NOTICE TO LLR UNITHOLDERS REGARDING THE ACQUISITION OF A ONE-THIRD PARTICIPATORY INTEREST IN NBC DEVELOPMENTS PARTNERSHIP (WHICH OWNS PLOT 16186 FRANCISTOWN) FROM BOTSWANA DEVELOPMENT CORPORATION, THE GRANTING OF FACILITIES BY BDC AND THE ACQUISITION OF LOT 2989 GABORONE (“RED SQUARE”) FROM RESIDENTIAL HOLDINGS LIMITED (“THE TRANSACTIONS”)

LLR is a variable rate loan stock company that was listed on the BSE on the 15th of June 2011. The core business of the Company is to invest in real estate and real estate instruments in order to maximize returns to Unitholders. The existing property portfolio of the Company comprises of industrial, leisure, retail and commercial office property space. As at June 2015, the Company’s property portfolio value was BWP 622,300,000.00. A copy of the full valuation report on the existing property portfolio is available for inspection at the Registered Office. The Company is pleased to inform its Unitholders that it has entered into agreements for the acquisition of two properties and shall obtain facilities from BDC in an aggregate of BWP 200,000,000.00 (“Facilities”) to finance the acquisitions.

A. ACQUISITION OF 33.3% OF THE PARTICIPATORY INTEREST FROM BOTSWANA DEVELOPMENT CORPORATION (“BDC”) IN NBC DEVELOPMENT PARTNERSHIP (“PARTNERSHIP”) WHICH OWNS PLOT 16186 FRANCISTOWN

1. Nature of the business of BDC

BDC was established in 1970 to be the country’s main agency for commercial and industrial development. BDC has the mandate to invest, by way of equity and loans, in legal entities, or properties, with a view to the development and the creation of a stable and mature investment. BDC has indicated that it will be agreeable to dispose of the investment in the Partnership on an arms-length commercial terms.

2. Nature of the NBC Development Partnership

NBC Developments is a partnership constituted by BDC, Botswana Insurance Fund Management Limited and Northern Investments (Proprietary) Limited which was established by way of a partnership agreement for the purposes of acquiring and developing Plot 16186 Francistown, which is a commercial property being leased out for rental in the main mall in Francistown. The property is held Deed of Fixed Period State Grant for a period of 50 years from the 2nd of August 1995. Each of the three partners hold an equal participatory interest in the Partnership and hence the income derived from the property.

3. Related Party Interest

LLR has agreed to acquire a ⅘ participatory interest (“Participatory Interest) in the Partnership from BDC which is a related party (as defined in the Botswana Stock Exchange Listing
Requirements) to LLR by virtue of the fact that BDC currently owns 86% of the linked units in the Company, and is therefore a material shareholder in the Company.

4. **Consideration**

The aggregate purchase price for the Participatory Interest is BWP 35 413 333.00. The market value of the Property is BWP 104 000 000.00 which is the only asset of the Partnership, LLR intends to acquire one-third interest in the Partnership and the value of the Participatory Interest is BWP 34 666 667.00.

5. **Transaction**

The parties have entered into an acquisition agreement in terms of which BDC will sell its Participatory Interest to LLR. The agreement is subject to approvals by the linked unitholders approving the Company. It is also subject to certain regulatory approvals such as the Botswana Stock Exchange and the Competition Authority (if required). Botswana Insurance Company (Proprietary) Limited and Northern Investments (Proprietary) Limited who are the other partners in the Partnership will also have to waive their rights to acquire the Participatory Interest.

6. **Benefits**

The benefit of the Participatory Interest acquisition is that the acquisition by LLR will provide growth opportunities and enhance returns on group equity. The benefit of BDC granting the Facilities to LLR is the accessibility of funding lines in place of grow LLR over the next 3 to 5 years on terms and conditions favourable to LLR.

**B. ACQUISITION OF MULTI RESIDENTIAL BUILDING AT LOT 2989, GABORONE ("RED SQUARE")**

7. **Nature of the business of Residential Holdings**

Residential Holdings (Proprietary) Limited is a wholly owned subsidiary of BDC which was established to hold and manage various immovable properties for rental. The Company holds inter alia title to Plot 2989 in central Gaborone which comprises various residential properties leased for rental.

8. **Related Party Interest**

Residential Holdings being a wholly owned subsidiary of BDC is a related party of LLR by virtue of the fact that it is controlled by a material shareholder of LLR.

9. **Transaction**

The parties have entered into a transaction in terms of which LLR has agreed to purchase the property from Residential Holdings. The Agreement is subject to inter alia certain approvals by the linked unitholders and certain regulatory approvals such as the Botswana Stock Exchange and Competition Authority (if required).

10. **Consideration**

The aggregate purchase price payable for the Transaction is BWP 42,000,000.00 (Forty two million). The market value of the Property is P 41 325 000.00.

11. **Benefits**
The benefit of this transaction is that the acquisition by LLR will provide growth opportunities and enhance returns on group equity.

C. FACILITIES TO BE GRANTED BY BDC

12. Facilities to be granted by BDC

In order to finance the above acquisitions, BDC has agreed to advance a Senior Debt Loan in an aggregate amount of BWP 160,000,000.00 repayable over a period of ten years. 50% of Senior Debt Loan can be refinanced after the third anniversary of the facility at the option of LLR and the balance from the sixth anniversary of the facility.

BDC has also agreed to subscribe for Debenture Notes in an aggregate amount of BWP 40,000,000.00. The Debenture Notes will be zero coupon notes with an interest rate calculated at 200 basis points above the applicable rate on the Senior Debt Loan. The Debenture Note has a period of ten years with the option to roll-over the face value for a further 5 year period, where the amount will be amortised at the same rate.

This is also a related party transaction by virtue of the fact that BDC owns 66% of the linked units in the company and is therefore a Unitholder.

13. Transaction

The transaction is conditional upon:

- BDC being granted security to secure the payment of the Facilities which may include the registration of mortgage bond over the property to the value of P400 million, cessionary documents including insurance policies, receivable and bank accounts and any other security over LLR's assets as may be required from time to time; and

- the Unitholders of LLR approving the Facilities to be granted to LLR; and

14. Benefits

The benefit of the Facilities transaction is that this enables LLR to finance the acquisitions through financing at very competitive rates.

D. FINANCIAL IMPACT IN RESPECT OF THE RELATED PARTY TRANSACTIONS

15. Net asset value

The Related Party Transactions will not adversely affect the cash flow of LLR.

The impact of the Related Party Transactions on the net assets of the Company will not be material.

16. Net asset profit

The impact of this Facilities transaction on the net profit of the Company will not be material. The proforma impact on the net profit after tax accruing from the related party transaction is
estimated to be BWP 73 682 590 which equates to earnings of 29.19 thebe per Linked Unit. The audited earnings for the year ended 30th June 2015 were 31.27 thebe per Linked Unit.

E. CIRCULAR TO SHAREHOLDERS

The Company will dispatch a circular to unitholders giving full details of these above transactions and convening a meeting for unitholders to consider and approve resolutions authorising the directors to complete the acquisitions. The meeting will be held on the 10th of June 2018 at Cresta Lodge, Gaborone at 09h00hours.

Paul More
Chief Executive Officer

ARMSTRONGS
Attorneys, Notaries & Conveyancers

Legal Advisors