RDC

RDC Properties Limited

Annual Report 2009

"Committed to Being an Engine of Growth for the Development of Our Country"

RDC at a Glance

"Developers and Investors in Prime Properties"

RDC PROPERTIES LIMITED, is the first variable rate loan stock company listed on the Botswana Stock Exchange in 1996.

We selectively develop and invest in modern commercial and industrial buildings in prominent locations in Botswana and Madagascar.

The Group's main objective is the long term enhancement of linked unit holders value through dividend and capital appreciation.

The Portfolio includes commercial, hospitality and retail real estate located primarily in Botswana (19) and in Madagascar (2), and provides the Group with significant geographic and sector diversification.

"Our Goal is to Create Long-Term Shareholder Value"

We achieve this by continuing to:

- Develop, high quality, well-let properties in good locations,
- Use our development teams to refurbish or redevelop appropriate properties.
- Focus on minimizing vacant space within the portfolio.
- Provide our tenants with high quality accommodation at competitive rates
- Develop long-term relationships with our tenants
- Maintain strong links with a wide variety of banks and other sources of finance
- Respond quickly to new opportunities

Corporate Profile

Incorporation Information

Company Number 96/592
Date of incorporation 18/04/1996

Market capitalisation

The ordinary share price of RDC Properties Limited ("RDCP" or the "Company") at close of business on 31 December 2009 was P 4.20, giving a market capitalisation at that date of P138, 384,708.

Investor relations – Registered Office

Investors requiring further information on the Group are invited to contact:

Mr. J. Pari

RDC Properties Limited,
Plot 5624, Lejara Road, Broadhurst Industrial, Gaborone, Botswana
Tel: (+267) 3901654 Fax: (+267) 3973441 E-mail: rdc@rdc.bw

Website

Further information on RDCP is available at: www.rdcpbotswana.com

Annual General Meeting

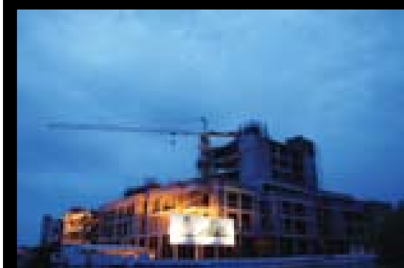
The Annual General Meeting ("AGM") of the Company will take place at the Realestate Office Park, Lejara Road, on Thursday 2 June 2010 at 14:30 pm. The notice of the meeting is set out on pages 43 and 44.

Top 10 Unit Holders	Linked Units	%
BBN (PTY) LTD RE: BIFM DPF	202,829	0.62
BBN (PTY) LTD RE: IAM 030/30	383,425	1.16
BBN(PTY) LTD RE: IAM 030/14	532,011	1.61
ASPERA HOLDINGS LIMITED	730,701	2.22
STANBIC NOMINEES RE: BIFM	914,720	2.78
BBN (PTY) LTD RE: SIMS 212/005	1,271,876	3.86
STANBIC NOMINEES RE: BIFM BPOPF	1,479,867	4.49
MOTOR VEHICLE ACCIDENT FUND	1,645,221	4.99
CHOBE FINANCIAL CORPORATION	7,738,026	23.49
REALESTATE FINANCIERE SA	15,219,635	46.19

Linked unit band	Linked Units	%	Holders	%
0-1999	95,221	0.29	263	69.95
2000-4999	114,884	0.35	40	10.64
5000-9999	123,600	0.38	20	5.32
10000-49999	645,046	1.96	26	6.91
50000-99999	495,468	1.50	7	1.86
100000-499999	1,942,464	5.90	12	3.19
500000 and above	29,532,057	89.63	8	2.13
	32,948,740	100.00	376	100.00

Contents

RDC



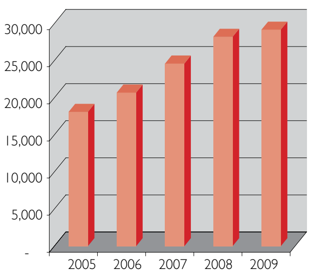
Highlights of the Year 2009 & Five Year Overview

Overview

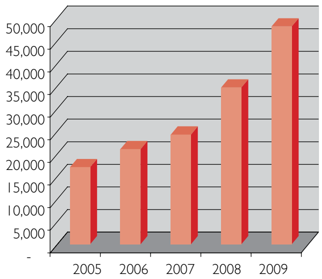
- Portfolio and investment value up 59% to P366 million (2008: P230 million)
- Gross Contractual Income growing up 3.4% to P29.17million (2008: P28.20 million)
- Profit before Tax and Linked Units Debenture Interest up 49% to P44,130 million (2008: P29,603 million)
- Profit from Operations up 14,72% to P18,358 million (2008: P16,002),
- At 31 December 2009 Adjusted NAV* per share at P5.27 up by 18.96% (2008: P4.43)
- Transforming Gaborone cityscape with Masa Centre development.
- Isalo Rock Lodge Opening 1st June 2010

	2009 P'000	2008 P'000	2007 P'000	2006 P'000	2005 P'000
Portfolio value	365,859	230,029	184,303	176,418	161,532
Increase	135,830	45,726	7,885	14,886	21,146
Increase in value %	59.05%	24.81%	4.47%	9.22%	15.06%
Income Yield %	8%	12%	13%	12%	11%
Balance Sheet					
Net Asset value (Pmillion)	147,494	125,631	109,474	103,304	97,333
Net Asset value / share	4.48	3.88	3.38	3.19	3.01
NAV adjusted for deferred taxation	5.27	4.43	3.85	3.61	3.38
Debt - long term	107,733	51,743	43,122	45,398	30,846
Equity	210,039	153,570	118,404	110,453	103,607
Ratio - debt to portfolio value	29%	22%	23%	26%	19%
Income Statement					
Rental Income - contractual	29,173	28,209	24,607	20,686	18,096
Profit from Operations (before exchange differences and fair value)	18,358	16,002	12,416	9,414	9,791
Profit before Debenture Interest and Taxation	44,130	29,603	18,192	14,525	12,083
Profit after fair value adjustment from operations	48,028	34,571	24,176	20,977	17,002
Profit - attributable to owners	32,066	24,074	14,202	12,470	8,728
Linked units (average in issue)	32,468,398	32,372,329	32,372,329	32,372,329	32,372,329
EPLU (Thebe)	98.76	74.37	43.87	38.52	26.96
Dividend and Debenture Interest	11,122	10,178	8,509	6,746	6,380
Share price at year-end	4.20	3.50	3.70	2.60	2.30
Market capitalisation year-end	138,384,708	113,303,152	119,777,617	84,168,055	74,456,357

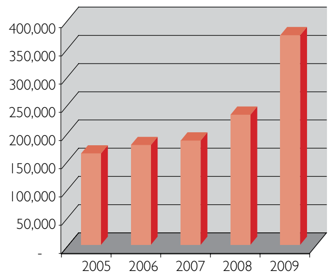
Revenue Indication



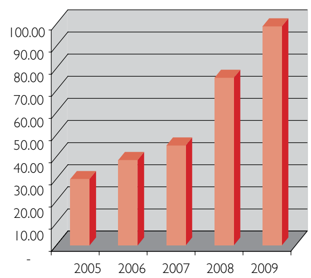
Profit Indication



Portfolio Indication



Earnings per Linked Units Indication



(*) Adjusted NAV per share at 31 December 2009 includes all investments at current valuations in proportion to the Group's shareholdings but excludes the impact of the deferred tax provision on the net assets of the Company and is considered by the Board to be a more appropriate method of evaluating the performance of the Company than Reported NAV per share.

Chairman's Statement

"We have forged ahead in line with our strategic plan in 2009 – We are making significant progress in the landmark Masa Centre Development and soon we will have transformed a "greenfield site" into the future "heart of Gaborone's cultural and social life"

Dear Unit holders,

I have the pleasure of presenting to you the Annual Report and Financial Statements of the Company to the 31st December 2009. This is the first time I write to you in the role of Chairman following my appointment in April 2009.
I take this opportunity to recognise the outstanding leadership of our previous Chairman, Mr.M.A.Giachetti, his vision, advice and integrity have all contributed to the growth of the Company from the listing to date.

I am pleased to report a very active year for the Company across all its activities from developments, to the property management and rental collections.

Over the years, we have built a robust income producing investment portfolio underpinned by an attractive lease expiration profile and strong tenants. Our revenue base and our relatively conservative debt profile will enable us to deal with the future growth of the Company; The Company Management remains committed to preserving our asset base and enhancing revenue by generating new developments.

In 2009, we have continued to progress in line with our strategic plan, despite the ongoing financial turmoil across the world; it is pleasing that the signs of a world recovery are surfacing and this reconfirms the validity of the decision by the Botswana Government in maintaining a buoyant economy despite the necessity to face short term deficits.

Key Events

The construction of the Masa Centre, is making significant progress, and it is envisaged that we will be transforming a "greenfield site" into the future "heart of Gaborone's cultural and social life", the response, to this first multi-use property development in Botswana, located in Gaborone's New Central Business District, has been overwhelming and the development of this Landmark will have a very strong impact on the Company in the years 2010/2011 and beyond.

The Isalo Rock Lodge, the Company's latest development in Madagascar will be opening to the public on the 1st June 2010. This 4 Star Lodge, in the proximity of the Isalo National Park will start contributing positively to the results of the Group in the year 2011.

In order to cost effectively manage the Company's offshore investments, and in particular the Madagascar ones, the Company acquired an International Financial Services Centre (IFSC) regulated company in Botswana. The Company, RDC Properties International (Pty) Limited (RDCPI) is now the owner of 50% of Société Immobiliere d'Ambodivona SA (SIA) and 50% of HMS1 SA (HMS1), owners respectively of the Tana Waterfront and Isalo Rock Lodge. RDCP Mauritius Limited has been closed.

During the last financial year, the Bank of Botswana significantly reduced prime interest rates, by 500 base points, this is helping to reduce our interest charges and by reducing the interest earned on deposits or other financial instruments, this increases the demand for prime properties.

Financial Highlights

During the year, the Company has performed very well as we have been able to grow both the portfolio and the rental income; the property portfolio grew by 59% and the gross income by 3.4%.

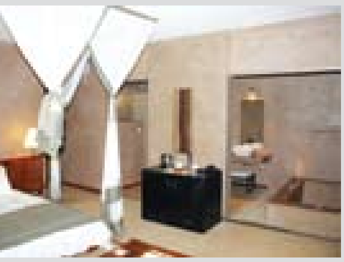
The Group's gross income registered a growth of 3.4%. Gross contractual income increased to P29.17 million (2008: P28.20 million) despite the absence of income from Professional House which was sold in 2008.

Profit from Operations (excluding exchange differences and fair value) increased by 14.72% to P18,358 (2008: P16,002), Net Profit Before Taxation and Debenture Interest increased from by 49% to P44,130 million (2008: P29,603 million), slightly less than expected mainly due to exchange losses made on offshore investments in Madagascar, due to appreciation of Pula against USD during the last six months.

We are happy to report a significant increase in distribution to linked-unit holders by 9.27%, to P11,122 million (2008: P10,178 million) due to the combined effect of the reduction in finance costs and the increase of the turnover.

Following the Directors' proposal of an elective distribution of 50% of the net interim distribution by way of capitalisation option, unit holders holding 92.68% of the linked units eligible to receive capitalisation units elected to receive them. 576,411 new linked units were listed on the 30th October 2009. Following the issue of the new capitalisation units, the total units of the Company in issue is 32,948,740.

Chairman's Statement (continued)



Isalo Rock Lodge
Madagascar

Strategy and Outlook

The degree to which limited global liquidity will have an ongoing direct impact on the financing of commercial operations is still not yet completely understood. We believe that difficulties will persist in financing property developments. This will have the effect of reducing the quantity of competing sizeable new developments within the Botswana Market.

In the medium-term, lending banks have committed themselves to continue supporting our Company, however in order to take advantage of the future prospects, the Company will consider new avenues to fulfill its funding requirements.

During the next two years, the Company will be focusing on its operational efficiencies, having to deal with a major growth in its income stream generated by our two new properties, and taking advantage of potential development opportunities generated by the positive response to the Masa Centre.

The Company benefits from having a consistent business model, the objective is to enable superior portfolio and shareholder returns from a combination of active asset management and development skills.

The fundamental elements of our business model are:

- Ownership of real estate in prime locations.
- Upgrading the rental values of buildings through asset management, refurbishment or development.
- Joint venturing to create property development opportunities.
- Intense focus on tenant retention and active property management.

Unlike other parts of the world, the Botswana Property market is holding up. Our property portfolio continues to perform well, and the overall vacancy is now at 1.17% and the Company is working towards doubling its rental income within the next few years.

Corporate Responsibility

The Board is embracing a set of corporate responsibility policies, covering a wide range of environmental and community engagement initiatives, directly tied to the economic sector of the business.

We aim to manage and minimize our impact on the environment.

As long-term investors, it is vital that despite the difficult economic conditions we continue to engage fully with the communities who sustain and support our business. In general, we will focus on supporting youth, education and the less fortunate of our society.

Management

The Company has no employees, and avails itself of Property and Asset Management Limited (PAM), for the following services:

- Asset Management.
- Property Management and
- Accounting and secretarial services.

The contract with PAM is reviewed every 5 years and will be reviewed in 2011.

Effective governance is achieved by the separation of the roles of the executive Chairman and the General Management of PAM, as this division of responsibilities ensures a balance of power and authority. As Executive Chairman I have the overall responsibility for ensuring that the Group achieves a satisfactory return on investment for unit holders and I oversee the orderly operation of the Board.

I wish to take this opportunity to express my appreciation to all those who have contributed to the continued growth of the Group during the year 2009. This success cannot be achieved without the active participation of members of the Board. In turn my colleagues, the Directors would like to express their thanks to the management team of PAM for their devotion, hard work and for the manner in which they manage the daily business and interests of the Group.

Conclusion

The year ended 31 December 2009 has been a very good year considering the global economic conditions, we have maintained a solid growth on our rental income and our portfolio, experienced a very good forward demand for our new development Masa Centre.

In the meantime, the Board remains focused on seeking to maximise rental income and completely both the Masa Centre and Isalo Rock Lodge, which will substantially change the composition of your Company's portfolio in the years to come.

G.R. Giachetti
Executive Chairman

Operating and Financial Review

The Company's properties have performed very well during the year 2009. Despite the fact that during the year the economic climate was challenging, we managed to maintain a very low rate of vacancy across the portfolio.

Strategy

The Company's long-term investment strategy remains unchanged. The management objective is to maintain a balanced portfolio of modern, income producing properties with potential for future rental and capital growth. The three main areas of our strategy remain:

- Selectively acquiring and disposing of investment properties;
- Developing new properties for long-term investment; and
- Actively managing our assets to enhance value.

Our property management team strives to be in constant contact with our tenants, keeping track of their progress and requirements. Being close to our customers, remaining proactive, and minimising vacancies remains the key performance indicator for our property managers.

Investment / Property Portfolio

The Company's strategy of concentrating its business in properties in prime locations, with Grade A tenants, whilst diversifying the portfolio by sector, not relying on any single tenant and keeping a low gearing, continues to put us in a strong position to benefit from the current property market.
As at 31 December 2009, our portfolio comprises mainly modern, securely let properties benefiting from the following characteristics:

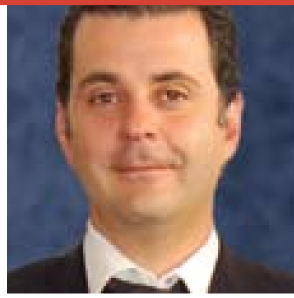
- No one tenant represents more than 15% of current portfolio rent;
- Diversity of portfolio across the industrial, office, retail and hospitality sectors;

The income received from the Company's investment in Chobe Marina Lodge has been very satisfactory as it equated to an increase of 8 % to P0.944 million (2008: P0.874 million). This result is all the more pleasing in view of the major decline in tourism flows from the International market towards this part of the world. We however consider this to be difficult to maintain in the next year.

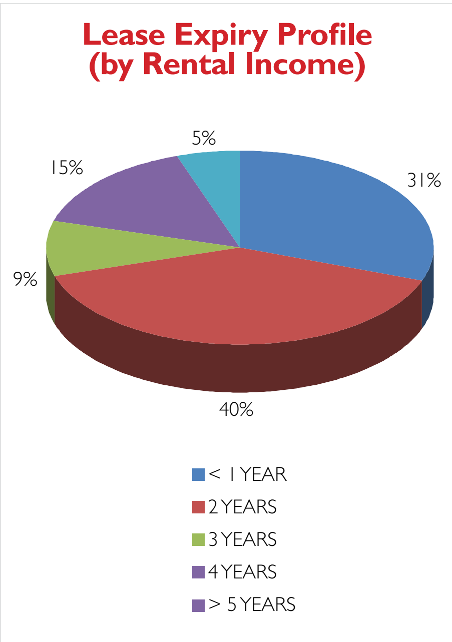
Despite the uncertain political climate in Madagascar, the TanaWaterfront performed steadily as in the previous year with a slight decrease in profit to P0.60 million (2008 to P0.65 million).

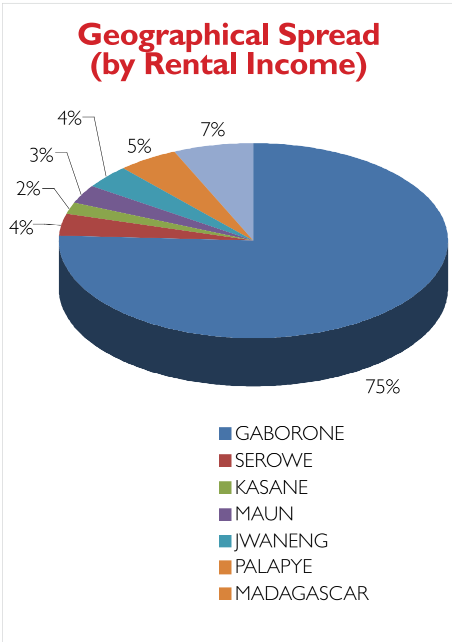
Several rent reviews were completed satisfactorily during the year, at levels above expectation. Due to the minimal vacancy rates in the Group's established investment properties, 1.17%, a relatively low number of new lettings were concluded.

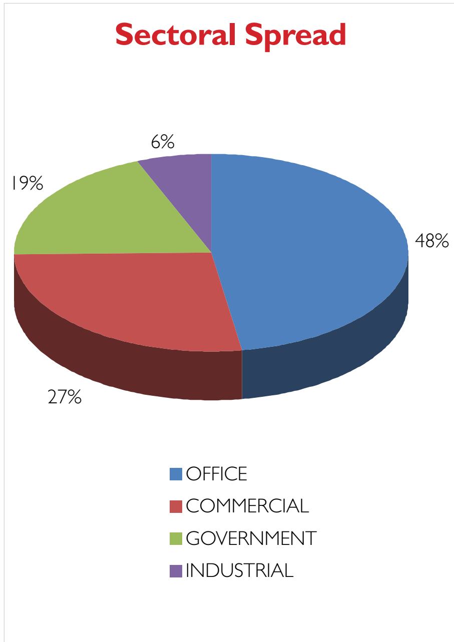
The Group benefits from a strong tenant base and no defaults have arisen among its customers during the year.



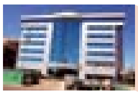
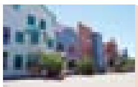
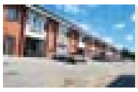
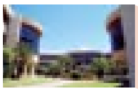
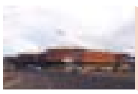
"Quality tenancies and successful developments are achieved by understanding our tenants needs and aspirations during the planning and building design stages of our developments."







Operating and Financial Review (continued)

	Property Name	Form of Lease	Title Deed Number	Location of Property	Sector	Lettable Area	Valuation
	Standard House	Freehold	133/97	Lots 1124 to 1130 in Gaborone Ext. 3	Offices	6,430	67,236,318
	Plaza I & II	50 Year State Leasehold	177/97	Lot 4787 & 4788 in Gaborone Ext. 6	Offices	3,875	17,050,000
	Mebala House	Freehold	48/70	Lots 1116/17 & 1840 in Gaborone Ext. 3	Retail	1,330	12,160,572
	Chobe Commercial Centre	50 Year State Leasehold	158/88	Lot 914 Kasane in Chobe Admin District	Retail & Offices	1,144	3,653,125
	Boswa Centre	50 Year Tribal Lease	75/95	Lot 680 & 692 Serowe Agreement of Lease No. 258/96 of 18/7/96	Retail & Offices	1,441	3,326,782
	Lotsane Complex	50 Year Tribal Lease	MA 62/95	Lot 1707 Palapye	Retail	3,878	8,474,681
	Broadhurst Business Centre	50 Year State Leasehold	MA 15/97	Lease area 234KO on Lot 10211 in Gaborone	Offices	1, 804	7,485,483
	Pep House	50 Year Tribal Lease	MA 75/97	Lot 443 Serowe	Retail	471	1,725,908
	Standard Bank Serowe	50 Year Tribal Lease	92/95	Lot 679 Serowe	Retail & Offices	855	2,839,688
	Diamond Centre	50 Year State Leasehold	514/95 661/95 185/95	Lot 3761 Jwaneng Lot 5422 Jwaneng Lot 5423 Jwaneng	Retail	2,322	7,513,497
	Tsodilo Centre	50 Year State Leasehold	105/95	Lot 194	Retail	492	2,158,092
	Roots Tower	50 Year Tribal Lease	13/97	Lot 208 Maun Notarial Dewed of Lease 72/81 of 14/3/96	Retail & Offices	1,069	3,498,680
	Phakalane Warehouses	Freehold	1448/99	Lot 21306 Phakalane	Industrial	2,376	4,301,570
	Gaborone West Warehouses	50 Year State Leasehold	2434/2000	Lots 22017/18 Gaborone	Industrial	4,041	9,199,916
	Tholo A & B and Phase II	50 Year State Leasehold	1695/96/2000	Lots 50668/69 & 50369 Gaborone	Office	4,612	35,471,368
	European Delegation	50 Year State Leasehold	1841/2003	Lot 758 Gaborone	Office	1,496	13,100,000
	Tana Waterfront	99 Year Leasehold	Vol. 81/SB BORD.03	Lot 41314 Antananarivo Lot 39731A Antananarivo Lot 45438A Antananarivo Lot 45488A Antananarivo	Retail Retail Retail Retail	4,950	9,427,000
	Isalo Rock Lodge	99 Year Leasehold	02/MCT/SG	Lot 480-AU Region d'Ihrombe	Tourism (Work in Progress)		19,065,734
	Masa Centre	50 Year State Leasehold	MA 367/2008	Lot 54353, Gaborone	Offices, Retail & Hotel (Work in Progress)	42,205	133,498,546
	Mole Mall	50 Year Tribal Lease	MA 4/97	Lot 617 Molepolole	Undeveloped		

Operating and Financial Review (continued)

Developments

In order to monitor and project manage our property developments, the Company appoints a whole team of external consultants which are generally coordinated by a client representative employed by PAM.

We think about the potential occupiers of our buildings well before we begin construction, tenants are key to our success and we endeavour to understand their needs and aspirations during the planning application and building design stages. This allows us to produce high quality buildings which are in tune with potential occupiers, and combined with our detailed knowledge of the local leasing market, ultimately leads to blue chip lettings or quality tenancies and successful developments.

MASA Centre

Masa Centre, is making significant progress. The project team is led by a steering committee to which our partners provide a valid contribution.

The development is evolving into what we believe will become the jewel in our property portfolio. The Masa Centre lays a legitimate claim to many firsts for Botswana. Capital Entertainment centre will feature the first 3D movie house to its audience in Masa Centre, 5 movie theatres. African Sun Limited will enter the Botswana market through the reintroduction of the Holiday Inn brand. The first managed underground parking facilities will optimise the number of available parking spaces. The Centre continues to attract international retail brands that will delight trendsetters with a love for style and glamour.

The demand for this first multi-use development, located at the heart of Gaborone's New Central Business District, has been overwhelming and at the 50% completion stage, we have secured close to 75% of the possible long term leases.

As at the end of December, the development has been independently valued at P220 million, against total costs of P133 million. This valuation has not been factored in the books as the works are valued at cost until completion of the development. The anticipated final cost, remains at P248 million and the projected independent valuation received by the Company is P314 million. This development will significantly contribute to the quality of the portfolio.

The long term financing of the development has proved to be more challenging than we had anticipated and the partners have had to inject more than 40% of the projected cost as shareholders contribution. As at December 2009 the Company has secured a Long Term financing with BIFM Capital for P60 million, the shortfall is being negotiated with other financial institutions. It is anticipated that, should a portion of the funding be missing, the partners will have to inject more funding.

RDC has now secured 53% interest into Three Partners Resorts Limited.

The anticipated Internal Rate of Return (over 10 years) of the project is estimated to be in excess of 22%.

Isalo Rock Lodge

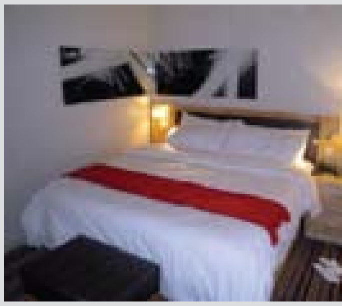
Due to the political instability in Madagascar, the Company has decided to delay the opening of the Isalo Rock Lodge; the Company's latest development in Madagascar will be opening to the public on the 1st June 2010. This 4 star Lodge, in proximity of the Isalo National Park will start contributing positively to the results of the Company in the year 2011.

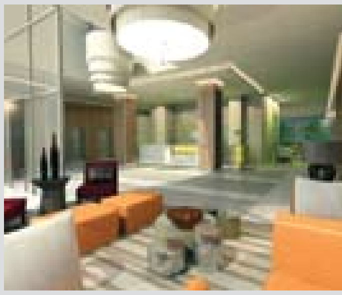
The development is owned by HMS1 SA and the Company owns a 50% shareholding in the Company via RDCPI, a Botswana IFSC Company.

The anticipated cost of the project is EURO 5.28 million, and this is financed by way of a shareholders contribution of EURO 2.65 million.

The anticipated Internal Rate of Return (over 10 years) of the project is estimated to be in excess of 15%.

Isalo Rock Lodge
Madagascar





Masa Centre
Gaborone CBD

Operating and Financial Review (continued)

Financing, cash flow

During the year we took the full amount of the facility provided to us by BIFM Capital under the promissory notes negotiated in the year 2007; the amount of the facility now provided to the Company is P75 million.

The Company continues repaying the other loans and extinguished two loans in the period, namely National Development Bank and Botswana Building Society.

At the end of December 2009, the Group's borrowings and available facilities will consist of an overdraft facility P15million from FNB Botswana and Long term loans of P107.73 million.

As at the date of this annual report the Group had P 14.95 million of unencumbered residual property value, providing significant capacity to raise additional finance, if required, or to provide additional security for existing facilities.

During the year, the Company's cash flow has been significantly under pressure due to the capital required for the Masa Centre, the situation has improved considerably towards the end of the year.

We are complying with our banking facilities and the directors do not expect this position to alter in the forthcoming twelve months.

The directors have considered our forecast cash flows, the Group's low gearing, significant portfolio of unencumbered properties and the maturity profile of our borrowings, and can confirm that the Company has adequate resources to continue for the foreseeable future.

International Financial Reporting Standards

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Net Rental Income

Gross contractual rental income increased 3.41% to P29.17 million (2008: P28.20 million).

Operating Expenses

Operating expenses for the period reduced by 5.89 % to P7.4 million (2008: P7.8 million) which has contributed favourably to the bottom line.

Net Finance Expense

Net finance expense was P4.84 million (2008: P5.84 million), comprising interest paid on long terms loans, overdrafts and interest received from related companies.

Debenture Interest/Dividend

The total distribution to unit holders, is calculated on the net income received out of the Botswana Properties and forcing a retention of 25%; The distribution ratio between dividends to interest on the linked units is 1:50 .The dividend and debenture interest increased by 9.27 % to P11,122 million (2008: P10,178 million).

Taxation

The tax for the year (excluding taxation on debenture interest) of P11.7 million (2008: P5.73 million) mainly arising from the taxation on subsidiaries and deferred Taxation. Deferred Taxation has been accounted for in accordance with IAS12 and includes full provision for tax which might be payable in the event that the Group disposes of a property for the amount stated in the balance sheet.

Results per linked unit

Results per linked unit for the year were up by 32.79% to P0.98 (2008: P0.74).

Shareholders' Funds

Shareholders' funds at 31 December 2009 amounted to P147.49m (2008: P125.63m), resulting in Net Asset Values per share of P4.48 (2008: P3.88), an increase of 15.46%.

Net Borrowings

The Group's net long term borrowings at 31 December 2009 amounted to P107.73 million (2008: P51.74 million), giving a net debt to gross property and investments assets ratio of 29.43% (2008: 22.45%).

Jacopo Pari
Group General Manager

The Board of Directors

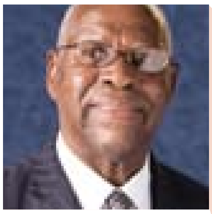
Guido R. Giachetti, Chairman (Executive), aged 47, Civil Engineer, Masters in business management and transport, is a member of the INSEAD Alumni Association (business school in Fontainebleau). As Group Managing Director of Realestate Financiere SA, he has been involved in property development's and investments for over 20 years. He is the Honorary Consul of Italy and Spain in Botswana and actively involved in community works as Paul Harris Fellow.

Ndaba N. Gaolathe, Director (Non Executive – Independent), 37, is an MBA Finance graduate of the Wharton School of the University of Pennsylvania. He also attained BS and BA degrees in Mathematics and Economics respectively, from the George Washington University. He is founder of Delele, a strategy consulting and private equity management Company that played key roles in the establishment of a private equity fund in Botswana and later in Namibia. He has consulted widely across many sectors, mainly in South Africa and Internationally, in the areas of general strategy and financial structuring.

Giorgio G. Giachetti, Director (Non Executive), aged 66, Civil Engineer (Master degree). On site experience in construction since 1968. In 1970 started investing in Botswana and developing properties, some of which are now part of the RDC Properties portfolio. He is a Director of many companies in Botswana and Internationally.

Marco A. Giachetti, Director (Non Executive), aged 76, Commendatore Civil Engineer (Master degree). In 1959 founded Realestate Financière SA, a Company registered in Geneva with the specific aim of acquiring interest worldwide in the Construction and Real Estate Development Business. In 1970 started investing in Botswana and developing properties, some of which are now part of the RDC Properties portfolio. In 1992 became Non Executive Chairman of Realestate Development Company Limited, the original listing of the Company. He is a Director of many companies in Botswana and Internationally.

Lesang Magang, Director (Non Executive – Independent), aged 38. Has Law Degree, is Managing Director of Phakalane Estates a major property development Company, one of the largest privately-owned township developers involved in residential, commercial and industrial developments in Botswana. Director of the Real Estate Development Company and other companies. Involved in community projects and previous patron of Botswana Scouts Association and University of Botswana Debating Society. A speaker on youth development and entrepreneurship in Botswana.



Gobe W. Matenge, Director (Independent Non Executive), aged 84, Public Officer Emeritus, he occupied prestigious positions in the Public Administration starting 1951 as a Clerical Officer through being Executive Officer, Higher Executive Officer, Deputy Chief Immigration Officer, Ministry of Home Affairs, Assistant Secretary, Ministry of Finance, Under Secretary in the Ministries of Works and Communications and Mineral Resources and Water Affaires. Internationally, he was member of the Observer Group on behalf of Common Wealth for Uganda general elections. As the Coordinator of Botswana Tenth Anniversary of Independence Celebrations, he was awarded the Presidential Honour of Meritorious Service. He retired 1981 and now sits as Chairman or Director in many companies and societies in Botswana.

Jenny S. Stewart, Director (Executive), aged 49, joined the Realestate Group in 1996 and has been involved in property management and development since then. Jenny was instrumental in the Group's diversification into the hospitality industry and now focuses on this aspect of the business. Before joining the Group, Jenny Stewart was employed by British Airways for close to 18 years were she was responsible among other things of general management, staff development and training. Outside of work she spends much of her free time working for a charitable organization in Botswana.

The Management Team

The management team comprises employee of Property and Asset Management Limited.

Jacopo Pari, Group General Manager,

Jayaram Karumathil, Group Financial Controller

Archnendra S Jha & France Mabiletsa Finance Managers

Chanda L Mmolai, Senior Asset Manager

Tubbie Sylvester Thwabi, Property Manager

Desney Katse, Property Manager

Professional Advisors

Secretaries /Transfer Secretaries

PriceWaterHouse Coopers (Pty) Ltd
Plot 50371 Fairground Office Park
PO Box 294, Gaborone, Botswana

Independent Auditors

Deloitte & Touche
Plot 50664, Fairground Office Park
PO Box 778, Gaborone, Botswana

Property Managers/Asset Managers

Property and asset Management Limited
PO Box 1415, Gaborone, Botswana

Stockbrokers

Stockbrokers Botswana Limited
Ground floor, UN Place, Khama Crescent, Gaborone

Bankers

First National Bank of Botswana Limited
Barclays Bank of Botswana Limited
Standard Chartered Bank of Botswana Limited

Property Valuers

Belshane Property Group
Plot 5665, Unit 14, Kubu Road Gaborone

Willy Kathiruma Associates
Plot 61687, Mabeleapodi, Block 3 Gaborone.

Solicitors

Osei-Ofei Swabi & Company
Plot 115, Unit 18, Kgale Mews, Gaborone

Directors' Report

The directors present their annual report to the shareholders, together with the audited financial statements, for the year ended 31 December 2009.

Principal activities and business review

RDC Properties Limited ("RDCP") is a variable rate loan stock Company publicly quoted, incorporated in Botswana. RDCP is a regional property business focused on deriving its revenue from the rental of investment properties and identifying development opportunities.

A detailed business review and future developments is included in the operating and financial review on pages 5 to 8.

Result for the year

Details of the result for the year ended 31 December 2009 are set out in the statement of comprehensive income on page 19.

Subsidiaries

The details of the Company interest in property owning subsidiaries are set out in Note 7 of the annual financial statements.

Stated capital

During the year, unit holders representing 93% of the linked unit holders eligible to receive capitalisation units in respect of 50% of the 2009 interim net distribution, elected to receive as many fully paid units in the Company as possible. Thus unit holders holding 29,812,030 linked units in the Company have been allotted 576,411 new linked units. Following the issue of the new capitalisation units, the total units of the Company in issue is 32,948,740 units (2008: 32,372,329 units).

Distribution to Unit Holders and Distribution Policy

The interest entitlement on every debenture is fixed at 50 times that of the dividend component of any distribution. The distribution, made biannually, varies with the operating performance of the Group. Details on the distribution is included in the operating and financial review on pages 5 to 8.

Distribution to Unit holders (thebe)

	Interest	Dividend	Total
2008			
Interim	11.49	0.23	11.72
Final	19.33	0.39	19.72
	30.82	0.62	31.44
2009			
Interim	13.32	0.27	13.59
Final	19.77	0.40	20.17
	33.09	0.67	33.76
% Change	7	7	7

Directors and secretary

In accordance with the Article 54 of Articles of Association of the Company, Mr M. A. Giachetti and Mr G. G. Giachetti retire by rotation ,and being eligible, offer themselves for re-election at the Annual General Meeting.

Interests of directors and secretary

The directors and secretary who held office at 31 December 2009 had no interests, other than those shown below, in the linked units of the Company or Group companies.

Directors' Report (continued)

	Held Directly	Held Indirectly
G. R. Giachetti	-	88,434
M. A. Giachetti	-	15,221,104
G. G. Giachetti	-	7,738, 760
G. Matenge	10,100	
N. Gaolathe	-	
L. Magang	-	
J. Stewart	-	

Note: For G. R. Giachetti, linked units held indirectly are held by his daughters.

Substantial holdings

The directors have been notified of the following significant interests in the linked units of the Company at 31 December 2009.

Table of Substantial Holdings

Major linked unit holders	Number of Linked Units	%
Realestate Financiere SA	15,221,104	46
Chobe Financial Corporation	7,738,760	23
Motor Vehicle Accident Fund	1,645,221	5

Directors' interests in contracts

The following directors, G. G. Giachetti and M. A. Giachetti, have a beneficial interest in a material contract to which the Company or a subsidiary was a party during the year, details of which are disclosed in the Corporate Governance Statement.

The Company has a service contract with Property and Asset Management Limited (PAM), details of which are disclosed in the Chairman's Statement and in the Corporate Governance reports. G. R. Giachetti, M. A. Giachetti, G. G. Giachetti, L. Magang and J. Stewart are directors of PAM.

One of the directors, G. G. Giachetti has an indirect interest in the Group's investment in a joint venture Company, HMS1 SA.

Key performance indicators (KPI's)

The Group considers the following measures as being important indicators of the underlying performance of the business:

Net asset value

The key long-term financial objective for the Group is growth in its net asset value per share.

Net debt to gross property assets

A second important financial objective of the Group is to establish and maintain an appropriate balance sheet structure that provides it with adequate funding to fulfil its medium to long term objectives while at the same time maintaining a prudent ratio of net debt to gross property assets.

Returns from investment and development properties

Another important financial objective is to optimise returns from the Group's property portfolio. For investment properties, this is achieved by concentrated asset management and retention of tenants to maximise rental yields. For development properties, it is accomplished through yielding up potential tenancies for new developments and cost control.

Financial risk management

The Group's activities expose it to a variety of financial risks including interest rate, foreign currency, funding and credit risks. These financial risks are managed under policies approved by the Board, as described in note 27 to the financial statements.

Principal risks and uncertainties

The principal risks and uncertainties that the Group faces are:

- Property value: The performance of the Group is determined principally by the values of its property assets, which, in turn, are dependent on a variety of factors applying in the markets in which RDCP operates, including:

Directors' Report (continued)

- local economic conditions, as affected by government policy, legislation, economic growth, interest rates and inflation, and
- supply of and demand for property, and their impact on rental levels.

The values of individual properties are determined by their specific usage and locations, the quality of their tenants and the rents paid by them and by their potential for alternative usage or redevelopment.

The Board mitigates these risks by the employment of an expert professional management team, by adopting appropriate strategic objectives to be pursued (including sectoral and geographic diversification).

- The current global economic environment has resulted in constraints on the availability of credit. Such financial conditions may affect the Group's ability to raise further finance on acceptable terms however will not affect its ability to face future financial obligations, loan repayments and operating expenses when they fall due.
- Expansion and related funding: The Company's ability to realise its business strategy is dependent on management's ability to source new profitable property opportunities, to exploit the development opportunities within its property portfolio and to fund these as required. The Board has mitigated these risks by the indirect appointment of a suitably qualified management team employed by PAM and by continuing to source appropriate financing arrangements to fund its plans.
- Liquidity: Property assets are relatively illiquid. Such illiquidity will not affect the Company's ability to vary its portfolio as the location and quality of the portfolio would enable the Company to dispose of or liquidate part of its portfolio in a timely manner and at satisfactory prices.
- Currency: The Group presents its financial information in Pula. A significant proportion of its property portfolio is located in the Botswana and, consequently, a significant part of its rental income and a significant proportion of its property assets are denominated in Pula. The Board has mitigated the risk by making sure that there is no mis-match between financing and expected income currency on all new developments.

Going concern

After making inquiries, the directors are confident that the Group has adequate resources to continue in operational existence for the foreseeable future. In particular, in making such enquiries, the Board has had regard to its current financing arrangements and its planned activities for the next 18 months. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Auditors

In accordance with section 195 of the Companies Act of Botswana (Companies Act, 2003), the auditors, Deloitte & Touche, Certified Public Accountants, will continue in office.

Subsidiaries and equity accounted investees

Information on the Group's significant subsidiaries and equity accounted investees is set out in note 7 to the financial statements.

Responsibility statement

We confirm to the best of our knowledge:

(a) the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

(b) the Chairman's Statement, the Operating and Financial review, the Key risks and uncertainties and the Directors' report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Special business at the Annual General Meeting

Notice of the 2009 Annual General Meeting with details of the special business to be considered at the meeting is enclosed with this Annual Report. In addition to the usual business to be transacted at the AGM, there is no special business proposed.

A Form of Proxy for use at the AGM is being sent along with this Annual Report.

On behalf of the Board

G. R. Giachetti
Executive Chairman
30 April 2010

M. A. Giachetti
Non Executive Director

Corporate Governance Statement

The directors of RDCP are committed to maintaining high standards of corporate governance. RDCP supports the principles and provisions of the Botswana Stock Exchange Code on Corporate Governance and has undertaken to apply these in so far as appropriate and practical for a Company of its size. The following statement describes how RDCP is applying the Code in the governance of its business.

The Board

While day to day responsibility for the conduct of the Companies' operations is delegated to the executive management team, which is employed by Property and Asset Management Limited, within predefined authority limits, the Board is ultimately responsible for the leadership and control of the Company.

The Board agrees a schedule of regular meetings to be held in each calendar year and also meets on other occasions as necessary. There is a schedule of matters specifically reserved for decision at Board meetings, the principal of which include:

- approval of strategic plans for the Group,
- approval of annual statutory financial statements, annual budgets and interim accounts,
- review of operational and financial performance,
- approval of major property acquisitions and investments,
- review of the Group's internal controls and risk management processes,
- appointments of the Companies providing Property Management, Asset Management, Project Management and all major development contracts.

The Board is currently comprised of two executive directors and five non-executive directors, of which three are independent. Biographical details of the directors are set out on page 9.

The Board considers that between them, the directors bring the range of skills, knowledge, and experience necessary to lead the Company.

Operation of the Board

The Board meets regularly throughout the year. The directors receive quarterly management accounts and full Board papers are sent to each member on a timely basis prior to each Board meeting to enable them to discharge their duties. These papers include the minutes of meetings of the Board.

An induction process is in place to familiarise new Board members with the operations of the Group and with the procedures of the Board.

Effective governance is achieved by the separation of the roles of the Executive Chairman and the management Team, as this division of responsibilities ensures a balance of power and authority. The Executive Chairman has overall responsibility for ensuring that the Group achieves a satisfactory return on investment for unit holders; he oversees the orderly operation of the Board and ensures appropriate interaction between it, executive management and the Company's unit holders. PAM Group General Manager is responsible for developing and delivering the Group's strategy and is accountable for its overall performance and day to day management.

Attendance at scheduled Board and relevant committee meetings during the year ended 31 December 2009

	Attended	Fees Paid in 2009
G. R. Giachetti	4	P9,000
M. A. Gachetti	3	P8,250
G. G. Giachetti	1	P6,750
G. Matenge	4	P9,000
N. N. Gaolathe	2	P7,500
J. Stewart	3	P8,250
L. Magang	3	P8,250
Total		**P57,000**

Terms of appointment

Non-executive directors have been invited to join the Board for a three year period, subject to re-election by unit holders as provided for in the Company's articles of association.

The appointment and removal of the Company secretary is a matter for the Board. All directors have access to the advice and services of the Company secretary.

Independence of directors

All the directors bring independent judgement to bear in the course of performance of their duties.

In particular, the Board reviewed the position of G. R. Giachetti as Executive Chairman and determined that, despite his executive role, it is confident that the effective separation of duties exists with the Management Team. The Chairman executes his powers in an independent manner throughout the financial year, discharges his duties in a consistently independent manner and constructively and appropriately challenges the executive management team and the Board.

Board committees

The Board has not yet established any formal sub-committee.

Audit committee

The functions generally carried out by the Audit committee have been undertaken by the Chairman and the Board with regards to risk assessment. It is the intention of the Chairman to review this and propose to the Board the formation of an Audit Committee.

The purpose of the audit committee would be to oversee the financial reporting processes and internal control systems of RDCP.

The auditors are permitted to provide non-audit services that are not in conflict with auditor independence where they are considered by the Board to be the most appropriate to provide the services in the best interests of the Company.

The external auditors have full and unrestricted access to all information of the Company.

Remuneration/Nominations committee

The Board plans for its own succession. In view of the current size of the Company, and the fact that no one is employed by the Company, the Board has not established these committees.

Directorships and senior management appointments are considered and recommended by the Board.

Internal controls

The Board has overall responsibility for the Company's system of internal control and for monitoring its effectiveness. The system of internal control applied by the Company is designed to allow reasonable but not absolute assurance against material misstatement or loss.

On a regular basis, the Board receives reports on the key Issues affecting the business of the Company.

The Company's Annual General Meeting affords individual unit holders the opportunity to question the chairman and members of the Board. Notice of the Annual General Meeting is sent to unit holders at least 21 working days before the meeting. At the meeting, after each resolution has been dealt with, details are given of the number of proxies lodged, together with details of votes cast for and against each resolution.

Fees for directors are determined by the Board at regular intervals.

Corporate Governance Statement (continued)

Service contracts and letters of appointment

The following directors, M. A. Giachetti, and G. G. Giachetti have a beneficial interest in a material contract to which the Company or its subsidiary was a party during the year. The Contract is the construction of Masa Centre awarded to Italtswana Construction Company (Pty) Ltd by Three Partners Resorts Limited. The contract was awarded following a tender process coordinated by a firm of Independent Professional Quantity Surveyors.

The Company has a service contract with Property and Asset Management Limited (PAM), details of which are disclosed in the Chairman's Statement and in the Directors reports.

G. R. Giachetti, M. A. Giachetti, G. G. Giachetti, L. Magang and J. Stewart are directors of PAM which is the Company providing property management, accounting and secretarial services to RDCP. The appointment of PAM is reviewed by the Board on a regular basis and both competitiveness and quality of the services are openly discussed.

One of the directors, G. G. Giachetti has an indirect interest in the Group's investment in a joint venture Company, HMS I SA.

G. R. Giachetti, M. A. Giachetti, and G. G. Giachetti are directors of Italtswana Construction Company (Pty) Limited (ICC), which is among the civil engineering companies providing construction services to the Group. The appointment of ICC, for any construction contracts, is reviewed by the Board on a case by case basis and generally after recommendation from an independent Professional Quantity Surveyor in control of a negotiation or a completely transparent tendering process.

Directors' Responsibility Statement and Approval of Annual Financial Statements

for the year ended 31 December 2009

The directors are responsible for the preparation and fair presentation of the company and group annual financial statements of RDC Properties Limited, comprising the statements of financial position as at 31 December 2009 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act of Botswana (Companies Act, 2003).

The directors are required by the Companies Act of Botswana (Companies Act, 2003) to maintain adequate accounting records and are responsible for the content and integrity of and related financial information included in this report. It is their responsibility to ensure that the company and group annual financial statements fairly present the state of affairs of the company and group as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with IFRS. The external auditors are engaged to express an independent opinion on the company and group annual financial statements.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The company and group annual financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates. The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in the annual financial statements.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors' have made an assessment of the group's ability to continue as a going concern and there is no reason to believe the business will not be a going concern in the year ahead. The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The external auditors are responsible for independently reviewing and reporting on the company's and group's annual financial statements, which were examined by the external auditors and their report is presented on page 18.

Approval of the annual financial statements

The company and group annual financial statements set out on pages 19 to 41 which have been prepared on the going concern basis, were approved by the Board on 30 April 2010 and were signed on its behalf by:

Mr. G R Giachetti
Chairman

Mr. M A Giachetti
Director

Independent Auditor's Report to the Members of RDC Properties Limited

Deloitte.

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Gaborone
Botswana

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www.deloitte.com

Report on the Annual Financial Statements

We have audited the accompanying company and group financial statements of RDC Properties Limited, set out on pages 19 to 41, which comprise the statements of financial position as at 31 December 2009 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the Companies Act of Botswana (Companies Act, 2003).

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of the company and group of RDC Properties Limited as of 31 December 2009, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in manner required by the Companies Act of Botswana (Companies Act, 2003).

Deloitte & Touche

10 May 2010

Statements of Comprehensive Income

for the year ended 31 December 2009

	Notes	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Revenue		30 222	29 270	21 797	21 363
Contractual lease rental revenue	1	29 173	28 209	20 948	20 698
Straight line rental adjustment		1 049	1 061	849	665
Operating expenses		(7 421)	(7 887)	(5 334)	(6 062)
Net foreign exchange (losses)/gains		(1 951)	1 130	(842)	1 256
Other operating income		504	648	169	602
Profit from operations before fair value adjustments		21 354	23 161	15 790	17 159
Surplus arising on revaluation of properties		26 674	11 410	19 784	7 723
Net valuation		27 723	12 471	20 633	8 388
Adjusted for straight line rental adjustment		(1 049)	(1 061)	(849)	(665)
Profit from operations	2	48 028	34 571	35 574	24 882
Investment income	3	4 799	1 758	6 669	3 177
Finance costs	4	(8 697)	(6 726)	(7 850)	(5 564)
Profit before tax		44 130	29 603	34 393	22 495
Income tax expense	5	(11 704)	(5 731)	(8 986)	(4 253)
Profit for the year		32 426	23 872	25 407	18 242
Other comprehensive income					
Exchange differences on translation of foreign operations		(1 167)	48	-	-
Other foreign operations income		-	944	-	-
Total comprehensive income for the year		31 259	24 864	25 407	18 242
Profit attributable to:					
Owners of the Company		29 340	21 579	25 407	18 242
Non-controlling interests		3 086	2 293	-	-
		32 426	23 872	25 407	18 242
Total comprehensive income attributable to:					
Owners of the Company		28 173	22 571	25 407	18 242
Non-controlling interests		3 086	2 293	-	-
		31 259	24 864	25 407	18 242
Interest to dividend ratio		50:1	50:1	50:1	50:1
Number of linked units in issue at year end	13 & 14	32,948,740	32,372,329	32,948,740	32,372,329
Average number of linked units in issue		32,468,398	32,372,329	32,468,398	32,372,329
Earnings per linked unit (thebe)		98.76	74.37		
Earnings per linked unit is calculated based on the average number of linked units in issue and profit for the year attributable to the owners of the Company adjusted by the taxation on debenture interest credited to statement of changes in equity of:		32 066	24 074		
Distribution per linked unit (thebe)		33.76	31.44		
Interest per linked unit (thebe)		33.09	30.82		
Dividend per linked unit (thebe)		0.67	0.62		

Distribution per linked unit is calculated on the number of linked units in issue during the year.

Statements of Financial Position

31 December 2009

	Notes	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
ASSETS					
Non Current Assets					
Property, plant and equipment	6	153 375	39 107	5	6
Investments	7	2 745	7 162	81 046	37 794
Investment properties		202 594	177 664	150 854	131 070
At fair value	8	208 739	182 760	155 374	134 741
Rental receivable - Straight line rental adjustment	8	(6 145)	(5 096)	(4 520)	(3 671)
Intangible assets	9	1 000	1 000	-	-
Rental receivable - Straight line rental adjustment	8	6 145	5 096	4 520	3 671
Long term advances	10	-	-	4 312	5 084
		365 859	230 029	240 737	177 62
Current Assets					
Trade and other receivables	11	10 047	8 483	5 180	4 735
Current portion of long term advances	10	-	-	844	705
Current tax assets		33	-	33	-
Cash and bank balances	12	8 058	5 935	112	1 367
		18 138	14 418	6 169	6 807
Total Assets		**383 997**	**244 447**	**246 906**	**184 432**
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated capital	13	8 680	8 645	8 680	8 645
Debentures	14	53 576	51 796	53 576	51 796
Accumulated profits	15	79 672	58 728	61 702	44 691
Debenture interest and dividend reserve	16	6 644	6 373	6 644	6 373
Non distributable reserve		41	41	-	-
Foreign currency translation reserve		(1 119)	48	-	-
Equity attributable to owners of the parent		147 494	125 631	130 602	111 505
Non-controlling interests	17	62 545	27 939	-	-
Total equity		210 039	153 570	130 602	111 505
Non Current Liabilities					
Long term borrowings	18	107 733	51 743	75 415	46 639
Deferred tax liabilities	19	26 072	17 939	19 808	13 478
		133 805	69 682	95 223	60 117
Current Liabilities					
Trade and other payables	20	26 779	13 496	10 280	6 010
Bank overdraft	21	9 741	5 831	9 741	5 831
Current portion of long term borrowings	18	3 367	1 851	1 060	930
Current tax liabilities		266	17	-	39
		40 153	21 195	21 081	12 810
Total Equity and Liabilities		**383 997**	**244 447**	**246 906**	**184 432**

Statements of Changes in Equity

for the year ended 31 December 2009

Group	Notes	Stated capital P'000	Debentures P'000	Accumulated profits P'000	Debenture interest and dividend reserve P'000	Non-distributable reserve P'000	Foreign currency translation reserve P'000	Attributable to owners of the parent P'000	Non-controlling interests P'000	Total P'000
Balance at 1 January 2008		8 645	51 796	43 896	5 104	33	-	109 474	8 930	118 404
Profit for the year		-	-	21 579	-	-	-	21 579	2 293	23 872
Other comprehensive income for the year		-	-	944	-	-	48	992	-	992
Total comprehensive income for the year		-	-	22 523	-	-	48	22 571	2 293	24 864
Transfer during the year		-	-	(8)	-	8	-	-	-	-
Debenture interest declared and proposed	16	-	-	(9 978)	9 978	-	-	-	-	-
Taxation attributable to debenture interest	5	-	-	2 495	-	-	-	2 495	-	2 495
Debenture interest paid		-	-	-	(8 659)	-	-	(8 659)	-	(8 659)
Dividends declared and proposed	16	-	-	(200)	200	-	-	-	-	-
Dividends paid		-	-	-	(250)	-	-	(250)	-	(250)
Net loans received from non-controlling interests		-	-	-	-	-	-	-	16 716	16 716
Balance at 31 December 2008		8 645	51 796	58 728	6 373	41	48	125 631	27 939	153 570
Capitalisation issue of linked units	13 & 14	35	1 780	-	-	-	-	1 815	-	1 815
		8 680	53 576	58 728	6 373	41	48	127 446	27 939	155 385
Profit for the year		-	-	29 340	-	-	-	29 340	3 086	32 426
Other comprehensive income for the year		-	-	-	-	-	(1 167)	(1 167)	-	(1 167)
Total comprehensive income for the year		-	-	29 340	-	-	(1 167)	28 173	3 086	31 259
Debenture interest declared and proposed	16	-	-	(10 904)	10 904	-	-	-	-	-
Taxation attributable to debenture interest	5	-	-	2 726	-	-	-	2 726	-	2 726
Debenture interest paid		-	-	-	(10 639)	-	-	(10 639)	-	(10 639)
Dividends declared and proposed	16	-	-	(218)	218	-	-	-	-	-
Dividends paid		-	-	-	(212)	-	-	(212)	-	(212)
Net loans received from non-controlling interests		-	-	-	-	-	-	-	31 520	31 520
Balance at 31 December 2009		8 680	53 576	79 672	6 644	41	(1 119)	147 494	62 545	210 039
Company										
Balance at 1 January 2008		8 645	51 796	34 132	5 104	-	-	99 677	-	99 677
Profit for the year		-	-	18 242	-	-	-	18 242	-	18 242
Total comprehensive income for the year		-	-	18 242	-	-	-	18 242	-	18 242
Debenture interest declared and proposed	16	-	-	(9 978)	9 978	-	-	-	-	-
Taxation attributable to debenture interest	5	-	-	2 495	-	-	-	2 495	-	2 495
Debenture interest paid		-	-	-	(8 659)	-	-	(8 659)	-	(8 659)
Dividends declared and proposed	16	-	-	(200)	200	-	-	-	-	-
Dividends paid		-	-	-	(250)			(250)		(250)
Balance at 31 December 2008		8 645	51 796	44 691	6 373	-	-	111 505	-	111 505
Capitalisation issue of linked units	13 & 14	35	1 780	-	-	-	-	1 815	-	1 815
		8 680	53 576	44 691	6 373	-	-	113 320	-	113 320
Profit for the year		-	-	25 407	-	-	-	25 407	-	25 407
Total comprehensive income for the year		-	-	25 407	-	-	-	25 407	-	25 407
Debenture interest declared and proposed	16	-	-	(10 904)	10 904	-	-	-	-	-
Taxation attributable to debenture interest	5	-	-	2 726	-	-	-	2 726	-	2 726
Debenture interest paid		-	-	-	(10 639)	-	-	(10 639)	-	(10 639)
Dividends declared and proposed	16	-	-	(218)	218	-	-	-	-	-
Dividends paid		-	-	-	(212)	-	-	(212)	-	(212)
Balance at 31 December 2009		8 680	53 576	61 702	6 644	-	-	130 602	-	130 602

Statements of cash flows

for the year ended 31 December 2009

	Notes	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Cash flows from operating activities					
Profit from operations		48,028	34,571	35,574	24,882
Adjustment for items not involving the movement of cash:					
Amortisation of other investments		171	171	171	171
Depreciation		143	614	1	505
Net foreign exchange losses/(gains)		1,951	(1,130)	842	(1,190)
Foreign exchange differences on translation of foreign operations		577	361	-	-
Loss on disposal of investment in subsidiary		-	-	8	138
Surplus arising on revaluation of investment properties		(27,723)	(12,471)	(20,633)	(8,388)
As per valuation		(27,723)	(14,420)	(20,633)	(10,337)
Transfer of property, plant and equipment to investment properties		-	1,949	-	1,949
Profit on disposal of investment properties		-	(774)	-	(774)
Operating income before working capital changes		23,147	21,342	15,963	15,344
(Increase)/decrease in trade and other receivables		(2,406)	(3,849)	(1,286)	946
Increase/(decrease) in trade and other payables		12,174	5,745	4,270	(1,288)
Taxation paid		(629)	(689)	(2)	-
Net cash generated from operating activities		32,286	22,549	18,945	15,002
Cash flows used in investing activities					
Purchase of property, plant and equipment		(108,277)	(35,934)	-	(37)
Interest income received	3	3,855	884	5,725	2,303
Investment income	3	944	874	944	874
Purchase of intangible asset		-	(1,000)	-	-
Investment in subsidiaries		4,246	(2,929)	(43,432)	(24,849)
Proceeds from disposal of investment properties		-	9,702	-	9,702
Proceeds from disposal of investment in subsidiary		-	-	-	1,883
Net loan repayments from subsidiaries		-	-	633	421
Improvements to investment properties		-	(89)	-	(89)
Net cash used in investing activities		(99,232)	(28,492)	(36,130)	(9,792)
Cash flows from/(used in) financing activities					
Dividends paid		(212)	(250)	(212)	(250)
Debenture interest paid		(10,639)	(8,659)	(10,639)	(8,659)
Finance costs paid	4	(14,831)	(7,982)	(7,850)	(5,564)
Long term loans raised		60,803	10,000	30,000	10,000
Long term loans repaid		(3,297)	(3,504)	(1,094)	(2,975)
Issue of ordinary shares	13	35	-	35	-
Issue of debentures	14	1,780	-	1,780	-
Amounts received from non-controlling interests	17	32,193	16,716	-	-
Amounts repaid to non-controlling interests	17	(673)	-	-	-
Net cash generated from/(used in) financing activities		65,159	6,321	12,020	(7,448)
Net movement in cash and cash equivalents		(1,787)	378	(5,165)	(2,238)
Cash and cash equivalents at beginning of year		104	(274)	(4,464)	(2,226)
Cash and cash equivalents at end of year		(1,683)	104	(9,629)	(4,464)
Consisting of:					
Cash and bank balances		8,058	5,935	112	1,367
Bank overdraft		(9,741)	(5,831)	(9,741)	(5,831)
		(1,683)	104	(9,629)	(4,464)

Significant Accounting Policies

31 December 2009

Presentation of financial statements

These financial statements are presented in Pula (P) as that is the currency of Botswana and the functional currency of the Group's operations.

Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act of Botswana (Companies Act 2003).

Adoption of new and revised International Financial Reporting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations of the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual reporting beginning on or after 1 January 2009.

There have been no significant changes to the financial results of the Group arising from the adoption of the revised standards and new interpretations. However, the adoption of IAS 1 (revised) has resulted in changes to the titles of the components of the financial statements.

At the date of approval of these financial statements, the following applicable Standards were in issue but not yet effective:

- IAS 1 Presentation of Financial Statements, Current / non-current classification of convertible instruments (effective for annual periods beginning on or after 1 January 2010);

- IAS 1 Presentation of Financial Statements, Classification of expenditures on unrecognised assets (effective for annual periods beginning on or after 1 January 2010);

- IAS 17 Leases, Classification of leases of land and buildings (effective for annual periods beginning on or after 1 January 2010);

- IAS 32 Financial Instruments: Presentation, Accounting for rights issues (effective for annual periods beginning on or after 1 February 2010);

- IAS 36 Impairment of assets, unit of accounting for goodwill impairment test (effective for annual periods beginning on or after 1 January 2010);

- IAS 39 Financial Instruments: Recognition and measurement, cash flow hedging (effective for annual periods beginning on or after 1 January 2010);

- IFRS 5 Non- current assets held for sale and discontinued operations, Disclosure of non-current assets classified as held for sale (effective for annual periods beginning on or after 1 January 2010);

- IFRS 9 Financial instruments, New standard to replace IAS 39 (effective for annual periods beginning on or after 1 January 2013); and

- IAS 24 Related party disclosure (effective for annual periods beginning on or after 1 January 2011).

The Company has evaluated the effect of all the new standards, amendments and interpretations that have been issued prior to 31 December 2009, which would be effective for the accounting periods on or after 1 January 2010. Based on the evaluation, management does not expect these standards, amendments and interpretations to have a significant impact on the Group's or Company's results, nor will their adoption in future periods have a material financial impact on the financial statements of the Group and the Company.

Basis of accounting

The financial statements have been prepared on the historical basis, except for the revaluation of investment properties and certain financial instruments carried at fair value. The principal accounting policies, which have been consistently followed in all material respects, are set out below.

Significant Accounting Policies (continued)

31 December 2009

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern financial and operating policies of an investee's enterprise so as to obtain benefits from its activities. On acquisition the assets and liabilities of a subsidiary are measured at their fair values at date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised

The results of subsidiaries acquired or disposed of during the year are included in the Group's statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other members of the Group.

All intercompany transactions and balances between Group enterprises are eliminated on consolidation.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer credits, rebates and other similar allowances.

Rental income

Rental income from operating leases is recognised in the statements of comprehensive income on a straight line basis over the term of relevant leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on the straight line basis over the lease term.

The change in fair value of investment properties is offset against the rentals straight line adjustment in the statements of comprehensive income.

Other operating revenue

Other operating revenue comprises utility expenses, service levies and other costs recovered from tenants.

Interest

Interest is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the assets net carrying amount.

Investment properties

Investment properties, which are held to earn rentals and for capital appreciation, are stated at their fair values at each statement of financial position date. Gains or losses arising in changes to fair value of investment properties are recognised in the statements of comprehensive income in the period in which they arise.

Impairment

At each statement of financial position date, the Group and the Company review the carrying amounts of their assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amounts, being the higher of fair value less costs to sell and value in use, of the assets are estimated in order to determine the extent of the impairment. Impairment losses and subsequent reversals are recognised in the statements of comprehensive income.

Interest in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control that is when the strategic financial and operating policy decisions relating to the activities of the joint venture require unanimous consent of the parties sharing control.

Where a Group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to from the Group and their amount can be measured reliably.

Significant Accounting Policies (continued)

31 December 2009

Interest in joint ventures (continued)

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets for Sale and Discontinued Operations. The Group's share of assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in terms of IFRS 3. Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when the Group and the Company become party to the contractual provisions of the instrument.

Financial assets

<u>Loans and receivables</u>

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Before accepting any new tenant, the Group and Company assesses the potential credit quality, and obtains surety as a measure of protection against possible default in future payments.

The management frequently reviews and identifies the receivables where recovery could be doubtful, based on factors such as past track record and possibilities of recovery in future. Additional security is also obtained, and payment plans are put in place for debtors who are identified as untimely payers.

Trade and other receivables, which generally have 30 to 90 day terms, are recognised and carried at original invoice amount less impairment losses. Impairment losses are recognised in the statements of comprehensive income when collection of the full amount is no longer probable. Impairment losses are written off as incurred.

Cash and cash equivalents are defined as cash on hand, demand deposits and short term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

<u>Impairment of financial assets</u>

Trade receivables are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's or Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

<u>Derecognition of financial assets</u>

The Group and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group or Company neither transfers nor retains substantially all the risks and rewards of ownership and continue to control the transferred asset, they recognise their retained interest in the asset and an associated liability for amounts they may have to pay. If the Group or Company retain substantially all the risks and rewards of ownership of a transferred financial asset, they continue to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

Financial liabilities

The Group's and the Company's significant financial liabilities include interest bearing loans, related companies balances and accounts payables which have been classified as other financial liabilities.

Interest bearing loans are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the

Significant Accounting Policies (continued)

31 December 2009

Financial liabilities (continued)

expected life of the financial liability, or, where appropriate, a shorter period. Trade payables and other accounts payable are stated at their nominal value. Equity and debt instruments, which comprise the stated capital and the variable rate unsecured debentures, are recorded at the proceeds received net of direct issue costs.

Derecognition of financial liabilities

The Group and the Company derecognise financial liabilities when, and only when, their obligations are discharged, cancelled or they expire.

Gains and losses on subsequent measurement of financial instruments

Gains and losses arising from a change in the fair value of financial instruments are included in the statements of comprehensive income in the period in which the change arises.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position when the Group and the Company have a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accrual basis and added to carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Investments

All investments are reported at cost less accumulated impairment losses.

The investment in Chobe Marina Lodge (Proprietary) Limited is stated at cost less amortisation.The investment is amortised over the lease period of 25 years on a discounted cash flow basis.The amortisation is charged to the statements of comprehensive income.

Debenture interest and dividends

Debenture interest and dividends proposed after the financial position date are shown as a component of equity.

Property, plant and equipment

Properties in the course of construction are reflected as capital work in progress and are carried at cost, less any recognised impairment loss. Cost includes professional fees and for qualifying assets, borrowing costs capitalised in accordance with the Group's and the Company's accounting policies. Plant and equipment is stated in the statements of financial position at cost less accumulated depreciation and any impairment losses.The methods of depreciation, useful lives and residual values are reviewed annually.

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

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds, and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over the estimated useful lives.

The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, and investments in money market instruments.

Significant Accounting Policies (continued)

31 December 2009

Related party transactions

Related parties are defined as those parties:

(a) directly, or indirectly through one or more intermediaries, if the party:
   (i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);

   (ii) has an interest in the entity that gives it significant influence over the entity; or

(b) that are members of the key management personnel of the entity, including close members of the family.

All dealings with related parties are transacted on an arm's length basis and accordingly included in statement of comprehensive income for the year.

Taxation

The charge for current tax is based on the results for the year as adjusted for items which are non assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the statements of financial position date.

Deferred taxation is accounted for using the statement of financial position liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and corresponding tax basis used for computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the rates that are expected to apply when the asset is realised or the liability settled. Deferred tax is charged or recognised in the statements of comprehensive income. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or a part of the asset to be recovered.

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 statements of comprehensive income.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates ruling on the statements of financial position date. Gains and losses arising on retranslation are dealt with in the statements of comprehensive income.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing at the statements of financial position date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising if any, are classified as equity and transferred to the Group's foreign currency translation reserve. Such translation differences are recognised in the Group statement of comprehensive income in the period in which the operation is disposed of.

Provisions

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of that asset until such time as the assets are substantially ready for their intended use or sale. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Significant Accounting Policies (continued)

31 December 2009

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group and the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the statements of comprehensive income. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future and other sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts within the next financial year:

Recoverability of intangible asset

During the year, the directors considered the recoverability of the Group's intangible asset arising from a capitalised development, which is included in the consolidated financial position at P1,000,000. The hotel is under construction and the directors are confident that the carrying amount of this asset will be recovered in full even if returns are reduced. This situation will be closely monitored and adjustments made in future periods if adjustments are appropriate.

Useful lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. During the financial year the directors determined that the useful lives of items of property, plant and equipment remained unchanged.

Fair value of investment properties

The directors use their judgment in selecting an appropriate valuation technique for the investment properties. Investment properties are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices.

Notes to the Financial Statements

31 December 2009

	Group		Company	
	2009 P'000	2008 P'000	2009 P'000	2008 P'000

1. Contractual lease rental revenue

Revenue comprises rental income and service charges recovered from tenants.

Rental income	28,040	27,047	20,134	19,787
Service charges recovered	1,133	1,162	814	911
	29,173	28,209	20,948	20,698

2. Profit from operations

Profit from operations is stated after taking into account the following:

Auditor's remuneration	-audit fee	210	151	150	137
Amortisation of other investments		171	171	171	171
Depreciation		143	614	1	505
Directors' emoluments	- for services as directors	57	58	57	58
Foreign exchange losses/(gains)	- foreign entities	1,771	(1,064)	662	(1,190)
	- other	180	(66)	180	(66)
Management and administration fee paid to related Company		1,738	1,355	1,137	1,073
Profit on disposal of investment properties		-	(774)	-	(774)
Loss on disposal of investment in subsidiary		-	-	-	138
Repairs and maintenance on investment properties		574	840	467	667
Service charge paid to related Company		591	595	591	595

3. Investment income

Interest income:				
- bank	152	195	7	52
- other	220	-	220	-
- related parties	58	165	58	165
- intercompany capitalised on qualifying assets	3,425	524	5,440	2,086
	3,855	884	5,725	2,303
Share of the net income from Chobe Marina Lodge (Proprietary) Limited.	944	874	944	874
	4,799	1,758	6,669	3,177

4. Finance costs

Interest payable				
- bank	341	471	341	471
- long term loans	14,490	7,511	7,509	5,093
Total borrowing costs	14,831	7,982	7,850	5,564
Less: amounts capitalised on qualifying assets (note 6)	(6,134)	(1,256)	-	-
	8,697	6,726	7,850	5,564

Borrowing costs are capitalised until such time as the assets are substantially ready for their intended use or sale.

Notes to the Financial Statements (continued)

31 December 2009

5. Income tax expense

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Basic taxation at 15%	467	242	-	-
Additional Company taxation at 10%	312	162	-	-
Normal taxation	779	404	-	-
Normal taxation - prior years	(40)	9	(40)	-
Withholding tax offset on dividends paid	(30)	-	(30)	-
Tax on foreign entity	136	127	-	-
Total normal taxation	845	540	(70)	-
Deferred taxation - current year	7,717	2,760	5,914	1,996
- prior year	10	(362)	10	(439)
Capital gains deferred tax	406	298	406	201
	8,978	3,236	6,260	1,758

Income tax expense comprises:

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Charged to statement of comprehensive income	11,704	5,731	8,986	4,253
Attributable to debenture interest credited to statement of changes in equity	(2,726)	(2,495)	(2,726)	(2,495)
	8,978	3,236	6,260	1,758
Additional Company taxation available to be offset against future withholding tax on dividends paid is	846	564	54	84

The charge for the year can be reconciled to the profit per income statement as follows:

Tax reconciliation:	%	%	%	%
Tax at current rate	25.00	25.00	25.00	25.00
Normal taxation - prior years	(0.11)	0.05	(0.11)	-
Taxation on debenture interest	6.48	8.43	7.93	11.09
Tax on foreign entity	0.32	0.65	-	-
Withholding tax offset on dividends paid	(0.09)	-	(0.09)	-
Deferred taxation -prior year	0.03	(1.84)	0.03	(3.51)
Non-deductable expenses	(5.11)	(12.93)	(6.63)	(13.67)
Effective tax rates	26.52	19.36	26.13	18.91

6. Property, plant and equipment

	Plant and machinery P'000	Capital Work in progress P'000	Office equipment P'000	Total P'000
Group				
Cost				
At 1 January 2008	7,712	-	59	7,771
Additions during the year	37	35,897	-	35,934
Finance costs capitalised during the year (note 4)	-	1,256	-	1,256
Re-classification	(103)	-	103	-
Transfer to investment properties	(5,445)	-	-	(5,445)
At 31 December 2008	2,201	37,153	162	39,516
Additions during the year	-	108,277	-	108,277
Finance costs capitalised during the year (note 4)	-	6,134	-	6,134
As at 31 December 2009	2,201	151,564	162	153,927
Accumulated depreciation				
At 1 January 2008	3,232	-	59	3,291
Charge for the year	614	-	-	614
Re-classification	(97)	-	97	-
Transfer to investment properties	(3,496)	-	-	(3,496)
At 31 December 2008	253	-	156	409
Charge for the year	142	-	1	143
At 31 December 2009	395	-	157	552
Net book value at 31 December 2009	1,806	151,564	5	153,375
Net book value at 31 December 2008	1,948	37,153	6	39,107

Notes to the Financial Statements (continued)

31 December 2009

6. Property, plant and equipment (continued)

Capital work in progress comprise the following developments:

- Masa Towers, Lot 54353, new Gaborone Administrative District, where a development is in progress. The property is encumbered by a covering mortgage bond in favour of BIFM Capital Investment Fund One (Proprietary) Limited for P60 000 000.

- Isalo Rock Lodge, Lot 480, AU Region d'Ihrombe, Madagascar. The development is not encumbered.

Company	Plant and machinery P'000	Office equipment P'000	Total P'000
Cost			
At 1 January 2008	5,511	59	5,570
Additions during the year	37	-	37
Re-classification	(103)	103	-
Transfer to investment properties	(5,445)	-	(5,445)
At 31 December 2009 and 2008	-	162	162
Accumulated depreciation			
At 1 January 2008	3,088	59	3,147
Charge for the year	505	-	505
Re-classification	(97)	97	-
Transfer to investment properties	(3,496)	-	(3,496)
At 31 December 2008	-	156	156
Charge for the year	-	1	1
At 31 December 2009	-	157	157
Net book value at 31 December 2009	-	5	5
Net book value at 31 December 2008	-	6	6

7. Investments

	Country of incorporation	Share Holding	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
At cost:						
Equity investments - Subsidiaries						
RDC Properties International (Proprietary) Limited *	Botswana	100%	-	-	1 588	-
RDC Properties Mauritius Limited	Mauritius	100%	-	-	-	8
Lotsane Complex (Proprietary) Limited	Botswana	77%	-	-	1 692	1 692
Three Partners Resorts Limited	Botswana	53%	-	-	56 549	22 663
Tholo (Proprietary) Limited	Botswana	50%	-	-	1 884	1 884
			-	-	61 713	26 247
Long term loans - Subsidiaries						
Societe Immobiliere D'ambodivona (SIA Sarl)	Madagascar		-	-	2 676	2 198
HMS1 Société Anonyme (HMS1)	Madagascar		-	4 245	11 725	4 245
			-	4 245	14 401	6 443
Other investments						
Propcorp (Proprietary) Limited	Botswana	33%	-	-	2 187	2 187
Chobe Marina Lodge (Proprietary) Limited	Botswana		2 745	2 917	2 745	2 917
			2 745	2 917	4 932	5 104
			2 745	7 162	81 046	37 794

* During the year 2009, RDCP acquired 100% shareholding of Property And Asset Management International (Proprietary) Limited, an International Financial Services Centre (IFSC) Company registered in Botswana, which was previously owned by Real Estate Financiere SA, Chobe Financial Corporation and Aspera Holdings Limited, who together are the major shareholders of RDC Properties Limited. The Company was bought for a purchase consideration of P1,746,360 to be paid in cash, which comprises of the net asset value of P1,587,600 plus P158,760, representing the estimated cost of setting up a new IFSC Company. The name of Property and Asset Management International (Proprietary) Limited was later changed to RDC Properties International (Proprietary) Limited.

Notes to the Financial Statements (continued)

31 December 2009

7. Investments (continued)

The equity investments and long term loans of the Madagascar companies held by RDC Properties Mauritius Limited were then transferred to RDC Properties International (Proprietary) Limited. As a result RDC Properties Mauritius Limited become dormant and its equity was written off in RDC Properties Limited. RDC Properties International (Proprietary) Limited now owns 50% of Société Immobilere D'Ambodivona SARL (SIA) and 50% of HMS1 Société Anonyme (HMS1). SIA and HMS 1 are both joint venture companies registered in Madagascar.

Propcorp (Proprietary) Limited is a joint venture between RDC Properties Limited, Botswana Insurance Fund Management Limited (BIFM) and National Development Bank (NDB) for the development of the basement parking, in the area adjoining Standard House, BIFM House and NDB house in the Gaborone Main Mall area.

The investment in Chobe Marina Lodge (Proprietary) Limited represents a prepayment for a 25 year lease expiring in 2026. RDC Properties Limited receives net income distribution as disclosed in note 3.

The following amounts are included in the Group financial statements as a result of the proportionate consolidation of Société Immobilere D'Ambodivona SARL (SIA), HMS1 Société Anonyme (HMS1) and Propcorp (Proprietary) Limited:

	2009 P'000	2008 P'000
Non-current assets	27 142	3 093
Current assets	4 523	233
Non-current liabilities	(10 297)	(3 043)
Current liabilities	(3 347)	(284)
Income	2 072	2 238
Expenses	(1 663)	(1 579)

8. Investment properties

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Freehold land and buildings at fair value	83 617	65 187	83 617	65 187
Leasehold land and buildings at fair value	125 122	115 624	71 757	67 605
Transfer from property, plant and equipment	-	1 949	-	1 949
	208 739	182 760	155 374	134 741
Straight line rental adjustment	(6 145)	(5 096)	(4 520)	(3 671)
	202 594	177 664	150 854	131 070
Reconciliation of fair value				
Opening value	177 664	171 384	131 070	130 237
At valuation	182 760	175 419	134 741	133 243
Straight line rental adjustment	(5 096)	(4 035)	(3 671)	(3 006)
Additions during the year	-	89	-	89
Exchange differences on translation	(1 744)	1 760	-	-
Disposal during the year	-	(8 928)	-	(8 928)
Net increase in fair value	27 723	12 471	20 633	8 388
Transfer from property, plant and equipment	-	1 949	-	1 949
Straight line rental adjustment for the year	(1 049)	(1 061)	(849)	(665)
Closing balance	202 594	177 664	150 854	131 070

Investment properties are re-valued annually by the Board of Directors based on a Discounted Cash Flow model. Each property is independently revalued by independent valuers at least every five years. In the current year, two properties were fair valued by the independent valuer Belshane Property Group who are not related to the Group.

Freehold land and buildings comprise the following:

- Lots 1124 to 1130, Extension 3 , Gaborone , which are encumbered by first, second and third mortgage bond in favour of Barclays Bank of Botswana Limited totalling P12 500 000 to secure banking facilities amounting to P10 000 000 and by a fourth mortgage bond of P15 000 000 in favour of First National Bank of Botswana Limited for an overdraft facility of P15 000 000.
- Lot 21306 Phakalane.
- Lots 1116, 1117 and 1840 Extension 3 Gaborone which are encumbered by first mortgage bond to First National Bank of Botswana Limited totalling P8 000 000.

Notes to the Financial Statements (continued)

31 December 2009

8. Investment properties (continued)

Leasehold land and buildings comprise the following :

- Lots 4787 and 4788, Extension 6, Gaborone, which are encumbered by first mortgage bonds in favour of First National Bank of Botswana Limited totalling P6 500 000.
- Lots 22017 and 22018 Gaborone which are encumbered by a mortgage bond in favour of Barclays Bank of Botswana Limited totalling P4 800 000.
- Lot 758 Gaborone which is encumbered by a mortgage bond in favour of First National Bank of Botswana Limited totalling P5 000 000.
- Lot 443, Serowe, which is encumbered by a first mortgage bond in favour of Botswana Building Society for P216 800.
- Lot 679 Serowe
- 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
- Lot 10211- 234-KO , Gaborone
- 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.
- Lot 617, Molepolole.
- Lots 50369, 50668 and 50669, Faigrounds Gaborone, which are encumbered by first mortgage bonds in favour of Barclays Bank of Botswana Limited for P6 545 000 and First National Bank of Botswana Limited for P8 000 000.
- Lot 1707, Palapye.
- Lots 39731A, 41314, 45438A and 45488A, Tana Waterfront, Antananarivo, Madagascar, which is encumbered by a mortgage bond in favour of Banque Malgache de L'Océan Indien (BMOI), for an amount equivalent to P1 650 165 (Ariary 500 000 000).

Mortgages with Bankers, against which no obligation existed as at 31 December 2009:
Morgages on the below mentioned properties where registered as security for loans over the years. As at the 31 December 2009, the loans are fully repaid and thefore the facilities could be cancelled;

Property	Value of Mortgages with no liability
Lots 443, Serowe	P216,800
Lot 194, Maun	P780,000
Lots 680 and 292, Serowe	P2,460,000
Lot 758, Gaborone	P5,000,000
Lot 4787 and 4788, Extension 6, Gaborone	P6,500,000
	P14,956,800

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
9. Intangible assets				
Capitalised development	1 000	1 000	-	-

The Group acquired the sole right to build and operate a hotel in the Central Business District in Gaborone, Botswana. As at the balance sheet date the hotel was still under construction.

Amortisation shall begin when the asset is available for use. The amortisation method used shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the Group.

10. Long term advances

	Group 2009	Group 2008	Company 2009	Company 2008
Tholo (Proprietary) Limited	-	-	5,156	5,789
Less: current portion	-	-	(844)	(705)
	-	-	4,312	5,084

This loan is unsecured and bears an interest at a rate of prime minus 2% per annum and is repayable in monthly instalments of P 108 161 including interest. This loan is repayable over a period of 111 months, effective from January 2007.

Notes to the Financial Statements (continued)

31 December 2009

11. Trade and other receivables

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Trade receivables	9,916	8,865	3,849	3,085
Allowance for doubtful debts	(2,558)	(1,952)	(2,019)	(1,613)
	7,358	6,913	1,830	1,472
Other receivables	1,285	998	1,212	982
Related parties:				
Tholo (Proprietary) Limited	-	-	36	517
Lotsane Complex (Proprietary) Limited	-	-	698	1,192
Shakawe (Proprietary) Limited	1,404	572	1,404	572
	10,047	8,483	5,180	4,735

The average credit period is 60 days. No interest is charged on overdue trade debtors. The Group has provided for all past due and impaired trade debtors based on estimated irrecoverable amounts determined by reference to past default experience. Included in trade debtors are amounts past due at the reporting date for which the Group has not provided as they are still considered recoverable.

Ageing of past due but not impaired

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
60 - 90 days	847	455	727	322
90 - 120 days	3 547	1 930	2 695	1 402
Total	4 394	2 385	3 422	1 724

Movement in the allowance for doubtful debts	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Balance at beginning of the year	1 952	1 116	1 613	777
Amounts recovered during the year	(400)	(63)	(400)	(63)
Charged to the income statement	1 006	899	806	899
Balance at end of the year	2 558	1 952	2 019	1 613

At the reporting date, the Group considers the concentration of credit risk is limited due to the customer base being small and unrelated. There are no impaired receivables. Accordingly, the directors, believe that there is no further provision required in excess of the allowance for doubtful debts.

12. Bank balances and cash

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Bank balances	8,058	5,935	112	1,367

13. Stated capital

Issued and fully paid	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Opening balance (32 372 329) ordinary shares	8,645	8,645	8,645	8,645
Capitalisation issue (576 411) ordinary shares	35	-	35	-
Closing balance (32 948 740) ordinary shares	8,680	8,645	8,680	8,645

14. Debentures

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Opening balance (32 372 329) debentures	51,796	51,796	51,796	51,796
Capitalisation issue (576 411) debentures	1,780	-	1,780	-
Closing balance (32 948 740) debentures	53,576	51,796	53,576	51,796

15. Accumulated profits

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Arising from operations	14,527	14,375	16,974	15,438
Arising from revaluation of investments	65,145	44,353	44,728	29,253
	79,672	58,728	61,702	44,691

16. Debenture interest and dividend reserve

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Debenture interest	6,514	6,248	6,514	6,248
Dividends	130	125	130	125
	6,644	6,373	6,644	6,373

Notes to the Financial Statements (continued)

31 December 2009

16. Debenture interest and dividend reserve (continued)

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.

	Group		Company	
	2009 P'000	2008 P'000	2009 P'000	2008 P'000
Debenture interest				
Interim paid - 13.32 (2008:11.49) thebe	4,390	3,722	4,390	3,722
Final proposed - 19.77 (2008:19.33) thebe	6,514	6,256	6,514	6,256
	10,904	9,978	10,904	9,978
Dividends:				
Interim paid - 0.27 (2008:0.23) thebe	88	75	88	75
Final proposed - 0.40 (2008:0.39) thebe	130	125	130	125
	218	200	218	200

During 2009, interim debenture interest and dividend per linked unit were declared and offered with an option for 50% capitalisation as at 31 October 2009. At the year end, the final debenture interest and dividend per linked unit have been proposed and will be submitted for formal approval at the forthcoming Annual General Meeting. The proposed amounts are included in the debenture interest and dividend reserve.

17. Non-controlling interests

	Group 2009	Group 2008	Company 2009	Company 2008
Opening balance	27 939	8 930	-	-
Share of profit for the year	3 086	2 293	-	-
Amounts received from non-controlling interests	32 193	16 716	-	-
Amounts repaid to non-controlling interests	(673)	-	-	-
Closing balance	62 545	27 939	-	-

18. Long term borrowings

	Group 2009	Group 2008	Company 2009	Company 2008
Botswana Building Society	-	31	-	31
Less: current portion	-	(25)	-	(25)
	-	6	-	6

These loans bear interest at a rate of 16% per annum and are repayable in monthly instalments of P2,856 (2008: P2,856) including interest and are secured as indicated in note 8. These loans have been repaid in full.

	Group 2009	Group 2008	Company 2009	Company 2008
First National Bank of Botswana Limited	289	472	289	472
Less : current portion	(220)	(182)	(220)	(182)
	69	290	69	290

This loan bears interest at a rate of prime less 2.5% (2008 : Prime less 1.5%) per annum and is repayable in monthly instalments of P 18 930 (2008 : P21 269) including interest and is secured as indicated in note 8.

The loan is repayable in 2012

	Group 2009	Group 2008	Company 2009	Company 2008
National Development Bank	-	34	-	34
Less : current portion	-	(34)	-	(34)
	-	-	-	-

This loan bears interest at a fixed rate of 16.5% per annum and is repayable in monthly instalments of P28 571 (2008: P28 571) including interest, and is secured as indicated in note 8.

This loan has been repaid in full

	Group 2009	Group 2008	Company 2009	Company 2008
Barclays Bank of Botswana Limited	2 703	4 314	1 186	2 032
Less: current portion	(1 821)	(689)	(840)	(689)
	882	3 625	346	1 343

These loans bear interest at rates of 2.5% below prevailing prime rates per annum. The loans are repayable in monthly instalments of P156 827 (2008: P162 239) including interest. The loans are secured as indicated in note 8. The loans are repayable in 2010 and 2011.

Notes to the Financial Statements (continued)

31 December 2009

18. Long term borrowings (continued)

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Botswana Power Corporation	-	5	-	-
Less : current portion	-	(5)	-	-
	-	-	-	-

These loans bear interest at 16.25% per annum. Monthly repayments including interest are P 4 249 (2008: P 4 249). The loans have been repaid in full.

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
BIFM Capital Investment Fund One (Proprietary) Limited	95 000	45 000	75 000	45 000
Less : current portion	-	-	-	-
	95 000	45 000	75 000	45 000

These loans represent subscription of Promissory Notes for RDC Properties Limited as well as
Three Partners Resort Limited at a fixed interest rate of 11.7% and 10.7% respectively, compounded semi annually. Due dates of interest payments are the 31 March and 30 September of each year. The redemption dates are 30 September 2021 to 2025 for RDC Properties Limited and 30 September 2025 to 2034 for Three Partners Resorts Limited.

The loan for RDC Properties Limited is unsecured while the one for Three Partners Resorts Limited is secured as per note 6.

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Banque Malgache L'Ocean Indien	986	1 810	-	-
Less : current portion	(548)	(619)	-	-
	438	1 191	-	-

This loan bears interest at a rate of 11.80% (2008:11.80%) per annum. Quarterly repayments including interest are equivalent to P309 281 (2008: P267 120). The loan is secured as indicated in notes 8 and 25 and is repayable in 2011.

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
BFV SG, Madagascar	1 319	1 928	-	-
Less : current portion	(272)	(297)	-	-
	1 047	1 631	-	-

This loan bears interest at a rate of 12.30% (2008:12.30%) per annum. Monthly repayments including interest are equivalent to P70 002 (2008: P64 451). The loan is secured as indicated in note 25 and is repayable in 2013.

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
BNI , Madagascar	10 803	-	-	-
Less : current portion	(506)	-	-	-
	10 297	-	-	-

This loan bears interest at a rate of 9.50% per annum.
There are no monthly repayments until the HMS 1 project is completed and operational.
The loan is secured as indicated in note 25 and is repayable in 2016.

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Long term portion of loans	107 733	51 743	75 415	46 639
Current portion of loans	3 367	1 851	1 060	930

19. Deferred tax liabilities

The deferred taxation (assets)/liabilities arising on timing differences on:

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Plant and equipment	(9)	(22)	(9)	(22)
Investment properties	97 219	67 351	73 460	51 083
Tax losses	(1 208)	(3 052)	(324)	(2 811)
IAS 17 adjustment	6 144	5 096	4 520	3 671
Capital gains	2 976	1 193	2 425	802
Unrealised exchange differences	(1 424)	1 190	(842)	1 190
	103 698	71 756	79 230	53 913
Tax at 15%/25%	26 072	17 939	19 808	13 478

Notes to the Financial Statements (continued)

31 December 2009

19. Deferred tax liabilities (continued)

		Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Reconciliation of movement					
Opening balance		17 939	15 243	13 478	11 720
Charge to profit or loss	- current year	7 717	2 760	5 914	1 996
	- prior year	10	(362)	10	(439)
	- capital gains	406	298	406	201
Closing balance		26 072	17 939	19 808	13 478

20. Trade and other payables

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Trade payables	20 513	8 776	3 285	2 180
Other payables	5 626	3 524	5 123	2 995
Related parties:				
Property and Asset Management Limited	352	607	(22)	373
Italtswana Construction Company (Proprietary) Limited	289	614	151	487
Property and Asset Management International (Proprietary) Limited	-	(25)	-	(25)
RDC Properties International (Proprietary) Limited	-	-	1 744	-
Sunnyside (Proprietary) Limited	(1)	-	(1)	-
	26 779	13 496	10 280	6 010

21. Bank overdraft

The Group has a bank overdraft facility totalling P15 000 000 which is secured by a first mortgage bond of P1 500 000 over lots 914 Kasane, another first mortgage bond of P 8 000 000 over lots 1116, 1117, 1840 and a fourth mortgage bond of P15 000 000 over lots 1124 to 1130, in favour of First National Bank of Botswana Limited.

22. Related party transactions

Related parties are companies with common shareholding and control.

Receivables relating to related parties are disclosed in note 11.

Payables relating to related parties are disclosed in note 20.

The following trading transactions were carried out with related parties.

Interest income - related parties

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
RDC Properties International (Proprietary) Limited	-	-	(985)	-
Lotsane Complex (Proprietary) Limited	-	-	(155)	(281)
Three Partners Resorts Limited	(3 425)	(524)	(3 425)	(524)
Tholo (Proprietary) Limited	-	-	(875)	(1 281)
	(3 425)	(524)	(5 440)	(2 086)

Property and Asset Management Limited

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
- management and administration	1 738	1 355	1 137	1 073
- lease renewal fees	67	152	67	152
- service charges	591	595	591	595

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.

Service charges are calculated as a fixed percentage of the market capitalisation of the Group on the last trading day of the month.

Italtswana Construction Company (Proprietary) Limited

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
- repairs and maintenance expenditure	683	456	667	384
- interest	-	(116)	-	(116)

The investment property purchase, capital expenditure and repairs are carried out on an arms length basis.

Shakawe (Proprietary) Limited

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
- commission charged	(75)	-	(75)	-
- interest	(58)	(49)	(58)	(49)

Notes to the Financial Statements (continued)

31 December 2009

23. Operating lease arrangements

Property rental income earned during the year is set out in note 1. None of the Group's properties held for rental purposes were disposed of since the balance sheet date.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	Group		Company	
	2009 P'000	**2008 P'000**	**2009 P'000**	**2008 P'000**
Within one year	31 444	5 895	25 748	5 526
In the second to fifth years inclusive	29 708	34 346	24 015	28 153
After five years	4 308	9 387	3 127	6 881
	65 460	49 628	52 890	40 560

24. Capital commitments

Approved and contracted:

Within one year	155 782	154 221	-	29 226
In the second to fifth years inclusive	-	60 259	-	-
	155 782	214 480	-	29 226

The above capital commitments relate to construction costs, professional fees and other related costs for the following projects:

a) HMS1 Société Anonyme (HMS1)
Construction of Isalo Rock Lodge in Madagascar. The project is expected to be completed during the second quarter of the 2010 financial year. The total cost of the project is estimated to be P49 million, with the RDC Group's shared being at 50%.

The project was financed by local commercial banks based in Madagascar. The Company issued bank guarantees for these bank loans as disclosed in note 25.

b) Three Partners Resorts Limited (TPR)
Construction of a mixed use development which includes a hotel, office space, cinema, speciality restaurants and other commercial outlets like banks and shops. The project is located in the Central Business District in Gaborone. It is expected that the project will be completed in August 2010.

The total cost of the project is estimated to be P248 million. Of this amount, 40% has been financed by the shareholders of TPR based on their respective shareholding percentage. The balance of 60% representing an amount of P150 million will be financed by local financial institutions. During the year P60 million was secured from BIFM Capital Investment Fund One (Proprietary) Limited. As at the time of approval of these financial statements, TPR was still in the process of securing funding for the remaining P90 million.

25. Contingent liabilities

RDC Properties Limited has given bank guarantees for the bank loans availed to Societe Immobiliere D'ambodivona (SIA Sarl) and HMS1 Société Anonyme (HMS1) by commercial bankers based in Madagascar, as follows:

a) An amount equivalent to P9 388 322 (Euro 1 013 000) by First National Bank of Botswana Limited, in favour of Emprunt CA BNI (BNI) for a 50% loan amount equivalent to P10 317 285 (Ariary 3 126 136 935);
b) An amount of P1 800 000 by First National Bank of Botswana Limited, in favour of BFV- Société Générale (BFV), Madagascar, for a 50% loan amount equivalent to P1 049 257 (Ariary 317 924 772);
c) An amount equivalent to P823 506 (Ariary 250 000 000) by Barclays Bank of Botswana Limited, in favour of Banque Malgache de L'Océan Indien (BMOI), Madagascar, for a 50% loan amount equivalent to P437 945 (Ariary 265 393 986); and
d) An amount equivalent to P1 650 165 (Ariary 500 000 000) cession of Group loans, in favour of Banque Malgache de L'Océan Indien (BMOI), Madagascar.

Further, RDC Properties Limited has given a guarantee for an amount of P7 500 000 in favour of First National Bank of Botswana Limited, for a loan of the same amount granted to Shakawe (Proprietary) Limited.

26. Segmental reporting

The Group's business activities are concentrated in the segment of property rentals and are provided within the geographical region of Botswana, except for one property, Tana Waterfront, located in Madagascar. Tana Waterfront's operations are not material to the Group, therefore segmental information based on business activities or geographical locations is not considered necessary.

Notes to the Financial Statements (continued)

31 December 2009

27. Financial risk management

Categories of financial instruments

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Financial assets				
Investments	2 745	7 162	81 046	37 794
Long term advances	-	-	5 156	5 789
Trade and other receivables	10 047	8 483	5 180	4 735
Cash and bank balances	8 058	5 935	112	1 367
	20 850	21 580	91 494	49 685
Financial liabilities				
Long term borrowings- at floating interest rate	16 100	8 594	1 475	2 569
Long term borrowings - at fixed interest rate	95 000	45 000	75 000	45 000
Trade and other payables	26 779	13 496	10 280	6 010
Bank overdraft	9 741	5 831	9 741	5 831
	147 620	72 921	96 496	59 410

In the normal course of business the Group is exposed to currency, capital, credit, liquidity and interest rate risk. The Group manages their 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

The Group undertakes transactions denominated in foreign currencies, Euro and US dollar. Consequently, exposures to exchange rate fluctuations arise.

The carrying amounts of the foreign currency denominated monetary assets at the end of the reporting period are as follows:

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Related party loans to:				
Societe Immobiliere D'ambodivona (SIA Sarl)	-	-	2 676	2 198
HMS1 Société Anonyme (HMS1)	-	4 245	11 725	4 245
	-	4 245	14 401	6 443

There are no foreign currency denominated monetary liabilities at the end of the reporting period.

Capital risk

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance.
The capital structure of the Group consists of debt, which includes the long term borrowings disclosed in note 18, cash and cash equivalents and equity attributable to equity holders of the parent Company comprising stated capital, debentures and accumulated profits as disclosed in notes 13, 14 and 15 respectively.

Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the statements of financial position are net of allowances for bad debts estimated by management based on prior experience and the current economic environment.

The Group has no significant concentration of credit risk, with exposure spread over a large number of customers.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, management of the Group aims to maintain flexibility in funding by keeping committed credit lines available. The parent Company provides short term funding to cover working capital shortfalls as appropriate.

Interest rate risk

Interest rate risk is the possible loss in the value resulting from an unexpected and adverse movement in interest rates. Entities in the Group are exposed to interest rate risk because they borrow funds at both the fixed and floating interest rates. The Group entities manage interest rate risk maintaining an appropriate mix between fixed and floating rate borrowings and by basing the interest rate on financial assets and liabilities around the prime lending rate.

Notes to the Financial Statements (continued)

31 December 2009

27. Financial risk management (continued)

Interest rate risk (continued)
Financial instruments that are sensitive to interest rate risks, comprise bank balances, loans and advances, related party balances and long term borrowings.

Interest rate sensitivity analysis
The sensitivity analyses below have been determined based on the exposure to interest rates for both financial assets and liabilities at the end of the reporting period. For the floating interest rate financial assets and liabilities, the analysis is prepared assuming the amount of the asset or liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used by the Directors when reporting interest rate risk management, as it represents a reasonable possible change in the interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the effect of the profit for the year for the Group and Company, would have been as follows:

Group	Amount of asset/(liability)	Change in interest rate	Increase/(decrease) in profit before tax
31 December 2009	**P'000**	**%**	**P'000**
Financial assets			
Cash and bank balances	8 058	0.50	40
Financial liabilities			
Long term borrowings	(16 100)	0.50	(81)
Bank overdraft	(9 741)	0.50	(49)
			(90)
31 December 2008			
Financial assets			
Long term loans to related parties	4 245	0.50	21
Cash and bank balances	5 935	0.50	30
Financial liabilities			
Long term borrowings	(8 594)	0.50	(43)
Bank overdraft	(5 831)	0.50	(29)
			(21)
Company			
31 December 2009			
Financial assets			
Long term loans to related parties	14 401	0.50	72
Long term advances	5 156	0.50	26
Cash and bank balances	112	0.50	1
Financial liabilities			
Long term borrowings	(1 475)	0.50	(7)
Bank overdraft	(9 741)	0.50	(49)
			43
31 December 2008			
Financial assets			
Long term loans to related parties	6 443	0.50	32
Long term advances	5 789	0.50	29
Cash and bank balances	1 367	0.50	7
Financial liabilities			
Long term borrowings	(2 569)	0.50	(13)
Bank overdraft	(5 831)	0.50	(29)
			26

Notes to the Financial Statements (continued)

31 December 2009

27. Financial risk management (continued)

Fair values of financial instruments
The fair values of financial instruments approximates their carrying values.

Valuation techniques and assumptions applied for the purposes of measuring fair value
The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Fair value measurements recognised in the statement of financial position
The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, Grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total P'000
Financial assets				
Investments	-	-	2 745	2 745
Trade and other receivables	-	-	10 047	10 047
		-	12 792	12 792
Financial liabilities				
Long term borrowings	-	-	111 100	111 100
Trade and other payables	-	-	26 779	26 779
	-	-	137 879	137 879
Company				
Financial assets				
Investments	-	-	81 046	81 046
Long term advances	-	-	5 156	5 156
Trade and other receivables	-	-	5 180	5 180
	-	-	91 382	91 382
Financial liabilities				
Long term borrowings	-	-	76 475	76 475
Trade and other payables	-	-	10 280	10 280
	-	-	86 755	86 755

There were no transfers between levels during the period.

28. Events after the balance sheet date

No adjusting events have occurred between the statement of financial position date and the date of approval of the financial statements, which would materially affect the financial statements.

Notes

Notice of Meeting

Notice is hereby given that the fourteenth Annual General Meeting of the Company will be held at the RDC Offices, Realestate Office Park, Gaborone on 2 June 2010, at 14:30 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 ended 31 December 2009.

3. To approve the distribution as recommended by the directors.

4. To approve the payment of P57 000 for directors' emoluments (fees and expenses) for the year ended 31 December 2009.

5. To re-elect all directors of the Company including:

   M. A. Giachetti
   G. G. Giachetti

   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 approve their remuneration for the year ended 31 December 2009.

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 (Pty) Ltd
Secretaries
10 May 2010

Registered Office, Plot 50371 Fairground Office Park, P O Box 294, Gaborone.

Form of Proxy

The fourteenth Annual General Meeting of members to be held on 2 June 2010 at 14:30 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 fourteenth Annual General Meeting of the Company to be held on 2 June 2010 at 14:30 pm.

Signed this..day of 2010

Signature...

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

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.

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