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Independent Auditor's Report

To the Shareholders of Turnstar Holdings Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Turnstar Holdings Limited and its subsidiaries ('the Group') and Company set out on pages 10 to 67, which comprise the consolidated and separate statements of financial position as at 31 January 2023, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate annual financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Turnstar Holdings Limited as at 31 January 2023, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act (CAP 42:01).

Basis for Opinion

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

Key Audit Matters

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

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

The key audit matter applies equally to the audit of the consolidated and separate financial statements.

Key Audit Matter	How the matter was addressed in the audit
Valuation of Investment Properties	
The Group's investment property portfolios are valued at BWP 2,599,722,059 (2022: BWP 2,460,487,166) and the Company's investment property portfolio is valued at BWP 1,427,539,285 (2022: BWP 1,404,778,381) as at 31 January 2023. The Group's investment property portfolios comprise of investment properties held in three geographical regions. The fair values of these portfolios are determined using the discounted cash flow method which involves projecting income and expenditure for each investment property for future years and discounting the projected future cash flows at a discount rate to calculate the current fair value. The valuation model used for forecasting the income and expenditure for each investment property is subjective in nature and involve various input assumptions distinctive to each geographical location regarding rental income and expenses, occupancy rates and discount rates. This is further compounded by the uncertain economic and market conditions in each geographical region due to rising inflation and interest rates. We have identified the valuation of the investment property portfolios to be a key audit matter due to valuation method being inherently judgmental because of the subjective inputs, across regions and the significance of the investment property portfolios to the Company and Group's total assets. The disclosure associated with the valuation of investment properties is set out in the consolidated and separate annual financial statements in the following notes: • Note 1.3 Fair value estimation • Note 1.4 Investment property • Note 3: Investment property • Note 36: Fair value information	Our procedures included amongst others: • We obtained an understanding of the valuation process and models used to determine the fair value of these investment property portfolios through discussion with the external independent valuation specialists and management. • We evaluated the external valuation specialists' competence, capabilities, and objectivity with reference to their qualifications and industry experience. • With the support of our internal valuation specialists, we: ▪ Evaluated the appropriateness of the input data and assumptions used by the valuers, including current and projected rental income and expenses and occupancy rates by agreeing them back to management's records, invoices received or other supporting documentation including: o key terms of lease agreements o rental income schedules o Independent macro-economic data ▪ We evaluated the key assumptions used by the independent valuers against our own expectations using evidence from comparable market transactions, historical records, and approved budgets. ▪ We assessed the appropriateness of the discount rates by evaluating these rates against risk free rates, adjustments for market and other risks in the different geographical areas and rates applied by other entities in the same industry and geographical areas. ▪ We considered the impact of rising inflation and interest rates on the market related assumptions and inputs into the fair value models through discussion with both management and the valuation specialists. • We assessed the adequacy of the disclosures included in the consolidated and separate financial statements relating to investment property and the

	fair value thereof against the requirements of IAS 40 – Investment Property and IFRS 13 Fair Value Measurement.

The key audit matter applies only to the consolidated financial statements.

Key Audit Matter	How the matter was addressed in the audit
Goodwill impairment assessment	
Goodwill of BWP 27,177,745 million was carried forward from the prior financial year and adjusted to P29,864,906 in the current year due to exchange rate movements between the Botswana Pula and US Dollar. The goodwill arose from the Group's historic acquisition of its Tanzanian operations. Management performs an annual goodwill impairment assessment as required by IAS 36 (Impairment of Assets) and applies judgement in determining the inputs to calculate the recoverable amount for the cash generating unit (Tanzanian operations). The goodwill impairment assessment is based on the five-year budgeted cash flow projections for the Tanzanian operations and applying a discount rate to the cash flow projections. The discount rate is based on the cost of capital and borrowings obtained by the Tanzanian operations from the shareholder. Rising inflation and interest rates in the geographical regions in which the Group operates, including Tanzania, have put pressure in the Group's cash flow projections and discount rates. As a result, the Group recognised an impairment against the full carrying amount of the goodwill of P29 864 906 in the current year. Key inputs which required significant auditor attention, and necessitated the involvement of our internal valuation specialists' team, were: • The growth rates applied to rental income and operating expenses • The discount rate used We have considered the goodwill impairment assessment to be a key audit matter in our audit of the consolidated financial statements due to the judgmental nature of the assumptions included in the impairment assessment. The disclosures associated with the impairment assessment of goodwill are disclosed in:	Our audit of goodwill included the following procedures, amongst others: • With the involvement of our internal valuation specialists' team, we evaluated whether the methodology applied by management in their goodwill assessment is in line with IAS 36. • We performed tress testing to calculate the sensitivity of the headroom/impairment of the cash generating unit considering the Tanzanian operations' historic performance. This included stress testing the growth rates applied to rental income and operation expenses as well as the discount rate. • We evaluated, in conjunction with our internal valuation specialists' team, the estimates applied by management in determining the revenue and operating expenses growth rates and the discount rate by comparing these to historical performance and to independent external forward-looking data. • We considered the impact of rising inflation and interest rates on the growth rate applied to operating expenses and the discount rate through discussion with both management and comparing these to independent external forward-looking data. • We assessed the appropriateness of the discount rate applied to the cash flow projections by evaluating the rate against risk free rates, adjustments for market and other risks and comparing the rate to rates applied by other entities operating in the same industry and geographical region. • We assessed the adequacy of the disclosure included in the Group's financial statements in terms of the requirements of IAS 36.

• Note 1.3 Impairment testing • Note 1.6 Goodwill • Note 1.10 Impairment of assets • Note 5 Goodwill	

Other Information

The directors are responsible for the other information. The other information comprises the other information included in the 66-page document titled "Turnstar Holdings Limited Consolidated and Separate Annual Financial Statements for the year ended 31 January 2023" which includes the General Information, Directors' Responsibilities and Approval Statement and the Directors' Report, 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. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (CAP 42:01) and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for

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one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Evaluate the overall presentation, structure, and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Ernst + Young

Ernst & Young
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Partner
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Certified Auditor
Gaborone
Date: 28 April 2023