# FARMERS HOUSE PLC

CENTRAL

PARK

# ANNUAL REPORT
# 2004

# ANNUAL REPORT 2004 - CONTENTS

## Notice is hereby given that the Twenty-second Annual General Meeting of Farmers House PLC will take place at Farmers House, Central Park, Cairo Road, Lusaka on Tuesday 29th June 2004 at 10:00 Hrs

## AGENDA

1) To read the Notice of the Meeting.

2) To read and approve the minutes of the Twentieth-first Annual General Meeting held on 26th June 2003.

3) To consider any matters arising from these minutes.

4) To receive the Report of the Directors, the Auditors Report and the Financial Statements for the year ended 31st March 2004.

5) To appoint Auditors for the ensuing year and to authorise the Directors to fix their remuneration.

6) To elect Directors to fill any vacancies. In terms of the Articles Mr. R. Daya, Mr. M.C. Galaun and Mr. K.H. Makala retire. Mr. R. Daya and Mr. K.H. Makala, being eligible, offer themselves for re-election.

7) To approve the Directors remuneration.

8) To declare a Final Dividend. The proposed Final Dividend of K35 per share, if approved, will be declared payable to members registered in the books of the company on close of business on 28th June 2004. Warrants in payment will be posted for payment on or about 31st August 2004. The transfer books and register of members will be closed from 28th June 2004 – 7th July 2004 (both dates inclusive).

9) To consider any competent business of which due notice has been given.

**BY ORDER OF THE BOARD**

**R.P.S. MILLER - Managing Director**

**Articles of Association**

**Article 16.1**
"A member entitled to attend and vote is entitled to appoint a proxy, who need not also be a member, to attend and vote instead of him." Proxies must be lodged at the registered office of the company at least 48 hours before the time fixed for the meeting.

**Article 23.5**
"No person other than a Director retiring at the meeting shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting, unless not less than 21 days before the date appointed for the meeting there has been left at the registered office notice in writing signed by a member (not being the person to be proposed) duly qualified to attend and vote at the meeting, of his intention to propose the person for election, and a notice in writing signed by that person of his willingness to be elected."

**Minutes of the Twenty-first Annual General Meeting of Farmers House PLC held at Central Park, Farmers House Cairo Road, Lusaka on Thursday 26th June 2003 at 10:00 hours.**

| | | |
|---|---|---|
| **Present:** | Mr. R.D. Frost | Chairman |
| | Mr. R.P.S. Miller | Managing Director |
| | Mr. R. Daya | Director |
| | Mr. M.C. Galaun | Director |
| | Mr. A.R.B. Landless | Director |
| | Mr. K.H. Makala | Director |
| | Mr. I.T.S. Miller | Director |
| | Mr. T.T. Mushibwe | Director |
| **In Attendance:** | Mr. S. Maitra | Grant Thornton |
| | Mr. A.L. Francis | Grant Thornton |
| | Mr. R. Minyoni | Grant Thornton |
| | Mr. C. Barr | Minerva Property Management Co. |
| | Mr. N.K. Venugopalan | City Investments Ltd. |
| | Ms. P. d'Elbee | Self |
| | Mr. S.C. Mubano | Intermarket Securities |
| | Ms. R. Shah | Pangaea / EMI Securities |
| | Mr. C. Siwale | Pangaea / EMI Securities |
| | Mr. A.C. Njawaya | Intermarket Securities / IDH |
| | Mr. K. Miller | City Investments |
| **Preference Share Holders** | Mrs. P. d'Elbee | Self |
| | Mrs. M.A. Miller | Self |
| | Mr. Matengu Kamwi | Self |
| **Shareholders** | Mr. S. Ngulube | 24th October Farming |
| | Mr. F. Mumba. | Self |
| | Mr. Matengu Kamwi | Self |
| | Mr. C.P. Youngson | Self |
| | Mr. L. Chingambo | Self |
| | Mr. B.E. Bouchard | Pangaea / EMI Securities |
| | Mr. C.B. Musambachime | Self |
| | Mr. P. Frost | Associated Printers & Bataleur Investment |
| **Proxies:** | City Investments Ltd | I.T.S. Miller |
| | M.T. Miller & Son | I.T.S. Miller |
| | Ms. P. Cornhill | R.P.S. Miller |

**1.0 To read the Notice of the Meeting**

**1.01** The Chairman declared the meeting open at 10:05 hours and welcomed the Shareholders, Directors, Mr. Sujit N. Maitra (Auditor) and Mr. A.L. Francis (Transfer Secretary) to the Twenty First A.G.M. and called on the Managing Director to read the notice of the meeting.

**2.0 To read and approve the Minutes of the Twentieth Annual General Meeting held on 25th June 2002**

**2.01** There being no corrections, the minutes were **unanimously approved** on the proposal of Mr. I.T.S. Miller and seconded by Mr. B.E. Bouchard. The Chairman signed the minutes.

**3.0 To consider any matters arising from these minutes**

**3.01** There were no matters arising from the minutes of the Twentieth Annual General Meeting. The Chairman proceeded to the next item on the agenda.

**4.0 To receive the Report of the Directors, the Auditors Report and the Financial Statements for the year ended 31st March 2003.**

**4.01.1 The Directors' Report**

**4.01.2** The Chairman read the Directors' Report as presented in the Farmer's House Annual Report 2003 and drew attention to the increase in turnover by 45% to K3.56 billion as at 31st March 2003. Mr. R.D. Frost tabled the report to the AGM for discussion.

**4.01.3** Mr. C.P. Youngson asked why the dividend declared is not reflected in the current Accounts. Mr. R.P.S. Miller confirmed that the full dividend for 2002 and the interim dividend for 2003 have been included in the Accounts. Mr. R.P.S. Miller explained that in accordance with international accounting standards the final dividend declared for the current year would be reflected in the Financial Statements for the year ending 31st March 2004.

**4.01.4** As there were no further questions from the shareholders, the Directors' Report was **unanimously approved** on the proposal of Mr. S. Ngulube; seconded by Mr. P. Frost.

**4.02.01 The Auditors Report and the Financial Statements**

**4.02.02** Mr. S.N. Maitra read the Auditors Report to the shareholders and drew attention to the financial statements, and reported on the increase in profit of 112% before finance costs from **K742 million** (2002) to **K1,575 million** in 2003.

**4.02.03** Mr. P. Frost sought clarification on the taxation in the Accounts. Mr. S.N. Maitra explained that the taxation relates to deferred tax liabilities.

**4.02.04** Mr. C.P. Youngson questioned the quantum of the directors' fees as opposed to the depreciation charge for the year. Mr. R.P.S. Miller explained the increase from K268,344,000 (2002) to K339,021,000 (2003) as being partly due to the devaluation of the Kwacha by 23% and the increased workload. The Chairman informed the shareholders that the Farmers House PLC Directors or its committees need to meet a number of times to make the right decisions on the development programme at Central Park. Mr. Youngson gave further clarification that he was not questioning the level of directors' fees but rather the difference between the charge for depreciation and directors' fees. Mr. R.P.S. Miller therefore explained that the charge for depreciation is very low because the company's assets are treated as investment properties and no charge for depreciation is made. Mr. R.P.S. Miller referred the meeting to note 7 and 8 in the Balance Sheet. Mr. Youngson expressed satisfaction with this explanation.

**4.02.05** Mr. P. Frost sought clarification on the shareholders returns, which he estimated at 8%. In response, Mr. R.P.S Miller referred the shareholders to the returns on investments and servicing of finance costs as presented in the Cash Flow Statement in the Accounts. Mr. R.P.S. Miller explained that it is important to bear in mind that as with all development, finance costs are incurred prior to returns being generated from that investment. Mr. R.P.S. Miller also highlighted the fact that the company has secured foreign exchange debt from which potential exchange losses may arise in future years.

**4.02.06** Mrs. P. D'Elbee asked in terms of timing for completion of construction how prudent is the Board's decision on financing. Mr. R.P.S. Miller confirmed that the Board has applied prudence in analysing its investment decisions. Mr. R.D. Frost believed that this conservative analysis has been approved by the Board and provides support to a positive return being achieved on the company's investments.

**4.02.07** There being no further questions the Financial Statements for the year ended 31st March 2003 were **unanimously approved** on the proposal of Mrs. P. D'Elbee, seconded by Mr. S. Ngulube and the Chairman thanked Mr. S. Maitra for the report.

**4.02.08** The Chairman informed the shareholders that at the time of printing the Annual Report and thereafter other developments were taking place. The Chairman provided an update for the shareholders notice as follows: -

- Farmers House PLC has been in discussion on securing a financing package for the construction of Phase VI of the Company's development plans – a new building to be established next to the Cairo Road Bridge.
- Farmers House PLC has successfully completed negotiations on a financing package of $2.6 million from Stanbic Bank.
- Velos Enterprises have been awarded the contract to construct the building.
- Launching of the Phase VI project takes place at 12:00 hours on 26/06/2003 and all present are invited. Short speeches will be made by the Hon. Deputy Minister of Finance, the Managing Director of Stanbic and the Chairman of Farmers House PLC.

**5.00** **To appoint Auditors for the ensuing year and to authorise the Directors to fix their remuneration.**

**5.01** On permission from the Chairman, Mr. R.P.S. Miller proposed that Grant Thornton continue as Auditors. Mr. A.R.B. Landless seconded the motion. Grant Thornton was **unanimously approved** as Auditors for the ensuing year and the Directors were authorised to fix their remuneration.

**6.00** **To elect Directors to fill any vacancies. In terms of the Articles Mr. K.H. Makala, Mr. L.T.S. Miller and Mr. T.T. Mushibwe retire but being eligible offer themselves for re-election**

**6.01.1** The Chairman thanked the retiring Directors for their valuable support and input to management on behalf of the shareholders and proceeded to call for nominations from the floor.

**6.01.2** **Nominations were tabled as follows:**

Mr. K.H. Makala
Mr. L.T.S. Miller
Mr. T.T. Mushibwe

ALL nominated by Mrs. M.A. Miller; seconded by A.R.B. Landless

**6.01.3** As there were no further nominations or objections to the above three nominations, the Chairman thanked the shareholders and confirmed them as **duly elected** members of the Board.

**7.0 To approve the Directors' remuneration**

**7.01** The Directors' remuneration as stated in the Annual Report was **unanimously approved** on the proposal of Mr. C.P. Youngson and seconded by Mr. P. Frost.

**8.0 To declare a Final Dividend. The proposed Final Dividend of K20 per share, if approved, will be declared payable to members registered in the books of the company on close of business on 25th June 2003. Warrants in payment will be posted for payment on or about 30th July 2003. The transfer books and register of members will be closed from 25th June 2002 – 2nd July 2003 (both dates inclusive)**

**8.01** The Final Dividend of K20.00 per share having been recommended by the Board was **unanimously approved** on the proposal of Mrs. P. D'Elbee and seconded by Mr. Kamwi Matengu.

**9.0 To consider any competent business of which due notice has been given.**

**9.01** There being no further notice of any competent business the Chairman thanked the shareholders for their attendance and declared the meeting closed at 11:10 hours.

**Chairman:** ____________________ **Date:** ____________

## COMPANY INFORMATION

**REGISTERED OFFICE:**

Farmers House, Stand 2713
Cairo Road
P O Box 30012, Lusaka, Zambia
Telephone 227722

| DIRECTORS | ALTERNATES |
|---|---|
| R.D. Frost (Chairman) | P.M. d'Elbee |
| R.P.S. Miller (Managing Director) | A.T.S. Miller |
| M.C. Galaun | K.C. Parakh |
| A.R.B. Landless | G.N.H. Robinson |
| I.T.S. Miller | M.A. Miller (Mrs) |
| R. Daya | N.M. Lacey |
| T.T. Mushibwe | N.H.C. Chiromo |
| K.H. Makala | C.S. Makala |

**TRANSFER SECRETARIES**

Grant Thornton Associates Limited
P O Box 30885
**Lusaka**

**SOLICITORS**

Sharpe & Howard
P O Box 32587
**Lusaka**

**AUDITORS**

Grant Thornton
P O Box 30885
**Lusaka**

**BANKERS**

Standard Chartered Bank (Z) Limited
Main Branch
P O Box 32238
**Lusaka**

Stanbic Bank (Z) Limited
Main Branch
P.O. Box 32238
**Lusaka**

## DIRECTORS' REPORT

It is my pleasure to present the Directors' report for the year ended 31st March 2004.

### Financial Results

In the year under review, I am pleased to announce that the income of the company has increased by 26% to over K4.50 billion (31st March 2003 – K3.56 billion). This represents a real increase in income due to good performance, as we are pleased to note that exchange rates during the year have been relatively stable. The company recorded a 52% increase in profit from operations of K920 million (31 March 2003 – K607 million), following a charge for depreciation of K418 million (2003 – K422 million) on new plant, equipment, furniture and fittings added to the Cairo Road properties. The company has also incurred its first year's charge for interest on a loan from Stanbic Bank Zambia Limited of $2,000,000. We are pleased to report that this was the first property development loan extended by a Bank in Zambia. This loan interest coupled with the coupon interest on the preference shares has resulted in a charge of K1.34 billion in this year's profit and loss account. The Cairo Road redevelopments have resulted in an increase in the Total Asset Value of the group to K38.14 billion at 31 March 2004 from K33.50 billion at 31 March 2003, an increase of K4.64 billion. The company's ordinary shares traded during the latter half of the year at a price in the K1,000 range. The valuation of your company on a net asset basis is currently K1,851 per ordinary share. This represents a rather significant discount of approximately 46% to the net asset value of the company.

### International Accounting Standards

The Zambia Institute of Chartered Accountants has recently adopted all the existing International Accounting Standards. As a result, in order to conform to best international accounting practise, you will note that the financial statements as presented are drawn up under these standards. This has required various adjustments, mainly of a presentational nature, to the financial statements. In particular, in adopting IAS 40, investment properties are carried at market value in the balance sheet. Although the company had been applying this policy, movements in fair value are now accounted for through the profit and loss account, rather than to a revaluation reserve, as in previous years. Therefore, opening net investment properties revaluation reserve has been reclassified as revenue reserve, and the 2003 revaluation of K2.43 billion has been restated to the 2003 profit and loss account. I refer you to the operating profits for each year for comparative purposes. Operating profit for the year has increased from K607 million in 2003 to K921 million this year, whereas profit before taxation, as restated, shows a reduction from K3.08 billion in 2003 to K921 million in 2004.

### Final Dividend

Notwithstanding the continued development efforts underway by the company the Board has recommended a final dividend of K35 per share. This final dividend, if approved, is a further demonstration of the financial performance of the company, its solid current and projected earnings basis and the strength of its balance sheet. I remind shareholders of the continuing development projects underway, and the lag between current efforts and future reward. As these developments are complete and the financing required to construct existing buildings is paid down, I look forward to improved returns in the future.

### Central Park: Cairo Road Site – Phase I - V: Completed & Fully Let

I am pleased to report that Central Park has firmly established itself as the premier Office Park address in downtown Lusaka. The Business Park is fully let and the overall design and landscaping of the centre has added some much needed visual appeal to Cairo Road.

**DIRECTORS' REPORT (CONTINUED)**

**Central Park: Cairo Road – Phase VI – Construction under way**

As reported last year, I indicated that the development of this building would begin in the year under review. It is a pleasure to follow the construction of this flagship building, which is due for completion in the second quarter of the new financial year. An artist's impression of the development is provided in this Annual Report.

**Central Park: Cairo Road – Phase VII**

As reported previously, the Board is considering the actual timing of the development of a further building on the Grosvenor Court site. An artist's impression of the development is also provided in this Annual Report.

**Minerva Property Management Company Limited**

Minerva continues to manage the company's properties and has secured various other property administration contracts. Minerva has been responsible for the Phase VI project management, and fulfils project administration functions on other third-party property developments. I am pleased to report that this company is trading profitably.

**Board Meetings**

The Board has met five (5) times during the year and continues to direct the company's affairs in a prudent manner. During the year the Audit Committee and the Executive Committee of directors met regularly and were extremely busy overseeing the operational and financial affairs of the company.

Mr. R. Daya, Mr. M.C. Galaun and Mr. A.R.B. Landless are retiring from the Board at the Annual General Meeting. Mr. Daya and Mr. Landless being eligible, offer themselves for re-election. It is with regret that I announce that Mr. Michael Galaun has decided that he will not seek re-election at the Annual General Meeting. Michael has served on the board for many years; he has acted as Chairman of the Executive Committee and has always performed his duties in a diligent manner. We wish him all the best in pursuing his many other business interests.

## DIRECTORS' REPORT (CONTINUED)

### Directors' Interest

| Name of Director | Beneficial | Non Beneficial |
|---|---|---|
| R.D. Frost | - | 539,572 |
| R. Daya | - | - |
| M.C. Galaun | 110,857 | - |
| A.R.B. Landless | - | 83,577 |
| K.H. Makala | - | - |
| I.T.S. Miller | - | 1,312,431 |
| R.P.S. Miller | - | - |
| T.T. Mushibwe | - | - |

Contracts in which directors have an interest are as follows:

Farmers House PLC holds an administration contract with City Investments Limited, of which R.P.S. Miller is the Managing Director and Mr. I.T.S. Miller is a Director.

Farmers House PLC holds a property administration contract with Minerva Property Development Company Limited, in which City Investments Limited is a shareholder.

Farmers House PLC holds an independent financial advisory contract with Pangaea/EMI Securities Limited, in which M.C. Galaun is a shareholder.

### Unissued Share Capital

In terms of a resolution of members, the unissued 40,000,479 (31 March 2003 - 40,100,479) ordinary shares of the company at 31 March 2004 are under control of the directors subject to authorisation of an annual general meeting. Of the unissued shares, 300,000 shares (31 March 2003 – 300,000) were held in reserve to be issued in terms of the Farmers House Executive Share Incentive Scheme.

*Farmers House Executive Share Incentive Scheme*

| | Ordinary Shares |
|---|---|
| Options granted at the beginning of the year | 200,000 |
| Options granted during the year | - |
| Options exercised during the year | - |
| Options lapsed during the year | - |
| Options granted at the end of the year | 100,000 |
| Options exercisable at the end of the year | 300,000 |

The interests of the directors relate to options to acquire 300,000 ordinary shares by the Managing Director, Mr. R.P.S. Miller. Options granted in previous years await registration of those shares by the relevant government authority to enable them to be exercised.

**DIRECTORS' REPORT (CONTINUED)**

**Unissued Share Capital (continued)**

In the year under review, as part of the re-appointment of Mr. R.P.S. Miller as Managing Director, the Executive Share Incentive Scheme has been replaced by an Incentive Scheme that directly relates to the financial performance of the company.

**Five Year Financial Summary**

| **Year ended 31 March** | **2004**<br>**K'000** | **2003**<br>**K'000** | **2002**<br>**K'000** | **2001**<br>**K'000** | **2000**<br>**K'000** |
|---|---|---|---|---|---|
| Income | 4,941,821 | 3,923,077 | 2,451,722 | 1,750,224 | 1,564,172 |
| Expenditure | (4,036,635) | (3,315,923) | (2,101,488) | (1,359,275) | (683,472) |
| Profit Before Exceptional Items | 920,695 | 607,154 | 350,234 | 390,949 | 880,700 |
| Exceptional items | - | - | 1,054,650 | (132,412) | (168,121) |
| Gains from fair value adjustment of investment properties | - | 2,426,895 | 1,225,417 | 674,390 | 1,120,000 |
| Profit Before Tax | 920,695 | 3,034,049 | 2,630,301 | 932,927 | 1,832,579 |
| Taxation | 92,357 | 23,842 | (791) | (124,155) | (147,949) |
| Profit After Tax | 1,013,052 | 3,057,891 | 2,629,510 | 808,772 | 1,684,630 |
| Dividends Paid/Proposed | (538,973) | (471,976) | - | (146,993) | (215,589) |
| Fixed Assets | 8,596,443 | 4,208,771 | 7,095,608 | 1,756,624 | 10,320 |
| Investment Property | 25,511,352 | 25,309,253 | 12,596,000 | 11,612,000 | 9,826,195 |
| Investments | 1,740 | 1,740 | 1,740 | 1,460 | 110 |
| Other Long Term Assets | - | - | 212,912 | 895,299 | 528,061 |
| Current Assets | 4,030,419 | 3,980,617 | 9,549,985 | 3,221,365 | 1,342,046 |
| Current Liabilities | 2,080,925 | 2,760,766 | 2,331,558 | 2,281,130 | 427,857 |
| Net Current Assets | 1,949,494 | 1,219,851 | 7,218,427 | 940,235 | 914,189 |
| Shareholders Funds | 18,962,832 | 18,488,753 | 15,902,838 | 11,940,178 | 11,278,399 |
| Long Term Indebtedness | 16,312,999 | 10,392,508 | 9,939,478 | 3,035,000 | - |
| Other Long Term Liabilities | 783,198 | 1,689,659 | 1,076,071 | - | - |
| Deferred Taxation | - | 168,695 | 206,300 | 230,440 | 476 |

**R.D. Frost**
**Chairman**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that year. In preparing such financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1994. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board of directors confirm that in their opinion

(a) the financial statements give a true and fair view of the state of affairs of the company and the group at 31 March 2003 and of the profit and cash flows of the group for the year then ended;

(b) at the date of this statement there were reasonable grounds to believe that the company and the group will be able to pay its debts as and when these fall due; and

(c) the financial statements are drawn up in accordance with applicable accounting standards.

This statement is made in accordance with a resolution of the directors.

Signed at **Lusaka** on 1st June 2004

**T.T. Mushibwe**
**DIRECTOR**

**R.P.S. Miller**
**DIRECTOR**

**REPORT OF THE AUDITORS TO THE MEMBERS OF FARMERS HOUSE PLC**

We have audited the financial statements on pages 14 to 35.

**Respective responsibilities of directors and auditors**

As described on page 7 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**Basis of opinion**

We conducted our audit in accordance with Auditing Standards. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 March 2003 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1994 and, the accounting and other records and registers have been properly kept in accordance with the Act.

Grant Thornton

**Chartered Accountants**

**Sujit N Maitra**
**Partner**

**Lusaka**

**Date** 01 JUN 2004

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**
**FOR THE YEAR ENDED 31 MARCH 2004**

| | Note | 2004<br>K'000 | 2003<br>K'000<br>(Restated) |
|---|---|---|---|
| **Revenue** | 3 | 4,504,521 | 3,564,283 |
| **Other operating income** | | 437,300 | 358,794 |
| **Depreciation** | | (418,824) | (422,140) |
| **Other operating expenses** | | (2,258,604) | (1,925,415) |
| **Profit before finance cost** | | 2,264,393 | 1,575,522 |
| **Finance cost** | 4 | (587,304) | (285,265) |
| **Coupon interest on preferred stock** | | (756,394) | (683,103) |
| **Operating profit** | | 920,695 | 607,154 |
| **Gains from fair value adjustment of investment properties** | | - | 2,426,895 |
| **Profit before taxation** | 5 | 920,695 | 3,034,049 |
| **Taxation** | 6(a) | 92,357 | 23,842 |
| **Profit after taxation** | | 1,013,052 | 3,057,891 |
| **Number of ordinary shares in issue (thousands)** | | 9,900 | 9,900 |
| **Weighted average number of ordinary shares in issue (thousands)** | | 9,900 | 9,900 |
| **Basic/diluted earnings per share (Kwacha)** | 7 | 102.33 | 308.88 |

**STATEMENT OF CHANGES IN EQUITY - GROUP**
**FOR THE YEAR ENDED 31 MARCH 2004**

| | Share capital K'000 | Share premium K'000 | Retained profits K'000 (Restated) | Total K'000 (Restated) |
|---|---|---|---|---|
| At 1 April 2002 | | | | |
| As previously reported | 9,900 | 22,650 | 14,644,871 | 14,677,421 |
| Correction in relation to IAS40 (note 8) | - | - | 1,225,417 | 1,225,417 |
| As restated | 9,900 | 22,650 | 15,870,288 | 15,902,838 |
| Profit for the year | - | - | 3,057,891 | 3,057,891 |
| Dividends proposed | - | - | (471,976) | (471,976) |
| At 31 March 2003 | 9,900 | 22,650 | 18,456,203 | 18,488,753 |
| At 1 April 2003 | | | | |
| As previously reported | 9,900 | 22,650 | 16,029,308 | 16,061,858 |
| Correction in relation to IAS40 (note 8) | - | - | 2,426,895 | 2,426,895 |
| As restated | 9,900 | 22,650 | 18,456,203 | 18,488,753 |
| Profit for the year | - | - | 1,013,052 | 1,013,052 |
| Dividends paid | - | - | (195,990) | (195,990) |
| Proposed dividends | - | - | (342,983) | (342,983) |
| At 31 March 2004 | 9,900 | 22,650 | 18,930,282 | 18,962,832 |

**International Accounting Standard 40 – Investment Properties**

During the year, the company adopted IAS 40 - Investment Properties. The standard requires that movements in fair value are now accounted for through the profit and loss account, and, as a result, opening net Investment Revaluation Reserves have been reclassified as Revenue Reserves. Furthermore, the Profit and Loss Account for the year ended 31st March 2003 has been restated to reflect the fair value adjustment of investment properties that was previously made against revaluation reserve in that year.

**STATEMENT OF CHANGES IN EQUITY - COMPANY**
**FOR THE YEAR ENDED 31 MARCH 2004**

| | Share capital K'000 | Share premium K'000 | Retained profits K'000 (Restated) | Total K'000 (Restated) |
|---|---|---|---|---|
| At 1 April 2002 | | | | |
| As previously reported | 9,900 | 22,650 | 13,987,126 | 14,019,676 |
| Correction in relation to IAS40 (note 8) | - | - | 1,225,417 | 1,225,417 |
| As restated | 9,900 | 22,650 | 15,212,543 | 15,245,093 |
| Profit for the year | - | - | 3,075,229 | 3,075,229 |
| Dividends proposed | - | - | (471,976) | (471,976) |
| At 31 March 2003 | 9,900 | 22,560 | 17,815,796 | 17,848,346 |
| At 1 April 2003 | | | | |
| As previously reported | 9,900 | 22,650 | 15,388,901 | 15,421,451 |
| Correction in relation to IAS40 (note 8) | - | - | 2,426,895 | 2,426,895 |
| As restated | 9,900 | 22,650 | 17,815,796 | 17,848,346 |
| Profit for the year | - | - | 1,019,794 | 1,019,794 |
| Dividends paid | - | - | (195,990) | (195,990) |
| Proposed dividends | - | - | (342,983) | (342,983) |
| At 31 March 2004 | 9,900 | 22,650 | 18,296,617 | 18,329,167 |

**International Accounting Standard 40 – Investment Properties**

During the year, the company adopted IAS 40 - Investment Properties. The standard requires that movements in fair value are now accounted for through the profit and loss account, and, as a result, opening net Investment Revaluation Reserves have been reclassified as Revenue Reserves. Furthermore, the Profit and Loss Account for the year ended 31st March 2003 has been restated to reflect the fair value adjustment of investment properties that was previously made against revaluation reserve in that year.

## CONSOLIDATED BALANCE SHEET - 31 MARCH 2004

| | Note | 2004 K'000 | 2003 K'000 (Restated) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non current assets** | | | |
| Fixed assets | 9 | 8,596,443 | 4,208,771 |
| Investment properties | 10 | 25,511,352 | 25,309,253 |
| Investments | 11 | 1,740 | 1,740 |
| | | 34,109,535 | 29,519,764 |
| **Current assets** | | | |
| Debtors and other receivables | 12 | 1,043,358 | 1,112,298 |
| Short term deposits | 13 | 2,370,877 | 1,014,435 |
| Bank balances and cash | | 535,663 | 1,701,791 |
| Taxation recoverable | | 80,521 | 152,093 |
| | | 4,030,419 | 3,980,617 |
| **Total assets** | | 38,139,954 | 33,500,381 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital | 14 | 9,900 | 9,900 |
| Share premium | | 22,650 | 22,650 |
| Retained profits | | 18,930,282 | 18,456,203 |
| | | 18,962,832 | 18,488,753 |
| **Non – current liabilities** | | | |
| Corporate bonds | 15 | 1,370,783 | 2,684,475 |
| Convertible redeemable cumulative preferred stock | 16 | 7,708,618 | 7,708,033 |
| Interest bearing borrowings | 17 | 7,233,598 | - |
| Obligations under finance leases | 18 | 650,874 | 1,396,816 |
| Deferred income | 19 | 132,324 | 292,843 |
| Deferred taxation | 6(b) | - | 168,695 |
| | | 17,096,197 | 12,250,862 |
| **Current liabilities** | | | |
| Creditors and other payables | 20 | 1,737,484 | 2,641,784 |
| Bank overdraft | | 458 | 59,872 |
| Dividends payable | | 342,983 | 59,110 |
| | | 2,080,925 | 2,760,766 |
| **Total equity and liabilities** | | 38,139,954 | 33,500,381 |

The financial statements on pages 14 to 35 were approved by the Board of Directors on 27th May 2004 and were signed on its behalf by:

**R.P.S. Miller**
**MANAGING DIRECTOR**

**T.T. Mushibwe**
**DIRECTOR**

## COMPANY BALANCE SHEET - 31 MARCH 2004

| | Note | 2004 K'000 | 2003 K'000 (Restated) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non current assets** | | | |
| Property, plant and equipment | 9 | 8,596,443 | 4,208,771 |
| Investment properties | 10 | 25,511,352 | 25,309,253 |
| Investments | 11 | 3,740 | 3,740 |
| | | 34,111,535 | 29,521,764 |
| **Current assets** | | | |
| Debtors and other receivables | 12 | 1,043,358 | 1,112,298 |
| Short term deposits | 13 | 2,370,877 | 1,014,435 |
| Bank balances and cash | | 535,663 | 1,701,791 |
| Taxation recoverable | | 80,521 | 152,093 |
| | | 4,030,419 | 3,980,617 |
| **Total assets** | | 38,141,954 | 33,502,381 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital | 14 | 9,900 | 9,900 |
| Share premium | | 22,650 | 22,650 |
| Retained profits | | 18,296,617 | 17,815,796 |
| | | 18,329,167 | 17,848,346 |
| **Non – current liabilities** | | | |
| Corporate bonds | 15 | 1,370,783 | 2,684,475 |
| Convertible redeemable cumulative preferred stock | 16 | 7,708,618 | 7,708,033 |
| Interest-bearing borrowings | 17 | 7,233,598 | - |
| Obligations under finance leases | 18 | 650,874 | 1,396,816 |
| Deferred income | 19 | 132,324 | 292,843 |
| Deferred taxation | 6(b) | - | 168,695 |
| | | 17,096,197 | 12,250,862 |
| **Current liabilities** | | | |
| Creditors and other payables | 20 | 2,373,149 | 3,284,191 |
| Bank overdraft | | 458 | 59,872 |
| Dividends payable | | 342,983 | 59,110 |
| | | 2,716,590 | 3,403,173 |
| **Total equity and liabilities** | | 38,141,954 | 33,502,381 |

The financial statements on pages 14 to 35 were approved by the Board of Directors on 27th May 2004
and were signed on its behalf by:

**R.P.S. Miller**
**MANAGING DIRECTOR**

**T.T. Mushibwe**
**DIRECTOR**

# Central Park Layout - Cairo Road, Lusaka, Zambia


# Existing Buildings - Phases I to V


## Architectural Details - Phases I to V



Proposed Building Phase VI

Proposed Building Phase VII

**CONSOLIDATED CASH FLOW STATEMENT**
**FOR THE YEAR ENDED 31 MARCH 2004**

| | 2004<br>K'000 | 2003<br>K'000<br>(Restated) |
|---|---|---|
| **Net cash inflow from operating activities** | | |
| Profit before taxation | 920,695 | 3,034,049 |
| Profit on sale of fixed assets | (290,214) | (170,627) |
| Gains from fair value adjustment of investment properties | - | (2,426,895) |
| Finance charges | 587,304 | 285,267 |
| Coupon interest on preferred stock | 756,394 | 683,103 |
| Interest received | (33,454) | (46,447) |
| Depreciation | 418,824 | 422,140 |
| Decrease in debtors and other receivables | 68,940 | 443,449 |
| (Decrease)/increase in creditors and other payables | (86,905) | 190,339 |
| Increase in deferred income | - | 275,172 |
| **Net cash inflow from operating activities** | 2,341,584 | 2,706,888 |
| | | |
| **Returns on investments and servicing of finance** | | |
| Finance charges | (587,304) | (285,267) |
| Coupon interest on preferred stock | (756,394) | (683,101) |
| Interest receivable | 33,454 | 46,447 |
| Dividends paid | (94,915) | (466,475) |
| **Net cash outflow on returns on investments and servicing of finance** | (1,405,159) | (1,388,398) |
| | | |
| **Taxation** | | |
| Income tax paid | (4,766) | (18,306) |
| | | |
| **Investing activities** | | |
| Payments to acquire tangible fixed assets | (4,806,496) | (2,824,172) |
| Payments on investment properties | (202,099) | (6,529,787) |
| Long term loans and debtors recovered | - | 334,355 |
| Proceeds from sale of fixed assets | - | 1,702,926 |
| **Net cash outflow on investing activities** | (5,008,595) | (7,316,678) |
| | | |
| **Net cash outflow before financing carried forward** | (4,076,936) | (6,016,494) |

**CONSOLIDATED CASH FLOW STATEMENT**
**FOR THE YEAR ENDED 31 MARCH 2004 (CONTINUED)**

| | 2004<br>K'000 | 2003<br>K'000<br>(Restated) |
|---|---|---|
| **Net cash outflow before financing brought forward** | (4,076,936) | (6,016,494) |
| **Financing** | | |
| Issue of preference shares | 585 | 154,140 |
| Increase in corporate bonds | (1,313,692) | 298,890 |
| Long term loan obtained | 7,233,598 | - |
| Finance lease obtained | - | 2,106,515 |
| Finance lease repaid | (1,593,827) | (914,485) |
| **Net cash inflow from financing** | 4,326,664 | 1,645,060 |
| **Increase/(decrease) in cash and cash equivalents** | 249,728 | (4,371,434) |
| **Cash and cash equivalents at 1 April 2003** | 2,656,354 | 7,027,788 |
| **Cash and cash equivalents at 31 March 2004** | 2,906,082 | 2,656,354 |

**Represented by:**

| | 2004<br>K'000 | 2003<br>K'000 |
|---|---|---|
| Bank balances and cash | 535,663 | 1,701,791 |
| Short term deposits | 2,370,877 | 1,014,435 |
| Bank overdraft | (458) | (59,872) |
| | 2,906,082 | 2,656,354 |

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2004**

1. **Principal activity**
The group's principal activity is that of investment in real property.

2. **Accounting Policies**
As in previous years, the financial statements are prepared in accordance with the historical cost convention as modified by the inclusion of investment properties at a valuation, and comply with applicable International Accounting Standards. The following is a summary of the more important accounting policies used by the group :-

(a) **Basis of consolidation**
The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary company made up to the end of the financial year. The results of subsidiary acquired or disposed of during the year are included in the consolidated profit and loss account from the date of its acquisition or up to the date of its disposal. Intra-group transactions and profits are eliminated fully on consolidation.

(b) **Revenue recognition**
(i) Income from investment properties is brought into account when the right to receive rentals is established.

(ii) Profits and losses on disposals or redemption of investments are taken to the profit and loss account in the period in which the disposal or redemption occurred.

(c) **Property, plant and equipment**
(i) Plant and equipment are stated at cost less accumulated depreciation.

(ii) Depreciation is calculated to write off the cost of fixed assets on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose, which are consistent with those of the previous year, are: -

| | |
|---|---|
| Furniture, fittings and office equipment | 30% |
| Plant and equipment | 10%-30% |
| Motor vehicle | 25% |

Investment properties and capital work in progress are not depreciated

(d) **Investment properties**
(i) Investment properties are included in the financial statements at their open market value as determined periodically by independent valuers. Gains and losses on fair value adjustment are taken to income statement.

(ii) Subsequent expenditure on investment properties is added to the carrying amount when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the property will flow to the enterprise.

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2004 (CONTINUED)

2. **Accounting Policies (continued)**

(d) **Investment properties (continued)**

(iii) Investment properties are distinguished from owner occupied properties when only an insignificant portion is held for the company's own use. Property held for sale is distinguished from investment properties when an offer has been made to a third party to sell the asset and has been accepted.

(e) **Investments**

Investments in quoted and unquoted shares are stated at the lower of cost and directors' valuation taking into account any permanent diminution in value arising. The market value disclosed for quoted investments is based on the middle market price prevailing at the balance sheet date.

(f) **Deferred taxation**

Provision is made for deferred tax liabilities against the amounts of income taxes payable in future periods in respect of taxable temporary differences.

(g) **Leased assets**

Where fixed assets are financed by leasing agreements which give rights approximating to ownership (Finance leases) the assets are treated as if they had been purchased and the capital element of the leasing commitments is shown as obligations under finance lease. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the profit and loss account.

(h) **Foreign currencies**

Assets and liabilities expressed in foreign currencies are translated into Zambian Kwacha at the rate of exchange ruling at the balance sheet date. Gains and losses on translation are dealt with through the profit and loss account.

(i) **Borrowing costs**

(i) Borrowing costs, being interest payable on loans, bond stock and preference stock are recognised on an accrual basis.

(ii) Interest on loans to finance the enhancement of existing investment properties to generate future economic benefits and construction of new properties are charged to the profit and loss account.

3. **Revenue**

Revenue comprises gross rents receivable from properties let net of value added tax (VAT).

4. **Finance costs**

Finance costs represent interest on bonds, loans, lease finance costs and interest on bank overdrafts.

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2004 (CONTINUED)

| | 2004 K'000 | 2003 K'000 (Restated) |
|---|---|---|
| **5. Profit before taxation** | | |
| Profit before taxation items is stated after charging :- | | |
| Depreciation | 418,824 | 422,140 |
| Directors' fees | 294,683 | 339,021 |
| and after crediting: | | |
| Profit on disposal of fixed assets | 290,214 | 170,627 |
| Exchange gains | 122,725 | 141,753 |

**6. Taxation**

(a) The charge for taxation is made up as follows :-

| | 2004 K'000 | 2003 K'000 |
|---|---|---|
| Income tax at the rate of 30% on the taxable profit for the year (2003 - 30%) | 11,040 | 13,763 |
| Underprovision in previous years | 65,298 | - |
| Deferred taxation (note (b)) | (168,695) | (37,605) |
| | (92,357) | (23,842) |

(b) Details of provision made for deferred taxation and of the potential liability are set out below together with the movement on provision:-

| | 2004 | | 2003 | |
|---|---|---|---|---|
| | Full potential liability K'000 | Provision made K'000 | Full potential liability K'000 | Provision made K'000 |
| Accelerated tax allowances | - | - | 168,695 | 168,695 |

| | 2004 K'000 | 2003 K'000 |
|---|---|---|
| Movement in deferred tax provision: | | |
| At 1 April 2003 | 168,695 | 206,300 |
| Written back (note 6(a)) | (168,695) | (37,605) |
| At 31 March 2004 | - | 168,695 |

**7. Earnings per share**

The calculation of basic/diluted earnings per share is based on earnings of K1,013.05 million (2003: K3,057.89 million) and a weighted average of 9,899,521 (2003 : 9,899,521) ordinary shares in issue during the year.

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2004 (CONTINUED)**

8. **Correction in relation to IAS 40**

International Accounting Standard 40 (IAS 40) requires recognition of gains and losses on fair value adjustment of investment properties in the income statement. Surplus on valuation of investment properties was recognised in the past as a revaluation reserve. Adjustments have now been made to the retained profits on these gains to comply with the requirements of IAS 40.

9. **Property, plant and equipment**

**Group and company**

(a) Summary

| | Plant and equipment K'000 | Leasehold plant and equipment K'000 | Furniture and office equipment K'000 | Fixtures and fittings K'000 | Leasehold fixtures & fittings K'000 | Motor vehicles K'000 | Capital work in progress K'000 | Total K'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At 1 April 2003 | 41,992 | 346,112 | 57,428 | 274,787 | 3,624,832 | 6,000 | 546,726 | 4,897,877 |
| Additions | - | - | - | 82,876 | - | - | 4,723,620 | 4,806,496 |
| At 31 March 2004 | 41,992 | 346,112 | 57,428 | 357,663 | 3,624,832 | 6,000 | 5,270,346 | 9,704,373 |
| **Depreciation** | | | | | | | | |
| At 1 April 2003 | 34,131 | 34,611 | 43,991 | 27,479 | 542,894 | 6,000 | - | 689,106 |
| Charge for the year | 3,771 | 34,611 | 6,588 | 11,371 | 362,483 | - | - | 418,824 |
| At 31 March 2004 | 37,902 | 69,222 | 50,579 | 38,850 | 905,377 | 6,000 | - | 1,107,930 |
| **Net book value** | | | | | | | | |
| At 31 March 2004 | 4,090 | 276,890 | 6,849 | 318,813 | 2,719,455 | - | 5,270,346 | 8,596,443 |
| At 31 March 2003 | 7,861 | 311,501 | 13,437 | 247,308 | 3,081,938 | - | 546,726 | 4,208,771 |

(b) Capital work in progress refers to the amount of expenditure on account of investment properties in the course of construction.

(c) Included in property, plant and equipment are fully depreciated fixed assets with a cost of K51,631,472 for which a notional depreciation of K15,189,442 has not charged to the income statement.

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2004 (CONTINUED)**

10. **Investment properties**

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | K'000 | K'000 | K'000 | K'000 |
| At cost/valuation: | | | | |
| At 1 April 2003 | 25,309,253 | 12,596,000 | 25,309,253 | 12,596,000 |
| Additions during the year | 202,099 | 6,529,787 | 202,099 | 6,529,787 |
| Transfer from capital work in progress | - | 3,756,571 | - | 3,756,571 |
| Surplus on valuation | - | 2,426,895 | - | 2,426,895 |
| At 31 March 2004 | 25,511,352 | 25,309,253 | 25,511,352 | 25,309,253 |

(a) The investment properties comprise the company's leasehold buildings. In accordance with note 2(d) these investment properties are to be revalued periodically.

(b) Included in investment properties is stand number 103 valued at K12,302,080,000 pledged as security on the Stanbic Bank loan of US$2,000,000.

(c) The following minimum lease payments on rental income are due to the company:-

| | K'000 | |
|---|---|---|
| Falling due within: | | |
| One year | 4,829,700 | per annum |
| 2 - 5 years | 5,208,500 | per annum |
| Over 5 years | 5,445,250 | per annum |

(d) The company's leasing arrangements are for non cancellable operating leases of not more than three years.

(e) International Accounting Standard 40 requires the fair value of investment property to reflect the actual market state and circumstances as of the balance sheet date, not as of a past date. Investment properties included above were last valued by an independent qualified valuer in 2003. In the opinion of the valuers the fair value of these properties has not changed materially since the last valuation.

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2004 (CONTINUED)

10. **Investment properties (continued)**

(f) Direct operating expenses arising from investment property that generated rental income were:

| | 2004 K'000 | 2003 K'000 |
|---|---|---|
| Property management expenses | 333,792 | 285,094 |
| Repairs and maintenance | 196,437 | 192,286 |
| Letting commission | 39,087 | 125,919 |
| Electricity and water | 133,629 | 98,598 |
| Fire protection | 2,194 | 1,650 |
| Ground rental | 500 | - |
| Lease rental | 31,975 | 16,308 |
| Rates | 42,542 | 48,757 |
| Security | 134,298 | 119,366 |
| Cleaning and refuse removal | 51,342 | 33,390 |
| | 965,796 | 921,368 |

(g) Direct operating expenses arising from investment property that did not generate rental income during the period are Knil (2003 : Knil).

(h) There are no known restrictions on the realisation of investment properties or the remittance of income and proceeds of disposal. There are also no known material contractual obligations to purchase, construct or develop investment properties or for repair, maintenance or enhancements except as stated in these notes.

In the opinion of the directors, the above investment properties are worth not less than the amount at which they are included in these financial statements.

11. **Investments**

These represent:-

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 K'000 | 2003 K'000 | 2004 K'000 | 2003 K'000 |
| Shares at cost: | | | | |
| At 31 March 2003 and 31 March 2004 | 1,740 | 1,740 | 3,740 | 3,740 |

Shares represent equity holdings in the following companies incorporated in Zambia:

| | Cost K'000 | Equity held % |
|---|---|---|
| Peckerwood Developments Limited (note (a)) | 2,000 | 100 |
| Minerva Property Management Company Limited | 860 | 43 |
| Pegasus Property Development Company (Zambia) Limited (note (a)) | 880 | 44 |
| | 3,740 | |

(a) The investments represent shares pending issue.

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2004 (CONTINUED)

### 11. Investments (continued)

In the opinion of the directors, the above investments is worth not less than the amount at which they are included in these financial statements.

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | K'000 | K'000 | K'000 | K'000 |
| **12. Debtors and other receivables** | | | | |
| Trade debtors less provision | 318,042 | 126,521 | 318,042 | 126,521 |
| Deposits and prepayments | 661,345 | 617,947 | 661,345 | 617,947 |
| Related party balances | 45,123 | - | 45,123 | - |
| Other | 18,848 | 367,830 | 18,848 | 367,830 |
| | 1,043,358 | 1,112,298 | 1,043,358 | 1,112,298 |

| | Group and Company | |
|---|---|---|
| | 2004 | 2003 |
| | K'000 | K'000 |
| **13. Short term deposits** | | |
| Citibank Limited (a) | 1,010,546 | 1,014,435 |
| Stanbic Bank Limited (b) | 1,360,331 | - |
| | 2,370,877 | 1,014,435 |

(a) This US$ cash deposit is held as security on lease owned to Industrial Credit Company Limited expiring in 2006.

(b) This cash deposit is held by Stanbic Bank Limited as security on the loan of US$2,000,000.

| | 2004 | 2003 |
|---|---|---|
| | K'000 | K'000 |
| **14. Share capital** | | |
| Ordinary shares of K1 each | | |
| Authorised | 50,000 | 50,000 |
| Issued and fully paid | 9,900 | 9,900 |

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2004 (CONTINUED)**

| | | 2004 K'000 | 2003 K'000 |
|---|---|---|---|
| 15. | **Corporate bonds** | | |
| | At 1 April 2003 | 2,684,475 | 2,385,585 |
| | Exchange difference | - | 298,890 |
| | Repayments during the year | (1,313,692) | - |
| | At 31 March 2004 | 1,370,783 | 2,684,475 |

(a) Corporate bonds stated above, each of which with a total face value of US$500, were issued as follows:-

| Details | number of bonds | Bond period | Amount on redemption of each bond US$ | Redemption date |
|---|---|---|---|---|
| Series 1 - 00 | 238 | 4 years | 500 | 3 November 2004 |
| Series 2 – 00 | | | | |
| Part B | 1,762 | 4 years | 250 | 3 November 2004 |

(b) Interest is payable at ruling rate, on the issue date, on two (2) year U.S. Treasury Certificates plus two hundred (200) basis points (2%) per annum fixed for the succeeding one year period after which time the rate will be revised under the same terms and conditions for the succeeding one (1) year period. This process shall continue annually on each anniversary date until the bonds are redeemed.

Interest is payable quarterly in arrears on the following dates each year:-

3 February
3 May
3 August
3 November

(c) At its sole discretion, and with a minimum sixty (60) day notice period in writing to the bondholders, the company may redeem Part B of each Series 2 – 00 bond in three (3) years from the issue date. Should the company decide to exercise this early redemption option, the bondholder will also have the option to convert Part B of any Series 2 – 00 bond into ordinary shares of the company under the Conversion Option.

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2004 (CONTINUED)

### 15. Corporate bonds (continued)

(d) **Conversion option**

For a sixty (60) day period immediately preceding each of the third and fourth anniversary dates of the bonds issue, the Option Periods, bondholders will have the option to convert bonds they hold into ordinary shares of the company as follows:-

**Series 1 – 00**

For a sixty (60) day period immediately preceding the fourth anniversary date of issue, any Series 1 – 00 bond may be converted into ordinary shares of the company.

**Series 2 – 00**

i) For a sixty (60) day period immediately preceding the third anniversary date of issue, Part A of any Series 2 – 00 bond may be converted into ordinary shares of the company; and

ii) For a sixty (60) day period immediately preceding the fourth anniversary date of issue, Part B of any Series 2 – 00 bond may be converted into ordinary shares of the company.

Partial conversations of Series 1 – 00 bonds, or Part A or Part B of Series 2 – 00 bonds are not permitted.

(e) The share price to be used at the time of conversion, under paragraph (d) above, will be the higher of:-

i) a price which is equal to a ten percent (10%) discount to the volume weighted average U.S. Dollar share price on trades completed on the LuSE over the six month period immediately preceding each Option Period; or

ii) a price which is equal to a forty percent (40%) discount to the company's net asset value per share based on an independent valuation to be commissioned by the company and completed within a sixty (60) day period immediately preceding each of the two Option Periods.

For purposes of calculating the share price in Kwacha at the time of exercising any of the Option by any bondholder, the Standard Chartered Bank selling rate for U.S. Dollars on the conversion date will be the ruling rate.

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2003 (CONTINUED)**

| | | Group and Company | |
|---|---|---|---|
| | | 2004 | 2003 |
| | | K'000 | K'000 |
| 16. | **Convertible redeemable cumulative preferred stock** Redeemable convertible cumulative interest bearing preference shares of US$0.01 nominal value each, at a premium of US$0.99 per share | | |
| | At 1 April 2003 | 7,708,033 | 7,553,893 |
| | Issued during the year | 585 | 154,140 |
| | At 31 March 2004 | 7,708,618 | 7,708,033 |

(a) The preference shares will be paid on annual coupon rate of the higher of 8% or 200 basis points – i.e. 2% above the prevailing yield on two-year U.S. Treasury Bonds with a maximum coupon of 10%, and will be paid semi-annually in arrears. These coupon payments will be cumulative in that if they are not paid in any given period, they will carry over to the next period for payment. The annual coupon will be paid before any dividends may be declared and paid.

(b) The preference shares will not be eligible to participate in any dividends that may be declared and paid by the company to the ordinary shares.

(c) At any time after the third anniversary date of the issue at its sole discretion, and with a six (6) month advance notice in writing, the company may redeem any or all of the preference shares at the issue price, provided that all holders of preference shares must be treated equally in any such redemption. Any accrued or cumulative interest that may be due on any coupon payment shall be paid at the time of any redemption.

(d) At any time after the third anniversary date of the issue and with a three (3) month advance notice in writing a holder of preference shares may convert any or all of his/her preference shares into ordinary shares of the company on the basis of one preference share for one ordinary share. Any such conversion will be at the sole discretion of the holder of any preference shares.

(e) The preference shares will be non-voting.

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2004 (CONTINUED)**

| | | Group and Company | | |
|---|---|---|---|---|
| | | 2004 | 2004 | 2003 |
| | | K'000 | K'000 | K'000 |
| | | Facility | Utilised | utilised |
| 17 | **Interest bearing borrowings** | | | |
| | Long term loans: | | | |
| | Stanbic Bank Limited (first tranche) | 9,470,000 | 7,233,598 | - |
| | Stanbic Bank Limited (second tranche) | 2,841,000 | - | - |
| | Stanbic Bank Limited (first tranche) | US$2,000,000 | US$1,527,687 | - |
| | Stanbic Bank limited (second tranche) | US$600,000 | - | - |

(a) **Security**

The loan facility is secured by:

i) Mortgage of US$2,167,000 over stand 103 Cairo/Church Road, Lusaka

ii) Endorsement of the bank's interest as loss payee in the insurance policy over stand 103 Cairo /Church Road, Lusaka

iii) Cash deposit of 20% of the aggregate capital outstanding, calculated at the end of each 12 months from the date of commencement of the loan. Such cash will be deposited with the bank.

iv) Ceassion of Farmers House PLC receivables/rentals in favour of the bank which document shall be held in escrow, to be used only in the case of an event of default pursuant to the provisions of clause 16.0, and any other terms and conditions, included in the facility letter.

(b) **Interest**

The facility shall be charged at LIBOR +5%. Such interest will be calculated on the daily outstanding balance and charged to the company's account monthly in arrears.

(c) **Repayment**

The facility shall be repaid as follows:

i) 48 monthly instalments of US$41,666.67 commencing 13 months from the date of disbursement of the first tranche. The interest payment shall be made monthly in arrears from date of disbursement.

ii) 48 monthly instalments of US$14,700 commencing one month from the date of disbursement of the second tranche.

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2004 (CONTINUED)

| | | Group and Company | |
|---|---|---|---|
| | | 2004 | 2003 |
| | | K'000 | K'000 |
| 18. | **Obligations under finance leases** | | |
| | At 1 April 2003 | 2,957,323 | 1,765,492 |
| | Obtained during the year | - | 1,978,058 |
| | Exchange difference | (38,688) | 128,457 |
| | Less: Paid during the year | (1,555,139) | (914,484) |
| | At 31 March 2004 | 1,363,696 | 2,957,523 |
| | Less: Proportion repayable within next twelve months (note 20) | (712,822) | (1,560,707) |
| | Repayable after twelve months | 650,874 | 1,396,816 |
| | Repayable by 31 March | | |
| | 2005 | | 712,822 |
| | 2006 | | 650,874 |
| | | | 1,363,696 |
| 19. | **Deferred income** | | |
| | At 1 April 2003 | 579,047 | 303,875 |
| | Arising during the year | - | 445,799 |
| | | 579,047 | 749,674 |
| | Proportion attributable to current year | (290,214) | (170,627) |
| | | 288,833 | 579,047 |
| | Proportion attributable to next twelve months (note 20) | (156,509) | (286,204) |
| | Proportion attributable after twelve months | 132,324 | 292,843 |

(a) This arises from the sale and leaseback transaction in relation to various fixed assets owned by the company.

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2004 | 2003 | 2004 | 2003 |
| | | K'000 | K'000 | K'000 | K'000 |
| 20. | **Creditors and other payables** | | | | |
| | Trade creditors | 11,981 | 6,307 | 11,981 | 6,307 |
| | Rentals received in advance | 263,185 | 260,685 | 263,185 | 260,685 |
| | Payable to group company | - | - | 638,395 | 642,542 |
| | Accruals and provisions | 229,657 | 234,890 | 226,927 | 234,755 |
| | Unclaimed dividends | 160,185 | - | 160,185 | - |
| | Proportion of finance lease obligations (note 18) | 712,822 | 1,560,707 | 712,822 | 1,560,707 |
| | Deferred income (note 19) | 156,509 | 286,204 | 156,509 | 286,204 |
| | Security deposit on rentals | 203,145 | 292,991 | 203,145 | 160,916 |
| | | 1,737,484 | 2,641,784 | 2,373,149 | 3,284,191 |

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2004 (CONTINUED)

21 **Commitments**

| | | |
|---|---|---|
| Obligations to purchase, construct or develop investment property | 4,384,080 | - |
| **Property management and administrative contracts** | | |
| Within one year: | | |
| Administrative contract for accountancy services | 383,535 | - |
| Administrative contract with Minerva Property Management carrying – payment of fees at 8% of net rental income | 386,376 | - |
| Thereafter: | | |
| Administrative contract for accountancy services | 383,535 | - |

These commitments will be funded from existing cash resources, future operating cash flows, borrowings and any other funding strategies embarked on by the company.

22 **Related party transactions**

The company and its subsidiary, in the ordinary course of business, enter into various purchase, service, and lease transactions with the investing entities, their subsidiaries and associates. These transactions were as follows:

| | | 2004 K'000 | 2003 K'000 |
|---|---|---|---|
| (a) | **Receivables/(payables)** | | |
| | Peckwood Developments Limited | (636,447) | (642,542) |
| | Minerva Property Management Company Limited | 9,582 | 1,670 |
| | Zambian Safari Company Limited | 10,424 | 2,795 |
| | City Investments Limited | 4,058 | 1,670 |
| | Lilayi Lodge | 21,060 | - |
| | | (590,675) | (637,407) |
| (b) | **Lease rentals receivable** | | |
| | Minerva Property Management Company Limited | 52,549 | 31,612 |
| | City Investments Limited | 240,258 | 149,239 |
| | | 292,807 | 180,851 |
| (c) | **Administrative and management fees** | | |
| | City Investments Limited | 372,719 | 307,292 |
| | Minerva Property Management Company Limited | 530,229 | 510,690 |
| | | 902,948 | 817,982 |

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2004 (CONTINUED)**

23. **Financial instruments**

(a) **Price risk**

(i) **Currency risk**

In the opinion of the directors all the financial instruments are exposed to currency risk, as they are denominated in United States Dollars and therefore leads to a risk of fluctuation of value due to changes in the foreign exchange rate. This risk is partly hedged by holding United States Dollar bank balances.

(ii) **Interest rate risk**

All financial assets recorded other than equity instruments are exposed to the risk that their value will fluctuate due to changes in market interest rates. The effective interest rates on the recorded financial instruments are assessed at 7.55% per annum, being the estimated rate of inflation. Details of the interest rates and maturity of fixed term deposits are disclosed in notes 15, 16, 17 and 18.

(iii) **Market risk**

The company is exposed to the risk of the value of its bonds, investment properties and equity instruments fluctuating as a result of changes in market prices.

(b) **Credit risk**

The company is exposed to varying degrees of credit risk, in the following significant concentrations:

(i) **Shares**

In the opinion of the directors the credit risk of such instruments is low.

(ii) **Fixed deposits**

The directors believe the credit risk of such instruments is low.

(iii) **Rental debtors**

The related credit risk on rental debtors is relatively high. The risk is managed by legally binding rental agreements and requirements for rentals in advance. At 31 March 2004 security deposits on rentals amounted to K263,185,019.

(iv) **Liquidity risk**

The company may be exposed to some risk due to inability to sell certain financial assets quickly at close to their fair value.

This risk is particularly high on rental debtors, shares and investment properties for which there is limited demand. The ability to sell large portions of the equity instruments may also be constrained by the limited liquidity in the market.

(v) **Cash flow risk**

The company is exposed to the risk that future cash flows associated with monetary financial instruments will fluctuate in amount. It has instruments that include a floating interest rate.

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2004 (CONTINUED)**

24. **Contingent liabilities**

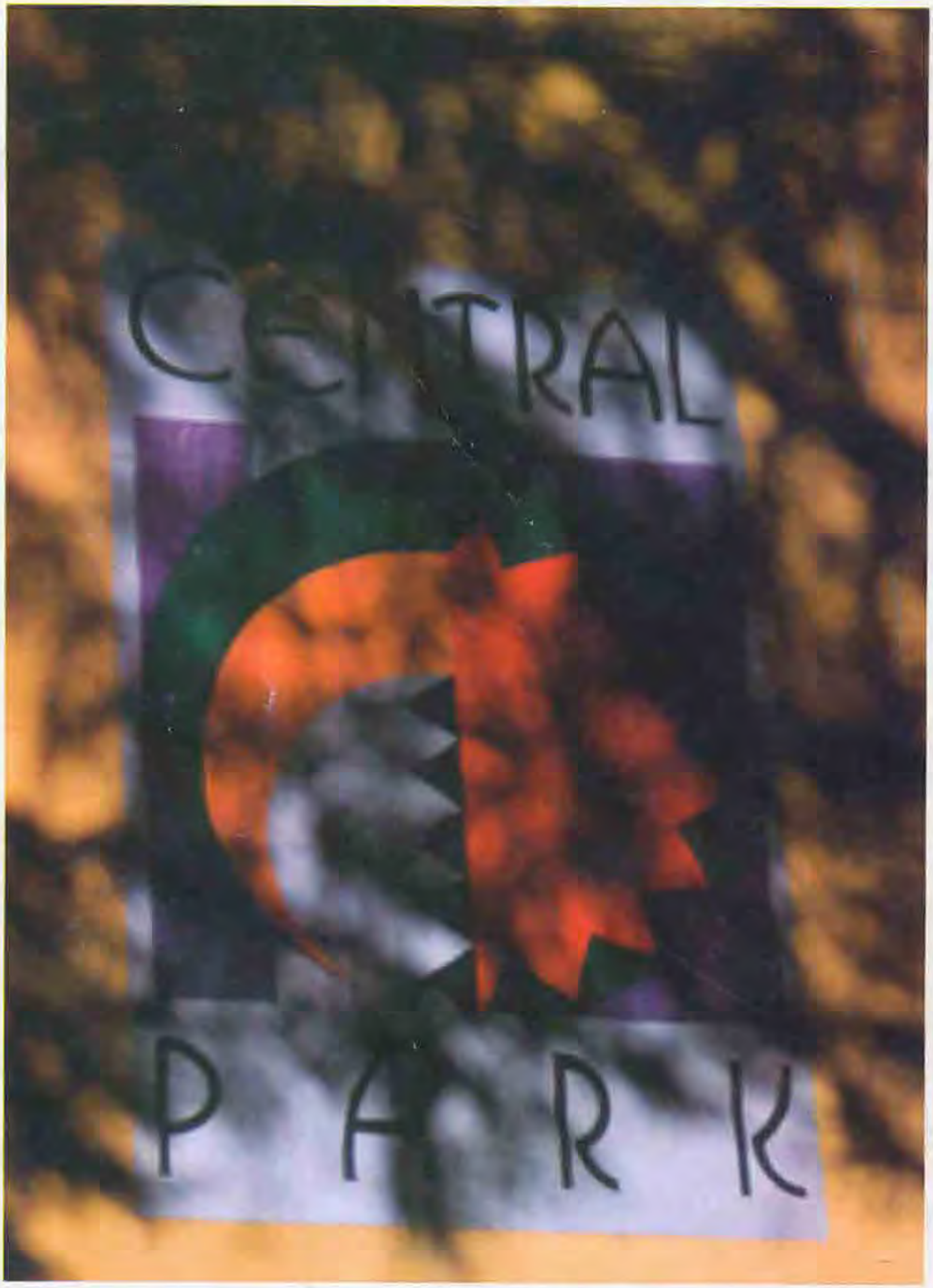
In the opinion of the directors, there are no known contingent liabilities at the balance sheet date that might change the status of the financial statements, or need disclosure separately.

25. **Comparative figures**

Comparative figures have been restated to afford comparability.

26. **Events subsequent to balance sheet date**

There has not arisen since the end of the financial year any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect substantially the operations of the economic entity and the group, the results of those operations or the state of affairs of the economic entity and the group in subsequent financial years.

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