



RDC Properties Limited

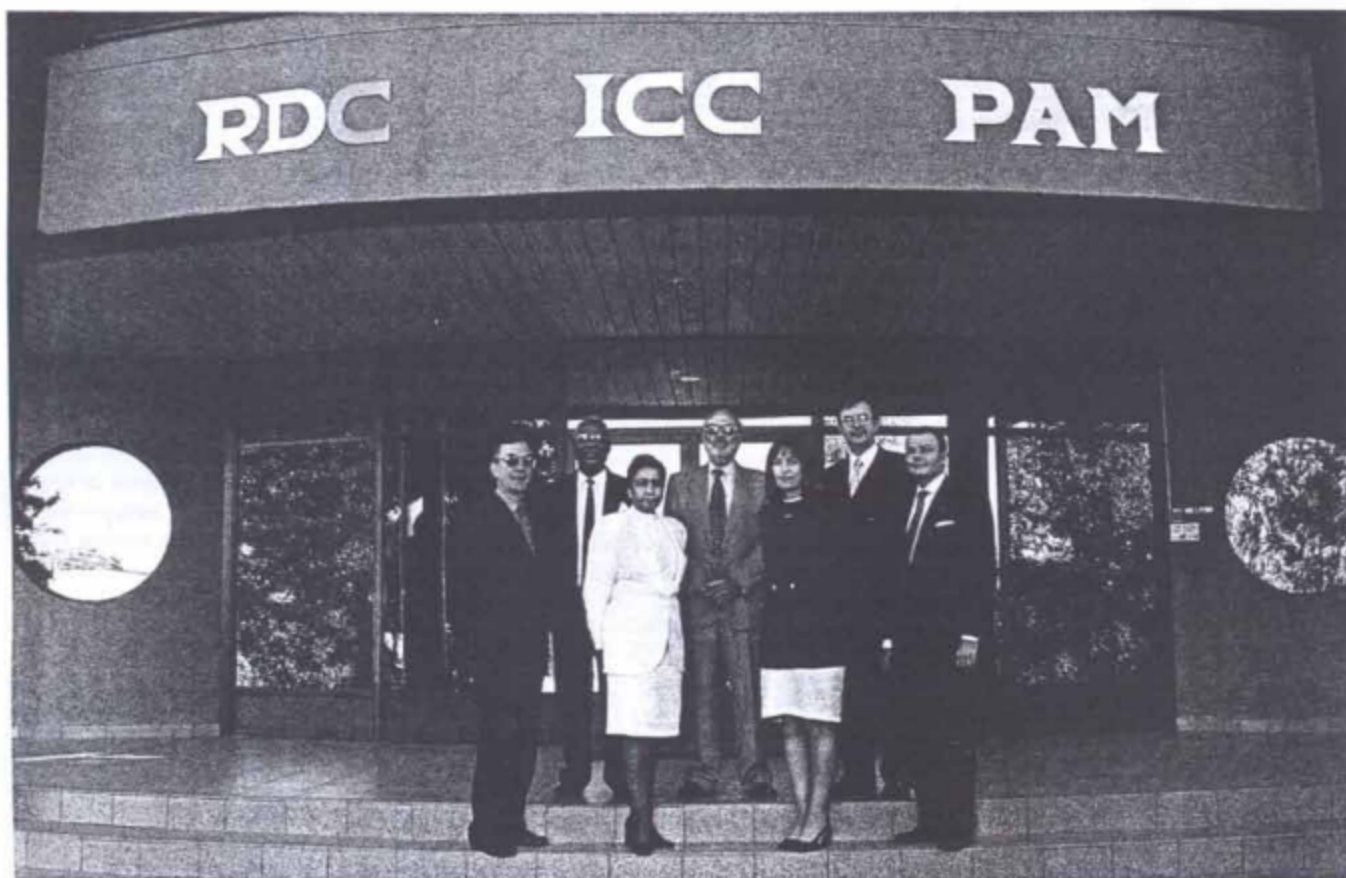
Annual  
Report  
2000



## RDC Properties Limited

Incorporated in Botswana - Company number 96/592

## RDC Directors

**Directors:**

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

**Nature of Business:**

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

**Secretaries:**

PricewaterhouseCoopers (Proprietary) Limited

**Registered Office:**

Plot 50371  
Fairgrounds Office Park  
Gaborone

**Auditors:**

Deloitte & Touche

**Bankers:**

Barclays Bank of Botswana Limited  
Standard Chartered Bank Botswana Limited

**Attorneys:**

Armstrongs

**Property Portfolio:****BOTSWANA**

Gaborone Standard House  
Plaza 1 & 2, Mebala House  
Broadhurst Business Centre  
Professional House  
Tholo A & B - Fairgrounds  
Phakalane Industrial Estate  
Gaborone West Warehouses

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

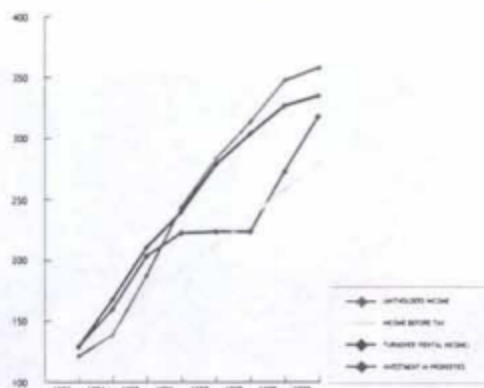
**MADAGASCAR**

Antananarivo Tanawaterfront (under construction)

## Highlights

- RDC consolidates in the industrial sector market
- Construction well underway in Madagascar
- Refurbishment of Hardware House completed
- Tholo A & B development in Fairgrounds complete

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 includes mainly properties geographically spread over the major centres of Botswana and a development underway in Antananarivo, the capital of Madagascar valued at approximately 95 million. It consists of 17 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 property.

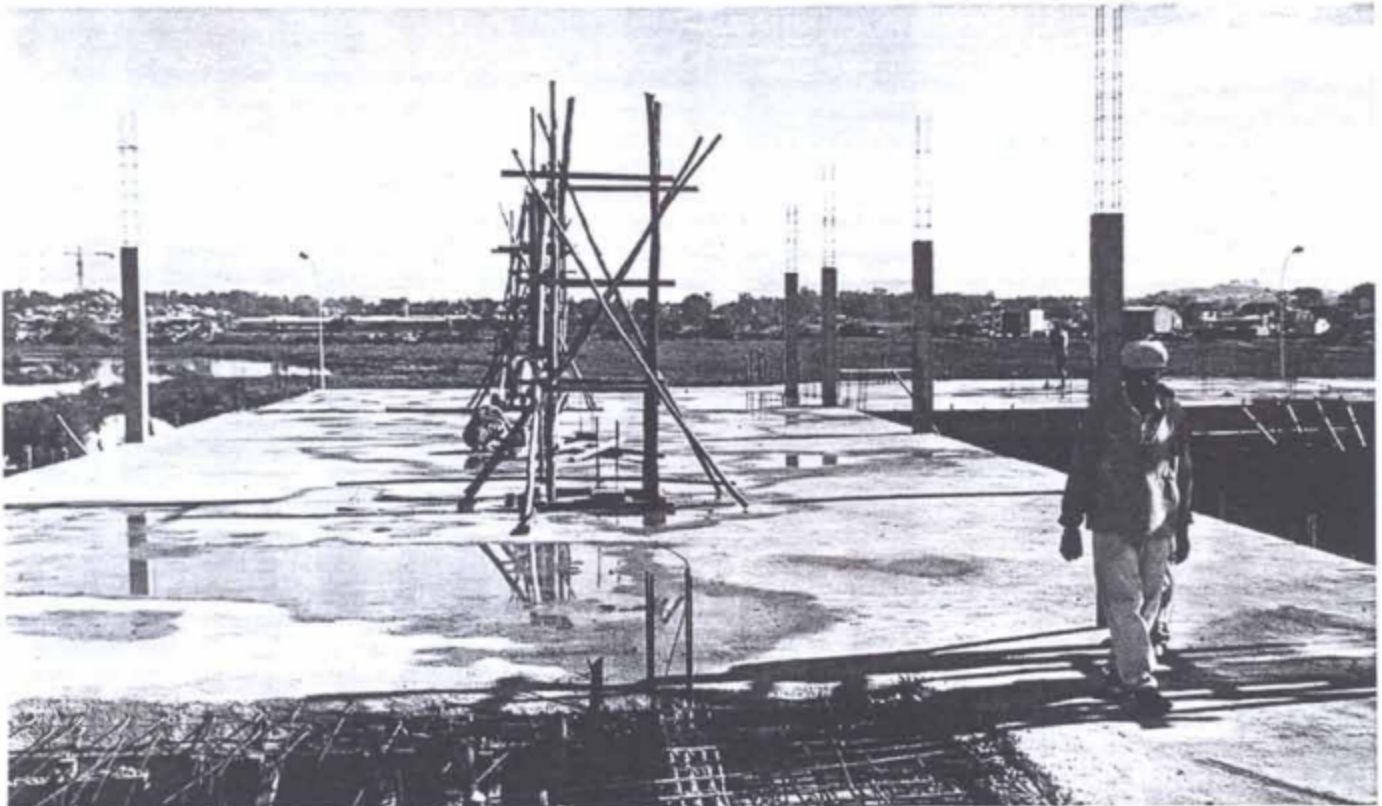
## Salient Features

The salient features of the group from 1996 to 2000

	Pro-forma					Variance %
	1996 P'000	1997 P'000	1998 P'000	1999 P'000	2000 P'000	
Investment in properties & equipment (***)	67 157	67 492	67 583	83 206	95 251	14
Long term borrowings	10 816	9 872	9 810	8 866	16 508	86
Turnover (Rental income & recoveries)	**8 000	9 303	10 141	10 887	11 138	2
Net operating income before interest	**6 355	7 184	7 649	8 367	8 936	7
Interest received and other income	**491	276	277	193	434	125
Interest paid	(1 624)	(1 730)	(1 618)	(1 630)	(1 640)	1
Income before taxation	5 222	5 730	6 308	6 968	7 473	7
Interest to unitholders	3 875	4 509	4 995	5 526	5 909	7
Income after taxation and minority interest	1 352	1 199	1 260	1 294	1 411	9
Dividends	78	90	100	111	118	7
Income to unitholders	3 953	4 599	5 095	5 637	6 027	7

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

(\*\*\*) Portfolio has been revalued as at 31 December 1995 and 31 December 1999



Above: Tanawaterfront under construction - Antananarivo Madagascar.

The Year 2000 has been an exciting one for RDC Properties due to a number of new developments and acquisitions. Despite a general slowing in the Botswana economy I am pleased to report that the occupancy level of our portfolio has remained high, despite having increased our property portfolio by 12.5% in terms of lettable area, the occupancy levels are at 94%, which is slightly below last year's level, and provides us the opportunity to record a significant growth next year. I am pleased to advise that demand to occupy space in our properties has been strong.

During the year unit holders once again had an opportunity to increase their holding of units in RDC Properties when the directors provided an option to capitalise 100% of the interim distribution payment to eligible parties. The offer was most successful as 88% of those unit holders eligible to obtain additional units chose to increase their holding in the company. As a result 1 481 500 additional units were registered on the Botswana Stock Exchange on 20 October 2000. The beneficial number of linked unit holders in issue is now 28 939 429.

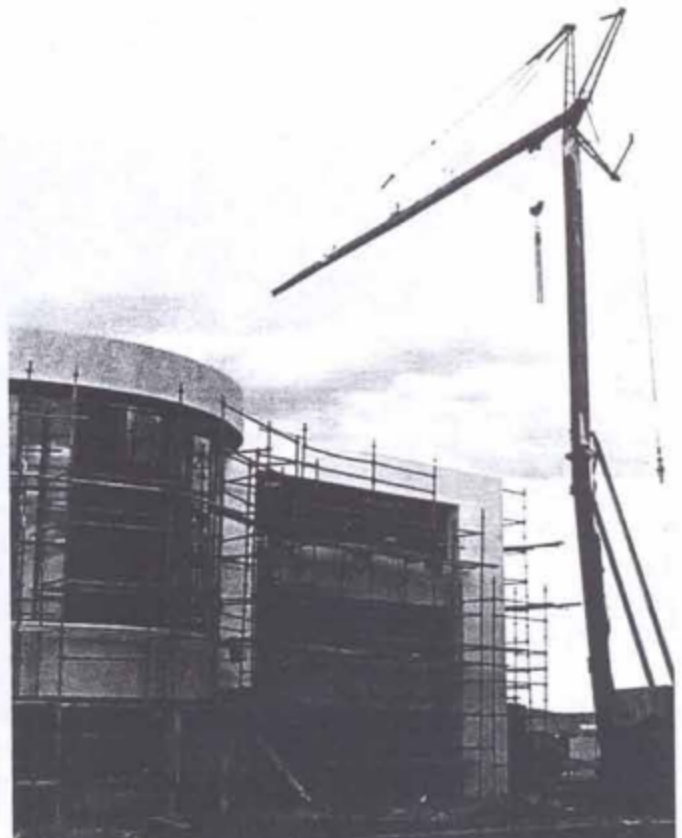
Your Company's property portfolio has never been as diversified both in terms of industrial sector and locations, the portfolio is improving with the refurbishment of old buildings, new acquisitions and new developments both in Botswana and Madagascar.

### The Economy

In the period under review the growth rate in the non-mining sectors has slightly declined with a marginal impact on demand in the rural areas of Botswana. The Government efforts to develop Botswana into an International Financial Services Centre are gaining momentum and this is stimulating the need for additional office accommodation in the capital. We are well positioned to capitalise on this growth sector with our joint venture subsidiary, Tholo, whose buildings are located in the Fairgrounds area.

Throughout the period we have been witnessing a slight levelling off of rentals in the industrial and rural commercial area while the demand for commercial space within Gaborone is still very encouraging.

The 1% increase in Prime lending rate, during this year, has increased the cost of borrowing which is always negative for our sector, however your Company benefited from a relatively low level of borrowing and a very careful management of the portfolio.



Above: Tholo Office Park Fairgrounds.

## Financial Results

Despite having had to forgo the revenue of Hardware House, representing close to 10% of the portfolio income, because of the refurbishment during the year, the group results for the period ending 31 December 2000 reflect a revenue increase of 2.3% which is due to the positive effect of the Phakalane Warehouses which were acquired last year.

Although there has been pressure on costs, with inflation running on average at 9% and the increased cost of borrowing, the portfolio has been managed carefully to keep costs below the 1999 level. Profit before taxation and distribution to unit holders has reached P7.473 million, which equates to an increase of 7.25%

The proposed distribution to linked unit holders of P6 027 000 represents an increase of 7% overall for the year. The beneficial total number of linked units in issue is now of 28 939 429 the distribution per linked unit is 21.28 thebe.

The valuation of the properties reflects the values of last year based on the 31 December 1999 values and additional costs incurred on the new developments.

Throughout the year we have invested in properties and development projects which will contribute towards rental income in the forthcoming years. The main investments this year have been into Tholo (Pty) Limited, SIA Sarl of Madagascar via RDC Properties Mauritius Limited and the acquisition of an additional industrial property in Gaborone West. The developments have been funded through the capitalisation option and with commercial banks borrowing. It is envisaged that the further cash required will be secured by a mix of borrowing and capitalisation options.

We realise that due to the poor liquidity of Botswana stock market and the international lack of support for property companies, the value of our linked units have been under a lot of pressure. We are optimistic that the prevailing trend over this year will reverse and show positive appreciation in the next year as at current market rates the units provide very high returns and the underlying property portfolio is sound and undervalued at current share prices.

## Your Company and the Future

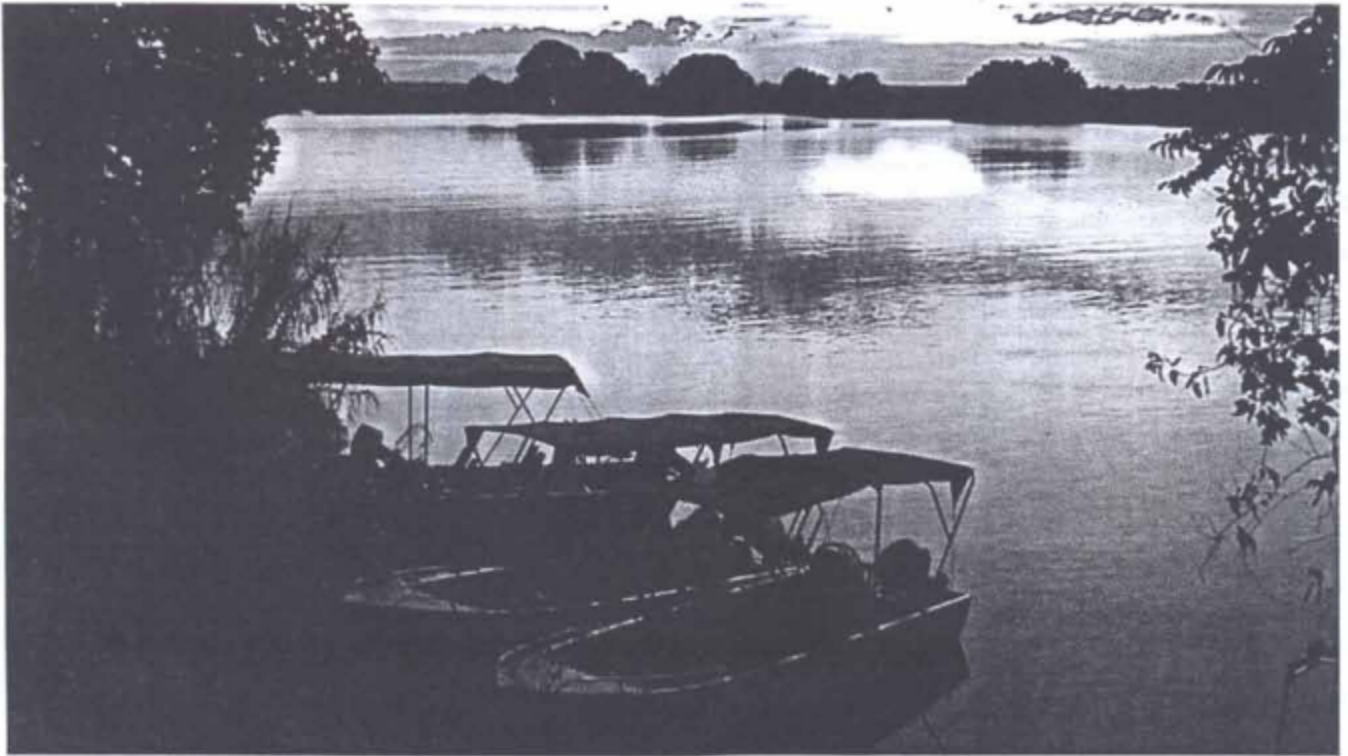
We have worked throughout the year to grow our business and I wish to take this opportunity to inform you of the major projects we have undertaken which will start adding value from 2001 onwards. In 1999 RDC Properties diversified into the industrial sector of the property market and during this period we have acquired an additional property which provides an extra 4 041m<sup>2</sup> of lettable space. We have identified an opportunity to further diversify into the tourism sector through the acquisition of a portion of a lodge under construction in Kasane. More details on these exciting developments are provided below.

### Tholo (Proprietary) Limited

Tholo is a joint venture company between Shakawe (Pty) Ltd, a citizen investment group, and RDC Properties Limited. It was formed to develop an office Park in the Fairground area of Gaborone. We started construction in January and the buildings are ready for us to take beneficial occupation early 2001. During the year we sub-divided the large Plot 50369 into three portions. Two of the plots occupy the newly constructed buildings and the larger portion, the remainder of Plot 50369 remains undeveloped for the time being. I am pleased to report that there has been high interest in renting the properties due to their location in the new financial district of Gaborone combined with the high specification for the construction of the building. It is our intention to retain all the developments on this site as we believe the area will remain the preferred office node in Gaborone for the foreseeable future with Botswana's continued efforts to create and nurture an International Financial Services Centre.



Above: Tholo Office Park Fairground Gaborone; a joint venture with citizen companies.



Above: Kasane Marina Lodge - View from main building deck.

#### Progress in Madagascar

Construction has started on our first building in Madagascar. This development is a 50% joint venture with a Madagascar based retailing group. Our joint venture partner will be anchoring the development with one of their supermarkets. The project consists of approximately 6 000m<sup>2</sup> of building, half of which will be devoted to retail on the ground floor with another 3 000m<sup>2</sup> of office space being available at the first floor level. All the retail space has been reserved by prospective tenants and this portion is therefore 100% pre-let. Construction is progressing as planned and the project will be completed by November 2001. The project is receiving a positive response in the local market in Antananarivo and we should see some positive effect on the income for the portfolio during the year 2002. The majority of the leases are indexed either to the US Dollar or the French Franc (Euro) and this should help in providing a partial hard currency hedge to our Pula based portfolio. This investment is held via a fully owned subsidiary RDC Properties Mauritius Limited.

#### Consolidating our Industrial Property Base

During the last quarter of the year RDC Properties purchased Plots 22017, 22018 and 22024 in Gaborone West. Plot 22024, which was undeveloped was sold and this enabled the Company to retain the remaining plots at a very good overall cost. The properties were sold at auction as part of the liquidation of the Motor Company of Botswana. The cost of the two properties was P5 350 000. An independent valuer will value the properties in 2001.

Plot 22017 is totally developed providing 4 041m<sup>2</sup> of factory space and office accommodation. The standard of construction of the building is high for an industrial unit. At the end of 2000 we had 4 of the 6 available units leased for occupation in 2001 with serious interest being expressed on the remaining space.

Plot 22018 is undeveloped although the site is completely paved and has some car ports erected upon it. We therefore have acquired an additional

7 085m<sup>2</sup> of serviced land that we plan to develop in the future. The Government is clearly committed to encouraging diversification in the economy and it is our desire to dovetail with the Government's initiatives for our mutual benefit.

#### The Launch of Mebaala Centre

Hardware House, was the oldest in our portfolio and was in need of major renovation in order to retain its customer appeal. One of our highlights this year was the opening of this modernised building called Mebaala Centre - mebaala means colours in Tswana. This property now offers a gallery of small boutiques on three floors, which provide the Mall with services currently lacking.

The refurbishment was extensive with a complete new tanking, new access and new mechanical services. The fire system was upgraded as was the entire power supply to the property.

A number of blue chip tenants are now operating from the centre and the building has been revitalised. The expected rentals are some 50% higher than was earned from the previous leases in the old building.

#### Diversification into Tourism

Kasane Marina Lodge is under construction on the banks of the Chobe River in Kasane. The lodge will consist of various accommodation units namely Studio Suites (14), One Bedroom Apartments (14), Two Bedroom Chalets (10) and Three Bedroom Chalets (6). An investment opportunity exists to acquire units in the lodge on a 25-year leasehold basis from which income can be derived from tourists staying in the lodge. Investors into the project will receive 62.5% of the accommodation rates paid by tourists. RDC Properties has acquired six studio suites and six one bedroom apartments in order to add a tourism based income stream to the portfolio. The lodge will be marketed worldwide and as is common throughout Africa, hotel bed rates are priced in US Dollars therefore the income is protected to some extent from continued Pula devaluation.

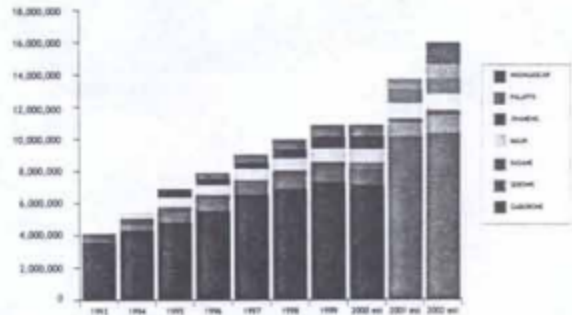
The lodge is scheduled to open on 1 July 2001 and we expect income to flow from the last quarter of next year. The lodge is new and will take some time to become established in tour operators' brochures, however, we forecast that within a five year time frame this investment is likely to provide us with one of the highest rate of returns within the portfolio. A total of P3 477 000 will be spent on this investment.

**Corporate Governance**

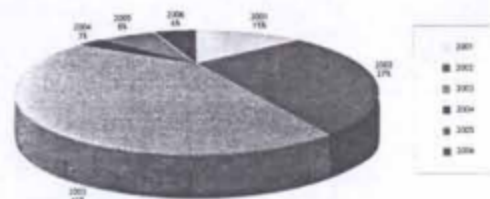
The Directors of RDC Properties are firmly committed to the highest standards of corporate governance and understand that this is an essential component of continued success. The board of RDC Properties has as some of its core beliefs the necessity to conduct all its business with integrity and transparency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

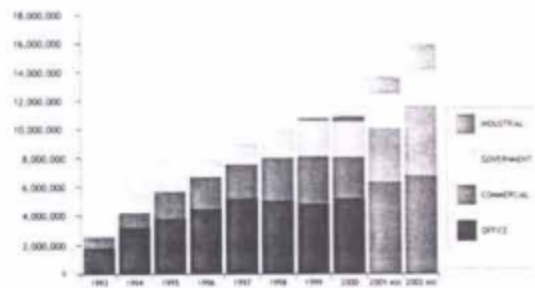
The Board of Directors meets four times a year and our company secretaries attend every meeting making certain the board meeting follows all required procedures and providing an opportunity for any director to discuss a matter directly with the company secretary. All directors are further entitled to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



Geographical Spread (by rental income 2000)



Lease Profile (by rental income 2000)



Sectoral Spread (by rental income 2000)



Above: Fairground Area of Gaborone - Tholo Office Park under construction.



Above: Mebala Centre - Modernised Hardware House - before and after.

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 the portfolio is provided by Property and Asset Management Limited. This company is responsible for ensuring that 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.

#### Acknowledgements

My sincere thanks to my fellow board members for their continued commitment and enthusiastic participation which ensures the continuing progression and innovation of RDC Properties. In turn my colleagues the Directors would like to express their thanks to the management and staff of Property and Asset Management Limited who have worked conscientiously throughout the year managing the daily business of the company and evaluating new ventures for the future.



Above: New industrial acquisition: Gaborone West Industrial Estate.



The Directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2000.

## 1. Capital

During the year, unitholders representing 88% of the linked units eligible to receive capitalisation units in respect of 100% of the 2000 interim net distribution, elected to receive fully paid linked units in the company and were allotted 1 481 500 new linked units. The total number of linked units in issue is therefore 28 939 429.

## 2. Financial Statements

The balance sheets set out the company's and the group's financial position at 31 December 2000 and the income statements reflect the results of the company and the group for the year ended 31 December 2000.

## 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 income before net interest and distributes the entire earnings attributable to the linked unit after such retention.

## 4. Distribution to Unitholders (thebe)

	Interest	Dividend	Total
<b>1999</b>			
Interim	7.92	0.16	8.08
Final	<u>12.21</u>	<u>0.24</u>	<u>12.45</u>
	<u>20.13</u>	<u>0.40</u>	<u>20.53</u>
<b>2000</b>			
Interim	8.59	0.17	8.76
Final	<u>12.27</u>	<u>0.25</u>	<u>12.52</u>
	<u>20.86</u>	<u>0.42</u>	<u>21.28</u>
	3.6%	5%	3.7%

## 5. Subsidiaries

The details of your company's interest in property owning subsidiaries are set out on page 16 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

The following changes took place during the year:

M.L. Jawa resigned as an alternate to G. Giachetti, L. Magang was appointed alternate to G. Giachetti and S. Gupta was appointed alternate to A.D. Norrie.

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) L. Magang (Alternate to G. Giachetti) and S. Gupta (Alternate to A.D. Norrie).

G. Giachetti, D.C. Khama and J.S. Stewart 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 (Proprietary) Limited  
 Business Address: Plot 50371 Fairgrounds Office Park  
 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 10 to 20 for the year ended 31 December 2000. 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 2000 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).

## Deloitte & Touche

Certified Public Accountants

13 March 2001  
Gaborone



Above: Kasane Marina Lodge - Chalet type B.

# Income Statements

for the year ended 31 December 2000

	Notes	Company		Group	
		2000 P'000	1999 P'000	2000 P'000	1999 P'000
Revenue	1	9 255	9 056	11 138	10 887
Operating expenses		2 022	2 148	2 506	2 520
Profit from operations	2	7 233	6 908	8 632	8 367
Other revenue	2	571	-	304	-
Finance costs	3	(817)	(661)	(1 463)	(1 399)
Profit before taxation and distribution to unitholders		6 987	6 247	7 473	6 968
Debenture interest	4	(5 909)	(5 526)	(5 909)	(5 526)
Profit before taxation		1 078	721	1 564	1 442
Taxation	5	(21)	-	(83)	(87)
Profit after taxation		1 057	721	1 481	1 355
Minority interest		-	-	(70)	(61)
Net profit for the year		1 057	721	1 411	1 294
Interest to dividend ratio		50:1	50:1	50:1	50:1
Average weighted number of linked units in issue		27 704 846	27 043 412	27 704 846	27 043 412
Earnings per linked unit				26.42	25.22
Earnings per linked unit are calculated based on net income before debenture interest and after taxation and minority interest of P7 320 000 (1999 : P6 820 100)					
Distribution per linked unit (thebe)				21.28	20.53
Interest per linked unit (thebe)				20.86	20.13
Dividend per linked unit (thebe)				0.42	0.40

\* The earnings per linked unit is calculated on the weighted average of linked units in issue at year end. This figure comprises 27 457 929 units in issue at the beginning of the year and the weighted average of an additional 1 481 500 units capitalised and issued on 20 October 2000.

	Notes	Company		Group	
		2000 P'000	1999 restated P'000	2000 P'000	1999 restated P'000
<b>ASSETS</b>					
<b>Non Current Assets</b>					
Plant & equipment	6	874	555	877	561
Investments in subsidiaries	7	6 885	4 495	2 017	-
Investment properties	8	76 668	69 258	95 251	83 206
		84 427	74 308	98 145	83 767
<b>Current Assets</b>					
Trade and other receivables	9	1 890	2 178	603	452
Bank balances and cash	10	60	2 642	401	2 857
		1 950	4 820	1 004	3 309
<b>Total Assets</b>		<b>86 377</b>	<b>79 128</b>	<b>99 149</b>	<b>87 076</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Unitholders' Funds</b>					
Share capital	11	289	275	289	275
Debentures	12	46 303	43 933	46 303	43 933
Share premium	13	8 268	8 787	8 268	8 787
Non distributable reserves	14	7 079	7 407	8 811	9 210
Accumulated profits		3 467	2 528	4 756	3 643
		65 406	62 930	68 607	65 848
<b>Minority Interest</b>		-	-	1 805	1 417
<b>Non Current Liabilities</b>					
Long term borrowings	15	8 936	5 148	15 266	7 876
Deferred taxation	16	3 735	3 387	4 837	4 427
		12 671	8 535	20 103	12 303
<b>Current Liabilities</b>					
Trade and other payables	17	3 094	3 368	2 966	2 975
Taxation		-	-	149	87
Bank overdraft	18	654	-	654	-
Current portion of long term borrowings	15	929	840	1 242	991
Unitholders for debenture interest and dividend		3 623	3 455	3 623	3 455
		8 300	7 663	8 634	7 508
<b>Total Equity and Liabilities</b>		<b>86 377</b>	<b>79 128</b>	<b>99 149</b>	<b>87 076</b>

# Statement of changes in Equity

for the year ended 31 December 2000

	Notes	Share capital P'000	Debentures P'000	Non distributable reserves P'000	Share premium P'000	Accumulated profits P'000	Total P'000
<b>GROUP</b>							
<b>Balance at 1 January 1999</b>							
- as previously reported		270	43 209	316	8 701	3 543	56 039
- effect of change in accounting policy	19	-	-	-	-	(1 083)	(1 083)
- as restated		270	43 209	316	8 701	2 460	54 956
Net profit for the year		-	-	-	-	1 294	1 294
Dividends	20	-	-	-	-	(111)	(111)
Capitalisation issue		5	724	-	86	-	815
Revaluation of investment properties		-	-	12 187	-	-	12 187
Deferred taxation on revaluation		-	-	(3 293)	-	-	(3 293)
<b>Balance at 31 December 1999</b>		<b>275</b>	<b>43 933</b>	<b>9 210</b>	<b>8 787</b>	<b>3 643</b>	<b>65 848</b>
<b>Balance at 1 January 2000</b>							
Net profit for the year		-	-	-	-	1 411	1 411
Dividends	20	-	-	-	-	(118)	(118)
Capitalisation issue		14	2 370	-	(519)	-	1 865
Deferred taxation on revaluation		-	-	(389)	-	-	(389)
Outside shareholders' interest		-	-	(10)	-	-	(10)
<b>Balance at 31 December 2000</b>		<b>289</b>	<b>46 303</b>	<b>8 811</b>	<b>8 268</b>	<b>4 756</b>	<b>68 607</b>
<b>COMPANY</b>							
<b>Balance at 1 January 1999</b>							
- as previously reported		270	43 209	-	8 701	2 608	54 788
- effect of change in accounting policy	19	-	-	-	-	(690)	(690)
- as restated		270	43 209	-	8 701	1 918	54 098
Net profit for the year		-	-	-	-	721	721
Dividends	20	-	-	-	-	(111)	(111)
Capitalisation issue		5	724	-	86	-	815
Revaluation of investment properties		-	-	10 104	-	-	10 104
Deferred taxation on revaluation		-	-	(2 697)	-	-	(2 697)
<b>Balance at 31 December 1999</b>		<b>275</b>	<b>43 933</b>	<b>7 407</b>	<b>8 787</b>	<b>2 528</b>	<b>62 930</b>
<b>Balance at 1 January 2000</b>							
Net profit for the year		-	-	-	-	1 057	1 057
Dividends	20	-	-	-	-	(118)	(118)
Capitalisation issue		14	2 370	-	(519)	-	1 865
Deferred taxation on revaluation		-	-	(328)	-	-	(328)
<b>Balance at 31 December 2000</b>		<b>289</b>	<b>46 303</b>	<b>7 079</b>	<b>8 268</b>	<b>3 467</b>	<b>65 406</b>

# Group Cash Flow Statement

for the year ended 31 December 2000

	Group	
	2000 P'000	1999 P'000
<b>Cash Flows From Operating Activities</b>		
Net income before taxation and debenture interest	8 936	8 367
Adjustment for items not involving the moment of cash:		
Depreciation	127	103
Operating income before working capital changes	9 063	8 470
(Increase)/decrease in trade and other accounts receivables	(151)	26
(Decrease)/increase in trade and other accounts payables	(9)	829
Operating cash flow	8 903	9 325
Net interest paid	(1 463)	(1 399)
Debenture interest paid	(5 743)	(5 125)
Dividends paid	(116)	(102)
Net cash generated from operating activities	1 581	2 699
<b>Cash Flows Used In Investing Activities</b>		
Increase in capital work in progress	(377)	(555)
Purchase of plant and equipment	(443)	(85)
Purchase of investment property	(550)	(2 212)
Improvements to investment properties	(2 151)	(200)
Investment in joint venture	(2 017)	-
Net cash used in investing activities	(5 538)	(3 052)
<b>Cash Flows From Financing Activities</b>		
Loan payments	(1 018)	(944)
Proceeds from issue of linked units	1 865	815
Net cash generated from/(used in) financing activities	847	(129)
Net decrease in cash and cash equivalents	(3 110)	(482)
Cash and cash equivalents at beginning of year	2 857	3 339
Cash and cash equivalents at end of year	(253)	2 857
<b>Consisting of:</b>		
Cash at bank and on hand	401	2 857
Bank overdraft	(654)	-
	(253)	2 857

## 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.

## 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

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amount. 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 income taxation is provided using the liability method on all temporary differences at the balance sheet date between the tax assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carryforward of unused tax assets and unused tax losses can be utilised.

## 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 obligation and a reliable estimate of the amount of the obligation can be made.

## Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction of qualifying assets are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

	Company		Group	
	2000 P'000	1999 P'000	2000 P'000	1999 P'000
<b>1. Revenue</b>				
Revenue comprises rental income and service charges recovered from tenants.				
Rental income	8 996	8 903	10 751	10 582
Service charges recovered	259	153	387	305
	<u>9 255</u>	<u>9 056</u>	<u>11 138</u>	<u>10 887</u>
<b>2. Profit from operations</b>				
Profit from operations is stated after taking into account the following:				
Auditors' remuneration - audit fee	53	55	63	63
- other services	4	4	4	4
- prior years underprovision	10	-	10	-
Depreciation	124	100	127	103
Directors' emoluments - for service as directors	42	42	42	42
Gain/(Loss) on foreign exchange	257	(39)	257	(39)
Management and administration fee paid to related company	545	538	651	639
Service charge paid to related company	238	310	238	310
	<u>(817)</u>	<u>(661)</u>	<u>(1 463)</u>	<u>(1 399)</u>
<b>3. Finance costs</b>				
Interest receivable				
• subsidiary companies	257	320	-	-
• bank	145	160	171	173
• Bank of Botswana certificates	-	59	-	59
• overdue debtors	6	-	6	-
Interest payable				
• bank	(79)	(17)	(79)	(17)
• long term loans	(1 348)	(1 183)	(1 828)	(1 614)
• Less capitalised	202	-	267	-
	<u>(817)</u>	<u>(661)</u>	<u>(1 463)</u>	<u>(1 399)</u>
<b>4. Debenture interest</b>				
Interim paid - 8.583 thebe	2 357	2 140	2 357	2 140
Final proposed - 12.27 thebe	3 552	3 386	3 552	3 386
	<u>5 909</u>	<u>5 526</u>	<u>5 909</u>	<u>5 526</u>
During 2000 interest of 8.583 thebe per linked unit was declared and paid, a further 12.27 thebe per linked unit has been proposed and will be submitted for normal approval at the Annual General Meeting. This has been recognised as a liability at 31 December.				
<b>5. Taxation</b>				
The company has estimated assessable losses amounting to P2 535 000 (1999 : P2 094 000) available to reduce future taxable income.				
Normal taxation	-	-	62	87
Deferred taxation	21	-	21	-
	<u>21</u>	<u>-</u>	<u>83</u>	<u>87</u>
Tax reconciliation				
Tax at current rate	25%	25%	25%	25%
Timing differences - tax losses	(23%)	(25%)	(20%)	(19%)
Effective tax rate	<u>2%</u>	<u>-</u>	<u>5%</u>	<u>6%</u>
Deferred taxation relating to the revaluation of the Group's properties has been charged directly to equity.				



# Notes to the Financial Statements

31 December 2000 (continued)

## 6. Plant and Equipment

	Plant and machinery P'000	Office equipment P'000	Total P'000	
<b>Group</b>				
Cost				
At 31 December 1999	1 549	51	1 600	
Additions	443	-	443	
At 31 December 2000	1 992	51	2 043	
Depreciation				
At 31 December 1999	1 015	24	1 039	
Charge	120	7	127	
At 31 December 2000	1 135	31	1 166	
Net book value	857	20	877	
<b>Company</b>				
Cost				
At 31 December 1999	1 540	50	1 590	
Additions	443	-	443	
At 31 December 2000	1 983	50	2 033	
Depreciation				
At 31 December 1999	1 011	24	1 035	
Charge	120	4	124	
At 31 December 2000	1 131	28	1 159	
Net book value	852	22	874	
	2000 P'000	Company 1999 P'000	2000 P'000	Group 1999 P'000

## 7. Investments in subsidiaries - at cost

	Holding	2000 P'000	1999 P'000	2000 P'000	1999 P'000
Lotsane Complex (Proprietary) Limited	77%	1 692	1 692	-	-
Professional House (Proprietary) Limited	100%	2 021	2 021	-	-
Tholo (Proprietary) Limited	50%	1 155	781	-	-
RDC Properties Mauritius Limited	100%	2 017	1	2 017	-
		6 885	4 495	2 017	-

RDC Properties Mauritius Limited is in a 50% joint venture project to develop a commercial centre in Madagascar. The above amount represents the company's 50% contribution as set out in the shareholders agreement. As the development at the date of reporting was still being equally funded by both parties no meaningful information will be provided by consolidating the subsidiary and as such none has been done.

## 8. Investment properties

	2000 P'000	1999 P'000	2000 P'000	1999 P'000
Freehold land and buildings - at valuation	36 510	34 362	36 510	34 362
Leasehold land and buildings - at valuation	40 042	34 780	52 392	47 131
Leasehold land and buildings : undeveloped - at cost	116	116	116	116
: work in progress - at cost	-	-	6 233	1 597
	76 668	69 258	95 251	83 206
Had the investment properties been carried at original costs the values would be	29 695	22 285	41 342	33 932

Investment properties were revalued at 31 December 1999 by Richard Ellis - Africa. The valuation was based on the open market value. Valuations are carried out on a regular basis at the Directors discretion.

## 8. Investment properties (continued)

## Freehold land and buildings comprise the following:

Lots 1124 to 1130, Extension 3, Gaborone, which are encumbered by first and second mortgage bond in favour of Barclays Bank of Botswana Limited totalling P10 000 000 to secure loan facility of P5 000 000 and an overdraft facility of P5 000 000

Lot 21306 Phakalane

Lot 1116/17 Extension 3 Gaborone

## Leasehold land and buildings comprise the following:

Lot 4787 and 4788 Extension 6 Gaborone

Lots 22017/18 Gaborone

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 617, Molepolole.

Capital work in progress consists of lots 50668 to 50669, Faigrounds which are encumbered by first mortgage bonds in favour of Barclays Bank of Botswana for P6 545 000.

	Company		Group	
	2000 P'000	1999 P'000	2000 P'000	1999 P'000
9. Trade and other receivables				
Trade receivables	392	317	413	353
Tholo (Proprietary) Limited	129	68	-	-
Lotsane (Proprietary) Limited	1 297	1 739	-	-
Other receivables	72	54	93	99
Property and Asset Management Limited	-	-	97	-
	<u>1 890</u>	<u>2 178</u>	<u>603</u>	<u>452</u>
10. Bank balances and cash				
Cash at bank and in hand	60	2 642	401	2 857
11. Share capital				
Authorised				
1 000 000 000 shares of 1 thebe each	10 000	10 000	10 000	10 000
Issued				
28 939 429 (1999 : 27 457 929) of 1 thebe each	289	275	289	275

# Notes to the Financial Statements

31 December 2000 (continued)

	Company		Group	
	2000 P'000	1999 P'000	2000 P'000	1999 P'000
<b>12. Debentures</b>				
28 939 429 (1999 : 27 457 929) debentures of P1.60 each	46 303	43 933	46 303	43 933
<b>13. Share premium</b>				
Opening balance	8 787	8 701	8 787	8 701
(Discount)/premium on capitalisation of distribution during the year	(519)	86	(519)	86
	8 268	8 787	8 268	8 787
<b>14. Non distributable reserves</b>				
Opening balance	7 407	-	9 210	316
Property revaluation	-	10 104	-	12 187
Deferred taxation	(328)	(2 697)	(389)	(3 293)
Outside shareholders' interest	-	-	(10)	-
	7 079	7 407	8 811	9 210
<b>15. Long term borrowings</b>				
Standard Chartered Bank Botswana Limited	876	1 357	876	1 357
Less : current portion	(373)	(490)	(373)	(490)
	503	867	503	867
These loans bear variable interest rates of 1% to 2% above prevailing prime rates. The loans are repayable in monthly instalments of P80 761 (1999 : P80 761) including interest, and are secured as indicated in note 8.				
Botswana Building Society	158	167	2 871	3 045
Less : current portion	(12)	(10)	(195)	(160)
	146	157	2 676	2 885
These loans bear interest at a fixed rate of 15% per annum and are repayable in monthly instalments of P51 956 (1999 : P51 956) including interest, and are secured as indicated in note 8.				
First National Bank of Botswana Limited	2 609	2 867	2 609	2 867
Less : current portion	(292)	(257)	(292)	(257)
	2 317	2 610	2 317	2 610
These loans bear interest at a flat 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 (1999 : P59 000) including interest, and are secured as indicated in note 8.				
National Development Bank Limited	1 510	1 597	1 510	1 597
Less : current portion	(90)	(83)	(90)	(83)
	1 420	1 514	1 420	1 514
These loans bear interest at a fixed rate of 16.5% and are repayable in monthly instalments of P28 571 (1999 : P28 571) including interest, and are secured as indicated in note 8.				
Barclays Bank of Botswana Limited	4 712	-	8 642	-
Less : current portion	(162)	-	(292)	-
	4 550	-	8 350	-
These loans bear interest at rates of 0.5% below prevailing prime rates. Monthly repayments including interest will commence at P140 751 in April 2001. The loans are secured as indicated in note 8.				
Long term portion of loans	8 936	5 148	15 266	7 876
Current portion of loans	929	840	1 242	991

	Company		Group	
	2000 P'000	1999 P'000	2000 P'000	1999 P'000
<b>16. Deferred taxation</b>				
The deferred taxation liability comprises of timing differences on : plant and equipment	(20)	62	(21)	62
: investment properties	(17 457)	(15 802)	(21 861)	(19 964)
Tax losses	2 535	2 193	2 535	2 193
	<u>(14 942)</u>	<u>(13 547)</u>	<u>(19 347)</u>	<u>(17 709)</u>
Tax at 25%	(3 735)	(3 387)	(4 837)	(4 427)
	<u><u>(18 677)</u></u>	<u><u>(16 934)</u></u>	<u><u>(24 184)</u></u>	<u><u>(22 136)</u></u>
<b>17. Trade and other payables</b>				
Trade payables	760	891	1 205	1 223
Property Asset Management Limited	194	288	215	342
Italtswana Construction Company (Proprietary) Limited	122	193	122	193
Professional House (Proprietary) Limited	667	930	-	-
Other payables	1 351	1 066	1 424	1 217
	<u>3 094</u>	<u>3 368</u>	<u>2 966</u>	<u>2 975</u>
<b>18. Bank overdraft</b>				
The bank overdraft is secured by a first mortgage bond of P5 000 000 over lots 1124 to 1130 in favour of Barclays Bank of Botswana Limited.				
<b>19. Change in accounting policy</b>				
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	-	3 543
Effect of change in accounting policy	-	(690)	-	(1 083)
Opening accumulated profits as restated	-	1 918	-	2 460
	<u>-</u>	<u>1 918</u>	<u>-</u>	<u>2 460</u>
<b>20. Dividends</b>				
Interim paid - 0.172 thebe	47	42	47	42
Final proposed - 0.245 thebe	71	69	71	69
	<u>118</u>	<u>111</u>	<u>118</u>	<u>111</u>
<b>21. Non cash transactions</b>				
Investment property acquired during the year and still in progress to the value of P8 642 00 was financed by means of loans from Barclays Bank of Botswana Limited				
<b>22. Related party transactions</b>				
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	545	538	651	639
- project management fees	-	29	-	29
- lease renewal fees	101	87	133	87
Italtswana Construction Company (Proprietary) Limited				
- service charges	238	310	238	310
- repairs and capital expenditure	-	52	-	87
- purchase of investment property	-	2 150	-	2 150
	<u>884</u>	<u>1 066</u>	<u>1 022</u>	<u>1 102</u>

# Notes to the Financial Statements

31 December 2000 (continued)

## 22. Related party transactions (continued)

	Company		Group	
	2000 P'000	1999 P'000	2000 P'000	1999 P'000
The above transactions were carried out as follows:				
<b>Property Asset Management Limited</b>				
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.				
<b>Italtswana Construction Company (Proprietary) Limited</b>				
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	194	288	215	342
Italtswana Construction Company (Proprietary) Limited	122	193	122	193
	<hr/>	<hr/>	<hr/>	<hr/>
Receivables relating to:				
Property Asset Management Limited	-	-	94	-
	<hr/>	<hr/>	<hr/>	<hr/>

## 23. Financial instruments

In the normal course of business the Group is exposed to currency and credit risk. The Group manages its exposure by meeting on a regular basis to ensure the treasury activities are carried out in an orderly and efficient manner adhering to management procedures and policies.

### Currency risk

During the year the Group did not enter into any contracts for forward exchange of foreign currencies or use any derivative financial instruments.

### Credit risk

The company and Group have no significant concentrations of credit risk which has not been adequately provided for.

### Fair values

The carrying amounts of the following financial assets and financial liabilities approximate to their fair value: cash, investments, trade receivables and payables, other receivables, long term borrowings and dividends payable.

## 24. Contingent Liability

If the Group was to sell its underlying assets, primarily its freehold and leasehold properties at current market value, a capital gains tax liability of approximately P3 038 000 would arise.

Property Name	Form of lease	Title Deed Number	Location of Property	Sector	Lettable area m <sup>2</sup>
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
Mebala 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 15/97	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	514/95 661/95 185/96	Lot 3761 Jwaneng Lot 5422 Jwaneng Lot 5423 Jwaneng	Retail	2 322.00
Tsodilo Centre	50-year Tribal lease	3/97	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 No. 20/96 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	1448/99	Lot 21306 Phakalane	Industrial	2 376.00
Gaborone West Warehouses	50-year State leasehold	2434/2000	Lots 22017/18 Gaborone West	Industrial	4 041.00
Tholo A & B	50-year State leasehold	1695/96/2000	Lots 50669/68 Gaborone	Under development	

## Notice of Meeting

Notice is hereby given that the fifth Annual General Meeting of the Company will be held at the RDC Offices, Realestate Office Park, Gaborone on Thursday April 26 2001, at 4:00 pm for the following business.

### Agenda

1. To read the notice convening the meeting.
2. To receive, consider and adopt the audited financial statements for the year 31 December 2000.
3. To approve the distribution as recommended by the directors.
4. To approve the payment of P42 000 for directors' emoluments (fees and expenses) for the year ended 31 December 2000.
5. To re-elect all directors of the company including:

G. Giachetti  
D.C. Khama  
J.S. Stewart

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 ensuring 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/her on his/her 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  
2 April 2001

Registered Office  
Plot 50371, Fairgrounds Office Park  
P O Box 294, Gaborone

The fifth Annual General Meeting of members to be held on Thursday April 26 2001 at 4.00 pm at the RDC Offices, Realestate Office Park, Gaborone.

I/We..... of ..... being a member/members of the above named company do hereby appoint:

..... of .....or failing that person

the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the fifth Annual General Meeting of the Company to be held on April 26 2001 at 4.00 pm.

Signed this.....day of .....2001

Signature.....

Unless otherwise instructed, the proxy will vote as he/she thinks fit.



