

## **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 11 to 53, which comprise the statements of financial position as at 31 August 2020, 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 2020, and its separate and consolidated financial performance and separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

### **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 Group and Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants including International Independence Standards) ("IESBA"), together with other ethical requirements that are relevant to our audit of the separate and consolidated financial statements in Botswana, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 matters that, in our professional judgement, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were 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 these matters.

## Key Audit Matter

## How the matter was addressed in the audit

### Valuation of Investment Properties (Group and Company)

As disclosed in Note 8, the carrying amount of investment properties amounted to P1.5 billion (Company: P920 million) and the fair value loss recorded in the profit or loss for the year in respect of investment properties was P61.4 million (Company: gain of P4.4 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 and discounts rates.

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

For the purpose of our audit we identified the valuation of investment property 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.

We assessed the design and implementation of the relevant controls over the valuation process of investment properties.

We used an internal specialist to assess the reasonableness of the values of a sample of properties in each of the three countries in which the Group operates.

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 IFRS and industry norms.

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.

The valuers have included a caveat in their valuation reports with respect to the uncertainty arising from the impact of COVID-19 on the future income used in the determination of the property values. Detailed disclosures have been made in Note 8 to the financial statements.

We have assessed the reasonability of net income used in the valuation model by reviewing of the 2021 budgets and testing the reasonableness of assumptions made to take into account the effect of COVID-19 on net income on a sample basis.

We also evaluated the appropriateness of the valuation methods used by comparison to valuation methods used by other property companies.

We found the models (discounted cashflow and net income model) to be appropriate and the capitalisation rates were comparable to market rates and those used in the prior year.

We assessed the adequacy of the disclosures in the financial statements relating to investment properties and we found the disclosures in the separate and consolidated financial statements to be appropriate and comprehensive.

Key Audit Matter	How the matter was addressed in the Audit
<b>Key Judgements applied in the Going Concern Assessment (Group)</b>	
<p>The Group's current liabilities exceed current assets by P295 944 266 as at 31 August 2020. The current liabilities as at 31 August mainly comprise long term debts repayable by a bullet payment at the end of tenure of the facility which are due for settlement within 12 months of the reporting date. The Group further had a breach on one of its covenants with a lender as described on note 31. The breach resulted in the loan being classified as a current liability in the financial statements.</p>	<p>We assessed the risk on going concern and took into account the additional considerations of the impact of COVID-19 on the Group when assessing the future cash flows and judgements applied in reaching the going concern conclusion.</p>
<p>In addition to the above, the global impact of COVID-19 has resulted in an unprecedented increased level of economic uncertainty. The Group's operations have been directly affected through reduced rental income in some months and the deferment of capital raising activities. This uncertainty has an impact on the outlook of the future cash flows of the Group and further contributes to the Group's ability to continue as a going concern.</p>	<p>In evaluating the Directors' judgements in determining whether there are any material uncertainties which may cast doubt on the Group's ability to continue as a going concern, the following procedures were performed:</p>
<p>Considerable time and effort was spent by both the Directors and auditors in assessing the appropriateness of the going concern assumption as well as the impact of COVID-19 on the forecasts of the Group. As a result, the assessment of whether a material uncertainty exists on the Group's ability to continue as a going concern has been evaluated as a key audit matter.</p>	<ul style="list-style-type: none"><li>- Testing the design and implementation of relevant controls around management's assessment of the going concern assumption and judgements applied.</li><li>- Assessing the operational disruptions from COVID-19 and the related lockdowns imposed in the various jurisdictions in which the Group operates and to the Group's business and understanding the actions taken by management and the directors to mitigate the impact of the COVID-19 pandemic.</li><li>- Reviewing the Directors' cash flow forecasts for the next 12 months from the date of approval of these consolidated financial statements and critically challenging the key inputs into these forecasts including the following:<ul style="list-style-type: none"><li>o Assessing the reasonability of the Group's ability to secure more borrowings;</li><li>o Assessing the Group's compliance on the existing borrowing covenants;</li><li>o Reviewing correspondence from the lender including confirmation of waivers of covenants where there was a breach in the covenants to assess the reasonability of the Directors' assumption that the lenders will not recall the borrowings;</li><li>o Assessing the reasonability of the projected revenue, costs and cash collections;</li><li>o Assessing future looking covenants and impact of any potential breaches;</li><li>o Challenging the reasonableness of the key assumptions used by the Directors in determining the impact of the COVID-19 pandemic on going concern; and</li></ul></li></ul>
<p>Subsequent to year end the Group has commenced negotiations with its lenders for new funding to replace the facilities maturing in the next 12 months.</p>	

The Directors have considered whether developments subsequent to the reporting date have any implications on the adoption of the going concern assumption through evaluating the impact on the Group's capital and liquidity position. As stated in note 31, the Directors have concluded that the going concern basis of accounting is appropriate and in reaching their conclusions, they have taken into consideration all of the latest information, including new assumptions and judgements about forward-looking economic scenarios.

The Directors are confident that lenders will continue to view the Group as a secure lender and that the Group will have sufficient liquidity to sustain the operations and fund the current developments.

The judgements applied with respect to the Directors reaching their going concern conclusion are disclosed in note 31 of the consolidated financial statements.

## 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 and the Corporate Governance Report, which are expected to be made available to us with the Annual Report after the date in this 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 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 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 that we 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.

- Performing a sensitivity analysis on the net cash flows by flexing the cash from operations by 10% and 20% and assessing the impact on the headroom of the available banking facilities with respect to the existing covenants.
- Assessing the related disclosure relating to going concern in the consolidated financial statements.

Based on the procedures performed, we believe the conclusions reached by the Directors' on the Group's ability to continue as a going concern and that no material uncertainty related to going concern exists are appropriate.

We consider the disclosures in note 31 to the consolidated financial statements to be appropriate.

## **Responsibilities of the Directors for the Separate and consolidated Financial Statements**

The Directors are responsible for the preparation and fair presentation of these 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 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 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 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.

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- 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 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 communicate with them any relationships and other matters that may reasonably be thought to bear on our independence that we are aware of, and where applicable, actions taken to eliminate threats or safeguards applied.

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 for the financial year ended 31 August 2020, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes 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 users' interest benefits of such communication.

*Deloitte & Touche*

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Certified Auditors  
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**14 December 2020**