

LETLOLE LA RONA LIMITED AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2023

Highlights



STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	AUDITED Jun-2023	AUDITED Jun-2022
BWP		
Continuing Operations		
Revenue	102,146,703	97,526,385
Contractual revenue	98,731,227	95,565,255
Straight line lease rental adjustment	59,458	(1,035,333)
Operating cost recoveries	3,356,018	2,996,463
Other income	1,612,156	274,771
Movement in credit loss allowances	1,508,589	(1,963,290)
Other non operating gains	10,897,813	393,837
Property related expenses	(9,821,667)	(8,906,951)
Administrative expenses	(31,889,850)	(23,709,390)
Operating Profit	74,453,744	63,615,361
Finance income	20,734,401	8,347,962
Finance costs	(34,476,270)	(21,318,596)
Share of profit from equity accounted investments	12,509,443	12,509,443
Profit before fair value adjustment	73,221,318	74,525,683
Fair value adjustment of investment properties	46,097,737	31,200,958
As per valuation	46,261,978	30,165,625
Straight line lease adjustment	(164,240)	(1,035,533)
Profit Before Tax	119,319,055	105,726,641
Taxation	(18,136,185)	(9,837,958)
Profit from continuing operations	101,182,870	95,888,683
Profit from discontinued operations	9,118,449	2,985,609
Total Comprehensive Income for the year	110,301,319	98,874,292
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)	43.72	39.34
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:	122,397,798	110,153,252
Distribution per linked unit (Thebe)	19.74	18.41
Dividends per linked unit (Thebe)	0.10	0.10
Debenture interest per linked unit (Thebe)	19.64	18.31

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	AUDITED Jun-2023	AUDITED Jun-2022
BWP		
ASSETS		
Non-current assets		
Investment properties	967,983,900	1,003,397,520
Loan to associate company	99,224,484	-
Operating lease asset	20,716,721	20,552,481
Right of use asset	98,348	703,540
Investment in associates	234,624,422	217,086,735
Other receivable	6,250,000	26,620,370
Investments at fair value	1,607,628	6,250,000
Property, plant & equipment	12,843,591	12,271,077
Deferred tax	3,200,048	3,302,144
Deferred taxation recoverable - related party	3,200,048	3,302,144
Total Non-Current Assets	1,346,549,142	1,291,927,141
Current assets		
Taxation refundable	2,992,181	1,911,591
Trade and other receivables	6,091,038	7,179,720
Cash and cash equivalents	66,797,614	142,273,660
Total Current Assets	75,880,833	151,364,971
Non-current assets held for sale	96,500,000	-
Total Assets	1,518,929,975	1,442,692,112
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	505,885,904	438,752,106
Total equity and liabilities	913,718,335	846,584,537
Liabilities		
Non-current liabilities		
Borrowings	476,346,426	471,257,982
Deferred taxation	69,626,596	63,119,473
Lease liability	-	126,200
Total non-current liabilities	545,973,022	534,500,655
Current liabilities		
Debenture interest and dividend payable	29,764,000	28,084,000
Trade and other payables	24,111,238	27,940,730
Current portion of borrowings	5,237,180	4,860,172
Current portion of lease liability	176,200	722,018
Total current liabilities	59,238,618	61,606,920
Total equity and liabilities	1,518,929,975	1,442,692,112

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	Stated capital	Debentures	Retained Income	Total
BWP				
Balance at 30 June 2021	2,718,884	405,113,547	380,146,853	787,979,284
Total comprehensive income 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	-	-	11,278,960	11,278,960
Balance at 30 June 2022	2,718,884	405,113,547	438,752,105	846,584,536
Total comprehensive income for the year	-	-	110,301,319	110,301,319
Dividends declared	-	-	(280,000)	(280,000)
Debenture interest declared	-	-	(54,984,000)	(54,984,000)
Taxation attributable to debenture interest	-	-	12,096,480	12,096,480
Balance at 30 June 2023	2,718,884	405,113,547	505,885,904	913,718,335

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	AUDITED Jun-2023	AUDITED Jun-2022
BWP		
Cash flows from operating activities		
Profit before taxation from continuing operations	119,319,055	105,726,641
Profit/(loss) before taxation from discontinued operations	9,118,449	2,985,609
Adjustments for:		
Fair value adjustment of investment properties	(46,268,986)	(25,073,474)
Share of profit from equity accounted investments	(12,509,443)	(23,880,957)
(Profit)/Loss on sale of plant & equipment	35,722	26,108
Finance costs	34,476,270	21,318,596
Finance income	(20,734,401)	(8,347,962)
Depreciation expense	1,372,579	1,433,475
Movement in credit loss allowances	(1,508,589)	1,963,290
Movements in operating lease assets	(164,240)	1,062,042
Operating income before working capital changes	83,136,416	77,213,368
Working capital changes		
Decrease in trade and other receivables	2,597,271	(2,927,335)
Increase/(decrease) in trade and other payables	(3,829,492)	8,959,753
Taxation paid	(1,080,590)	(297,570)
Net cash generated from operating activities	80,823,605	82,948,215
Cash flows (used in)/from investing activities		
Investment properties refurbishments	(4,817,394)	(19,292,286)
Investment in associates	(8,108,689)	(153,938,581)
Distribution from associates	3,080,445	2,904,420
Other receivable	26,620,370	(26,620,370)
Finance income	20,734,401	8,347,962
Acquisition of property, plant & equipment	(1,271,345)	(444,327)
Sale of property, plant & equipment	3,881	-
Loan to associate company	(99,224,484)	-
Net cash used in investing activities	(72,982,815)	(189,343,182)
Cash flows used in financing activities		
Repayment of borrowings	(2,534,548)	(3,625,214)
Borrowings raised	8,000,000	247,469,946
Finance costs	(34,476,270)	(21,318,596)
Payment of lease liability	(722,018)	(640,573)
Dividends and debenture interest paid	(53,584,000)	(49,966,769)
Net cash used in financing activities	(83,316,836)	171,928,803
Net increase in cash and cash equivalents	(75,476,046)	65,533,838
Cash and cash equivalents at beginning of the year	142,273,660	75,739,821
Cash and cash equivalents at end of the year	66,797,614	142,273,660

SEGMENTAL REPORTING

	Corporate	Commercial & Retail	Industrial	Residential	Total
BWP					
SEGMENTAL STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023 - AUDITED					
Segment revenue	-	20,662,003	81,481,700	-	102,146,703
Other income	12,733	44,756	1,554,667	-	1,612,156
Movement in Credit loss allowances	1,508,589	-	-	-	1,508,589
Other non operating gains	10,897,813	-	-	-	10,897,813
Property related expenses	(557,748)	(2,079,621)	(7,184,298)	-	(9,821,667)
Administrative expenses	(30,303,976)	(292,992)	(1,292,882)	-	(31,889,850)
Operating profit	(18,442,590)	18,334,146	74,562,188	-	74,453,744
Finance income	20,734,401	-	20,734,401	-	41,468,802
Finance costs	(21,565,387)	(10,342,868)	(2,568,015)	-	(34,476,270)
Share of profit from equity accounted investments	12,509,443	-	-	-	12,509,443
Fair value gain on investment property net of adjustment resulting from straight lining	-	7,062,559	39,035,178	-	46,097,737
Tax expense	(18,136,185)	-	-	-	(18,136,185)
Profit from continuing operations	(24,900,318)	15,053,837	111,029,350	-	101,182,870
Discontinued operations	-	5,431,025	-	3,487,424	9,118,449
Profit for the period	(24,900,318)	20,484,862	111,029,350	3,487,424	110,301,319

	Corporate	Commercial & Retail	Industrial	Residential	Total
BWP					
SEGMENTAL STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022 - AUDITED					
Segment revenue	-	18,861,947	78,664,438	-	97,526,385
Other income	148,430	64,814	61,527	-	174,771
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)	(2,440,401)	(5,146,381)	-	(8,906,951)
Administrative expenses	(23,232,312)	(165,237)	(311,842)	-	(23,709,390)
Operating profit	(25,973,504)	16,211,122	73,267,472	-	63,615,360
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 investments	23,880,957	-	-	-	23,880,957
Fair value gain on investment property net of adjustment resulting from straight lining	-	8,058,835	23,142,123	-	31,200,958
Tax expense	(9,837,958)	-	-	-	(9,837,958)
Profit from continuing operations	(12,585,568)	14,114,545	94,359,706	-	95,888,684
Discontinued operations	-	(223,680)	-	3,209,289	2,985,609
Profit for the period	(12,585,568)	13,890,866	94,359,706	3,209,289	98,874,292

	Corporate	Commercial & Retail	Industrial	Residential	Total
BWP					
SEGMENTAL STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023 - AUDITED					
Investment property including operating lease asset	-	223,847,133	764,853,488	-	988,700,621
Non-current assets held for sale	-	49,300,000	-	47,200,000	96,500,000
Other assets	431,157,853	507,772	1,962,155	101,573	433,729,354
Total Assets	431,157,853	273,654,905	766,815,643	47,301,573	1,518,929,975
AS AT 30 JUNE 2022 - AUDITED					
Investment Property including operating lease asset	-	259,990,000	716,760,001	47,200,000	1,023,950,001
Other assets	410,408,355	883,707	7,441,165	208,884	418,742,111
Total Assets	410,408,355	260,873,707	724,201,166	47,408,884	1,442,692,112

Note: All liabilities of the company fall under the corporate segment.

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

Registered Office: 1st Floor, Peelo Place, Plot 54366, CBD
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Independent Auditors: Grant Thornton,
Plot 50370, Fairgrounds Acumen Park,
P.O. Box 1157, Gaborone



Letlole La Rona Limited

1. OPERATIONAL OVERVIEW

Our portfolio of real estate assets has shown signs of recovery from stagnation in vacancy rates recorded in the first half of the financial year. The vacancy rate dropped from 31% in the first half to 12% post year end, demonstrating management's continued efforts of optimising portfolio performance. Monthly collections have improved post COVID, and this has consequently led to an improvement in the provision for bad debts. The portfolio registered a growth of 12.9%, and this growth was driven by the acquisition of a 30% stake in Orbit Africa Logistics (OAL) in Kenya, as well as increased valuations which were driven by a reduction in the capitalization rate owing to a drop in inflation and improved investor confidence in the property market as well as the reduction in vacancy rates. Our lease expiry profile stands at 3.2 years and is expected to improve significantly on the back of renewals by some tenants who are looking to renew for a period of five to seven years. The company's weighted average lease escalation averaged about 7%.

2. FINANCIAL PERFORMANCE

The company delivered a solid set of financial results for the year ended 30 June 2023. Revenue from continuing operations increased by 5% to close at P102 million on the back of rental escalations, increased operating cost recoveries, and relatively low vacancy rates. The company benefitted from the appreciation of the USD against the BWP and recorded a foreign exchange gain of P11 million on the OAL shareholder loan.

Cost management remains a focus area for management and indeed the Board. While the company recorded a significant increase in operating expenses, it was crucial to fill some key strategic positions to enable the execution of the company's strategic objectives.

Our investment in JTJM Properties, a company which owns Rail Park Mall, (a 32,000sqm prime commuter mall situated in the heart of Gaborone bus and taxi terminus) has continued to show strong performance, with the full impact of the acquisition being realised in the current year. The improvement in economic and trading conditions, investor confidence, as well as improvements in occupancy rates have resulted in higher valuations which bolstered the company's fair value gains for the year.

The company recorded a profit before tax (from continuing operations) of P119.3 million, which represents a growth of 12.9% against prior year.

The improvement in collections, where the average monthly collection rate was just over 100%, and the prudent cash management led to a strong cashflow position which enabled the company to pay distributions to linked unit holders.

The company's share price closed the year at P2.50 relative to P3.00 in the previous year. This drop in the share price is no reflection of the company's fundamentals but rather a sell down by one of the key shareholders as they were exiting their investment in the company.

3. DISTRIBUTION

Unit holders are advised that the Board of Directors declared a final distribution of 10.63 thebe per linked unit on 22 June 2023 in respect of the financial year ended 30 June 2023, comprising of a dividend of 0.05 thebe and debenture interest of 10.58 thebe per linked unit.