The Company has identified the following sustainable development goals where our business activities can have the most meaningful impact and improve lives:



Value creation is underpinned by strong governance:
Our Board provides oversight of LLR's ethics, accountability, strategy and performance.

Read more at page 69

About this report

Letlole La Rona Limited's ('LLR' or 'the Company') 2022 Integrated Annual Report (IAR) covers the financial year 1 July 2021 to 30 June 2022

The IAR provides a balanced and holistic summary of the Company's performance. Throughout the IAR, we address the challenges faced by the Company, the opportunities and external drivers influencing LLR's strategy and disclose the collective thinking applied to material matters impacting our ability to create long-term value.

The IAR aims to provide a balanced and concise view of LLR's financial and non-financial performance and covers the Company's operations in Botswana and Kenya. It includes information on LLR's growth aspirations, efficiency opportunities, service quality, sustainability approaches, corporate governance and accountability.
The information provided in this IAR has been guided by local and international requirements and frameworks. These include the following:

- Botswana Stock Exchange (BSE) Listing Requirements
- King III™ Code of Governance Principles
- International Integrated Reporting Council (IIRC)'s <IR> Framework
- International Financial Reporting Standards (IFRS)

Materiality

This IAR was prepared based on materiality. The process for determining and prioritising material matters, and our disclosure of these, is discussed on page 40.

Disclosure and assurance

LLR aims at the highest standards for all disclosures included in this IAR to provide stakeholders with meaningful, accurate, complete, transparent and balanced information. The Board, its committees and management were involved in finalising disclosures made in this IAR and assumed responsibility for the information contained herein.

The financial information included in this IAR was prepared in accordance with IFRS, with Grant Thornton Botswana independently assuring the Annual Financial Statements (AFS).

Board responsibility

The Board approved the IAR on 17 December 2022 and acknowledges its responsibility for its accuracy. It has applied its collective expertise, and, in its opinion, this IAR addresses all material issues and presents an integrated view of the Company's performance in the year under review.

Forward-looking statements

Readers are cautioned not to place undue reliance on forward-looking statements. Many of the statements in this IAR constitute forward-looking statements. These are not guarantees or predictions of future performance. As discussed in the IAR, LLR faces risks and other factors outside its control which may lead to outcomes unforeseen by the Company. These are not reflected in the IAR.

The forward-looking and prospects information contained in this IAR have not been reviewed or audited by Grant Thornton Botswana.

Feedback on IAR

We welcome your feedback on this IAR. Please email your comments to Mr Pulafela Isaacs at **pisaacs@letlole.com**

02.

Group overview

Group overview

A brief profile

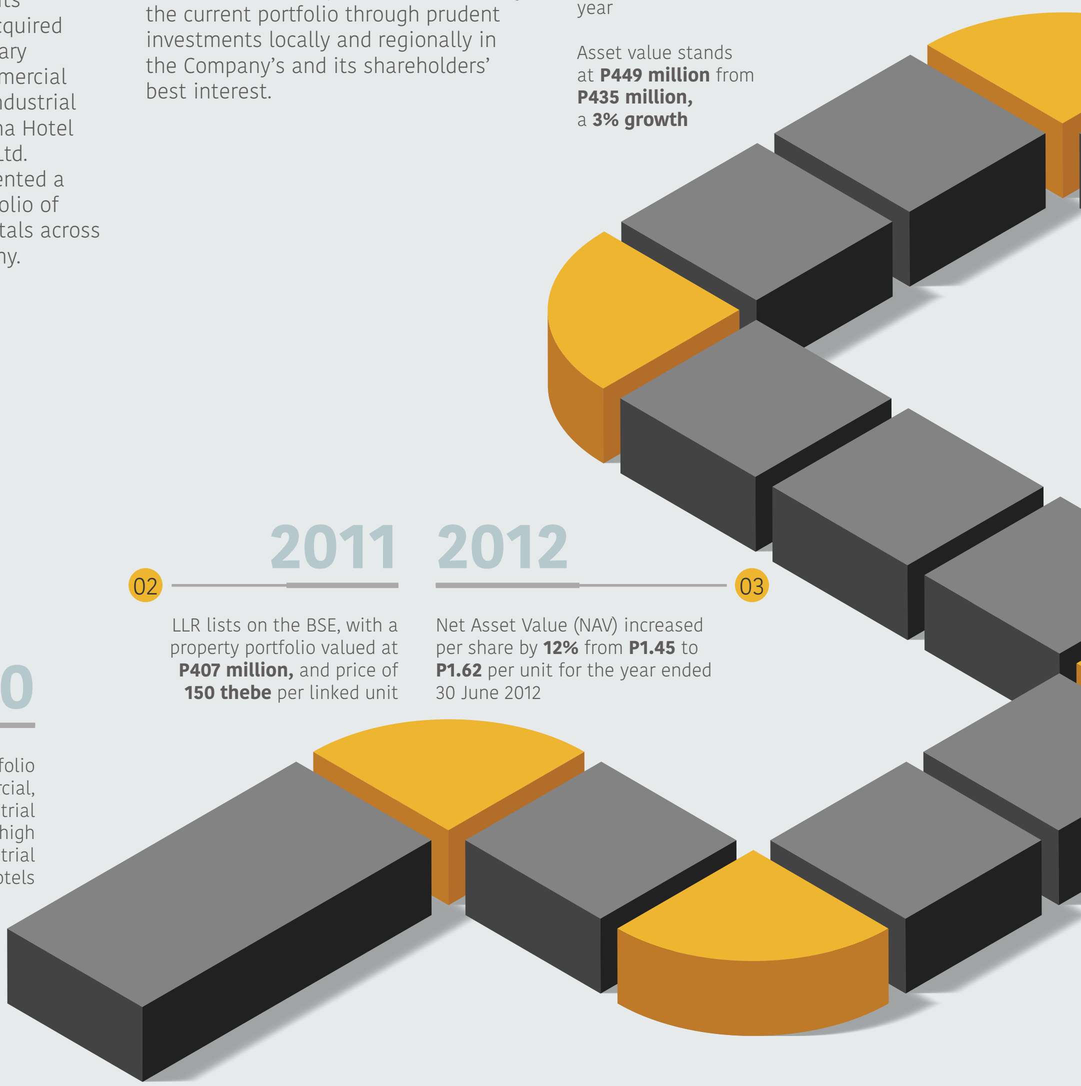
LLR is a variable rate loan stock company that engages in property investment and derives revenue primarily from property rentals. It operates through the industrial, retail, residential and commercial office space property segments.

The Company was founded on 8 July 2010 and is headquartered in Gaborone. LLR was set up by Botswana Development Corporation (BDC). It was listed on the Botswana Stock Exchange on 15 June 2011 to continue driving support for Batswana's financial markets while giving Batswana an opportunity to participate in its investments. The Company acquired properties from three subsidiary companies belonging to Commercial Holdings (Pty) Ltd, Western Industrial Estates (Pty) Ltd and Botswana Hotel Development Company (Pty) Ltd. This mix of properties represented a diversified yet balanced portfolio of long-term and short-term rentals across various sectors of the economy.

Since inception the Company has enjoyed commendable growth and has become a key player in the real estate market in Botswana. The Company currently holds direct investments in 24 properties and owns shares in 3 real-estate investment vehicles (two companies and one partnership), the majority of which are located in the greater Gaborone area, and had a market capitalisation of P840 million at 30 June 2022.

In 2022, LLR formally adopted a newly refined 'Go to Africa' strategy. This ambitious five-year strategy seeks to pivot LLR from a local investment focus to venturing into quality regional investments that optimise and diversify the current portfolio through prudent investments locally and regionally in the Company's and its shareholders' best interest.

Our growth journey



01 — 2010

LLR is founded with a portfolio constituting Commercial, Retail, Hotel and Industrial properties, with a high weighting towards industrial and hotels

02 — 2011

LLR lists on the BSE, with a property portfolio valued at **P407 million,** and price of **150 thebe** per linked unit

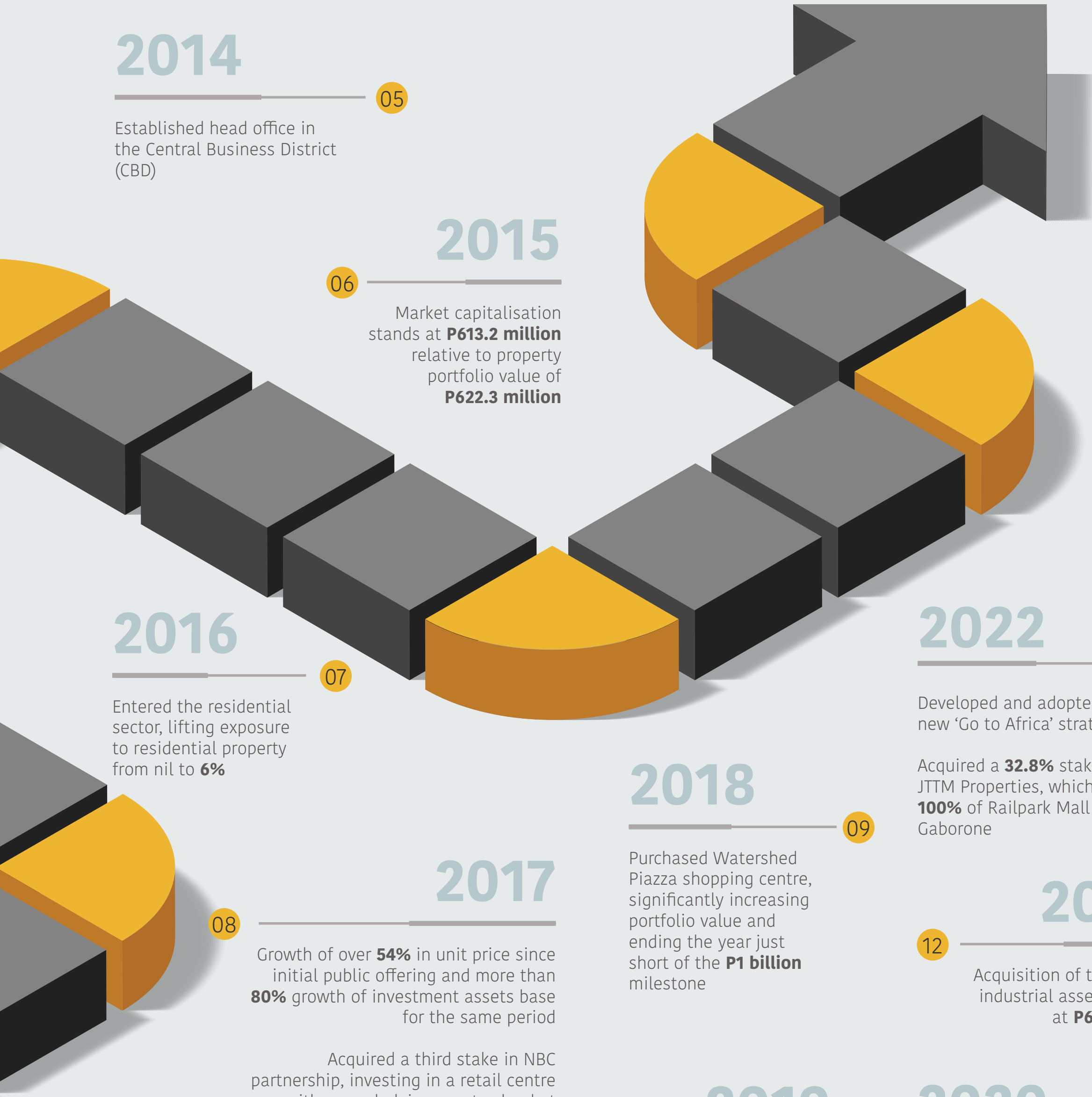
03 — 2012

Net Asset Value (NAV) increased per share by **12%** from **P1.45** to **P1.62** per unit for the year ended 30 June 2012

04 — 2013

NAV per share increased from **P1.58** to **P1.76,** an **11%** increase after having paid out two distributions in the year

Asset value stands at **P449 million** from **P435 million,** a **3% growth**



2014

05

Established head office in the Central Business District (CBD)

2015

06

Market capitalisation stands at **P613.2 million** relative to property portfolio value of **P622.3 million**

2016

07

Entered the residential sector, lifting exposure to residential property from nil to **6%**

2017

08

Growth of over **54%** in unit price since initial public offering and more than **80%** growth of investment assets base for the same period

Acquired a third stake in NBC partnership, investing in a retail centre with an underlying asset valued at **P110 million** in Francistown

2018

09

Purchased Watershed Piazza shopping centre, significantly increasing portfolio value and ending the year just short of the **P1 billion** milestone

2019

10

Divested entirely from hospitality portfolio and relocated offices to Peelo Place in Gaborone's CBD

2020

11

Acquired five prime industrial properties worth **P145 million.** These acquisitions were wholly funded by cash reserves from the sale of the leisure portfolio

2021

12

Acquisition of two prime industrial assets valued at **P61 million**

2022

13

Developed and adopted the new 'Go to Africa' strategy

Acquired a **32.8%** stake in JTTM Properties, which owns **100%** of Railpark Mall in Gaborone

Looking ahead

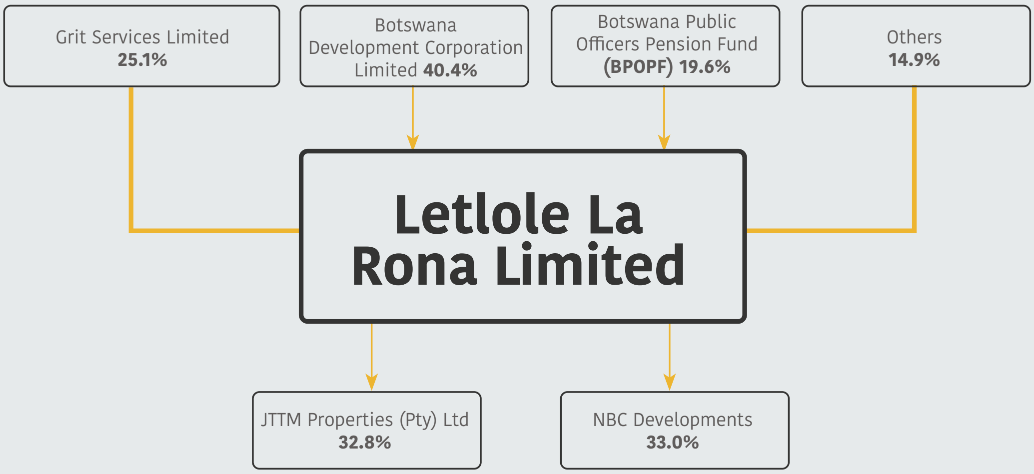
14

Shortly after the FY 2022 financial year end, LLR acquired an initial **30%** equity stake into Orbit Africa Logistics for **US$7.2 million.**

Following the transaction, approximately **6%** of LLR's portfolio will be outside of Botswana

Our operating footprint

Group structure



Ownership (shareholding)

TOP 10 unitholders
For the year ended 30 June 2022

Beneficial shareholder	Linked units	% Shareholding
Botswana Development Corporation Limited	112 996 263	**40.4%**
Grit Services Limited	70 280 000	**25.1%**
BPOPF - Active members and deffered pensioners	27 698 072	**9.9%**
Botswana Public Officers Pension Fund with Profit Portfolio - MCP	12 071 081	**4.3%**
Botswana Public Officers Pension Fund	10 583 319	**3.8%**
Morula RE Debswana Pension Fund	7 067 044	**2.5%**
SBBL O/A BIFM Professional Local Equity Fund	4 953 049	**1.8%**
SBBL O/A BIFM Market Linked Fund	4 402 852	**1.6%**
BIFM RE University Of Botswana Defined Contribution Pension Fund	2 908 286	**1.0%**
Botswana Public Pension Fund Vunani	2 518 235	**0.9%**

LLR unit bands

Linked units	Number of holders	%
0 - 1 999	1 037	**62.5%**
2 000 - 4 999	246	**14.8%**
5 000 - 9 999	118	**7.1%**
10 000 - 49 999	175	**10.6%**
50 000 - 99 999	30	**1.8%**
>100 000	52	**3.1%**
Total	**1 658**	**100.0%**

Type of units holder	Linked units	%
Non - public	183 276 263.00	**65.5%**
Public	96 723 737.00	**34.5%**
Total	**280 000 000.00**	**100.0%**

Mission

To integrate our basket of wealth into the African economy through value enhancing Real Estate investments, which unlock superior returns for our shareholders, whilst connecting and empowering our communities.

Vision

We are the Real Estate leader in Botswana and a partner of choice in selected African markets.

Our promise

We will leverage strong partnerships and networks, optimise our assets, expand the Botswana portfolio and grow into Africa to create a diversified portfolio of **P3.0 billion** and exceed the market weighted average total return year on year until **FY 2027.**

Our values in action

- We are creative
- We infuse innovation when delivering impactful real estate solutions

- We always do right
- We act with integrity, honesty and transparency

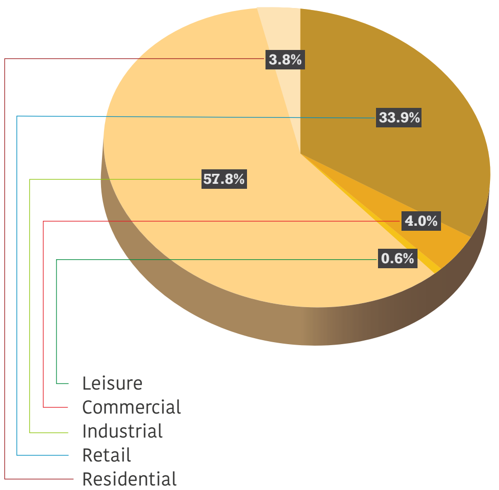
- We play to win
- We strive to exceed stakeholder expectations in all we do

- We always do right
- We act with integrity, honesty and transparency.

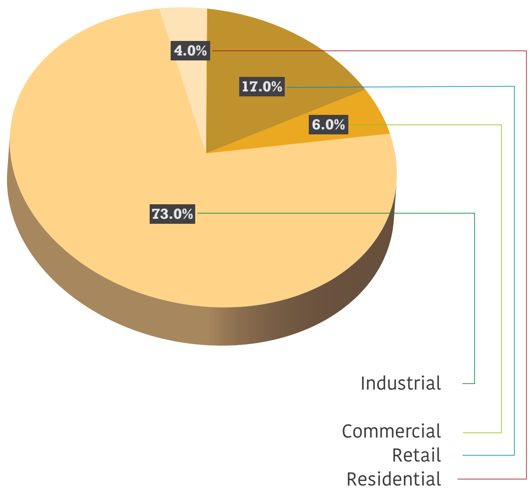
What we do

We actively manage a diversified, high-quality property portfolio and nurture strong relationships with tenants to maintain high-occupancy levels.

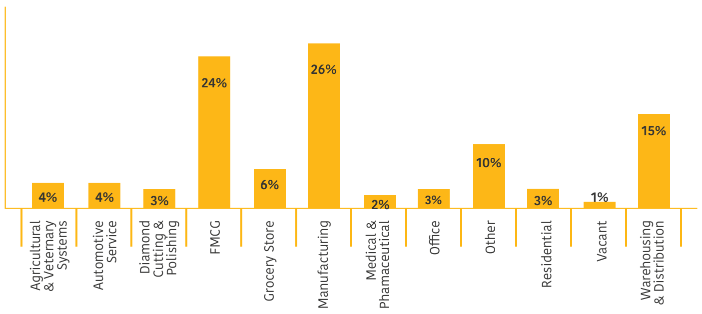
Segmental investment property
30 June 2022



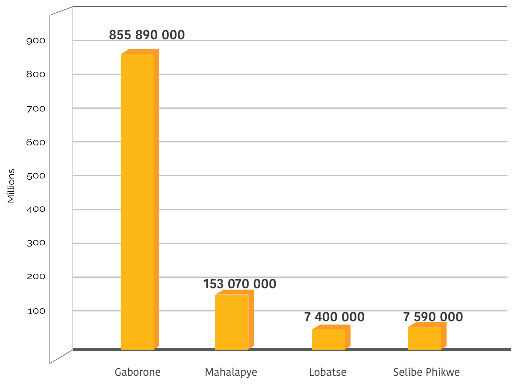
Sectoral revenue
30 June 2022



Tenant mix



Property values by location



Key tenants

What sets us apart

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

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

Our strategic intent

Our newly refined 'Go to Africa' strategy seeks to optimise and diversify the LLR portfolio, drive balance sheet growth, enhance shareholder value and sustain investor returns:

Our **'Go to Africa'** strategy is described in greater detail on page 37 of this report

Optimise

Streamlining existing LLR assets through effective asset management and leveraging relationships with existing tenants

Maximise

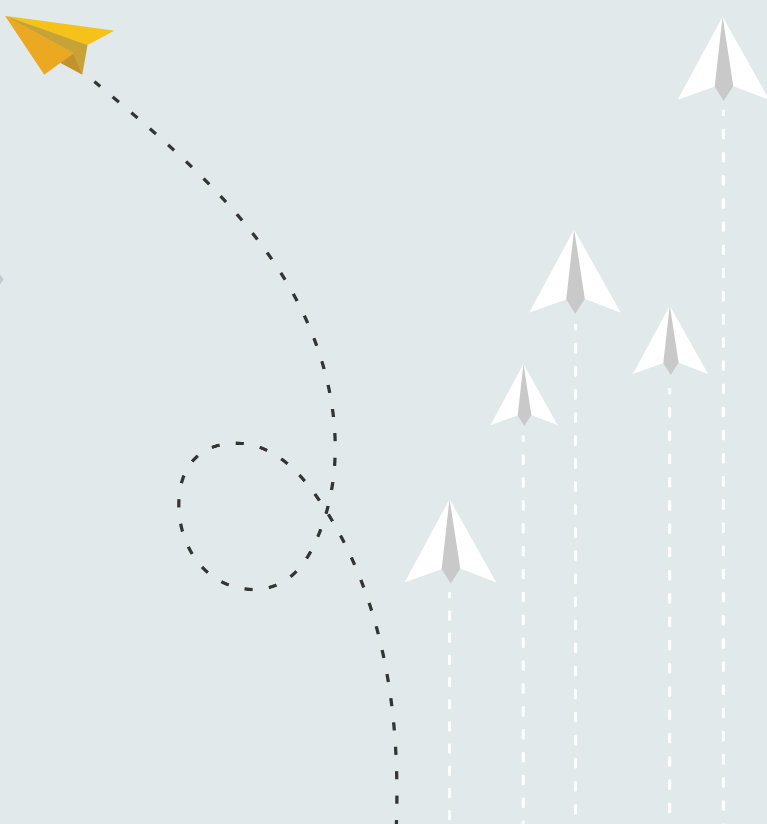
The market opportunity within Botswana will be seized by expanding through acquisition and leveraging our valuable relationships and networks with our key stakeholders

Africanise

LLR will engage a strategy for growth in Africa guided by the investment policy, clear criteria for market entry, an effective end-to-end investment analysis process, credible expert advice, market intelligence and leveraging the experience and networks of our investment partners.

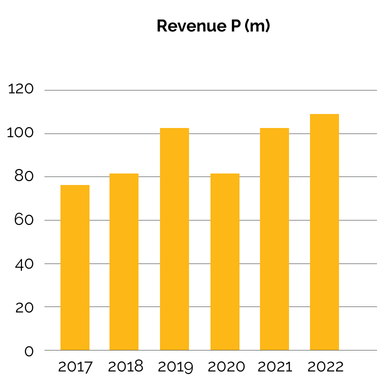
Our strengths

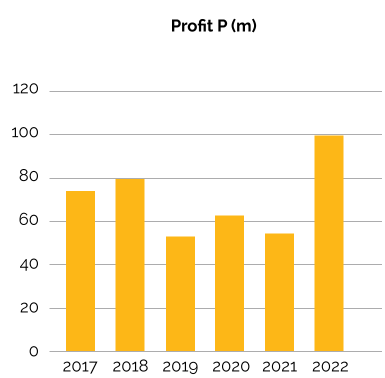
- Strong investor base that includes large institutional investors (e.g. pension funds), Grit Services Limited (GSL) and the Botswana Development Corporation
- Resilient property portfolio that has sustained steady company performance and returns over time
- Robust and experienced management team
- Board with good skills mix and property experience
- Sound and sustained profitability
- Board and management are responsive and willing to implement change.

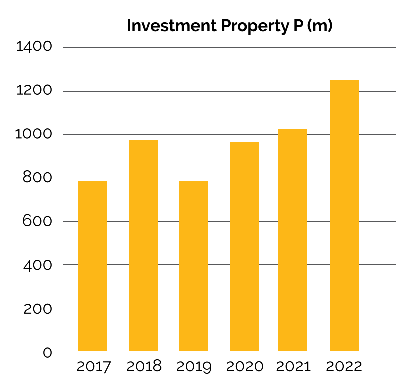


Our performance at a glance

Revenue **P107.9** million 2021 ▸ **P102.9** million	**Earnings Per LinkedUnit (EPLU)** **39.3** thebe per linked unit 2021 ▸ **23.4** thebe	**Group operatingcosts** **P35.9** million 2021 ▸ **P38.2** million
Cash generated from operating activities **P82.9** million 2021 ▸ **P71.9** million	**Operating profit** **P72.3** million 2021 ▸ **P65.3** million	**Vacancy rate** **0.9%** 2021 ▸ **3.6** %
Total properties under management **24** 2021 ▸ **24**	**Total GLA** **201 045** m² 2021 ▸ **201 045** m²	**Net Asset Value (NAV)** **P846.6** million 2021 ▸ **P788.0** million
Employee headcount **14** 2021 ▸ **13**	**Skills development investment** **P0.2** million 2021 ▸ **P0.1** million	**CSI spend** **P0.3** million 2021 ▸ **P0.1** million
Co-investment into Orbit Africa warehousing and manufacturing facility in Nairobi, Kenya, by acquiring an initial **30.0%** equity stake for **US$7.2 million** post year end	Acquisition of **32.8%** shareholding JTTM Proprietary Limited, which owns Rail Park Mall, for **P152.0 million**	Enhancements made to our organisational and governance structures through the appointment of a new chief executive officer, chief financial officer, and four new Board members








Metrofile

03. Leading through good governance

Leading through good governance

Chairman's statement

A year of two halves

While the past financial year has been very successful for LLR, it certainly has not been without its challenges. After the negative publicity around the organisation's previous Chief Executive Officer (CEO), and his subsequent departure from the business, the Company undertook an intensive forensic auditing and compliance realignment. At the end of the 2021 calendar year, the decision was taken to appoint a new Board of Directors to deepen the industry experience of the Board, strengthening the governance structures across the business and bringing a fresh perspective on LLR's strategic direction for the future. The positive impact of this decision has already been evident across the organisation.

During the first half of this reporting period we entered into a new phase of accelerated growth, increasing our share of retail space by acquiring a stake in the Railpark Mall, which is one of the busiest complexes in terms of foot traffic in Gaborone. We continued this trend into the next financial year by closing LLR's first international deal with highly accretive, long-term co-investment in Kenya in July 2022.

Unlocking value through good governance

We are acutely aware of the importance of good governance and the value that a commitment to such governance excellence delivers across all business areas. To this end, the changes made to the Board halfway through the year under review have significantly strengthened Board dynamics at LLR. Our governance, security, risk management, remuneration and legal processes are being reviewed and steadily improved in line with best practice. LLR now also has a dedicated in-house legal and compliance department.

The entire organisational structure has been overhauled with comprehensive performance evaluation metrics and key performance indicators put in place to ensure that every employee is fully aligned with the strategy and clear regarding the role they play in delivering its targeted outcomes.

The new Board members have brought a vast wealth of property experience into the business. The new appointments to the Board were made with a clear understanding of the need to combine and balance the very best financial, technical, business and people skills to ensure leadership that builds the business's competitive advantage in the market.

Our Board members are also deliberately located across the African continent, rather than all being Botswana nationals. This enabled the members to critically evaluate the LLR 'Go To Africa' strategy, and refine and realign it using their distinctive skill sets and in-depth local and regional knowledge.

We are aware that there is still work to be done at Board level in terms of appropriately balancing independent and non-independent directors, as well as building gender diversity through the appointment of more female members. These are both priorities for the Board in the coming months and years.

Building a compelling investment case

LLR has always enjoyed the support of strong anchor shareholders, of which the BDC is the largest. They have been a partner to, and supporter of, our business from the beginning, and their continued support through the recent rocky times demonstrates the high regard they hold for LLR and their continued belief in our value proposition. The 25% increase in the LLR share price during FY 2022 and the conclusion of our first international deal in the first half of our new financial year provide proof of the veracity of our refined governance structures and the confidence that shareholders and other stakeholders now have in our business.

The business has a proven track record of consistently delivering reasonable distribution payments (dividend and debenture interest), and our distribution yield has grown in line with our net asset value over the years. This substantial growth, coupled with a balance sheet that has historically shown low gearing and acceptable debt levels, ensures current and prospective investors of sustainable, risk-adjusted value, backed by real, top-grade brick and mortar assets.

For all these reasons, our investors tend to remain invested in our stock for the long term, and we see no reason that investor confidence will not continue to rise in the coming years as we progress along our strategic growth path.

Making sustainability a priority

ESG sustainability is integral to our business considering that a large portion of our portfolio houses the production and distribution functions that contributes to Botswana's economic growth and employment creation. To this end, we are steadily prioritising the entrenchment of ESG factors into every area of our business. We also work closely with our clients to support their sustainability efforts, both in terms of the longevity and success of their businesses, and their socio-economic contribution to the country.

While we are not a player in the property development industry, wherever we require work to be done on any of our properties we make an effort to procure services from local contractors and small businesses, thereby contributing towards enterprise development and direct employment creation.

At an environmental sustainability level, we are working steadily to reduce our carbon footprint and enhance our positive contributions toward energy efficiency, water conservation and effective waste management. We have several projects lined up across all these environmental sustainability elements in the coming years, including rolling our solar energy generation plants on the roofs of our key strategic assets. We will also consider strategies to secure green building certifications, both as an environmental preservation imperative and good business practice.

While our staff complement is relatively small, we prioritise staff well-being and the past financial year saw us reviewing our employee policies to deliver better value to our people. All our staff are now on medical aid which is fully paid for by the Company, and we have further enhanced our paternity leave benefits to ensure they align with global best practices. Since the Covid-19 pandemic we have retained a flexible work structure wherever appropriate to allow our staff to achieve a good work/life balance. We also continue to invest in providing our team with access to the ongoing training and skills development they require to enhance their career prospects and optimise the contribution they can make to the business.

Looking forward

We believe that the enhancements that we have made to our organisational and governance structures, and our strategic focus, mean that LLR offers a highly compelling value proposition. We want to leverage our wealth of skills and relationships to enter the broader African market strategically, and we welcome all our stakeholders to join us on this exciting journey.

LLR has consistently delivered good returns to its shareholders, and we place priority on defending that reputation and building on that solid foundation. Regarding our strategy execution, we are committed to ensuring that every decision and action we take delivers incremental value gains.

During the coming financial year, we will be reassessing and optimising our capital structures to ensure that they continue to serve as a significant growth lever for our business into the future. Another priority is rebalancing our asset portfolio to facilitate our geographical expansion aspirations. We will implement our 'Go To Africa' strategy in a careful and calculated manner, alongside comprehensive risk mitigation plans to protect value as we scale up our business.

Post year-end events

Considering that this annual report will be distributed post the publication of important X-News announcements that occurred since year-end, it will be remiss of me not to update stakeholders accordingly.

On 1 November 2022 I handed over the baton as Interim Chairperson to Mr Khuto Balosang, who was previously appointed as Lead Independent Director by the Board in January 2022. On behalf of the Board and Management, I wish Mr. Balosang all the best in his new role and we look forward to his guidance and leadership as the Company continues to grow and deliver on creating value for its Unitholders.

Although I have stepped down as Interim Chairperson, I will remain a non-executive member of the Board and will continue to support the execution of our strategic mandate from shareholders.

Post the reporting period, the skillset on the Board was further augmented and diversified in line with international best practice standards with the appointment of Mr Mervin Muller as an independent non-executive Director to the Board with effect from 31 October 2022. Mr. Muller has core competencies in investment restructuring, deal origination, portfolio diversification strategy and strategic formulation.

I wish to welcome Mr Muller on behalf of everyone at LLR and we look forward to the value he will add.

Gratitude

Thank you to our dedicated LLR shareholders for continuing to believe in this business irrespective of the difficulties it faced. Your support is critical to our ability to achieve the growth we envisage, and we look forward to sharing the benefits of that growth with you in the future. I would also like to express my deep admiration and gratitude to the new Board of Directors of LLR. Despite being thrown into the proverbial deep end, you have consistently gone beyond the call of duty and steered the business towards the success it has achieved in the 2021/22 financial year.

Lastly, thank you to all our LLR employees for your continued dedication and commitment, often in the face of overwhelming challenges that we have faced in recent years. Your loyal service and constant support are a source of inspiration.

Mr. Oteng Keabetswe
Interim Chairman

Our board

Donald Borthwick
Independent
Non-Executive Director

Oteng Keabetswe
Interim Board Chairman,
Non-Executive Director

Bronywn Knight
Non-Executive Director

Khuto Balosang
Independent
Non-Executive Director

Mooketsi Maphane
Independent
Non-Executive Director

Gregory Pearson
Non-Executive Director

LLR Team


01
Gift Patson
Facilities Specialist
02
Bothepa Obuseng
Legal and Compliance Manager
03
Concillia Kotewa
Collections Officer
04
Otsetswe Mongudi
Facilties Specialist
05
Dinah Jonah
Compliance Officer
06
Oanthata Mochadibe
General Office Administrator
06
Baalakani Nlumbile
Property Manager

07 **Kamogelo Mowaneng**
Chief Executive Officer

08 **Pulafela Isaacs**
Chief Financial Officer

09 **Kabona Kgosidialwa**
Financial Accountant

10 **Nametso Tshwaane**
Facilites Specialist

11 **Malebogo Montshiwa**
Financial Accountant

12 **Bantle Sentsho**
Leasing Specialist

13 **Senwelo Botlholo**
Leasing Specialist

14 **Letlhogonolo Madigele**
Accountant

Our leadership

Our Board

Oteng Keabetswe
Interim Board Chairman,
Non-Executive Director

Qualifications: Global Chartered Management Accountant (ACMA, CGMA) BA (Hon) in Finance, Accounting & Management from the University of Nottingham.
Date of appointment: 12 December 2019
Skills and experience: 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 Grit Real Estate Income Group as the Head of Structured Deals. He previously served as Investment Principal and later Acting Chief Investment Officer at the Botswana Development Corporation (BDC) where he was overseeing the BDC's investment function.

Mr Keabetswe currently serves as an Independent Non-Executive Director on the board of Coca Cola Beverages Botswana (Pty) Ltd.
Committee membership: Investment Committee

Bronywn Knight
Non-Executive Director

Qualifications:
Chartered Accountant (CA)
Date of appointment: 16 April 2020
Skills and experience: Ms Knight is a founding member and the 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 served on several property company boards and played a key role in listing South Africa's largest sovereign underpinned real estate investment trust (REIT). At REIT she held the roles of both Chief Financial and Chief Investment Officer, before co-founding what would become Grit.

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.
Committee membership: Investment Committee and Nominations and Remunerations Committee

Mooketsi Maphane
Independent Non-Executive Director

Qualifications: Master of Science in Industrial and Organisational Psychology
Bachelor of Arts in Psychology (Cum Laude)
Bachelor of Arts Degree in Psychology from Hawaii Pacific University (USA)
Date of appointment: 14 December 2021
Skills and experience: Mr. Maphane currently serves as Director of Human Resources at the Botswana Medicines Regulatory Authority (BoMRA). He brings over 20 years of executive-level expertise in strategic human resource management and management consulting. He was the owner and managing consultant of a human resource technology start-up. He is a former Board member of Boitekanelo College Group, and currently a member of the Human Resource Committee of the Botswana National Sports Commission. He was a principal officer for the BIHL Staff Pension Fund, Minet Botswana Staff Pension Fund, and Orange Botswana Staff Pension Fund.

Mooketsi is a member of the Institute of People Management and Coaches and Mentors of Southern Africa (COMESA) and the Society of Industrial/ Organizational Society of South Africa.

Committee membership: Nomination and Renumeration Committee and Audit Risk and Compliance Committee

Khuto Balosang
Independent Non-Executive Director

Qualifications: BSc in Business Administration with a specialisation in Information Systems and Quantitative Analysis (Omaha)
Date of appointment:
14 December 2021
Skills and experience: Mr Balosang 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.

Before establishing a management consulting business, Mr Balosang worked in various senior positions at Debswana Diamond Company. In his capacity as Group Systems Manager he provided strategic leadership, coordination and implementation of key solutions in the Group. He worked in this role from 2006 until his departure at the end of 2011. During this time, Mr Balosang was responsible for leveraging his consolidated IT management experience to lead, implement and manage solutions that had a direct impact on the strategic and operational performance measures of the organisation.
Committee membership: Audit Risk and Compliance Committee

Donald Borthwick
Independent Non-Executive Director

Qualifications: Chartered Accountant (South Africa)
B Comm Hons degree in Financial Management.
Date of appointment:
14 December 2021
Skills and experience: 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.

Hodari Africa has offices in Ghana, South Africa and Mauritius. Its team has experience in development projects in over 30 African countries, including Botswana, Mauritius, Ethiopia, Morocco, Ghana, Kenya, Uganda and Senegal.
Committee membership: Nominations and Remunerations Committee and Audit Risk and Compliance Committee.

Gregory Pearson
Non-Executive Director

Qualifications: Degree in Business Management
Date of appointment:
14 December 2021
Skills and experience: Mr Pearson is a founder member and CEO of Gateway Real Estate Africa (GREA), a specialist real estate developer operating across eleven African countries. 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.

Mr Pearson is an experienced businessman and entrepreneur who started his career in the United Kingdom before moving to challenging projects throughout Africa. His experience stems from real estate development and construction, and he has completed developments in over 40 African countries as well as in most of Europe and is a member of the Chartered Management Institute.
Committee membership: Investment Committee

Resigned directors

Onthatile Ogotseng
Independent Non-Executive Director

Qualifications: Master's degree in Management of Finance and Investments
Bachelor of Laws from the University of Botswana
Date of appointment: 25 January 2021
Skills and experience: Ms Ogotseng currently works in the Legal and Corporate Secretariat Department at Africa Finance Corporation, a multilateral development financial institution in Africa. She is an experienced Legal Counsel and Company Secretary with a demonstrated history of working in the social security and health industry 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).

Her key areas of expertise include corporate governance, compliance and regulatory, strategy and risk management, corporate and commercial law, contracts negotiation, contracts drafting, and an in-depth understanding of critical business drivers in multiple markets and industries. Ms Ogotseng is also an admitted Attorney of the High Court of Botswana and is an admitted Conveyancer and Notary Public.
Committee membership: Audit Risk and Compliance Committee

Mmametsi Setlhare
Independent Non-Executive Director

Qualifications: BCom in Accounting: Member of Chartered Institute of Management Accountants (CIMA)
Date of appointment: 25 January 2021
Skills and experience: Ms Setlhare is a seasoned Internal Audit practitioner with more than 25 years' experience at senior and executive levels. She currently serves as the Head of Audit Services at Debswana Diamond Company. She has held senior positions with Motor Vehicle Accident Fund, Banc ABC Botswana and BCL Mining Company.

Ms Setlhare 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). An experienced board member, she has previously served as a member on the Botswana Power Corporation board. She is a co-opted member serving on the audit committees of Botswana Gambling Authority and Botswana International University of Science and Technology (BIUST).
Committee membership: Audit Risk and Compliance Committee

Sedireng Serumola
Independent Non-Executive Director

Qualifications: BSc (Honours) in Mining Engineering
MSc in Engineering Management
Date of appointment: 25 January 2021
Skills and experience: Mr Serumola is the current Managing Director of Diamond Trading Company Botswana and has over 20 years of progressive mining experience in the public sector, engineering consultancy, mining and processing, diamond sorting and valuation environment. Extensive mining sector experience enabled him to gain experience in the public sector, engineering consultancy, mining, diamond processing, sorting and valuation environment. He is a registered Professional Engineer with the Engineers Registration Board.

He is a business leader in Botswana with well-developed skills in people management, negotiations, change management, business and strategy development, negotiations, facilitation, relationship building, safety management and leadership, amongst others.
Committee membership: Audit Risk and Compliance Committee

Frederick Selolwane
Independent Non-Executive Director

Qualifications: BSc (Hons) Quantity Surveying
Date of appointment: 16 April 2020
Skills and experience: Mr Selolwane is the Managing Director of Rider Levett Bucknall (Botswana). He has extensive experience in the construction industry specializing in procurement, construction cost management and project management of property developments. He 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 for promoting the advancement of knowledge in the Quantity Surveying profession and the general interests of the profession. He is also a chartered member of the Royal Institute of Chartered Surveyors and the South African Council of the Quantity Surveying Profession.
Mr Selolwane has previously served as a non-executive Board Member of the 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.
Committee membership: Investment Committee

Ms Onthatile Tiny Ogotseng, Ms Mmametsi Setlhare and Mr Sedireng Serumola resigned as independent non-executive directors of the Company effective from 3 December 2021. Mr Fred Selolwane did not offer himself for re-election at the Company's Annual General Meeting on 14 December 2021 and retired from the Board at the conclusion of the Annual General Meeting.

Executive management

Kamogelo Mowaneng
Chief Executive Officer

Qualifications:
- Chartered Accountant, South Africa(SA)
- Fellow Certified Professional Accountant (FCPA (BICA))
- BSc (Hons) Finance Certificate in Property Development and Investment

Date of appointment:
Joined LLR February 2019
Skills and experience: Ms Mowaneng was appointed CEO of LLR in February 2022. Prior to that, she served as the Chief Finance Officer of the Company for three years. Upon completing her studies, Ms Mowaneng worked for Deloitte Johannesburg, South Africa, as an external auditor, specialising in financial institutions. She then joined the Deloitte Botswana office as an Audit Manager before branching into the property sector. Prior to joining LLR, she held the position of Finance Manager at RDC Properties Limited.

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

Pulafela Isaacs
Chief Financial Officer

Qualifications:
- Chartered Accountant
- Chartered Global Management Accountant (CGMA)
- Associate Certified Professional Accountant (ACPA)
- Management Development Program
- Bachelor of Finance Degree

Date of appointment:
Joined LLR in April 2022
Skills and experience: Mr Isaacs joined LLR from Rand Merchant Bank Botswana (RMB), where he served as the bank's Head of Finance. Mr Isaacs has over 16 years financial services experience, having worked as an Investment Analyst, Equities Analyst, and Analyst and Portfolio Manager at African Alliance Botswana, Stockbrokers Botswana, Botswana Insurance Fund Management (BIFM) and Stanlib Investment Management Services, respectively.

He also worked as Head of Business Performance and Analytics for the Corporate and Investment Banking Division of Barclays Bank Botswana and Head of Finance for RMB Botswana. He has also completed various leadership programmes including the Barclays Africa Leadership Programme and the First Rand Future-Fit Finance Programme.

Baalakani Nlumbile
Property Manager

Qualifications:
- Master of Science in Finance
- Bachelor of Science Degree with honours in Estate Management

Date of appointment:
Joined LLR in October 2015
Skills and experience: 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 experience in all property sectors, that is, offices, retail, hotel, industrial and residential properties.

Before 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 the approval of external valuations, project appraisals and was also involved in undertaking valuations of the bank's financed assets. He has also served in different senior positions in various organisations, including Botswana Housing Corporation (BHC), Botswana Development Corporation (BDC) and Seeff Properties. He is a full member of the Real Estate Advisory Council and the Real Estate Institute of Botswana.

Governance excellence

The responsibilities of the board include providing oversight of:

- **Good corporate citizenship**
- **Accountability and transparency**
- **Ethics and culture**
- **Stakeholder relations**
- **Fair and transparent remuneration**

Governance philosophy and approach

The Company's Board of Directors focuses 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 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. 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.

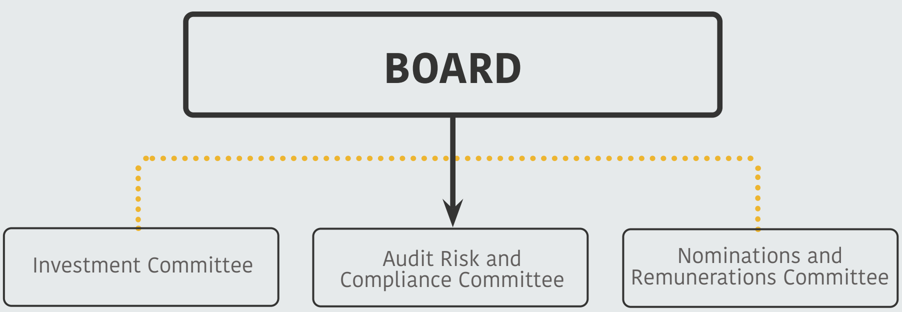
The table on page 134 of this report details the Company's compliance with the respective principles of King III™.

Good corporate governance, for any entity, is the cornerstone of its success. Over the past financial year, the Company has made significant strides in setting and building on the set principles of corporate governance. The Board has set the tone from the top with conduct that has driven the set strategy and operational success of the Company. This ethical and practical leadership is characterised by integrity, competence, responsibility, fairness, and transparency.

The Board acts as the focal point or custodian of corporate governance. It provides for effective governance that involves monitoring the relationships between the Board and management of the Company, and between the Company and its stakeholders. 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. The Board and its Committees perform a critical corporate governance function through this oversight role.

The Board has delegated the day-to-day responsibility for managing the Company to its executive management, and it is focuses on attending matters affecting the Company's overall strategic objectives.

Governance structure



Board focus areas and performance highlights

During the reporting period, our Board invested considerable time towards stabilising the Company from the turbulence it experienced during 2020 and 2021. The key focus has been on strengthening the Company's governance, with the following activities undertaken:

- Enhanced the balance and depth of Board skills by appointing four new Directors with experience across IT, HR, finance and investments.
- Reviewed the Company's Board-related policies. These included the Board Charter, Board subcommittees' terms of reference and Share Dealing Policy, to name a few.
- Reviewed the majority of the Company's HR Policies to align with current legislation and best practice.
- Increased compliance with King III™ and BSE listing regulations by forming the Nominations and Remunerations Committee, which is responsible for overseeing Board and human resources matters.
- Embarked on a strategy session in May 2022 and interrogated and approved the strategic plan for the five-year period commencing 1 July 2022 and ending 30 June 2027.
- Engaged in continuous stakeholder communication about strategic development.
- Considered a range of potential acquisitions and provided oversight of the transactions approved during the year.
- Appointed senior executives:
  - A CEO was appointed in February 2022
  - A CFO was appointed in april 2022.

Looking ahead:

During FY 2023, the Board will focus on:

- Reviewing and optimising the Company's capital structure to ensure that it supports strategic aspirations
- Increasing Board independence and gender diversity
- Appointing an independent Board chairperson
- Working with shareholders to define and finalise LLR's Long-Term Incentive (LTI) policy
- Enhancing the Company's risk management framework
- Strengthening IT governance.


lights

04. How our strategy creates value

How our strategy creates value

Chief Executive Officer's report

The good signs of a broad global economic recovery that were evident over the past year have flowed through to the property sector in the form of steadily increasing activity. Initially, this was driven mainly by the still low interest rates that resulted from the efforts by governments to limit the economic fallout of Covid-19. In the African context, the result of this positive interest rate environment has been steady growth in demand for quality property across most sectors, particularly high-quality office space, larger homes and bigger warehousing spaces.

In Botswana specifically, the industrial sector has remained resilient through the current challenging economic conditions. Botswana government's economic recovery and transformation plan (ERTP) and supporting policies are suited for growth in the industrial sector. Demand for warehouse space has continued to rise, which has left rental values relatively unscathed and helped keep vacancy rates low.

Unfortunately, the office sector continues to be impacted by low demand and oversupply exacerbated by speculative development over the past few years. Values of prime residential properties have also been relatively flat for a few years now, which has resulted in many institutional investors exiting more significant residential complex investments. LLR has single-digit exposure both in terms of revenue and GLA to the residential segment. However, the steady growth in the country's middle-class population means that sales and rental demand in this segment will likely continue for the foreseeable future.

Despite the recent spikes in inflation globally, which have resulted in tightening of monetary policy by most central banks, delivered via rising interest rates, the property market outlook for the remainder of 2022 remains relatively positive. The recovery of the markets has certainly slowed from the heady speeds seen in 2021, but the higher investor confidence levels we have seen emerging in the post-Covid-19 environment essentially remain intact. Against this backdrop, LLR's revised strategy positions our business well to capitalise on the diverse opportunities for growth and expansion that we anticipate in the coming year, particularly given the solid foundations we built over FY 2022.

Delivering consistent performance

The industrial portfolio, comprising 57% of our total portfolio, remained resilient. We refurbished our industrial portfolio during the year to ensure the appeal of these properties going forward. Our industrial property holdings have delivered good yields, with a slight uptick in yields from 10.8% in 2021 to 11.0% in 2022. Industrial gross rental for FY 2022 was P78.6 million (FY 2021: P73.5 million).

A post financial year end industrial sector highlight was LLR's acquisition of an initial 30% equity stake into Orbit Africa Logistics, a 29 243m² logistics and warehouse facility situated in a prime location in Nairobi, Kenya, for US$7.2 million. The co-investment was done alongside a wholly owned subsidiary of London listed Grit Real Estate Investment Group, one of the largest property investors on the African continent, who acquired the property on a sale-and-leaseback basis in March 2022 for US$53.6 million. It also includes the International Finance Corporation (IFC) who are a debt investor in the Orbit facility for a total of US$25 million. The co-investment will grow and diversify LLR's portfolio and balance sheet, with 6% of our portfolio now outside of Botswana. LLR has the option to increase its investment to 50% of Orbit Africa Logistics for a further US$7.6 million.

The retail segment, which represents 35% of our portfolio, performed reasonably well to underpin our positive performance. During the year we acquired a 32.8% stake in the Rail Park Mall shopping centre in the heart of Gaborone. Located near a bustling transport hub, Rail Park is one of the busiest malls in Gaborone.
We are seeing a steady increase in footfall in the mall and, as a result, vacancy rates have dropped to below 1%, while escalation rates have been maintained between 6% and 8% owing to employees returning to work and consumers resuming their old shopping habits.

The acquisition of Rail Park Mall significantly boosted our overall performance with the result that our profits from associates have risen from P3.0 million in FY 2021 to a very pleasing P24 million in the year under review.

Our share price appreciated from P2.40 per share at the end of June 2021, to P3.00 at the end of the current financial year, representing a growth of 25%. This demonstrates that our shareholders have strong levels of confidence in our business, positive perceptions of us strengthening our governance and giving effect to our 'Go to Africa' strategy. As an outcome, LLR was regarded as the third best performing share on the Botswana Stock Exchange during FY 2022 and the best performing stock in the real estate sector being the only one giving double-digit returns over this period.

The solid performance of the past year enabled us to restore some of the value that eroded during Covid-19. In the prior financial year we saw an increase in arrears, which ended the period at around P12 million, which was well up from approximately P2 million at pre-pandemic levels. In the financial year under review, however, we have focused intently on recovering arrears rentals and managed to reduce them to around P10 million. Of that amount, P8 million is owed by tenants who are no longer renting our buildings, which means the arrears owed by current tenants has been significantly reduced. To protect our portfolio from any repeat of this arrears challenge, we have refined our tenant mix and are confident that we now have a solid tenant base with firm financial backing.

From a vacancy perspective, we continue to enjoy very low vacancies across our portfolio, which has helped us to maintain our leadership position in our industry.

As the immediate Covid-19 challenges have dissipated, we are seeing the positive impact filtering through to our financials. Our fair value gains for the FY 2022 are P25 million, which is well up from the P7 million in the previous financial year.

Thanks to this strong performance, earnings per linked unit increased by 15.96 thebe to 39.34 thebe and we increased our distribution to shareholders by a pleasing 6% in the year under review.

Proactively managing our risks

The risk landscape for LLR has shifted significantly in the past few months. One of our key risks is the cost of funding considering that most of our portfolio is funded via bank loans. The steady upward inflation pressure that is seeing interest rates climbing steadily and quite steeply raises our cost-to-income ratios and puts pressure on our profit margins. Given our contractual agreements with our tenants, these costs cannot be passed on, but need to be absorbed by the business. In response, we are looking for higher-yielding assets.

There are the risks associated with our 'Go to Africa' strategy. While there are massive opportunities for us to expand our business into the continent, such expansion comes with relatively lower levels of control over the assets in other countries and the need to stay abreast of political and economic events in those countries. We have put in place strategies to mitigate these risks and have a policy of appointing in-country partners that have in-depth knowledge and experience of the countries and regions into which we are expanding. In addition, we will only invest in assets that offer exceptional quality and a high potential for sustainable returns, preferably in countries with good political stability and established relationships with Botswana that allow for easy repatriation of funds.

A strategy for sustainable success

In 2019, LLR embarked on a refreshed strategic journey with the primary objective of becoming the premier real estate company in Botswana and selected Africa markets. This ambitious strategy sought to pivot LLR and leverage our local investment expertise to grow and diversify our portfolio through quality regional investments. A combination of Covid-19 and governance challenges resulted in that strategy never being implemented. However, now that both challenges have been addressed, and our new Board is in place, we have refined our strategic direction to optimise and diversify the LLR portfolio, driving the growth of our balance sheet, enhancing shareholder value and delivering sustainable investor returns.

We now have a Board approved strategy that guides us for the next five years, with enhanced guiding documentation. There is a clear direction as to where the Company is going. We have ensured that all our stakeholders are aligning to the new strategy through comprehensive stakeholder engagement throughout the reporting period.

The execution of this strategy is underpinned by a clear understanding of the drivers and enablers of future growth, including a priority focus on the digitisation of the business, the attraction and retention of top talent, a commitment to the greater integration of ESG factors, and a deep and constantly evolving understanding of the property industry, both in Botswana and outside of the country's borders.

Outlook

The coming financial year promises to be exciting for LLR and its shareholders. Now that the revised strategy has been agreed upon and bedded down, the focus will shift to implementation. Cascading enhanced key performance indicators throughout the business will serve to enhance performance further and provide a clear and shared strategic direction for the entire LLR team and its associates.

In tandem with the strategy rollout, we will investigate innovative ways of addressing the cost of funding risks associated with the rising interest rate environment. This may include re-funding and rebalancing our capital structure in terms of debt versus equity finance.

As our 'Go to Africa' strategy matures and we expand our portfolio to capitalise on the immense opportunities beyond the borders of Botswana, we will also explore the potential to diversify our income streams. This will augment the current inflows with US dollar-based income to bolster profitability and serve as a good risk mitigation strategy.

We are committed to intensifying our focus on environmental stewardship. This will include the potential rollout of solar PV systems at some of our pivotal strategic assets that have the required roof space and the creation of reservoirs for the storage and distribution water from underground sources.

Finally, one of our critical future focus areas is digitisation. We are implementing the required anti-money laundering (AML) infrastructure and data protection measures that will allow us to forge ahead with our plans to digitise many of our processes, including tenant applications. Digitisation will deliver significant time and cost efficiencies across our business.

In conclusion

I want to express my immense gratitude to all our LLR stakeholders who have played a vital role in ensuring that our business remains competitive and successful over the past year. That includes our shareholders, associates and business partners, tenants, and of course, our passionate and dedicated employees. We have faced several intimidating challenges, but we have overcome them together. And now, our business is poised for even greater success in the future.

I am incredibly grateful to our new Board of Directors, which has certainly hit the ground running this year and taken the challenge of refreshing our strategy and repositioning our business for competitive advantage in its stride. I appreciate the invaluable support and guidance you provide to the entire management team and me.

Kamogelo Mowaneng
Chief Executive Officer

Our ‘Go To Africa’ value creation strategy

Strategic intent

We will:

- Expand the Botswana portfolio
- Optimise our assets
- Leverage partnerships and network
- Grow into Africa to create a diversified portfolio
- Enhance shareholder value and sustain investor returns.

Strategic pillars

- Streamline & expanded Botswana. portfolio
- Optimised balance sheet
- Quality African assets
- Strong partnerships and networks
- Operational excellence
- Talented and competent people

Strategic outcomes

LLR’s strategic map shows the cause-and-effect connection betwen our strategic objectives and the outcomes that will create value for shareholders and key stakeholders

Financial	Grow net asset value	Optimised balance sheet	Grow distribution yield
Customer	Optimise and expand Botswana portfolio	Diversify into Africa	Engage key stakeholders
Internal Processes	Institute governance and risk framework	Improve business processes	
People	Build a talented and competent team		

Excellence | Agility | Innovation | Integrity

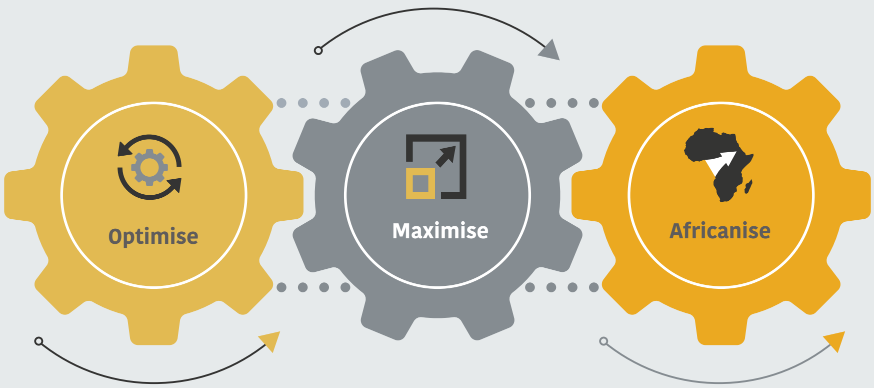
Strategic drivers

- Management
- Property Metrics
- Sustainable distribution growth over time in distribution and NAV

Cashflow
Location
Quality of assets
Tenant relations
Long term asset attractiveness

Strategic intent

The new 'Go to Africa' strategy seeks to optimise and diversify the LLR portfolio, drive balance sheet growth, enhance shareholder value and sustain investor returns. We will leverage solid partnerships and networks, optimise our assets, expand the Botswana portfolio, and grow into Africa to create a diversified portfolio of P3 billion and exceed the market-weighted average total return year on year until 2027.



Existing LLR assets will be streamlined through:
- effective asset management
- leveraging relationships with existing tenants

The market opportunity within Botswana will be seized by:
- expanding through acquisitions
- leveraging our valuable relationship with key stakeholders

LLR will engage a strategy for growth into Africa that is guided by:
- our investment policy
- clear criteria for market entry
- an effective end- to-end investment analysis process
- credible expert advice
- market intelligence
- leveraging in-country experience and networks on the continent

Strategic pillars

Our strategic pillars represent the priorities that support and encourage our strategic intent. These areas will drive successful growth and entry into the African market and serve as the enablers of our strategy.

Streamlined and expanded Botswana portfolio

Our Botswana property portfolio has grown through the acquisition of assets based on the Company's investment policy. Some of these assets are old or inappropriately located to facilitate efficiency and management excellence. These properties could be candidates for disposal.

Upon renewal of some of the leases and with a deep understanding of the client's business and operations developed over time, LLR will enter into discussions to retain each tenant by right-sizing the property at a competitive and affordable rental amount. Value accretive projects such as developing solar solutions and selling back to tenants can further enhance their incentive to stay at higher rentals.

Subject to the longevity of the asset, LLR may also explore the option to exit the property at a premium by selling on a sectional title to sitting tenants. LLR will leverage strategic partnerships, trusted relationships with clients and understanding of their business models to discuss becoming the preferred property partner in their value chain for market growth and or logistics, among others.

Optimised balance sheet

LLR aims to optimise its balance sheet to unlock value and deliver on our strategic intent. The Company seeks to "sweat the assets" to derive the maximum value from them and form multi-bank relationships.

Quality African assets

LLR seeks to expand its investment footprint into the rest of Africa by acquiring value accretive assets. A bottom-up investment approach will be pursued to identify investment opportunities.

Strong partnerships and networks

A critical aspect of the LLR's competitive advantage is leveraging the robust and influential shareholders and investors to support our envisaged business growth. The Company will develop and leverage relationships with BDC and significant institutional investors (e.g. pension funds) to access local opportunities and innovative ventures in the market. An opportunity exists to leverage Grit's deep experience to access trusted regional networks and conduct arm's length transactions on the African continent. These partnerships and collaborations will follow the proper channels as per good corporate governance and will be subject to Board approval.

Operational excellence

Good corporate governance and optimised business processes will assist in ensuring the delivery of our strategic intent to drive operational excellence. Additionally, LLR seeks to improve customer experience and strategically position technology for effective and efficient delivery.

Talented and competent people

LLR places people at the core of the effective execution of strategy. Therefore, resources will be channelled towards developing a solid team that will drive the growth strategy of LLR and build a performance-driven culture. In addition, it includes the institution of a robust performance management system, needs-based training and development of staff, as well as standardising the implementation of approved remuneration and incentive structures. An HR specialist will be engaged to continuously review and align key policies in line with driving the desired culture – anchored on the corporate values.

The material matters that inform our strategy

Materiality process

How we determine our material matters

A critical success factor is our ability to identify, assess and respond to risks and opportunities proactively and systematically. In monitoring LLR's risk and opportunity landscape, we take an expansive view of the local and global operating environment and closely engage with our stakeholders to understand their perspectives while analysing specific emerging risks and opportunities within the LLR enterprise perspective.

We consider a matter material to LLR when it has, or could have, a notable influence on our financial performance, our reputation, our licence to operate or our overall sustainability.

We follow a three-step process to determine which matters materially impact our ability to create value:

1. Identify and assess

Material matters were determined in an integrated approach through:

Understanding the consequences and implications of factors materialising from our **external environment**

Read more on page 41 to 43

Analysing the quality of our relationships and legitimate **stakeholder needs**

Read more on page 44 to 45

Considering the **risks and opportunities** associated with our business model.

Read more on page 46 to 49

2. Prioritise

Using our vision and values as a lens, we seek to identify the most relevant issues that could impact our value creation process. Our assessment considers the likelihood, volatility and ultimate impacts of how these could affect LLR's ability to achieve our strategic objectives in creating and sustaining value.

3. Respond and monitor

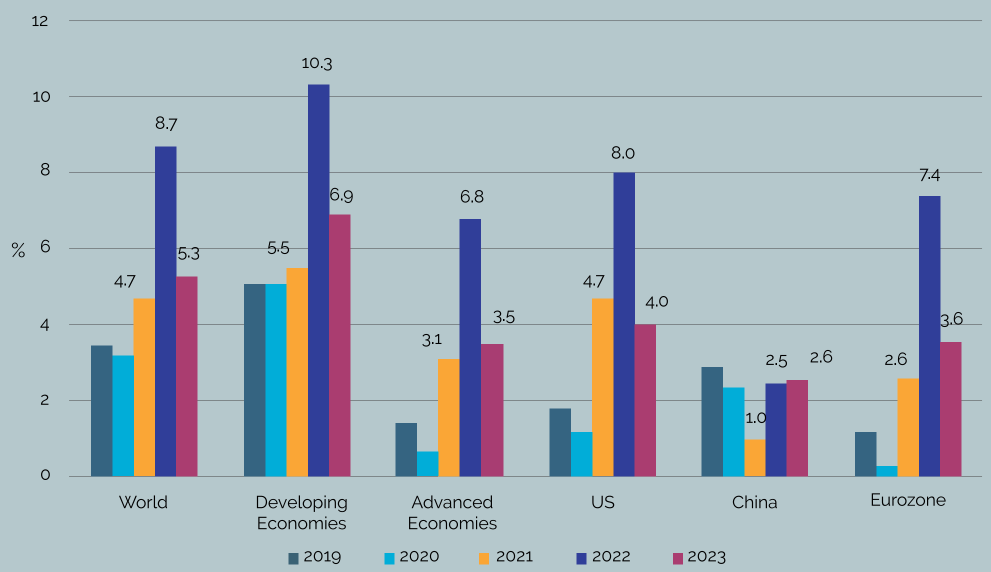
We decide on specific actions to respond appropriately to each material matter. Our Executive Committee, Board, and Board sub-committees monitor the consequences of our responses in accordance with their terms of reference.

External environment analysis

Global economic overview

Economic damage from the conflict in Ukraine has led to a slowdown in global growth in 2022, against a backdrop of steeply rising inflation. Fuel and food prices have increased rapidly, hitting vulnerable populations in low-income countries hardest. Global growth is estimated to decrease from 6.1% (in 2021) to 3.6% in 2022 and 2.8% in 2023. War-induced price pressures have led to inflation of 8.7% in advanced economies and 10.3% in emerging and developing economies.

Global inflation baseline forecast, 2019-2023



Source: Euromonitor international macro model (updated 15 August 2022)
Note: Data from 2022 onwards are forecasts

The emergence of new Covid-19 variants, supply chain disruptions, energy price volatility, and regional wage pressures mean uncertainty around inflation and central banks response. As developed economies enter periods of interest rate hikes, emerging and developing economies face risk to their financial stability due to capital flows, currency fluctuations and weakened fiscal positions, particularly with the significant rise in debt levels over the past two years. In the existing political and economic landscape, the volatility of the foreign currency exchange markets is likely to continue. The eurozone and UK are now expected to enter recession later this year and the US is expected to suffer a mild recession in mid-2023.

The global pandemic and the war between Russia and Ukraine have also brought the threat of cyber-attacks on individuals, businesses, and nations into sharp focus. Governments, societies and companies increasingly rely on technology and converging technological platforms are creating a more complex cyber threat landscape. As geopolitical tensions remain high, ongoing climate change keeps the probability of natural disasters high. So far, 2022 is the sixth hottest year on record and has seen wildfires rage in Europe, mega droughts in Africa and South America, and more recently the devastating floods in Pakistan. The events of this year have given us a glimpse of the havoc climate change can reap if unchecked.

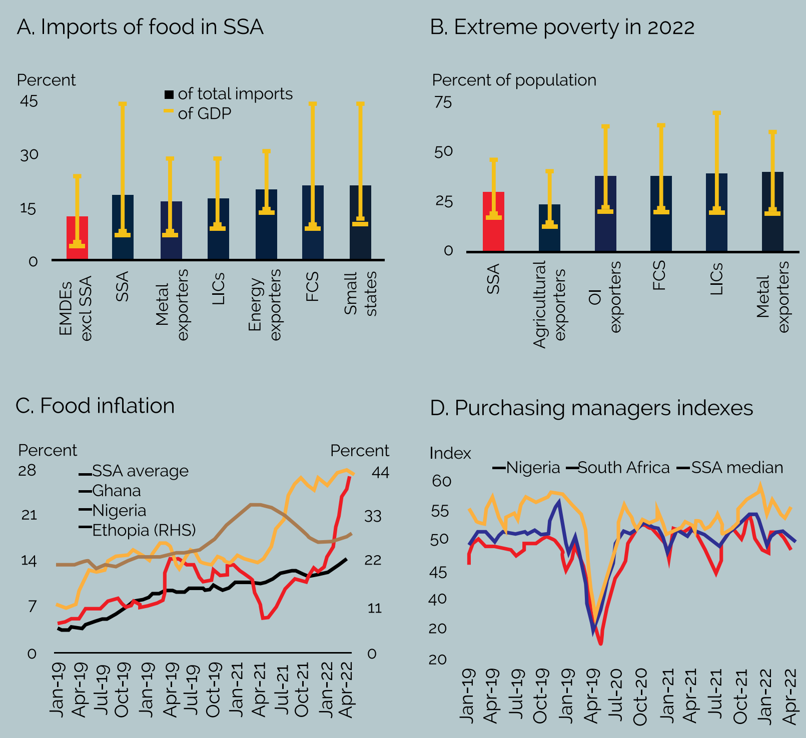
Regional economic overview

In its latest review of economic conditions, the World Bank projects sub-Saharan African economies will experience a decline in growth from 4.1% in 2021 to 3.3% in 2022 due to rising inflation, adverse weather conditions and a tightening in global financial conditions. Slow economic growth, food insecurity and high debt levels are some of the main challenges Africa must contend with. These conditions are putting a hold on poverty and inequality reduction which has already been undermined and reversed in some ways during the Covid-19 period. The strengthening of the US dollar is also making debt servicing costlier and raising import bills for countries - piling more pressure on domestic inflation. Africa's investment case remains a compelling proposition. The continent is home to some of the fastest growing economies in the world, as well as a young population that is moving up the social strata. The continent is also starting to experience mass urbanisation as identifiable middle classes emerge in economies that have grown consistently. Returns on investments in Africa have been among some of the highest in the world.

Despite the immense potential and promise for economic growth and progress, rating agencies and multilateral institutions have downgraded Africa's projected economic growth rate. The World Bank is projecting downgrades of at least 60 regional economies. Sub-Saharan Africa is expected to have income per capita growth of a marginal 1%. This slowdown in economic and income growth has been attributed to price pressures from the ongoing Russian and Ukrainian conflict, which has adversely affected the food and energy affordability and eroded incomes.

Despite the vulnerability of countries in Sub-Saharan Africa, the impact of the geopolitical tensions in Europe has been somewhat limited compared to European countries. The only respite for Sub-Saharan countries from these economic headwinds is the benefit from elevated commodity prices, which has led to increased exports for countries that produce these. Projections indicate that countries with significant resources of oil, gas and metals will benefit from the anticipated commodity price boom. However, growth is expected to be dampened by structural issues and delays in policy implementation in the largest economies, namely South Africa, Nigeria and Angola. Smaller countries, like Mauritius, Zambia and Tanzania, will likely see the benefits of ongoing business-friendly reforms and projected export growth.

Although all countries are vulnerable to future Covid waves, African governments are unlikely to introduce severe restrictions. Nonetheless, if other countries seek to impose travel restrictions unilaterally, this could affect the tourism industries of countries with low vaccination rates and create fiscal pressure.



Source: Comtrade (database); Haver Analytics; World Bank

Overview of African property market

Property markets across Africa were boosted by the demand driven by the pandemic. This is evidenced by noticeable growth in demand for high quality office space, larger homes and bigger warehousing space. Markets such as Lagos and Nairobi experienced strong demand for top quality office accommodation and requirements for new office space reflecting pre-pandemic levels. The heightened interest in quality indicates the emergence of a distinct two-tiered market across most cities on the continent.

The increase in e-commerce, infrastructure development, and industrialisation policies across Africa in the wake of the pandemic led to a strong demand for quality warehousing spaces. In the residential sector, there is good demand for larger homes, with amenities that include accessible green spaces and reliable high-speed internet connectivity as homeowners look for larger homes that can accommodate remote working.

Other developments on the continent that will have a bearing on how the regional property market develops include the move towards integration of African economies (AfTCA).

The outlook for FY 2023 remains positive although challenges imposed by the geo-political tensions being stoked by the Russia-Ukraine conflict, and the varying approaches to recurring Covid-19 variants mean that the economic outlook will remain mixed. This could deter tenants and potentially compromise the recovery momentum of 2021. Market analysts (Knight Frank) anticipate increased occupier/tenant activity throughout 2022.

Environmental and social sustainability issues remain at the forefront of investors' minds and are viewed as a major consideration in securing a future for the funds' performance across the African market.

Competitor analysis

LLR operates in the BSE listed property sector with five other counters that appeal to investors seeking exposure to large property portfolios. The sector comprises variable rate loan stock companies emphasising income distribution (dividends and interest) to shareholders.

The market attributes that LLR can use to affirm its position in the market against competitor strengths and weaknesses include our key stakeholder relationships, strong business networks and partnerships, good corporate governance and diversified portfolio.

Regulatory environment

There have been no legislative changes in FY 2022 that have a significant impact on LLR's strategy, operations or performance. Legislative updates which we are monitoring and / or complying include:

- the Companies Amendment Act
- Moveable Property (Securities interest) Act
- Tribal Land Act
- financial intelligence (Implementation of United Nations Security Council Resolutions Regulations 2022)

The Data Protection Act came into effect in October 2021. However, organisations are given time till September 2023 to ensure compliance to the requirements.

Stakeholder analysis

LLR's stakeholders directly impact our ability to create value. Our growth and profitability are underpinned by the management of our relationships with investors, tenants, employees, partners, suppliers and the broader communities in which we operate.

Our material stakeholders significantly influence our business and are impacted by our presence. We engage with them regularly, and our strategies and business planning are strongly influenced by understanding our stakeholders' concerns and expectations. By establishing good lines of communication with our various stakeholders and maintaining constructive relationships, we are better equipped to proactively identify opportunities and risks and address these timeously.

Stakeholder group	Their needs and expectations	Our response	How we engage
Investors, funders and asset managers			
We engage with our Investors and funders to: • Build their confidence in LLR • Ensure access to funding • Foster open dialogue to understand and address their concerns. Our investors and lenders provide the capital and financial support that enables LLR to invest in our operations and assets, thereby delivering superior value to stakeholders in the longer term.	• Sustainable financial returns • attractive and sustainable growth strategy • Strong balance sheet and profitability • Strong risk management • transparent reporting and disclosure • Sound governance • Long-term stability	• Sound business strategies aimed at delivering growth and value • Maintaining pleasing financial performance • Transparent communication of opportunities, risks, and performance • Strong corporate governance structures	• Financial results and releases • Investor and funder updates • Engagement events • Annual reports • Website updates • Formal report back at the shareholders Annual General Meeting (AGM)
Employees			
Our people are integral to LLR. Through them, we can deliver value to our tenants, shareholders and stakeholders and build the growth and success of our business. Our people's confidence in our strategy and their collaboration in performance and delivery is a crucial element of long-term success.	• Fair remuneration, effective performance management, and recognition • Training, skills development and talent management • Career development and advancement opportunities • Clear communication • A safe and healthy work environment	• Learning and development opportunities for improved employee competency and effectiveness • Flexible working arrangements for the "new normal" • Career path and succession programs • A safe and secure working environment	• Email updates • Trainings • Policies • Employee social events • Annual team building events • Employee performance reviews
Tenants			
LLR aims to be the first choice for tenants. Our ability to deliver on our vision and strategic objectives depend on our continued ability to provide properties that meet tenant needs and expectations. We strive to understand our tenants so that we engage with them in a relevant way and offer facilities that are right for them.	• Ethical and fair treatment convenient and appropriate rental properties • Friendly and efficient service • Transparency • Data and personal information security	• Appropriate, accessible and well-maintained rental properties • Add and retain high-value tenants • Excellent customer service • Reduced tenant complaints	• Marketing campaigns • Customer polls and surveys • One-on-one interactions • Website • Social media

Stakeholder group	Their needs and expectations	Our response	How we engage
Regulators, government and authorities			
Regulators provide the framework for a robust and productive property and asset management sector and offer opportunities to work together to safeguard the interests of all participants within a property ecosystem. Engagement with government and regulatory authorities/bodies builds confidence and trust enhancing brand reputation and the ease of business.	• Compliance with all legal and regulatory requirements. • Responsible business practices and contributions to society • Risk and cybercrime management	• Compliance with all legal and regulatory requirements • Regular, timely, and accurate reporting with the required level of detail • Attending meetings, arranging for on-site visits, and maintaining communication with regulators • Being a responsible taxpayer	• Shareholder and stock exchange notices • Investor and funder updates • Website updates • Audits
Suppliers, property brokers and other business partners			
Effective strategic commercial partnerships facilitate LLR's ability to deliver innovative tenant value propositions and superb customer experience. Business partner engagements are vital to developing lasting relationships with vendors and service providers through mutual trust, ensuring beneficial outcomes for both parties	• Mutual benefits and profitability • Clear agreement on terms and adherence to agreements • Ethical principles and business practices	• Selecting partners that are aligned to our key values and objectives • Primarily engaging local suppliers for procurement • Clear and transparent agreements • Terms of payments schedules	• Scope of work agreements • Audits
Communities			
We believe that thriving communities enable businesses to succeed. We engage to understand societal needs to further align our business to meet these needs	• Social investment • Community upliftment	• Community support and investments • Internships	• Corporate social investment • Volunteering • Donations

Risks and opportunities analysis

Our top risks

Risk	Description	Mitigation strategies	Associated stakeholders	Links to strategic pillars
Unfavourable market conditions	Factors such as high inflation and rising interest rates have an adverse impact on returns and the cost of funding.	• Negotiate a fixed and floating rate debt funding structure • Raise capital from equity holder and other alternative sources • Negotiate longer debt tenure • Implement prudent cost management measures	• Investors, funders and asset managers • Tenants • suppliers and business partner	• Optimised balance sheet • Operational excellence • Talented and competent people
Challenges in raising capital	Lack of a clear financing strategy to support future growth towards an ideal capital structure. Limited headroom for further debt funding.	• Maintain good relationship with financial institutions, private equity firms and shareholders and asset managers • Consider methods of funding such as capital recycling, asset for share acquisitions	• Investors, funders and asset managers	• Streamline and expand Botswana portfolio • Optimised balance sheet • Quality African assets
Lack of local opportunities	Lack of quality assets of appropriate investment worth in Botswana. Valuations of targeted properties are excessive.	• Expand into Africa • Maintain close relations with developers and property owners • Leverage off BDC who have good pipeline locally and Leverage off Grit who have a good Pan-African pipeline • Keep eyes and ears on the ground and be a first mover	• Investors, funders and asset managers • Tenants • Developers	• Streamline and expand Botswana portfolio • Quality African assets • Strong partnerships and networks • Talented and competent people
Expanding into Africa	African Countries are unfamiliar to LLR, and property trends may be misunderstood. Socio-political instability is an additional risk in certain countries across the continent, while cross border transactions carry a risk of foreign exchange rate fluctuations.	• Strategic in-country partners who are experienced and trustworthy • Co-invested with significant shareholders • Strict investment criteria that take pollical stability and our ability to repatriate funds into account	• Investors, funders and asset managers • Regulators, government and authorities • Suppliers and business partners • Communities.	• Quality African assets • Strong partnerships and networks

Risk	Description	Mitigation strategies	Associated stakeholders	Links to strategic pillars
Employee value proposition	Loss of and demotivated staff members affecting operations due to lack of process that focus on building a competent, motivated team.	• Institute a rigorous change management programme • Staff engagement • Institute clear employee value proposition • Reinforce employee engagement • Formulate a clear succession plan	• Employees	• Operational excellence • Talented and competent people
Property performance	Failure to attract good tenants leads to revenue leakages through rental payment defaults. Inability to retain tenants due to failure to meet tenant expectations regarding the maintenance of properties.	• Maintain good tenant relationships • Negotiate favourable lease terms • Maintain low vacancy rates • Implement robust credit vetting process • Implement robust collection methods	• Tenants • Suppliers and business partners	• Strong partnerships and networks • Operational excellence • Talented and competent people
Cyber security	Increased risk of hacking, phishing and general cyber-attacks, which could lead to loss of personal data, financial or reputational damage.	• Development and implementation of robust IT risk governance framework	• Employees • Tenants • Regulators, government and authorities • Suppliers and business partners	• Strong partnerships and networks • Operational excellence
Legislation changes	Ongoing changes in legislation which impact transfer duties, income tax and data protection measures.	• Keeping abreast with changes in the legislation • Engaging external experts to assist in the assessment and implementation of revised legislation.	• Regulators, government and authorities	• Operational excellence

Our opportunities

African market opportunity

An appreciation of developments in the African property market and the growth of the sector presents a compelling reason for market entry. Significant advances include the following:

- According to Africa Logistics & Industrial Review H2 2021, industrial assets across Africa are commanding attractive yields of approximately 12% on average compared to 9% for both retail and offices, and 6% for residential
- The logistics/industrial sector indicates rising demand for quality warehousing space as trends such as e-commerce accelerated during the pandemic
- There are significant investments in emerging sectors of student and affordable housing, logistics and data centres (an alternative and developing asset class on the continent).

Other notable market developments include increased mergers and acquisitions to rebalance portfolios on the continent by listed property companies.

Botswana market opportunity

LLR has a unique opportunity to position itself for leadership of the property market space in Botswana and present a differentiated proposition to investors, tenants and other key stakeholders.

Residential	Office	Retail	Industrial
Prime residential properties on rental and value have stagnated for the past five years due to subdued demand. Relatively low rental and capital appreciation yields have led to the exit of local institutions from more significant residential complex investments. However, with the growing middle class, the lower to middle end of the spectrum still enjoys a reasonably healthy demand for both rental and sales.	The office segment in Gaborone continues to experience a flatline in rentals due to significant stock added to the market by speculative developers, mainly in the new Central Business District (CBD) over the past seven years. This influx of space into the market continues to trigger market reversions upon lease renewals for both the primary and secondary markets. This has had a drastic impact on the secondary stock. Prime rentals continue to stagnate in the P105/m² mark, with yields hovering in the 7.5% region. The next tier in this segment continues to exhibit rentals ranging between P65/m² – P75/m².	The retail market is one of the sectors which the Covid-19 pandemic has negatively impacted, and over the past 24 months, most retailers shelved their expansion strategies. However, most recently, activity is beginning to pick up. The current ongoing significant developments across the country include the Fields Mall in Gaborone, Teemane Mall in Letlhakane, Delta Palms Mall in Maun and the Mall of Maun. Botswana Railways has recently partnered with Time projects to deliver a P100 million shopping centre development in Francistown. From a rental perspective, the major retail centres have experienced downward reversion at renewals, mainly led by anchor tenants. The sector continues to exhibit rentals, with the anchors still ranging between P85/m² - P95/m² and prime yields hovering around 7.5% - 8.5%.	The industrial sector continues to be resilient during the current challenging economic environment. Inquiries and demand for warehouse space have increased in the past six months, and the sector has not experienced a significant negative impact on rental values. The Industrial prime rentals continue to hold between P30/m² - P55/m² in Gaborone, achieving prime yields of around 8.5% to 9%. The vacancy rates in the sector have held steady within the range of 1% – 3%.

Balancing risks and opportunities

The below highlights the margins of safety that LLR will adopt when exploring opportunities within the Africa:

Margins of safety

01 Hard currency	02 Reputation of funds	03 Political risk & macro economics	04 Land tenure	05 Ability to reuse debt	06 Counterparty

Currency risk	Tenancy risk	Reputation risk	Counter risk	Operational risk	Overexposure risk	Political risk
Prioritisation of assets with USD or USD/Euro denomination issues	Prioritisation of long-term leases with blue chip multinational tenants	Robust relations with the central bank hedging & monitoring policies	Target stable jurisdictions that satisfy our key investment criteria	Reputable experienced partners and in-country property managers	Defined diversification strategy in place	Comprehensive Political Risk Insurance (PRI) cover in place

Our most material matters

In determining LLR's material matters for FY 2022, we assessed the risks and opportunities emerging from our operating environment. We reflected on the meaningful interests of our stakeholders within the framework of the Company's strategic objectives and value-creation model.

Following this, we determined that the following critical material matters are most likely to impact our ability both to execute our strategy and to preserve and create value in the short, medium and long term:

Material matter	Why this is important	How we are responding
Business growth	To achieve our strategic goals, we intend to grow the Company at an accelerated rate.	Our 'Go to Africa' strategy will be executed in a diligent manner and is guided by a clear investment strategy, processes and an experienced team. LLR should leverage the influence of key stakeholders to support future growth locally and on the continent while sustaining shareholder returns.
Capital structure	Our capital structure should be revised to minimise the cost of capital and preserve wealth for our stakeholders.	To support business growth, the Company will focus on optimising our balance sheet, implementing tight cost control measures and "sweating our assets" to derive the maximum value from them. We are carefully balancing our growth aspirations against the cost of capital.
Stakeholder engagement	The feedback our stakeholders provide enables us to mould and enhance our strategy and operations to deliver tangible value.	The Company is proactively and transparently engaging key stakeholders while developing a deliberate and focused stakeholder engagement strategy/plan.
Property management	LLR tenants expect excellent service delivery. We strive to offer well maintained properties that deliver optimal yields.	LLR recognises that some of our older buildings in the LLR portfolio present an opportunity for the Company to respond tactically with a clear plan for improved customer experience. We should identify assets which are candidates for disposal and refurbish or repurpose other well-located properties to facilitate increased efficiencies and management excellence.
People	LLR needs to effectively cascade the strategy and ensure alignment at all levels of the company	LLR will invest in human capital through a focused process that builds a competent team that will drive the envisaged growth of the company.
Key business processes	As part of our drive for optimisation, the Company is reviewing and improving operational processes to enhance efficiency.	Critical LLR business processes, policies and procedures should be mapped/developed, centrally stored, monitored regularly and updated periodically.
Embedding ESG	LLR recognises that sustainability is becoming a key driver of investment decisions globally.	Corporate governance is one of the strongest key indicators of performance for a listed company and the Company will continually strengthen our ESG practices.


Bidvest
STEINER

Value creation outcomes

Resource	Inputs	Activities
Financial capital: The pool of funds supporting business operations. We use our funds for running costs, property refurbishments, maintenance and strategic acquisitions	• Operating cash flow • Debt funding • Equity funding	**OUR BUSINESS SEGMENTS** • Industrial • Retail • Office • Residential
Manufactured capital: The facilities and general infrastructure that enables LLR to conduct business operations. (tangible assets).	• Head office Debt funding • Yield enhancing property assets of 201 045m² GLA • Furnishings, decor, equipment	**BUSINESS ACTIVITIES** • Property investment • Facilities management • Lease management • Tenant relationship management • Financial management • Staff training
Intellectual capital The intangibles that sustain the quality of our property and service offering, which provide LLR's competitive advantage, such as our innovations, systems and reputation.	• Strong brand reputation • Industry knowledge and experience • Operating systems • Policies and procedures	**STRATEGIC FOCUS AREAS** **Financial** • Grow net asset Value • Optimise balance sheet • Grow distribution yield
Human capital Competencies, capabilities and experience of our employees and how they innovate, collaborate and align with LLR's objectives.	• 15 employees • Property and asset managers • Training and development	**Customer** • Optimise and expand Botswana portfolio • Engage key stakeholders • Diversify into Africa
Social and relationship capital The relationships and collaborations we create with our stakeholders	• Proactive relationships with • Investors, funders and asset managers • Employees • Tenants • Regulators, government and authorities • Suppliers and business partners • Communities	**Internal** • Institute governance and risk framework • Improve business processes
Natural capital Renewable and non-renewable resources used by LLR to function	• Electricity • Water • Land	**People** • Build a talented and competent team

Outputs	Outcomes	Resource value	Link To SDG'S
• Revenue: P108.2 million (FY 2021: P102.9 million • Operating profit: P72.7 million (FY 2021: P65.5 million) • Dividends distributed: P51 million (FY 2021: P48.3 million) • Operational expenditure P35.9 million (FY 2021: 38.2 million • Finance costs P21.3 million (FY 2021: P15.2 million • Taxes paid P8.6 million (FY 2021: P9.8 million)	• Improved cash flows from operations optimum debt levels • Positive return on capital employed • Investment returns • Significant tax contribution • Economic benefits to communities, vendors and suppliers *Refer to the CFO's report on page 34*	Increased	
• Group occupancy rate 99% average (FY 2021: 96%) • Refurbishments to the value of P19.6 million (FY 2021: P1.5 million) • Acquired stake in JJTM (Rail Park)	• High quality properties • Investment to expand operations and geographic footprint • Refurbishments and upgrades to improve tenant experiences • Efficient, well-maintained property and equipment *Refer to the CFO's report on page 56*	Increased	9 INDUSTRY,INNOVATION AND INFRASTRUCTURE
• Business intelligence and innovation • Operating efficiencies • Quality rental value offerings • Health and safety	• Improved tenant relationships • Ability to create competitive offerings in response to changing industry demands • Leveraging our property technology systems to drive efficiencies. *Refer to the Chairman's review on page 18 and the CEO's review on page 34*	Preserved	11 SUSTAINABLE CITIES AND COMMUNITIES
• Excellent service • Effective sales and marketing	• Qualified and experienced workforce • Employees are engaged and developed in line with a high-performance environment • Low staff turnover *Refer to the Human Resources review on page 67*	Preserved	8 DECENT WORK AND ECONOMIC GROWTH
• A strong and loyal shareholder base • Socio-economic development • Engaging local suppliers for procurement • CSI spend P0.3 million (FY 2021: P0.1million)	• Strong brands and solid reputation • The trust and respect of our stakeholders • Customer value and satisfaction • Brand loyalty • Creating opportunities for local enterprise development • Delivery of long–term value for communities • Social license to trade *Refer to the Chairman's review on page 18 and the CEO's review on page 34*	Increased	4 QUALITY EDUCATION
• Energy consumption and carbon emissions • Waste from various facilities • Reduced energy consumption through efficient lighting	• Enhanced levels of environmental awareness across Group • Reduction in scarce resources (e.g. water) used • Management of activities result in carbon emissions *Refer to the Environmental review on page 66*	Preserved	7 AFFORDABLE AND CLEAN ENERGY


Mr. Veg

05. Performance review

Performance review

Chief Financial Officer's review

"The outstanding performance for the year ended 30 June 2022 is a true reflection of the quality of LLR's investment portfolio, which is underpinned by a robust investment process. Our fundamental performance metrics reflect that we are a strong business that can preserve and create value for its stakeholders".

LLR posted a solid set of financial results for the year ended 30 June 2022. This was on the back of the impressive performance of our investment portfolio, where our rental income increased by approximately 7%, in line with average lease escalations. Strong relationships with our tenants, driven by our values of agility and excellence, have resulted in an ability to retain our tenants as well as attract new ones in an economy that is recovering from the devastating impact of Covid-19. As a result of this strategic approach, our vacancy levels remained below the 1% mark.

As trading conditions began to improve following the complete lifting of Covid-19 regulations, we saw an uplift in collections. Our portfolio collection rate, which was just below 100%, increased to slightly over 100%. Part of the improvement was owing to the recovery of arrears from FY 2021 on top of FY2022 rental payments. As a result of this, LLR's credit loss allowance dropped from P3 million to P2 million. We have strengthened our collections strategies, and this has borne fruit as evidenced by increased cash collections.

Cost management is a key priority in our business, and we ensure that we get value for money for each expenditure item. We view investing in our employees as critical enablers of success. Likewise, we will continue to build operational resilience by improving resource efficiency in water, energy and waste. Harnessing technology to enhance decision making and unlock efficiencies will accelerate our growth trajectory.

During the period under review, our cost base recorded a decline on the back of once-off costs that we incurred in the previous year. As a result, our cost-to-income ratio dropped from 37% to 33%.

Performance highlights

Profit Before Tax (PBT):
P109 million,
2021 ▸ **P63** million

Profit After Tax (PAT:)
P99 million
2021 ▸ **P55** million

Cost-to-income ratio:
33%
2021 ▸ **37%**

Vacancies:
0.94%
2021 ▸ 3.59%

Investment portfolio
P1.2 billion,
2021 ▸ **P1.0** billion

Earnings Per Linked Unit (EPLU)
39.34 thebe
2021 ▸ **23.38** thebe

Dividend Per Linked Unit (DPLU)
18.41 thebe

Key to our growth is the investment in JTTM Proprietary Limited, which owns Rail Park Mall, through the acquisition of a 32.8% stake. This acquisition drove the growth of our investment portfolio from P1.0 billion to P1.2 billion, an increase of 20%, and resulted in the substantial growth of associate investment profits. The recovery in trading and market conditions also led to strong fair value gains as the previous year's gains were adversely impacted by depressed market conditions associated with Covid-19. The Company recorded a Profit After Tax of P99 million (2021: P55 million), an increase of 80% on prior year. Earnings per linked unit (EPLU) increased by 15.96 thebe to 39.34 thebe.

The Company's share price rallied very well during the period under review, closing the year at P3.00 per linked unit. LLR paid a distribution of P51 million for the period under review, which translated to a dividend per linked unit (DPLU) of 18.41 thebe.

Looking ahead, we are excited by the Company's recent acquisition of an industrial property in Kenya which is expected to improve the fundamentals of the portfolio as the property is leased to a well-established tenant on a triple-net lease and will generate dollar income. As part of the implementation plan for our 'Go to Africa' strategy, we have embarked on a balance sheet optimization exercise to determine the funding options that we can adopt to further acquire yield-accretive assets that will optimise and grow our balance sheet.

Pulafela Isaacs
Chief Financial Officer

Our Properties

Block 3 industrial | Plot 74204 | Area 40 300m²

Gaborone extension 11 | Plot 2989 | Area 4 877m²

Block 3 industrial | Plot 74204 | GLA 40 300m²

Block 3 industrial | Plot 69368 | Area 8 300m^2

Block 3 industrial | Plot 64260 | Area 8 300m^2

Gaborone west industrial | Plot 22038 | Area 8 000m^2

Gaborone west industrial | Plot 22033 | Area 3 800m^2

Watershed mall | Plot 29052 | GLA 11 200m^2

Gaborone west industrial | Plot 14460 | Area 1 800m^2

Gaborone west industrial | Plot 14453 | Area 1 200m^2

Block 3 industrial | Plot 69369 | Area 4 000m^2

Rail Park mall | Plot 7416 | Area 32 500m²

Gaborone west industrial| Plot 32084 | Area 22 000m²

Phakalane | Plot 54060 | Area 21 600m²

Gaborone west industrial | Plot 14398 | GLA 5 400m^2

Gaborone fairgrounds| Plot 50380 | GLA 21 600m^2

Block 3 industrial | Plot 69365 | Area 8 800m^2

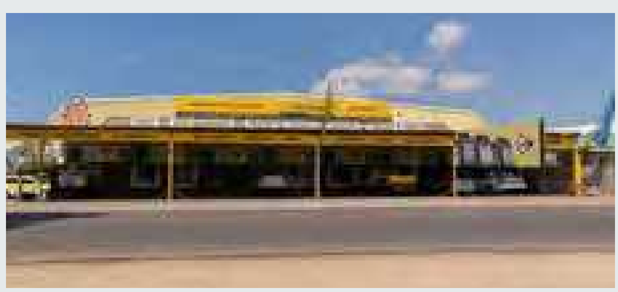
Gaborone bus station | Plot 4738 | GLA 3 900m^2

Gaborone west industrial | Plot 14459 | GLA 2 100m^2

Gaborone bus station | Plot 14454 | GLA 3 900m^2

Gaborone west industrial | Plot 14457 | GLA 40 300m^2

Gaborone west industrial | Plot 14458 | GLA 2 100m^2



Segmental review

Industrial property

Total revenue:
P78.6 million,
FY 2021 ▸ **P73.5** million

Contribution to group revenue
73.0%
FY 2021 ▸ **71.0%**

Value of portfolio:
P716.8 million
FY 2021 ▸ **P677.1** million

Number of properties:
20
FY 2021 ▸ **20**

Total GLA
158 200 m^2
FY 2021 ▸ **158 200** m^2

Weighted average lease expiry
3.2 years
FY 2021 ▸ **3.6** years

Weighted average annual escalation
7.0%
FY 2021 ▸ **7.0%**

Overview

A critical success factor is that LLR is the largest single entity owner of industrial properties in Botswana, holding 20 prime industrial properties valued at P716.8 million. The industrial portfolio has proven to be resilient over the past 12 month being able to experience growth in terms of rental, escalations and low vacancies. The vacancy rate for the sector as at end of June 2022 was insignificant at 0.3% compared to 1% of the prior year.

The industrial sector continues to be resilient, and we are seeing demand for additional space from our existing tenants, especially from agricultural products and animal feeds, as well as the diamond cutting and polishing companies which are setting up in Botswana.

LLR's industrial properties offer an environment which contributes significantly toward employment creation, with our industrial portfolio companies employing over 8 500 people. We recognise that tenants and their employees spend a significant amount of time in their workplace and therefore strive to ensure that their work environment is efficient, comfortable and conducive from a property perspective.

Performance

The industrial sector has outperformed other property sectors and performed strongly against a challenging economic environment. The segment held its value, did not experience any significant downward rental reversions, and the demand for space remains strong.

To ensure that LLR remains the landlord of choice, we have recently undertaken extensive refurbishments across our industrial portfolio, including paintwork, replacement of all sanitary fittings and clear vu fencing. In addition, we developed dry landscaping gardens, which require less water and maintenance. These refurbishments have reaffirmed LLR's position as the industrial property space leader, which has assisted in reducing vacancies and further provided tenants with a value for money proposition.

The industrial sector contributed 87% to PBT in FY 2022 and showed fair value gains of P23.1 million. The vacancies in this sector decreased from 1% to 0.3%.

Strategy and outlook

During FY 2022, the industrial sector was challenged by the slow economic recovery following Covid-19 and the supply chain disruption due to the Russian/Ukraine conflict. In some instances, this leads to tenants failing to meet their rental obligations and subsequent vacancies or evictions. Going into FY 2023, Industrial segment's top risks include inflation, increasing interest rates and default risk. Interest rate hikes will impact our tenant's cash flow, while step inflation may hamper overall economic performance and lead to rental payment defaults.

The most promising opportunity that the Industrial segment will be pursuing in the year ahead is the redevelopment of a property in one of the prime industrial nodes of Gaborone, being Gaborone West Industrial area. This development will bring an additional 2 000m² GLA to the existing portfolio.

Looking ahead: Orbit Africa Logistics

LLR began delivering on our 'Go To Africa' strategy shortly after the FY 2022 financial year end with an initial 30% equity stake in Orbit Africa Logistics - a highly accretive, long-term co-investment in Kenya.

Orbit Africa Logistics owns a 29 243m² logistics and warehouse facility situated in a prime position in Nairobi, Kenya and was acquired on a risk-mitigated sale-and-leaseback basis from Orbit Products Africa Limited in March 2022 for US$53.6 million. The premises is located on Mombasa Road, the principal route south of Nairobi centre, serving the primary industrial node, the port of Mombasa and the industrial town of Athi river. It is strategically located 11 kilometres south of the international airport and 9.6 kilometres from the inland container depot.

Upgrades to the property - as part of phase two of the acquisition - are expected to create long-lasting positive social, economic and environmental benefits for local communities. The property will additionally benefit from significant improvements to modern FMCG industry standards and achieving IFC EDGE building certification upon completion. This certification requires 20% or more energy, water and embodied energy savings in materials compared to conventional building practices.

Orbit has been operating in Kenya for the past 40 years and is one of the oldest and leading manufacturers of personal care and home care products in East Africa, employing over 600 people.

LLR sees the undersupply of quality industrial sector assets across the African continent as a prevailing opportunity in the short to medium term.

Retail property

Overview

LLR owns two retail investments and has co-invested in two further opportunities in prime retail malls. In addition, LLR owns an office property in Gaborone. The total value of retail and commercial space held by LLR amounts to P485 million.

The retail sector is slowly recovering from the challenges associated with the pandemic, with footfall across malls normalising. We have seen an increase in demand for retail space at all our investment properties, namely Rail Park Mall in Gaborone, Watershed Mall in Mahalapye and Blue Jacket Plaza in Francistown as the economy recovers. Vacancies in these malls have decreased over the reporting period.

The retail and commercial sector generated revenues of P32.1 million contributing 13% to the Company's PBT. The portfolio saw fair value gains of P1.9 million.

The vacancies in this sector increased from 1.04% to 2.76%. However, we anticipate the vacancies to reduce to under 1% before end of FY 2023. The market has experienced reversions at lease renewals, notwithstanding the malls have an almost 100% tenant retention.

A highlight for this financial year is the acquisition of a 32.79% stake in Rail Park Mall, Gaborone, at a purchase consideration of P152 million. The acquisition has significantly boosted our portfolio performance and profits. LLR continued to use the Watershed Mall as a base for undertaking social corporate responsibility initiatives.

Performance

Total revenue:
P32.1 million,
FY 2021 ▸ **P28.6** million

Contribution to group profit
13.9%
FY 2021 ▸ **18.8%**

Value of portfolio:
P485.0 million
FY 2021 ▸ **P290.6** million

Number of properties:
4
FY 2021 ▸ **3**

Total GLA
62 500 m²
FY 2021 ▸ **29 900** m²

Weighted average lease expiry
3.5 years
FY 2021 ▸ **4** years

Weighted average annual escalation
6.0%
FY 2021 ▸ **6.0%**

Strategy and outlook

The retail segment is emerging from the economic impacts of Covid-19, easing the pressure on our tenants. We continue to be aware of our tenants' challenges, such as increasing interest and inflation rates, which could once again constrain cashflows and impact their ability to meet timeous rental payments.

We are planning a refurbishment of the Retail Property in Gaborone, scheduled to commence during the current financial period and to be completed in June 2023.

In the year ahead, LLR will continue seeking prospective investment opportunities to increase the retail portfolio. We intend to focus on our established portfolio within Botswana, and further afield in line with our 'Go to Africa' strategy.

06. ESG review

Environmental social governance (ESG) review

As LLR develops its growth strategy, recognising the fundamental importance of how ESG will shape the business of real estate in the future is critical. Given the increasing importance of ESG as a driver of investment attraction, sustainability will become an integral part of strategic management, corporate planning and corporate governance at LLR.

Environmental

We are committed to respecting the natural environment and reducing our consumption of natural resources.

Our approach to sustainable development is to seek a balance between economic growth and the preservation of natural resources so that future generations can benefit from the same. LLR is aware that our properties form part of a built environment that can have an adverse effect on natural resources such as land, air, water or non-renewable energy sources. At the same time, LLR's core business is to support industry, which is the backbone of economic development in Botswana and creates significant employment opportunities.

Climate change has become one of the most pressing issues of our time for both society and businesses. Financiers are more environmentally conscious and unwilling to fund organisations that are not considerate of the natural environment. LLR is therefore committed to respecting the natural environment and reducing our consumption of natural resources.

Performance

Reducing consumption

Our head office uses centralised services that are in line with environmentally sustainable methods. The property uses rated water aerators that reduce the amount of water used per hand wash and harvests grey water for garden use.

We are also leveraging digitisation to reduce paper usage and have introduced systems that enable LLR to go paperless. These systems will reach their full potential once all our stakeholders have adopted digital methodologies.

Across the properties we manage, we continuously seek opportunities to reduce electricity consumption. For example, as part of our ongoing property maintenance and upgrades, we seek opportunities to install the most energy-efficient systems, such as LED lights. This reduces our energy usage as well as running costs over time.

With regards to water savings, we have identified good sources of underground water at some of our properties and are creating water reservoirs for future use at these facilities:

- We are using untreated underground water to water the gardens at our Watershed Mall in Mahalapye. This water is more environmentally friendly than municipal water as it is not treated and does no harm to underground water tables
- Recycled grey wastewater from some of our warehouses is harvested to water the gardens. This is considered recycling as water is used more than once before it is disposed
- A high-water table at one of our properties enabled LLR to harvest water into a pond that is both a landscape feature and a water source for the surrounding gardens.

A water-saving highlight for FY 2022 was implementing 'dry' landscaping at our Gaborone warehouses. The gardens can thrive on natural rainfall throughout the year by using indigenous, drought-resistant plants and locally sourced rocks in our landscaping. This has significantly reduced our water consumption and eased pressure on existing water resources.

Waste and recycling

The tenants' business activities, especially at our industrial and retail properties, result in significant waste generation volumes. LLR takes an active interest in how this waste is monitored and managed.

Before our tenants can occupy any of our properties, they must produce an environmental impact assessment that includes a waste management proposition, trading licences are only issued once a satisfactory documentation is provided and submitted to the relevant local government department. This process ensures that all our occupants are compliant concerning national environmental standards, as trading licences must be renewed annually.

LLR is currently in discussions with waste management service providers that will segregate the refuse at our properties and transport it to various facilities to process, reuse or recycle the waste further. There is a limited recycling industry in Botswana, so most of this refuse is bailed and sent back to South Africa where they process it into recycled useful components. Waste segregation is being initiated at the site of origin to encourage our tenants and service providers to be environmentally aware. These initiatives include dedicated collection points for paper, cans and plastic.

The Company has received no significant fines for non-compliance with environmental laws and regulations this year.

Looking ahead

Recycling, reducing and reusing natural resources are low-hanging fruits that LLR intends to drive during FY 2023. We have set a target to reduce common area water and electricity consumption by 30%. The group is also planning installing roof-top solar energy systems on warehouses and malls, with project planning expected to be completed during FY 2023.

Notwithstanding the above, the following initiatives will be undertaken during FY 2023:

- Monitoring electricity consumption of all industrial and commercial properties with the view to installing solar power
- Installing motion detectors in all properties to control on/off switching to reduce power consumption

- Installing water-saving toilet block technology in all our industrial/commercial properties controls
- Introducing solar-powered lights in common areas.

In the long term, LLR envisages converting all our warehouses to green-rated buildings and realising our ambition of becoming a net zero organisation. We will begin this journey by conducting a comprehensive audit of our existing portfolio to establish compliance as far as going green is concerned and the costs related to ensuring compliance. This audit will subsequently inform a five-year transformation budget.

Societal

Human resources

Overview

LLR's workforce comprises a small, passionate, and multifunctional team of 14 people. Our employees are all Batswana nationals between the ages of 26 to 47 years of age.

Role	Male	Female	Total
Property	3	3	6
Finance and admin	2	3	5
Legal and compliance	-	2	2
Executive	-	1	1
Total	**5**	**9**	**14**

Employee engagement

LLR employees are custodians of the Company's strengths and weaknesses. Our people often understand factors that could enable success and have first-hand knowledge of the steps necessary to improve corporate performance. Employee feedback is an opportunity to ensure alignment with the LLR's vision and strategic objectives.

Dimension	Motivation
Vision	To establish an understanding of LLR strategy and the use of standardised strategy management processes.
Culture	To determine shared beliefs and values that shape LLR employee behaviour.
Processes	To identify the level to which processes have been mapped, centrally stored and monitored.
Structure	To determine how the company activities are divided, organised and coordinated across functions.
People	To determine the status of HR and talent management within the Company.
Information	To discuss issues related to the flow of information, speed of decision making and use of technology.

During FY 2022, LLR utilised employee surveys and focus group sessions on gaining insights from our teams across six areas: vision, culture, processes, structure, people and information.

Vision and culture

Employee feedback in FY 2022 showed that our people have a positive work culture and support of the 'Go to Africa' strategy. However, LLR needs to effectively communicate and cascade the strategy and ensure alignment at all levels of the Company. This will help employees to develop and align individual objectives. An opportunity exists to include employees in the strategic management process to ensure ownership and understanding at all levels.

Processes and structure

Feedback related to employees' perception of LLR's processes and organisational structure revealed that processes are well understood and that there is role clarity about respective functions. Employees noted that several key operational processes are not mapped, which relies on personal experience when performing critical tasks. The company is therefore in the process of reviewing and improving processes to enhance efficiency.

In ensuring the effective execution of the LLR strategy, departments such as IT, Internal Audit, Human Resources and Treasury will be reviewed and adequately resourced. An opportunity exists to develop a succession and career progression plan as part of the LLR talent management framework.

People management practices, information and technology

Our employees noted that while management provides adequate employee support and guidance, there is a need to improve the levels of communication between staff and executive management. This will create a positive working environment promoting mentoring and coaching. Employee feedback also showed a need to institute a robust Performance Management System (PMS) and provide appropriate interventions to manage underperformance, recognition of staff performance and career management.

Regarding technology and communication, our employees are satisfied with LLR's ICT platforms and functionality and the availability of supporting technologies to store, analyse, communicate and disseminate critical information.

Looking ahead

We will continue to conduct employee surveys to measure engagement and satisfaction and identify areas where we need to improve LLR's value proposition for staff. Training and development remain a key focus area for staff across the business, with the Company assisting staff financially to further their studies and gain relevant accreditations.

LLR's Board and management teams spent considerable time during FY 2022 reviewing the Company's HR policies and practices to ensure that these align with best practices. During the year ahead, the focus will be on finalising and securing

Board approval for the Company:
- Remuneration Policy
- Performance Management Policy
- Short Term Incentive Policy
- Long Term Incentive Policy

The Company has also introducing the balanced scorecard framework at the corporate, departmental and individual levels.

To further advance the 'Go to Africa' strategy and augment LLR's investment skills, the Company will appoint a chief investment officer with relevant investment experience in FY 2023.

Social and relationship resources

Corporate Social Investment (CSI)

LLR's CSI approach gives specific priority to projects within the sphere of children's wellbeing and education. While the provision of education is a vocation mainly charged to Government, we at LLR understand the limitations of government resources and the importance of the private sector's contribution toward developing well-educated and confident Batswana youth.

Our imminent cognisance to invest in the future through capacitating the young leaders to become the country's human resources.

LLR's CSI projects are funded using an annual CSI budget, and management ensures that the total allocation is spent each year. All funding requests are assessed against our CSI goals and their potential for sustainable impact. In addition, our community projects are aligned with LLR's strategic governmental partnerships within the communities LLR operates.

Case study: assisting under privileged children in Otse Village

Despite Covid-19 related challenges, in August 2021, LLR, in partnership with the Mahalapye Sub-District Council, donated utensils and equipment valued at P120 000.00 towards a children's hostel in Otse village in the Central District.

The Otse village hostel provides care and education for 78 under privileged aged between 7 – 14 from various settlements and farming communities located in the sub-district. The children, all of whom are of primary school age, are under the council's care, providing basic needs such as food, clothing, and shelter. The facility currently has a staff complement of 12, being four administration staff, four kitchen staff and four caretakers. The caretaker's bathe the children, wash their laundry and carry daily routine cleaning of the hostels, including ablutions.

LLR's donation comprised two 10.5kg heavy-duty washing machines, an industrial steam press that can press many shirts at once, and the installation of children's lockers. LLR further donated protective equipment in the form of face masks, large saucepans, winter clothing and a 5,000-litre JoJo tank with a base stand and water pump to address water shortages in the village. We also assisted with hostel maintenance work, such as replacing broken windows. FY 2022 highlight includes sponsorship of a Christmas party and prize-giving ceremony, where LLR employees spent a day with the children at the hostel.

As a result of LLR's support over the past months, the community development officer has noted a marked improvement in the student's self-esteem. It was further noted that all students who were registered for school in January 2022 returned to classes at the start of each term, which was previously not the case. LLR will continue to implement programs to encourage children to return to the hostel and school in the following years.

Enterprise and supplier development

LLR helps the small and medium enterprises (SMEs) in our supplier base to grow and create much-needed employment opportunities. We assist these small businesses by enabling them to secure goods on credit through direct payment agreements with larger suppliers. The arrangement helps SMEs to build relationships with builders and more prominent merchants.

We intend to establish strong, long-lasting, mutually beneficial relationships with all our suppliers and vendors. LLR engages our suppliers in monthly tendering processes and is pleased to note that the suppliers in our database carry out at least one job every month.

Governance review

A robust governance structure underpins our corporate culture, regulatory compliance, and business practices. Through a sound governance structure and risk management system, we regulate LLR's functions and responsibilities, safeguard against unethical corporate practices, manage risks, transparency and disclosure. Our Board takes responsibility for the continuous improvement of our performance, our ability to leverage new opportunities, and the contributions we make towards the development of society.

This was evidenced by the process of formulation of the current five-year Company 'Go To Africa' strategy wherein the Board had significant input in the strategic mission, values intent and overall plan.

Board composition

The Board is comprised of six board members: three Independent Non-Executive directors and three Non-executive directors.

Brief profiles for each of our directors are available on page 26 of this report. There is a clear division of responsibilities at Board level to ensure a balance of power and authority, and no one individual has unfettered powers of decision-making. Non-executive directors complement the skills of the executive management and provide an independent view of the decision-making process. They assess business plans, performance, resources, and standards of conduct. They also assist in determining strategy formulation and decision-making.

Board diversity:

As at 30 June 2022

Gender

17% female

83% male

The average age of our 6 Board members is **45.7 years**

Board independence:

50%
Independent non-executive directors

50%
non-executive directors

The Company recognises the need to have a clear balance of power and authority as well as to promote gender diversity at the Board of Directors' level.

During the reporting period, Ms Onthatile Tiny Ogotseng, Ms Mmametsi Setlhare and Mr Sedireng Serumola resigned as Independent Non-Executive Directors of the Company effective from 3 December 2021. Mr Fred Selolwane advised the Board that he would not offer himself for re-election at the Company's Annual General Meeting of 14 December 2021 and retired from the Board at the conclusion of the Annual General Meeting.

In December 2021, Mr Gregory Pearson, Khuto Balosang, Mooketsi Maphane and Donald Borthwick were appointed as Directors to the Board. 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, property development, human resources, IT, as well as strategy development.

The Board is currently satisfied that the directors possess adequate experience and expertise necessary to direct the Company's affairs. However, the Board strives to continuously assess its skills set, diversity and balance to ensure that it is well equipped to direct the strategic mandate of the Company.

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.

Independence and transparency

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. Our governance framework provides an adequate, transparent organisational structure with a clear allocation and appropriate segregation of responsibilities. The roles and responsibilities of those accountable for the management and oversight of the

Company are clearly defined.

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 (ARAC) Committee 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™.

During the reporting period, the Botswana Accountancy Oversight Authority (BAOA) conducted an analysis of LLR's financial reporting and corporate governance practices. The BAOA's review concentrated on areas of improvement and identified gaps in LLR's 2020 Annual Financial Statements and corporate governance systems. The Board has acquainted itself with the BAOA's findings and the extent to which the Company complies with the BSE listings requirements and King III™. The Company has shown commitment to change where necessary and currently complies with the majority of requirements. Remedies are in place for areas of partial compliance, as disclosed in the King III™ application register of page 134 of this report.

The Board safeguards the Company against bribery, fraud and corruption by adopting policies and frameworks aligned to maintain good corporate citizen status. This includes approval of AML, Counter- Financing of Terrorism / Proliferation (CFT/P) and formulation of data protection policies and procedures. Further, the Board is currently undertaking a process of formulating key policies and procedures related to Stakeholder Engagement Policy, Ethics Assessment and Communication Policy for adoption before the end of FY 2023.

Updates on laws and regulations are provided under the legal and compliance report which is presented to ARAC. The report details legislative updates and requirements and reports on non-compliance or breaches which are escalated to the Board.

Compliance with legislation has received ongoing attention during the year under review and will continue to do so in future.

Company Secretary

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

The Company Secretary undergoes an annual evaluation by the Board whereby the Board satisfies itself as to the competence, qualifications and experience of the company secretary. The Board has considered the company secretary's performance and delivery during the year and is satisfied with the competence, qualifications, independence and experience of the Company Secretary.

The Company Secretary is accountable to the Board to:

- Ensure that Board procedures are followed and reviewed regularly
- Ensure that applicable rules and regulations for the conduct of the affairs of the Board are complied with
- Maintain statutory records in accordance with legal requirements
- Guide the Board as to how its responsibilities should be properly discharged in the best interests of the company
- Keep abreast of, and inform, the Board of current and new developments regarding corporate governance thinking and practice.

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
- Investment Committee
- Nominations and Remunerations 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 (ARAC) Committee

ARAC Committee was established by the Company to assist in fulfilling its statutory obligations in terms of the Botswana Companies Act.
The King Report on corporate 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.

The Committee currently comprises of three independent non-executive directors and is chaired by Mr. Donald Borthwick, with Mr Khuto Balosang and Mr Mooketsi Maphane as members of the Committee.

During the reporting period the ARAC focused on:

- LLR's transition to integrated reporting
- Oversight of the preparation of a quarterly risk register assessment that was developed alongside the

Company's internal audit function.

The risk assessment captures existing, new and emerging risks affecting the Company. It includes a risk rating, measures for risk mitigation and timelines for closure and it is presented to the ARAC Committee and the Board quarterly.

During the year ahead, the ARAC Committee intends to focus on:

- Closing on issues of unclaimed dividends
- Implementing key governance policies such as the IT Governance framework.

Investment Committee (IC)

The 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. This includes, but is not limited, to ensuring that there is an appropriate, robust and consistent framework for objective analysis of proposed real estate investments, analysis of divestment or disposals, review and approval of major property refurbishments and performance reviews of the Company's investment portfolio.

The Committee is currently chaired by Ms. Bronwyn Knight (a Non-Executive Director), in an acting capacity, with Mr Gregory Pearson and Mr Oteng Keabetswe as members of the Committee. During the reporting period the IC focused on:

- Providing guidance on potential strategic investments
- Providing oversight of key investments including the shareholding acquisition in JTTM Properties Limited and Orbit Africa Logistics.

During the year ahead, the IC intends to focus on:

- Optimisation of the Company's balance sheet
- Key investments
- Monitoring the Company performance as well as that of investments in associates
- Capital raising to support 'Go to Africa' strategy.

Nominations and Remunerations Committee (NRC)

The establishment of the NRC followed a review of the Company's Board-related policies in 2021 which was conducted with a view to update and align the Board polices to best governance practice. In terms of the BSE listings requirements, it is a requirement for a listed entity to establish a committee that will be mandated to deal specifically with human capital, and remuneration aspects of the Company as well as the nominations of Directors to the Board of the Company through a continuous assessment of the required skills on the Board.

Following the establishment of LLR's NRC during the 2022 financial year, a charter was developed and aligned to the Committee's responsibilities, which include, amongst others, reviewing and providing guidance with respect to human resource policies and strategies, overseeing the Company's remuneration policies and ensuring that there is a formal, transparent, and accountable process for the nomination, election and appointment of the directors to the Board. The charter stipulates the composition of the Committee, which is comprised of at least three directors, the majority of whom shall be independent. Further it was highlighted that the Committee should be chaired by an independent non-executive director.

The Committee is chaired by Mr Mooketsi Maphane (an Independent Non-Executive Director), with Mr Donald Borthwick (Independent Non-Executive Director) and Ms. Bronwyn Knight (Non-Executive Director) serving as NRC members.

During the reporting period the NRC's focus areas included the:

- review and adoption of LLR's HR policies
- development of LLR's remuneration and performance management policies
- approval of corporate scorecard
- recruitment of Company Chief Investment Officer

During the year ahead, the NRC intends to focus on the:

- finalisation of LLR's Short Term & Long Term Incentive Plan and Remuneration Policy
- review of Board Compensation Policy
- appointment of Independent Non-Executive directors to the Board
- CEO and senior management succession planning

Board and Committee meetings attendance

In line with the Company's Board charter and constitution, the Board and Committees meet at least four 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.

The Chairman of each Board Committee reports at each scheduled meeting of the Board and minutes of Board Committee meetings are provided to the entire Board. Both the Directors and the members of the Board Committees are supplied with comprehensive and timely information that enable them to properly discharge their responsibilities. All Directors have unrestricted access to all Company information.

The Chairman of the ARAC Committee is required to attend the Annual General Meeting to respond to issues or answer questions raised by shareholders.

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.

Board and Committee meetings attendance

Name and surname	Type of director	Committee membership	Board meetings		Committee meetings	
			Eligible to attend	Meeting attendance	Eligible to attend	Meeting attendance (Committee)
Oteng Keabetswe	Non-Executive Director	Investment Committee	20/20	20/20	11/22	11/11
Bronywn Knight	Non-Executive Director	Investment Committee & Nominations and Remunerations Committee	20/20	14/20	16/22	11/16
Mmoketsi Maphane***	Independent Non-Executive Director	Nominations and Remunerations Committee and Audit Risk and Compliance Committee	12/20	12/12	9/22	9/9
Khuto Balosang***	Independent Non-Executive Director	Audit Risk and Compliance Committee	12/ 20	12/12	4/22	4/4
Donald Borthwick***	Independent Non-Executive Director	Nominations & Remunerations Committee and Audit Risk and Compliance Committee	12/20	11/12	8/22	5/8
Gregory Pearson***	Non-Executive Director	Investment Committee	12/ 20	10/12	3/22	3/3
Sedireng Serumola*	Independent Non-Executive Director	Audit Risk and Compliance Committee	8/20	7/8	3/22	3/3
Onthatile Ogotseng*	Independent Non-Executive Director	Audit Risk and Compliance Committee	8/20	7/8	3/22	3/3
Mmametsi Setlhare*	Independent Non-Executive Director	Audit Risk and Compliance Committee	8/20	8/8	3/22	3/3
Frederick Selolwane**	Independent Non-Executive Director	Investment Committee	8/20	8/8	7/22	7/7
Total						

*** resigned as directors of the Company effective from 3 December 2021.**
**** retired from the Board on 14 December 2021.**
***** appointed to the Board on 14 December 2021.**
****** other engagements includes shareholder engagements, policies strategy session and CFO interviews.**

Other engagements	Total fees Paid (P) 2022	Total fees Paid (P) 2021
5	573 905.00	510 670.00
3	416 705.00	492 793.00
4	380 731.00	-
4	318 290.00	-
3	299 576.00	-
2	249 671.00	-
2	162 191.00	140 308.00
1	137 238.00	165 260.00
1	149 714.00	240 117.00
1	239 543.00	530 221.00
	2 927 564.00	**2 079 369.00**

07.

Financial statements

Financial statements

General information

Country of incorporation and domicile Botswana	Botswana
Nature of business and principal activities	The Company is a Variable Rate Loan Stock company engaged in property investment and deriving revenue primarily from property rentals.
Directors	O Keabetswe (Interim Chairperson) K Balosang (appointed 14 December 2021) D Borthwick (appointed 14 December 2021) M Maphane (appointed 14 December 2021) B Knight (appointed 16 April 2020) G Pearson (appointed 14 December 2021) F Selolwane (retired on 14 December 2021) M Setlhare (resigned 3 December 2021) O Ogotseng (resigned 3 December 2021) S Serumola (resigned 3 December 2021)
Registered office	Letlole La Rona Limited Unit 2B, 1st Floor Peelo Place, Plot 54366, CBD P O Box 700ABG Gaborone Botswana
Business address	Unit 2B, 1st Floor Peelo Place, Plot 54366, CBD P O Box 700 ABG Gaborone, Botswana
Auditors	Grant Thornton Chartered Accountants and Certified Auditors of Public Interest Entities
Secretary	Bothepa Obuseng
Company registration number	BW00001394482
Date of incorporation	08 July 2010
Transfer secretaries	Central Securities Depository Company Botswana 4th Floor, Fairscape Precinct Plot 70667, Fairgrounds Gaborone, Botswana
Debenture Trust Trustees	Desert Secretarial Services

Directors' responsibilities and approval

The directors are required in terms of the Companies Act of Botswana 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 Annual Financial Statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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 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 directors have reviewed the Company's cash flow forecast for the year to 30 June 2023 and, in light of this review and the current financial position, they are satisfied that the Company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's Annual Financial Statements. The Annual Financial Statements have been examined by the company's external auditors and their report is presented on pages 7 to 10.

The Annual Financial Statements set out on pages 11 to 59, which have been prepared on the going concern basis, were approved by the board of directors on 26 September 2022 and were signed on their behalf by:

Approval of financial statements

Director

Director

Directors' 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 2022.

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 2022 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 2022	Debenture interest (thebe)	Dividend (thebe)	Total (thebe)
Interim-paid	8.33	0.05	8.38
Final declared	9.98	0.05	10.03
	18.31	**0.10**	**18.41**
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**

Directors' report

4. Directors

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

Directors	
O Keabetswe	(Interim Chairperson)
K Balosang	(appointed 14 December 2021)
D Borthwick	(appointed 14 December 2021)
M Maphane	(appointed 14 December 2021)
B Knight	(appointed 16 April 2020)
G Pearson	(appointed 14 December 2021)
F Selolwane	(retired on 14 December 2021)
M Setlhare	(resigned 3 December 2021)
O Ogotseng	(resigned 3 December 2021)
S Serumola	(resigned 3 December 2021)

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 2022 had any interest in the company, except for the one's below:

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

6. Events after the reporting period

Subsequent to the year end the company completed the acquisition of 30% shareholding in an industrial property in Nairobi, Kenya through Orbit Africa Logistics ('OAL'), a special purpose vehicle incorporated in Mauritius, which is wholly owned by GSL. GSL is a wholly owned subsidiary of London Stock Exchange listed Grit Real Estate Income Group ("Grit") for a consideration of USD 7 200 000.

Director

Director

Grant Thornton

Chartered Accountants

Grant Thornton
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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 85 to 131, which comprise the statement of financial position as at 30 June 2022, 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 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

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

Independent auditor's report (continued)

Key audit matters

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

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

Independent auditor’s report (continued)

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 2022”, 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.

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Grant Thornton
Firm of Certified Auditors
Practicing member: Sunny Mulakulam (CAP 0034 2022)

26 SEP 2022

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Statement of profit or loss and other comprehensive income

	Note(s)	2022 P	2021 P
Continuing operations			
Revenue	3	107 911 653	102 865 916
Other operating income	4	362 426	634 607
Other operating gains (losses)	5	393 837	212 329
Movement in credit loss allowances	6	(1 963 290)	(3 011 736)
Administrative expenses		(23 781 971)	(24 599 869)
Property related expenses		(10 194 485)	(10 573 643)
Operating profit	6	**72 728 170**	**65 527 604**
Finance income	7	8 347 962	2 347 319
Finance costs	8	(21 318 596)	(15 232 305)
Share of profit from equity accounted investments	9	23 880 957	2 978 328
Fair value adjustment of investment properties	10	25 073 757	7 731 845
Profit before taxation		**108 712 250**	**63 352 791**
Taxation	11	(9 837 958)	(8 780 725)
Profit from continuing operations		**98 874 292**	**54 572 066**
Discontinued operations			
Profit from discontinued operations		-	256 085
Profit for the year		**98 874 292**	**54 828 151**
Other comprehensive income		-	-
Total comprehensive income for the year		**98 874 292**	**54 828 151**
Profit attributable to:			
Owners of the parent:			
From continuing operations		98 874 292	54 572 066
From discontinued operations		-	256 085
		98 874 292	**54 828 151**
Per linked unit information			
Earnings per linked unit			
Basic earnings per linked unit (thebe) from continuing operations	27	39.34	23.29
Basic earnings per linked unit (thebe) from discontinued operations	27	-	0.09
		39.34	**23.38**
Basic headline earnings per linked unit (thebe)			
Basic headline earnings per share (thebe) - continuing operations	27	38.81	23.38
Basic headline earnings per share (thebe) - discontinuing operations	27	-	0.09
		38.81	**23.47**
Distribution, dividends and debenture interest per linked unit			
Dividend per linked unit (thebe)	28	0.10	0.10
Debenture interest per linked unit (thebe)	28	18.31	17.27
Distribution per linked unit (thebe)		**18.41**	**17.37**

Statement of financial position as at 30 june 2022

	Note(s)	2022 P	2021 P
Assets			
Non-Current Assets			
Investment property	12	1 003 397 520	958 731 477
Property, plant and equipment	13	1 143 274	1 290 927
Right-of-use assets	14	703 540	1 415 915
Investment in associate	16	217 086 735	42 171 622
Investments at fair value	17	6 250 000	6 250 000
Operating lease asset		20 552 481	21 614 523
Deferred tax	25	12 271 077	11 858 968
Deferred taxation recoverable - related party	15	3 302 144	4 698 769
Other receivable	18	26 620 370	-
		1 291 327 141	**1 048 032 201**
Current Assets			
Trade and other receivables	19	7 179 720	6 215 675
Taxation receivable		1 911 591	1 614 021
Cash and cash equivalents	20	142 273 660	76 739 821
		151 364 971	**84 569 517**
Total Assets		**1 442 692 112**	**1 132 601 718**
Equity and Liabilities			
Equity			
Stated capital	22	2 718 884	2 718 884
Debentures - unit linked	23	405 113 547	405 113 547
Retained income		438 752 105	380 146 859
		846 584 536	**787 979 290**
Liabilities			
Non-Current Liabilities			
Borrowings	24	471 257 982	228 661 072
Lease liabilities	14	126 200	717 770
Deferred tax	25	63 116 473	65 541 990
		534 500 655	**294 920 832**
Current Liabilities			
Trade and other payables	26	27 940 731	18 980 977
Borrowings	24	4 860 172	3 612 350
Lease liabilities	14	722 018	615 509
Debenture interest and dividend payable	28	28 084 000	26 492 760
		61 606 921	**49 701 596**
Total Liabilities		**596 107 576**	**344 622 428**
Total Equity and Liabilities		**1 442 692 112**	**1 132 601 718**

Statement of changes in equity

	Stated capital P	Debentures P	Retained income P	Total equity P
Balance at 1 July 2020	**2 718 884**	**405 113 547**	**363 308 582**	**771 141 013**
Profit for the year	-	-	54 828 151	54 828 151
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**54 828 151**	**54 828 151**
Taxation attributable to debenture interest	-	-	10 636 118	10 636 118
Dividends and debenture interest declared (Note 27)	-	-	(48 625 992)	(48 625 992)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**(37 989 874)**	**(37 989 874)**
Balance at 1 July 2021	**2 718 884**	**405 113 547**	**380 146 853**	**787 979 284**
Profit for the year	-	-	98 874 292	98 874 292
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**98 874 292**	**98 874 292**
Taxation attributable to debenture interest	-	-	11 278 960	11 278 960
Dividends and debenture interest declared (Note 27)	-	-	(51 548 000) (	51 548 000)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**(40 269 040)**	**(40 269 040)**
Balance at 30 June 2022	**2 718 884**	**405 113 547**	**438 752 105**	**846 584 536**
Note	22	23		

Statement of cash flows

	Note(s)	2022 P	2021 P
Cash flows from operating activities			
Profit before taxation from continuing operations		108 712 250	63 352 791
Profit before taxation from discontinued operations		-	256 085
Adjustments for:			
Depreciation		1 433 759	1 049 598
Profit on disposal of investment property		-	(210 000)
(Loss)/Profit on disposal of property,plant and equipment		26 108	(2 329)
Results from equity accounted investments		(23 880 957)	(2 978 328)
Finance income		(8 347 962)	(2 347 319)
Finance costs		21 318 596	15 232 305
Fair value adjustment of investment properties		(25 073 757)	(7 731 845)
Credit loss allowance		1 963 290	3 011 736
Movements in operating lease assets		1 062 042	(2 314 185)
Changes in working capital:			
Trade and other receivables		(2 927 335)	(199 983)
Trade and other payables		8 959 754	4 997 015
Cash generated from operations		**83 245 788**	**72 115 541**
Tax paid	30	(297 570)	(214 442)
Net cash generated from operating activities		**82 948 218**	**71 901 099**
Cash flows from investing activities			
Acquisition of property, plant and equipment	13	(444 327)	(176 109)
Sale of property, plant and equipment	13	-	6 986
Additions of investment property	12	(19 592 286)	(65 993 969)
Proceeds on sale of investment property	12	-	7 700 000
Acquisition of investment in associate	16	(153 938 581)	-
Other receivable		(26 620 370)	-
Distributions from associate	16	2 904 420	3 800 000
Finance Income		8 347 962	2 347 319
Net cash used in investing activities		**(189 343 182)**	**(52 315 773)**
Cash flows from financing activities			
Net Proceeds from borrowings		247 469 946	-
Repayment of borrowings		(3 625 214)	(2 527 601)
Payment on lease liabilities		(640 573)	(542 062)
Dividends and debenture interest paid	29	(49 956 760)	(47 134 432)
Finance costs		(21 318 596)	(15 232 305)
Net cash used in financing activities		**171 928 803**	**(65 436 400)**
Total cash and cash equivalents movement for the year		**65 533 839**	**(45 851 074)**
Cash and cash equivalents at the beginning of the year		76 739 821	122 590 895
Total cash and cash equivalents at end of the year	20	**142 273 660**	**76 739 821**

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

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 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.

Current and deferred tax for the period

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

Accounting policies

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

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.

Accounting policies

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

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

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

1.8 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.

Accounting policies

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.

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:

Accounting policies

1.11 Financial instruments (continued)

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 19).

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

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

They are subsequently measured at amortised cost.

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

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

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

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

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 19.

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 19) and the financial instruments and risk management note (note 32).

Accounting policies

1.11 Financial instruments (Continued)

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.

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 26), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Accounting policies

1.11 Financial instruments (continued)

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.

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.

Accounting policies

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).

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.

Accounting policies

1.13 Leases (continued)

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

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:

(a) directly, or indirectly through one or more intermediaries, if the party:

- (i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
- (ii) has an interest in the entity that gives it significant influence over the entity; or

(b) that are members of the key management personnel of the entity, including close members of the family.

Accounting policies

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.

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:
• IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	1 April 2021	The impact of the standard is not material
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 4	1 January 2021	The impact of the amendments is not material.
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 7	1 January 2021	The impact of the amendments is not material.
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9	1 January 2021	The impact of the amendments is not material.
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 16	1 January 2021	The impact of the amendments is not material.
• Interest Rate Benchmark Reform - Phase 2: Amendments to IAS 39	1 January 2021	The impact of the amendments 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 1 July 2022 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IAS 12 Deferred Tax related to Assets and Liabilities arising from a single Transaction (Amendments to IAS 12)	1 January 2023	Unlikely there will be a material impact
• Classification of Liabilities as Current or Non-Current - Amendment to IAS 1	1 January 2023	Unlikely there will be a material impact
• IFRS 17 Insurance Contracts	1 January 2023	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1	1 January 2022	Unlikely there will be a material impact
• Reference to the Conceptual Framework: Amendments to IFRS 3	1 January 2022	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9	1 January 2022	Unlikely there will be a material impact
• Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	1 January 2022	Unlikely there will be a material impact
• Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37	1 January 2022	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IAS 41	1 January 2022	Unlikely there will be a material impact

Notes to the Annual Financial Statements

		Notes	2022 P	2021 P
3.	**Revenue**			
	Revenue from contracts with customers			
	Contractual income		105 521 421	97 909 463
	Straightline lease rental adjustment		(1 062 042)	2 344 792
	Operating cost recoveries		3 452 274	2 611 661
			107 911 653	**102 865 916**
4.	**Other operating income**			
	Administration and management fees received		226 630	55 918
	Bad debts recovered		39 955	254 701
	Sundry income		95 841	-
	Insurance claim		-	323 988
			362 426	**634 607**
5.	**Other operating gains (losses)**			
	Gains/(losses) on disposals			
	Property, plant and equipment	13	(26 108)	2 329
	Investment property		-	210 000
			(26 108)	**212 329**
	Foreign exchange gains			
	Net foreign exchange gains		419 945	-
	Total other operating gains		**393 837**	**212 329**
6.	**Operating profit**			
	Operating profit for the year is stated after charging (crediting) the following, amongst others:			
	Auditor's remuneration - external			
	Audit fees		436 000	311 905
	Employee costs			
	Salaries, wages, bonuses and other benefits		8 970 793	11 658 953
	Leases			
	Operating lease charges			
	Premises		145 936	167 059
	Equipment		64 229	70 528
			210 165	**237 587**
	Depreciation of property, plant and equipment		565 872	577 626
	Depreciation of right-of-use assets		867 887	471 972
	Total depreciation and amortisation		**1 433 759**	**1 049 598**

Notes to the Annual Financial Statements

		Notes	2022 P	2021 P
6.	**Operating profit (continued)**			
	Movement in credit loss allowances			
	Trade and other receivables		1 963 290	3 011 736
	Other			
	Consulting and professional fees		4 186 033	3 397 705
	Insurance		806 965	768 338
	Security		1 602 133	2 481 987
	Assessment rates		831 628	1 103 048
	Legal expenses		357 593	1 933 381
	Repairs and maintenance		2 111 213	1 857 033
7.	**Finance income**			
	Interest income			
	Investments in financial assets:			
	Bank and other cash		8 347 962	2 347 319
8.	**Finance costs**			
	Lease liabilities		64 847	117 209
	Bank borrowings and interest		21 253 749	15 115 096
	Total finance costs		**21 318 596**	**15 232 305**
9.	**Share of profit from equity accounted investments**			
	Investment in associate		23 880 957	2 978 328
10.	**Fair value adjustment of investment properties**			
	Fair value gains			
	Investment property	12	24 011 714	10 076 638
	Straightline lease adjustment		1 062 043	(2 344 793)
			25 073 757	**7 731 845**
11.	**Taxation**			
	Major components of the tax expense			
	Current			
	Attributable to debenture interest credited to statement of changes in equity		11 278 960	10 636 118
	Deferred			
	Arising from tax losses		(202 203)	(2 810 778)
	Deferred tax charge		(4 315 978)	4 246 292
	Deferred capital gains tax		4 473 804	(2 864 550)
	Arising due to Capital gains tax recoverable from related party		(1 396 625)	(426 357)
			(1 441 002)	**(1 855 393)**
			9 837 958	**8 780 725**

Notes to the Annual Financial Statements

		Notes	2022 P	2021 P
11.	**Taxation (continued)**			
	Reconciliation of the tax expense			
	Reconciliation between accounting profit and tax expense.			
	Accounting profit		108 712 250	63 352 791
	Tax at the applicable tax rate of 22% (2021: 22%)		23 916 695	13 937 614
	Tax effect of adjustments on taxable income			
	Effects of fair value surplus		(5 282 577)	(1 701 006)
	Expenses not deductable for tax		278 343	196 856
	Income from associate not subject to tax		(3 955 556)	(836 000)
	Tax effect due to capital gains		(5 118 947)	(2 864 550)
	Effects from discontinued operations		-	56 339
	Other permanent differences		-	(8 528)
			9 837 958	**8 780 725**
12.	**Investment property**			
	At fair value			
	Freehold properties		128 870 000	126 020 000
	Leasehold properties		895 080 000	854 326 000
			1 023 950 000	**980 346 000**
	Less : Straight line rental adjustment		(20 552 480)	(21 614 523)
			1 003 397 520	**958 731 477**
	Reconciliation of fair value:			
	At valuation		980 346 000	911 796 000
	Straight line lease rental adjustment at the beginning of the year		(21 614 523)	(19 300 337)
	Opening fair value		**958 731 477**	**892 495 663**
	Additions (new acquisitions) during the year		-	61 763 817
	Existing buildings (Refurbishment)		19 592 286	4 230 152
	Disposals during the year		-	(7 490 000)
	Increase in fair value during the year		24 011 714	10 076 638
	Straight line rental adjustment		1 062 043	(2 344 793)
			1 003 397 520	**958 731 477**

The fair value of the company's investment properties at 30 June 2022 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).

Included in the investment property cost is an amount of P15 250 000 which relates to a building currently underconstruction(Plot 14455).

Notes to the Annual Financial Statements

12. Investment property (continued)

Details of property

Freehold land comprises of:

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

Leasehold properties comprises of:	
Plot 14398 Gaborone	50 year State Grant from 03 February 1984
Plot 14453 Gaborone	50 year State Grant from 16 November 1984
Plot 14454 Gaborone	50 year State Grant from 16 November 1984
Plot 14455 Gaborone	50 year State Grant from 16 November 1984
Plot 14457 Gaborone	50 year State Grant from 28 August 1989
Plot 14458 Gaborone	50 year State Grant from 22 August 1986
Plot 14459 Gaborone	50 year State Grant from 22 August 1986
Plot 14460 Gaborone	50 year State Grant from 22 August 1986
Plot 22033 Gaborone	99 year State Grant from 29 June 1992
Plot 22038 Gaborone	50 year State Grant from 28 June 2002
Plot 28911 Gaborone	50 year State Grant from 27 August 1989
Plot 32084 Gaborone	50 year State Grant from 10 July 1995
Plot 50380 Gaborone	50 year State Grant from 04 February 1994
Plot 74204 Gaborone	50 year State Grant from 10 October 1997
Plot 29052 Mahalapye	50 year State Grant from 21 March 2003
Plot 64260 Gaborone	50 year State Grant from 23 September 2010
Plot 69365 Gaborone	99 year State Grant from 10 October 1997
Plot 69368 Gaborone	99 year State Grant from 09 February 1984
Plot 69369 Gaborone	99 year State Grant from 09 February 1984
Plot 22047 Gaborone	50 year State Grant from 09 February 1984
Plot 276 Selebi-Phikwe	50 years State Grant from 28 June 1973

Notes to the Annual Financial Statements

	Notes	2022 P	2021 P
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		103 881 835	99 498 504
-In second to fifth year Inclusive		194 991 577	241 470 184
-later than five years		5 646 729	45 747 091
		304 520 141	**386 715 779**
Amounts recognised in profit and loss for the year			
Rental income from investment property		(108 155 924)	(102 865 916)
Direct operating expenses from rental generating property		10 194 485	10 573 643
		(97 961 439)	**(92 292 273)**

Notes to the Annual Financial Statements

13. Property, plant and equipment

	2022 P			2021 P		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Leasehold property Improvements	1 216 638	(888 018)	328 620	1 216 639	(644 690)	571 949
Plant and machinery	59 230	(42 170)	17 060	41 033	(41 033)	-
Motor vehicles	472 114	(437 154)	34 960	472 114	(377 221)	94 893
Office equipment	471 129	(248 018)	223 111	471 035	(200 827)	270 208
IT equipment	1 187 426	(730 209)	457 217	896 146	(645 627)	250 519
Computer software	274 446	(192 140)	82 306	274 446	(171 088)	103 358
Total	3 680 983	(2 537 709)	1 143 274	3 371 413	(2 080 486)	1 290 927

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Depreciation	Total
Leasehold property Improvements	571 949	-	-	(243 329)	328 620
Plant and machinery	-	18 197	-	(1 137)	17 060
Motor vehicles	94 893	-	-	(59 933)	34 960
Office equipment	270 208	-	-	(47 097)	223 111
IT equipment	250 519	426 130	(26 108)	(193 324)	457 217
Computer software	103 358	-	-	(21 052)	82 306
	1 290 927	444 327	(26 108)	(565 872)	1 143 274

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
	1 697 101	176 109	(4 657)	(577 626)	1 290 927

Fully depreciated assets in use (cost)

IT equipment	522 835
Motor vechicles	232 383
Plant and machinery	41 033
	796 251

Notes to the Annual Financial Statements

		2022 P	2021 P
14.	**Right of use asset**		
	Details pertaining to leasing arrangements, where the company is lessee are presented below:		
	Year ended	**Buildings**	**Buildings**
	Opening net book amount	1 415 915	1 887 886
	Adjustment	155 512	-
		1 571 427	1 887 886
	Depreciation	(867 887)	(471 971)
	Closing net book value	**703 540**	**1 415 915**
	Made up as follows;	**Buildings**	**Buildings**
	Cost	2 043 398	2 359 857
	Accumulated depreciation	(1 339 858)	(943 942)
	Net carrying amounts of right-of-use assets	**703 540**	**1 415 915**
	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), as well as depreciation which has been capitalised to the cost of other assets.		
	Buildings	867 887	471 972
	Other disclosures		
	Interest expense on lease liabilities	64 847	117 209
	At 30 June 2022, the company is committed to P- (2021: P 237 586) 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	754 799	705 420
	Two to five years	127 187	776 693
		881 986	1 482 113
	Less finance charges component	(33 768)	(148 834)
		848 218	1 333 279
	Non-current liabilities	126 200	717 770
	Current liabilities	722 018	615 509
		848 218	**1 333 279**

Notes to the Annual Financial Statements

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	2022 P No of leases with extension options	2021 P No of leases with option to purchase
Buildings	1	1.2 years	1.2 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.

	2022 P	2021 P
Capital gains tax recoverable from Botswana Development Corporation Limited	3 302 144	4 698 769

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 Service 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 off 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 2022, calculated on the purchase price of the properties paid by the company which is recoverable from the Vendors.

16. Investment in associate

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

Name of company	% ownership interest 2022	% ownership interest 2021	Carrying amount 2022	Carrying amount 2021
NBC Developments (Partnership)	33.33 %	33.33 %	45 168 358	42 171 622
JTTM Properties Proprietary Limited	32.79 %	- %	171 918 377	-
			217 086 735	42 171 622

Material associates

The following associates are material to the company:

	Country of incorporation	Method	% Ownership interest 2022	% Ownership interest 2021
NBC Developments (Partnership)	Botswana	Equity	33.33 %	33.33 %
JTTM Properties Proprietary Limited	Botswana	Equity	32.79 %	- %

Notes to the Annual Financial Statements

16. Investment in associate (continued)

Summarised financial information of material associates

Summarised Statement of Profit or Loss and Other Comprehensive Income	JTTM Properties Proprietary Limited		NBC Developments		Total	
	2022 P	2021 P	2022 P	2021 P	2022 P	2021 p
Revenue	18 230 722	-	8 332 649	14 511 252	26 563 371	14 511 252
Other income and expenses	(6 679 252)	-	(1 796 569)	(4 014 450)	(8 475 821)	(4 014 450)
Profit (loss) from continuing operations	11 551 470	-	6 536 080	10 496 802 1	8 087 550	10 496 802
Total comprehensive income	11 551 470	-	6 536 080	10 496 802	18 087 550	10 496 802

Summarised Statement of Financial Position	JTTM Properties Proprietary Limited		NBC Developments		Total	
	2022 P	2021 P	2022 P	2021 P	2022 P	2021 P
Assets						
Non-current	724 801 122	-	133 826 077	122 946 700	858 627 199	122 946 700
Current	16 476 794	-	3 760 745	5 727 475	20 237 539	5 727 475
Total assets	741 277 916	-	137 586 822	128 674 175	878 864 738	128 674 175
Liabilities						
Non-current	175 733 423	-	-	-	175 733 423	-
Current	41 243 250	-	2 081 748	2 159 308	43 324 998	2 159 308
Total liabilities	216 976 673	-	2 081 748	2 159 308	219 058 421	2 159 308
Total net assets	524 301 243	-	135 505 074	126 514 867	659 806 317	126 514 867

Notes to the Annual Financial Statements

16. Investment in associate (continued)

Reconciliation of net assets to equity accounted investments in associates	JTTM Properties Proprietary Limited		NBC Developments		Total	
	2022 P	2021 P	2022 P	2021 P	2022 P	2021 P
Interest in associates at percentage ownership	171 918 377	-	45 168 358	42 171 622	217 086 735	42 171 622
Carrying value of investment in associate	171 918 377	-	45 168 358	42 171 622	217 086 735	42 171 622
Investment at beginning of period	-	-	42 171 622	42 993 294	42 171 622	42 993 294
Acquisitions	153 938 577	-	-	-	153 938 577	-
Share of profit	22 846 434	-	5 896 736	2 978 328	28 743 170	2 978 328
Dividends received from associate	(4 866 634)	-	(2 900 000)	(3 800 000)	(7 766 634)	(3 800 000)
Investment at end of period	171 918 377	-	45 168 358	42 171 622	217 086 735	42 171 622

The summarised information presented above is unaudited and unpublished information.

Notes to the Annual Financial Statements

	2022 P	2021 P
17. Investments at fair value		
Investments held by the company which are measured at fair value, are as follows:		
Equity investments at fair value through other comprehensive income	6 250 000	6 250 000
Equity investments at fair value through other comprehensive income:		
Mogo'lori Mall (Proprietary) Limited	6 250 000	6 250 000
15% shareholdings of shares and linked debentures.		
	6 250 000	6 250 000
Split between non-current and current portions		
Non-current assets	6 250 000	6 250 000

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, currency 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

	2022 Fair Value	2022 Dividends Received	2021 Fair Value	2021 Dividends Received
Mogo'lori Mall (Proprietary) Limited	6 250 000	-	6 250 000	-

18. Other receivable

Deposits on Orbit investment	26 620 370	-

The company paid a sum of P26.6milliom as deposit towards the acquisition of 30% shareholding in an industrial property in Nairobi, Kenya through Orbit Africa Logistics ('OAL'). The board approved the transaction and final payment of the total consideration on the 13th of July 2022 and allocation of shares finalized subsequent to period end. Refer note 34 for moredetails.

Notes to the Annual Financial Statements

	2022 P	2021 P
19. Trade and other receivables		
Financial instruments:		
Trade receivables	11 783 770	11 190 290
Loss allowance	(8 966 000)	(7 002 711)
Trade receivables at amortised cost	2 817 770	4 187 579
Deposits	244 994	189 394
Other receivable	1 122 642	978 434
Non-financial instruments:		
Value added tax	1 036 491	-
Prepayments	1 957 823	860 268
Total trade and other receivables	**7 179 720**	**6 215 675**
Financial instrument and non-financial instrument components of trade and other receivables		
At amortised cost	4 185 406	5 355 407
Non-financial instruments	2 994 314	860 268
	7 179 720	**6 215 675**

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. The loss allowance provision is determined as follows:

Notes to the Annual Financial Statements

	2022 P		2021 P	
19. Trade and other receivables (continued)	**2022**	**2022**	**2021**	**2021**
Expected credit loss rate:	**Estimated gross Carrying amount At default**	**Loss allowance (Lifetime expected credit loss)**	**Estimated gross Carrying amount At default**	**Loss allowance (Lifetime expected credit loss)**
Not past due	1 907 075	(309 774)	2 613 488	(353 329)
31 - 60 days past due	1 605 827	(806 512)	2 715 021	(1 164 625)
More than 90 days past due	8 270 868	(7 849 714)	5 861 781	(5 484 757)
Total	**11 783 770**	**(8 966 000)**	**11 190 290**	**(7 002 711)**

Reconciliation of loss allowances

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

Opening balance in accordance with IFRS 9	**(7 002 711)**	**(4 481 838)**
Amounts recovered	-	490 863
Provision raised on new trade receivables	(1 963 289)	(3 011 736)
Closing balance	**(8 966 000)**	**(7 002 711)**

Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts.

20. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	-	2 000
Bank balances	86 486 663	65 280 883
Short-term deposits	55 786 997	11 456 938
	142 273 660	**76 739 821**

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

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

Notes to the Annual Financial Statements

	2022 P	2021 P
21. 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.		
The revenue and operating expenses relating to the discontinued operations are disclosed below:		
Profit and loss		
Revenue	-	721 001
Expenses	-	(464 916)
Net profit before tax	**-**	**256 085**
Net profit after tax	**-**	**256 085**
	-	**256 085**
22. Stated capital		
Issued		
280 000 000 (2021: 280 000 000) Ordinary shares of no par value	2 718 884	2 718 884

Each Linked Unit in the Company comprises one ordinary share and one variable rate unsecured debenture as per note 23, 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.

23. Debentures- unit linked

Each Linked Unit in the company comprises one ordinary share as per note 22, 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.

	2022 P	2021 P
280 000 000 (2021: 280 000 000)	405 113 547	405 113 547

Notes to the Annual Financial Statements

		2022 P	2021 P
24.	**Borrowings**		
	Held at amortised cost		
	First National Bank of Botswana Limited	440 575 947	194 074 034
	Bank Gaborone Limited	35 542 207	38 199 388
		476 118 154	**232 273 422**
	Split between non-current and current portions		
	Non-current liabilities	471 257 982	228 661 072
	Current liabilities	4 860 172	3 612 350
		476 118 154	**232 273 422**

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% (2021: 5.25%) 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 P 438 million split as Tranche A carrying interest at a fixed rate 6.7%, Tranche B carrying interest at prime plus 0.75%, currently 7%(2021: 5.25%) and facility B carrying interest at prime plus 0.75%, currently 7%

The loan is repayable after 5 years from initial drawdown in 2022. 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
(xi) cession of insurance policies and proceeds with regards to mortgaged properties.
(x) cession of receivable balances.

Notes to the Annual Financial Statements

	2022 P	2021 P
25. Deferred tax		
Deferred tax liability		
Capital gains on fair value increase in investment property	(29 289 149)	(33 762 953)
Accelerated capital allowances	(30 525 180)	(27 080 268)
Capital gains on disposal of investment property recoverable from related party	(3 302 144)	(4 698 769)
Total deferred tax liability	**(63 116 473)**	**(65 541 990)**
Deferred tax asset		
Tax losses available for set off against future taxable income	12 271 077	11 858 968
Deferred tax liability	(63 116 473)	(65 541 990)
Deferred tax asset	12 271 077	11 858 968
Total net deferred tax liability	**(50 845 396)**	**(53 683 022)**
Reconciliation of deferred tax asset / (liability)		
At beginning of year	(53 683 022)	(55 964 773)
Increases in tax loss available for set off against future taxable income	412 109	2 810 778
Movement in capital gains tax recoverable/payable to related party	1 396 625	426 357
Other movements in deferred tax assets and liabilities	4 473 804	1 909 166
Capital gains charges to the statement of comprehensive income	(3 444 912)	(2 864 550)
	(50 845 396)	**(53 683 022)**
26. Trade and other payables		
Financial instruments:		
Trade payables and accruals	10 990 702	3 033 090
Refundable deposit held	11 590 321	11 177 674
Other payables	1 520 785	622 285
Non-financial instruments:		
Amounts received in advance	3 380 339	2 631 419
Accrued gratuity and leave pay	458 584	1 117 055
Value added tax	-	399 454
	27 940 731	**18 980 977**
Financial instrument and non-financial instrument components of trade and other payables		
At amortised cost	24 101 808	14 833 049
Non-financial instruments	3 838 923	4 147 928
	27 940 731	**18 980 977**

Fair value of trade and other payables

The fair value of trade and other payables approximates their carrying amounts.

Notes to the Annual Financial Statements

	2022 P	2021 P
27. Earnings per linked unit		
Earnings per linked unit is calculated based on the average number of linked units in issue and total comprehensive income for the year. adjusted by the taxation on debenture interest credited to the statement of changes in equity.		
The earnings and weighted average number of linked units used in the calculation of earnings per linked unit are as follows:		
Total profit and comprehensive income for the year	98 874 292	54 828 151
Taxation on debenture interest credited to the income statement	11 278 960	10 636 118
Earnings attributable to linked unit holders	**110 153 252**	**65 464 269**
Weighted average number of linked units in issue for the year	280 000 000	280 000 000
Profit before taxation	108 712 250	63 352 791
Taxation	(9 837 958)	(8 780 725)
Profit from continuing operations	**98 874 292**	**54 572 066**
Profit from discontinued operations	-	256 085
Profit for the year	**98 874 292**	**54 828 151**
Earnings per linked unit from		
Continuing operations (including taxation on debenture interest)	39.34	23.29
Discontinued operations (excluding taxation on debenture interest)	-	0.09
Total Earnings per linked unit (thebe)	**39.34**	**23.38**
Basic headline earnings per share (thebe)		
The calculation of headline earnings and diluted headline earnings per share is based on the weighted average number of ordinary shares		
Basic headline earnings per linked unit (thebe)		
Basic headline earnings per share (thebe)- continuing operations	38.81	23.38
Basic headline earnings per share (thebe)- discontinuing operations	-	0.09
	38.81	**23.47**
Diluted headline earnings per linked unit (thebe)		
Diluted headline earnings per share (thebe) - continuing operations	38.81	23.38
Diluted headline earnings per share (thebe) - discontinued operations	-	0.09
	38.81	**23.47**
Reconciliation between earnings and headline earnings		
Continuing operations	108 712 250	65 208 184
Discontinued operations	-	256 085
Profit for the year attributable to owners of the company (Pula)	108 712 250	65 464 269
Re-measurement:		
Impairment losses	-	-
Tax effect on re-measurement	-	-
	108 712 250	**65 464 269**

Notes to the Annual Financial Statements

	2022 P	2021 P
27. Earnings per linked unit (continued)		
Continuing operations		
Reconciliation between earnings and headline earnings		
Continuing operations	108 712 250	65 208 184
Discontinued operations	-	-
Profit for the year attributable to owners of the company (Pula)	108 712 250	65 208 184
Re-measurement:		
Profit on disposal of investment property	-	210 000
Profit/loss on disposal of property,plant and equipment	(26 108)	2 329
Impairment losses	-	-
Tax effect on re-measurement	(5 743)	46 712
	108 680 399	**65 467 225**
Discontinued operations		
Reconciliation between earnings and headline earnings		
Discontinued operations	-	256 085
28. Debenture interest and dividend payable		
Debenture interest		
Interim paid - 8.33 (2021: 7.85) thebe	23 324 000	21 993 232
Final declared - 9.98 (2021: 9.41) thebe	27 944 000	26 352 760
Total debenture interest	51 268 000	48 345 992
Dividend		
Interim paid - 0.05 (2021: 0.05) thebe	140 000	140 000
Final declared - 0.05 (2021: 0.05) thebe	140 000	140 000
Total distribution	**51 548 000**	**48 625 992**
Debenture interest and dividend payable		
Debenture interest	(28 996 959)	(26 352 760)
Dividend payable	(140 000)	(140 000)
	(29 136 959)	**(26 492 760)**
29. Dividends and debenture interest paid		
Balance at beginning of the year	(26 492 760)	(25 001 200)
Dividends and debenture interest	(51 548 000)	(48 625 992)
Balance at end of the year	28 084 000	26 492 760
	(49 956 760)	**(47 134 432)**
30. Tax paid		
Balance at beginning of the year	1 614 021	1 399 579
Balance at end of the year	(1 911 591)	(1 614 021)
	(297 570)	**(214 442)**

Notes to the Annual Financial Statements

	2022 P	2021 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 commoncontrol 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 2022 (2021: 40%)		
Grit services Limited owns 25% of the issued linked units of the company as at 30 June 2022 (2021: 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 page 1		
Members of key management: Ms K Mowaneng (Chief Executive Officer) - 01 Feb 2022 to date; Mr B Nlumbile (Property Manager); Mr P Isaacs (Chief Financial Officer) - April 2022 to date		
Related party balances		
Deferred tax recoverable from related party		
Botswana Development Corporation Limited	4 607 739	4 698 769
Related party transactions		
Dividend and debenture interest received		
NBC Partnership	2 900 000	3 800 000
JTTM Properties (Proprietary) Limited	4 866 634	-
	7 766 634	**3 800 000**
Share of profit from partnership		
NBC Partnership	2 996 736	2 978 328
JTTM Properties (Proprietary) Limited	25 259 732	-
	28 256 468	**2 978 328**
Dividend and debenture interest paid		
Botswana Development Corporation Limited	20 802 612	19 623 722
Grit Services Limited	14 088 284	14 588 028
	34 890 896	**34 211 750**
Directors' emoluments		
Directors fees	2 927 564	2 842 913
Remuneration paid to members of key management		
Short term employee benefits	2 343 583	4 611 949
Post-employment benefit	660 905	344 996
	3 004 488	**4 956 945**

Notes to the Annual Financial Statements

	2022 P	2021 P

32. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2022

	Note(s)	Fair value other comprehensive income equity instrument	Amortised cost	Total
Investments at fair value	17	6 250 000	-	6 250 000
Trade and other receivables	19	-	4 185 406	4 185 406
Cash and cash equivalents	20	-	142 273 660	142 273 660
		6 250 000	**146 459 066**	**152 709 066**

2021

	Note(s)	Fair value other comprehensive income equity instrument	Amortised cost	Total
Investments at fair value	17	6 250 000	-	6 250 000
Trade and other receivables	19	-	5 355 407	5 355 407
Cash and cash equivalents	20	-	76 739 821	76 739 821
		6 250 000	**82 095 228**	**88 345 228**

Categories of financial assets

2022

	Note(s)	Amortised cost	Total
Trade and other payables	26	23 678 906	23 678 906
Borrowings	24	476 118 154	476 118 154
Lease liabilities	14	848 218	848 218
Dividend and distribution payable	28	28 084 000	28 084 000
		528 729 278	528 729 278

2021

	Note(s)	Amortised cost	Total
Trade and other payables	26	14 833 049	14 833 049
Borrowings	24	232 273 422	232 273 422
Lease liabilities	14	1 333 279	1 333 279
Dividend and distribution payable	28	26 492 760	26 492 760
		274 932 510	**274 932 510**

Notes to the Annual Financial Statements

		2022 P	2021 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 2022 , the company had interest bearing borrowings of P 476 585 980 (2021:P 232 273 422).

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

		2022 P	2021 P
Borrowings	24	476 118 154	232 273 422
Cash and cash equivalents	20	(142 273 660)	(76 739 821)
Net borrowings		**333 844 494**	**155 533 601**
Equity		846 584 535	787 979 282
Gearing ratio		39 %	20 %

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.

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.

Notes to the Annual Financial Statements

32. Financial instruments and risk management (continued)

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:

		2022			2021		
		Gross Carrying amount	Credit loss allowance	Amortised cost	Gross carrying amount	Credit loss allowance	Amortised cost
Trade and other receivables (excluding non-financial instruments)	19	13 151 406	(8 966 000)	4 185 406	12 358 118	(7 002 711)	5 355 407
Cash and cash equivalents	20	142 273 660	-	142 273 660	76 739 821	-	76 739 821
		155 425 066	**(8 966 000)**	**146 459 066**	**89 097 939**	**(7 002 711)**	**82 095 228**

Notes to the Annual Financial Statements

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.

2022

		Less than 1 year	2 to 5 years	Over 5 years	Total	Carrying amount
Non-current liabilities						
Borrowings	24	-	451 822 030	19 435 952	471 257 982	471 257 982
Lease liabilities		-	126 200	-	126 200	126 200
Current liabilities						
Trade and other payables		23 678 906	-	-	23 678 906	23 678 906
Borrowings	24	4 860 172	-	-	4 860 172	4 860 172
Lease liabilities		722 018	-	-	722 018	722 018
Dividend and distribution	28	28 084 000	-	-	28 084 000	28 084 000
		57 345 096	**451 948 230**	**19 435 952**	**530 139 980**	**528 729 278**

2021

		less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total allowance	Carrying amount
Non-current liabilities							
Borrowings	24	-	2 814 403	202 676 677	23 169 992	228 661 072	228 661 072
Lease liabilities		-	-	717 770	-	717 770	717 770
Current liabilities							
Trade and other payables	26	14 833 049	-	-	-	14 833 049	14 833 049
Borrowings	24	3 612 350	-	-	-	3 612 350	3 612 350
Lease liabilities		615 509	-	-	-	615 509	615 509
Dividend and distribution	28	26 492 760	-	-	-	26 492 760	26 492 760
		45 553 668	**2 814 403**	**203 394 447**	**23 169 992**	**274 932 510**	**274 932 510**

Notes to the Annual Financial Statements

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 rate swaps are also used where appropriate, in order to convert borrowings into either variable or fixed, in order to manage the composition of the ratio. 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 profile

The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows:

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.

	2022	2022	2021	2021
Increase or decrease in rate by 10%	**Increase**	**Decrease**	**Increase**	**Decrease**
Impact on profit or loss:				
Net finance income and finance costs	1 783 236	(1 783 236)	1 288 499	(1 288 499)

Notes to the Annual Financial Statements

		2022 P	2021 P
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.			
Levels of fair value measurements			
Level 3			
Recurring fair value measurements			
Assets	**Note(s)**		
Investment property	12		
Investment property		1 003 397 520	958 731 477
Equity investments at fair value through other comprehensive income	17		
Investments at fair value		6 250 000	6 250 000
Total		**1 009 647 520**	**964 981 477**

Notes to the Annual Financial Statements

33. Fair value information (continued)

Reconciliation of assets and liabilities measured at level 3

	Note(s)	Opening balance	Fair value adjustment	straight line rental adjustment	Additions (Refurbishment)	Disposals during the year	Closing balance
2022							
Assets							
Investment property	12						
Investment property		958 731 477	24 434 129	1 062 043	19 169 871	-	1 003 397 520
Equity investments at fair value through other comprehensive income	17						
Investments at fair value in unlisted entities		6 250 000	-	-	-	-	6 250 000
Total		**964 981 477**	**24 434 129**	**1 062 043**	**19 169 871**	**-**	**1 009 647 520**
2021							
Assets							
Investment property	12						
Investment property		892 495 663	10 076 638	(2 344 793)	65 993 969	(7 490 000)	958 731 477
Equity investments at fair value through other comprehensive income	17						
Investments at fair value in unlisted entities		6 250 000	-	-	-	-	6 250 000
Total		**898 745 663**	**10 076 638**	**(2 344 793)**	**65 993 969**	**(7 490 000)**	**964 981 47**

Notes to the Annual Financial Statements

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 2022 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
- 2% 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

	Unobservable input	Range
Discounted cash flow	Capitalisation rate	9%-12%

34. Events after the reporting period

Subsequent to the year end the company completed the acquisition of 30% shareholding in an industrial property in Nairobi, Kenya through Orbit Africa Logistics ('OAL'), a special purpose vehicle incorporated in Mauritius, which is wholly owned by GSL. GSL is a wholly owned subsidiary of London Stock Exchange listed Grit Real Estate Income Group ("Grit") for a consideration of USD 7 200 000.

Notes to the Annual Financial Statements

35. 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 2022	Corporate P	Commercial & Retail P	Leisure P	Industrial P	Residential P	Total P
Non-current Assets						
Investment Property including straight lining of rental income	-	231 847 520	7 590 000	716 760 000	47 200 000	1 003 397 520
Property Plant and Equipment	1 143 274	-	-	-	-	1 143 274
Right Use of Asset	703 540	-	-	-	-	703 540
Investment in Partnership/Associate	217 086 735	-	-	-	-	217 086 735
Investments at fair value	6 250 000	-	-	-	-	6 250 000
Deferred Tax	12 271 077	-	-	-	-	12 271 077
Operating lease asset	20 552 481	-	-	-	-	20 552 481
Deferred tax recoverable - related party	3 302 144	-	-	-	-	3 302 144
Other receivable	26 620 370	-	-	-	-	26 620 370
	287 929 621	231 847 520	7 590 000	716 760 000	47 200 000	1 291 327 141
Current Assets						
Taxation refundable	1 911 591	-	-	-	-	1 911 591
Trade and other receivables	4 361 950	683 707	-	1 925 179	208 884	7 179 720
Cash and cash equivalents	142 273 660	-	-	-	-	142 273 660
Total assets	**436 476 822**	**232 531 227**	**7 590 000**	**718 685 179**	**47 408 884**	**1 442 692 112**

Segmental Statement Financial Position at 30 June 2021	Corporate P	Commercial & Retail P	Leisure P	Industrial P	Residential P	Total P
Non-current Assets						
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
	67 686 201	**248 450 000**	**7 586 000**	**677 110 000**	**47 200 000**	**1 048 032 201**
Current Assets						
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
Total assets	**148 068 139**	**249 227 517**	**7 586 000**	**680 437 750**	**47 282 312**	**1 132 601 718**

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

Notes to the Annual Financial Statements

35. Segmental reporting (continued)

Segmental Statement of Comprehensive Income for the year ended 30 June 2022	Corporate P	Commercial & Retail P	Leisure P	Industrial P	Residential P	Total P
Segment revenue-rental income	-	24 846 145	-	78 624 087	4 441 421	107 911 653
Other operating income	148 430	24 859	39 955	101 878	47 304	362 426
Movement in Credit loss allowances	(1 963 290)	-	-	-	-	(1 963 290)
Other non-operating gains	393 837	-	-	-	-	393 837
Property related expenses	(1 320 169)	(2 588 279)	-	(5 146 382)	(1 139 655)	(10 194 485)
	-	-	-	-	-	-
Administration expenses	(23 232 312)	(165 237)	-	(311 842)	(72 581)	(23 781 972)
Operating Profit	(25 973 504)	22 117 488	39 955	73 267 741	3 276 489	72 728 169
Finance income	8 347 962	-	-	-	-	8 347 962
Finance costs	(9 003 025)	(10 265 412)	-	(2 050 159)	-	(21 318 596)
Share of profit from equity accounted investment	23 880 957	-	-	-	-	23 880 957
Fair value gain on investment property net of adjustment resulting from straight lining	-	1 994 836	4 000	23 142 123	(67 201)	25 073 758
Profit before tax	(2 747 610)	13 846 912	43 955	94 359 705	3 209 288	108 712 250
Income tax	(9 837 958)	-	-	-	-	(9 837 958)
Profit from continuing operations	(12 585 568)	13 846 912	43 955	94 359 705	3 209 288	98 874 292
Discontinued operations						
Profit from discontinued operations	-	-	-	-	-	-
Profit for the year	**(12 585 568)**	**13 846 912**	**43 955**	**94 359 705**	**3 209 288**	**98 874 292**

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
Segmental 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)
Administrative expenses	(24 183 213)	(108 501)	-	(266 665)	(41 489)	(24 599 868)
Operating Profit	(27 024 546)	22 194 475	-	66 951 681	3 405 994	65 527 604
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	-	(693 050)	-	9 524 167	(1 099 272)	7 731 845
Profit before tax	(23 693 883)	10 325 809	-	74 414 143	2 306 722	63 352 791
Income tax expense	(8 780 725)	-	-	-	-	(8 780 725)
Profit from continuing operations	(32 474 608)	10 325 809	-	74 414 143	2 306 722	54 572 066
Discountinued operations						
Profit from discounted operations	-	-	-	256 085	-	256 085
Profit for the year	**(32 474 608)**	**10 325 809**	**-**	**74 670 228 2**	**306 722**	**54 828 151**

Detailed income statement

	Note(s)	2022 P	2021 P
Continuing operations			
Revenue			
Contractual income		105 521 421	97 909 463
Straightline lease rental adjustment		(1 062 042)	2 344 792
Operating cost recoveries		3 452 274	2 611 661
	3	**107 911 653**	**102 865 916**
Other operating income			
Administration and management fees received		226 630	55 918
Bad debts recovered		39 955	254 701
Operating cost recoveries		95 841	-
Other income		-	323 988
	4	**362 426**	**634 607**
Other operating gains (losses)			
Profit on disposal of property, plant and equipment		(26 108)	212 329
Foreign exchange gains		419 945	-
	5	**393 837**	**212 329**
Impairment	6	(1 963 290)	(3 011 736)
Expenses (Refer to page 57)		**(33 976 456)**	**(35 173 512)**
Operating profit	6	**72 728 170**	**65 527 604**
Finance income	7	8 347 962	2 347 319
Finance costs	8	(21 318 596)	(15 232 305)
Share of profit from equity accounted investments		23 880 957	2 978 328
Fair value adjustment of investment properties			
Fair value adjustment of investment properties		25 073 757	7 731 845
Profit before taxation		**108 712 250**	**63 352 791**
Taxation	11	(9 837 958)	(8 780 725)
Profit for the year from continuing operations		**98 874 292**	**54 572 066**
Discontinued operations		-	256 085
Profit for the year		**98 874 292**	**54 828 151**

Notes to the Annual Financial Statements

	Note(s)	2022 P	2021 P
Other operating expenses			
AGM expenses		(714 990)	(10 735)
Administration and management fees		(745 549)	-
Advertising		(430 702)	(270 395)
Auditors remuneration - external auditors	6	(436 000)	(311 905)
Bank charges		(70 249)	(64 812)
Cleaning		(48 900)	(162 725)
BSE Sustaining fee		(404 616)	(326 653)
Computer expenses		(162 176)	(218 544)
Consulting and professional fees		(4 186 033)	(3 397 705)
Legal fees		(357 593)	(1 933 381)
Delivery expenses		(2 927 564)	(2 842 913)
Depreciation		(1 433 759)	(1 049 598)
Employee costs		(8 970 793)	(11 658 953)
Entertainment		(175 396)	(62 890)
Annual report costs		(207 513)	(291 256)
BSE Sustaining fee		(150 325)	(150 580)
CSDC Fees		(138 202)	(13 753)
Property management costs		(230 448)	(219 999)
Fees Letting		(960 542)	(792 377)
Corporate social responsibility		(304 654)	(102 193)
Garden		(1 850 030)	(1 748 162)
Insurance		(806 965)	(768 338)
Lease rentals on operating lease		(210 165)	(237 587)
Levies		(221 749)	(155 477)
Motor vehicle expenses		(56 444)	(31 293)
Municipal expenses		(2 083 089)	(2 096 992)
Other expenses		(47 646)	(351 159)
Refuse collection		(231 366)	(199 561)
Pest control		(28 382)	(18 015)
Postage		(21 561)	(27 064)
Printing and stationery		(52 385)	(56 876)
Repairs and maintenance		(2 111 213)	(1 857 033)
Staff welfare		(9 886)	(409 664)
Security		(1 602 133)	(2 481 987)
Staff welfare		(64 265)	(71 823)
Subscriptions		(587 718)	(470 956)
Valuation fees		(437 309)	(176 369)
Training		(235 047)	(69 307)
Trustees fees		(26 628)	(25 278)
Travel - local		(236 471)	(39 204)
		(33 976 456)	**(35 173 512)**


BG FINANCE

08. Appendices

Appendices

King III™ application register

The table below explains how LLR Limited has applied the principles set out in King III™ and addresses the extent of the Company's compliance with the code.

Principle		Comments / explanation	Status
1.	**Ethical leadership and corporate citizenship**		
1.1	The Board should provide effective leadership based on an ethical foundation	The ethical foundation on which the Board provides effective leadership is incorporated in the code of conduct and ethics as stipulated by the Board charter and conditions of employment. The Company's values, on which it builds its foundation, are included in the 2022 IAR. The Board has adopted the requirements of King III™ and considers best corporate governance practices to be critical in delivering sustainable growth. The Board also ensures that the Company complies with the requirements of BSEL, Companies act, IFRS and applicable laws.	**Applied**
1.2	The Board should ensure that the Company is and is seen to be a responsible corporate citizen	The Board ensures that the company is and is seen to be a responsible corporate citizen and this is also included in the Board charter as part of the role of the Board. As a responsible corporate citizen, the Company strives to preserve wealth for stakeholders and maximise returns to unit holders.	**Applied**
1.2	The Board should ensure that the Company's ethics are managed effectively	As per 1.1 above.	**Applied**
2.	**Boards and directors**		
2.1	The Board should act as the focal point for the custodian of corporate governance	The Board charter, approved in December 2021, sets out its responsibilities and the Board meets at least four times per year. Proper minutes are maintained of Board deliberations to ensure that proper corporate governance is being implemented on an ongoing basis.	**Applied**
2.2	The Board should appreciate that strategy, performance and sustainability are inseparable	The Board informs and approves the strategy and ensures it is aligned with the purpose of the company, its value drivers and the legitimate interests and expectations of its stakeholders to ensure sustainable outcomes.	**Applied**
2.3	The Board should provide effective leadership based on an ethical foundation	The code of conduct and ethics directs the Company to conduct its business with honesty and integrity and in accordance with the highest legal and ethical standards.	**Applied**
2.4	The Board should ensure that it is and is seen to be a responsible corporate citizen	Through the Audit Risk and Compliance Committee, the Board identifies and monitors non-financial aspects relevant to the business and reviews appropriate non-financial information that goes beyond assessing the financial and quantitative performance of the Company, and looks at other qualitative performance factors, which takes into account broad stakeholder issues.	**Applied**

Principle		Comments / explanation	Status
2.5	The Board should ensure that the Company's ethics are managed effectively	All directors and employees are required to comply with the spirit as well as the letter of the code of conduct and ethics and maintain the highest standards of conduct in all dealings	**Applied**
2.6	The Board should ensure that the Company has an effective and Independent Audit Committee	The ARAC Committee comprises of three independent non-executive directors.	**Applied**
2.7	The Board should be responsible for the governance of risk	Through the ARAC Committee, the Board identifies the key risk areas and key performance indicators for the Company. The Board has a process by which these risks are updated regularly.	**Applied**
2.8	The Board should be responsible for IT	The Board delegated this function to the ARAC Committee to ensure that IT governance is properly implemented. An IT governance framework is being developed.	**Applied**
2.9	The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards	The ARAC Committee oversees this function.	**Applied**
2.10	The Board should ensure that there is an effective risk-based internal audit	The Company outsources internal auditors who perform internal audit services twice a year. Internal audit assists the Company in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.	**Applied**
2.11	The Board should appreciate that stakeholders' perceptions affect the Company's reputation	We are working hard at improving our engagement with all our stakeholders. We engage and speak openly on important issues. We have also made it a priority to partner proactively with them in appropriate areas.	**Applied**
2.12	The Board should ensure the integrity of the Company's integrated report	The integrated report was presented to the Board for final approval, and publication thereafter.	**Applied**
2.13	The Board should report on the effectiveness of the Company's system of internal controls	The internal auditor's primary mandate is to examine and evaluate the effectiveness of the systems of internal financial control, so as to bring material deficiencies, instances of non-compliance and development needs to the attention of the Board through the ARAC Committee.	**Applied**
2.14	The Board and its directors should act in the best interest of the Company	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.	**Applied**

Principle		Comments / explanation	Status
2.15	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the Company is financially distressed as defined by the Act	This will be applied if necessary.	**Not applicable**
2.16	The Board should elect a chairman of the board who is an independent non-executive director. The CEO should not fulfil this role	Mr. Oteng Keabetswe is a Non-Executive Director and Chairman of the Board. His role is separate to that of the CEO. During this period of Mr Keabetswe's chairmanship, the Board elected Mr. Khuto Balosang as the Lead Independent Director per the requirements of King III™. LLR intends to appoint an independent non-executive director to serve as Board Chairperson during the first half of FY 2023	**Applied**
2.17	The Board should appoint the CEO and establish a framework for the delegation of authority	A delegation of authority framework was adopted, and the CEO's role was formalised. Succession planning is flagged for discussion by the Board in FY 2023	**Applied**
2.18	The Board should reflect a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	The Board is comprised of six board members: three independent non-executive directors and three non-executive directors. The Board has commenced the processes of appointing additional independent non-executive directors to the Board to comply with the provision that the majority of the directors are independent. The Board has considered the size, diversity and demographics and intends to increase the proportion of independent directors.	**Applied**
2.19	Directors should be appointed through a formal and transparent process	Directors are appointed through a formal process and this is overseen by the NRC. The Board then recommends the required skills set to shareholders for appointment at the Annual General Meeting.	**Applied**
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes	Following the appointment of new directors, they visit the Company's businesses and meet with senior management, as appropriate, and are offered to facilitate their understanding of the Company and their fiduciary responsibilities. Directors receive training as and when required on company-specific matters.	**Applied**
2.21	The Board should be assisted by a competent, suitably qualified company secretary	The Company has a suitable and competent Company Secretary. The Company Secretary is not a director of the Company and remains on an arm's-length basis with the Board.	**Applied**
2.22	The evaluation of the Board, its Committees and the individual directors should be performed every year	The evaluation of the Board, its Committees and individual performance evaluations are performed on an annual basis.	**Applied**

Principle		Comments / explanation	Status
2.23	The Board should delegate certain functions to well-structured Committees but without abdicating its own responsibilities	Specific responsibilities have been formally delegated to the Board Committees with defined terms of reference, duration and function, clearly agreed upon reporting procedures and written scope of authority documented in its formal charters.	**Applied**
2.24	A governance framework, including strategic objectives of the policy, should be agreed between the group and its subsidiary boards	LLR does not oversee any subsidiary boards.	**Not applicable**
2.25	Companies should remunerate directors and executives fairly and responsibly	Non-executive directors are paid an annual retainer fee and sitting fee per meeting. These fees are reviewed annually.	**Applied**
2.26	Companies should disclose the remuneration of each individual director	The directors' remuneration is disclosed in the Governance review section of the Integrated Report.	**Applied**
2.27	Shareholders should approve the company's remuneration policy	A remuneration policy is being developed, and will be tabled for approval by shareholders at the Annual General Meeting to be held during 2023.	**Not yet applied**
3.	**Risk and Audit Committee**		
3.1	The Board should ensure that the Company has an effective and Independent ARAC Committee comprising at least three members	The ARAC Committee comprises three independent non-executive directors.	**Applied**
3.2	ARAC members should be suitably skilled and experienced independent non-executive directors	All ARAC Committee members are independent non-executive directors who are suitably skilled and experienced. Refer to Board profiles.	**Applied**
3.3	The ARAC should be chaired by an Independent Non Executive Director	The Chairperson of the ARAC Committee is an independent non-executive director	**Applied**
3.4	The ARAC Committee should oversee integrated reporting	This function is included in the ARAC Committee's terms of reference.	**Applied**

Principle		Comments / explanation	Status
3.5	The ARAC Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	A combined assurance model is being considered for all assurance activities.	**Applied**
3.6	The ARAC Committee should satisfy itself of the expertise, resources and experience of the company's finance function	The ARAC 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 CFO.	**Applied**
3.7	The ARAC Committee should be responsible for overseeing internal audit	The ARAC Committee have oversight of the outsourced internal auditor's activities and findings.	**Applied**
3.8	The ARAC Committee should be an integral component of the risk management process	The internal audit plan, approved by the ARAC Committee, is based on risk assessments, which are of a continuous nature so as to identify not only existing and residual risks, but also emerging risks and issues highlighted by the ARAC Committee and senior management.	**Applied**
3.9	The ARAC Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	The ARAC Committee recommends the approval of the appointment of the external auditor as well as its engagement letter and terms, nature and scope of the audit function and the audit fee.	**Applied**
3.10	The ARAC Committee should report to the board and shareholders on how it has discharged its duties	The ARAC Committee advises the Board on issues ranging from the application of accounting standards to published financial information and feedback is provided at each Board meeting. A review of the ARAC Committee's activities is included in the Integrated Annual Report.	**Applied**
4.	**The governance of risk**		
4.1	The Board should be responsible for the governance of risk	The Board oversees the management of risk and has delegated the process to the ARAC Committee. The Committee monitors the adequacy and effectiveness of the Company's internal risk management process	**Applied**
4.2	The Board should determine the levels of risk tolerance	The risk tolerance levels have been determined	**Applied**

Principle		Comments / explanation	Status
4.3	The Risk Committee or Audit Committee should assist the Board in carrying out its risk responsibilities	As per 4.1	**Applied**
4.4	The Board should delegate to management the responsibility to design, implement and monitor the risk management plan	The Company maintains a risk register which details all risks and the management thereof. This risk register is reviewed by the ARAC Committee and Board of Directors every quarter.	**Applied**
4.5	The Board should ensure that risk assessments are performed on a continual basis	The inherent and residual risks are discussed at the quarterly ARAC Committee meetings.	**Applied**
4.6	The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredicted risks	The risk registers are continuously reviewed and discussed at the quarterly ARAC Committee meetings.	**Applied**
4.7	The Board should ensure that management considers and implements appropriate risk responses	The Board, through its risk oversight role, satisfies itself that the risk management policies and procedures designed and implemented by the company's senior executives and risk managers are consistent with the company's strategy and risk appetite.	**Applied**
4.8	The Board should ensure continuous risk monitoring by management	The Board has established a comprehensive control environment, ensuring that risks are mitigated and the Company's objectives are attained.	**Applied**
4.9	The Board should receive assurance regarding the effectiveness of the risk management process	LLR's outsourced internal audit function conducts continuous reviews in terms of internal controls and systems and attend the ARAC Committee meetings to table their working report.	**Applied**
4.10	The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosures to stakeholders	The major risks are disclosed in the 2022 IAR.	**Applied**

Principle		Comments / explanation	Status
5.	**The governance of information technology**		
5.1	The Board should be responsible for IT governance	The Board acknowledges its responsibility to provide oversight of LLR's IT governance. With the changing nature of the IT environment, the Board is currently in the process of developing the Company IT governance framework and in turn reviewing and updating the Company's IT policies to ensure they remain relevant.	**Applied**
5.2	IT should be aligned with the performance and sustainability objectives of the Company	The IT Governance Framework and Information and Security Policy will be reviewed with LLR's operational policies during the FY 2023 year.	**Applied**
5.3	The Board should delegate to management the responsibility for the implementation of an IT governance framework	Management outsources its IT function to an experienced, reputable firm who ensures the integrity of its IT system.	**Applied**
5.4	The Board should monitor and evaluate significant IT investments and expenditure	IT investments and expenditure are being monitored and approved.	**Applied**
5.5	IT should form an integral part of the Company's risk management	Both the internal and external auditors perform assessment on IT general controls. The SLA between LLR and the outsourced company serves as assurance on the effectiveness of the IT internal controls that are put in place by the outsourced service provider.	**Applied**
5.6	The Board should ensure that information assets are managed effectively	A disaster recovery plan is being drafted for approval in FY 2023. LLR has a secured cloud-based backup solution through the IT-service provider that will assist in the event there is a disaster for business continuity purposes.	**Applied**
5.7	A Risk Committee and Audit Committee should assist the Board in carrying out its IT responsibilities	The ARAC Committee assists the Board in carrying out its IT responsibilities	**Applied**
6.	**Compliance with laws, rules, codes and standards**		
6.1	The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards	The Board ensures that the Company complies with the requirements of BSEL, Companies Act, IFRS and the applicable law. The Company through the Company Secretary and Legal and Compliance Manager advises the Board on any legal, and regulatory requirements.	**Applied**

Principle		Comments / explanation	Status
6.2	The Board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the Company and its business	Directors have a working understanding of all applicable laws, rules, codes and standards applicable to the Company.	**Applied**
6.3	Compliance should form an integral part of the company's risk management process	Compliance risk is discussed at each ARAC Committee meeting and forms part of the risk management process.	**Applied**
6.4	The Board should delegate to management the implementation of an effective compliance framework and processes	The Company is in the process of further developing a compliance framework to assist in fulfilling its responsibility fully in this regard.	**Applied**
7.	**Internal audit**		
7.1	The Board should ensure that there is an effective risk-based internal audit	The Company outsources internal auditors who perform internal audit services twice a year. A quality assurance and improvement programme is designed to enable an evaluation of the internal audit's conformance with the standards and an evaluation of whether internal auditors apply the code of ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.	**Applied**
7.2	Internal audit should follow a risk-based approach to its plan	The outsourced internal audit plan, through its audit plan, follow a risk-based approach in performing the audit of the Company.	**Applied**
7.3	Internal audit should provide a written assessment of the effectiveness of the Company's system of internal controls and risk management	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.	**Applied**
7.4	The ARAC Committee should be responsible for overseeing internal audit	Management assesses performance of the auditors and presents an objective report to the ARAC Committee.	**Applied**
7.5	Internal audit should be strategically positioned to achieve its objectives	Internal audit reports are reviewed at the ARAC Committee meetings which the internal auditors attend by invitation.	**Applied**

Principle		Comments / explanation	Status
8.	**The governance of risk**		
8.1	The Board should appreciate that stakeholders' perceptions affect the Company's reputation	Management engages with the stakeholders and reports to the Board on the perception of stakeholders and how they affect the Company's reputation.	**Applied**
8.2	The Board should delegate to management to proactively deal with stakeholder relationships	Refer to 8.1	**Applied**
8.3	The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company	Although a formal stakeholder engagement process is not yet in place, the Company interacts with its major stakeholders on an ad hoc basis in the normal course of business.	**Applied**
8.4	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	The Board strives to ensure that reporting to stakeholders is relevant, transparent and accurate.	**Applied**
8.5	The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	LLR currently uses the Company's Dispute and Grievance Policy to resolve disputes as effectively, efficiently, and expeditiously as possible.	**Applied**
9.	**Integrated reporting and disclosure**		
9.1	The Board should ensure the integrity of the Company's integrated report	The Board has applied its collective expertise to LLR's integrated report and, in its opinion, the report addresses all material issues and presents an integrated and accurate view of the Company's performance in the year under review.	**Applied**
9.2	Sustainable reporting and disclosure should be integrated with the Company's financial reporting	The Company endeavours to integrate all information to stakeholders in the form of the IAR, focusing on sustainability on all levels, including finances.	**Applied**
9.3	Sustainability reporting and disclosure should be independently assured	Sustainability (ESG) reporting is currently being self-assured. At this stage in its reporting journey, LLR has decided that it is premature to obtain independent assurance for non-financial disclosures.	**Not applied**

Shareholder information

Notice of Annual General Meeting (AGM)

Notice is hereby given that the 2022 Annual General Meeting of the Unitholders of Letlole La Rona Limited shall be held by means of audio or audio visual communication on Wednesday 14 December 2022 at 09:00hours 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 14 December 2021.

3. To approve minutes of the Extra-Ordinary General Meeting held on 13 July 2022.

4. To receive the Chairperson's Report.

5. **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 2022.

6. **Ordinary Resolution 2**
To approve and ratify the distributions declared by the Directors for the year ended 30 June 2022.

7. **Ordinary Resolution 3**
To approve the remuneration of the Directors for the year ended 30 June 2022.

8. **Ordinary Resolution 4**
To approve the remuneration of Grant Thornton, the Auditors, for the year ended 30 June 2022.

9. **Ordinary Resolution 5**
To re-appoint Grant Thornton as Auditors of the Company for the ensuing year.

10. **Ordinary Resolution 6**
To ratify the appointment of Mr. Mervin Muller to the Board of Directors of the Company in terms of section 20.4 of the Company's Constitution. Mr. Muller's Curriculum Vitae is available for inspection at our offices.

    Mr. Muller is a Chartered Accountant (South Africa) and holds an LLB degree from the University of South Africa. Mr. Muller has previously served at Public Investment Corporation (PIC) as Executive Head of Private Equity and Structured Investment Products ('SIPs') where he was responsible for investment execution and management of the Private Equity and SIPs portfolio and also responsible for approximately USD15.0 billion of assets under management.

11. **Ordinary Resolution 7**
To re-elect Mr. Mooketsi Maphane who retires by rotation in terms of section 20.9.1 of the Constitution and being eligible, offers himself for re-election (refer to profile on page 26 of the Integrated Report).

12. **Ordinary Resolution 8**
To re-elect Gregory Pearson who retires by rotation in terms of section 20.9.1 of the Constitution and being eligible, offers himself for re-election (refer to profile on page 27 of the Integrated Report).

13. **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.

By order of the Board

Company Secretary
21 November 2022

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:

1. The Company's Annual General Meeting will be held virtually via the Microsoft Teams Meeting Application on Wednesday 14 December 2022.

2. Unitholders who wish to attend the meeting should RSVP by email to Bothepa Obuseng at **bobuseng@letlole.com** OR Ms. Dinah Jonah at **djonah@letlole.com** by close of business on Tuesday 13 December 2022.

3. 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.

Letlole La Rona Limited

Letlole La Rona Limited,
incorporated in the Republic of Botswana
Registration Number - **BW00001394482**
Share Code - **Letlole ISIM: BW 000 000 1015**

SUSTAINABLE INVESTMENTS

Proxy Form

The 2022 Annual General Meeting of members to be held on 14 December 2022 at 09:00hrs 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 at 14 December 2022

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 2022 Annual General Meeting of the Company to be held on 14 December 2022 at 09:00 hrs.

	Number of linked units		
	For	**Against**	**Abstain**
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 2022.			
Ordinary Resolution 2 To approve and ratify the distributions declared by the Directors for the year ended 30 June 2022.			
Ordinary Resolution 3 To approve the remuneration of the Directors for the year ended 30 June 2022.			
Ordinary Resolution 4 To approve the remuneration of Grant Thornton, the Auditors, for the year ended 30 June 2022			
Ordinary Resolution 5 To re-appoint Grant Thornton as Auditors of the Company for the ensuing year.			
Ordinary Resolution 6 To ratify the appointment Mr. Mervin Muller to the Board of Directors of the Company in terms of section 20.4 of the Company's Constitution.			
Ordinary Resolution 7 To re-elect Mr. Mooketsi Maphane who retires by rotation in terms of section 20.9.1 of the Constitution and being eligible, offers himself for re-election.			
Ordinary Resolution 8 To re-elect Gregory Pearson who retires by rotation in terms of section 20.9.1 of the Constitution and being eligible, offers himself for re-election.			

Signed this...day of ....2022 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** not less than 48 hours before the meeting.

Corporate information

Country of incorporation and domicile	Botswana
Nature of business and principal activities	The Company is a variable rate loan stock Company engaged in property investment and deriving revenue primarily from property rentals.
Registered office	Letlole la Rona Limited Unit 2B, 1st Floor Peelo Place, Plot 54366 CBD P O Box 700ABG Gaborone Botswana
Business address	Unit 2B, 1st Floor Peelo Place, Plot 54366, CBD P O Box 700ABG Gaborone Botswana
Auditors	Grant Thornton Chartered Accountants and Certified Auditors of Public Interest Entities
Secretary	Bothepa Obuseng
Company registration number	BW00001394482
Date of incorporation	08 July 2010
Transfer secretaries	Central Securities Depository Company Botswana 4th Floor, Farscape Precinct Plot 70667 Fairgrounds Gaborone Botswana
Debenture trust trustees	Desert Secretarial Services (Pty) Ltd / Stevens Fricker & Associates


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CONTACTS
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info@letlole.com