

RDC Properties Limited
Annual Report 1999

RDC Properties Limited

Incorporated in Botswana - Company number 96/592

RDC Directors



Directors: (L to R) A.D. Norrie**, G.R. Giachetti* (Managing Director), G. Giachetti*, D.C. Khama, M.A. Giachetti* (Chairman), G.W. Matenge, J.S. Stewart**. (*Italian, ** British)

Nature of Business:

Holding of income-generating investments in property and property developments.

Secretaries:

PriceWaterhouseCoopers Services (Proprietary) Limited

Registered Office:

First Floor
Debswana House
The Mall
Gaborone

Auditors:

Deloitte & Touche

Bankers:

Barclays Bank of Botswana Limited
Standard Chartered Bank Botswana Limited

Attorneys:

Armstrongs

Property Portfolio:

Gaborone

Standard House
Plaza 1 & 2
Hardware House
Broadhurst Business Centre
Professional House
Plot 50369 - Fairgrounds
Phakalane Industrial Estate

Jwaneng

Diamond Centre

Kasane

Chobe Commercial Centre

Maun

Roots Tower
Tsodilo Centre

Molepolole

Lot 617

Palapye

Lotsane Complex

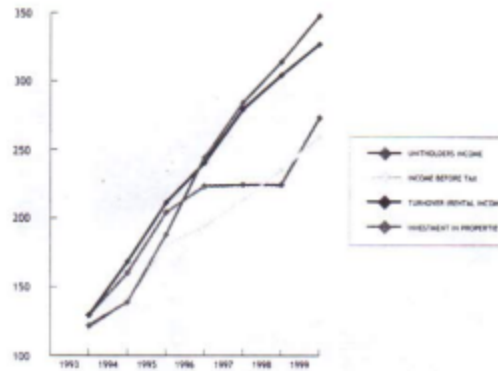
Serowe

Boswa Centre
Standard House
Pep House

Highlights

- RDC enters the industrial sector of the property market
- Tholo (Pty) Limited finalises building design and enters construction contract for Phase 1 of its development in the Fairgrounds Area of Gaborone
- RDC Mauritius is launched and has started investing in Madagascar
- Planning completed for the refurbishment of Gaborone Hardware Building
- Occupation levels remain at 98% throughout the year

Indexed Growth
Base 1992



Profile

RDC Properties Limited provides the investor with the opportunity to participate directly in the income and capital growth of both a professionally managed and prime quality property portfolio and rewarding property developments. The property portfolio, geographically spread over the major centres of Botswana, is valued at approximately P83 million. It consists of 16 properties, mainly office buildings and commercial centres, by and large rented to 'blue chip' tenants on long term leases.

Pursuant to a restructure in 1996, all the assets and liabilities of the RDC Group were transferred to RDC Properties Limited in exchange for linked units. The company is now a variable rate loan stock company which produces similar yields to those which an institutional investor could expect from a direct holding in real property.

Salient Features

The salient features of the group from 1995 to 1999

	Proforma					Variance %
	1995 P'000	1996 P'000	1997 P'000	1998 P'000	1999 P'000	
Investment in properties & fixed assets (**)	61 595	67 157	67 492	67 583	83 206	23.11
Long term borrowings	9 241	10 816	9 872	9 810	8 866	(9.62)
Turnover (Rental income & recoveries)	7 023	**8 000	9 303	10 141	10 887	7.36
Net operating income before interest	5 581	**6 355	7 184	7 649	8 367	9.39
Interest received and other income	361	**491	276	277	193	(30.32)
Interest paid	(1 106)	(1 624)	(1 730)	(1 618)	(1 630)	1
Income before taxation	4 836	5 222	5 730	6 308	6 968	10.46
Interest to unitholders	3 623	3 875	4 509	4 995	5 526	10.63
Income after taxation and minority interest	910	1 352	1 199	1 260	1 294	2.70
Dividends	73	78	90	100	111	11
Income to unitholders	*3 055	3 953	4 599	5 095	5 637	10.65

(*) Actuals paid

(**) Other income reclassified from turnover to interest and other income

(***) This portfolio has been revalued as at 31 December 1995 and 31 December 1999.



Proposed commercial centre in Antanarivo being developed by SIA.

It gives me pleasure to report to you on our activities and the success we have striven for throughout 1999. The occupancy level of our portfolio has been sustained at 98% undoubtedly aided by the continued growth in GDP in Botswana. There has been high demand for all sectors of the property market, commercial, industrial and residential throughout 1999. The properties in centres outside Gaborone have all performed well during the year contributing real growth to the business. We have in the last two years experienced increased demand from Government Departments for office space within our properties countrywide. We also note that the market is evolving and maturing as some of our tenants have relocated from our commercial buildings into their own properties. We view the fact that certain established Botswana businesses are moving into property ownership rather than retaining rented premises as a most positive trend as it displays increased confidence in Botswana's economy. We are pleased to report we have had no extended vacancies this year during periods of tenant rotation.

Unit holders once again had an opportunity to increase their holding of units in RDC Properties when the directors provided an option to capitalise up to 50% of the interim dividend payment to eligible parties. The offer was most successful as 89% of those unit holders eligible to obtain additional units chose to increase their holding in the company. As a result 452 200 additional units were registered on the Botswana Stock Exchange on 26 November 1999.

The Economy

Indications are that the economy has slowed down during the year to a growth factor of between 4.5% and 5.5% notably however the non-mining sectors recorded an impressive growth rate of 9.0%. Perhaps due to the continued excellent performance of the sectors outside mining the reported slowdown has not yet had any material effect on RDC Properties as demand for all sectors of the property market has remained high. There were indications of Government cost control measures being introduced in the last quarter of 1999 however development expenditure continues at a rate that is likely to keep the economy generally buoyant.

Interest rates have increased throughout 1999 with Prime Rate moving from 14% at the beginning of the year to 14.75%. This has adversely affected our cost base. Over an eighteen-month period the rate has increased 1.5% and that has a significant impact on our loan repayments. The Pula has however performed much better in comparison with international currencies over the year losing less than 4% of value against the USD and this trend is most encouraging generally for increased investment into the country at large.

Financial Results

The group results for the period ended 31 December 1999 reflect an increase in revenue of 7.36% which is above the inflation rate for the year. Profit before taxation and distribution to unit holders has increased to P6 968 million an increase of 10.46% on the previous years result. Careful cost management and focus on adding value has ensured a robust increase in profit.

The proposed distribution to linked unit holders of P5 637 000 represents an increase of 10.65% overall for the year. This distribution has been increased in line with the company's policy of retaining 15% of the income before interest and taxation.

The beneficial total number of linked units in issue is now 27 457 929; the distribution per linked unit is 20.53 thebe.

This year CB Richard Ellis, an independent valuation firm, revalued the buildings, which make up the RDC Properties portfolio. The previous valuation was completed in December 1995 and then buildings were valued at P67 457 million. The portfolio now has increased its value to P83 206 million. The valuation will be completed in Year 2000 when the planned renovations to Hardware House have been completed. For the time being the increase in value stated excludes the added benefit that will be gained from Hardware House.

Your Company and the Future

I am happy to update you on some of the projects the company has been working on throughout the year and share some of our plans for the new millennium. RDC Properties has diversified in the year from its traditional base of dealing purely in commercial properties into the industrial sphere of the market. Further diversification has been achieved with the company embarking upon international investment with the launch of RDC Properties Mauritius Limited. We have also planned the refurbishment of our oldest building Hardware House with a design that will ensure it remains a landmark building of Gaborone in the 21st century.

Our newest subsidiary - Tholo (Proprietary) Limited

Tholo is a joint venture company that we launched towards the end of 1998. This joint venture is with a group of citizen investors who own 50% of Tholo and RDC Properties who own the remaining half. The staff of Property and Asset Management who are employed to manage all the RDC portfolio have been working closely with the professional team to finalise the development of Plot 50369 located in the Fairgrounds area of Gaborone. As envisaged we plan a phased approach to construction commencing with the development of approximately 40% of the plot. The design team have finalised the drawings for the first two buildings which will be identical office buildings both of 1250m². The construction will be on three levels, the ground, first and second floors. The design has been carefully planned to ensure the buildings will have appeal to prospective occupiers who may have varying space needs. The buildings are adaptable for use by either one major tenant or can be neatly sub-divided to afford office suites to six separate occupiers. The buildings are also efficient with minimum space being wasted in corridors and servicing. We believe that the chosen design will ensure high demand for space inside the finished properties.

Tholo has entered a contract for construction that will deliver the first two buildings ready for occupation in November 2000. The more likely scenario is that one building will be available at the start of the last quarter of the year. The buildings are currently being marketed both for owner occupation and to prospective tenants remaining in the rental market. In the event attractive sale offers are received for the properties the profits realised will be rolled into the second phase of construction to

the rear of the plot and the objective with phase two will be to build slightly larger properties and retain those as a long term investment for Tholo.

The commitment Botswana has made to have an International Financial Services Centre undoubtedly secures the investment future for this development.

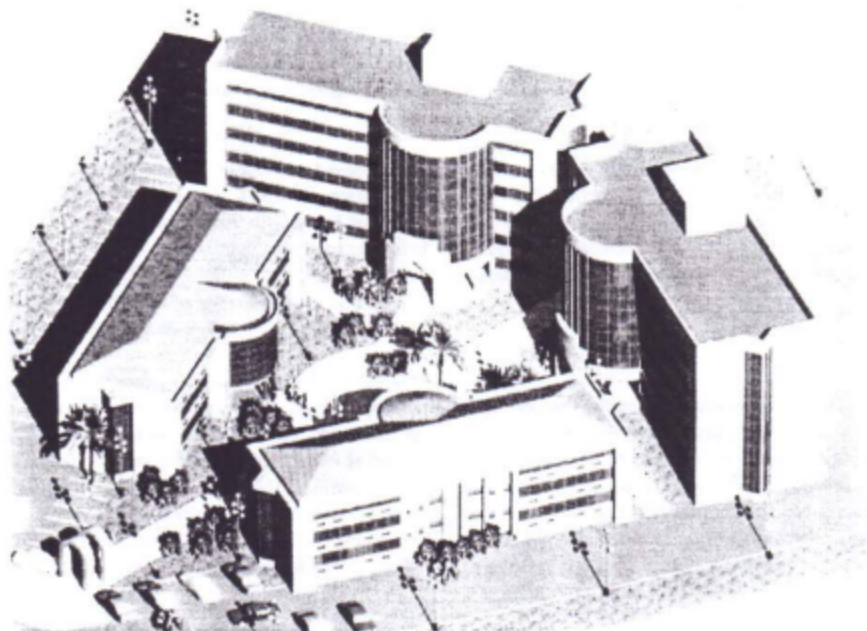
International Expansion

This year we have launched RDC Properties Mauritius Limited an off-shore company with a directive to invest into Madagascar. In turn RDC Mauritius has taken a 50% stake in a joint venture company with another Mauritius off-shore company and created Societe Immobiliere D'Ambodivona (SIA). The first objective of SIA is to invest into a mixed retail and commercial development in Antananarivo, the capital of Madagascar. The company has secured the right to develop land extending to 3730m², the land is held on a 99-year lease.

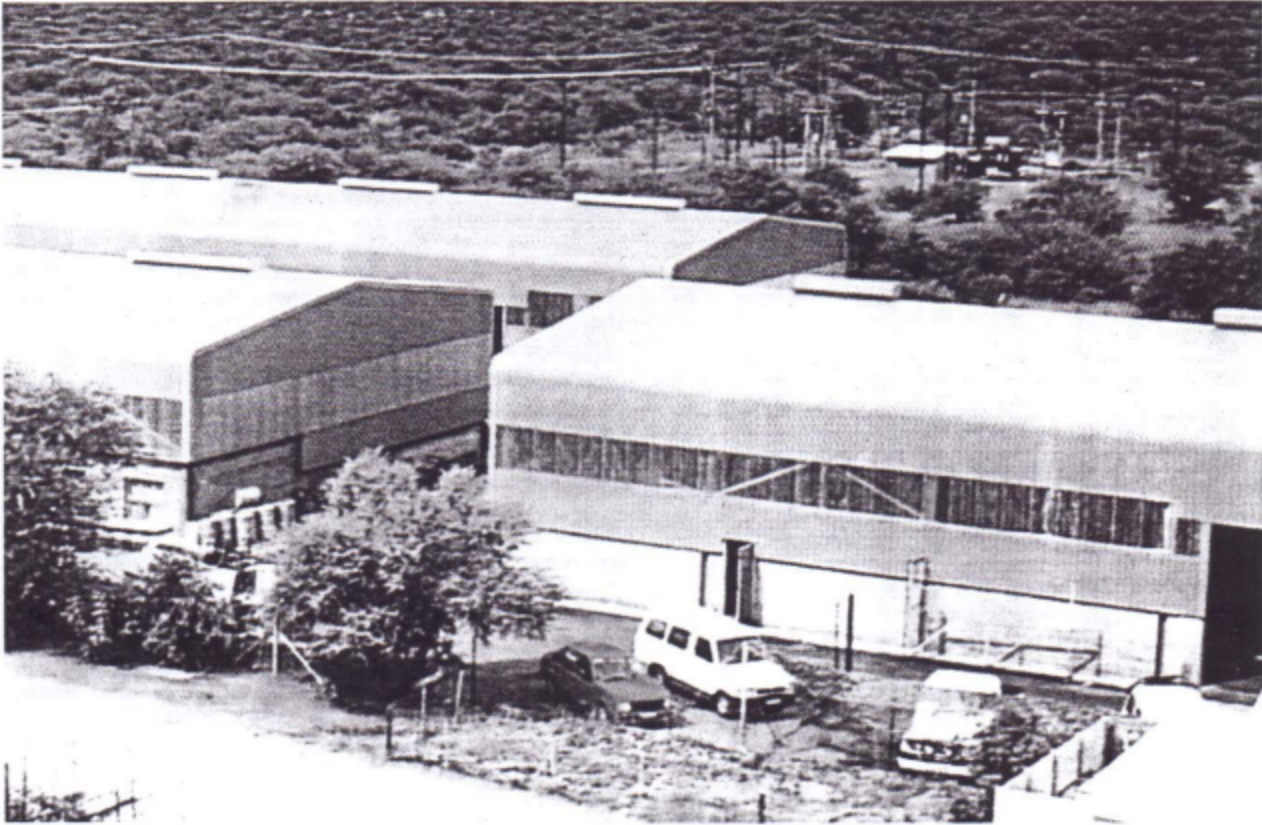
Property and Asset Management are working with the Madagascar based professional team to finalise the plans for the building. We are planning a two storey building that will offer 2625m² of ground floor retail space and of that 50% of the area will be anchored by a supermarket the remainder being offered to line shops. The upper floor will provide 2438m² of offices and the architect is planning flexibility of units in order to provide up to 5 high quality office suites of varying sizes.

Antananarivo is developing at speed and demand for retail and office properties well outstrips supply. We anticipate pegging a minimum of 50% of the retail leases to the Euro and it is most likely that all of the office rentals can be linked to the Euro. This will provide protection against Malagasy Franc devaluation and for a portion of our portfolio protect against further drops in value of the Pula.

The total cost of the project is estimated at approximately P14 million and RDC will be injecting up to P2.5 million of equity. The expected first year yield is above 18% and the projected internal rate of return is in excess of 22% over a ten-year period.



Above: Proposed Tholo Development on Plot 50369, Fair Grounds.



Above: Phakalane Industrial Estate

Entering the Industrial Segment of the Property Market

This year RDC Properties acquired its first industrial property comprising of three warehouses on a 10000m² plot in Phakalane. The plot is only 75% developed therefore we plan to develop a fourth warehouse on the land in due course and that will further improve the return on the investment. This would be in line with Government policy to provide prospective investors to Botswana access to factory units on an on-going basis. The property was acquired for P2 150 million however the independent valuation report prepared for the vendor reflected an open market value of P2 265 million.

Refurbishment of Gaborone Hardware Building

The plans have been finalised for the renovation of the Hardware House Building, which is centrally situated in the Gaborone Mall. Our aim is to re-vitalise this old building and ensure it remains as one of the flagships of the portfolio. The major structural change to the building will be the addition of a glass fronted stairwell with a skylight above allowing light to cascade through the building. The glass front to the Mall entrance will continue to the top floor. The increase of light will create a more open feel to the various floor levels and we will provide retail opportunities from the lower ground to the first floor. We anticipate the top floor will remain as office accommodation although much upgraded.

In order to facilitate the construction the building will be out of service for six months and will re-opened in August 2000. Retail interest in the Mall is still very high and we aim to provide the area with some much-needed services that is currently lacking. We have provided P2 million in our budget for the cost of the improvement.

Promotional Events

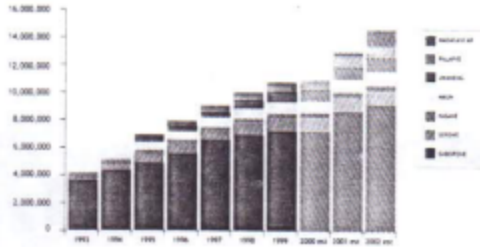
This year for the first time RDC Properties exhibited at the annual BITEC exhibition at Boipuso Hall. The stand was expressly designed for RDC and was a replica of our new Headquarters Building. The staff of PAM manned the stand and spent the exhibition primarily promoting the new Tholo joint venture. In addition the staff spent time with all callers to the stand with a view to increasing public awareness of RDC Properties and its investment value. We were thrilled to receive an award from the organisers of the event for having created one of the best stands at the exhibition.



Above: The RDC Stand - BITEC '99

Analysis of Properties by Geographical Spread

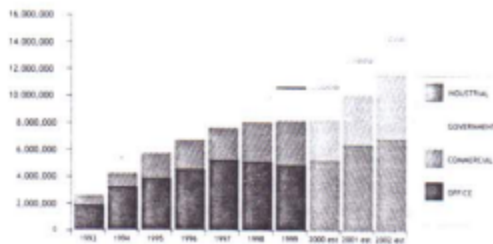
This year Jwaneng, Palapye and Serowe have all increased their contribution to the total revenue earned by RDC. The growth estimates for 2000 are moderate as we refurbish Gaborone Hardware however the contribution from the new Tholo properties will be evident in 2001 as we roll out Phase 1 of the development. Madagascar also boosts growth expectations for 2001 as our first development there is scheduled for completion by the last quarter of 2001 and more significant income will be realised in 2002.



Geographical Spread
(by rental income 1999)

Analysis of Properties by Industry Sector

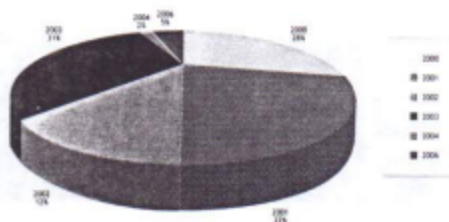
Our regional commercial centres have performed well this year and in addition we have entered the industrial market with our warehouse acquisition in Phakalane. We are currently evaluating the benefit of further development on the industrial plot and we anticipate that this sector of the portfolio is likely to add more value than depicted in future as the Botswana economy diversifies.



Sectoral Spread
(by rental income 1999)

Analysis of Lease Expiry/Renewal Dates

17% of leases within the portfolio were renewed or replaced during 1999 without any material effect on occupancy levels. RDC Properties will have the opportunity to renew 29% of its leases in the coming year, which is encouraging, as all indicators are that demand for property will remain high.



Lease Profile
(by rental income 1999)

Year 2000

All necessary upgrading of Software was completed by November 1999 in readiness for the Year 2000. We are pleased to report that the transition to Year 2000 was very smooth and no difficulties or interruptions were experienced.

Corporate Governance

The Directors of RDC Properties are firmly committed to the highest standards of corporate governance and understand that this is an essential component of continued success. The board of RDC Properties has as some of its core beliefs the necessity to conduct all its business with integrity and transparency and that all Directors are accountable for their actions and decisions.

The Board of Directors comprises both executive and non-executive directors. I am a non-executive Chairman and my four other non-executive colleague directors offer independent advice on matters directly relating to the business of RDC Properties and wholeheartedly provide the company with a wealth of experience which benefits the company and adds quality to our decision making process. Our Managing Director is an executive member who devotes much time beyond that in board meetings steering the business and ensuring continued innovation.

The Board of Directors meets four times a year and our company secretaries attend every meeting making certain the board meeting follows all required procedures and provide an opportunity for any director to discuss a matter directly with the company secretary. All directors are further entitled to seek independent professional advice, if they deem it necessary.

The Directors review and approve all the financial statements for RDC Properties. The statements are produced quarterly. Our independent auditors review the year end financial statements annually and they will provide a separate report of their findings. The work of the independent auditors and the presentation of the financial statements are conducted in line with International Standards on Auditing. There are times when the financial statements will include estimates by the management and it is the job of the external auditors to check the reasonableness of these judgements as well as to ensure the financial statements provide a fair portrayal of the company's business.

The management of Property and Asset Management are responsible for ensuring adequate internal controls exist to safeguard the assets of RDC Properties. Satisfactory accounting records are kept and segregation of duties exists and no matter of any concern has ever had to be raised with the Board of Directors.

The Directors are of the firm view that the business of RDC Properties will continue to prosper for the foreseeable future.

Acknowledgments

I wish to take this opportunity to thank and recognise my fellow board members for their continued commitment and enthusiastic participation which has undoubtedly contributed to the success of RDC Properties this year. In turn my colleagues the Directors would like to express their thanks to the Management and Staff of Property and Asset Management who have worked tirelessly to add value to our business. Finally I wish to extend every good wish to our unit holders and our customers at the start of this new millennium and thank each one of you for your continued support over the years.

The Directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 1999.

1. Capital

During the year, unitholders representing 89% of the linked units eligible to receive capitalisation units in respect of 50% of the 1999 interim net distribution, elected to receive fully paid linked units in the company and were allotted 452 200 new linked units. The total number of linked units in issue is therefore 27 457 929.

2. Financial Statements

The balance sheets set out the company's and the group's financial position at 31 December 1999 and the income statements reflect the results of the company and the group for the year ended 31 December 1999.

3. Linked Unit Distribution Policy

The interest entitlement on every debenture is fixed at 50 times that of the dividend component of any distribution. The distribution, made bi-annually, varies with the operating performance of the group. The group retains a maximum of 15% of the income before net interest and distributes the entire earnings attributable to the linked unit after such retention.

4. Distribution per Linked Unit (thebe)

	Interest	Dividend	Total
1998			
Interim	7.67	0.15	7.82
Final	11.05	0.22	11.27
	<u>18.72</u>	<u>0.37</u>	<u>19.09</u>
1999			
Interim	7.92	0.16	8.08
Final	12.21	0.24	12.45
	<u>20.13</u>	<u>0.40</u>	<u>20.53</u>
	8%	8%	8%

5. Subsidiaries

The details of your company's interest in property owning subsidiaries are set out on page 15 of this report.

6. Administration and Management

The management of the group's property and assets is undertaken by Property and Asset Management Limited, a company primarily dedicated to service the needs of your company and its subsidiaries.

7. Directors

This year S J Denton was appointed as an alternate director to M A Giachetti, Mrs A Croce resigned an alternate director to G Giachetti. The Board of Directors are:

M A Giachetti (Chairman), G Giachetti, G R Giachetti, D C Khama, G W Matenge, J S Stewart, A D Norrie, S Denton (Alternate to M A Giachetti)

M A Giachetti, G W Matenge and A D Norrie retire by rotation in terms of Article 54 of the Articles of Association and, being eligible, offer themselves for re-election.

8. Secretaries

The company secretaries remain:
 PricewaterhouseCoopers Services (Proprietary) Limited
 Business Address: 1st Floor Debswana House, The Mall, Gaborone
 Postal Address: P O Box 294, Gaborone

To the members of RDC Properties Limited

We have audited the accompanying financial statements of the company and the group set out on pages 9 to 18 for the year ended 31 December 1999. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Companies Act (Chapter 42:01) and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We have examined the books, accounts and vouchers of the company and the group to the extent we considered necessary and have obtained all the information and explanations which we required. We have satisfied ourselves as to the existence of securities. We believe that our audit provides a reasonable basis for our opinion.

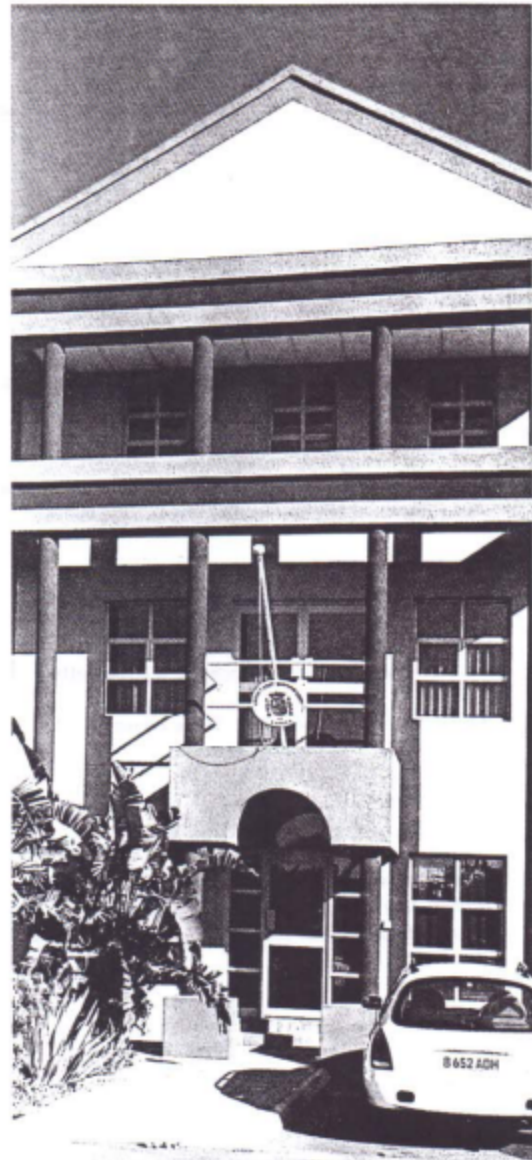
In our opinion:

- the company and the group have kept proper books of account with which the financial statements are in agreement; and
- the financial statements give a true and fair view of the state of the company's and the group's affairs at 31 December 1999 and the results of their operations and cash flows for the year then ended in accordance with International Accounting Standards and in the manner required by the Companies Act (Cap 42:01).



Certified Public Accountants

9 March 2000
Gaborone



Income Statements
for the year ended 31 December 1999

	Notes	Company		Group	
		1999 P'000	1998 P'000	1999 P'000	1998 P'000
Revenue	1	9 056	8 337	10 887 ✓	10 141
Operating expenses		2 148	2 012	2 520 ✓	2 405
Profit from operations	2	6 908	6 325	8 367 ✓	7 736
Finance costs	3	(661)	(657)	(1 399) ✓	(1 428) ✓
Profit before taxation and distribution to unitholders		6 247	5 668	6 968 ✓	6 308
Debenture interest	4	(5 526)	(4 995)	(5 526)	(4 995)
Profit before taxation		721	673	1 442	1 313
Taxation	5	-	-	(87)	-
Profit after taxation		721	673	1 355	1 313
Minority interest		-	-	(61)	(53)
Net profit for the year		721	673	1 294	1 260
Interest to dividend ratio		50:1	50:1	50:1	50:1
Average weighted number of linked units in issue		27 043 412*	26 019 779*	27 043 412*	26 019 779*
Earnings per linked unit				25.22	24.04
Earnings per linked unit are calculated based on net income before debenture interest and after taxation and minority interest of P6 820 100 (1998 : P6 254 898).					
Distribution per linked unit (thebe)				20.53	19.09
Interest per linked unit (thebe)				20.13	18.72
Dividend per linked unit (thebe)				0.40	0.37

* The earnings per linked unit is calculated on the weighted average of linked units in issue at year end. This figure comprises of 27 005 729 units at the beginning of the year and the weighted average of the additional 452 200 units capitalised and issued on 26 November 1999.

Balance Sheets
as at 31 December 1999

	Notes	Company		Group	
		1999 P'000	1998 restated P'000	1999 P'000	1998 restated P'000
ASSETS					
Non Current Assets					
Plant & equipment	8	555	570	561	579
Investments in subsidiaries	9	4 495	3 940		
Investment properties	10	69 258	56 869	83 206	67 457
		<u>74 308</u>	<u>61 379</u>	<u>83 767</u> ✓	<u>68 036</u>
Current Assets					
Trade and other receivables	11	2 178	2 416	452	478
Bank balances and cash	12	2 642	3 275	2 857	3 339
		<u>4 820</u>	<u>5 691</u>	<u>3 309</u> ✓	<u>3 817</u>
Total Assets		<u><u>79 128</u></u>	<u><u>67 070</u></u>	<u><u>87 076</u></u> ✓	<u><u>71 853</u></u>
EQUITY AND LIABILITIES					
Unitholders' Funds					
Share capital	13	275	270	275	270
Debentures	14	43 933	43 209	43 933	43 209
Share premium	15	8 787	8 701	8 787	8 701
Non distributable reserves	16	7 407	-	9 210	316
Accumulated profits		2 528	1 918	3 643	2 460
		<u>62 930</u>	<u>54 098</u>	<u>65 848</u> ✓	<u>54 956</u>
Minority Interest				<u>1 417</u>	<u>813</u>
Non Current Liabilities					
Long term borrowings	17	5 148	5 959	7 876	8 827
Deferred taxation	18	3 387	690	4 427	1 083
		<u>8 535</u>	<u>6 649</u>	<u>12 303</u>	<u>9 910</u>
Current Liabilities					
Trade and other payables	19	3 368	2 453	2 975	2 146
Taxation				87	
Current portion of long term borrowings	17	840	825	991	983
Unitholders for debenture interest and dividend		3 455	3 045	3 455	3 045
		<u>7 663</u>	<u>6 323</u>	<u>7 508</u> ✓	<u>6 174</u>
Total Equity and Liabilities		<u><u>79 128</u></u>	<u><u>67 070</u></u>	<u><u>87 076</u></u>	<u><u>71 853</u></u>

Statement of changes in Equity
for the year ended 31 December 1999

	Notes	Share capital P'000	Debentures P'000	Non distributable reserves P'000	Share premium P'000	Accumulated profits P'000	Total P'000
GROUP							
Balance at 1 January 1998							
- as previously reported		256	40 948	316	8 265	2 383	52 168
- effect of change in accounting policy	7	-	-	-	-	(764)	(764)
- as restated		256	40 948	316	8 265	1 619	51 404
Net profit for the year		-	-	-	-	1 260	1 260
- effect of change in accounting policy	7	-	-	-	-	(319)	(319)
Dividends	6	-	-	-	-	(100)	(100)
Capitalisation issue		14	2 261	-	436	-	2 711
Balance at 31 December 1998		270	43 209	316	8 701	2 460	54 956
Balance at 1 January 1999							
- as previously reported		270	43 209	316	8 701	3 543	56 039
- effect of change in accounting policy		-	-	-	-	(1 083)	(1 083)
- as restated		270	43 209	316	8 701	2 460	54 956
Net profit for the period		-	-	-	-	1 355	1 355
Dividends	6	-	-	-	-	(111)	(111)
Capitalisation issue		5	724	-	86	-	815
Outside shareholders' interest		-	-	-	-	(61)	(61)
Revaluation of investment properties		-	-	12 187	-	-	12 187
Deferred taxation on revaluation		-	-	(3 293)	-	-	(3 293)
Balance at 31 December 1999		275	43 933	9 210	8 787	3 643	65 848
COMPANY							
Balance at 1 January 1998							
- as previously reported		256	40 948	-	8 265	2 035	51 504
- effect of change in accounting policy	7	-	-	-	-	(531)	(531)
- as restated		256	40 948	-	8 265	1 504	50 973
Net profit for the year		-	-	-	-	673	673
Dividends	6	-	-	-	-	(100)	(100)
Effect of change in accounting policy		-	-	-	-	(159)	(159)
Capitalisation issue		14	2 261	-	436	-	2 711
Balance at 31 December 1998		270	43 209	-	8 701	1 918	54 098
Balance at 1 January 1999							
- as previously reported		270	43 209	-	8 701	2 608	54 788
- effect of change in accounting policy		-	-	-	-	(690)	(690)
- as restated		270	43 209	-	8 701	1 918	54 098
Net profit for the period		-	-	-	-	721	721
Dividends	6	-	-	-	-	(111)	(111)
Capitalisation issue		5	724	-	86	-	815
Revaluation of investment properties		-	-	10 104	-	-	10 104
Deferred taxation on revaluation		-	-	(2 697)	-	-	(2 697)
Balance at 31 December 1999		275	43 933	7 407	8 787	2 528	62 930

Group Cash Flow Statements

for the year ended 31 December 1999

	Group	
	1999 P'000	1998 P'000
Cash Flows From Operating Activities		
Net income before taxation and debenture interest	8 367	7 736
Adjustment for items not involving the moment of cash:		
Depreciation	103	135
Operating income before working capital changes	8 470	7 871
Decrease in trade and other accounts receivables	26	(44)
Increase/(decrease) in trade and other accounts payables	829	(225)
Operating cash flow	9 325	7 602
Net interest paid	(1 399)	(1 428)
Debenture interest paid	(5 125)	(4 795)
Dividends paid	(102)	(95)
Net cash generated from operating activities	2 699	1 284
Cash Flows Used In Investing Activities		
Increase in capital work in progress	(555)	(227)
Purchase of plant and equipment	(85)	(130)
Purchase of investment property	(2 212)	-
Improvements to investment properties	(200)	(95)
Net cash used in investing activities	(3 052)	(452)
Cash Flows From Financing Activities		
Loan payments	(944)	(918)
Proceeds from issue of linked units	815	2 711
Net cash (used in)/generated from financing activities	(129)	1 793
Net (decrease)/increase in cash and cash equivalents	(482)	2 625
Cash and cash equivalents at beginning of year	3 339	714
Cash and cash equivalents at end of year	2 857	3 339
Consisting of:		
Cash at bank and on hand	2 857	1 284
Bank of Botswana Certificates	-	2 055
	2 857	3 339

Basis of Accounting

The financial statements are prepared on the historical cost basis, adjusted for the revaluation of land and buildings, and incorporate the following principal accounting policies, which have been consistently followed in all material respects, and comply with International Accounting Standards. These policies are consistent with those applied in the previous year except for the change in basis described in the accounting policy relating to deferred taxation.

Consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries. Subsidiaries are those companies in which the group directly or indirectly has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations. Subsidiaries are consolidated from date on which effective control is transferred to the group and are no longer consolidated from the date of disposal. All intercompany transactions and balances between group companies have been eliminated. Premiums arising on acquisition of subsidiaries are credited to the non distributable reserve.

Investment Properties

Freehold and leasehold land and buildings which are deemed to be investment properties are not depreciated and are stated at valuation on the basis of the most recently established open market values. The investment properties are valued independently on a regular basis. Increases in the carrying amount arising on revaluation are credited to non distributable reserves. Downward valuations that offset previous upward revaluations of the same asset are charged against the non distributable reserve. Other decreases in value of such assets are charged to the income statement. Provision is made where, in the opinion of the directors, a permanent diminution in value of an investment has occurred. On disposal of revalued assets, amounts in revaluation and other reserves relating to that asset are transferred to accumulated profit.

Financial Instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, trade creditors and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each type.

Revenue Recognition

Rental income is recognised on a straight line basis over the period of the lease.

Plant and Equipment

Plant and equipment is stated in the balance sheet at cost less depreciation.

Depreciation is calculated on the straight line basis to write off the cost of each asset to their residual value over their estimated useful life as follows

Plant and machinery	3 - 7 years
Office equipment and furniture	7 - 10 years

Where the carrying amount of an asset is greater than its estimated recoverable amount it is written down to its recoverable amount.

Deferred Taxation

Deferred taxation arising from temporary differences is provided using the liability method. Currently enacted tax rates are used to determine deferred income taxation. The recognition of the liability under this method represents a change in accounting policy by the group. Deferred taxation is charged or credited to the income statement, except where it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

Foreign Currency

Foreign currency transactions are accounted for at exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions are recognised in the income statement. Monetary assets and liabilities denominated in such currencies are retranslated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

Trade Receivables

Trade receivables are carried at anticipated realised value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

Cash and Cash Equivalents

For the purposes of the cashflow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and investments in money market instruments.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount of the obligation can be made.

Notes to the Financial Statements

31 December 1999

	Company		Group	
	1999 P'000	1998 P'000	1999 P'000	1998 P'000
1. Revenue				
Revenue comprises rental income and service charges recovered from tenants.				
Rental income	8 903	8 213	10 582	9 833
Service charges recovered	153	124	305	308
	<u>9 056</u>	<u>8 337</u>	<u>10 887</u>	<u>10 141</u>
2. Profit from operations				
Profit from operations is stated after taking into account the following:				
Auditors' remuneration - audit fee	55	58	63	65
- other services	4	-	4	-
Depreciation	100	134	103	135
Directors' emoluments - for service as directors	42	39	42	39
Loss on foreign exchange	39	(84)	39	(84)
Management and administration fee paid to related company	538	498	639	588
Service charge paid to related company	310	306	310	306
	<u>(661)</u>	<u>(657)</u>	<u>(1 399)</u>	<u>(1 428)</u>
3. Finance costs				
Interest receivable				
• subsidiary companies	320	337	-	-
• bank	160	61	173	74
• Bank of Botswana certificates	59	114	59	114
• overdue debtors	-	2	-	2
Interest payable				
• bank	(17)	-	(17)	-
• long term loans	(1 183)	(1 171)	(1 614)	(1 618)
	<u>(661)</u>	<u>(657)</u>	<u>(1 399)</u>	<u>(1 428)</u>
4. Debenture interest				
Interim paid - 7.92 thebe	2 140	2 010	2 140	2 010
Final proposed - 12.21 thebe	3 386	2 985	3 386	2 985
	<u>5 526</u>	<u>4 995</u>	<u>5 526</u>	<u>4 995</u>
5. Taxation				
The company has estimated assessable losses amounting to P2 193 000 (1998 : P1 419 000) available to reduce future taxable income.				
Normal taxation	-	-	87	-
Tax reconciliation				
Tax at current rate	25%	25%	25%	25%
Timing differences - tax losses	-25%	-25%	-19%	-25%
Effective tax rate	<u>-</u>	<u>-</u>	<u>6%</u>	<u>-</u>
Deferred taxation relating to the revaluation of the group's properties has been charged directly to equity.				
6. Dividends				
Interim paid - 0.158 thebe	42	40	42	40
Final proposed - 0.242 thebe	69	60	69	60
	<u>111</u>	<u>100</u>	<u>111</u>	<u>100</u>
7. Change in accounting policy				
Certain comparative figures have been restated where necessary to comply with the company's accounting policies and conventions, and to afford a more meaningful comparison. The prior year adjustment is due to a change in accounting policy as directors now wish to recognise deferred tax liabilities in relation to investment properties, in order to comply with International Accounting Standards. The effect on accumulated profits has been as follows:				
Opening accumulated profits as previously reported	2 608	2 035	3 543	2 383
Effect of change in accounting policy	(690)	(531)	(1 083)	(764)
Opening accumulated profits as restated	<u>1 918</u>	<u>1 504</u>	<u>2 460</u>	<u>1 619</u>

Notes to the Financial Statements

31 December 1999 (continued)

10. Investment properties (continued)

Leasehold land and buildings comprise the following:

Lot 443, Serowe, which is encumbered by a mortgage bond in favour of Botswana Building Society for P216 800.

Lot 679 Serowe, which is encumbered by a mortgage bond in favour of Standard Chartered Bank Botswana Limited for P998 000.

Lot 914 Kasane, which is encumbered by a mortgage bond in favour of First National Bank of Botswana Limited for P1 500 000.

Lot 208 Maun, which is encumbered by a mortgage bond in favour of Standard Chartered Bank Botswana Limited for P1 750 000.

Lot 234-KO, Gaborone which is encumbered by a mortgage bond in favour of Standard Chartered Bank Botswana Limited for P1 855 000.

Lot 194, Maun which is encumbered by a mortgage bond in favour of National Development Bank for P780 000.

Lots 680 and 292, Serowe, which are encumbered by a mortgage bond in favour of National Development Bank for P2 460 000.

Lots 3761, 5422 and 5423, Jwaneng, which are encumbered by first mortgage bonds in favour of First National Bank of Botswana Limited for P2 760 000.

Lots 13142, 13143 and 13144, Gaborone, which are encumbered by first mortgage bonds in favour of Botswana Building Society for P5 000 000.

Lot 6127, Molepolole.

	Company		Group	
	1999 P'000	1998 P'000	1999 P'000	1998 P'000
11. Trade and other receivables				
Trade receivables	317	256	353	334
Tholo (Proprietary) Limited	68	-	-	-
Lotsane (Proprietary) Limited	1 739	2 061	-	-
Italtswana Construction Company (Proprietary) Limited	-	7	-	7
Prepayments	-	30	-	31
Other receivables	54	62	99	106
	<u>2 178</u>	<u>2 416</u>	<u>452</u>	<u>478</u>
12. Cash and cash equivalents				
Cash at bank and in hand	2 642	1 220	2 857	1 284
Bank of Botswana certificates	-	2 055	-	2 055
	<u>2 642</u>	<u>3 275</u>	<u>2 857</u>	<u>3 339</u>
13. Share capital				
Authorised				
1 000 000 000 shares of 1 thebe each	10 000	10 000	10 000	10 000
Issued				
27 457 929 (1998 : 27 005 729) of 1 thebe each	<u>275</u>	<u>270</u>	<u>275</u>	<u>270</u>
14. Debentures				
27 457 929 (1998 : 27 005 729) debentures of P1.60 each	<u>43 933</u>	<u>43 209</u>	<u>43 933</u>	<u>43 209</u>
15. Share premium				
Opening balance	8 701	8 265	8 701	8 265
Premium on capitalisation of distribution in current year	86	436	86	436
	<u>8 787</u>	<u>8 701</u>	<u>8 787</u>	<u>8 701</u>

	Company		Group	
	1999 P'000	1998 P'000	1999 P'000	1998 P'000
16. Non distributable reserves				
Opening balance	-	-	316	316
Property revaluation	10 104	-	12 187	-
Deferred taxation	(2 697)	-	(3 293)	-
	<u>7 407</u>	<u>-</u>	<u>9 210</u>	<u>316</u>
17. Long term borrowings				
Standard Chartered Bank Botswana Limited	1 357	1 837	1 357	1 837
Less : current portion	(490)	(490)	(490)	(490)
	<u>867</u>	<u>1 347</u>	<u>867</u>	<u>1 347</u>
These loans bear variable interest rates of 1% to 2% above prevailing prime rates. The loans are repayable in monthly instalments of P80 761 (1998 : P71 695) including interest, and are secured as indicated in note 10.				
Botswana Building Society	167	176	3 045	3 202
Less : current portion	(10)	(9)	(160)	(167)
	<u>157</u>	<u>167</u>	<u>2 885</u>	<u>3 035</u>
These loans bear interest at a fixed rate of 14.5% per annum and are repayable in monthly instalments of P51 956 (1998 : P51 956) including interest, and are secured as indicated in note 10.				
First National Bank of Botswana Limited	2 867	3 105	2 867	3 105
Less : current portion	(257)	(257)	(257)	(257)
	<u>2 610</u>	<u>2 848</u>	<u>2 610</u>	<u>2 848</u>
These loans bear interest at a fixed rate of 15% per annum and at a rate of 1.5% above prevailing prime rates. The loans are repayable in monthly instalments of P59 000 (1998 : P59 000) including interest, and are secured as indicated in note 10.				
National Development Bank	1 597	1 666	1 597	1 666
Less : current portion	(83)	(69)	(83)	(69)
	<u>1 514</u>	<u>1 597</u>	<u>1 514</u>	<u>1 597</u>
These loans bear interest at a fixed rate of 16.5% and are repayable in monthly instalments of P28 571 (1998 : P28 571) including interest, and are secured as indicated in note 10.				
Long term portion of loans	<u>5 148</u>	<u>5 959</u>	<u>7 876</u>	<u>8 827</u>
Current portion of loans	<u>840</u>	<u>825</u>	<u>991</u>	<u>983</u>

Notes to the Financial Statements

31 December 1999 (continued)

	Company		Group	
	1999 P'000	1998 P'000	1999 P'000	1998 P'000
18. Deferred taxation				
The deferred taxation liability comprises of timing differences on :				
: plant and equipment	62	101	62	101
: investment properties	(15 802)	(4 148)	(19 964)	(5 855)
Tax losses	2 193	1 288	2 193	1 420
	<u>(13 547)</u>	<u>(2 759)</u>	<u>(17 709)</u>	<u>(4 334)</u>
Tax at 25%	<u>(3 387)</u>	<u>(690)</u>	<u>(4 427)</u>	<u>1 083</u>
19. Trade and other payables				
Trade payables	891	764	1 223	986
Property Asset Management Limited	288	247	342	220
Italtswana Construction Company (Proprietary) Limited	193	-	193	-
Professional House (Proprietary) Limited	930	610	-	-
Other payables	1 066	832	1 217	940
	<u>3 368</u>	<u>2 453</u>	<u>2 975</u>	<u>2 146</u>
20. Related party transactions				
The following transactions were carried out with related parties. Related parties are companies with common shareholding and control.				
Purchases of services:				
Property Asset Management Limited				
- management and administration	538	498	639	588
- project management fees	29	-	-	-
- lease renewal fees	87	80	87	100
Italtswana Construction Company (Proprietary) Limited				
- service charges	310	306	310	306
- repairs and capital expenditure	52	-	87	-
- purchase of investment property	2 150	-	2 150	-
	<u>2 150</u>	<u>-</u>	<u>2 150</u>	<u>-</u>
The above transactions were carried out as follows:				
Property Asset Management Limited				
Management and administration fees are calculated on a fixed percentage of net rental income after taking bad debts into consideration. Lease renewal fees are calculated on a commercial basis.				
Italtswana Construction Company (Proprietary) Limited				
Fee calculated as a fixed percentage of the market capitalisation of the group on the last trading day of the month. The investment property purchase, capital expenditure and repairs are carried out on an arms length basis.				
Payables relating to:				
Property Asset Management Limited	288	247	342	220
Italtswana Construction Company (Proprietary) Limited	193	-	193	-
	<u>193</u>	<u>-</u>	<u>193</u>	<u>-</u>
Receivables relating to:				
Italtswana Construction Company (Proprietary) Limited	-	7	-	7
	<u>-</u>	<u>7</u>	<u>-</u>	<u>7</u>

Property Name	Form of lease	Title Deed Number	Location of Property	Sector	Lettable area m ²
Standard House	Freehold	412/74	Lots 1124 to 1130 in Gaborone Ext. 3	Offices	4 886.38
Plaza I & II	50-year State leasehold	139/84	Lots 4787 & 4788 in Gaborone Ext. 6	Offices	2 450.64
Hardware House	Freehold	48/70	Lots 1116/17 & 1840 in Gaborone Ext. 3	Retail & Offices	1 517.99
Chobe Commercial Centre	50-year State leasehold	158/88	Lot 914 Kasane in Chobe Admin. District	Retail & Offices	1 144.00
Boswa Centre	50-year Tribal lease	75/95	Lot 680 Serowe Lot 292 Serowe Agreement of lease No. 258/96 of 18/7/96	Retail & Offices	843.00
Lotsane Complex	50-year Tribal leasehold	MA 62/95	Lot 1707 Palapye	Retail	3 878.00
Broadhurst Business Centre	50-year State leasehold	MA 46/92	Lease area 234-KO, on Lot 10211 in Gaborone	Offices	1 658.00
Pep Store	50-year Tribal lease	19/90	Lot 443 Serowe	Retail	471.00
Standard House	50-year Tribal lease	92/95	Lot 679 Serowe	Retail & Offices	855.00
Diamond Centre	50-year State leasehold	514/95 661/95	Lot 3761 Jwaneng Lot 5422 Jwaneng Lot 5423 Jwaneng	Retail	2 322.00
Tsodilo Centre	50-year Tribal lease	105/95	Lot 194 Maun	Retail	492.00
Molemall	50-year Tribal lease	MA 104/95	Lot 617 Molepolole	Undeveloped	
Roots Tower	50-year Tribal lease	13/97	Lot 208 Maun Notarial Deed of Lease 72/81 of 14/3/96	Retail & Offices	1 069.00
Professional House	50-year State leasehold	310/82	Lot 13142, 13143, 13144, Gaborone No. 72/81 of 17/2/81	Offices	1 731.32
Phakalane Warehouses	Freehold	1289/92	Lot 21306 Phakalane	Industrial	2 376.00

Notice of meeting

Notice is hereby given that the fourth Annual General Meeting of the Company will be held at the RDC Offices, Realestate Office Park, Gaborone on Thursday April 27 2000, at 4:00 pm for the following business.

Agenda

1. To read the notice convening the meeting.
2. To receive and consider the audited financial statements for the year 31 December 1999.
3. To approve the payment of P42 000 for directors' emoluments (fees and expenses) for the year ended 31 December 1999.
5. To re-elect all directors of the company including:

M A Giachetti
A D Norrie
G W Matenge

who retire by rotation in terms of Article 54 of the Articles of Association and being eligible offer themselves for re-election.

6. To appoint auditors for the ensuing year and fix their remuneration.
7. To transact such other business as may be transacted at an Annual general Meeting.

A member entitled to attend and vote may appoint a proxy to attend and vote for him on his behalf, and such proxy need not also be a member of the Company. The instrument appointing such a proxy must be deposited at the registered office of the Company not less than 48 hours before the meeting.

By Order of the Board

PRICEWATERHOUSECOOPERS 

PricewaterhouseCoopers (Proprietary) Limited
Secretaries
3 April 2000

Registered Office
First Floor Debswana House, The Mall
P O Box 294, Gaborone

