PRIMETIME PROPERTY HOLDINGS LIMITED

# Annual **Report** 2012


PRIME TIME

PRIMETIME PROPERTY HOLDINGS LIMITED

# Annual Report 2012

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PHYSICAL ADDRESS

Plot 54358, CBD Gaborone

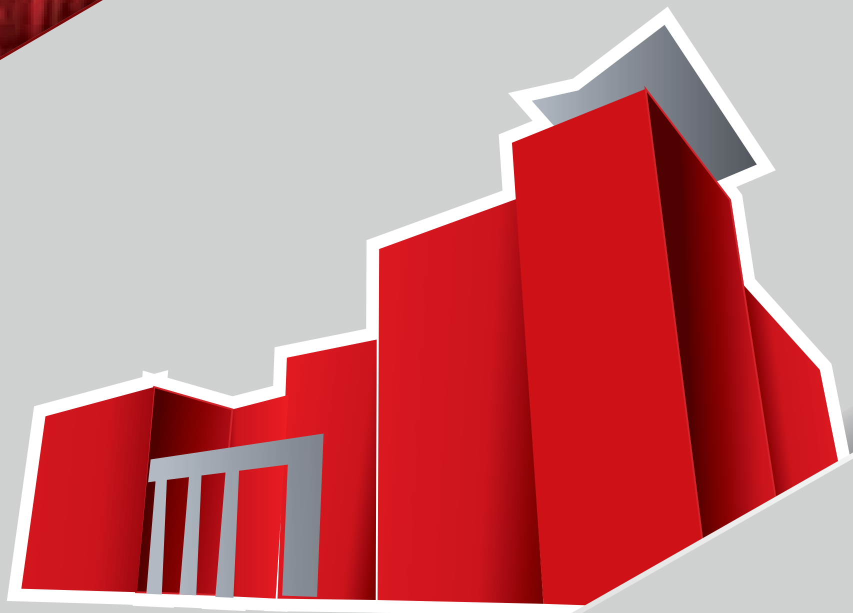
Tel: 3956080 Fax: 3900160

E-mail: info@primetime.co.bw

Website: www.primetime.co.bw

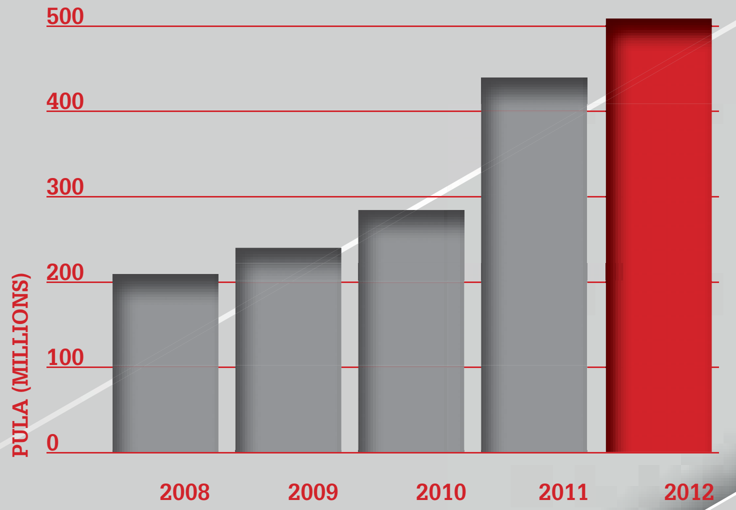
# Highlights

- 8% increase in debenture interest return notwithstanding the increased gearing
- 9% increase in Earnings Per Linked Unit
- Turnover up 30% due to Sebele Centre and G4S Headquarters making a full years' contribution, as well as Prime Plaza from August 2012
- Market value of properties continues to increase indicating the quality of the properties in a competitive market



Prime Plaza, phase 1 completed and let to CEDA

MARKET VALUE OF INVESTMENT PROPERTY



# Properties

- Market value at 31 August 2012
- Location and Name
- Key Tenants

South African High Commission

**South African High Commission**
Plot 29, Queens Rd, Gaborone

**P27,52 MILLION**

Ernst & Young, Letshego Financial Services, Letshego Holdings, GIZ, Stockbrokers

**Letshego Place**
Plot 22, Khama Cresent, Gaborone

**P40,84 MILLION**

AFA, Pula Medical Aid, BPOMAS

**AFA House**
Plot 67979, Fairgrounds, Gaborone

**P18,8 MILLION**

Penrich Insurance Brokers, Gem Diamonds, Blue employee benefits, Bank Gaborone

**Capricorn House**
Plot 165, Pilane Rd, Gaborone

**P14,39 MILLION**

DHL Couriers

**DHL Broadhurst**
Plot 20610, B/Hurst, Gaborone

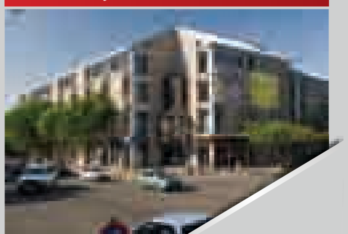
**P6,10 MILLION**

**P29,94 MILLION**


**Boiteko Junction**
Tribal lot 2461, Serowe

Spar, FNB, Ellerines, SCB, Cashbuild, PEP, CB Group, Bata, JB Sports

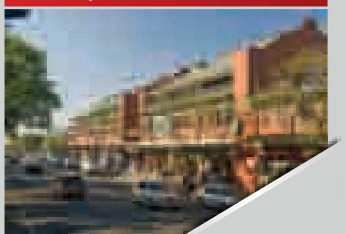
**P33,61 MILLION**



**Barclays Plaza**
Plot 6142, Francistown

JET Stores, B.A.C., Debonairs, Botho College

**P21,5 MILLION**



**Blue Jacket Square**
Plot 662-666, Francistown

Supreme Furnishers, BOMAID, BOCODOL

**P6,27 MILLION**

**Mantlo House**
Plot 689/690 Blue Jacket St, F/Town.

Ellerines, Taku

**P55,97 MILLION**

**Nswazwi Mall**
Plot 16177-85, Francistown

Spar, PEP, Dunns, CB Stores, Ackermans

## Prime Plaza Eco Devices
## Indigenous Plants

We have used an array of water wise plants in and around our Flagship building to lower our dependency on external water usage. These include an array of native aloe and cacti known for thier frugal water consumption and hardiness in our arid environment

Liquorama Caltex PEP
Barclays/FNB ATMS Pick n Pay

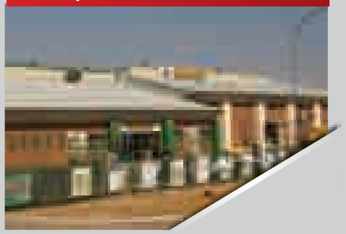
**South Ring Mall**
Plot 50423, Southring Rd, Gaborone

P18,14 MILLION

Timber City

**Old Timber City, B/hurst**
Plot 20610, B/Hurst, Gaborone

P5,70 MILLION



Alexander Forbes

**Independence Place**
Plot 203, Independence Ave, Gaborone

P10,31 MILLION

Pick n Pay Woolworths
Mukwa Interiors Mma Bolao
LG Concept Store PEP

**Sebele Centre**
Plot 62417, Block 10, Gaborone

P117,2 MILLION

Phase 2 of Prime Plaza under construction.

P140MILLION NEW DEVELOPMENT IN PROGRESS

P19,8 MILLION

**Hillside Shopping Centre**
Plot 4649, Lobatse

Barclays PEP Choppies
Mr Price

P7,6 MILLION

**Ramotswa Shopping Centre**
Tribal Plot 3273, Ramotswa

Saverite CB Stores
PEP Barclays

P8,76 MILLION

**Ghanzi Shopping Centre**
Plot 29, Ghanzi

Barclays Ellerines
Spar Topline

P26,24 MILLION

**G4s Headquarters**
Plot 20584, Broadhurst, Gaborone

G4S Security Services

P35,9 MILLION

**CEDA House**
Plot 54358 CBD

CEDA

# Directors Profiles

## Petronella Matumo

(Chairman)

HND (Shanon, Rep.of Ireland),I.H.C.I

Petronella is a hotelier by profession, and a graduate of the Shannon College of Hotel Management. She is the joint Managing Director of Private Collection (Pty)Ltd and Fine Jewellery Manufacturing (Pty) Ltd diamond jewellery retailer and manufacturing companies respectively. She has extensive business experience gained on the boards of diverse companies. Those listed on the Botswana Stock Exchange include Debt Participation Capital Funding and Barclays Bank of Botswana. Unlisted companies include Mascom Wireless Botswana, Motswedi Securities and Peo Venture Capital. Currently she chairs the board of Glenrand M.I.B Botswana.

## Sifelani Thapelo

Sifelani graduated with an LL.B from the University of Botswana in 1992 and later graduated at the University of Cambridge in 1994, with an LL.M, specialising in Corporate Law and Finance, Securities Regulation, Insolvency and Taxation. He was a professional assistant in the law firm Z. Makhwade & Company from 1994 - 1996, when he became partner. Since 2005, Sifelani has been Senior Partner at S. Thapelo Attorneys. He is a Fellow of the Cambridge Commonwealth Society, an alumni of the International Development Law Organisation, an alumni of Churchill College, Cambridge University, and a member of various Boards in Botswana.

## Turnie Morolong

BA(UB) MBA(UB)Dip.PM

Turnie is the property director of Time Projects (Botswana) (Pty) Limited, and has been with the company for the last 7 years. He was previously employed by a major Botswana private corporation as a group property administrator and has over 15 years experience in property management.

**Sandy Kelly**
(Managing Director)
Pr.Eng.BSc (Civ Eng) MBA MBIDP

Sandy has been involved in property development for over 30 years. He initially started his career as a civil engineering contractor. He moved into project management for RMS Syfrets, served a period with BOE as a Property Finance Manager before moving to Botswana in 1988 with the intent to pioneer Time Projects (Botswana) (Pty) Limited's core business, which had been established two years earlier. As Managing Director of Time Projects, he engineered the development of PrimeTime's initial property portfolio.

**Cross Kgosidiile**
FCMA FCPA

Cross joined the Motor Vehicle Accident Fund in November 2005 as its Chief Executive Officer, a position he occupies to date. Cross is a graduate of the University of Botswana where he obtained both his Bachelor of Commerce (Accounting) degree and a Masters in Business Administration. He is a fellow of the Chartered Institute of Management Accountants and the Botswana Institute of Chartered Accountants. He is the chairman of the Board of Directors of the Botswana Building Society and a Board Member of Botswana Railways.

**Roger Newman**

Roger has over 20 years experience in the property industry. He has been involved in an executive and shareholding capacity on numerous projects spread between South Africa, Botswana and the United Kingdom. He is currently the Managing Director of Newmans Developments (Pty)Limited which is involved in industrial, commercial and residential development and also manages a substantial property potfolio.

# Chairman & M.D.'s **Statement**

## Prime Plaza Eco Devices
## Rain water harvesting

Prime Plaza has a very efficient water system in place to harvest every drop of grey water, condensation from the cooling system and some rainwater, ensuring that no potable water is used in irrigating the landscaping.

It gives us great pleasure to present our report for 2012. Your company has performed exceptionally well in a very tough and challenging economic climate. The growth in rental turnover of 30% is attributed to the full year's impact of Sebele Centre and G4S plus a month from Prime Plaza. The fact that the valuation of the portfolio increased by P26 million indicates the quality of the properties that your company owns. A highlight of the year was the completion of the first of the Prime Plaza buildings in the new CBD which was fully let to the Citizen Entrepreneurial Development Agency, the complex proving to be a stunning landmark addition to the new CBD.

### PRIMETIME'S PERFORMANCE

During the year under review the Botswana Stock Exchange stayed relatively flat throughout with few gainers and many of the heavy weights even losing slightly as the effects of the Global Financial Crisis hit home on the domestic investment market. PrimeTime's share price has settled down after its first few years where speculators pushed the price up, small scale investors selling as they needed cash depressed the price and some founder shareholders decided to restructure their investments. This year there has been little liquidity but a strong demand, especially for large tranches of stock. What we have seen this year is the price becoming very stable and consistent with the market. At the year-end close out level of about P1.90 this reflects a, before tax return of 9.1% or 8.4% after withholding tax. The increase in the distribution of 8%, we believe is exceptional in the current climate, especially considering the fact that we have debt servicing on P165m. Earnings per linked unit has increased by 9% to 36.81 thebe.

Valuation of the portfolio by the independant appraiser increased by P26 million during the year which, while being relatively modest, is probably very prudent by the independent appraiser considering the depressed economic climate and competition.

As we continue with the growth on the leveraged model, unitholders must be cautioned that distribution may be affected as debt servicing and capital repayment increases.

### THE ECONOMIC CLIMATE

Botswana's economy continued to struggle with the diamond market having come off its prior year's recovery resulting in, as the President in his "State of the Nation Address" reported, economic growth which was budgeted for 4.4% will slow to about 3.5% for 2012. This clearly doesn't bode well for the property industry which relies on growth, particularly for new developments.

Civil servant's increases have been minimal meaning that there is reduced disposable income leading to pressure on retailers and all business, particularly in the outlying towns and villages which are so dependent on government activity. Government is to be lauded however for its strong fiscal discipline in these tough times. However, taking the theme of the biannual BOCCIM conference "……Implementation…" , there are clearly challenges that Government has to address which have a severe impact on the general business community: corruption, licensing, work and residence permits to name a few; then, merely to implement whatever plans expeditiously would make our country that much more efficient.

### THE PROPERTY SCENE IN BOTSWANA

The talk is that there is a looming massive oversupply of office space in Gaborone. Whilst this is true to an extent, we need to segment this and see what space has been targeted where.

There has been little or no development outside of Gaborone during the year. The capital's new CBD has a number of

# Chairman & M.D.'s **Statement**

## Prime Plaza Eco Devices
## Energy Saving Devices

Prime Plaza has in place sensors to detect if a person is not at thier desk and it will switch off the lights for that workstaion or office.

buildings completed: Masa Centre, Exponential Building, the High Court and our own Prime Plaza. Three large buildings: Universal Plaza, YK2 and Alberta Construction nearing completion along the railway line seem to structured towards Government tenancy which has largely been absent from the market in the last three years. A recent letting of two properties at Kgale is the first major space taken by Government for some time.

A number of other buildings are under construction in the new CBD, including FNB's new headquarters and sectional title schemes including Twin Towers, Morojwa and Mowana Mews plus our own second phase of Prime Plaza. What we are seeing is a migration of businesses to the new CBD from the Main Mall/Government Enclave and Kgale which is putting pressure on rentals as vacancies emerge. Commercial users in GICP are under pressure from licensing authorities to move which will be good for places like Kgale. Older properties are the ones that are likely to suffer in the short and medium term as tenants upgrade to new and newer, better developed properties. We are cogniscent of this and are planning accordingly. Development continues in the Showgrounds with two sectional title buildings and BDC's massive project.
Airport Junction which was completed mid 2012 has had an impact on the other major shopping malls as shoppers split their custom. Time will tell whether there is capacity in the market for all to survive well. Our Sebele Centre has felt both positive and negative impact as the node has been enhanced with the volume of shoppers increasing whilst some tenants have felt the impact of competition. Anchors, Pick 'n Pay and Woolworths remain the customers preferred choice of shop, so we see our Center not only being sustainable, but benefiting from the increase in footfall.

The industrial market is strong in the sense of there being little new stock being developed as a result of very little land availability – only Phakalane has new plots coming to market. As a result, land prices have escalated to prohibitive levels which will also impact on rentals.

### PRIMETIME'S PROPERTIES

Generally our properties have held up well in these tough times with minimal vacancies, bad debts or tenant failures. In Francistown we continue to have two vacancies in Nswazwi Mall and movement in Blue Jacket Square as office tenants move to new developments away from the main street which offer better parking. New lifts are being installed to Blue Jacket Square and Barclays Plaza to improve access plus further renovations continue in both properties to keep them functional. Boiteko Junction in Serowe has experienced some tenant failure, but we are pleased to report that after some time, the space has been re-let. All leases that came up for renewal in Lobatse, Ramotswa and Ghanzi have been renewed, Ghanzi having to undergo a substantial revamp as Spar are upgrading and taking more space in a new 10 year lease which is a very positive sign.

Our commercial properties in Gaborone are all performing satisfactorily. We will be undertaking some substantial revamps to Letshego Place, South African High Commission and Independence Place, all of which are over 10 years old now. We must caution that rentals and values in the Main Mall will be affected by the continuing depressed economic conditions, lack of Government tenancies and the movement to the new CBD.

We of course are excited and encouraged by the letting of Prime Plaza's first building to CEDA and as such have commenced with the development of the second of our buildings which will be done "on spec" as we believe that our niche is not otherwise catered for in the new CBD. At the same time we are constructing a double basement in preparation for the last building on the plot planned as a six story 5,500m2 office block which will only be built when a tenant is identified

# Chairman & M.D.'s **Statement**

or we deem the market ready. The cost of the new developments is approximately P140m.

Sebele Center is performing very well, but has seen the unfortunate loss of one tenant in difficult trading conditions, particularly in the restaurant sector. Two other vacancies have been quickly taken up, but the letting of the last retail shop and a replacement for the restaurant is proving to be a challenge, licensing and work permit issues are not helping the matter. We continue to be optimistic that the shops will be taken up shortly.

## PROSPECTS AND OPPORTUNITIES

Our biggest prospect and opportunity for the year is the development of Prime Plaza phases 2 and 3. The decision to develop the second phase was made once phase one was let in full to CEDA. The prominent position on PG Matante Drive and forming part of the world class Prime Plaza office complex should stand it in good stead for securing tenancy during the course of construction. Some prospective tenants have been identified. As mentioned earlier, phase 3 will only be developed once a tenant is secured or the directors determine it suitable to commence construction.

Some other opportunities have been identified within Botswana and will be continued to be considered albeit cautiously in the light of the economy.

We will continue on our quest to secure investments outside the country elsewhere in the region. To this end we are pleased to report that negotiations have been concluded for a relatively small acquisition in Zambia which is pending some regulatory and financial approvals. This investment, which was agreed a year ago, was held up by the change in the structure of conducting business in Zambia by the issuance of a statutory instrument, SI 33 which prohibits transactions being done in foreign currency. This will now be an all Zambian Kwacha based purchase and lease. We will publish full details once the agreement is concluded.

With increased competition in the property investment industry, lack of new opportunities in Botswana and the projection of a declining economy in the next few years as the diamond market continues to take strain and little prospect of economic diversification, we need to diversify our investment outside the country. Coupled with this is sub-Saharan Africa's considerable growth prospects going forward which present excellent investment opportunities for us. Large South African investors such as Investec, Sanlam, Standard Bank, RMB and Atterbury plus international players such as Actis are already active "up Africa". Whilst they tend to seek out the larger investments, we feel that we are well positioned to find opportunities along the lines of what we do in Botswana which is where our expertise lies.

## FUNDING

We are pleased to report that there has been strong interest from financiers, both banks and institutions in supporting our debt program. Funding has been secured for the second phase while negotiations are underway pending the decision to proceed with the third phase of Prime Plaza. The benefits of the leveraging of the Balance Sheet should be significant in terms of growth in unitholder wealth in years to come.

## WHAT HAS 2013 IN STORE FOR US?

While we head towards an "election year", many will be predicting an uptick in Government spending which will lead to a recovery in the economy which is reliant on Government and diamonds. It is unlikely that we will see any improvement in the world economy, so little prospect of diamond sales or

## Prime Plaza Eco Devices
### Smart centralised cooling

Prime Plaza has a very ef×cient URV airconditioning system that reduces the carbon footprint dramatically and is also uses at least 40% less electricity than conventional airconditioning systems.

prices improving. The increased activity due to the DTC coming more "on stream" will make an impact locally but not enough to make a significant contribution to the overall economy. Our view is that is that there is not enough "in the kitty" for Government to spend and with the opposition in disarray there won't be an "election campaign led" budget. So, tight economic times lie ahead for all of us.

We would like to thank our fellow Directors for their positive contribution and guidance during the year. We'd also wish to pay tribute to our managers for the sterling effort that results in our properties being managed and maintained to the standards we expect. To our tenants, a very big thanks for your faith in locating in our properties which we consider to be the best available in the country – your custom is considered our priority. To our partners in investment being our funders and bankers: we value your continued interest – there always seems to be a strong degree of enthusiasm for funding our investments. Then to our investors: we value your support and input to investment strategy, particularly as we pursue our debt lead model which we trust will bring significant long term unitholder rewards.

# Corporate **Governance**

Corporate governance is the process by which companies are directed, controlled and risk managed. PrimeTime Property Holdings Limited supports the principles of transparency, accountability and integrity, which are fundamental to good corporate governance.

The Board continues to adhere to the Botswana Stock Exchange Code of Best Practice on Corporate Governance in order to fulfill its obligation to take full responsibility for the governance of the Company at all levels. This includes driving the performance of the Company while ensuring that it complies with all of its contractual, statutory and regulatory obligations. Ultimately, the successful operation of the Company is the responsibility of the Board. The Linked Unitholders' role is to appoint the Board of Directors and the External Auditors, and evaluate their performance.

## THE BOARD OF DIRECTORS

The Directors are aware of their responsibility to operate the company with integrity and according to accepted codes of corporate conduct. The Directors are responsible for maintaining a system of internal control at an appropriate level. They are also responsible for monitoring the preparation of the annual financial statements and the related financial information in this annual report, and are also responsible for approving these financial statements, thereby ensuring that they fairly present the company's affairs for the financial year under review.

The Board have delegated the day-to-day management of the company to Time Projects (Botswana) (Pty) Limited, who have a contractual relationship as the property and asset managers. The Board performs a detailed review of this management and the performance of the company at its quarterly meetings, monitoring the financial results against the business plan and budget. The Board is responsible for formulating and implementing company policy and making all strategic decisions.

The offices of Chairman and Managing Director are separate, in accordance with global best practice. The Chairman is a non-executive Director.

The Board remains sensitive to the related party transactions between PrimeTime Property Holdings Limited and Time Projects (Botswana) (Pty) Limited. All such transactions are subject to full scrutiny and approval by the independent Board members before Unitholder approval is sought. Additional meetings and/or discussions are held by the independent Board members if necessary in order to facilitate this. Every effort is then made to provide Unitholders with full disclosure of these transactions prior to voting. This was evident during the recent EGM held in October 2012, when it was adjourned in order to facilitate discussions with some unitholders over certain of the issues being voted on.

Attendance by the Directors at the Board Meetings held during this financial year is summarised below.

| Name of Director | 11/11/11 | 15/02/12 | 09/05/12 | 22/08/12 |
|---|---|---|---|---|
| P Matumo | Y | Y | Y | Y |
| A L Kelly | Y | Y | Y | Y |
| M T Morolong | Y | Y | Y | Y |
| C Kgosidiile | Y | Y | Y | Y |
| R P Newman | N* | Y | Y | Y |
| S Thapelo | Y | Y | Y | Y |

*R Newman could not attend this meeting due to his flight being cancelled. He did, however, review the Board papers and held telephonic discussions with other Board members thereon.

## Prime Plaza Eco Devices
## Waterless Mens' loo

To ensure that no water is wasted, waterless urinals have been installed in the male toilets.

**Directors remuneration for the year ended 31 August 2012**

| | P |
|---|---|
| P Matumo (Chairman) | 52 701 |
| A L Kelly (M.D.) | 44 510 |
| M T Morolong | 44 510 |
| C Kgosidiile | |
| (payable to Motor Vehicle Accident Fund) | 50 180 |
| R P Newman | 39 260 |
| S Thapelo | 39 260 |

**AUDIT COMMITTEE**

The Audit Committee, chaired by Cross Kgosidiile, meets independently of the Board at least twice a year and these meeting are attended by the external auditors as well as by representatives of the management company. It is involved in the planning of the statutory annual audit at which a detailed risk assessment is performed. The Committee reviews the Annual Financial Statements before publication and also receives a direct report from the auditors on the results and findings of the audit process.

Attendance by the Audit Committee members at the Meetings held during this financial year is summarised in next column:

| Name of Audit Committee member | 02/11/11 | 25/07/12 |
|---|---|---|
| C Kgosidiile (Chairman) | Y | Y |
| M Bellini | Y | Y |

The main responsibilities of this Committee are to assist the Board in monitoring:
(1) the integrity of the financial statements of the Company,
(2) the compliance by the Company with legal and regulatory requirements and
(3) the independence and performance of the Company's external auditors.

The Committee also evaluates the Company's exposure and response to significant risks.

**COMPANY SECRETARY AND PROFESSIONAL ADVICE**

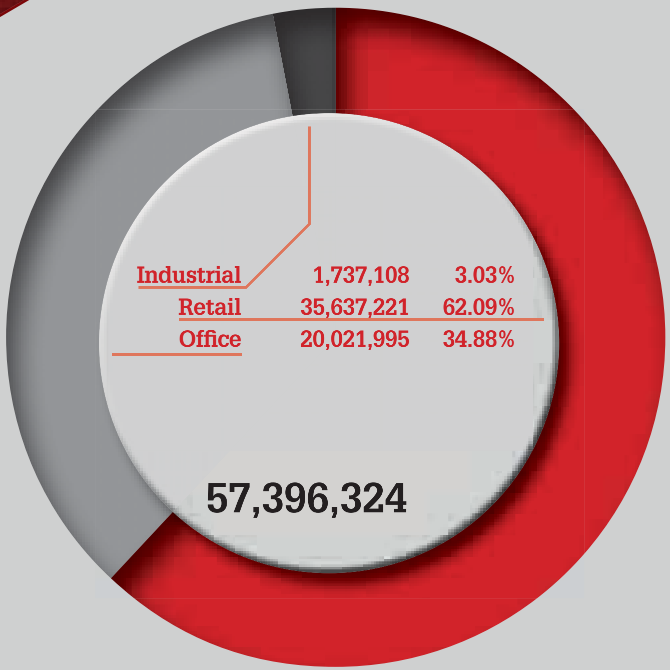
The Company Secretary acts as the secretary of the Board and attends all meetings for the year. All Directors have unlimited access to the services of the Company Secretary, who ensures compliance with applicable procedures and legislation, and the removal of the Company Secretary is a matter for the Board as a whole. All Directors are entitled to seek independent professional advice concerning the affairs of the Company, at the Company's expense.

**EXTERNAL AUDITORS**

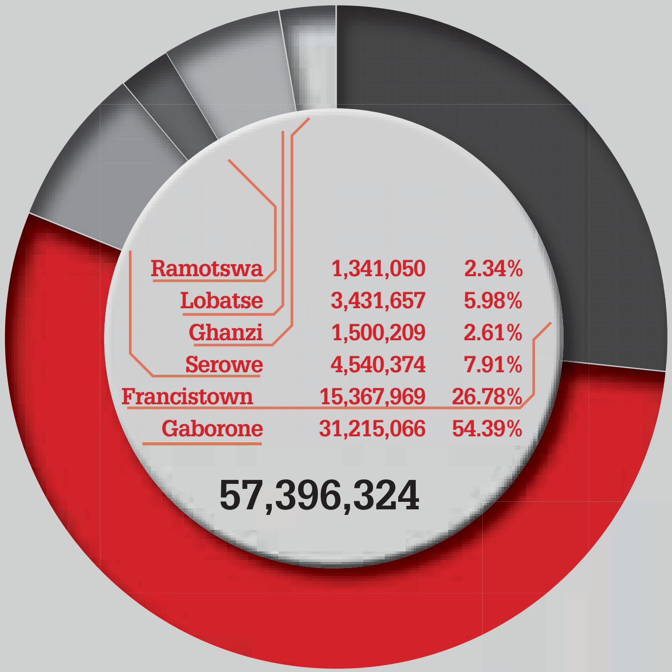
The external auditors are responsible for the independent review and the expression of an opinion on the reasonableness of the financial statements based on the audit. The external auditors have unrestricted access to the Board of Directors.

# Property Segmentation

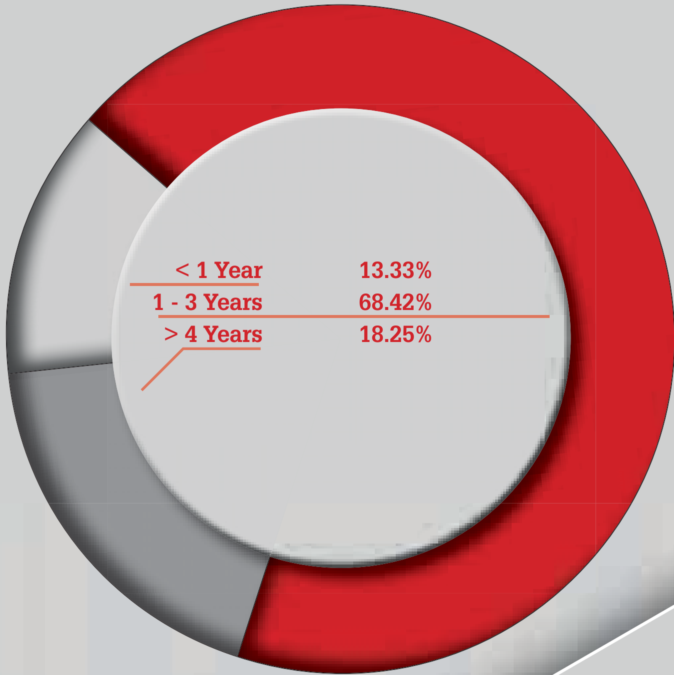
**Sectoral profile by rental income for the year ended 31 August 2012**




**Geographical profile by rental income for the year ended 31 August 2012**




**Lease Expiry Profile (by rental value) As at 31 August 2012**



## Prime Plaza Eco Devices
## LED lights

All lights in the development are LED lights where possible. Ensuring minimal use of electricity and a longer life span.

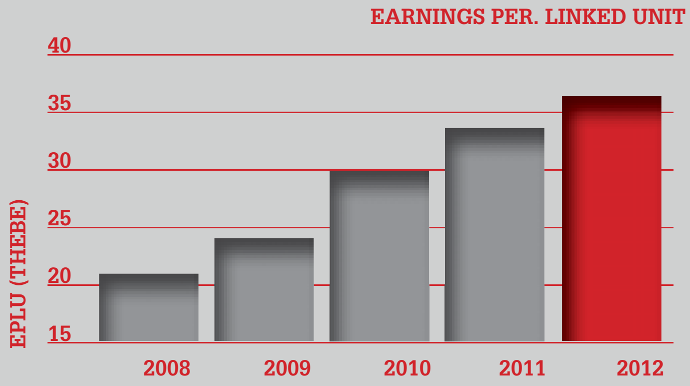
# Shareholders Information

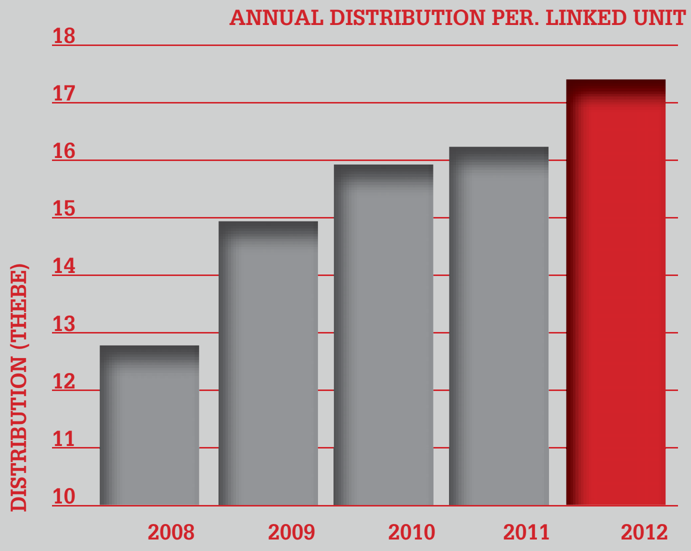
**Friday, August 31, 2012**

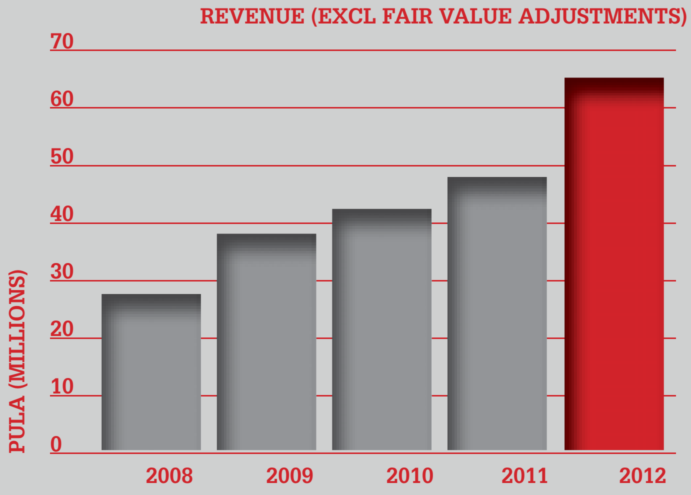
| Major linked unit holders | Linked units | % |
|---|---|---|
| LINWOOD SERVICES LTD | 46,755,269 | 25.99% |
| FNB NOMINEES (PTY)LTD RE:AGRAY BPOPF 10001010 | 30,766,802 | 17.10% |
| TATI COMPANY LIMITED | 25,600,000 | 14.23% |
| SCBN (PTY) LTD RE: METLIFE 1004391 | 13,489,762 | 7.50% |
| SCBN (PTY) LTD RE: AG 211/002 | 6,376,872 | 3.54% |

| Linked unit band | Linked units | % | Holders | % |
|---|---|---|---|---|
| 0-1999 | 659,884 | 0.37% | 1,139 | 60.17% |
| 2000-4999 | 838,641 | 0.47% | 288 | 15.21% |
| 5000-9999 | 880,111 | 0.49% | 129 | 6.81% |
| 10000-49999 | 4,506,985 | 2.51% | 256 | 13.52% |
| 50000-99999 | 1,716,781 | 0.95% | 25 | 1.32% |
| 100000-499999 | 7,271,103 | 4.04% | 31 | 1.64% |
| 500000 and above | 164,016,695 | 91.18% | 25 | 1.32% |
| | 179,890,200 | 100% | 1,893 | 100% |

# Performance **Highlights**




PRIMETIME PROPERTY HOLDINGS LIMITED

# Annual Financial Statements

31 August 2012

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## ANNUAL FINANCIAL STATEMENTS:



## CORPORATE INFORMATION

### BOARD OF DIRECTORS
P Matumo (Chairman)
A L Kelly (Managing Director)
R P Newman
M T Morolong
C Kgosidiile
S Thapelo

### INCORPORATED IN THE REPUBLIC OF BOTSWANA
Registration number 2007/4760
Date of Incorporation 29 August 2007

### NATURE OF BUSINESS
The company is engaged in property investment

### PHYSICAL ADDRESS
Plot 54358 CBD, Gaborone

### DEBENTURE TRUST TRUSTEE
J Hinchliffe
Unit G, Plot 129
Gaborone International Finance Park
P. O. Box 2378
Gaborone

### COMPANY SECRETARY
J C Jones

### REGISTERED OFFICE
Plot 50371, Fairgrounds Office Park
P O Box 249
Gaborone

### AUDITOR
Deloitte & Touche
Plot 64518, Fairgrounds
P O Box 778
Gaborone

### TRANSFER SECRETARIES
Transaction Management Services
(Proprietary) Limited t/a
Corpserve Botswana Transfer Secretaries
First Floor, Unit 3, Kwena House
Plot 117, GIFP, Kgale
Gaborone

### PROPERTY AND ASSET MANAGERS
Time Projects (Botswana) (Pty) Ltd
Plot 54358 CBD, Gaborone
P.O.Box 1395, Gaborone
Tel: 3956080 Fax: 3900160
E-mail: time@time.co.bw

# Directors Report

31 August 2012

The directors have pleasure in submitting to the linked unit holders their report and the audited financial statements of the company for the year ended 31 August 2012.

## Nature of Business

The company is a variable rate loan stock public company and derives its revenue primarily from the rental of investment properties. The company was incorporated under company number CO 2007/4760.

## Stated Capital and Debentures

The stated capital of the company comprises 179 890 200 ordinary shares, with a nominal value of P4 716 210, which are linked to 179 890 200 variable rate unsecured debentures with a nominal value of P132 610 057. There have been no changes during the year.

Each linked unit comprises an ordinary share and one variable rate unsecured debenture, which are indivisible.

The 179 890 200 linked units are listed on the Botswana Stock Exchange.

## Financial Statements

The statement of financial position sets out the financial position of the company at 31 August 2012 and the statement of comprehensive income, statement of cash flows and statement of changes in equity reflect the operating results for the year ended on that date.

## Linked Units Distribution Policy

Distributions to linked unit holders is primarily in the form of debenture interest. The following distributions were made/proposed during the year:

| Debenture interest (thebe) | 2012 | 2011 |
|---|---|---|
| Interim paid 2 March 2012 (27 May 2011) | 5.85 | 8.01 |
| Interim paid 31 August 2012 (31 August 2011) | 8.77 | 5.30 |
| Final proposed | 2.92 | 2.93 |
| | 17.54 | 16.24 |

## Administration and Management

The management of the company's properties is undertaken by Time Projects (Botswana) (Proprietary) Limited.

## Directors

The following persons acted as directors of the company during the period under review:

| | |
|---|---|
| P Matumo* (1) | (Chairman) |
| A L Kelly (2) | (Managing Director) |
| C Kgosidiile* (1) | |
| M T Morolong (1) | |
| R P Newman* (2) | |
| S Thapelo* (1) | |

* Non-executive (1) Motswana (2) South African

## Directors' Holdings in Linked units

The number of linked units held directly and indirectly by directors at the year end is as follows;

| Directors | Held Directly | Held Indirectly |
|---|---|---|
| A L Kelly and family | 332,264 | 46,755,269 |
| P Matumo | 661,729 | - |
| M T Morolong and family | 6,000 | - |

# Directors' statement of **Responsibility**

31 August 2012

The directors are responsible for the preparation and fair presentation of the annual financial statements of PrimeTime Property Holdings Limited, comprising the statement of financial position at 31 August 2012, and the statement of comprehensive income, the statement of changes in equity and statement 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").

The directors are required 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 annual financial statements fairly present the state of affairs of the company 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 annual financial statements.

The 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 these financial statements.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company 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 company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company 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 company'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.

Although the board are primarily responsible for the financial affairs of the company, they are supported by the company's external auditors. The external auditors are responsible for independently reviewing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their unmodified report is presented on page 21.

## Approval of annual financial statements

The annual financial statements set out on pages 22 to 43 which have been prepared on the going concern basis, were approved by the Board of Directors on 7 November 2012 and were signed on its behalf by:

| | |
|---|---|
| Director | Director |
| Petronella Matumo | Sandy Kelly |

# Independent Auditors **Report**

31 August 2012

**TO THE MEMBERS OF PRIMETIME PROPERTY HOLDINGS LIMITED**

## Report on the Financial Statements

We have audited the annual financial statements of PrimeTime Property Holdings Limited, which comprise the statement of financial position as at 31 August 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 22 to 43.

## 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 for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## 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 about 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 auditor's judgement, 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 consider 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 give a true and fair view of the financial position of PrimeTime Property Holdings Limited as at 31 August 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

Deloitte & Touche
Certified Auditors
Practicing Member: M Marinelli (19900028.17)

Gaborone
7 November 2012

# Statement of Comprehensive Income

for the year ended 31 August 2012

| | Notes | 2012 | 2011 (Restated) |
|---|---|---|---|
| | | P | P |
| **Revenue** | | | |
| Contractual lease revenue | | 57 408 724 | 44 146 501 |
| Rentals straight line adjustment | | 7 588 919 | 3 050 792 |
| Rental income | | 64 997 643 | 47 197 293 |
| Other operating revenue | 1 | 8 060 309 | 4 915 113 |
| Operating expenses | 2 | (19 206 720 ) | (15 190 362) |
| Ground lease straight line adjustment | | (82 698 ) | ( 94 859) |
| Profit from operations before fair value adjustment | | 53 768 534 | 36 827 185 |
| Fair value adjustment | 3 | 18 847 186 | 28 978 419 |
| Profit from operations | | 72 615 720 | 65 805 604 |
| Interest income | 4 | 64 308 | 107 215 |
| Interest expense | 4 | (10 451 536) | (2 499 602) |
| Profit before taxation | | 62 228 492 | 63 413 217 |
| Taxation | 6 | 3 989 111 | (2 464 580) |
| Total profit and comprehensive income for the year | | 66 217 603 | 60 948 637 |
| Earnings per linked unit (thebe) | 7 | 36.81 | 33.88 |
| Distribution per linked unit (thebe) | 5 | 17.54 | 16.24 |

# Statement of Financial Position

as at 31 August 2012

| | Notes | 2012 | 2011 (Restated) |
|---|---|---|---|
| | | P | P |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investment properties | 8 | 487 967 569 | 436 073 790 |
| Work in progress | 10 | 12 172 678 | 19 164 586 |
| Rentals straight-line adjustment | | 15 029 314 | 8 086 770 |
| | | 515 169 561 | 463 325 146 |
| **Current assets** | | | |
| Trade and other receivables | 11 | 1 766 670 | 1 158 312 |
| Rentals straight-line adjustment | | 2 237 864 | 1 591 489 |
| Taxation receivable | | 137 234 | 127 110 |
| Cash and cash equivalents | | 754 420 | 6 931 637 |
| | | 4 896 188 | 9 808 548 |
| **Total assets** | | 520 065 749 | 473 133 694 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Stated capital | 12 | 4 716 210 | 4 716 210 |
| Debentures | 13 | 132 610 057 | 132 610 057 |
| Accumulated profits | 14 | 191 451 607 | 156 786 746 |
| Debenture interest reserve | 15 | 5 252 794 | 5 270 783 |
| Total equity and reserves | | 334 030 668 | 299 383 796 |
| **Non-current liabilities** | | | |
| Deferred taxation | 6 | 13 168 902 | 17 158 013 |
| Long term borrowings | 19 | 136 734 349 | 135 331 323 |
| Ground lease straight line adjustment | | 644 749 | 562 051 |
| | | 150 548 000 | 153 051 387 |
| **Current liabilities** | | | |
| Trade and other payables | 16 | 14 595 257 | 10 391 160 |
| Current portion of long term borrowings | 19 | 5 425 487 | 1 383 167 |
| Deferred revenue | 17 | 1 497 069 | 1 604 123 |
| Bank overdraft | | 13 969 268 | 7 320 061 |
| | | 35 487 081 | 20 698 511 |
| **Total equity and liabilities** | | 520 065 749 | 473 133 694 |

# Statement of Changes in **Equity**

for the year ended 31 August 2012

| | Notes | Stated capital | Debentures | Accumulated profits | Debenture interest reserve | Total |
|---|---|---|---|---|---|---|
| | | P | P | P | P | P |
| **Balance at 1 September 2010** | | | | | | |
| **- as previously stated** | | 4 716 210 | 132 610 057 | 122 911 437 | 14 409 205 | 274 646 909 |
| Adjustment | 26 | - | - | 2 140 841 | - | 2 140 841 |
| **Balance at 1 September 2010 (Restated)** | | 4 716 210 | 132 610 057 | 125 052 278 | 14 409 205 | 276 787 750 |
| Total profit and comprehensive income for the year | | | | | | |
| - as previously stated | | - | - | 58 484 944 | - | 58 484 944 |
| - adjustment during the year | 26 | - | - | 2 463 693 | - | 2 463 693 |
| Total profit and comprehensive income for the year (Restated) | | - | - | 60 948 637 | - | 60 948 637 |
| Debenture interest | 5 | - | - | (29 214 169) | 29 214 169 | - |
| Debenture interest paid | | - | - | - | (38 352 591) | (38 352 591) |
| **Balance at 31 August 2011 (Restated)** | | 4 716 210 | 132 610 057 | 156 786 746 | 5 270 783 | 299 383 796 |
| Total profit and comprehensive income for the year | | - | - | 66 217 603 | - | 66 217 603 |
| Debenture interest | 5 | - | - | (31 552 742) | 31 552 742 | - |
| Debenture interest paid | | - | - | - | (31 570 731) | (31 570 731) |
| **Balance at 31 August 2012** | | 4 716 210 | 132 610 057 | 191 451 607 | 5 252 794 | 334 030 668 |

# Statement of Cash Flows

for the year ended 31 August 2012

| | Notes | 2012 | 2011 |
|---|---|---|---|
| | | P | P |
| **Cash flows from operating activities** | | | |
| Profit for the year before taxation | | 62 228 492 | 63 413 217 |
| Interest income | 4 | (64 308) | ( 107 215) |
| Interest expense | 4 | 10 451 536 | 2 499 602 |
| Fair value adjustments on revaluation of investment properties | 3 | (26 353 407) | (31 934 352) |
| Operating income before working capital changes | | 46 262 313 | 33 871 252 |
| (Increase)/decrease in trade and other receivables | | (608 358) | 29 749 |
| Increase in trade and other payables | | 4 204 097 | 6 587 237 |
| (Decrease)/increase in deferred revenue | | (107 054) | 338 121 |
| Cash generated from operations | | 49 750 998 | 40 826 359 |
| Income taxes withheld at source | | (10 124) | (96 963) |
| **Net cash flows from operating activities** | | 49 740 874 | 40 729 396 |
| **Cash flows used in investing activities** | | | |
| Interest received | | 64 308 | 107 215 |
| Additions to investment properties | 8 | - | (120 147 474) |
| Additions to work in progress | 10 | (26 054 685) | (18 980 194) |
| **Net cash flows used in investing activities** | | (25 990 377) | (139 020 453) |
| **Cash flows (used in)/from financing activities** | | | |
| Net increase in long term borrowings | | 5 445 346 | 136 714 490 |
| Debenture interest paid | | (31 570 731) | (38 352 591) |
| Interest paid | | (10 451 536) | (6 397 776) |
| **Net cash flows (used in)/from financing activities** | | (36 576 921) | 91 964 123 |
| **Net decrease in cash and cash equivalents for the year** | | (12 826 424) | (6 326 934) |
| (Cash deficit)/cash and cash equivalents at beginning of the year | | (388 424) | 5 938 510 |
| **Cash deficit at end of the year** | | (13 214 848) | (388 424) |
| **Comprising:** | | | |
| Bank balances and cash | | 754 420 | 6 931 637 |
| Bank overdrafts | | (13 969 268) | (7 320 061) |
| **Cash deficit at end of the year** | | (13 214 848) | ( 388 424) |

# Significant Accounting **Policies**

31 August 2012

## GENERAL INFORMATION

PrimeTime Property Holdings Limited is a limited company incorporated in the Republic of Botswana. The company is listed on the Botswana Stock Exchange. The address of its registered office, principal place of business and principal activities are disclosed under the Corporate Information on Page 18.

## ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Summarised below are the accounting standards applicable to the company, which were issued and effective as at 1 September 2011, as well as those accounting standards issued but not yet effective at the reporting date:

| New and revised standards and interpretations adopted: | Effective annual periods beginning on or after |
|---|---|
| IFRS 7 - Financial Instruments: Disclosures | 1 January 2011 |
| IFRS 13 - Fair Value Measurement (early adopted) | 1 January 2013 |
| IAS 1 - Presentation of Financial Statements (early adopted) | 1 January 2013 |
| IAS 12 - Income Taxes (early adopted) | 1 January 2012 |
| IAS 24 - Related Party Disclosures | 1 January 2011 |
| IAS 34 - Interim Financial Reporting | 1 January 2011 |

The company has early adopted the following standards:-

*IAS1 (Amended) Presentation of Financial Statements - Amendments Resulting from May 2012 Annual Improvements to IFRSs*

IAS1 (Amended) is effective for periods beginning on or after 1 January 2013. The company has early adopted and applied the standard in the current year. Its adoption has affected the disclosure of comparative information.

The effect of adopting this standard was to present comparative information, on the retrospective application of IAS 12 - Income Taxes, only for the preceding comparative period and not for the beginning of the preceding period as well. The directors are of the opinion that the P2,140,841 restatement of the deferred tax balances and accumulated profits in the statement of financial position does not warrant the presentation of the restated statement of financial position for the year ended 31 August 2010.

*IAS 12 (Amended) Income taxes - Limited scope amendment (recovery of underlying assets)*

IAS 12 (Amended) is effective for periods beginning on or after 1 January 2012. The company has early adopted and applied the standard in the current year. Its adoption has affected the accounting for deferred tax in the current year and the impact of the application of IAS 12 is as follows:

- The amended IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale.
- In addition the amendments introduce a rebuttable presumption that the carrying amount of fair valued investment property will be recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time, rather than through sale.

In the current year, the amendments as a result of the early adoption of this standard have resulted in the restatement of the financial statements and the effect of the restatement on the comparative information is detailed in Note 26.

*IFRS 13 (Amended) Fair value measurement*

IFRS 13 (Amended) is effective for periods beginning on or after 1 January 2013. The company has early adopted and applied the standard in the current year. Its adoption has affected the disclosures relating to fair value measurement of investment properties under IAS40.

In the current year, the amendments have resulted in additional disclosures which have been shown in detail in Note 9.

Except for the changes arising from the early adoption of the standards mentioned above, there have been no significant changes to the results of the company arising from the adoption of the new and revised standards and interpretations.

# Significant Accounting **Policies**

(Continued)

31 August 2012

## ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued)

New and revised standards and interpretations issued but not effective:

| | |
|---|---|
| IFRS 7 - Financial Instruments - Disclosures | 1 January 2013 |
| IFRS 9 - Financial Instruments - Classification and Measurement | 1 January 2015 |
| IFRS 10 - Consolidated Financial Statements | 1 January 2013 |
| IFRS 11 - Joint Arrangement | 1 January 2013 |
| IAS 27 - Consolidated and Separate Financial Statements | 1 January 2013 |
| IAS 28 - Investment in Associates | 1 January 2013 |
| IAS 32 - Financial Instruments - Presentation | 1 January 2014 |

The company has evaluated the effect of all the new standards, amendments and interpretations that have been issued prior to 31 August 2012, which would be effective for the company's accounting periods on or after 1 September 2012. Based on the evaluation, management does not expect these standards, amendments and interpretations to have a significant impact on the company's results, nor will their adoption in future periods have a significant impact on the financial statements of the company.

## STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International Financial Reporting Standards.

No significant accounting judgements or estimates, other than the fair value of investment properties, were made in the application of International Financial Reporting Standards.

## BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis as modified by the revaluation of investment properties. The financial statements are based on the following principal accounting policies:

## REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company 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 profit or loss on a straight-line basis over the term of the 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 a straight-line basis over the lease term.

### Other Operating Revenue

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

### Interest Revenue

Interest is accrued on a time basis, by reference to the principal outstanding and at 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 that asset's net carrying amount on initial recognition.

## TAXATION

### Current Tax

The charge for current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by reporting date.

### Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. In principle deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

# Significant Accounting **Policies**

(Continued)

31 August 2012

## TAXATION (continued)

### Deferred Tax (continued)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in IAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

## FOREIGN CURRENCY TRANSACTIONS

Transactions in currencies other than Botswana Pula, are recognised at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling on the reporting date.

Profits and losses arising on foreign exchange differences are recognised in profit or loss in the period in which they arise.

## BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

## 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 Company as Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the company'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 Company as Lessee

Assets held under finance leases are initially recognised as assets of 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 balance sheet as a finance lease obligation.

# Significant Accounting Policies (Continued)

31 August 2012

## LEASING (continued)

### The Company as Lessee (continued)

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 profit or loss. 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.

## PROVISIONS

A provision is recognised when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## INVESTMENT PROPERTIES

Investment properties, which are properties held to earn rentals and capital appreciation, are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Costs incurred for additions to investment properties in the interim period between the fair value measurements are capitalised to the carrying value of such investment properties at cost. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

The change in fair value of investment properties is offset against the rental straight-line adjustment and ground lease straight line adjustment in profit or loss.

## WORK IN PROGRESS

Properties in the course of construction or development for use as investment properties are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the company's accounting policy.

## IMPAIRMENT

At the end of each reporting period, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

# Significant Accounting **Policies**

(Continued)

31 August 2012

## IMPAIRMENT (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## FINANCIAL INSTRUMENTS

### Financial Assets

*Loans and receivables*

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.

Bank balances and cash 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.
Trade and other receivables, which generally have 30 to 60 day terms, are recognised and carried at original invoice amount less impairment losses. Impairment losses are recognised in profit or loss when collection of the full amount is no longer probable. Impairment losses are written off as incurred.

*Impairment of financial assets*

Trade receivables are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the 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.

*Derecognition of financial assets*

The company derecognises 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 company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

### Financial Liabilities and Equity Instruments

*Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

*Equity instruments*

An equity instrument is any contract in that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments, which comprise stated capital and variable rate unsecured debentures, are recognised at the proceeds received, net of direct issue costs.

# Significant Accounting **Policies** (Continued)

31 August 2012

## Financial Liabilities and Equity Instruments (continued)

*Financial liabilities*

The company's significant financial liabilities include related party balances and trade payables which have been classified as other financial liabilities.

Other financial liabilities 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 expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

*Derecognition of financial liabilities*

The company derecognises financial liabilities when, and only when, the company's 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 profit or loss 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 statement of financial position when the company has 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.

## 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 arms length basis and accordingly included in profit or loss for the year.

# Notes to the Financial Statements

31 August 2012

| | 2012 P | 2011 P |
|---|---|---|
| **1 OTHER OPERATING REVENUE** | | |
| Other operating revenue comprises: | | |
| Utilities, service levies and other costs recovered from tenants | 8 060 309 | 4 915 113 |
| **2 OPERATING EXPENSES** | | |
| Included in operating expenses are the following costs: | | |
| Amounts paid to related parties | | |
| Asset management fees | 3 510 955 | 3 228 663 |
| Property management fees | 2 305 939 | 1 795 445 |
| Letting fees | 341 965 | 292 481 |
| | 6 158 859 | 5 316 589 |
| Less: Asset management fees capitalised | (172 642 ) | (329 442) |
| | 5 986 217 | 4 987 147 |
| Auditors' remuneration | | |
| Audit fees - current year | 264 000 | 240 500 |
| Directors' emoluments | | |
| For services as directors | 281 341 | 231 800 |
| Professional fees | 196 158 | 221 943 |
| Rentals and ground leases | 1 271 823 | 1 183 963 |
| Rates | 370 748 | 597 873 |
| Trustees' fees | 22 000 | 21 674 |
| Utilities, service levies and other costs recovered from tenants | 7 804 930 | 5 248 750 |
| **3 FAIR VALUE ADJUSTMENT** | | |
| Change in fair value of investment properties for the year | 26 353 407 | 31 934 352 |
| Rentals straight-line adjustment for the year (Note 8) | (7 588 919 ) | (3 050 792) |
| Ground lease straight-line adjustment | 82 698 | 94 859 |
| | 18 847 186 | 28 978 419 |
| **4 INTEREST** | | |
| Interest expense | | |
| - Bank borrowings | 13 215 615 | 7 420 435 |
| - Other | 450 | 45 |
| | 13 216 065 | 7 420 480 |
| Less: capitalised to investment property (note 8) | - | (3 898 174) |
| Less: capitalised to work in progress (note 10) | (2 764 529 ) | (1 022 704) |
| | 10 451 536 | 2 499 602 |
| Interest income | | |
| - Bank deposits | 64 308 | 105 698 |
| - Other | - | 1 517 |
| | 64 308 | 107 215 |
| **5 DEBENTURE INTEREST** | | |
| Interim paid 2 March 2012 - 5.85 thebe (2011: 27 May 2011 - 8.01 thebe) | 10 523 577 | 14 409 205 |
| Interim paid 31 August 2012 - 8.77 thebe (2011: 31 August 2011 - 5.3 thebe) | 15 776 371 | 9 534 181 |
| Final proposed - 2.92 thebe (2011: 2.93 thebe) | 5 252 794 | 5 270 783 |
| | 31 552 742 | 29 214 169 |

# Notes to the Financial Statements (Continued)

31 August 2012

| | 2012 | 2011 (Restated) |
|---|---|---|
| | P | P |
| **6 TAXATION** | | |
| **6.1 Company Taxation** | | |
| Normal taxation | - | - |
| Deferred taxation | | |
| Current year | (3 989 111) | 2 459 604 |
| Prior year | - | 4 976 |
| Charge for the year | (3 989 111) | 2 464 580 |

**6.2 Estimated Tax Losses**

The company has estimated tax losses amounting to P3 044 153 (2011: P522 494) available to offset against future taxable income. Deferred taxation has been recognised on these estimated tax losses.

| | 2012 | 2011 (Restated) |
|---|---|---|
| **6.3 Deferred Taxation** | | |
| Capital gains tax on fair value of investment property | 14 993 914 | 18 432 534 |
| Debenture interest | (1 155 298) | (1 159 572) |
| Estimated tax losses | ( 669 714) | ( 114 949) |
| Deferred tax liability at end of the year | 13 168 902 | 17 158 013 |
| Deferred taxation arises as follows: | | |
| Capital gains tax on fair value of investment property | | |
| Balance at beginning of the year ( as previously reported) | 18 432 534 | 23 037 068 |
| Prior year adjustment (Note 26) | - | (2 140 841) |
| Movement during the year | (3 438 620) | (2 463 693) |
| Balance at end of the year | 14 993 914 | 18 432 534 |
| Debenture interest: | | |
| Balance at beginning of the year | (1 159 572) | - |
| Arising during the year | (1 155 298) | (1 159 572) |
| Utilised during the year | 1 159 572 | - |
| Balance at end of the year | (1 155 298) | (1 159 572) |
| Estimated tax losses: | | |
| Balance at beginning of the year | (114 949) | (503 517) |
| Arising during the year | (554 765) | - |
| Adjustment due to change in tax rate | - | 59 825 |
| Prior year overprovision | - | 4 976 |
| Utilised during the year | - | 323 768 |
| Balance at end of the year | (669 714) | (114 949) |
| Total deferred tax | 13 168 902 | 17 158 013 |
| **6.4 Reconciliation of Taxation Charge** | | |
| Income before taxation | 62 228 492 | 63 413 217 |
| Taxation at the current tax rate of 22% | 13 690 268 | 13 950 908 |
| Debenture interest paid | (6 941 603) | (6 427 117) |
| Adjustment due to change in tax rate | - | 59 824 |
| Prior year overprovision | - | 4 976 |
| Fair value adjustments subject to Capital Gains Tax | (10 756 600) | (5 140 521) |
| Expenses not deductible | 18 824 | 16 510 |
| Charge for the year | (3 989 111) | 2 464 580 |

| | 2012 P | 2011 (Restated) P |
|---|---|---|
| **7 EARNINGS PER LINKED UNIT** | | |
| The earnings and weighted average number of linked units used in the calculation of earnings per linked unit are as follows: | | |
| Earnings for the year attributable to linked unit holders - (2011: restated) (Note 26) | 66 217 603 | 60 948 637 |
| Weighted average number of linked units in issue for the year, for the purposes of earnings per linked unit | 179 890 200 | 179 890 200 |

## 8 INVESTMENT PROPERTIES

| **At fair value** | | |
|---|---|---|
| Freehold properties | 192 125 223 | 182 756 937 |
| Leasehold properties | 295 842 346 | 253 316 853 |
| Total investment properties | 487 967 569 | 436 073 790 |
| **Reconciliation of fair value** | | |
| Balance at beginning of the year | 436 073 790 | 283 049 723 |
| Property additions at cost | - | 120 147 474 |
| Finance costs capitalised | - | 3 898 174 |
| Transfers from work in progress | 33 046 593 | - |
| Fair value adjustment for the year | 26 353 407 | 31 934 352 |
| Rentals straight-line adjustment for the year | (7 588 919) | (3 050 792) |
| Ground lease straight line adjustment for the year | 82 698 | 94 859 |
| Balance at end of the year | 487 967 569 | 436 073 790 |

The finance costs capitalised relate to interest paid on the various long term borrowings as disclosed in note 18.

The fair values of the company's investment properties at 31 August 2012 have been arrived at on the basis of valuations carried out at that date by Knight Frank Botswana (Proprietary) Limited, independent valuers. Knight Frank Botswana (Proprietary) Limited are members of the Real Estate Institute of Botswana and are registered in terms of the Real Estate Professionals Act 2003. The valuations conform to International Valuation Standards, and were determined by reference to the discounted value of the net rentals and market evidence of transaction prices for similar properties.

Freehold properties comprise:
- Plot 203, Gaborone
- Plot 22, Gaborone
- Plots 689 and 690, Francistown
- Plot 29, Gaborone
- Lot 6142, Francistown *2
- Plot 16177 - 16185, Francistown *2
- Plots 662 - 666, Francistown *1

Leasehold properties comprise:

| | | |
|---|---|---|
| - Plot 50423, Gaborone | 50 year State grant from 20 October 1994 | *2 |
| - Plot 20610, Gaborone | 50 year State grant from 31 January 2000 | |
| - Plot 165, Gaborone | 15 year Ground lease from 1 May 2005, with an option to renew for another 5 year period | *2 |
| - Plot 67979, Gaborone | 50 year State grant from 13 July 2000 | *2 |
| - Plot 29, Ghanzi | 25 year Ground lease from 1 November 2001 | |
| - Plot 3273, Ramotswa | 50 year Tribal lease from 9 March 1998 | |
| - Tribal Lot 2461, Serowe | 25 year Ground lease from 1 December 2006 | *2 |
| - Plot 4649, Lobatse | 20 year Ground lease from 1 November 2004 | |
| - Plot 20584, Gaborone | 50 year State grant from 27 November 1998 | *2 |
| - Plot 62417, Gaborone | 50 year State grant from 26 September 2005 | |
| - Plot 54358, Gaborone | 50 year state grant from 26 September 2005 | |

*1 This property is encumbered as per note 18
*2 These properties are encumbered as per note 19

| | 2012 P | 2011 P |
|---|---|---|
| **9 FAIR VALUE MEASUREMENT** | | |
| **Assets measured at fair value** | | |
| The investment properties of the company measured at fair value at the end of the reporting period fall under Level 3 - Significant unobservable inputs. | | |
| **Recurring fair value measurements at the end of the reporting period** | | |
| Investment properties | 487 967 569 | 436 073 790 |
| **Reconciliation of fair value measurements categorised within Level 3 of fair value hierarchy** | | |
| **Investment properties** | | |
| Opening balance | 436 073 790 | 283 049 723 |
| Included in profit or loss | 18 847 186 | 28 978 419 |
| Additions and transfers | 33 046 593 | 124 045 648 |
| Closing balance | 487 967 569 | 436 073 790 |
| Gains and losses arising from fair valuation of investment properties are shown as a separate line in the statement of comprehensive income as follows:- | | |
| Total gains for the period | 18 847 186 | 28 978 419 |

**Valuation techniques and inputs**

| | Fair value at 31 August 2012 P | Valuation technique | Unobservable input | Range |
|---|---|---|---|---|
| Investment properties | 487 967 569 | Discounted net rentals | Capitalisation rate | 8-17% |

**Valuation process**
The valuation process has been described in Note 8

**Information about sensitivity to changes in unobservable inputs**
The fair value of investment properties is a function of the unobservable inputs and the net rental generated by each property in the portfolio of the company. Significant increases (decreases) in the capitalisation rate would result in significantly lower (higher) fair value measurement. The changes are dependant on various market factors including location of property and quality and length of tenancies.

**10 WORK IN PROGRESS**

| | 2012 P | 2011 P |
|---|---|---|
| Balance at beginning of the year | 19 164 586 | 184 392 |
| Additions | 23 290 156 | 17 957 490 |
| Finance costs capitalised | 2 764 529 | 1 022 704 |
| Transferred to investment property | (33 046 593) | - |
| Balance at end of the year | 12 172 678 | 19 164 586 |

These costs are in relation to the three buildings and the total land cost for a portion equal to 75% of Plot 54358, CDB, Gaborone, held in terms of a 50 year state grant from 26 September 2005. On 1 August 2012 the cost of the first building which was completed during the year was reclassified to investment property on occupation.

The finance costs capitalised relate to interest paid on the various long term borrowings as disclosed in note 19.

## 11 TRADE AND OTHER RECEIVABLES

| | 2012 P | 2011 P |
|---|---|---|
| Trade receivables | 631 617 | 287 428 |
| Allowance for doubtful debts | (118 604) | (76 548) |
| Other receivables | 1 253 657 | 947 432 |
| | 1 766 670 | 1 158 312 |

The directors consider the carrying amount of trade and other receivables to approximate their fair value. The average credit period is 30 days. No interest is charged on overdue receivables.The company has provided for past due and impaired receivables based on estimated irrecoverable amounts determined by reference to default experience.

**Ageing of past due but not impaired**

| | 2012 P | 2011 P |
|---|---|---|
| 60 to 90 days | 14 595 | 33 128 |
| Over 90 days | 33 413 | 44 948 |
| | 48 008 | 78 076 |

**Movement in the allowance for doubtful debts**

| | 2012 P | 2011 P |
|---|---|---|
| Balance at beginning of year | 76 548 | 18 359 |
| Amounts written off during the year | (21 797) | (6 390) |
| Impairment losses reversed | (46 965) | - |
| Impairment losses recognised during the year | 110 818 | 64 579 |
| Balance at end of year | 118 604 | 76 548 |

## 12 STATED CAPITAL

| | 2012 Number of shares | 2011 Number of shares | 2012 P | 2011 P |
|---|---|---|---|---|
| Fully paid ordinary shares | | | | |
| Balance at the beginning and end of the year | 179 890 200 | 179 890 200 | 4 716 210 | 4 716 210 |

Each Linked Unit in the company comprises one ordinary share and one variable rate unsecured debenture as per note 13, which are indivisibly linked. It is not possible to trade with the shares or the variable rate unsecured debentures separately from one another.

The linked units are listed on the Botswana Stock Exchange.

All of the issued shares are of the same class and rank *pari passu* in every respect.

In accordance with the Constitution, at any general meeting, every shareholder present in person or by authorised representative or proxy shall have one vote on a show of hands and on a poll, every member present in person, by authorised representative or by proxy shall have one vote for every share held.

## 13 DEBENTURES

| | 2012 Number of debentures | 2011 Number of debentures | 2012 P | 2011 P |
|---|---|---|---|---|
| Variable rate unsecured debentures | | | | |
| Balance at the beginning and end of the year | 179 890 200 | 179 890 200 | 132 610 057 | 132 610 057 |

Each Linked Unit in the Company comprises one ordinary share as per note 12, and one variable rate unsecured debenture, which are indivisibly linked. It is not possible to trade with the shares or the variable rate unsecured debentures separately from one another.

All of the variable rate unsecured debentures are of the same class and rank *pari passu* in every respect.

The debentures are governed in terms of a Trust Deed entered into between the company and John Hinchliffe, as the Trustee for the debenture holders and these are regarded as equity.

# Notes to the Financial Statements
(Continued)

31 August 2012

| | 2012 P | 2011 (Restated) P |
|---|---|---|
| **14 ACCUMULATED PROFITS** | | |
| Balance at the beginning of the year - (2011: restated) (note 26) | 156 786 746 | 125 052 278 |
| Retained from normal operations during the year | 4 872 834 | 3 035 700 |
| Arising from fair value adjustments on revaluation of investment properties | 29 792 027 | 28 698 768 |
| Balance at the end of the year | 191 451 607 | 156 786 746 |

The accumulated profits from normal operations amounts to P9 861 977 (2011: P4 989 143).

## 15 DEBENTURE INTEREST RESERVE

| | 2012 P | 2011 (Restated) P |
|---|---|---|
| Debenture interest reserve balance at the end of the year | 5 252 794 | 5 270 783 |

The final debenture interest proposed, as per note 5, is held in the debenture interest reserve pending payment. The debenture interest will be ratified at the forthcoming Annual General Meeting.

## 16 TRADE AND OTHER PAYABLES

| | 2012 P | 2011 (Restated) P |
|---|---|---|
| Trade payables | 5 200 162 | 2 333 532 |
| Refundable deposits held for tenants | 2 255 995 | 1 912 460 |
| Related party balances: | 5 710 971 | 2 184 590 |
| Time Projects (Botswana) (Proprietary) Limited | 5 616 186 | 2 091 565 |
| Directors' fees | 94 785 | 93 025 |
| Other payables | 1 428 129 | 3 960 578 |
| | 14 595 257 | 10 391 160 |

The average credit period on purchases is 30 days.No interest is charged on trade payables.The directors consider the carrying amount of trade and other payables to approximate their fair value.

## 17 DEFERRED REVENUE

| | 2012 P | 2011 (Restated) P |
|---|---|---|
| Rentals received in respect of future periods invoiced in advance | 1 497 069 | 1 604 123 |

## 18 BANKING FACILITIES AND GUARANTEES

At the reporting date, the company has a general short term banking overdraft facility with Stanbic Bank Botswana Limited of P24 000 000 (2011: P17 000 000). The facility is payable on demand, and attracts interest at the rate of 2% per annum below the bank prime lending rate, currently 11% (2011: 11%).

The Company has guarantees of P321 570 (2011: P290,570) issued by Stanbic Bank Botswana Limited to third parties. These guarantees carry a commission charge of 0.55% per quarter of a year.

The bank has also provided to the company a facility for forward exchange contracts up to USD1 000 000 (2011: USD 341 675) and a spot foreign currency dealing facility of USD23 468 (2011: USD 23 468). At 31 August 2012 there were no open forward exchange contracts or spot foreign currency dealings.

These facilities are secured by First and Second Continuing Covering Mortgage Bonds totalling P20 100 000 (2011: P15 400 000) over Plots 662-666 Blue Jacket Square, Francistown, a cession and pledge of the call account limited to P99 000 and a cession of material damage policy.

## 19 LONG TERM BORROWINGS

| | 2012 P | 2011 P |
|---|---|---|
| **Secured** | | |
| African Banking Corporation of Botswana Limited | 24 052 067 | 19 679 927 |
| BIFM Capital Investment Fund Two (Pty) Limited Floating Rate Promissory Notes | 15 713 150 | 15 491 883 |
| BIFM Capital Investment Fund Two (Pty) Limited Fixed Rate Promissory Notes | 52 394 619 | 51 542 680 |
| First National Bank of Botswana Limited | 50 000 000 | 50 000 000 |
| | 142 159 836 | 136 714 490 |
| Less: Portion repayable within one year disclosed as a current liability | 5 425 487 | 1 383 167 |
| African Banking Corporation of Botswana Limited | 1 802 609 | 1 383 167 |
| First National Bank of Botswana Limited | 3 622 878 | - |
| Total long term portion of borrowings | 136 734 349 | 135 331 323 |

### Terms and conditions of long term borrowings

| Facility | Period and repayment | Interest rate | Security |
|---|---|---|---|
| The African Banking Corporation of Botswana Limited facility of P20 250 000 | Period of 10 years, repayable at P260 153 per month | Bears interest at a variable rate of 1.75% below prime, currently 11% | Secured by a first ranking mortgage bond over Plot 20584, Western Bypass, Gaborone for P22 500 000, a cession of insurance covering Plot 20584 Western Bypass, Gaborone, and a cession of rentals over Plot 20584 Western Bypass, Gaborone. |
| BIFM Capital Investment Fund Two (Pty) Limited Floating Rate Promissory Notes of P15 000 000 plus accrued interest to 31 October 2011 | The notes were fully drawn-down between 31 January 2011 and 31 August 2011. Interest accrues on the notes during the 'Interest Holiday Period', which period expired on 31 October 2011. Thereafter, interest only is payable quarterly in arrears commencing on 31 January 2012. The capital portion of the notes is redeemable in 24 equal tranches on quarterly redemption dates commencing on 31 January 2015. | Bears interest at a floating rate of 222 basis points above the 91-day Bank of Botswana Certificate rate prevailing, and as published by the Bank of Botswana, 3 months prior to a given interest payment date, currently 6.5%. | Secured by first continuing covering mortgage bonds, a cession of insurance and a cession of rentals over the following properties: Plot 50423 Gaborone, Plot 67979 Gaborone and Plots 16177, 16179, 16180, 16181, 16182, 16183 and 16185 Francistown. |
| BIFM Capital Investment Fund Two (Pty) Limited Fixed Rate Promissory Notes of P50 000 000 plus accrued interest to 31 October 2011 | The notes were fully drawn-down between 31 January 2011 and 31 August 2011. Interest accrues on the notes during the 'Interest Holiday Period', which period expired on 31 October 2011. Thereafter, interest only is payable half yearly in arrears commencing on 30 April 2012. The capital portion of the notes is redeemable in 12 equal tranches on half yearly redemption dates commencing on 30 April 2015. | Bears interest at a fixed rate of 10.3%. | Secured by first continuing covering mortgage bonds, a cession of insurance and a cession of rentals over the following properties: Plot 50423 Gaborone, Plot 67979 Gaborone and Plots 16177, 16179, 16180, 16181, 16182, 16183 and 16185 Francistown. |
| First National Bank of Botswana Limited of P50 000 000 | This loan was drawn in 2 tranches. P20 000 000 was drawn in October 2010 and P30 000 000 was drawn in December 2010. The term of the loan is 10 years per draw-down, with a capital moratorium for the first 24 months interest only to be serviced. Thereafter, the capital is repayable in 96 equal monthly instalments. | Bears interest at a variable rate of 2% below prime, currently 11%. | Secured by first covering mortgage bonds and a cession of rentals over the following properties: Plot 6142, Francistown and Lease Area 110 MP, Serowe. |
| The African Banking Corporation of Botswana Limited facility of P10 000 000 | At 31 August 2012 P5 725 216 of the loan had been drawn-down. The term of the loan is 10 years with an initial 6 month interest-only period. Thereafter, the capital is repayable in 114 equal monthly instalments. | Bears interest at a variable rate of 1.75% below prime, currently 11% | Secured by a first ranking mortgage bond over Plot 165, Main Mall, Gaborone for P13 000 000, a cession of insurance covering Plot 165 Main Mall, Gaborone and a cession of rentals over Plot 165 Main Mall, Gaborone. |

## 20 FINANCIAL RISK MANAGEMENT

### Categories of Financial Instruments

| | 2012 P | 2011 P |
|---|---|---|
| *Financial assets* | | |
| Receivables (including related party balances and cash and cash equivalents) | 1 690 028 | 7 443 391 |
| *Financial liabilities* | | |
| Payables (including related party balances) | 169 786 440 | 153 904 230 |

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements represent their fair values.

### Capital Risk Management
The company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The company's overall strategy remains unchanged from 2011.

The capital structure of the company consists of cash and cash equivalents, interest bearing borrowings and equity, comprising stated capital, variable rate unsecured debentures and accumulated profits as disclosed in the statement of financial position.

### Significant Accounting Policies
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in the Significant Accounting Policies in the financial statements.

### Financial Risk Management Objectives
The directors monitor and manage the financial risks relating to the operations of the company through analysis of exposures by degree and magnitude of each risk. These risks include market risk (including currency risk and interest rate risk) and credit risk.

### Market Risk
The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates as described below.

### Foreign Currency Risk
In the normal course of business, the company enters into transactions denominated in foreign currencies. At 31 August 2012 the company had no liabilities in foreign currencies, which would expose it to fluctuations in foreign currency exchange rates (2011: nil). At 31 August 2012 the company had P18 702 assets denominated in foreign currencies (2011: nil).
If exchange rates had been 5% higher/lower and all other variables were held constant, the company's profit and comprehensive income would have increased/decreased by P935 (2011: nil).

### Interest Rate Risk
Fluctuations in interest rates impact on the value of short-term cash investment and financing activities, giving rise to interest rate risk. The cash is managed to ensure surplus funds are invested in a manner to achieve maximum returns while minimising risks.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the company's profit and comprehensive income would have increased/decreased by P441 798 (2011: P109 644).

### Credit Risk
At the reporting date there were no significant concentrations of credit risk for receivables.
The carrying amount reflected above represents the company's maximum exposure to credit risk for receivables.

## 20 FINANCIAL RISK MANAGEMENT continued

### Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the directors. The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The table below details the remaining contractual maturity for financial liabilities with agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the company may be required to pay.

| | Less than one year | One to five years | More than five years |
|---|---|---|---|
| **2012** | | | |
| Non-interest bearing | 13 657 336 | - | - |
| Variable interest rate instruments | 19 394 755 | 38 921 058 | 45 418 673 |
| Fixed interest rate | - | 21 831 091 | 30 563 527 |
| | 33 052 091 | 60 752 149 | 75 982 200 |
| **2011** | | | |
| Non-interest bearing | 9 869 679 | - | - |
| Variable interest rate instruments | 8 703 228 | 30 975 009 | 52 813 634 |
| Fixed interest rate | - | 12 885 670 | 38 657 010 |
| | 18 572 907 | 43 860 679 | 91 470 644 |

## 21 RELATED PARTY TRANSACTIONS

### Trading transactions

The company has entered into a Property Management Agreement and an Asset Management Agreement with Time Projects (Botswana) (Proprietary) Limited. The shareholders of Time Projects (Botswana) (Proprietary) Limited owned 29.92% of the issued linked units of the Company at 31 August 2012 and 31 August 2011.

During the year, the company entered into the following trading transactions with related parties and had the following balances owed to related parties:

| | Purchases of services | Debenture interest paid (gross) | Purchases of Investment Property and Work in Progress | Directors fees | Amounts owed to related parties |
|---|---|---|---|---|---|
| **2012** | **P** | **P** | **P** | **P** | **P** |
| Time Projects (Botswana) (Proprietary) Limited | 5 986 217 | - | 23 143 428 | - | 5 616 186 |
| Linwood Services Limited | - | 8 205 550 | - | - | - |
| (A L Kelly has a beneficial interest in Linwood Services Limited) | | | | | |
| Alexander Lees Kelly and family | - | 58 312 | - | 44 510 | 14 170 |
| Mmoloki Turnie Morolong and family | - | 1 053 | - | 44 510 | 14 170 |
| C Kgosidiile (Payable to Motor Vehicle Accident Fund) | - | - | - | 50 180 | 19 840 |
| Petronella Matumo | - | 116 133 | - | 52 701 | 18 266 |
| R P Newman | - | - | - | 39 260 | 14 170 |
| S Thapelo | - | - | - | 39 260 | 14 170 |
| **2011** | | | | | |
| Time Projects (Botswana) (Proprietary) Limited | 4 987 148 | - | 113 158 315 | - | 2 091 565 |
| Linwood Services Limited | - | 9 968 223 | - | - | - |
| (A L Kelly has a beneficial interest in Linwood Services Limited) | | | | | |
| Alexander Lees Kelly and family | - | 70 839 | - | 36 400 | 13 122 |
| Mmoloki Turnie Morolong and family | - | 1 279 | - | 36 400 | 13 122 |
| C Kgosidiile (Payable to Motor Vehicle Accident Fund) | - | - | - | 36 745 | 18 373 |
| Petronella Matumo | - | 149 091 | - | 54 360 | 22 164 |
| R P Newman | - | - | - | 36 400 | 13 122 |
| S Thapelo | - | - | - | 31 495 | 13 122 |

The purchase of services from Time Projects (Botswana) (Proprietary) Limited includes asset management fees, property management fees and letting fees.

The amounts owed to related parties are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised during the year for bad or doubtful debts in respect of any amounts owed by related parties.

# Notes to the Financial Statements (Continued)

31 August 2012

## 22 OPERATING LEASE ARRANGEMENTS

### The company as a lessor

Operating leases receivable by the company as a lessor relate to the investment properties owned by the company with lease terms of between 1 and 30 years. The lessees do not have an option to purchase the properties at the expiry of the lease period.

The property rental income earned by the company from its investment properties, all of which are leased out under operating leases, before the rentals straight-line adjustment amounts to P57 408 724 (2011: P44 146 501), as reflected in the statement of comprehensive income. Direct operating expenses arising on the investment properties for the year amounted to P4 029 798 (2011: P3 869 634).

At the reporting date the company had contracted with tenants for the following future minimum lease payments:

| | 2012<br>P | 2011<br>P |
|---|---|---|
| Not longer than 1 year | 55 879 622 | 51 065 524 |
| Longer than 1 year and not longer than 5 years | 123 403 048 | 133 550 726 |
| Longer than 5 years | 173 259 556 | 194 415 982 |
| | 352 542 226 | 379 032 232 |

### The company as a lessee

Operating leases payable by the company as a lessee relate to the rental of land over certain leasehold properties as per note 8, on which the company has erected buildings, with lease terms of between 15 and 25 years. The rental expense incurred by the company in respect of the above operating ground leases amounts to:

| | 2012<br>P | 2011<br>P |
|---|---|---|
| Minimum lease payments | 580 986 | 568 026 |
| Contingent rentals | 690 837 | 615 937 |
| | 1 271 823 | 1 183 963 |

At the reporting date the estimated minimum lease commitments by the company to lessors amounts to:

| | 2012<br>P | 2011<br>P |
|---|---|---|
| Not longer than 1 year | 594 823 | 580 986 |
| Longer than 1 year and not longer than 5 years | 2 200 978 | 2 314 558 |
| Longer than 5 years | 5 060 247 | 5 541 489 |
| | 7 856 048 | 8 437 033 |

## 23 EVENTS AFTER THE REPORTING PERIOD

No events have occurred between the end of the reporting period and the date of approval of the financial statements which will materially affect these financial statements.

## 24 CAPITAL COMMITMENTS

As disclosed in note 10, the company is currently developing the second and third buildings on a portion equal to 75% of Plot 54358, CDB, Gaborone, held in terms of a 50 year state grant from 26 September 2005. The total estimated cost of building two is P32 million. The total estimated cost of building 3 is P107 million, however the exact cost will depend on final tenant specifications. Building two is being built on spec, however the superstructure of building three will only be commenced once a tenant is secured for a substantial portion of the building. To date the company has spent P12.2 million on land, foundations and the basement works for these 2 buildings. The second building is expected to be complete in the final quarter of 2013. In terms of these developments, the company has entered into a development agreement with Time Projects (Botswana) (Proprietary) Limited.

## 25 SEGMENTAL REPORTING

The company's business activities are concentrated in the segment of property rentals and are carried out within the geographical region of Botswana.

## 26 PRIOR YEAR ADJUSTMENT

The Company has early adopted IAS 12 (Amended): Income taxes - Limited scope amendment (recovery of underlying assets), which is effective for periods beginning on or after 1 January 2012. As required by the amended standard, the amendments have been made retrospectively and the comparatives have been restated to reflect the effect of the changes in accounting policy.

| The effect of the restatement on the comparative information is as follows: | | Restated August 2011 P | Restated August 2010 P |
|---|---|---|---|
| **Accumulated profits** | | | |
| As previously stated | | 152 182 212 | 122 911 437 |
| Deferred tax adjustment | | 4 604 534 | 2 140 841 |
| As re-stated | | 156 786 746 | 125 052 278 |
| **Deferred tax liabilities** | | | |
| As previously stated | | 21 762 547 | 16 834 188 |
| Deferred tax adjustment | - prior year | (2 140 841) | (2 140 841) |
| | - current year | (2 463 693) | - |
| As restated | | 17 158 013 | 14 693 347 |

The effect of the restatement on the total profit and comprehensive income for the year and earnings per linked unit is as follows:

| | 31 August 2012 P | 31 August 2011 P |
|---|---|---|
| **Profit before taxation** | 62 228 492 | 63 413 217 |
| Taxation - | | |
| - as previously stated | 549 323 | (4 928 273) |
| - deferred tax adjustment - increase | 3 439 788 | 2 463 693 |
| - as restated | 3 989 111 | (2 464 580) |
| Total profit and comprehensive income for the year | 66 217 603 | 60 948 637 |

| | Thebe | Thebe |
|---|---|---|
| **Earnings per linked unit** | | |
| As previously stated | 34.90 | 32.51 |
| Deferred tax adjustment - increases | 1.91 | 1.37 |
| | 36.81 | 33.88 |

# Notice of **Annual General Meeting**

Notice is hereby given that the Annual General Meeting of Unitholders of the Company will be held at Acacia Building, Prime Plaza, Plot 54358, Corner of Khama Crescent Extension and PG Matante, CBD, Gaborone, Botswana at 16h30 on Wednesday 27 February 2013, for the purpose of transacting the following business and considering and if deemed fit, passing, with or without modification, the following resolutions:

## Agenda

### Ordinary Business

1. To read the notice convening the meeting.

2. **Ordinary Resolution 1:**
   To receive, consider, and adopt the audited financial statements for the year ended 31 August 2012.

3. **Ordinary Resolution 2**:
   To approve the interim interest payment of 5.85 thebe per. linked unit declared on 27 January 2012 and paid on 2 March 2012, as authorised and recommended by the Directors.

4. **Ordinary Resolution 3**
   To approve the interim interest payment of 8.77 thebe per. linked unit declared on 27 July 2012 and paid on 31 August 2012, as authorised and recommended by the Directors.

5. **Ordinary Resolution 4**
   To approve the final interest payment of 2.92 thebe per. linked unit declared on 7 November 2012 and due to be paid in March 2013, as authorised and recommended by the Directors.

6. **Ordinary Resolution 5**
   To approve the re-election of one third of the directors of the Company in one resolution in accordance with clause 20.5 of the Constitution.

7. **Ordinary Resolution 6**
   To re-elect the following directors of the Company:
   Cross Kgosidiile;
   Sifelani Thapelo;

   who retire by rotation in terms of clause 20.9.1 of the Constitution and, being eligible, offer themselves for re-election.

8. **Ordinary Resolution 7**
   To approve the remuneration of the Directors for the year ended 31 August 2012. For the Chairman an annual retainer fee of P25 191 and a sitting allowance of P5 670 per meeting. For the other directors an annual retainer fee of P17 000 and a sitting allowance of P5 670 per meeting.

9. **Ordinary Resolution 8**
   To appoint auditors for the ensuing year and to fix their remuneration.

### Voting and proxies

All Unitholders entitled to vote will be entitled to attend and vote at the Annual General Meeting.

A Unitholder who is present in person, or by authorised representative or by proxy shall have one vote on a show of hands and have one vote for every ordinary share held on a poll.

Each Unitholder entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies (none of whom need be a Unitholder of the Company) to attend, speak and subject to the Constitution of the Company vote in his/her/its stead.

The form of proxy for the Annual General Meeting, which sets out the relevant instructions for its completion, is annexed hereto.

In order to be effective, a duly completed form of proxy must be received by the Company Secretary, at Acacia Building, Prime Plaza, Plot 54358, Corner of Khama Crescent Extension and PG Matante, CBD, P. O. Box 1395, Gaborone, Botswana, not later than **15h00 on Friday 22 February 2013.**

By Order of the Board

Petronella Matumo
Chairman of the Board of Directors

14 December 2012
Gaborone

Proxy Form

PRIMETIME PROPERTY HOLDINGS LIMITED

# Proxy **Form**

For completion by unitholders

**PLEASE READ THE NOTES BEFORE COMPLETING THIS FORM.**

For use at the Annual General Meeting of Unitholders of the Company to be held atAcacia Building, Prime Plaza, Plot 54358, Corner of Khama Crescent Extension and PG Matante, CBD, Gaborone, Botswana at 16h30 on Wednesday 27 February 2013.

I/We ____________________________________________

(Name/s in block letters)

Of ____________________________________________

(Address)

Appoint (see note 2):

1.or failing him/her, ____________________________________________

2.or failing him/her, ____________________________________________

3.the Chairman of the Meeting,

as my/our proxy to act for me/us at the General Meeting which will be held to consider the ordinary business, and to vote for or against the resolutions and/or abstain from voting in respect of the Linked Units registered in my/our name in accordance with the following instructions (see note 2):

| | Number of Ordinary Shares | | |
|---|---|---|---|
| | For | Against | Abstain |
| 1. Ordinary Resolution 1 | | | |
| 2. Ordinary Resolution 2 | | | |
| 3. Ordinary Resolution 3 | | | |
| 4. Ordinary Resolution 4 | | | |
| 5. Ordinary Resolution 5 | | | |
| 6. Ordinary Resolution 6 | | | |
| 7. Ordinary Resolution 7 | | | |
| 8. Ordinary Resolution 8 | | | |

Signed at____________________________on ________________________2013

Signature .

Assisted by (where applicable)

Each Unitholder is entitled to appoint one or more proxies (who need not be Member/s of theCompany) to attend, speak and vote in place of that Unitholder at the General Meeting. Please read the noted below.

**Notes**

1. A Unitholder must insert the names of two alternative proxies of the Unitholder's choice in the space provided, with or without deleting "Chairman of the Annual General Meeting". The person whose name appears first on the form of proxy, and whose name has not been deleted will be entitled to act as proxy to the exclusion of those whose names follow.

2.A Unitholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the Unitholder in the appropriate space provided. Failure to comply herewith will be deemed to authorise the proxy to vote at the General Meeting as he/she deems fit in respect of the Unitholder's votes exercisable thereat, but where the proxy is the Chairman, failure to comply will be deemed to authorise the proxy to vote in favour of the resolution. A Unitholder or his/her proxy is obliged to use all the votes exercisable by the Unitholder or by his/her proxy.

3. Forms of proxy must be lodged at or posted to the Company Secretary, at Acacia Building, Prime Plaza, Plot 54358, Corner of Khama Crescent Extension and PG Matante, CBD, P. O. Box 1395, Gaborone, Botswana, not later than 15h00 on Friday 22 February 2013.

4. The completion and lodging of this form will not preclude the relevant Unitholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such Unitholder wish to do so.

5. The Chairman of the General Meeting may reject or accept any form of proxy not completed and/or received other than in accordance with these notes provided that he is satisfied as to the manner in which the Unitholder concerned wishes to vote.

6. An instrument of proxy shall be valid for the General Meeting as well as for any adjournment thereof, unless the contrary is stated thereon.

7. A vote given in accordance with the terms of a proxy shall be valid, notwithstanding the previous death or insanity of the Unitholder, or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the Linked Units in respect of which the proxy is given, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company not less than one hour before the commencement of the General Meeting or adjourned General Meeting at which the proxy is to be used.

8. The authority of a person signing the form of proxy under a power of attorney or on behalf of a company must be attached to the form of proxy, unless the authority or full power of attorney has already been registered by the Company or the Transfer Secretaries.

9. Where Linked Units are held jointly, all joint Unitholders must sign.

10.A minor must be assisted by his/her guardian, unless relevant documents establishing his/her legal capacity are produced or have been registered by the Company.

PRIME
TIME