

LETOLE LA RONA LIMITED AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2022

Letole La Rona Limited,
Incorporated in the Republic of Botswana.
Registration Number- BW0001394482
Share Code- letole ISIM: BW 000 000 1015
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Highlights

Revenue **5%** | Operating profit **11%** | Profit before Tax **71%** | Investment Portfolio **22%** | Net asset value **8%** | Distribution **6%** | SHARE PRICE CLOSED AT P3.00/UNIT

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

BWP	AUDITED Jun-2022	AUDITED Jun-2021
Continuing Operations		
Revenue	107,911,653	102,865,916
Contractual revenue	105,521,421	97,909,463
Straight line lease rental adjustment	(1,062,242)	2,347,792
Operating Cost recoveries	2,452,274	2,611,661
Other income	362,426	634,607
Movement in credit loss allowances	(1,963,290)	(3,011,736)
Other non operating gains	393,837	212,329
Property related expenses	(10,194,485)	(10,573,643)
Administrative expenses	(23,781,971)	(24,599,869)
Operating Profit	72,728,170	65,527,604
Finance income	8,347,962	2,347,319
Finance costs	(2,318,596)	(15,232,305)
Share of profit from equity accounted investment	23,880,957	2,978,328
Profit before fair value adjustment	83,638,495	55,620,946
Fair value adjustment of investment properties	25,073,757	7,731,845
As per valuation	24,011,715	10,076,638
Straight line lease adjustment	1,062,042	(2,347,792)
Profit before tax	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
Total Comprehensive Income for the year	98,874,292	54,828,151
Number of linked units in issue at end of the year	280,000,000	280,000,000
Weighted average number of linked units in issue	280,000,000	280,000,000
Earnings per linked unit (Thebe)	39.34	23.38
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 of:	110,153,252	65,464,270
Distribution per linked unit (Thebe)	18.41	17.37
Dividends per linked unit (Thebe)	0.10	0.10
Debenture interest per linked unit (Thebe)	18.31	17.27

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

BWP	AUDITED Jun-2022	AUDITED Jun-2021
ASSETS		
Non-current assets		
Investment properties	1,003,397,520	958,731,477
Property, plant & equipment	1,143,274	1,290,927
Right of Use Asset	703,540	1,415,915
Investment in Associate	217,086,735	421,716,222
Investments at fair value	6,250,000	6,250,000
Operating lease asset	20,552,481	21,614,523
Deferred tax	12,271,077	11,858,968
Deferred taxation recoverable - related party	3,302,144	4,698,769
Other Receivable	26,620,370	-
Total Non-Current Assets	1,291,327,141	1,048,032,201
Current assets		
Trade and other receivables	7,179,720	6,215,675
Taxation receivable	1,311,591	1,614,021
Cash and cash equivalents	142,273,660	76,739,821
	151,364,971	84,569,517
Total Current Assets	1,442,692,112	1,132,601,718
EQUITY AND LIABILITIES		
Capital and reserves		
Stated capital	2,718,884	2,718,884
Debentures-Linked units	405,113,547	405,113,547
Retained income	438,752,105	380,146,859
Total equity and liabilities	846,584,536	787,979,290
Liabilities		
Non-current liabilities		
Long term borrowings	471,257,982	228,661,072
Lease Liability	126,200	717,770
Deferred taxation	63,116,473	65,541,990
Total non-current liabilities	638,594,655	294,920,832
Current liabilities		
Trade and other payables	27,940,731	18,980,977
Current portion of the borrowings	4,860,172	3,612,350
Current portion Lease Liability	722,018	615,509
Debenture interest and dividend Payable	28,084,000	26,492,760
Total current liabilities	61,606,921	49,701,596
Total equity and liabilities	1,442,692,112	1,132,601,718

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

BWP	Stated capital	Debentures	Retained earnings	Total equity
Balance at 30 June 2020	2,718,884	405,113,547	363,308,582	771,141,013
Total comprehensive income for the year	-	-	54,828,151	54,828,151
Dividends declared	-	-	(280,000)	(280,000)
Debenture interest declared	-	-	(48,345,992)	(48,345,992)
Taxation attributable to debenture interest	-	-	10,636,118	10,636,118
Balance at 30 June 2021	2,718,884	405,113,547	380,146,859	787,979,290
Profit for the year	-	-	98,874,292	98,874,292
Dividends declared	-	-	(280,000)	(280,000)
Debenture interest declared	-	-	(51,268,000)	(51,268,000)
Taxation attributable to debenture interest paid	-	-	11,278,960	11,278,960
Balance at 30 June 2022	2,718,884	405,113,547	438,752,105	846,584,536

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

BWP	AUDITED Jun-2022	AUDITED Jun-2021
Cash flows from operating activities		
Profit before taxation	108,712,250	63,352,791
Profit/(Loss) before taxation from discontinued operations	-	256,085
Adjustments for:		
Depreciation expense	1,433,759	1,049,598
Profit on sale of investment property	-	(210,000)
Profit on sale of property, plant & equipment	26,108	(2,329)
Share of profit from equity accounted investment	(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)
Movement in credit loss allowances	1,963,290	3,011,736
Movements in operating lease assets	1,062,042	(2,318,186)
Operating income before working capital changes	77,213,368	67,318,508
Working capital changes		
Decrease in trade and other receivables	(2,927,335)	(109,983)
Increase/(decrease) in trade and other payables	8,959,754	4,997,015
Taxation paid	(297,570)	(214,442)
Net cash generated from operating activities	82,948,218	71,901,097
Cash flows (used in)/from investing activities		
Additions to investment properties	(19,592,286)	(65,993,969)
Acquisition of Investment in Associate	(153,938,581)	-
Distribution From Associate	2,904,420	3,800,000
Other Receivable	(26,620,370)	-
Finance income	8,347,962	2,347,319
Acquisition of property, plant & equipment	(444,327)	(176,109)
Proceeds on sale of property, plant & equipment	-	6,987
Proceeds on sale of investment property	-	770,000
Net cash used in investing activities	(189,343,182)	(52,315,772)
Cash flows used in financing activities		
Repayment of borrowings	(3,625,214)	(2,527,601)
New Borrowings	247,469,946	-
Finance costs	(21,318,596)	(15,232,305)
Payment of lease liability	(640,573)	(542,062)
Dividends and Debenture interest paid	(49,956,760)	(47,334,432)
Net cash used in financing activities	171,928,803	(65,436,400)
Net increase in cash and cash equivalents	65,533,839	(45,851,076)
Cash and cash equivalents at beginning of the year	76,739,821	122,590,894
Cash and cash equivalents at end of the year	142,273,660	76,739,821

SEGMENTAL REPORTING

BWP	Corporate	Commercial & Retail	Leisure	Industrial	Residential	Total
SEGMENTAL STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 2022 - AUDITED						
Segment revenue	-	24,846,145	-	78,624,087	4,441,421	107,911,653
Other income	148,430	24,859	39,955	101,878	47,304	362,426
Movement in credit loss allowance	(1,963,290)	-	-	-	-	(1,963,290)
Other non-operating gains	393,837	-	-	-	-	393,837
Property related expenses	(1,321,678)	(2,588,279)	-	(5,146,381)	(11,381,146)	(10,194,485)
Administrative expenses	(23,230,802)	(165,237)	-	(311,842)	(74,090)	(23,781,971)
Operating profit	(25,978,504)	22,117,487	39,955	73,267,742	3,276,490	72,728,170
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)	25,073,757
Tax expense	(9,837,958)	-	-	-	-	(9,837,958)
Profit from continuing operations	(12,585,567)	13,846,911	43,955	94,359,705	3,209,289	98,874,292
Discontinued operations	-	-	-	-	-	-
Profit from discontinued operations	-	-	-	-	-	256,085
Profit for the year	(12,585,567)	13,846,911	43,955	94,359,705	3,209,289	98,874,292

SEGMENTAL REPORTING

BWP	Corporate	Commercial & Retail	Leisure	Industrial	Residential	Total
SEGMENTAL STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021 - AUDITED						
Segment revenue	-	24,875,555	-	73,460,754	4,529,608	102,865,916
Other income	168,074	-	-	323,988	142,545	634,607
Movement in Credit loss allowances	(3,011,736)	-	-	-	-	(3,011,736)
Impairment loss on investment properties	2,329	-	-	210,000	-	212,329
Property related expenses	-	(2,572,579)	-	(6,776,396)	(1,224,667)	(10,573,643)
Administrative expenses	(24,183,213)	(108,501)	-	(266,665)	(41,489)	(24,599,869)
Operating profit	(27,024,546)	22,194,474	-	66,951,680	3,405,997	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 equity accounted investment	2,978,328	-	-	-	-	2,978,328
Fair value gain on investment property net of adjustment resulting from straight lining	-	(693,050)	-	9,524,167	(1,099,272)	7,731,845
Tax expense	(8,780,725)	-	-	-	-	(8,780,725)
Profit from continuing operations	(32,474,608)	10,325,807	-	74,414,143	2,306,726	54,572,067
Discontinued operations	-	-	-	-	-	256,085
Profit from discontinued operations	-	-	-	-	-	256,085
Profit for the year	(32,474,608)	10,325,807	-	74,414,143	2,306,726	54,828,151

SEGMENTAL STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022 - AUDITED

BWP	Corporate	Commercial & Retail	Leisure	Industrial	Residential	Total
SEGMENTAL STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022 - AUDITED						
Investment Property including operating lease asset	-	252,400,000	759,000	716,760,001	47,200,000	1,023,950,001
Other assets	410,408,356	683,707	-	7,441,165	208,884	418,742,111
Total Assets	410,408,356	253,083,707	759,000	724,201,166	47,408,884	1,442,692,112
AS AT 30 JUNE 2021 - AUDITED						
Investment Property including operating lease asset	-	248,450,000	7,586,000	677,110,000	47,200,000	980,346,000
Other assets	138,648,925	1,939,081	-	11,510,628	157,084	152,255,718
Total Assets	138,648,925	250,389,081	7,586,000	688,620,628	47,357,084	1,132,601,718

1. Operational Overview

The company holds a well-diversified investment portfolio with a strong cash generating ability, resulting in the consistent delivery of solid financial and operational results. The industrial sector has proved to be resilient over the past 12 months with the demand for warehousing space continuing to be strong. On the back of the quality assets that the company holds, the portfolio has enjoyed remarkably high occupancies of 99% over the past 12 months.

The ability of the company to negotiate long term leases and maintain the weighted average lease expiry at 3.2 years as well as average annual escalation rates at 6.7% in an economy which is yet to return to the robust growth of years gone by, is a testimony to the quality of LLR's assets.

The investment portfolio value now stands at P1.2 billion which is a 22% increase from the prior year's P1.0 billion. The growth is primarily driven by the acquisition of a 32.79% stake in JTMM Properties (Proprietary) Limited (JTMM). JTMM is the sole owner of Rail Park Mall, a 32,000sqm prime commuter mall situated in the heart of the Gaborone bus and taxi terminals.

2. Financial Performance

The Company continued to deliver exceptional results during the period under review. Revenue increased by 5% year-on-year to close at P108m, from the prior year's figure of P103m. This growth was on the back of average annual lease escalations of 6.7%, supported by extremely low vacancy rates of less than 1%. There was a significant improvement in collection rates which exceeded 100% of the total monthly rentals billed, resulting in the credit loss allowances during the year being 35% lower than the prior year figure of P3m.

The improved rental collections and cash management led to higher cash reserves which were invested in various fixed deposits and money market instruments, hence the significant growth in finance income.

The acquisition of Rail Park Mall has substantially boosted the share of profit from associates as the investment which was acquired for P152m in December 2021 showed a 13% growth in value to close at P171m by year end. The acquisition was fully financed through a long-term loan facility, hence the 41% increase in finance costs from P15m in the prior year to P21m.

The improved trading conditions experienced during the year, coupled with lower vacancy rates, have seen the fair value gains of the investment property increasing significantly from P8m in the prior year to