

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PRIMETIME PROPERTY HOLDINGS LIMITED

Opinion

We have audited the separate and consolidated financial statements of PrimeTime Property Holdings Limited ("the Company" and its subsidiaries ("the Group")), set out on pages 9 to 42, which comprise the statements of financial position as at 31 August 2019, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and statements of cash flows for the year then ended, a summary of the significant accounting policies and notes to the financial statements.

In our opinion, the separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Company and Group as at 31 August 2019, and their separate and consolidated financial performance and separate and consolidated 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 (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements* section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part 4A and 4B), together with other ethical requirements that are relevant to our audit of the Separate and the Consolidated Financial Statements in Botswana, and we have fulfilled our other responsibilities in accordance with these requirements applicable to performing audits in Botswana. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the separate and consolidated financial statements of the current period. This matter was addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of Investment Properties (Separate and Consolidated)

As disclosed in Note 8, the carrying amount of investment properties amounted to P1.4 billion (Company: P863 million) and the fair value loss recorded in the profit or loss for the year in respect of investment properties was P14.1 million (Company: gain of P17.8 million).

The Group uses independent external valuers to determine the fair values for all properties on an annual basis. The independent valuers perform full valuations on the portfolio on a five year rotational cycle, in between the full valuation, the properties are subjected to a desktop valuation.

The key inputs applied in the fair value determination for each property vary as a result of the nature, location, size, physical condition and land tenure of the respective properties.

The valuation of the investment properties is dependent on assumptions and judgements such as vacancy rates, expenditure escalation rates, revenue escalation rates and capitalisation rates.

The most significant assumption relates to the capitalisation rates - changing any of these assumptions will significantly affect the valuation of the investment properties.

For the purpose of our audit we identified the valuation of investment properties as a key audit matter due to the significance of the balance to the separate and consolidated financial statements as a whole and the estimates and judgements associated with determining the fair value.

In evaluating the valuation of investment properties, we performed the following procedures:

- We assessed the design and implementation of the relevant controls over the valuation process of investment properties.
- We assessed the competence, capabilities and objectivity of the Directors' independent valuers, and verified their qualifications. In addition, we discussed and reviewed their terms of engagement to determine that there were no matters that affected their independence and objectivity or imposed scope limitations upon them. We confirmed that the approaches they used are consistent with International Financial Reporting Standards ("IFRS") and industry norms. We did not come across any evidence which made us to doubt the objectivity and the independence of the external valuers.
- We tested a selection of data inputs underpinning the investment property valuation, including rental income, tenancy schedules and capitalisation rates, against appropriate supporting documentation, to assess the accuracy, reliability and completeness thereof.
- We also evaluated the appropriateness of the valuation methods used by comparison to valuation methods used by other property companies.
- We assessed the adequacy of the disclosures in the financial statements relating to investment properties.

The models (discounted cash flow and net income model) used in the valuation were appropriate and the capitalisation rates were comparable to market rates and those used in the prior year.

We considered the disclosures in the separate and consolidated financial statements to be appropriate.



Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report and the Directors Statement of Responsibility and Approval of Financial Statements, which we obtained prior to the date of this auditor's report, and the Chairman and Managing Directors' Report, Portfolio Report and the Corporate Governance Report, which are expected to be made available to us with the Annual Report after the date of this auditor's report. The other information does not include the separate and consolidated financial statements and our auditor's report thereon.

Our opinion on the separate and consolidated 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 separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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 Separate and Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of the separate and consolidated 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 separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, the Directors are responsible for assessing the Company's and Group'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 and/or Group or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Company's and Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the separate and consolidated 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 separate and consolidated 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 separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures

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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 and Group'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 and Group'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 separate and consolidated 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 and/or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated 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 separate and consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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 Audit Committee 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 Audit Committee, we determine those matters that were of most significance in the audit of the separate and consolidated 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.

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