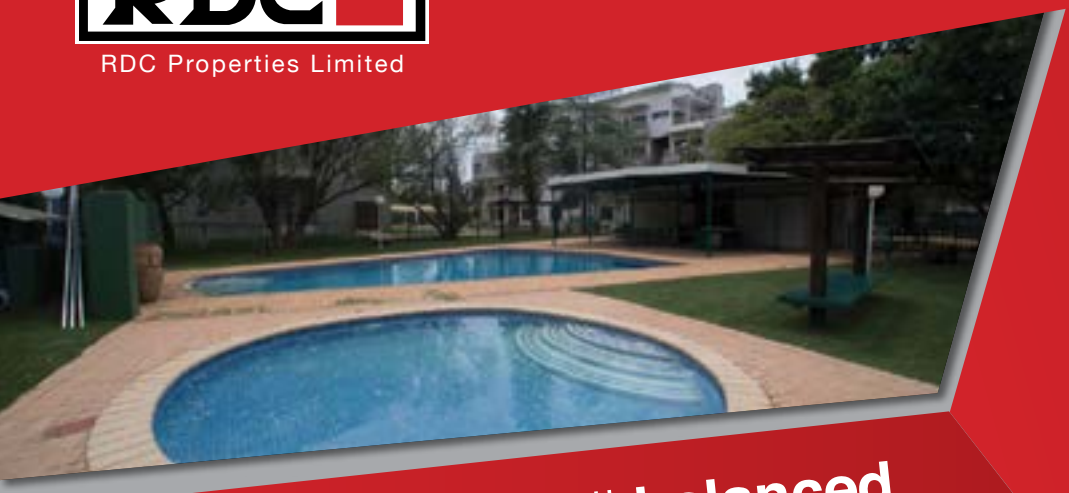
RDC

RDC Properties Limited



building a well balanced income stream

ANNUAL REPORT 2018

RDC Properties

RDC Properties is a property development and investment Group, structured as a Variable Rate Loan Stock Company ("VRLS") and listed on the BSE since 1996. Primarily focused on Botswana, the group has created the basis for a solid diversification of its portfolio in Southern African. Shareholders value is created through selective acquisition and developments carried out with local partners.

HIGHLIGHTS OF THE YEAR 2018 AND FIVE YEAR OVERVIEW

ICC FLATS - New Development (Completed)

- ICC FLATS NOW COMPLETE
- OCCUPATION STATUS – 78%
- 51/65 APARTMENTS FULLY LET
- OPTION OF FURNISHED AND UNFURNISHED APARTMENTS
- APARTMENTS HIGHLY SOUGHT AFTER

INVESTMENT AND **PROPERTY PORTFOLIO**

up by **19%**

Now stands at

P1,943 m

(2017: P1,627 million)

REVENUE

Up by **57%**

Now stands at

P156.0 m

(2017; P99.2 million)

NET INCOME FROM OPERATIONS BEFORE FAIR VALUE ADJUSTMENT

Up by **25%**

Now stands at

P86.5 m

(2017; P69.3 million)

DISTRIBUTION TO **UNIT HOLDERS**

Up by **34%**

PROFIT **AFTER** TAX

Reduced by **8%**

P123.1 m

(2017: P133.2 million)

NET ASSET VALUE **AND ADJUSTED NAV**

up by **8.6%**

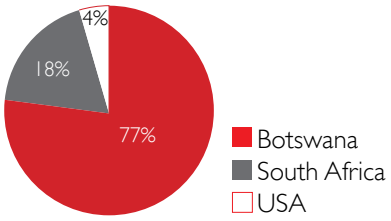
NAV now stands at

P1,099 m

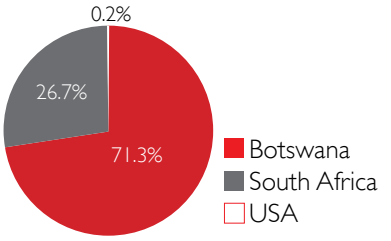
(2017: P1,012 million)

Adjusted NAV stands at P3.38 per linked unit, up 8% (2017:P3.13)

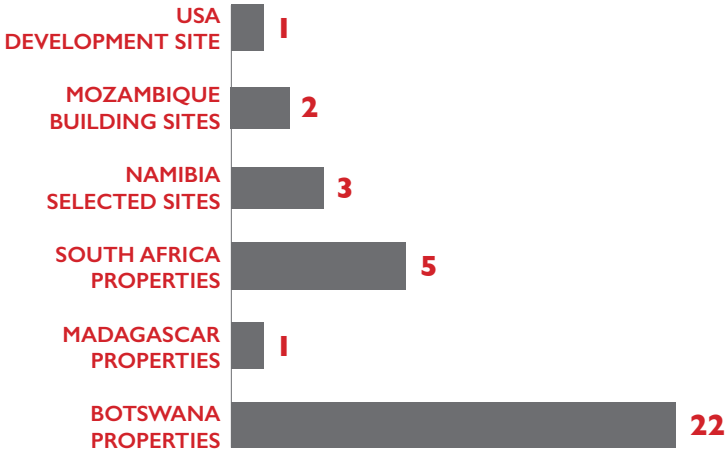
Net income from operations before fair value adjustments - 2018



Investment and property portfolio - 2018



RDC REGIONAL INVESTMENT



CAPITALGRO - South Africa

- AQUISITION OF THE EDGE BUILDING –
- PRIME BUILDING WITH EXCEPTIONAL TENANTS
- PORTFOLIO NOW AT R681M
  - PORTFOLIO GROWTH: 6.83%
  - LINKED UNIT LOAN YIELD: 7.93%
  - TOTAL RETURN: 14.76%
- CAPITALGRO ACTIVELY MANAGING THE PORTFOLIO
- EXTENSIVE PIPELINE OF PROJECTS / ACQUISITIONS BEING CONSIDERED AND WORKED ON
- CASH GENERATION AND RESULTS CONTRIBUTING VERY POSITIVELY

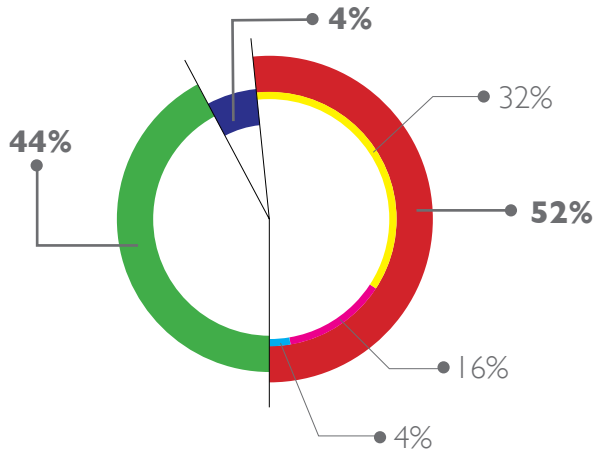
HIGHLIGHTS OF THE YEAR 2018 AND FIVE YEAR OVERVIEW *(Continued)*

STRATEGY

Our long-term objective remains focused on accumulating and developing a quality portfolio of unique properties, with potential for rental and capital growth and with a regional focus and diversified income stream. The four main areas of our strategy are:

- Selectively acquiring and developing a portfolio uniquely regional; Namibia; Botswana; Mozambique; Madagascar; South Africa
- Developing new properties for long term investment partly hedging the exposure to regional currencies (US$ denominated leases; $/Euro Income from tourism; exposure to USA market);
- Actively managing our assets, balancing dividend yield and capital growth of the portfolio.
- Mirroring the economic opportunities in the different locations – avoiding sector concentration.

ANALYSIS OF UNITHOLDERS



KEY

- Realestate Group
- Realestate Financiere SA
- Institutions
- Giorgio Giachetti
- Other Private Investors
- Aspera Holdings Limited

	2018	2017	2016	2015	2014
	P'000	P'000	P'000	P'000	P'000
Portfolio value	1,942,568	1,627,431	1,236,919	1,103,835	950,328
Increase	315,137	390,512	133,084	153,507	91,486
Increase in value %	19.36%	31.57%	12.06%	16.15%	10.65%
Income yield %	8.03%	7.20%	7.35%	7.88%	8.22%
Financial position					
Net asset value (NAV)	1,098,923	1,012,031	927,806	840,319	549,046
NAV per linked unit	3.13	2.91	2.67	2.42	2.47
NAV adjusted for deferred taxation	3.38	3.13	2.84	2.56	2.62
Long term debt	509,602	323,625	224,048	211,621	212,602
Equity	1,356,579	1,280,483	1,105,365	1,001,025	685,974
Long term debt to portfolio value ratio	26.23%	19.89%	18.11%	19.17%	22.37%

	2018	2017	2016	2015	2014
Statement of comprehensive income	P'000	P'000	P'000	P'000	P'000
Revenue	156,015	99,170	90,886	86,993	78,130
Profit from operations before fair value adjustments	114,853	74,708	65,176	62,825	58,264
Profit from operations after fair value adjustments	169,687	160,709	155,526	143,443	136,188
Profit before tax	141,310	155,255	150,160	126,322	115,379
Profit - attributable to owners	105,117	117,214	109,975	80,909	86,344
Average number of linked units in issue	350,982,285	347,547,222	347,547,222	259,422,463	244,742,538
Earnings per linked unit	29.95	33.73	31.64	31.19	39.02
Share price at year-end	2.22	2.35	2.70	2.46	2.03
Market capitalisation year-end	779,180,673	816,735,972	938,377,499	854,966,166	447,300,125
Distribution yield	5.88%	4.16%	3.14%	3.06%	4.32%

CHAIRMAN'S STATEMENT

G. R. Giachetti
Executive Chairman

It is a pleasure to present to you the activities and the Financial Statements of the Group for the year ended 31st December 2018; a very positive year with a strong set of financial results. The results are particularly pleasing in view of the contribution of our diversification drive, including upcoming projects outside of Botswana, underpinned by the strength of our investment in Capitalgro.

The persistent uncertainty in international markets reflects negatively on investments in the emerging markets and this has an effect on the uptake of property investments. 2018 has been certainly characterized by having to operate in an uncertain political climate in the sub-region especially with the upcoming general elections in South Africa, Mozambique, Namibia and Botswana. This has all contributed to tough trading conditions for most sectors. Portfolios are generally feeling pressure in terms of vacancy levels and rental rates. Uncertainty on the VRLS structure, the limiting of the deductibility of interest charges and the proposed increase of the transfer duties for non-100% Botswana citizens are creating unnecessary headwinds for our local business and strengthens our resolve to diversify our income stream by investing outside of Botswana.

In such difficult conditions, our portfolio remained resilient as we have a good and well-balanced income stream. We are able to be cautiously optimistic about the year ahead as our primary focus is 'hands on' management of the existing asset base and growing shareholder value by identifying potential developments and acquisitions of properties in sectors and geographies with good future growth.
Following the rights issue in November 2015, we are pleased that the capital raised has been deployed in a very positive way; within 3 years our rental has gone from P87.0 million to P156.0 million a growth of 79%, the property portfolio has increased from P1,103.8 million to P1,942.6 million a growth of 76%, the operating profits from P62.8 million to P114.8 million, a growth of 83%, our distribution to shareholders from P21.3 million to P45.6 million, a growth of 114% (see table here-under), and the EBT is now 18% generated out of South Africa.

Of major significance in analyzing our financial results, is the positive rebalancing of our income stream by sector and geography. We have managed to achieve very high operating profits by generating 27% of our revenues in Cape Town and reduce the dependence on our local office component. The investment and property portfolio is up 19% to P1,943 million, rental revenue is up 57% to P156.0 million, operating profit before fair value adjustment is up 54% to P114.8 million.

The directors' valuation of the Botswana property portfolio, resulted in fair value adjustments of 3.3%, which is below inflation of 3.5% and considered fair and conservative. The fair value growth of Capitalgro's portfolio is a growth of 5.4% in rands against 4.7% RSA inflation (The Edge building has been independently valued). The effect of this cautious approach is that this year's increase in fair value adjustment on the portfolio is P66,8M against P87,8M last year; this results in P21M less contribution to the profit and a profit before tax of P141,4M (reduction by 9%).

The focus of management remains to de-risk the growth from a single sector and single country. I am happy to report that PAM's asset management team has been able to work closely with the Capitalgro asset management team and I feel positive for the future of the company. The overall portfolio vacancy is 5.45% due to the low vacancies of the Cape Town portfolio.

"2018 has been a year of strong revenue and profit growth from operations – we feel very positive of our participation in Capitalgro"

CHAIRMAN'S STATEMENT *(Continued)*

Development of Rights Issue Capital - Very Successful

	2014	2015	2016	2017	2018	
Investment & Property Portfolio	950 328	1 103 835	1 236 919	1 627 467	1 942 568	76%
Revenue	78 130	86 993	90 888	99 170	156 015	79%
Profit from operations before fair value adjustment	58 264	62 825	65 176	74 708	114 853	83%
Distribution to unit holders	19 486	21 313	29 313	33 955	45 361	114%

P232M Rights Issue
November 2015

The local market remains challenging, however we have been able to maintain the vacancy levels at very acceptable level of 3.5% (2017 2.22%). Rental income has been good from the hospitality sector. In Q4 of 2018 we managed to complete the redevelopment of the ICC Flats at the desired cost. We now have a prime residential property with 65 flats in the centre of Gaborone. The rental achieved and the uptake of the flats has been very pleasing. The revenue from the flats will contribute positively in 2019.

As mentioned last year, our initial participation in the capital of Capitalgro considerably strengthened this company. I am pleased to confirm that in March 2018, RDC Properties invested an additional R120million in Capitalgro, giving RDC Properties a 63% stake in the Company. This acquisition was funded by the issue of 21,690,923 new shares (linked units) for cash, raising R126,891,900. This additional investment enabled Capitalgro's acquisition of the AAA rated, 5 Star certified (Green Building Council of South Africa) commercial building known as "The Edge". Located in Cape Town's Tyger Valley, The Edges' striking modern architecture, innovative and energy efficient design makes the property an extremely attractive option for high value tenants. This premium grade commercial office has added considerable stature to the portfolio. Its blue chip tenants include PSG, Distell, Sanlam and Mercantile Bank.

The Capitalgro portfolio continues to ensure strong rental income streams. Evidence of this has been the low vacancy factor across the portfolio, which was 1.2% at year end, and compares favorably to average office vacancies in the Cape Metropolitan area of 7.8% for 2018 (SAPOA Office Vacancy Report). Capitalgro produced a revenue return on shareholder loans of 7.93%. The Net Asset Value per share (after providing for deferred tax) grew from R6.24 in December 2017 to R6.55 in December 2018, which translates to a total return of 12.90% for the year ending 31 December 2018. All five properties are held directly by the company and in total comprise 28,090m2 of leasable area in the Western Cape. Independent and internal valuations resulted in a portfolio valuation of R680,595,000 as at 31 December 2018, representing capital appreciation of 6.83% for the period under review.

The City Lights development we are carrying out in the United States is proving positive and at the end of last year close to 65% of the apartments were sold and buyers are starting their fit out (see drone footage link – https://vimeo.com/311682377). Completion of the development is expected by Q2 of 2019. We expect the payout of our share of the development to take place in Q2. We have started to review possible other investments as we are happy to retain some US Dollar exposure as hedge to the local currencies.

CHAIRMAN'S STATEMENT *(Continued)*

Unfortunately I am unable to report the same progress with regards to our prospects in Namibia, we are still awaiting the finalization of the land acquisitions and only then we will be able to start the developments. Despite our intention of investing in the country, we have been surprised about the difficulties and the lack of follow through from the local authorities.

Last year I had reported that we were working on the details of a partnership with Namibia Wildlife Resorts' (NWR) following an expression of interest (EOI) requesting proposals to enter into joint venture (JV) partnerships in the development and operation of new, "green field" resorts and the renovation and management of selected existing resorts. The partnership did not come to fruition however we remain interested in working with the organization on solid contractual basis.

The economy in Mozambique is experiencing headwinds despite the large finds in the oil and gas sector, it is still believed that the positive effect will be felt once the gas fields start operating. The retail market remains very challenging. Despite completing the extension of the Xai Xai shopping centre at very reasonable costs and having secured a number of line shops (definitive expression of interest from a number of potential tenants), we experienced a set back with a large Botswana based supermarket retailer not carrying out the fitting out of their unit. The development was started in 2017 on the back of a binding expression of interest with this retailer, unfortunately it seems that they will not be able to make good on their undertaking. Fortunately, the shopping centre is very well positioned and is the only "ad hoc" centre in this town of approximately 130,000 inhabitants. We are actively sourcing another anchor tenant and remain reasonably positive for the future. Our exposure to the property is a 33% ultimate beneficial ownership and we are convinced that it remains a good investment in the longer term. Advanced civil works have started on the Zimpeto (Maputo) site and we expect the petrol station component to follow as soon as possible.

I am pleased to report that we have a number of very exciting projects which should start in 2019 and come to fruition in 2020. In particular we are close to breaking ground on the retirement homes in Gaborone and close to securing the redevelopment of a commercial building in Woodstock (Cape Town, RSA). We are working on the prospect of a hotel in Rosebank (Johannesburg, RSA).

Our vision of creating a retirement offering in Botswana is now closer, the design was completed and we are waiting for the approvals by the relevant authorities. The first offering includes 12 no. homes, 55 no. apartments, a central block with limited services a frail care and step down facilities. We have identified an operator and are eager to providing our future customers much more information in the months ahead.

In line with our strategy of providing a balance of yielding properties and carrying out developments, we have continued to seek ventures with considerable value enhancing opportunities.

I am pleased to bring to your attention that we have recently signed a memorandum of understanding with a Cape Town developer that provides for the construction of a 5-storey office block strategically located in the vibrant and growing Woodstock (Cape Town) corridor. The existing property will be transferred in a special purpose development company (108 Albert Road (Pty) Ltd). Our participation will be on a 50% - 50% basis; we anticipate Capitalgro's acquisition of the rental enterprise on a 'turn key' basis upon completion in mid-2020.

Leveraging off our skills in managing hospitality properties we are very happy to report that we are close to finalizing a transaction for the acquisiton of a turnkey hotel developed in a very vibrant area in Rosebank (Johannesburg). The Hotel will be developed by a reputable company. We shall purchase the property as a rental enterprise including 222 rooms, a ground floor bar and restaurant, a roof pool bar and swimming pool. The development should be completed in February 2021 when we expect to take transfer. This project is an exceptional one and we are very happy to be involved in its definition and overseeing its development.

CHAIRMAN'S STATEMENT *(Continued)*

The Group remains committed to corporate social responsibility ("CSR") by engaging with its tenants, employees and communities at large in supporting worthy initiatives. The annual Masa Charity fundraising event has now become an annual event with an even larger following. This year the beneficiary was Cancer Association of Botswana. Sefhare Primary Hospital is also one of the major beneficiaries of the Group's initiative, with sponsorship of the hospital's Christmas party and giving gifts to in-patient and outpatients, including baby humpers for the maternity word. Ngwapa Primary School remains a significant beneficiary of the Group's CSR since its inception, with donation towards upkeep of the school and sponsoring the prize-giving event for the best performing PSLE student. Through the engagement of the Ngwapa VDC, staff and the Ngwapa community at large, the Group is looking to construct an early learning reception class. The school managed to achieve an outstanding number of A grade levers in November 2018 PSLE and to be the 4th in the Mahalapye Sub region.

I would like to recognize the effort, the professionalism and the ethical resolve of the PAM and Capitalgro management teams. The team continues to keep the Board appraised in order for it to have an intimate knowledge of what is happening within the Company.

I would like to thank my fellow Board Members and the members of the CapitalGro Board for their strong and loyal support and the expert guidance they provide. I would like to thank Mr. Andrew Bradley for joining the Capitalgro Board and for assisting in the analysis of the business in South Africa.

We are pleased to report that the Company has a strong Board composition with relevant expertise ranging from sector and regional experience to company strategy and financial knowledge. The Board is able to play an oversight role in organizational changes that have an impact on operational and strategic decisions. The Board is also able to lead the value creation process by appreciating the inseparable nature of strategy, risk and opportunity, performance and sustainable developments.

I would like to confirm that we are complying with our banking facilities and the directors do not expect this position to alter in the forthcoming twelve months. The directors have considered our forecast cash flows, the Group's low gearing, significant portfolio of unencumbered properties and the maturity profile of our borrowings. The directors further confirm that the Company has adequate resources to continue for the foreseeable future.

Lastly, we thank our tenants, investors and stakeholders for their continued support and dedication to the Group. We look forward to continuing to grow the portfolio both locally and regionally and exploring alternative avenues of growth.

G. R. Giachetti
Executive Chairman
26 April 2019

CSR INITIATIVE

Masa Carols by Candle light



Ngwapa Primary School donation and prize giving



Sefhare Primary Hospital-Christmas Party




OPERATING AND FINANCIAL REVIEW

Brief in General and on the Group

Ahead of a number of national political elections in the region scheduled for 2019, the year 2018 marked the start of new leadership for South Africa, an event of regional importance. The initial optimism dissipated due to some degree of uncertainty in respect of envisaged economic policies, which, coupled with global economic outlook concerns, hampered the growth and foreign investments.

This economic climate contributed to a generally tough trading environment for the real estate industry and consequently for the listed property vehicles in Botswana and South Africa. No country's economy was sheltered from the slow down as the region's powerhouse, though politically stable, neared recession late in the reporting year, ahead of its recent recovery.

There are a few noticeable exceptions where certain sectors and locations outperformed the market and RDC Properties regional exposure to various sectors was instrumental in achieving this year's solid set of results.

Dedicated, exclusive and direct management of the Group's properties, along with attentive and informed initial investment decisions (in terms of geographical diversification, location, tenancies and quality of the buildings), were the key traits to a successful mitigation of unfavorable circumstances and the main driver for growth.

The Group in a snapshot (as at December 2018)

Three years from inception of the regional expansion drive, underpinned by a very successful rights issue, RDC Properties has changed, has grown, and is taking its first solid steps towards achieving a meaningful regional diversified and sector balanced portfolio:

- Currently active in 5 Countries: Botswana (22 Properties), South Africa (5), Namibia (3 active Projects), Mozambique (2 active Projects), Madagascar (1 Property) and the USA (1 Investment)
- Active Tenants: 351
- Total Gross Lettable Area 104,037 square metres
- Group's Vacancy level at 5.5% (BW at 3.5% and RSA at 2%)
- Loan to Value ratio of 26.2%
- Total Rental BWP156MLN, at 57% growth compare to prior year
- Total WIP of International developments (excl. land value) BWP 16.9MLN
- Distribution to Shareholders of P45.6MLN

The growth in rental revenue from the yielding portfolio coupled with the capital appreciation arising from the revaluation of the investment properties, allowed RDC Properties linked unit holders to enjoy an income yield at 8.0%, and distribution yield at 5.9%.

The Group is currently exposed mainly to BWP and ZAR. Botswana interest rate regime did not change during the year, while it did marginally by 25 basis points in South Africa, hence no material impact in the accounts.

Careful financial management at all subsidiaries, achieved improved financial conditions for the facilities renewed and kept the overall Groups gearing at very comfortable levels.

OPERATING AND FINANCIAL REVIEW
(Continued)

Botswana

Property Portfolio

- 22 Properties
- Active Tenants: 196
- Total Gross Lettable Area 75,947 square meters
- Country Vacancy level at 3.48%

The trading environment for the year was challenging, in line with the region, but nonetheless RDC Properties showed strong resilience in its Botswana based yielding portfolio.

Rental revenue in the country was up by 1% year on year with the tourism and hospitality sector being the largest contributor. The commercial sector along with retail, has been under pressure while the industrial and residential demand was solid throughout period.

Vacancies across the portfolio in the country were at 3.48% by year-end with no large risk events for the new period, as our locations and buildings are in demand.

As an ongoing process and part of the asset management, a few of our buildings are being assessed for need of revamp and / or rationalization of their use, given the ever-changing business environment.

Chobe Marina Lodge (CML) and Masa Square Hotel (MSH)

Combined the two properties represent 40% of the Botswana portfolio rental, with CML at P15.9M and P18.3M MSH.

Chobe Marina Lodge has performed very well in line with the Kasane leisure cluster, seeing the distribution to RDC Properties growing to BWP16.3MLN, representing a 3% increase. These first few months of 2019 have been strong and are setting the lodge for another successful trading year. The attention of management is also concentrating towards renewing the "look and feel" of the chalets, through an interior design catering for the new trends in hospitality.

CML will see new décor and furniture added to its units in a phased refurbishment in 2019. This is part of the asset management strategy which compels the hospitality properties to be improved and revamped on a regular basis.

Masa Square Hotel has performed in line with the expectations notwithstanding a challenging and increasingly competitive environment. The hotel has retained the highest occupancy and revenue per available room among its group of peers in Gaborone.

The Gaborone CBD is witnessing increased hospitality offerings within a very short period such as the addition of the Hilton Garden Inn. While we appreciate both offerings being of two distinct classes (Hilton Garden Inn - 3 stars and Masa Square Hotel - 4 stars), our management team is proactively monitoring industry competitive set reports in order to introduce best practices necessary to keep MSH ahead of its peers.

Completed Development: ICC Flats

The development off North Side School in Gaborone, is now boasting of its addition of 45 new apartments with offerings ranging from 1 bedroom to 3 bedroom flats and penthouses. The completion of these units towards the end of 2018 takes the total number of units to 65.

The option of leasing the apartments as furnished units with housekeeping services and back-up utilities on a medium to long-term basis has being graced with tremendous acceptance from the city patrons. The market has received the flats, the renewed landscape and pool area very well with excellent prospects for the future. Approximately 41 new leases in the development were signed with high value clients since completion. Out of the 65 units only 14 units are still up for grabs.

The development has already started to contribute positively to the results of 2018.

Development Prospects

The design development for the proposed retirement village development project in Tlokweng is at an advanced stage and we are currently waiting to receive planning and building permission from the land board. The proposed plans for the development are expected to be completed within the second quarter of 2019.

The year 2019 will see the definition of the corporate structure, the business model, the operating agreements along with the service level agreements and the sign off preparation of the suite of legal documents for the sales of units. We will be adopting the off plan sales marketing strategy for this development and will be rolling out marketing campaigns in the capital city as a start. The breaking ground ceremony will follow shortly after unveiling the sales strategy and the project is expected to last 18 to 24 months.

The design submitted for approval comprises 12 semi detached houses, 55 apartments of 1 and 2 bedrooms, communal areas and up to 34 beds in the frail care ward with the option of introducing a step down (sub acute) facility in response to the demand received for such offerings.

OPERATING AND FINANCIAL REVIEW
(Continued)

RSA

- 5 Properties
- Active Tenants: 155
- Total Gross Lettable Area 28,090 square meters
- Country Vacancy level at 1.2%

Despite the fragile country economy, the reporting period has been positive, with the Capitalgro fund in RSA (63% held by RDC Properties) delivering a solid revenue return on linked shareholders loan of 7.93% and with the asset base (The Edge building being independently valued post acquisition) growing to R680.6MLN, representing capital appreciation of 6.83%.

The CapitalGro Portfolio, directly and exclusively managed by the RSA team in coordination with Botswana, is weathering the cycle well and has managed to contain vacancies at an excellent level, settling at year-end around the 1.2% mark. The lease expiry for this following year is somewhat challenging for the commercial sector, and is requiring careful management to keep the buildings up to the best standards in order to retain existing tenants and attract new ones of caliber. The Cape Town market has the necessary depth and at this stage there is no material risk of continued vacancies.

The completed acquisition of The Edge building, has added considerable stature to the portfolio. The transfer of the first 5 Star Green rated building in South Africa, was completed, and is now 100% let through the rental guarantee expiring end March 2021. Furthermore, we have good prospects of securing the top caliber tenants that we are targeting, such as the likes of the ones already in occupation (PSG, Distell, Sanlam and Mercantile Bank).

A carefully planned capital expenditure program will revamp the older buildings to improve their marketability.

Development Prospects: Management is actively looking into both the commercial and the hospitality sectors for sizeable projects which we should be reporting on during the next period.

Mozambique

RDC Properties currently have two active projects in the country, accounted for as work in progress till completion of the construction. The projects are held in separate JVs, with RDC Properties being the controlling shareholder, through an optimized corporate structure.

While the economy of Mozambique is still faltering, signs of stability and hopefully recovery are on the horizon, with, for instance, the USA building a new embassy set to be among the largest in the region, and the oil and gas companies starting to secure office and residential space in the capital and logistics centres in the north of the country.

Hopefully the recent efforts of curbing government malpractices along with stability after the political elections set later this year, will trigger the long-awaited path to growth through direct foreign investments and the support of the international finance institutions.

Xai Xai

RDC Properties ultimate beneficial ownership of the XAI XAI Project stands at 33% with management and shareholding control. The project comprises 1,539 sqm of anchor shop (grocery supermarket) and 2,258 sqm of line shops. It was completed at the beginning of the third quarter of 2018, but the selected supermarket operator did not take occupation as per the signed binding expression of interest.

The country real estate agents and management are in the process of selecting prospects for the premises as the interest and demand from the line shops in the provincial capital are good. Once again we believe that the location is very good for the development and will in time be profitable.

The Xai Xai project, excluding land value, is accounted for to a tune of USD 784k as WIP, which is 0.4% of the group's investment and property portfolio, prior to revaluation to be done at stabilization of tenancies.

Zimpeto

With international tenants and new entrants to the market still hesitant in committing to a larger footprint in the country, the Zimpeto project was re-designed during the year to mitigate the risks of a slow starting economic rebound.

The advanced earthworks (the platforms) are set to be complete within the second quarter of 2019 and are currently progressing well, monitored by our local office. As soon as these works are completed, we should be starting with the construction of a petrol station (operator is on board), a "drive-thru" and a cluster of 1,000 sqm of line shops dedicated to convenience and car services.

RDC Properties holds 60% in the JV Company; it is accounted for as USD 324k WIP, excluding land value.

OPERATING AND FINANCIAL REVIEW
(Continued)

Development Prospects: We shall see both these projects complete and stabilized prior to embarking in new developments in the retail sector. Other opportunities are being investigated.

Namibia

Namibian – Convenience Centers

RDC Properties currently has three active projects in the country, accounted for as work in progress until completion of the construction and held in a separate JV. RDC Properties maintains majority shareholding and management control.

The project team has completed the design, the tender and the contractor selection processes for the three sites located respectively in Grootfontein, Tsumeb and Katima Mulilo, regional capitals of the north of Namibia.

The administrative process to secure all necessary approvals by the city council authorities, including security of tenure of land, are taking much longer than originally anticipated, and are not yet complete.

As soon as these processes are complete we shall re-contact all the letting prospects and reassess the timing of the developments.

RDC Propertied holds 70.3% in the JV Company, it is accounted for as NAD4MLN of WIP.

Developments and Prospects: Up to the satisfactory completion of this first rollout of the three convenience centers, further expansion plans are kept on hold.

USA

The construction of the City Lights condominium project in Nashville is progressing well, with completion forecasted by the second quarter of 2019.

By 2018 year-end, a good 65% of the units were sold off plan and are currently being finished to the buyers' specifications. The uptake is very encouraging as the building is only approaching its final construction stages now, and we expect a boost in sales during the northern hemisphere spring and summer season. Nashville continues to thrive as a city, attracting large corporate headquarters, for instance Amazon and Ernst & Young.

RDC holds an interest of 3MLN USD, with a preferred return. All indications for the respect of the deal are positive, and we should see payments start to flow from the third quarter of 2019.

Developments and Prospects: Our local team in coordination with the RSA based team are proposing new investments which are scrutinized and assessed as presented.

Madagascar

The presidential elections were relatively tranquil ahead of the legislative elections this year. Hopes of stability are confirmed by upgrades to international air connectivity to the country and locally, which are a promising sign for the leisure industry. Occupancy is still low, in line with the market, but the lodge is breaking even and contributing to the RDC Properties income stream.

OPERATING AND FINANCIAL REVIEW
(Continued)

Financing and Cash Flow

At the end of December 2018, the Group's borrowings and available facilities consisted of:

- Bank overdraft facility of P5 million from Barclays Bank of Botswana Limited;
- Bank overdraft facility of P20 million from Stanbic Bank Botswana; and
- Long term borrowings amounting to P509.6 million.

The net long term debt of the group was P434.1 million, after deducting P75.5 million of cash and cash equivalents, against an investment and property portfolio value in excess of P1.9 billion, providing significant capacity to raise additional finance.

International Financial Reporting Standards

The Group's underlying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The principal accounting policies are consistent in all material respects with those adopted in the previous year.

Financial Results and Highlights

The Group has consistently achieved good results due to the well-balanced portfolio catering for various sectorial needs in the market. Its recent acquisition of the Capitalgro portfolio bodes well for the 2018 financial year further balancing the geographical contributions to the portfolio.

Revenue

Revenue increased by 57% to P156.0 million (2017: P99.2 million). This growth is largely due to the addition of the Capitalgro portfolio for the full 2018 year.

Net income from operations before fair value adjustments

Net income from operations before fair value adjustments increased by 25% to P86.5 million (2017: P69.3 million).

Taxation

The tax for the year was P18.2 million (2017: P 22.0 million).

Earnings Per Linked Unit

Earnings attributable to the owners of the Company decreased by 10%. The average number of linked units was 348,121,301 (2017: 347,547,222).

Debenture Interest/Dividends

The total distribution per linked unit is calculated on the number of linked units in use at date of distribution. The distribution ratio between dividends to interest is variable. The dividend and debenture interest expense increased by 34% to P45.6 million (2017: P34.0 million).

Investment and Property Portfolio

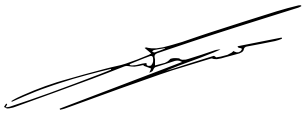
The investment and property portfolio increased by 19% to P1,943 million (2017: P1,627 million). The largest contributor to the growth in the portfolio value relates to the consolidation of Capitalgro portfolio in the financial statements this year.

Shareholders' Funds

Shareholders' funds at 31 December 2018 amounted to P1,098.9 million (2017: P1,012.0 million), an increase of 9%, resulting in Adjusted Net Asset Value per linked unit of P3.38 (2017: P3.13), an increase of 8%.

Net Borrowings

The Group's net borrowings at 31 December 2018 amounted to P434.1 million (2017: P213.1 million), giving a net debt to investment and property ratio of 22% (2017: 13%).



Jacopo Pari
Chief Executive Officer
26 April 2019

OPERATING AND FINANCIAL REVIEW
(Continued)

PROPERTY PORTFOLIO

BOTSWANA

Property Name	Masa Centre
Location of Property	Lot 54353, Gaborone
Sector	Offices, Retail & Hospitality
Valuation	**BWP 576 089 740**

Property Name	Chobe Marina Lodge
Location of Property	Lease Area No. 4-AO, Kasane
Sector	Hospitality
Valuation	**BWP 199 061 232**

Property Name	Standard House
Location of Property	Lots 1 124 to 1 130 in Gaborone Ext. 3
Sector	Offices
Valuation	**BWP 139 243 013**

Property Name	ICC Flats
Location of Property	Lot 80055 & 2558 extention 9 in Gaborone
Sector	Residential
Valuation	**BWP 109 950 235**

Property Name	Tholo A & B and Phase II
Location of Property	Lots 50668/69 & 50369 Gaborone
Sector	Offices
Valuation	**BWP 66 988 759**

SOUTH AFRICA

Property Name	The Edge
Location of Property	Erf 39224 Tyger Falls
Sector	Offices
Valuation	**R 332 650 000**

Property Name	The Equinox
Location of Property	Erf 491 Sea Point Cape Town, South Africa
Sector	Retail & Offices
Valuation	**R 123 235 000**

Property Name	The Regent
Location of Property	Erf 1158 Sea Point Cape Town, South Africa
Sector	Retail & Offices
Valuation	**R 120 840 000**

Property Name	Westlake Lifestyle Centre
Location of Property	Erf 13047 Constantia Cape Town, South Africa
Sector	Retail
Valuation	**R 89 200 000**

OPERATING AND FINANCIAL REVIEW
(Continued)

PROPERTY PORTFOLIO continued

Botswana	Property Name	Location of Property	Sector	Valuation
	Gaborone West Warehouses	Lots 22017/18, Gaborone	Industrial	BWP 49 740 493
	European Delegation	Lot 758, Gaborone	Offices	BWP 36 562 668
	Lotsane Complex	Lot 1707 Palapye	Retail	BWP 31 891 106
	Mebala House	Lots 1 116/117 & 1840 in Gaborone Ext. 3	Retail	BWP 32 100 913
	Diamond Centre	Lot 3761 Jwaneng Lot 5422 Jwaneng Lot 5423 Jwaneng	Retail	BWP 23 617 177
	Broadhurst Business Centre	Lease area 234KO on Lot 1 0211 in Gaborone	Offices	BWP 19 441 085
	Phakalane Warehouses	Lot 21306 Phakalane	Industrial	BWP 16 061 386
	Chobe Commercial Centre	Lot 914 Kasane in Chobe Admin District	Retail & Offices	BWP 9 893 428
	Boswa Centre	Lot 680 & 692 Serowe Agreement of Lease No 258/96 of 18/7/96	Retail & Offices	BWP 9 220 624
	Roots Tower	Lot 208 Maun Notarial Deed of Lease 72/81 of 14/3/96	Retail & Offices	BWP 8 115 547
	Tsodilo Centre	Lot 194 Maun	Retail	BWP 5 390 595
	Standard Serowe	Lot 679 Serowe	Retail & Offices	BWP 4 848 166
	Pep House	Lot 443 Serowe	Retail	BWP 4 756 916
South Africa				
	Tyger Lakes	Erf 39227 Tyger Valley Cape Town South Africa	Retail & Offices	R 14 670 000
Madagascar				
	Isalo Rock Lodge	Lot 480-AU Region d'Ihrombe, Madagascar	Retail & Offices	BWP 60 922 000

LAND FOR DEVELOPMENT / WORK IN PROGRESS

Botswana	Mole Mall
Mozambique	Xai Xai Zimpeto
Namibia	Katima Mulilo Grootfontein

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

Guido R Giachetti
Executive Chairman

Aged 56, Civil Engineer, Masters in Business Management and Transport, AMP (Harvard Business School), IEP (INSEAD), Alumni Association (EPFL, INSEAD, HBS). As Chief Executive Officer of the Realestate Group, he has been involved in property development and investments for over 29 years. Has been awarded the Order of Merit by The King Spain (for his role as Honorary Consul of Spain) and the Knight of the Order of the Star of Italy by the President. He is the Honorary Consul of Italy in Botswana and actively involved in community works as a Paul Harris Fellow

Lesang Magang
Lead Independent Non-Executive Director

Aged 47, Lesang holds a Law Degree from Birmingham City University. Lesang was appointed as Lead Independent Non-executive Director in 2014, and is also a director of PAM (Property asset management of RDC) and other companies. He is the Managing Director of Phakalane Estates, a major township and property development company in Botswana. Chairman of Afinitas which is listed on the Botswana Stock Exchange venture Board. A motivational speaker on youth development and entrepreneurship.

Jacopo Pari
Chief Executive Officer

Born in 1973 Civil Engineer (Masters degree); his career started in Accenture, the Strategy and Management Consulting firm. This engagement enabled him to get wide exposure to large and complex corporate environments both in EU and US. Few years later he joined the family construction company in Italy. This work experience, both technical and managerial, was conducive to his appointment as Group General Manager for the Realestate Group of Companies in 2009. He has been involved in Construction, Property Development and Investment in Botswana since then. He was appointed as the Chief Executive Officer for Botswana Operations in February 2015 and he is in charge of the International Developments.

Keith Jefferis
Non-Executive Independent Director

Born 1956, Development macroeconomist and financial sector specialist. He is Managing Director of Econsult Botswana (Pty) Ltd, and is a former Deputy Governor of the Bank of Botswana.

He has consulted for international organisations such as the World Bank, the African Development Bank, USAID, SADC, UNIDO, UNDP; governments and central banks in various African countries; and a variety of banks and other private sector firms in Botswana. He was appointed as a Director in March 2014.

Giorgio Giachetti
Non-Executive Director

Aged 76, Civil Engineer (Masters degree). On site experience in construction since 1968. In 1970 started investing in Botswana and developed properties, some of which are now part of the RDC Properties portfolio.

He is a Director of many companies in Botswana and internationally.

Kate Maphage
Non-Executive Independent Director

Kate Maphage is an entrepreneur actively involved in property, energy, transport and tourism industries. She joined Mascom Wireless in 1998 as part of its founding shareholder group, as part of the executive. She set up the Human Resource division and then moved to head the Commercial Division in 2002, a position she held until 2007 when she retired from formal employment.

Prior to joining Mascom Wireless, she worked as Assistant Group Company Secretary responsible for Anglo American and De Beers Botswana group of companies. Her management responsibilities encompassed corporate communication, legal affairs and human resource. She joined the Botswana National Productivity Centre as a business consultant in 1993 and before then she had held various accounting and management positions in industries such as Mining and Property.

Currently she is focused on adding value to companies in which she is invested. She does so either as a director or through executive involvement in any innovative and business development capacity for these companies.

Kate Maphage holds BCom and MBL degrees and has over 35 years of experience in various industries. Kate, currently serves on the boards and committees of BIHL, Botswana Life and RDC Properties Limited.

Andrew Bradley
Non-Executive Independent Director

Aged 56, has completed legal and business degrees, was appointed non-executive director in 2016. He is currently CEO of Fiscal Private Clients a wealth management and investment company and was previously CEO of Old Mutual Wealth. Before joining Old Mutual, Mr Bradley was the CEO of Acsis South Africa Group, which was acquired by Old Mutual. He is an Advocate of the Supreme Court of South Africa and is a Certified Financial Planner. Mr Bradley has co-authored a number of publications in the financial services industry.

Saumendu Sinha
Company Secretary

Mr Saumendu Sinha is a PwC representative and fulfills the duties of company secretary.

OTHER GOVERNANCE STRUCTURES

CAPITALGRO BOARD MEMBERS

Guido Giachetti

Gary Fisher

Gavin Klerck

Jacopo Pari

Andrew Bradley

Simon Susman

AUDIT AND RISK COMMITTEE

John Hinchliffe

Kate Maphage

Lesang Magang

Jacopo Pari

John Hinchliffe: John Hinchliffe heads John Hinchliffe Consultants, an accounting and consulting practice in Gaborone. He was appointed as Chairman of the audit committee in 2015. He is also a Director of various companies, including Botswana Insurance Holdings Limited (BIHL) and its subsidiaries Botswana LIfe Insurance Limited (chair) and Legal Guard (chair), Botswana Insurance Company Limited (BIC) and several small family companies. John is on the audit committees for BIHL and its subsidiaries and BIC (chair). John is also on the Boards of Kalahari Conservation Society; and Camphill Community Trust and serves as Treasurer for both organisations.

Jacopo Pari - see profile under "Board of Directors" **Kate Maphage** - see profile under "Board of Directors"

Lesang Magang - see profile under "Board of Directors"

PROPERTY AND ASSET MANAGEMENT LIMITED - BOTSWANA
SENIOR MANAGEMENT - APRIL 2019

PROPERTY AND ASSET MANAGEMENT LIMITED - BOTSWANA
MANAGEMENT TEAM - APRIL 2019

Professional Advisors

Secretaries/Transfer Secretaries
Pricewaterhouse Coopers (Pty) Ltd
Plot 50371 Fairground Office Park
P O Box 294, Gaborone, Botswana

Independent Auditor
Grant Thornton
Plot 50370, Acumen Park, Fairground
PO Box 1157, Gaborone, Botswana

Property Managers/Asset Managers
Property and Asset Management Limited
P O Box 405391, Gaborone, Botswana

Stockbrokers
African Alliance Botswana Securities
Plot 64511, Exchange House
Fairgrounds Office Park,
Gaborone, Botswana

Bankers
First National Bank of Botswana Limited
Barclays Bank of Botswana Limited
African Banking Corparation of Botswana Limited
Stanbic Bank of Botswana Limited

Property Valuers
Willy Kathurima Associates
P O Box 58
Gaborone

Legal Advisors
Neill Armstrong
Collins Newman & Co.
P O Box 882,
Gaborone

DIRECTORS' REPORT

The directors present their annual report to the shareholders, together with the audited financial statements, for the year ended 31 December018.

Principal Activities and Business Review

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

A detailed business review and future developments is included in the operating and financial review on pages 6 to 10.

Results for The Year

Details of the results for the year ended 31 December 2018 are set out in the statements of comprehensive income of the financial statements on page 23.

Subsidiaries

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

Stated Capital

As at 31 December 2018, the Company had 350,982,285 linked units in issue (2017: 347,547,222).

Distribution to Unit Holders and Distribution Policy

Distributions to linked unit holders are primarily in the form of debenture interest. The distribution, made bi-annually, varies with the operating performance of the Group. Details on the distributions are included in the operating and financial review on pages 6 to 10.

Distribution to Unit holders (thebe)

	Interest	Dividend	Total
2018			
Interim	10.63	1.00	11.63
Final	1.40	0.03	1.43
	12.03	1.03	13.06
2017			
Interim	6.66	1.67	8.33
Final	1.41	0.03	1.44
	8.07	1.70	9.77

Directors and Secretary

There has been no change in Directors and Secretaries during the year.

Interests of Directors and Secretary

The directors and secretary who held office at 31 December 2018 had no interests, other than those shown below, in the shares of the Company.

	Held Directly	Held Indirectly
G. R. Giachetti	-	37 281 686
G. Giachetti	56 482 459	-
J. Pari	811 280	-
L. Magang	252 767	-
K. Jefferis	25 389	-
K. C. Maphage	-	-
A. Bradley	-	-

Substantial Holdings

The directors have been notified of the following significant interests in the ordinary share capital of the Company at 31 December 2018:

Top 10 Unit Holders	Linked units	%
REALESTATE FINANCIERE SA	111,845,060	31.87%
GIORGIO GIACHETTI	56,482,459	16.09%
FNB BOTSWANA NOMINEES (PTY) LTD RE:AA BPOPF EQUITY	55,072,387	15.69%
FNB BOTSWANA NOMINEES (PTY) LTD RE:AG BPOPF EQUITY	28,129,106	8.01%
FNB BOTSWANA NOMINEES (PTY) LTD RE: ALLANGRAY BPOPF EQUITY PORTFOLIO B	16,793,079	4.78%
MOTOR VEHICLE ACCIDENT FUND	15,577,699	4.44%
ASPERA HOLDINGS LIMITED	13,418,060	3.82%
ALLAN GRAY RE DEBSWANA PENSION FUND	9,204,911	2.62%
FNB NOMS BW (PTY) LTD RE: BPOPF EQUITY PORTFOLIO C - ALLAN GRAY	8,014,381	2.28%
FNB BOTSWANA NOMINEES (PTY) LTD RE:BIFM BPOPF-EQUITY	6,906,970	1.97%

Linked unit band	Linked units	%	Holders	%
0-1999	203,062	0.06%	281	50.63%
2000-4999	234,902	0.07%	73	13.15%
5000-9999	306,017	0.09%	47	8.47%
10000-49999	1,827,738	0.52%	78	14.05%
50000-99999	1,418,490	0.40%	19	3.42%
100000-499999	7,549,765	2.15%	34	6.13%
500000 and above	339,442,311	96.71%	23	4.14%
TOTALS	350,982,285	100%	555	100%

Directors' Interests in Contracts

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

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

One of the directors, G. Giachetti has an indirect interest in the Group's investment in a joint venture company, HMS1 Société Anonyme (HMS1).

Key Performance Indicators (KPI's)

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

Net Asset Value

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

Net Debt to Gross Property Assets

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

Returns from investment and development properties

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

Financial Risk Management

The Group's activities expose it to a variety of financial risks including interest rate, foreign currency, funding and credit risks. These financial risks are managed by the Board and reviewed by the Audit and Risk Committee, as described in Note 26 to the financial statements.

Principal Risks and Uncertainties

The principal risks and uncertainties that the Group faces are:

- *Property value:* The performance of the Group is determined principally by the values of its property assets, which, in turn, are dependent on a variety of factors applying in the markets in which RDCP operates, including:
  - local economic conditions, as affected by government policy, legislation, economic growth, interest rates and inflation, and
  - supply of and demand for property, and their impact on rental levels.

  The values of individual properties are determined by their specific usage and locations, the quality of their tenants and the rents paid by them and by their potential for alternative usage or redevelopment. The property portfolio is independently valued every 3 years.

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

Going Concern

After making inquiries, the directors are confident that the Group has adequate resources to continue in operational existence for the foreseeable future. In particular, in making such enquiries, the board has had regard to its current financing arrangements and its planned activities for the next 12 months. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Auditor

In accordance with relevant section of the Companies Act, the auditor, Grant Thornton, will continue in office.

Subsidiaries and Equity Accounted Investees

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

Responsibility Statement

We confirm to the best of our knowledge:

(a) the financial statements, prepared in accordance with the International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and

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

Annual General Meeting

Notice of the 2018 Annual General Meeting is being sent along with this Annual Report. A Form of Proxy for use at the AGM is being sent along with this Annual Report.

On behalf of the board

G. R. Giachetti
Executive Chairman
26 April 2019

L. Magang
Lead Independent Non-executive Director

CORPORATE GOVERNANCE STATEMENT

The board of directors of RDCP promotes principles of good governance and in large adopts the King Code (King III). RDCP also supports the principles and provisions of the Botswana Stock Exchange Code on Corporate Governance and has undertaken to apply these in so far as appropriate and practical for a Company of its size. The implications of the King IV guidelines are being assessed by the directors.

The following statement describes how RDCP is applying corporate governance of its business.

Leadership

The directors lead the company following strict ethical principles and offer guidance that results in achievement a clear strategic plan.

The directors are committed to maintaining high standards of corporate governance and remain committed to cultivate and exhibit, collectively and individually, characteristics of integrity, competence, responsibility, accountability, fairness and transparency.

Composition of the Board of Directors

The board comprises seven directors, two executive directors and five non-executive directors, of which four are independent. Biographical details of the directors are set out on page 11.

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

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

Organisational Ethics

Effective governance is achieved by the separation of the roles of the executive Chairman and the management team, as this division of responsibilities ensures a balance of power and authority. The executive Chairman has overall responsibility for ensuring that the Group achieves a satisfactory return on investment for unit holders. He oversees the orderly operation of the board and ensures appropriate interaction between it, executive management and the Company's unit holders. The executive Chairman consults with the Lead Independent Non-executive Director on all matters where he might be conflicted. The Chief Executive Officer is responsible for developing and delivering the Group's strategy and is accountable for its overall performance and day-to-day management.

The appointed directors are required to maintain high standards of ethics, integrity and values, and exercise their powers and discharge their duties honestly, in good faith and in the best interests of RDCP. The directors are accountable to the stakeholders of RDCP.

The conduct of the Company's operations is delegated to the executive management team, which is employed by Property and Asset Management Limited (PAM), within predefined authority limits. PAM is employed on a full service management contract. The Company does not have its own employees. The board is ultimately responsible for the leadership and control of the Company.

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

Independence of Directors

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

In particular, the board reviewed the position of G. R. Giachetti as Executive Chairman and determined that, despite his executive role, it is confident that the effective separation of duties exists with the Management Team. The board has appointed Mr. L. Magang as the Lead Independent Non-executive Director, to assist the Executive Chairman in this regard. The Chairman executed his powers in an independent manner throughout the financial year, discharges his duties in a consistently independent manner and constructively and appropriately challenges the executive management team and the board.

Service contracts and letters of appointment

The Company has a service contract with PAM, details of which are disclosed in the directors' report.

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

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

G. R. Giachetti, G. Giachetti and J. Pari are directors of Italtswana Construction Company (ICC), which is among the engineering companies providing construction services to the Group. The appointment of ICC, for any construction contracts, is reviewed by the board on a case by case basis and generally after recommendation from an independently appointed consulting team managing the entire contractual process, who are in control of negotiation, or a completely transparent tendering process.

CORPORATE GOVERNANCE STATEMENT *Continued*

Operation of the Board including Strategy and Performance

In accordance with the Board Charter, the board agrees a schedule of regular meetings to be held in each calendar year and also meets on other occasions as necessary. There is a schedule of matters specifically reserved for decision at board meetings, as follows:

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

Attendance at scheduled board and relevant committee meetings during the year ended 31 December 2018:

	No. of meetings eligible	Attended	Fees Paid in 2018
G. R. Giachetti	4	4	P24,500.00
G. Giachetti (*)	4	3	P13,000.00
K. A. Jefferis	4	4	P22,000.00
L. Magang	4	4	P22,000.00
K. C. Maphage	4	3	P19,000.00
J. Pari	4	4	P22,000.00
A. Bradley	4	3	P19,000.00

** K. C. Maphage is also an alternate director to G. Giachetti.*

Fees for non-executive directors are determined by the board every five years.
The board of directors is satisfied that it has discharged its responsibilities in relation to its Board Charter.

Terms of Appointment

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

The board does not believe that the number of years that a person serves as a Director should be limited. Directors that have served for an extended period are able to provide valuable knowledge, and experience necessary to lead the Company and be re-elected.

The following directors have been directors of the Company for more than 9 years:

- G. R. Giachetti
- G. Giachetti
- L. Magang

The biographical details of the above three directors are set out on page 15. The independence of each director is assessed at each board meeting and a declaration of interests is completed by each board member. The board has satisfied itself that all directors are independent and have declared any interests as required. The board is satisfied with the composition of the directors of the board as a whole.

The appointment and removal of the company secretary is a matter for the board. All directors have access to the professional corporate governance services of the company secretary.

Board Committees

The board has established a formal sub-committee:

Audit and Risk Committee

The purpose of the Audit and Risk committee is to oversee the financial reporting processes, assurance and finance functions and external audit process of RDCP. The Audit and Risk committee, is composed of three board members and the Chairman J Hinchliffe, who is not a director of the Company, and is an independent advisor appointed by the board. He is assisted by three directors, one executive and two non-executive independent members of the board. The committee meets three times a year and reports are issued to the board.

Attendance at scheduled Audit and Risk committee meeting during the year ended 31 December 2018:

J. Hinchliffe	3	P32,400.00
L. Magang	3	P9,000.00
K. C. Maphage	3	P9,000.00
J. Pari	3	-

The biographical details of the Chairman of the Audit and Risk Committee are set out on page 11.

The Audit Committee as a whole has the necessary financial literacy, skills and experience. The Audit and Risk Committee is satisfied that it has fulfilled its responsibilities.

External Auditor

The Audit and Risk Committee is satisfied with the independence of the external auditor and the quality of the external audit. The auditors have reported on the key audit matters relating to the annual financial statement matters in their audit report and how these matters have been addressed.

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

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

CORPORATE GOVERNANCE STATEMENT *Continued*

Internal Controls

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

The board is satisfied with the effectiveness of the design and implementation of internal financial controls and the effectiveness of the Group CFO and finance function.

Other Committees

In view of the current size of the Company, ,the board has not established any other committees.

The board plans for its own succession. Directorships, and where appropriate, senior management appointments are considered and recommended by the board.

Responsible Corporate Citizenship

The review of RDCP's sustainability practices included environmental practices of water saving, water harvesting, grey water systems, LED lighting, power saving systems, waste separation and the use of renewable materials. Social practices employed by RDCP included reporting on civic activities within community environments, annual charity support programme, annual educational support programme, annual student experience and work placement programme. Governance practices reported on included a dedicated senior executive responsible for sustainable issues, participation in national sustainability initiatives (WAVES and NCA research), BSE/SSE sustainability review and the on-going consideration of the adoption of King IV.

Annual Financial Statements

DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF FINANCIAL STATEMENTS

31 December 2018

Directors' responsibility statement

The Directors are responsible for the preparation and fair presentation of the financial statements of RDC Properties Limited, which comprise the consolidated and separate statements of financial position as at 31 December 2018, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards ("IFRS").

The directors are required by the Companies Act of Botswana to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company and group as at the end of the financial year and the results of their 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 Group consolidated financial statements and separate financial statements.

The directors' responsibility includes: designing, implementing and maintaining 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; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

The directors have made an assessment of the Group and 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 based on forecasts available and cash resources. 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 financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The external auditors are responsible for independently reviewing and reporting on the financial statements, which were examined by the external auditors and their unmodified report is presented on page 27-30.

Approval of the financial statements

The financial statements set out on pages 31 to 62 which have been prepared on the going concern basis, were approved by the board on 26 March 2019 and were signed on its behalf by:

G. R. Giachetti
Executive Chairman

L. Magang
Lead Independent Non-executive Director

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


Grant Thornton
An instinct for growth™

Chartered Accountants

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Independent Auditor's Report

To the shareholders of RDC Properties Limited

Opinion

We have audited the consolidated and separate annual financial statements of RDC Properties Limited set out on pages 31 to 62, which comprise the consolidated and separate statement of financial position as at 31 December 2018, and the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate annual financial statements give a true and fair view of, the consolidated and separate financial position of RDC Properties Limited as at 31 December 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the consolidated and separate annual financial statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of annual financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Botswana. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.


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Botswana Accountancy Oversight Authority registration number: FAP 005 2016 (Audit Firm of Public Interest Entity)

Partners

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

(Continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate annual financial statements of the current period. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and the report below is not intended to constitute separate opinions on those key audit matters.

Key audit matter	How the matter was addressed in our audit
Valuation of the investment property The holding company and subsidiaries owns a portfolio of retail and commercial property valued P1.849 billion for the Group as disclosed under note 8 of the annual financial statements. The valuation of the property portfolio is a significant judgment area and is underpinned by assumptions including estimated future rental and yields. The group uses professionally qualified external valuers to perform the fair value of the properties. Disclosures on the investment properties are under note 8 to the financials.	We met with the directors' to discuss and understand the method of valuation, estimates and criteria used in arriving at the value. Directors' based on a Direct Capitalisation model revalue investment properties annually and the basis adopted on their review was verified. Where the directors' had relied in valuation done by external valuers, we met with the valuers' to discuss the valuation process, performance of the portfolio and evaluate significant assumptions and critical judgement areas, including estimated rental values, yields, future net operating income and discount rates. We assessed the competence, independence and integrity of the valuers. We also assessed the competence of directors' involved in the valuation process. For those investment properties under construction, we assessed that the fair value of these assets closely approximate the value of the work in progress reflected in the financials and there was no in. dications of any impairment as at the year-end. We performed audit procedures to assess the integrity of information used by directors and also information provided to the external valuers including rental schedules on a sample basis to underlying lease agreement. As per group instructions provided, the component auditors assessed the integrity of the information provided to the external valuers and through audit procedures evaluated the assumptions used in the valuations.
Recognition of revenue During the year the Group recorded revenues of P156 million as disclosed under note 1 of the consolidated annual financial statements. The Group's main source of revenue is rental income from retail, residential and commercial properties. The rental amount is agreed on the terms of the lease agreement signed between the group and the tenant. Any variations to the lease agreement during the lease term is done through an addendum to the lease agreement. The recognition of revenue is done in accordance with the principles outlined in IAS 17: Leases.	We have performed walkthroughs and test of controls on the revenue cycle to gain an understanding of when the revenue is recognised. This testing includes the verification of the lease agreement details approvals and changes to the lease terms and upload of this information to the company's management system. We have assessed the design effectiveness of the controls and performed controls testing on the billings. We have obtained the rental income schedule from the operating system and determined that rental income has been appropriately recorded in the general ledger. We selected a sample of lease agreements to verify that the rental has been appropriately recognised in the operating system and the operating lease asset has been computed appropriately. We obtained the monthly schedule of rental income for each property and reviewed the variations of the rental income to budgets to identify any unusual trends. We have reviewed the company's credit policy on trade debtors and assessed that appropriate provision is made on overdue accounts where the recoverability of the balances was doubtful in line with the requirements of IFRS 9, which was adopted by the group during the current year. We have also validated related disclosures pertaining to the standard in the consolidated financial statements.

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

(Continued)

Responsibilities of the directors for the Consolidated and Separate Annual Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual 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 consolidated and separate annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate annual financial Statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the audit of the Consolidated and Separate Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate annual financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate annual financial statements, including the disclosures, and whether the consolidated and separate annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the subsidiaries or business activities within the group to express an opinion on the consolidated and separate annual financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

(Continued)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate annual financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

GRANT THORNTON

26 MAR 2019

Chartered Accountants
Aswin Vaidyanathan
Certified Auditor: Memb No: 19980110
Certified Auditor of Public Interest Entity: Cert. No. CAP 0016 2019

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Statements of Comprehensive Income

31 December 2018

	Notes	Group 2018 P'000	Group 2017 P'000	Company 2018 P'000	Company 2017 P'000
Revenue		156 015	99 170	55 384	51 073
Contractual lease rental revenue	1	144 013	97 362	51 864	51 438
Straight line rental adjustment		12 002	1 808	3 520	(365)
Operating expenses		(45 158)	(30 405)	(15 990)	(15 888)
(Loss)/income arising from joint venture		463	4 674	-	-
Share of profit in a joint venture	28	463	4 674	-	-
Other foreign exchange (losses)/gains		2 579	544	2 605	757
Other operating income		954	725	949	20
Profit from operations before fair value adjustments		114 853	74 708	42 948	35 962
Surplus arising on revaluation of investment properties		54 834	86 001	17 754	50 482
Net valuation		66 836	87 809	21 274	50 117
Adjusted for straight line rental adjustment		(12 002)	(1 808)	(3 520)	365
Profit from operations	2	169 687	160 709	60 702	86 444
Investment income	3	11 451	12 256	27 600	18 271
Finance costs	4	(39 828)	(17 710)	(10 250)	(6 240)
Profit before tax		141 310	155 255	78 052	98 475
Income tax expense	5	(18 237)	(22 007)	(8 380)	(12 152)
Profit for the year		123 073	133 248	69 672	86 323
Other comprehensive income					
Items that may be subsequently classified to profit or loss					
Exchange differences on translation of foreign operations		(10 381)	2 888	-	-
Net fair value gains on available for sale financial assets		(2 043)	(2 044)	(1 914)	(2 258)
Gross fair value gains on available for sale financial assets		(2 107)	(1 981)	(1 914)	(2 258)
Income tax on fair value gain of available for sale financial assets		64	(63)	-	-
Other comprehensive income for the year		(12 424)	844	(1 914)	(2 258)
Total comprehensive income for the year		110 649	134 092	67 758	84 065
Profit attributable to:					
Owners of the company		95 873	111 045	69 672	86 323
Non-controlling interests		27 200	22 203	-	-
		123 073	133 248	69 672	86 323
Total comprehensive income attributable to:					
Owners of the company		83 449	108 319	67 758	84 065
Non-controlling interests		27 200	25 773	-	-
		110 649	134 092	67 758	84 065
Number of linked units in issue at year end		350 982 285	347 547 222		
Average number of linked units in issue		348 121 301	347 547 222		
Earnings per linked unit (thebe)		30.20	33.73		
Earnings per linked unit is calculated based on the average number of linked units in issue and profit for the year attributable to the owners of the Company adjusted by taxation on debenture interest credited to statement of change in equity of:		105 117	117 214		
Distribution per linked unit					
Distribution per linked unit (thebe)		13.06	9.77		
Interest per linked unit (thebe)		12.03	8.07		
Dividend per linked unit (thebe)		1.03	1.70		

Distribution per linked unit is calculated on the number of linked units in issue at date of distribution.

Statements of Financial Position

31 December 2018

	Notes	Group 2018 P'000	Group 2017 P'000	Company 2018 P'000	Company 2017 P'000
ASSETS					
Non-current Assets					
Property, plant and equipment	6	9 586	8 943	4 258	2 546
Investments	7	37 557	30 784	310 127	198 851
Investment in a joint venture	28	30 951	30 353	-	-
Investment properties	8	1 849 424	1 538 807	729 857	693 227
At fair value	8	1 878 254	1 555 398	735 108	694 958
Rental receivable - straight line rental adjustment	8	(28 830)	(16 591)	(5 251)	(1 731)
Intangible asset	9	1 000	1 000	-	-
Available-for-sale investments	30	14 050	17 580	11 924	13 838
Trade and other receivables	10	568	130	-	-
Rental receivable - straight line rental adjustment	8	28 436	16 193	5 100	764
		1 971 572	1 643 790	1 061 266	909 226
Current Assets					
Trade and other receivables	10	22 886	24 551	20 117	12 917
Rental receivable - straight line adjustment	8	394	398	151	967
Current tax assets		3 403	2 671	3 429	2 616
Cash and cash equivalents	11	75 543	110 514	61 080	102 003
		102 226	138 134	84 777	118 503
Total Assets		**2 073 798**	**1 781 924**	**1 146 043**	**1 027 729**
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated capital	12	324 856	318 983	324 856	318 983
Debentures	13	112 314	111 215	112 314	111 215
Accumulated profits	14	654 881	563 533	439 340	406 055
Debenture interest and dividend reserve	15	23 631	21 550	23 631	21 550
Investments revaluation reserve		(2 811)	(768)	(3 027)	(1 113)
Foreign currency translation reserve		(13 948)	(2 482)	-	-
Equity attributable to owners of the parent		1 098 923	1 012 031	897 114	856 690
Non-controlling interests	16	257 656	268 452	-	-
Total equity		1 356 579	1 280 483	897 114	856 690
Non-current Liabilities					
Long term borrowings	17	509 602	323 625	155 489	105 651
Deferred tax liabilities	18	118 743	110 985	44 276	45 140
		628 345	434 610	199 765	150 791
Current Liabilities					
Trade and other payables	19	41,411	27,290	21,583	14,763
Bank overdraft	20	20,141	2,556	16,325	-
Current portion of long term borrowings	17	26,814	36,853	11,256	5,485
Current tax liabilities		508	132	-	-
		88,874	66,831	49,164	20,248
Total Equity and Liabilities		**2,073,798**	**1,781,924**	**1,146,043**	**1,027,729**

Statements of Changes in Equity

31 December 2018

	Notes	Stated capital P'000	Debentures P'000	Accumulated profits P'000	Investment revaluation reserve P'000	Debenture interest and dividend reserve P'000	Foreign currency translation reserve P'000	Attributable to owners of the parent P'000	Non-controlling interests P'000	Total Equity P'000
GROUP										
Balance at 1 January 2017		318 983	111 215	480 274	1 276	17 857	(1 800)	927 805	177 559	1 105 364
Profit for the year		-	-	111 045	-	-	-	111 045	22 203	133 248
Other comprehensive income for the year		-	-	-	(2 044)	-	(682)	(2 726)	3 570	844
Total comprehensive income for the year		-	-	111 045	(2 044)	-	(682)	108 319	25 773	134 092
Debenture interest declared and proposed	15	-	-	(28 039)	-	28 039	-	-	-	-
Taxation attributable to debenture interest	5	-	-	6 169	-	-	-	6 169	-	6 169
Debenture interest paid		-	-	-	-	(25 677)	-	(25 677)	-	(25 677)
Dividends declared and proposed	15	-	-	(5 916)	-	5 916	-	-	-	-
Dividends paid		-	-	-	-	(4 585)	-	(4 585)	(5 046)	(9 631)
Acquisition of subsidiary		-	-	-	-	-	-	-	70 166	70 166
Balance at 31 December 2017		318 983	111 215	563 533	(768)	21 550 -	(2 482)	1 012 031	268 452	1 280 483
Capitalisation issue of linked units	12 & 13	5 873	1 099	-	-	-	-	6 972	-	6 972
										-
Profit for the year		-	-	95 873	-	-	-	95 873	27 200	123 073
Other comprehensive income for the year		-	-	-	(2 043)	-	(10 381)	(12 424)	-	(12 424)
Total comprehensive income for the year		-	-	95 873	(2 043)	-	(10 381)	83 449	27 200	110 649
										-
Debenture interest declared and proposed		-	-	(42 020)	-	42 020	-	-	-	-
Taxation attributable to debenture interest		-	-	9 244	-	-	-	9 244	-	9 244
Debenture interest paid		-	-	-	-	(37 444)	-	(37 444)	-	(37 44)
Dividends declared and proposed		-	-	(3 611)	-	3 611	-	-	-	-
Dividends paid		-	-	-	-	(6 106)	-	(6 106)	(11 262)	(17 368)
Effect of increase in controlling shareholding of subsidiary		-	-	31 862	-	-	(1 085)	30 777	(26 734)	4 043
Balance at 31 December 2018		324 856	112 314	654 881	(2 811)	23 631	(13 948)	1 098 923	257 656	1 356 579
COMPANY										
Balance at 1 January 2017		318 983	111 215	347 518	1 145	17 857	-	796 718	-	796 718
Profit for the year		-	-	86 323	-	-	-	86 323	-	86 323
Other comprehensive income		-	-	-	(2 258)	-	-	(2 258)	-	(2 258)
Total comprehensive income for the year		-	-	86 323	(2 258)	-	-	84 065	-	84 065
Debenture interest declared and proposed	15	-	-	(28 039)	-	28 039	-	-	-	-
Taxation attributable to debenture interest	5	-	-	6 169	-	-	-	6 169	-	6 169
Debenture interest paid		-	-	-	-	(25 677)	-	(25 677)	-	(25 677)
Dividends declared and proposed	15	-	-	(5 916)	-	5 916	-	-	-	-
Dividends paid		-	-	-		(4 585)	-	(4 585)	-	(4 585)
Balance at 31 December 2017		318 983	111 215	406 055	(1 113)	21 550	-	856 690	-	856 690
Capitalisation issue of linked units	12 & 13	5 873	1 099	-	-	-	-	6 972	-	6 972
Profit for the year		-	-	69 672	-	-	-	69 672	-	69 672
Other comprehensive income		-	-	-	(1 914)	-	-	(1 914)	-	(1 914)
Total comprehensive income for the year		-	-	69 672	(1 914)	-	-	67 758.00	-	67 758
Debenture interest declared and proposed	15	-	-	(42 020)	-	42 020	-	-	-	-
Taxation attributable to debenture interest	5	-	-	9 244	-	-	-	9 244.00	-	9 244
Debenture interest paid		-	-	-	-	(37 444)	-	(37 444)	-	(37 444)
Dividends declared and proposed	15	-	-	(3 611)	-	3 611	-	-	-	-
Dividends paid		-	-	-	-	(6 106)	-	(6 106)	-	(6 106)
Balance at 31 December 2018		324 856	112 314	439 340	(3 027)	23 631	-	897 114	-	897 114

Statements of Cash Flows

31 December 2018

	Notes	Group 2018 P'000	Group 2017 P'000	Company 2018 P'000	Company 2017 P'000
Cash flows from operating activities					
Profit from operations		169 687	160 709	60 702	86 444
Share of income in a joint venture, net of foreign exchange differences		(463)	(4 674)	-	-
Loss on disposal of investment property		-	-	-	-
Bargain purchase gain		-	(631)	-	-
Depreciation		1 352	1 290	49	49
Surplus arising on revaluation of investment properties		(66 836)	(87 809)	(21 274)	(50 117)
Operating income before working capital changes		103 740	68 885	39 477	36 376
Changes in working capital:					
- Decrease/(Increase) in trade and other receivables		1 429	(2 149)	(6 998)	3 278
- Increase in trade and other payables		14 121	3 670	6 820	4 332
Taxation paid	29	(872)	(1 598)	(813)	(1 354)
Net cash generated from operating activities		118 418	68 808	38 486	42 632
Cash flows from investing activities					
Purchase of property plant and equipment		(1 995)	(65)	(1 761)	(41)
Assets classified as Held for sale disposed		-	15 634	-	15 634
Payment for acquisition of a subsidiary		-	(38 562)	-	-
Net cash acquired from acquisition of a subsidiary		-	517	-	-
Investment property additions		(256 222)	(29 706)	(19 078)	(25 038)
Investment income	3	9 708	11 093	24 529	10 760
Movement in investments		(6 773)	(30 784)	(111 276)	(82 502)
Purchase of available for sale investment		-	(5 146)	-	(4 951)
Net cash used in investing activities		(255 282)	(77 019)	(107 586)	(86 138)
Cash flows from financing activities					
Dividend income	3	1 743	1 163	3 071	7 511
Issue of ordinary shares		5 873	-	5 873	-
Issue of debentures		1 099	-	1 099	-
Dividends paid		(6 106)	(4 585)	(6 106)	(4 585)
Debenture interest paid		(37 444)	(25 677)	(37 444)	(25 677)
Dividends paid to non-controlling interest		(11 262)	(5 046)	-	-
Finance costs	4	(39 828)	(17 710)	(10 250)	(6 240)
Long term loans raised		332 534	10 909	68 242	-
Long term loans repaid		(156 596)	(18 109)	(12 633)	(5 869)
Contributions to joint venture		(12)	(797)	-	-
Net cash generated from/(used in) financing activities		90 001	(59 852)	11 852	(34 860)
Net movement in cash and cash equivalents		(46 863)	(68 063)	(57 248)	(78 366)
Cash and cash equivalents at beginning of year		107 958	182 339	102 003	180 369
Effects of exchange rates		(5 693)	(6 318)	-	-
Cash and cash equivalents at end of year		55 402	107 958	44 755	102 003
Consisting of:					
Cash and bank balances		75 543	110 514	61 080	102 003
Bank overdraft		(20 141)	(2 556)	(16 325)	-
		55 402	107 958	44 755	102 003

Significant Accounting Policies

31 December 2018

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

Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Adoption of new and revised International Financial Reporting Standards
The following new IFRS became mandatorily effective for the annual reporting period beginning 1 January 2018:

- IFRS 15 Revenue from Contracts with Customers. There has been no impact on the Group's financial statements.
- IFRS 9 Financial Instruments. The adoption of IFRS 9 has impacted the disclosure of the impairment losses of trade receivables, which has been to note that the Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component. Refer note 10.

Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards, amendments or Interpretations have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations, which have not been adopted, have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

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

Basis of consolidation
The consolidated financial statements "Group financial statements", incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. The Group's accounting policies are similar to those adopted by the Company, in the significant accounting policies, where applicable, Group also refers to Company. Control is achieved when the Company has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders; potential voting rights held by the Company, other vote holders or other parties; rights arising from other contractual arrangements; and any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Significant Accounting Policies *Continued*

31 December 2018

Basis of consolidation (continued)
All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non controlling shareholders may be initially measured either at fair value or the non controlling interests proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis.

Subsequent to acquisition, the carrying amount of non controlling interest is the amount of those interests at initial acquisition plus the non controlling interest's share of subsequent changes in equity.

Changes in the Group's ownership interests in existing subsidiaries
Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between the aggregate of the fair value of the consideration received and the fair value of any retained interest and the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Revenue recognition
Revenue arisies mainly from rental income from operating leases with tenants, dividend income and interest income.

To determine whether to recognise revenue, the Group follows a 5-step process:
1) Identifying the contract with a customer
2) Identifying the performance obligations
3) Determining the transaction price
4) Allocating the transaction price to the performance obligations
5) Recognising revenue when/as performance obligation(s) are satisfied.

Contractual lease rental revenue
The Group often enters into transactions involving operating leases with tenants. The transaction price for a lease contract excludes any amounts collected on behalf of third parties.

Rental income from operating leases is recognised in the statements of comprehensive income on a straight line basis over the term of relevant leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on the straight line basis over the lease term. The change in fair value of investment properties is offset against the rental straight line adjustment in the statements of comprehensive income.

Service charges recovered comprise comprises utility expenses, service levies and other costs recovered from tenants which are recognised in the profit and loss statement on an accrual basis.

Dividend Income
Dividend income is recognised when the shareholders' right to receive payment has been established and is measured gross of withholding tax.

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

Investments in joint ventures
A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint venture are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interest that, in substance, forms part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payment on behalf of the associate or joint venture.

An investment in an associate or joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Significant Accounting Policies *Continued*

31 December 2018

Investments in joint ventures (Continued)

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less cost to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on the disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if the associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests. When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to the reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Interests in joint operations

A joint venture operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation. -Its share of the revenue from the sale of the output by the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a Group entity transacts with a joint operation in which a group entity is a joint operator (such a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the operation.

When a Group entity transacts with a joint operation in which a group entity is a joint operation (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the corporation does not have any financial assets categorised as FVTPL.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

Significant Accounting Policies *Continued*

31 December 2018

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments that were previously classified as held-to-maturity under IAS 39.

Financial assets at fair value through other comprehensive income (FVOCI)

All FVOCI financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the Investment Revaluation Reserve within equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or iss determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss.Property, plant and equipment

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience to calculate the expected credit losses on an individual basis.

Financial liabilities

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

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

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

Stated capital and debentures

Stated capital and debentures issued by the company are recorded at the proceeds received, net of direct issue costs.

Investment properties

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

Property, plant and equipment

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

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

Leasehold buildings	20 - 50 years
Furniture and equipment	2 - 10 years
Aircraft	17 years

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

Intangible assets

Intangible assets acquired separately are reported at cost less accumulated impairment losses. The intangible asset has been assessed as having an indefinite useful life as it relates to an indefinite licence acquired to build and operate a hotel in the Central Business District. As such, the intangible asset is not amortised. The estimated useful life is reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible 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). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Significant Accounting Policies *Continued*

31 December 2018

Impairment of tangible and intangible assets other than goodwill (continued)

Recoverable amount is the higher of fair value less costs of disposal 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.

When 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.

Taxation

Tax expense comprises current, withholding and deferred tax.

Current tax

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

Deferred tax

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

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

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

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

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model under 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 Income Taxes (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for business combination.

Foreign currency

Foreign currency transactions are accounted for at exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions are recognised in the statements of comprehensive income.

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of that asset until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowings costs eligible for capitalisation.

Other borrowing costs are recognised as an expense in the period in which they are incurred.

Significant Accounting Policies *Continued*

31 December 2018

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.

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

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

The group as lessee
Assets held under finance leases are initially recognised as assets of the group and the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the statements of comprehensive income. Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

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

Non-Current assets held for sale
Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the following criteria are met:
- management is committed to a plan to sell
- the asset is available for immediate sale
- the sale is highly probable, within 12 months of classification as held for sale (subject to limited exceptions)
- the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value
- actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the group will retain a non-controlling interest in its former subsidiary after sale.

Provisions and contingencies
Provisions are recognised when:
- the Group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision. Provisions are not recognised for future operating losses.

Operating segments
An operating segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those other segments. The Group's primary format for segment reporting is based on geographical segments. Segment results include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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

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

Fair value of investment properties
The directors use their judgement in selecting an appropriate valuation technique for the investment properties. Investment properties are valued using a direct capitalisation method based on assumptions supported, where possible, by observable market prices.

Significant Accounting Policies *Continued*

31 December 2018

Critical accounting judgements and key sources of estimation uncertainty (continued)

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets from investment properties that are measured using the fair value model in IAS 40-Investment Properties, the directors have reviewed that the Group's investment property portfolio and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, the directors have determined that the presumption set out in IAS 12-Income Taxes, that investment properties measured using the fair value model are recovered through sale is not rebutted.

Impairment of investments and assets

The directors have reviewed the investments and assets and considered if any impairment is necessary based on review of net asset value, current market value and discounted cash flows.

Provision for doubtful debt

The Group and Company provides, as doubtful debt, for past due and impaired trade receivables based on estimated irrecoverable amounts determined by reference to past track records and possibilities of recovery in future.

Useful lives and residual values of property, plant and equipment

The Group and Company reviews the estimated useful lives and residual values of property, plant and equipment at the end of each annual reporting period.

Recoverability of intangible asset

The Group and Company acquired an indefinite license to build and operate a hotel in the Central Business District in Gaborone, Botswana. The directors have reviewed the intangible asset for impairment and have concluded that the asset is not impaired.

Related party transactions

Related parties are defined as those parties that:

(a) directly, or indirectly through one or more intermediaries:
   (i) control, are controlled by, or are under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
   (ii) have an interest in the entity that gives them significant influence over the entity; or

(b) are members of the key management personnel of the entity or its parent including close members of the family.

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

Notes to the Financial Statements *Continued*

31 December 2018

		Group		Company	
		2018 P'000	2017 P'000	2018 P'000	2017 P'000
1. Contractual lease rental revenue					
Revenue comprises rental income and service charges recovered from tenants.					
Rental income		127 165	87 217	49 365	48 880
Service charges recovered		16 848	10 145	2 499	2 558
		144 013	**97 362**	**51 864**	**51 438**
2. Profit from operations is stated after taking into account the following:					
Auditor's remuneration	- audit fee	371	364	115	186
	- other services	-	-	-	-
Depreciation		1 352	1 290	49	49
Directors' emoluments (note 21)	- for services as directors	159	159	159	159
Management and administration fee paid to related company (note 21)		5 880	5 860	3 317	3 281
Lease renewal fees paid to related company (note 21)		497	666	370	485
Movement in provision for doubtful debt (note 10)		865	68	526	156
Repairs and maintenance on investment properties		2 841	1 891	1 160	955
Service charges paid to related company (note 21)		3 938	4 643	3 938	4 643
Foreign exchange (gain)/losses	- other	2 579	544	2 605	757
Bargain purchase gain (note 31)		-	631	-	-
3. Investment income					
Interest income:					
- bank		908	5 488	134	5 369
- money market		4 360	3 028	4 265	3 026
- on overdue accounts		246	925	90	165
- on investments		3 883	1 235	3 883	1 235
- related parties and intercompany (note 21)		311	417	9 707	965
- on debentures		-	-	6 450	-
		9 708	11 093	24 529	10 760
Dividends received		1 743	1 163	3 071	7 511
		11 451	**12 256**	**27 600**	**18 271**
4. Finance costs					
Interest payable					
- bank overdraft		987	125	848	-
- related parties (note 21)		214	-	214	-
- long term borrowings		38 611	16 588	9 188	6 240
- other		16	997	-	-
		39 828	**17 710**	**10 250**	**6 240**

5. Income tax expense

		Group		Company	
		2018 P'000	2017 P'000	2018 P'000	2017 P'000
Normal taxation	-current year expense	516	428	-	-
Total normal taxation					
Deferred taxation	-current year (excluding capital gains tax)	3 887	7 526	2 574	2 823
	- capital gains deferred tax	4 058	8 253	(3 438)	3 173
	- prior year under provision	532	(368)	-	(13)
		8 993	**15 838**	**(864)**	**5 983**
Income tax expense comprises:					
Charged to statement of comprehensive income		18 237	22 007	8 380	12 152
Attributable to debenture interest credited to statement of changes in equity		(9 244)	(6 169)	(9 244)	(6 169)
		8 993	**15 838**	**(864)**	**5 983**
The charge for the year can be reconciled to the profit per income statement as follows:					
		%	%	%	%
Tax reconciliation:					
Tax at current rate		22.00	22.00	22.00	22.00
Taxation on debenture interest		(0.87)	-	-	-
Prior year under/(over) provision		0.38	(0.24)	-	(0.01)
Fair value adjustment on investment properties net of deferred capital gains tax		(9.30)	(8.49)	(10.40)	(7.98)
Share of profit from joint venture		(0.06)	(0.66)	-	-
Non-taxable income		(0.24)	1.14	(0.86)	(1.67)
Non-deductible expenses		0.62	-	-	-
Tax losses falling away		-	0.40	-	-
Effect of tax rate differentials		0.38	0.02	-	-
		12.91	**14.17**	**10.74**	**12.34**

6. Property, plant and equipment

Group	Leasehold buildings P'000	Furniture & equipment P'000	Aircraft & vehicles P'000	Total P'000
Cost				
At 1 January 2017	2 248	7 508	2 575	12 331
Additions during the year	22	2	41	65
At 31 December 2017	2 270	7 510	2 616	12 396
Additions during the year	-	1 556	439	1 995
As at 31 December 2018	**2 270**	**9 066**	**3 055**	**14 391**
Accumulated depreciation				
At 1 January 2017	1 267	872	24	2 163
Charge for the year	111	1 131	48	1 290
At 31 December 2017	1 378	2 003	72	3 453
Charge for the year	111	1 133	108	1 352
As at 31 December 2018	**1 489**	**3 136**	**180**	**4 805**
Net book value at 31 December 2018	**781**	**5 930**	**2 875**	**9 586**
Net book value at 31 December 2017	**892**	**5 507**	**2 544**	**8 943**

6. Property, plant and equipment (continued)

Leasehold buildings comprise the following:
A basement parking facility at portion of Lots 1204,1138 and 8897 in Main Mall area in Gaborone, Botswana, constructed on a plot of land leased from Gaborone City Council for a period of 20 years.

Company	Furniture & equipment P'000	Aircraft P'000	Total P'000
At 1 January 2017	202	2 575	2 777
Additions during the year	-	41	41
At 31 December 2017	202	2 616	2 818
Additions during the year	1 546	215	1 761
Disposals during the year	-	-	-
At 31 December 2018	1 748	2 831	4 579
Accumulated depreciation			
At 1 January 2017	199	24	223
Charge for the year	1	48	49
At 31 December 2017	200	72	272
Charge for the year	1	48	49
At 31 December 2018	201	120	321
Net book value at 31 December 2018	1 547	2 711	4 258
Net book value at 31 December 2017	2	2 544	2 546

7. Investments

	Country of incorporation	Share Holding	Group 2018 P'000	Group 2017 P'000	Company 2018 P'000	Company 2017 P'000
At cost:						
Equity investments - Subsidiaries						
RDC Properties International (Proprietary) Limited	Botswana	100%	-	-	1 588	1 588
Lotsane Complex (Proprietary) Limited	Botswana	76.67%	-	-	1 692	1 692
Three Partners Resorts Limited	Botswana	53.75%	-	-	82 281	82 281
			-	**-**	**85 561**	**85 561**
Long term loans - Investments through RDC Properties International (Pty) Limited						
HMS1 Société Anonyme (HMS1)	Madagascar	50%	-	-	29 472	29 460
RDC Properties South Africa (Proprietary) Limited	RSA	100%	-	-	133 271	43 778
RDC Properties Namibia (Proprietary) Limited	Namibia	100%	-	-	4 710	1 106
RDC-KMR Limited	Mauritius	55%	-	-	11 010	4 238
RDC Zimpeto Limited	Mauritius	60%	-	-	6 359	1 737
Rutledge Development LLC	USA	9.4%	37 557	30 784	37 557	30 784
			37 557	**30 784**	**222 379**	**111 103**
Joint Operation						
Propcorp (Proprietary) Limited	Botswana	33%		-	2 187	2 187
			-	-	2 187	2 187
			37 557	**30 784**	**310 127**	**198 851**

7. Investments (continued)

RDC Properties International (Proprietary) Limited is an International Financial Services Centre (IFSC) company registered in Botswana. It has the following 100% held subsidiaries:

- RDC Properties South Africa (Proprietary) Limited, a company registered in South Africa, which in turns owns a 62.99% (2017: 34.85%) controlling stake in Capitalgro (Proprietary) Limited. Capitalgro owns a porfolio of properties in the Western Cape area of South Africa.
- RDC Properties (Namibia) (Proprietary) Limited, a company registered in Namibia, which in turn owns 70.31% of RDC Property Development (Namibia) (Proprietary) Limited, a company registered in Namibia.
- Capitalgro Atlantic 2, LLC, a company registered in the USA, which in turns ownss a 9.4% stake in a company called Rutledge Development, LLC. Rutledge Development, LLC is developing a block of residential apartments in Nashville, Tennessee known as City Lights. The investment provides preferred returns of 25% per annum and is held at amortised cost.

It also has the following other subsidiary companies:

- RDC-KMR Limited, a company registered in Mauritius, holds a 60% stake in Xai-Xai Newco, Lda, a Mozambican company developing a convenience centre in Xai Xai.
- RDC Zimpeto Limited, a company registered in Mauritius, holds a 100% stake in Zimepto Shopping Centre, Lda, a Mozambican company which will develop a convenience centre in Maputo.

RDC Properties International (Proprietary) Limited also owns 50% of HMS1 Société Anonyme (HMS1) registered in Madagascar.The investment of HMS1 is recognised as a joint venture. HMS1 is the owner of the Isalo Rock Lodge property (refer note 28).

Lotsane Complex (Proprietary) Limited is a company registered in Botswana which owns Lot 1707 situated in Palapye.

Three Partners Resorts Limited is a company registered in Botswana and owns Lot 54353 situated in Gaborone at the central business district (CBD).

The long term loan to HMS1 Société Anonyme (HMS1) has no fixed terms of repayment and is interest free.

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

Joint operations

The following amounts are included in the group financial statements as a result of the proportionate consolidation of Propcorp (Proprietary) Limited:

	2018 P'000	2017 P'000
Non-current assets	803	914
Current assets	89	72
Current liabilities	(171)	(71)
Income	132	111
Expenses	(258)	(167)

	Group		Company	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
8. Investment properties				
Freehold land and buildings at fair value	840 292	564 065	333 918	296 687
Leasehold land and buildings at fair value	1 037 962	991 333	401 190	398 271
	1 878 254	1 555 398	735 108	694 958
Straight line rental adjustment	(28 830)	(16 591)	(5 251)	(1 731)
	1 849 424	**1 538 807**	**729 857**	**693 227**
Reconciliation of fair value				
Opening value	**1 538 807**	**1 169 268**	**693 227**	**617 707**
At valuation	1 555 398	1 181 753	694 958	619 803
Straight line rental adjustment	(16 591)	(12 485)	(1 731)	(2 096)
Additions during the year	256 222	29 706	19 078	25 038
Acquisitions during the year	-	244 874	-	-
Foreign currency translation reserve	(237)	11 256	-	-
Transfers to other asset classes	(202)	-	(202)	-
Net increase in fair value	66 836	87 809	21 274	50 117
Straight line rental adjustment included in profit or loss	(12 002)	(1 808)	(3 520)	365
Straight line rental adjustment acquired	-	(2 298)	-	-
Closing balance	**1 849 424**	**1 538 807**	**729 857**	**693 227**

Investment properties are revalued annually by the Board of Directors based on a Direct Capitalisation model. Each property is revalued by independent accredited valuers at least every three years. For 31 December 2018, Lots 2551, 2552, 2558, 2559 and 2560 Gaborone and Erven 39224, 38794, 39215, 39651 and 39037, Tyger Falls Cape Town, have been independently valued by valuers not related to the Group.
The fair value disclosures relating to the investment properties are disclosed in note 27.

The property rental income earned by the group from its investment properties before straight-line adjustment is P144 013 000 (2017: P97 362 000). Direct operating expenses (including repairs and maintenance) arising from investment properties was P35 763 000 (2017: 24 013 000).

Freehold land and buildings comprise the following:

- Lot1124 to 1130, Extension 3, Gaborone, which are encumbered by a first covering mortgage bond of P75 000 000 in favour of BIFM Capital Investment Fund One (Proprietary) Limited and a second covering mortgage bond of P60 000 000 in favour of Botswana Insurance Fund Management Limited (note 17).
- Lot 21306 Phakalane.
- Lots 1116, 1117 and 1840 Extension 3 Gaborone,which are encumbered by a first covering mortgage bond of P25 000 000 in favour of Botswana Insurance Fund Management Limited (note 17).
- Lot 758 Gaborone.
- Consolidated Lot 80055 (previously Lot 2551, 2552, 2559 and 2560) Gaborone, which is encumbered by a first, second and third covering mortgage bond amounting to P30 730 000 in favour of First National Bank of Botswana Limited (note 17).
- Lot 2558 Gaborone, which is encumbered by a first covering mortgage bond of P10 400 000 in favour of First National Bank of Botswana Limited (note 17).
- Erf 1158 Sea Point Cape Town, Erf 13047 Constantia Cape Town, Erf 491 Sea Point Cape Town, Erf 39227 Tyger Valley Cape Town and Erven 39224, 38794, 39215, 39651 and 39037, Tyger Falls Cape Town are encumbured by mortgage bonds in favour of ABSA Bank Limited (note 17).

31 December 2018

8. Investment properties (continued)

Leasehold land and buildings comprise the following:

- Lot 54353, Central Business District which is encumbered by a covering mortgage bond in favour of BIFM Capital Investment Fund One (Proprietary) Limited for P60 000 000 and Barclays Bank of Botswana Limited for P90 000 000 (note 17) and the P5 000 000 bank overdraft facility (note 20),
- Lots 22017 and 22018 Gaborone, which are encumbered by a first covering mortgage bond in favour of African Banking Corporation of Botswana Limited for P12 200 000 (note 17),
- Lot 443, Serowe, which is encumbered by a first mortgage bond in favour of Botswana Building Society for P216 800,
- Lot 679 Serowe,
- Lot 914 Kasane which is encumbered by a mortgage bond in favour of First National Bank of Botswana Limited for P1 500 000 (note 20), -Lot 208 Maun,
- Lot 10211- 234-KO, Gaborone,
- Lot 194, Maun, which is encumbered by a mortgage bond in favour of National Development Bank for P780 000,
- Lots 680 and 292, Serowe, which are encumbered by a mortgage bond in favour of National Development Bank for P2 460 000,
- Lots 3761, 5422 and 5423, Jwaneng,
- Lot 617, Molepolole,
- Lots 50668 and 50669, Fairgrounds Gaborone,
- Lots 50369 which is encumbered by a first mortgage bond in favour of First National Bank of Botswana Limited for P8 000 000 (note 17).
- Lot 1707, Palapye,
- Lease Area No. 4-AO, Kasane.

Mortgages with Bankers, against which no obligation existed as at 31 December 2018:
Mortgages on the below mentioned properties were registered as security for loans in prior years. As at the 31 December 2018, the loans were fully repaid and therefore the facilities could be cancelled:

Property	Value of mortgages with no liability 2018 P	Value of mortgages with no liability 2017 P
Lot 443, Serowe	216 800	216 800
Lot 194, Maun	780 000	780 000
Lots 680 and 292, Serowe	2 460 000	2 460 000
Lot 914, Kasane	1 500 000	1 500 000
Lot 50369, Gaborone	8 000 000	-
	12 956 800	4 956 800

31 December 2018

	Group		Company	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
9. Intangible asset				
Licence allowing right of usage	1 000	1 000	-	-

The Group acquired an indefinite licence to build and operate a hotel in the Central Business District in Gaborone, Botswana.
The license acquired does not expire nor does it get renewed perodically. The directors have determined this to be an indifinite intangible asset.
The hotel was completed and started operations during 2012. The directors have reviewed the intangible asset for impairment and have concluded that the asset is not impaired.

10. Trade and other receivables				
Trade receivables	20 943	18 577	9 042	7 509
Allowance for doubtful debts	(6 102)	(5 237)	(3 555)	(3 029)
	14 841	13 340	5 487	4 480
Value added tax	1 115	11	-	11
Prepayment	657	592	309	334
Forward exchange contract receivable	-	1 037	-	1 037
Other receivables	3 725	3 377	1 128	996
Related parties:				
RDC Properties International (Proprietary) Limited	-	-	8 317	-
Italtswana Construction Company (Proprietary) Limited	-	-	-	-
Chobe Marina Lodge (Proprietary) Limited	2 723	3 685	2 723	3 685
Scenic Adventures (Proprietary) Limited	1	-	1	-
Three Partners Resorts Limited	-	-	2 150	12
Antya Investments (Proprietary) Limited	5	-	-	-
Yuagong (Proprietary) Limited	314	2 565	-	2 359
Natural Mystik (Proprietary) Limited	73	75	-	2
Propcorp (Proprietary) Limited	-	-	1	1
Lotsane Complex (Proprietary) Limited	-	-	1	-
	23 454	**24 682**	**20 117**	**2 917**
Short-term portion	22 886	24 551	20 117	2 917
Long-term portion	568	130	-	-
	23 454	**24 681**	**20 117**	**12 917**

All amounts are short-term, unless indicated otherwise. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

All of the Group's trade and other receivables in the comparative periods have been reviewed for indicators of impairment. The impaired trade receivables are due from tenants of the Group's various investment properties that are experiencing financial difficulties where the debt is unlikely to be recovered. In calculating, the Group uses its historical experience to calculate the expected credit losses on an individual basis. The above comparative for impairment provisions refers to the IAS 39 measurement basis which applied an incurred loss model, whereas the current year applies IFRS 9 which is an expected loss model.

The tables below include disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses.

Notes to the Financial Statements *Continued*

31 December 2018

10.Trade and other receivables (continued)

	Current	30 days	60 days	90 days	120 days and more	Total
2018			GROUP - P'000s			
Expected credit loss rate	0.4%	1%	2%	5%	42%	
Gross carrying amount	2 744	1 465	1 429	1 038	14 267	20 943
Lifetime expected credit loss	12	8	22	47	6 013	6 102
2018			COMPANY - P'000s			
Expected credit loss rate	0.4%	1%	2%	5%	54%	
Gross carrying amount	1 078	724	497	265	6 478	9 043
Lifetime expected credit loss	4	5	8	12	3 526	3 555
2017			GROUP - P'000s			
Expected credit loss rate	0.4%	1%	2%	5%	42%	
Gross carrying amount	2 720	1 176	1 796	568	12 318	18 578
Lifetime expected credit loss	12	6	27	26	5 166	5 237
2017			COMPANY - P'000s			
Expected credit loss rate	0.4%	1%	2%	5%	59%	
Gross carrying amount	799	597	793	219	5 101	7 509
Lifetime expected credit loss	3	3	12	10	3 001	3 029

	Group		Company	
	2018 P'000	**2017 P'000**	**2018 P'000**	**2017 P'000**
Movement in allowance for doubtful debts				
Loss allowance as at 1 January calculated under IAS 39	5 237	5 169	3 029	2 873
Amounts restated through opening accumulated profits	-	-	-	-
Opening loss allowance as at 1 January 2018	5 237	5 169	3 029	2 873
Loss allowance movement	865	68	526	156
Loss allowance as at 31 December	**6 102**	**5 237**	**3 555**	**3,029**

No other financial assets have been reclassified in the annual financial statements from that which was presented previously under IAS 39.

11. Cash and cash equivalents

Bank balances	15 168	38 843	705	34 817
Money Market	60 375	71 671	60 375	67 186
	75 543	**110 514**	**61 080**	**102 003**

12. Stated capital

Issued and fully paid

Opening balance 347 547 222 (2016: 347 547 222) ordinary shares	318 983	318 983	318 983	318 983
Capitalisation issue 3 435 063 (2017: 0) ordinary shares	5 873	-	5 873	-
Closing balance 350 982 285 (2017: 347 547 222) ordinary shares	**324 856**	**318 983**	**324 856**	**318 983**

13. Debentures

Opening balance 347 547 222 (2016: 347 547 222) debentures	111 215	111 215	111 215	111 215
Capitalisation issue 3 435 063 (2017: 0) debentures	1 099	-	1 099	-
Closing balance 350 982 285 (2017: 347 547 222) debentures	**112 314**	**111 215**	**112 314**	**111 215**

14. Accumulated profits

Arising from operations	33 450	4 880	56 854	48 281
Arising from revaluation of investment properties	621 431	558 653	382 486	357 774
	654 881	**563 533**	**439 340**	**406 055**

	Group		Company	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
15. Debenture interest and dividend reserve				
Debenture interest	20 451	15 875	20 451	15 875
Dividends	3 180	5 675	3 180	5 675
	23 631	**21 550**	**23 631**	**21 550**

Distributions to linked Unit holders are primarily in the form of debenture interest. The distribution made bi-annually varies with the operating performance of the Group and Company.

Debenture interest				
Interim paid - 6.206 (2017: 3.500) thebe	21 569	12 164	21 569	12 164
Interim declared - 4.430 (2017: 3.161) thebe	15 549	10 986	15 549	10 986
Final proposed - 1.397 (2017: 1.407) thebe	4 902	4 889	4 902	4 889
	42 020	**28 039**	**42 020**	**28 039**
Dividends:				
Interim paid - 0.124 (2017: 0.070) thebe	431	241	431	241
Interim declared - 0.878 (2017: 1.604) thebe	3 082	5 575	3 082	5 575
Final proposed - 0.028 (2017: 0.029) thebe	98	100	98	100
	3 611	**5 916**	**3 611**	**5 916**

On 12 December 2018 a second interim distribution was declared. The distribution is payable on 26 April 2019.
At year end the final debenture interest and dividends per linked unit have been proposed and will be submitted for formal approval at the forthcoming Annual General Meeting. The amounts are included in the debenture interest and dividend reserve.

16. Non-controlling interests				
Opening balance	268 452	177 559	-	-
Subsidiary acquired during the year	-	70 166	-	-
Increase in controlling shareholding of subsidiary	(26 734)	-	-	-
Foreign currency translation reserve	-	3 570	-	-
Share of profit for the year	27 200	22 203	-	-
Dividends for the year	(11 262)	(5 046)	-	-
Dividends relating to prior period	-	-	-	-
Closing balance	**257 656**	**268 452**	**-**	**-**
17.Long term borrowings				
African Banking Corporation of Botswana Limited	9 056	10 359	9 056	10 359
Less: current portion	(1 371)	(1 245)	(1 371)	(1 245)
	7 685	**9 114**	**7 685**	**9 114**

The amount represents the portion of capital drawn down from the loan facility of P12 200 000 as at the reporting date plus accrued interest. Interest accrues at prime minus 1.5%. Capital and interest are repaid in 105 equal instalments effective 30 April 2016. The loan is secured as indicated in note 8.

First National Bank of Botswana Limited	27 519	8 849	27 519	8 849
Less : current portion	(4 715)	(2 312)	(4 715)	(2 312)
	22 804	**6 537**	**22 804**	**6 537**

The amount represent one existing loan of RDC Properties Limited and one new loan which was taken during the year which are repayable in monthly instalments of P191 361 and P292, 950. In the current year two loans were fully repaid. The two remaining loans bear interest a rate of prime minus 1.50% and prime rate respectively. They are secured as per note 8.

	Group		Company	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
17.Long term borrowings (continued)				
Barclays Bank of Botswana Limited	37 718	52 553	-	-
Less : current portion	(14 047)	(15 186)	-	-
	23 671	**37 367**	**-**	**-**
The amount represents two loans taken by Three Partners Resorts Limited bearing interest at a rate of prime minus 2.75%, repayable in 120 monthly instalments of P1 069 661, and at a rate of prime plus 1% repayable in 60 equal instalments of P283,869.				
The loan is secured as indicated in note 8.				
BIFM Capital Investment Fund One (Proprietary) Limited	191 869	156 869	126 928	91 928
Less : current portion	(3 439)	(3 439)	(1 928)	(1 928)
	188 430	**153 430**	**125 000**	**90 000**
These loans represent subscription of Promissory Notes for RDC Properties Limited and Three Partners Resort Limited at fixed interest rates of 10.20% 9.45% and 8% respectively compounded semi annually. Due dates of interest payments are payable semi-annually on 31 March, 30 June, 30 September and 31 December of each year. The redemption dates are from 2030 to 2035 for RDC Properties Limited and from 2025 to 2034 for Three Partners Resorts Limited. The loans are secured as per note 8.				
LGT Bank Limited	3 242	-	3 242	-
Less : current portion	(3 242)	-	(3 242)	-
	-	-	-	-
During the current year RDC Properties took a USD300 000 loan with LGT Bank Limited. The loan is at an interest rate of 4.48%. The capital plus interest are payable in September 2019.				
Loan from KMR Projectos Lda	8 178	-	-	-
Loan from JHK Investimentos Lda	3 735	-	-	-
Loans related to subsidiary Capitalgro (Proprietary) Limited - all denominated in Rands				
The Standard Bank of South Africa Limited	-	124 642	-	-
ABSA Bank Limited	251 147			
Capital growth due to non-controlling interests	3 952	2 720	-	-
Shareholders for shares and loans not issued yet	-	4 486	-	-
Less: current portion	-	(14 671)	-	-
	255 099	**117 177**	**-**	**-**
The Standard Bank of South Africa Limited loans consist of: Mortgage bond Facility A which bears interest at prime minus 1%: 9.25%. Mortgage bond Facility B which bears interest at prime minus 1%: 9.25%. Mortgage bond Facility C which bears interest at prime minus 1.1%: 9.15%. The mortgage bonds are secured as per note 8.				
Capital growth due to non-controlling interests related to Capitalgro (Proprietary) Limited B class shareholders who are entitled to 10% growth on the fair value gain of the Capitalgro (Proprietary) Limited investment property.				
Long term portion of borrowings	**509 602**	**323 625**	**155 489**	**105 651**
Current portion of borrowings	**26 814**	**36 853**	**11 256**	**5 485**

		Group		Company	
		2018 P'000	2017 P'000	2018 P'000	2017 P'000
18.Deferred tax liabilities					
Temporary differences arising on:					
Plant and equipment		342	198	506	274
Investment properties	-capital allowances claimed to date	37 601	35 385	13 516	12 610
	-capital gains tax on fair value	79 769	75 718	28 732	32 170
Capital gains tax on fair value gains on available-for-sale investments		194	63	-	-
Unrealised gains		573	167	573	167
Deferred income		1 092	272	1 126	272
Tax losses		(828)	(818)	(177)	(353)
		118 743	**110 985**	**44 276**	**45 140**
Reconciliation of movement					
Opening balance		110 985	86 537	45 140	39 157
Acquisition of a subsidiary		-	8 477	-	-
Foreign currency translation reserve		(719)	561	-	-
Charge to profit or loss	- current year (excluding capital gains tax)	3 887	7 526	2 574	2 823
	- capital gains tax on fair value of investment property	4 058	8 252	(3 438)	3 173
	- prior year adjustment	532	(368)	-	(13)
Closing balance		**118 743**	**110 985**	**44 276**	**45 140**

Tax losses

The tax losses if unutilised will fall away as follows:

Financial year	Group P'000	Company P'000
2022	805	805
2023	280	-
	1 085	**805**

The director's have evaluated the profitability trends of the Group and Company and have determined that at the current level operations, the Group and Company will make adequate taxable profits in the future for which the the assessed losses will be utilised before they expire. As at 31 December 2018, subsidiary company RDC Properties International (Pty) Ltd, an IFSC company, has incurred taxable losses in the amount of P8,207,000. Presently, this company is an investment holding company. Dividend income is exempt from tax and interest earned is set-off against interest expense incurred.

	Group		Company	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
19.Trade and other payables				
Trade payables	19 375	18 898	9 349	8 730
Advance rental received	7 170	5 249	3 862	3 243
VAT payable	2 184	781	690	-
Other payables	9 820	565	4 354	248
Related parties:				
Property and Asset Management Limited	2 224	1 103	2 185	1 076
Italtswana Construction Company (Proprietary) Limited	14	41	14	41
RDC Properties International (Proprietary) Limited	-	-	486	755
Chobe Financial Corporation	312	339	312	339
David & Dorcas Magang Family Trust	312	315	312	315
Lotsane Complex (Proprietary) Limited	-	-	-	16
Three Partners Resorts Limited	-	-	19	-
	41 411	**27 291**	**21 583**	**14 763**

The average credit period is 30 days for trade payables.
The directors believe the fair value of the trade and other payables approximate their carrying amounts.

	Group		Company	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
20. Bank facilities				
In addition to the loans described in note 17, the Group has the following banking facilities, secured as per note 8:				
Stanbic Bank Botswana Limited				
A bank overdraft totalling P20 000 000. The unused facility is P3 675 000 (2017: Pnil)	16 325	-	16 325	-
Barclays Bank of Botswana Limited				
A bank overdraft totalling P5 000 000. The unused facility is P1 184 000 (2017: P2 444 000)	3 816	2 556	-	-
Bank overdraft	**20 141**	**2 556**	**16 325**	**-**
21. Related party transactions				
All related parties in addition to those listed in note 7 and the directors of the company are companies with common shareholding and control except for the David & Dorcas Magang Family Trust which is a related party through a director of the Company. Receivables relating to related parties are disclosed in note 10. Payables relating to related parties are disclosed in note 19. The following trading transactions were carried out with related parties.				
Interest income (note 3)				
Yuagong (Proprietary) Limited	(42)	(417)	(42)	(417)
RDC Properties South Africa (Proprietary) Limited	-	-	(13 549)	(548)
	(42)	**(417)**	**(13 591)**	**(965)**
Finance costs (note 4)				
Italtswana Construction Company (Proprietary) Limited	214	-	214	-
	214	-	214	-
Property and Asset Management Limited				
- management and administration (note 2)	5 880	5 860	3 317	3 281
- lease renewal fees (note 2)	497	666	370	485
- service charges (note 2)	**3 938**	**4 643**	**3 938**	**4 643**
Management and administration fees are calculated on a fixed percentage of net rental income after taking bad debts into consideration.				
Lease renewal fees are calculated on a commercial basis.				
Service charges are calculated as a fixed percentage of the market capitalisation of the Group on the last trading day of the month.				
All related party transactions are at arms length.				
Construction costs capitalised to Investment Property				
Italtswana Construction Company (Proprietary) Limited	9 800	18 726	9 800	18 726
Directors' emoluments				
- for services as directors (note 2)	159	159	159	159

31 December 2018

22. Operating lease arrangements

The company and Group as lessor
Operating leases receivable by the company as a lessor relate to the investment properties owned by the company with lease terms between 1 and 15 years.

The property rental income earned by the group from its investment properties before straight-line adjustment is P144 013 000 (2017: P97 362 000).

At the statement of financial position date, the group had contracted with tenants for the following future minimum lease payments:

	Group		Company	
	2018 P'000	**2017 P'000**	**2018 P'000**	**2017 P'000**
Within one year	98 843	92 761	24 311	19 479
In the second to fifth years inclusive	224 686	334 748	42 506	47 149
After five years	127 596	162 426	3 640	5 416
	451 125	**589 935**	**70 457**	**72 044**

23. Capital commitments

Authorised and contracted	-	111 930	-	103 415
Authorised but not contracted	282 398	-	115 000	-
	282 398	**111 930**	**115 000**	**103 415**

The Board of Directors of the company have approved the following projects for which contracts which at the reporting date had not yet been signed: 1). The proposed construction of Retirement Homes in Tlokweng, Botswana (estimated P115 million) 2). The acquisition of a turnkey hotel in Johannesburg, South Africa in February 2021 (equity investment of R195 million). 3) The development of a mixed use commercial building in Cape Town, South Africa (equity investment of R30 million). The projects will be funded through cash resources and borrowings.

24. Contingent liabilities

RDC Properties Limited has given a corporate guarantee of P47 700 000 in favour of Barclays Bank of Botswana Limited and a Deed of Cession of Rentals dated 03 November 2010 over Plot 54353 Gaborone.

25. Segmental reporting

The Group's primary business activities are concentrated in the segment of property rentals and are predominantly concentrated within the geographical region of Botswana and the Group is expanding into the Region. The geographical segmental information is outlined below.

	GROUP (P'000s)						
	Botswana	**South Africa**	**Namibia**	**Mozambique**	**USA**	**Madagascar**	**Total**
31 December 2018							
SEGMENT ASSETS							
Investments	-	-	-	-	37 557	-	37 557
Investment properties	1 343 090	506 373	3 006	25 785	-	-	1 878 254
Investment in a joint venture	-	-	-	-	-	30 951	30 951
Available-for-sale investments carried at fair value	11 924	2 126	-	-	-	-	14 050
Trade and other receivables	15 632	1 143	977	5 703	-	-	23 455
Current tax assets	3 397	-	-	5	-	-	3 402
Cash and cash equivalents	61 859	10 900	1 140	1 644	-	-	75 543
Total segment assets	**1 435 902**	**520 542**	**5 123**	**33 137**	**37 557**	**30 951**	**2 063 212**
Property, plant and equipment							9 586
Intangible asset							1 000
Consolidated total assets							**2 073 798**

Notes to the Financial Statements *Continued*

31 December 2018

25.Segmental reporting (continued)

	GROUP (P'000s)						
	Botswana	South Africa	Namibia	Mozambique	USA	Madagascar	Total
31 December 2018							
SEGMENT LIABILITIES							
Trade and other payables	27 745	12 263	936	467	-	-	41 411
Current tax liabilities	493	15	-	-	-	-	508
Borrowings	269 404	255 099	-	11 913	-	-	536 416
Deferred Tax Liabilities	102 045	16 698	-	-	-	-	118 743
Total segment liabilities	**399 687**	**284 075**	**936**	**12 380**	**-**	**-**	**697 078**
Bank overdraft							20 141
Consolidated total liabilities							**717 219**

	Botswana	South Africa	Namibia	Mozambique	USA	Madagascar	Total
31 December 2017							
SEGMENT ASSETS							
Investments	-	-	-	-	30 784	-	30 784
Investment properties	1 282 369	267 378	1 133	4 518	-	-	1 555 398
Investment in a joint venture	-	-	-	-	-	30 353	30 353
Available-for-sale investments carried at fair value	13 838	3 742	-	-	-	-	17 580
Trade and other receivables	23 715	815	142	9	-	-	24 681
Current tax assets	2 671	-	-	-	-	-	2 671
Cash and cash equivalents	102 955	5 997	134	1 428	-	-	110 514
Total segment assets	**1 425 548**	**277 932**	**1 409**	**5 955**	**30 784**	**30 353**	**1 771 981**
Property plant and equipment							8 943
Intangible asset							1 000
Consolidated total assets							**1 781 924**

	Botswana	South Africa	Namibia	Mozambique	USA	Madagascar	Total
31 December 2017							
SEGMENT LIABILITIES							
Trade and other payables	18 287	8 442	319	143	99	-	27 290
Current tax liabilities	132	-	-	-	-	-	132
Borrowings	228 631	131 847	-	-	-	-	360 478
Deferred Tax Liabilities	100 218	10 767	-	-	-	-	110 985
Total segment liabilities	**347 268**	**151 056**	**319**	**143**	**99**	**-**	**498 885**
Bank overdraft							2 556
Consolidated total liabilities							**501 441**

	Botswana	South Africa	Namibia	Mozambique	USA	Madagascar	Total
31 December 2018							
SEGMENT REVENUES AND RESULTS							
Contractual lease rental revenue	95 454	48 559	-	-	-	-	144 013
Operating expenses	(29 348)	(15 099)	(138)	(365)	(208)	-	(45 158)
Income arising from joint venture (net of forex gains)	-	-	-	-	-	463	463
Other foreign exchange gains/(losses)	2 285	(48)	286	56	-	-	2 579
Other operating income	954	-	-	-	-	-	954
Surplus arising on revaluation of properties	41 601	25 235	-	-	-	-	66 836
Investment income	6 116	1 148	102	202	3 883	-	11 451
Finance costs	(18 506)	(20 926)	-	(396)	-	-	(39 828)
Total for continuing operations	**98 556**	**38 869**	**250**	**(503)**	**3 675**	**463**	**141 310**
Profit before tax							**141 310**

31 December 2018

25.Segmental reporting (continued)

	GROUP (P'000s)						
	Botswana	South Africa	Namibia	Mozambique	USA	Madagascar	Total
31 December 2017							
SEGMENT REVENUES AND RESULTS							
Contractual lease rental revenue	94 198	3 164	-	-	-	-	97 362
Operating expenses	(28 107)	(1 901)	(28)	(270)	(99)	-	(30 405)
Income arising from joint venture (net of forex gains)	-	-	-	-	-	4 674	4 674
Other foreign exchange gains/(losses)	522	17	5	-	-	-	544
Other operating income	60	665	-	-	-	-	725
Surplus arising on revaluation of properties	76 561	11 248	-	-	-	-	87 809
Investment income	10 683	338	-	-	1 235	-	12 256
Finance costs	(15 291)	(2 405)	(14)	-	-	-	(17 710)
Total for continuing operations	**138 626**	**11 126**	**(37)**	**(270)**	**1 136**	**4 674**	**155 255**
Profit before tax							**155 255**

26.Financial risk management

		Group		Company	
		2018 P'000	2017 P'000	2018 P'000	2017 P'000
Categories of financial instruments					
Financial assets					
Fair value through profit and loss					
Investments		51 607	48 364	322 051	212 689
Loans and receivables					
Trade and other receivables		21 609	24 004	11 489	12 569
Cash and cash equivalents		75 543	110 514	61,080	102 003
Financial liabilities at amortised cost					
Long term borrowings	- at floating interest rate	340 595	200 889	39 817	19 208
Long term borrowings	- at fixed interest rate	191 869	156 869	126 928	91 928
Trade and other payables		32 057	21 261	17 031	11 520
Bank overdraft		20 141	2 556	16 325	-
		584 662	**381 575**	**200 101**	**122 656**

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

Currency risk

The Group undertakes transactions denominated in foreign currencies, South African Rand, Euro and US dollar. Consequently, exposures to exchange rate fluctuations arise. Financial instruments that are sensitive to currency risks are mainly trade receivables, Group loans to foreign operations and cash and cash equivalents.

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 1% increase and 1% decrease in the Pula against the relevant foreign currencies.
1% is the sensitivity rate used when reporting foreign currency risk internally to the board and represents the board's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 1% change in foreign currency rates. The sensitivity analysis includes receivables from tenants who are billed in a currency other than the functional of the Group.
A 1% strengthening of the Pula would decrease the profit and equity and a 1% weakening of the Pula would have an equal but opposite effect on the profit and equity.

United States Dollar	2 118	1 544	2 080	-

31 December 2018

26.Financial risk management (continued)

Capital risk

The Group manages its capital to ensure that entities in the group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the group consists of debt, which includes the long term borrowings disclosed in note 17, cash and cash equivalents and equity attributable to equity holders of the parent company comprising stated capital, debentures and accumulated profits as disclosed in notes 12, 13 and 14 respectively.

Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the statements of financial position are net of allowances for lifetime expected credit losses estimated by management based on prior experience and the current economic environment. Refer to note 10.

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

Liquidity risk

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

Interest rate risk

Interest rate risk is the possible loss in the value resulting from an unexpected and adverse movement in interest rates. Entities in the Group are exposed to interest rate risk because they borrow funds at both the fixed and floating interest rates. The Group entities manage interest rate risk maintaining an appropriate mix between fixed and floating rate borrowings and by basing the interest rate on financial assets and liabilities around the prime lending rate. Financial instruments that are sensitive to interest rate risks, comprise bank balances, loans and advances, related party balances and long term borrowings.

Interest rate sensitivity analysis

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

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

Group **31 December 2018**	**Amount of asset/(liability) P'000**	**Change in interest rate %**	**"Increase/(decrease) in profit before tax" P'000**
Financial assets			
Related party receivables	-	0.50	-
Cash and cash equivalents	75 543	0.50	378
Financial liabilities			
Long term borrowings at floating interest rate	(340 595)	0.50	(1,703)
Bank overdraft	(20 141)	0.50	(101)
			(1 426)
31 December 2017			
Financial assets			
Related party receivables	2 359	0.50	12
Cash and cash equivalents	110 514	0.50	553
Financial liabilities			
Long term borrowings - at floating interest rate	(200 889)	0.50	(1,004)
Bank overdraft	(2 556)	0.50	(13)
			(452)

26. Financial risk management (continued)

Interest rate risk (continued)

Company	Amount of asset/(liability) P'000	Change in interest rate %	"Increase/(decrease) in profit before tax" P'000
31 December 2018			
Financial assets			
Related party receivables	-	0.50	-
Cash and bank balances	61 080	0.50	305
Financial liabilities			
Long term borrowings - at floating interest rate	(39 817)	0.50	(199)
Bank overdraft	(16 325)	0.50	(82)
			24
31 December 2018			
Financial liabilities			
Related party receivables	-	0.50	-
Cash and bank balances	102 003	0.50	510
Fair values of financial instruments			
Long term borrowings - at floating interest rate	(19 208)	0.50	(96)
Bank overdraft	-	0.50	-
			414

The fair values of financial instruments approximates their carrying values. There are no financial instruments that are measured subsequent to initial recognition at fair value.

27. Fair value measurement

Assets measured at fair value

Some of the Group\s financial assets are measured at fair value at the end of each reporting period. Below is the information about how fair values in the financial assets are determined (in particular, the valuation techniques and inputs used).

	Group		Company	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
Recurring measurement at the end of the reporting period				
Investment properties	1 849 424	1 538 807	729 857	693 227
Reconciliation of fair value measurements categorised within Level 3 of fair value hierarchy				
Investment properties				
Opening value	1 538 807	1169 268	693 227	617 707
Total gains for the period included in profit or loss (after straight line adjustment)	54 834	86 001	17 754	50 482
Additions, acquisitions and transfers	255 783	283 538	18 876	25 038
Closing balance	**1 849 424**	**1 538 807**	**729 857**	**693 227**

	Group		Company	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
27.Fair value measurement (continued)				
Reconciliation of fair value measurements categorised within Level 3 of fair value hierarchy (continued)				
Gains and losses arising from the fair valuation of the investment properties are shown as a separate line in the statement of comprehensive income as follows:				
Total gains for the period included in profit or loss (after straight line adjustment)	54 834	86 001	17 754	50 482
Available for sale investments	14 050	17 580	11 924	13 838
Reconciliation of fair value measurements categorised within Level 1 of fair value hierarchy				
Available for sale investments				
Opening value	17 580	14 415	13 838	11 145
Additions	(1 423)	5 146	-	4 951
Total gains for the period included in other comprehensive income	(2 107)	(1 981)	(1 914)	(2 258)
Closing balance	**14 050**	**17 580**	**11 924**	**13 838**

Quantitative information about fair value measurements using the key inputs

	Fair value at 31 December 2018	Fair value hierarchy	Valuation technique	Key inputs	Range
Group					
Investment properties	1 849 424	Level 3	Direct capitalisation	Capitalisation rate	8%-12%
Available for sale investments	14 050	Level 1	Quoted prices	Quoted prices in active markets	-
Company					
Investment properties	729 857	Level 3	Direct capitalisation	Capitalisation rate	8%-12%
Available for sale investments	11 924	Level 1	Quoted prices	Quoted prices in active markets	-
31 December 2017					
Group					
Investment properties	1 538 807	Level 3	Direct capitalisation	Capitalisation rate	8%-12%
Available for sale investments	17 580	Level 1	Quoted prices	Quoted prices in active markets	-
Company					
Investment properties	693 227	Level 3	Direct capitalisation	Capitalisation rate	8%-12%
Available for sale investments	13 838	Level 1	Quoted prices	Quoted prices in active markets	-

27.Fair value measurement (continued)

Valuation process of investment properties
IInvestment properties are revalued annually by the Board of Directors based on a Direct Capitalisation model. Each property is revalued by independent accredited valuers at least every three years.

For 31 December 2018, Lots 2551, 2552, 2558, 2559 and 2560 Gaborone and Erven 39224, 38794, 39215, 39651 and 39037, Tyger Falls Cape Town, have been independently valued by valuers not related to the Group.

Information about the sensitivity to changes in unobservable inputs
The significant unobservable inputs used in the fair value measurement of the investment properties are the capitalisation rates. Significant increases / (decreases) in the capitalisation rates would result in significantly lower/(higher) fair value measurement. The changes to capitalisation rates are dependant on various market factors including location of properties, interest rates, length of leases and quality of tenants.

28. Investment in a joint venture

Details of the Group's investment in a joint venture at the end of the reporting period is as follows:

Name of joint venture	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the Group	
			2018	2017
HMS1 Société Anonyme (HMS1)	Operating a lodge known as Isalo Rock lodge	Madagascar	50%	50%

The above joint venture is accounted for using the equity method in these financial statements.

Summarised information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRS (adjusted by the Group for equity accounting purposes).

Summarised statement of financial position

	2018 P'000	2017 P'000
Current		
Cash and cash equivalents	703	751
Financial assets (excluding cash)	7 611	7 105
Other current assets	-	-
Total current assets	**8 314**	**7 856**
Current portion of long term borrowings	-	-
Other current liabilities (including trade and other payables)	(7 241)	(7 058)
Total current liabilities	**(7 241)**	**(7 058)**
Non-current		
Investment property	60 922	61 260
Intangible Asset	11	21
Deferred tax asset	1 969	1 597
Total non-current assets	**60 902**	**62 878**
Long term borrowings	(2 073)	(2 970)
Total financial liabilities	(2 073)	(2 970)
Net assets	**61 902**	**60 706**

28. Investment in a joint venture (continued)

	2018 P'000	2017 P'000
Summarised statement of comprehensive income		
Revenue	1 579	1 406
Surplus arising on revaluation of investment property	-	10 617
Operating costs	(1 042)	(1 355)
Other operating income	297	9
Net foreign exchange (loss)/gains	34	56
Profit from operations	**868**	**10 733**
Finance costs	(271)	(399)
Profit before taxation	**597**	**10 334**
Income tax credit/(expense)	330	(985)
Profit for the year	**927**	**9 349**
Group's profit for the year	**464**	**4 675**
Reconciliation of summarised financial information		
Reconciliation of the above summarised financial information to the carrying amount of the interest in joint venture recognised in the consolidated financial statements:		
Summarised financial information		
Opening net assets	60 707	52 867
Profit for the year	926	9 349
Contributions received	25	1 594
Foreign exchange differences	243	(3 104)
Closing net assets	**61 902**	**60 706**
Interest in joint venture	50%	50%
Carrying amount of the Group's interest in the joint venture	**30 951**	**30 353**

	Group		Company	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
29.Tax Paid				
Opening balance	2 539	1 369	2 616	1 262
Current tax expense	(516)	(428)	-	-
Closing balance	2 895	2 539	3 429	2 616
Tax paid	**(872)**	**(1 598)**	**(813)**	**(1 354)**
30.Available-for-sale investment carried at fair value				
Ordinary shares in listed companies	14 050	17 580	11 924	13 838
Opening balance	17 580	14 415	13 838	11 145
(Disposals)/Investments during the year	(1 423)	5 146	-	4 951
Fair value (losses)/gains	(2 107)	(1 981)	(1 914)	(2 258)
Closing balance	**14 050**	**17 580**	**11 924**	**13 838**

The Group holds investments in Letshego Holdings Limited, a financial services provider listed on the Botswana Stock Exchange and in Spear Real Estate Investment Trust Limited, a property REIT listed on the AltX, on the JSE.

	Group		Company	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
31. Business Combinations				
Acquisition of Capitalgro (Proprietary) Limited on 15 November 2017:				
On 15 November 2017 the Group acquired a 34.85% controlling stake in Capitalgro (Proprietary) Limited, a portfolio of commercial and retail properties based in Cape Town, South Africa .				
Purchase consideration:				
Cash paid	-	38 561	-	-
	-	**38 561**	**-**	**-**
The assets and liabilities recognised as a result of the acquisition are as follows:				
Investment properties	-	244 874	-	-
Trade and other receivables	-	728	-	-
Cash and cash equivalents	-	517	-	-
Long term borrowings	-	(120 939)	-	-
Deferred tax liabilities	-	(8 477)	-	-
Trade and other payables	-	(7 344)	-	-
Net identifiable assets acquired	**-**	**109 359**	**-**	**-**
Non-controlling interests	-	(70 166)	-	-
Bargain purchase gain	-	(631)	-	-
	-	**38 562**	**-**	**-**

32. Events after the reporting period

Subsequent to year end, RDC Properties Limited entered into a P15 million loan agreement with First National Bank of Botswana Limited. The loan is repayable over 10 years at Botswana prime interest rate. The loan is secured as by:

- a first, second and third covering mortgage bond amounting to P30 730 000 over consolidated Lot 80055 (previously Lot 2551, 2552, 2559 and 2560) Gaborone in favour of First National Bank of Botswana Limited as disclosed in note 8.

- a first covering mortgage bond amounting to P10 400 000 over Lot 2558 Gaborone, in favour of First National Bank of Botswana Limited as disclosed in note 8.

Notice of Meeting

Notice is hereby given that the Twenty Third Annual General Meeting of the Company will be held at the RDC Offices, Realestate Office Park Plot 5624, Broadhurst Industrial Sites, Gaborone on 23 May 2018 at 14:30 hrs for the following business.

Agenda

1. To read the notice convening the meeting.

Ordinary resolutions

2. To receive, consider and approve the Annual Report in respect of the year ended 31 December 2018.
3. To receive, consider and adopt the Audited Financial Statements for the year ended 31 December 2018.
4. To approve the distribution as recommended by the directors.
5. To approve the payment of P141,500 for directors' emoluments (fees and expenses) for the year ended 31 December 2018.
6. To elect Mr. Guido R. Giachetti who retires by rotation in terms of Article 17.1 of the Constitution and being eligible offers himself for re-election. Refer to page 16 for his biographical information and summary curriculum vitae.
7. To elect Mr. Keith R. Jefferis by rotation in terms of Article 17.1 of the Constitution and being eligible offers herself for re-election. Refer to page 16 for his biographical information and summary curriculum vitae.
8. To elect Mr. Andrew Bradley by rotation in terms of Article 17.1 of the Constitution and being eligible offers herself for re-election. Refer to page 16 for his biographical information and summary curriculum vitae.
9. To approve the remuneration of the Auditors for the year ended 31 December 2018.
10. To appoint Auditors for the ensuing year.
11. To take questions posed by shareholders to the director and management.

A member entitled to attend and vote may appoint a proxy to attend and vote for him/her on his/her behalf, and such proxy need not also be a member of the Company. The instrument appointing such a proxy must be deposited at the registered office of the Company not less than 48 hours before the meeting i.e. before 14:30 hrs on Monday 21st May 2019.

By Order of the Board
PricewaterhouseCoopers (Pty) Ltd
Secretaries
26 April 2019
Registered Office
Plot 50371 Fairground Office Park
PO Box 294
Gaborone

Form of Proxy

The Twenty Third Annual General Meeting of members to be held on 23 May 2019 at 14:30 hrs at the RDC Offices, Realestate Office Park, Plot 5624, Broadhurst Industrial Sites Gaborone.

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

.....of.....or failing that person the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the said Annual General Meeting of the Company

and vote as follows on the resolution to be proposed at the meeting

Ordinary Business	For	Against	Abstain
Ordinary Resolution No. 1 (Agenda item 2)			
Ordinary Resolution No. 2 (Agenda item 3)			
Ordinary Resolution No. 3 (Agenda item 4)			
Ordinary Resolution No. 4 (Agenda item 5)			
Ordinary Resolution No. 5 (Agenda item 6)			
Ordinary Resolution No. 6 (Agenda item 7)			
Ordinary Resolution No. 7 (Agenda item 8)			
Ordinary Resolution No. 8 (Agenda item 9)			
Ordinary Resolution No. 9 (Agenda item 10)			

In the event any instruction in respect of any resolution is left blank is unclear, the proxy will vote as he/she deems fit.

A member entitled to attend and vote may appoint a proxy to attend and vote for him/her on his/her, behalf and such proxy need not also be a member of the Company. The instrument appointing such a proxy must be deposited at the registered office of the Company not less than 48 hours before the meeting i.e. before 14.30hrs on Tuesday 21st May 2019.

Signed this.....day

of.....2019

Signature.....


masa
SQUARE HOTEL


Standard Chartered House

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

Market capitalisation
The ordinary share price of RDC Properties Limited ("RDCP" or the "company") at close of business on 31 December 2018 was P2.22, giving a market capitalisation of P779,180,672.70

P.O. Box 405391 Gaborone Botswana
Tel: 267 390 1654 Fax: 267 397 3441
Email: rdc@rdc.bw
www.rdcbw.com

Investor relations
Registered Office Investors requiring further information on the group are invited to contact:
Mr. G. Mori
RDC Properties Limited,
Plot 5624, Lejara Road
Broadhurst Industrial
Gaborone, Botswana

Annual General Meeting
The Annual General Meeting ("AGM") of the company will take place at the RDC Offices - Realestate Office Park, Lejara Road, on Thursday 23 May 2019 at 14:30 hrs. The notice of meeting is being sent along with this Annual Report.

Electronic communications
Unit holders are informed that RDCP has received formal approval by the Botswana Stock Exchange to distribute all shareholder communication electronically except where documents are specifically requested in written form.