

FARMERS HOUSE PLC

CENTRAL



P A R K

ANNUAL REPORT
2003

ANNUAL REPORT 2003 - CONTENTS

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Notice is hereby given that the Twenty-first Annual General Meeting of Farmers House PLC will take place at Central Park, Farmers House Cairo Road, Lusaka on Thursday 26th June 2003 at 10:00 Hrs

AGENDA

- 1) To read the Notice of the Meeting.
- 2) To read and approve the minutes of the Twentieth Annual General Meeting held on 25th June 2002.
- 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 2003.
- 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. K.H. Makala, Mr. I.T.S. Miller and Mr. T.T. Mushibwe retire but being eligible offer themselves for re-election.
- 7) To approve the Directors remuneration.
- 8) 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 2003 – 2nd July 2003 (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

A member is entitled to appoint one or more proxies to attend and speak and vote in his/her stead. A proxy need not be a member of the company. Proxies must be lodged at the registered office of the company at least 48 hours before the time fixed for the meeting.

**Minutes of the Twentieth Annual General Meeting of Farmers House PLC held at Central Park, Farmers House
Cairo Road, Lusaka on Tuesday 25th June, 2002 at 10:00 hours.**

<u>Present:</u>	Mr. R.D. Frost	Chairman
	Mr. R.P.S. Miller	Managing Director
	Mr. R. Daya	Director
	Mr. I.T.S. Miller	Member
	Mrs. P. d'Elbee	Member
	Mr. B.E. Bouchard	Member

<u>In Attendance:</u>	Mr. S. Maitra	Grant Thornton
	Mr. A.L. Francis	Grant Thornton
	Mr. R. Manyoni	Grant Thornton
	Mr. T.T. Mushibwe	Deloitte & Touche
	Mr. C. Barr	Minerva Property Management Co.
	Mr. M.A. Bond	City Investments Ltd.
	Mr. D. Kaunda	The Post

Apologies: Mr. A.R.B. Landless

**Preference Share
Holders**

Mrs. P. d'Elbee	Self
Mr. B.E. Bouchard	Pangaea / EMI Securities
Mrs. M.A. Miller	Self
Mr. Matengu Kamwi	Self

Shareholders

Mr. M.C. Galaun	Self
Mrs. P. d'Elbee	Self
Ms. G. Kanjanga	Self
Mr. B.E. Bouchard	Pangaea / EMI Securities
Mr. F. Mumba	Self
Mr. K. Matengu	Self
Mr. Noah Manjeese	Intermarket Securities
Mr. B. Mwila	Intermarket Securities
Mr. G. Godson	Self
Mr. F. Kafula	Self

Proxies:

City Investments Ltd	I.T.S. Miller
M.T. Miller & Son	I.T.S. Miller
Associated Printers	Mr. R.D. Frost
Bataleur Investments Ltd	Mrs. P. d'Elbee
Kalundu Development	Mr. G. Robinson

1.0 To read the Notice of the Meeting

1.01 The Chairman declared the meeting open at 10:10 hours and welcomed the shareholders to the Twentieth 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 Nineteenth Annual General Meeting held on 28th June 2001

2.01 There being no corrections, the minutes were **unanimously approved** on the proposal of Mr. B.E. Bouchard and seconded by Mr. I.T.S. Miller. 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 Nineteenth Annual General Meeting. The Chairman proceeded to the next item on the agenda.

4.0 To read and approve the Minutes of the Extraordinary Annual General Meeting held on 28th September 2001

4.01 There being no corrections, the minutes were **unanimously approved** on the proposal of Mr. K. Matengu and seconded by Mrs. P. d'Elbee. The Chairman signed the minutes.

5.0 To consider any matters arising from these Minutes

5.01 The Chairman asked Mr. R.P.S. Miller to update the AGM on the outcome of the Rights Offer.

5.02 Mr. R.P.S. Miller began by mentioning the presence of Mr. N. Manjeese – Managing Director of Intermarket Securities Ltd. who were the underwriters for the Rights Offer.

5.03 Mr. R.P.S. Miller reported that at close of the Rights Issue (i.e. 30th November 2001) the issue was not fully subscribed but is pleased to report that as at 31st March 2002 the offer is fully subscribed.

5.04 Mr. R.P.S. Miller took the opportunity to thank Mr. B.E. Bouchard (Pangaea/EMI Securities), Mr. N. Manjeese (Intermarket Securities) and the Board for a successful Rights Issue.

6.0 To receive the Report of the Directors, the Auditors Report and the Financial Statements for the year ended 31st March, 2002.

6.01 Mr. R.P.S. Miller apologised for the printing and typographic errors in the 2002 Farmers House Annual Report and proceeded to read out the corrections which had been circulated on a separate errata sheet to all members upon arrival.

6.02 The Directors' Report

6.03 The Chairman read the Directors' Report as presented in the Farmer's House Annual Report 2002. Mr. R.D. Frost tabled the report to the AGM for discussion.

6.04 As there were no questions from the members, the Directors' Report was **unanimously approved** on the proposal of Mr. B.E. Bouchard, seconded by Mrs. P. d'Elbee.

6.05 The Auditors Report and the Financial Statements

- 6.06 Mr. S. Maitra read the Auditors Report to the members and drew attention to the financial statements, and reported on the increase in profit after taxation from **K134,382,000** (2001) to **K1,404,884,000** in 2002.
- 6.07 There being no questions, the Financial Statements for the year ended 31st March 2002 were **unanimously approved** on the proposal of Mr. I.T.S. Miller, seconded by Mr. K. Matengu and the Chairman thanked Mr. S. Maitra for the report.

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

- 7.01 On permission from the Chairman, Mr. R.P.S. Miller proposed that Grant Thornton continue as Auditors, Mr. M.C. Galaun seconded the motion. Grant Thornton were **unanimously approved** Auditors for the ensuing year and the Directors were authorised to fix their remuneration.

8.0 To elect Directors to fill any vacancies. In terms of the Articles Mr. R.D. Frost & Mr. R.P.S. Miller retire but being eligible offer themselves for re-election

- 8.01 The Chairman called on Mr. A.L. Francis to handle the nominations. Mr. A.L. Francis asked for proposals from the members.

8.02 Nominations were tabled as follows:

Mr. R.D. Frost - Nominated by Mr. K. Matengu
Seconded by Mr. I.T.S. Miller

Mr. R.P.S. Miller - Nominated by Mr. M.C. Galaun
Seconded by Mr. G. Godson

- 8.03 As there were no further nominations or objections to the two nominations, the Chairman thanked the members for their support and confidence in appointing himself and Mr. R.P.S. Miller to the Board.

9.0 To approve the Directors' remuneration

- 9.01 The Chairman called on the Managing Director to brief the members on the Directors' remuneration. The Managing Director referred the members to Page 23 of the Annual Report and explained the details as presented. The Directors' remuneration was **unanimously approved** on the proposal of Mrs. P. d' Elbee and seconded by Mr. G. Robinson.

10.0 To declare a Final Dividend. The proposed Final Dividend of K32 per share, if approved, will be declared payable to members registered in the books of the company on close of business on 24th June 2002. Warrants in payment will be posted for payment on or about 30th July 2002. The transfer books and register of members will be closed from 24th June 2002 – 1st July 2002 (both dates inclusive)

- 10.01 The Final Dividend of K32.00 per share having been proposed by the Board was **unanimously approved** on the proposal of Mr. G. Godson and seconded by Mr. B.E. Bouchard.

- 11.0 **To consider any competent business of which due notice has been given.**
- 11.01 The Managing Director informed the members that drawings and pictures were displayed on boards at the rear of the meeting room showing the developments and planned future buildings at Central Park. Mr. R.P.S. Miller informed the members that the professionals attending the meeting, Mr. C. Barr and himself are available for any clarifications on the developments.
- 11.02 There being no further notice of any competent business the Chairman thanked the shareholders for their attendance and declared the meeting closed at 11:00 hours.

Chairman: _____ Date: _____

COMPANY INFORMATION

REGISTERED OFFICE:

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

DIRECTORS

R D Frost (Chairman)
R P S Miller (Managing Director)
M C Galaun
A R B Landless
I T S Miller
R Daya
T.T. Mushibwe
K. Makala

ALTERNATES

P M d'Elbee
A T S Miller
K C Parakh
G N H Robinson
M A Miller (Mrs)
N M Lacey
N H C Chiromo
C S Makala

TRANSFER SECRETARIES

Grant Thornton Associates Limited
P O Box 30885
Lusaka

SOLICITORS

Musa Dudhia & Co.
P O Box 31198
Lusaka

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

Citibank Zambia Limited
Citibank House
P.O. Box 30037,
Lusaka

DIRECTORS' REPORT

It is my pleasure to present the Directors' report for the year ended 31st March 2003.

Financial results

In the year under review, I am pleased to announce that the turnover of the company has increased by 45% to K3.56 billion (31st March 2002 – K2.45 billion) under rather difficult economic conditions. The company recorded a 112% increase in profit before finance costs of K1,575 million (31st March 2002 – K742 million), following profit on sale of fixed assets of K171 million, and exchange gains of K142 million. The charge for depreciation in the current year is K422 million (2002 – K383 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 the interest on the preference shares issued last year. This has resulted in a charge of K683 million 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 from K29.46 billion at 31st March 2002 to K33.50 billion at 31st March 2003, an increase of K4.04 billion. The company's ordinary shares traded during the year at a price in the K650 range. The valuation of your company on a net asset basis is currently K1,803 per ordinary share. This represents a rather significant discount of approximately 64% to the net asset value of the company.

Final dividend

Notwithstanding the continued development efforts underway by the company the Board has recommended a final dividend of K20 per share, following the interim dividend declared of K15. 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.

Central Park: Cairo Road Site – Phase I & II: Completed & Fully Let.

The company's plans to develop Central Park continue and Phase I & II of the project remain fully let. We welcome Celpay as new tenants to building No. 1.

Central Park: Cairo Road Site – Phase III – Parking and External Works - Completed

The project to develop a dedicated secure parking area for over 250 vehicles is complete. The Central Park site will require no further major earth works for power, water and vehicle reticulation. Thus, parking and security have been greatly improved. This phase has been further enhanced by the purchase of the adjacent Grosvenor Court site during the year.

Central Park: Cairo Road – Phase IV – Completed & Fully Let.

The re-development of the original 1930's Farmers House building into a restaurant and bar, The Engineers, has been completed. Many of the original features of this property have been retained.

DIRECTORS' REPORT (CONTINUED)

Central Park: Cairo Road – Phase V – Completed.

The development of a new building on the north of the site as a Travel Centre to cater for local, regional and international tourists and businessmen has been completed.

Central Park: Cairo Road – Phase VI – Board Approval.

The Board has given approval for the development of a four storey, flagship building adjacent to the Church Road Bridge. This state of the art development is billed to become "The Exchange", the home of the Lusaka Stock Exchange, existing tenants at Central Park, who will move to the new building on completion. All design and engineering work has been completed and construction of this property is likely to commence in the first 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 – Board Approval.

The Board has also approved in principle the development of a further building on the Grosvenor Court site. An artist's impression of the development is provided in this Annual Report.

Peckerwood Limited

I am pleased to report that the sale of the Woodpecker property, the sole asset of Peckerwood Limited, was completed during the current year.

Minerva Property Management Company Limited

Minerva continues to manage the company's properties and it is with pleasure I record the repayment by Minerva of all outstanding shareholder loans.

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 were extremely busy overseeing the operational and financial affairs of the company.

Mr. I.T.S. Miller, Mr. K. H. Makala and Mr. T.T. Mushibwe are retiring from the Board at the Annual General Meeting but being eligible, offer themselves for re-election.

DIRECTORS' REPORT (CONTINUED)

Directors' Interest

Name of Director	No. of shares	
	Beneficial	Non Beneficial
R.D.Frost		791,870
R. Daya	Nil	
M.C. Galaun	1,106,787	
A R B Landless		83,577
K.H. Makala	Nil	
I.T.S. Miller		1,312,431
R.P.S. Miller	100,000	
T.T. Mushibwe	Nil	

Contracts in which directors have an interest are as follows:

Farmers House PLC holds a management and 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 Ltd, in which City Investments Ltd. is a shareholder.

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

Unissued share capital

In terms of a resolution of members, the unissued 40,000,479 (31st March 2002 - 40,100,479) ordinary shares of the company at 31st March 2002 are under control of the directors subject to authorisation of an annual general meeting. Of the unissued shares, 100,000 shares (31st March 2002 – 100,000) 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	100,000
Options granted during the year	-
Options exercised during the year	-
Options lapsed during the year	-
Options granted at the end of the year	<u>100,000</u>
Options exercisable at the end of the year	<u>200,000</u>

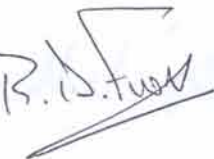
DIRECTORS' REPORT (CONTINUED)

The interests of the directors relate to options to acquire 100,000 ordinary shares by the Managing Director, Mr. R.P.S. Miller. In terms of the Executive Share Incentive Scheme the options are exercisable subject to the fulfilment of certain performance criteria within a ninety (90) day calendar period following the approval by the Board of Directors of the annual audited accounts. Options granted in the year await registration of those shares by the relevant government authority to enable them to be exercised.

Five Year Financial Summary

Year ended 31 March	2003 K'000	2002 K'000	2001 K'000	2000 K'000	1999 K'000
Income	3,923,077	2,451,722	1,750,224	1,564,172	1,498,039
Expenditure	(3,315,923)	(2,101,488)	(1,359,305)	(683,472)	(633,434)
Profit Before Exceptional Items	607,154	350,234	390,919	880,700	864,605
Exceptional Items	-	1,054,650	(132,382)	168,121	234,960
Profit Before Tax	607,154	1,404,884	258,537	712,579	629,645
Taxation	23,842	(791)	(124,155)	(147,949)	(105,792)
Profit After Tax	630,996	1,404,093	134,382	564,630	523,853
Proposed Dividend	(471,976)	-	146,993	215,589	215,612
Fixed Assets	4,208,771	7,095,608	1,756,624	10,320	17,531
Investment Property	25,309,253	12,596,000	11,612,000	9,826,195	8,590,000
Investments	1,740	1,740	1,460	110	
Other Long Term Assets	-	212,912	895,299	528,061	
Current Assets	3,980,617	9,549,985	3,221,365	1,342,046	1,761,258
Current Liabilities	2,760,766	2,331,558	2,281,130	427,857	558,524
Net Current Assets	1,219,851	7,218,427	940,235	914,189	1,202,734
Shareholders' Funds	18,488,753	15,902,838	11,940,178	11,278,399	9,809,358
Long Term Indebtedness	11,789,324	9,939,478	3,035,000	-	-
Other Long Term Liabilities	292,843	1,076,071	-	-	-
Deferred Taxation	168,695	206,300	230,440	476	907

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

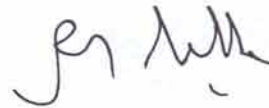
- (a) the financial statements give a true and fair view of the state of affairs of the company and the group at 31 March 2003 and of the profit and cash flows of the group for the year then ended;
- (b) at the date of this statement there were reasonable grounds to believe that the company and the group 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 30 May 2003



**R. Daya
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 29.

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.


Chartered Accountants


Sujit N Maitra
Partner

Lusaka

Date 30 MAY 2003

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2003**

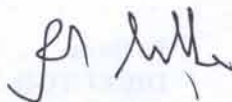
	Note	2003 K'000	2002 K'000
Revenue	3	3,564,283	2,451,722
Other operating income		358,794	-
Depreciation		(422,140)	(383,366)
Other operating expenses		(1,925,415)	(1,325,742)
Profit before finance cost		1,575,522	742,614
Finance cost		(285,265)	(392,380)
Coupon interest on preferred stock		(683,103)	-
Profit before exceptional items	4	607,154	350,234
Exceptional items	5	-	1,054,650
Profit before taxation		607,154	1,404,884
Taxation	6(a)	23,842	(791)
Profit after taxation		630,996	1,404,093
Retained profits at 1 April 2002		4,583,786	1,639,293
Transfer from investment revaluation reserve	14	-	1,316,400
Transfer from capital reserve	15	-	224,000
Dividends proposed (gross)		(471,976)	-
Retained profits at 31 March 2003		<u>4,742,806</u>	<u>4,583,786</u>

CONSOLIDATED BALANCE SHEET - 31 MARCH 2003

	Note	2003 K'000	2002 K'000
ASSETS			
Non current assets			
Fixed assets	7	4,208,771	7,095,608
Investment properties	8	25,309,253	12,596,000
Investments	9	1,740	1,740
Long term loans	10	-	23,272
Long term debtors		-	189,640
		<u>29,519,764</u>	<u>19,906,260</u>
Current assets			
Debtors and prepayments	11	1,112,298	2,374,647
Bank balances and cash		1,701,791	7,027,788
Short term deposits		1,014,435	-
Taxation recoverable		152,093	147,550
		<u>3,980,617</u>	<u>9,549,985</u>
Total assets		<u>33,500,381</u>	<u>29,456,245</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	9,900	9,900
Share premium	13	22,650	22,650
Investment revaluation reserve	14	13,713,397	11,286,502
Capital reserve	15	-	-
Retained profits		4,742,806	4,583,786
		<u>18,488,753</u>	<u>15,902,838</u>
Non – current liabilities			
Corporate bonds	16	2,684,475	2,385,585
Convertible redeemable cumulative preferred stock	17	7,708,033	7,553,893
Obligations under finance leases	18	1,396,816	918,056
Deferred income	19	292,843	158,015
Deferred taxation	6(b)	168,695	206,300
		<u>12,250,862</u>	<u>11,221,849</u>
Current liabilities			
Creditors and accruals	20	2,641,784	2,277,949
Dividends payable		59,110	53,609
Bank overdraft		59,872	-
		<u>2,760,766</u>	<u>2,331,558</u>
Total equity and liabilities		<u>33,500,381</u>	<u>29,456,245</u>

The financial statements on pages 14 to 29 were approved by the Board of Directors on 22 May 2003 and were signed on its behalf by:

R.P.S. Miller
MANAGING DIRECTOR



R. Daya
DIRECTOR

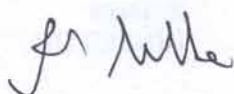


COMPANY BALANCE SHEET - 31 MARCH 2003

	Note	2003 K'000	2002 K'000
ASSETS			
Non current assets			
Fixed assets	7	4,208,771	7,095,608
Investment properties	8	25,309,253	12,596,000
Investments	9	3,740	3,740
Long term loans	10	-	144,715
Long term debtors		-	189,640
		<u>29,521,764</u>	<u>20,029,703</u>
Current assets			
Debtors and prepayments	11	1,112,298	1,555,747
Bank balances and cash		2,701,791	7,027,788
Short term deposits		1,014,435	-
Taxation recoverable		152,093	147,550
		<u>3,980,617</u>	<u>8,731,085</u>
Total assets		<u>33,502,381</u>	<u>28,760,788</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	9,900	9,900
Share premium	13	22,650	22,650
Investment revaluation reserve	14	13,713,397	11,286,502
Capital reserve	15	-	-
Retained profits		4,102,399	3,926,041
		<u>17,848,346</u>	<u>15,245,093</u>
Non – current liabilities			
Corporate bonds	16	2,684,475	2,385,585
Convertible redeemable cumulative preferred stock	17	7,708,033	7,553,893
Obligations under finance leases	18	1,396,816	918,056
Deferred income	19	292,843	158,015
Deferred taxation	6(b)	168,695	206,300
		<u>12,250,862</u>	<u>11,221,849</u>
Current liabilities			
Creditors and accruals	20	3,284,191	2,240,237
Dividends payable		59,110	53,609
Bank overdraft		59,872	-
		<u>3,403,173</u>	<u>2,293,846</u>
Total equity and liabilities		<u>33,502,381</u>	<u>28,760,788</u>

The financial statements on pages 14 to 29 were approved by the Board of Directors on 22 May 2003 and were signed on its behalf by:

R.P.S. Miller
MANAGING DIRECTOR



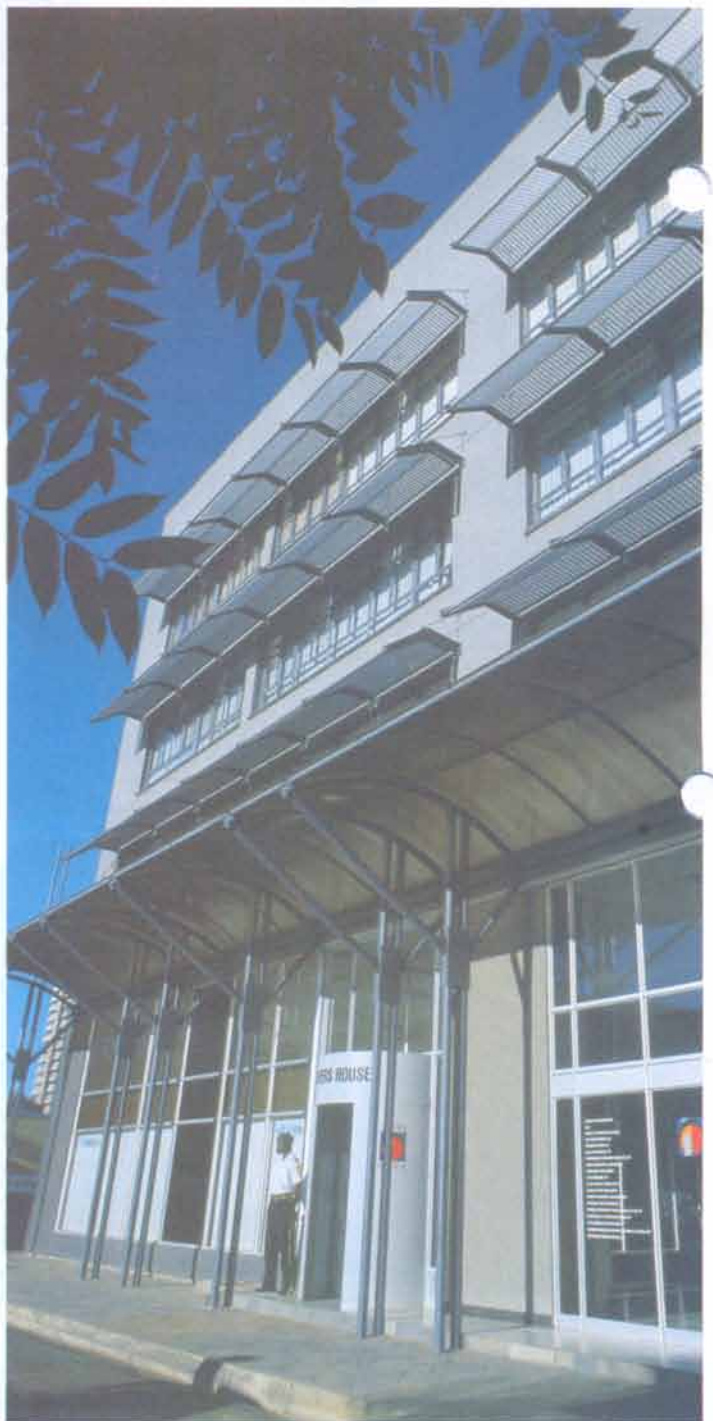
R. Daya
DIRECTOR



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 2003**

	2003	2002
	K'000	K'000
Net cash inflow/(outflow) from/(on) operating activities		
Profit before taxation	607,154	1,404,884
Profit on sale of fixed assets	(170,627)	(133,705)
Profit on sale of investment properties	-	(644,613)
Finance charges	184,763	172,539
Interest on corporate bonds	100,502	219,774
Interest on bank overdraft	2	67
Coupon interest on preferred stock	683,103	-
Interest received	(46,447)	(83,102)
Depreciation	422,140	383,366
Decrease/(increase) in debtors and prepayments	1,262,349	(2,245,547)
(Decrease)/increase in creditors	(489,780)	(794,174)
Increase in deferred income	<u>275,172</u>	<u>-</u>
Net cash inflow/(outflow) from/(on) operating activities	<u>2,828,331</u>	<u>(1,720,511)</u>
Returns on investments and servicing of finance		
Finance charges	(184,763)	(172,539)
Interest on corporate bonds	(100,502)	(219,774)
Interest on bank overdraft	(2)	(67)
Coupon interest on preferred stock	(683,103)	-
Interest receivable	46,447	83,102
Dividends paid	<u>(466,475)</u>	<u>(148,694)</u>
Net cash outflow on returns on investments and servicing of finance	<u>(1,388,398)</u>	<u>(457,972)</u>
Taxation		
Income tax paid	(18,306)	(16,363)
Investing activities		
Payments to acquire tangible fixed assets	(2,824,172)	(7,277,655)
Payments on investment properties	(6,529,787)	(11,498)
Payments on investments	-	(280)
Long term loans and debtors recovered	212,912	872,027
Proceeds from sale of investment properties	-	2,207,928
Proceeds from sale of fixed assets	<u>1,702,926</u>	<u>1,992,885</u>
Net cash outflow on investing activities	<u>(7,438,121)</u>	<u>(2,216,593)</u>
Net cash outflow before financing carried forward	(6,016,494)	(4,411,439)

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2003 (CONTINUED)**

	Note	2003 K'000	2002 K'000
Net cash outflow before financing brought forward		(6,016,494)	(4,411,439)
Financing			
Issue of ordinary shares		-	22,750
Issue of preference shares		154,140	5,788,878
Increase in corporate bonds		298,890	1,115,600
Finance lease obtained		2,106,515	2,537,495
Finance lease repaid		<u>(914,485)</u>	<u>(772,003)</u>
Net cash inflow from financing		<u>1,645,060</u>	<u>8,692,720</u>
(Decrease)/increase in cash and cash equivalents		(4,371,434)	4,281,281
Cash and cash equivalents at 1 April 2002		<u>7,027,788</u>	<u>2,746,507</u>
Cash and cash equivalents at 31 March 2003		<u>2,656,354</u>	<u>7,027,788</u>

Represented by:

	2003 K'000	2002 K'000
Bank balances and cash	1,701,791	7,027,788
Short term deposits	1,014,435	-
Bank overdraft	<u>(59,872)</u>	<u>-</u>
	<u>2,656,354</u>	<u>7,027,788</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2003

1. **Principal activity**

The company'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. The following is a summary of the more important accounting policies used by the company :-

(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) **Investment properties**

Investment properties are included in the financial statements at their open market value as determined periodically by independent valuers but updated annually by the directors using either appropriate indices or with the assistance of independent professional advice.

(c) **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.

(d) **Depreciation**

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

(e) **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.

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

2. Accounting Policies (continued)

(f) Leases

Tangible fixed assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the lease. The excesses of the lease payments over the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining lease obligations. Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

(g) 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.

3. Revenue

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

	2003 K'000	2002 K'000
4. Profit before exceptional items		
Profit before exceptional items is stated after charging :-		
Depreciation	<u>422,140</u>	<u>383,366</u>
Directors' fees	<u>339,021</u>	<u>268,344</u>
5. Exceptional items		
These represented:		
Amount due from related company written off	-	106,096
Profit on sale of fixed assets	-	(133,705)
Profit on sale of investment properties	-	(644,613)
Exchange gains	-	(762,198)
Preferred stock issue expenses	<u>-</u>	<u>379,770</u>
	<u>-</u>	<u>(1,054,650)</u>
6. Taxation		
(a) The charge for taxation is made up as follows :-		
Income tax at the rate of 30% on the taxable profit for the year (2002 - 30%)	13,763	24,931
Overprovision in previous years	-	-
Deferred taxation	<u>(37,605)</u>	<u>(24,140)</u>
	<u>(23,842)</u>	<u>791</u>

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

6. Taxation (continued)

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

	2003		2002	
	Full		Full	
	potential liability made K'000	Provision liability K'000	potential liability made K'000	Provision liability K'000
Accelerated tax Allowances	<u>168,695</u>	<u>168,695</u>	<u>206,300</u>	<u>206,300</u>
			2003	2002
			K'000	K'000
Movement in deferred tax provision:				
At 1 April 2002			206,300	230,440
Provision written back			<u>(37,605)</u>	<u>(24,140)</u>
At 31 March 2003			<u>168,695</u>	<u>206,300</u>

**7. Fixed assets
Group and company**

(a) Summary	Plant and equipment K'000	Furniture, fittings and office equipment K'000	Motor vehicle K'000	Fixtures & fittings K'000	Capital work in progress K'000	Total K'000
Cost						
At 1 April 2002	358,616	40,304	6,000	3,373,572	3,756,571	7,535,063
Additions	164,769	17,123	-	2,095,554	546,727	2,824,172
Disposals	(135,281)	-	-	(1,569,507)	-	(1,704,788)
Transfer to investment properties	-	-	-	-	(3,756,571)	(3,756,571)
At 31 March 2003	<u>388,104</u>	<u>57,428</u>	<u>6,000</u>	<u>3,899,619</u>	<u>546,727</u>	<u>4,897,877</u>
Depreciation						
At 1 April 2002	61,597	34,501	6,000	337,357	-	439,455
Charge for the year	22,688	9,490	-	389,962	-	422,140
Disposals	(15,542)	-	-	(156,947)	-	(172,489)
At 31 March 2003	<u>68,743</u>	<u>43,991</u>	<u>6,000</u>	<u>570,372</u>	-	<u>689,106</u>
Net book value						
At 31 March 2003	<u>319,361</u>	<u>13,437</u>	-	<u>3,329,247</u>	<u>546,726</u>	<u>4,208,771</u>
At 31 March 2002	<u>297,019</u>	<u>5,803</u>	-	<u>3,036,215</u>	<u>3,756,571</u>	<u>7,095,608</u>

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

7. Fixed Assets (cont.)

- (b) A sale and leaseback transaction occurred on 24 February 2003 in relation to various fixed assets owned by the company. The assets, with an original cost of K1,704,788,000 were disposed of at a value of K1,978,059,000 and then leased back and capitalised.

8. Investment properties

	<u>Group</u>		<u>Company</u>	
	2003 K'000	2002 K'000	2003 K'000	2002 K'000
At cost/valuation:				
At 1 April 2002	12,596,000	11,612,000	12,596,000	11,610,000
Additions during the year	6,529,787	11,498	6,529,787	11,498
Transfer from capital work- in progress	3,756,571	-	3,756,571	-
Disposals during the year	-	(1,563,315)	-	(1,561,315)
Surplus on valuation	<u>2,426,895</u>	<u>2,535,817</u>	<u>2,426,895</u>	<u>2,535,817</u>
At 31 March 2003	<u>25,309,253</u>	<u>12,596,000</u>	<u>25,309,253</u>	<u>12,596,000</u>

- (a) The investment properties comprise the company's leasehold buildings. In accordance with note 2(b) these investment properties are to be revalued annually. The properties were revalued during the year by Anderson & Anderson, Valuation Surveyors, on the basis of open market value for their existing use. The surplus on valuation has been credited to investment revaluation reserve (note 14).
- (b) In the opinion of the directors, the value of the above investment properties are worth not less than the amount at which they are included in these financial statements.

9. Investments

These represent:-

	<u>Group</u>		<u>Company</u>	
	2003 K'000	2002 K'000	2003 K'000	2002 K'000
Shares at cost:				
At 1 April 2002	1,740	1,460	3,740	3,460
Investments made during the year	-	<u>280</u>	-	<u>280</u>
At 31 March 2003	<u>1,740</u>	<u>1,740</u>	<u>3,740</u>	<u>3,740</u>

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

9. Investments (continued)

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

	Cost K'000	Equity held %
Peckerwood Developments Limited	2,000	100
Minerva Property Management Company Limited	860	43
Pegasus Property Development Company (Zambia) Limited	<u>880</u>	44
	<u>3,740</u>	

(a) The investments represent shares pending issue.

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

	Group		Company	
	2003 K'000	2002 K'000	2003 K'000	2002 K'000
10. Long term loans				
Peckerwood Developments Limited	-	-	-	121,443
Minerva Property Management Company Limited	<u>-</u>	<u>23,272</u>	<u>-</u>	<u>23,272</u>
	<u>-</u>	<u>23,272</u>	<u>-</u>	<u>144,715</u>

These loans are interest free and have no fixed repayment terms.

	Group		Company	
	2003 K'000	2002 K'000	2003 K'000	2002 K'000
11. Debtors and prepayments				
Trade debtors less provision	126,521	236,198	126,521	236,198
Deposits and prepayments	617,947	543,323	617,947	543,323
Other	<u>367,830</u>	<u>1,595,126</u>	<u>367,830</u>	<u>776,226</u>
	<u>1,112,298</u>	<u>2,374,647</u>	<u>1,112,298</u>	<u>1,555,747</u>
			2003	2002
			K'000	K'000

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

12.	Share capital		
	Ordinary shares of K1 each		
	Authorised	<u>50,000</u>	<u>50,000</u>
	Issued and fully paid		
	At 1 April 2002	9,900	9,800
	Issued during the year	-	100
	At 31 March 2003	<u>9,900</u>	<u>9,900</u>
		Group and Company	
		2003	2002
		K'000	K'000
13.	Share Premium		
	At 31 March 2003 and 31 March 2002	<u>22,650</u>	<u>22,650</u>
		<u>22,650</u>	<u>22,650</u>
		Group and Company	
		2003	2002
		K'000	K'000
14.	Investment revaluation reserve		
	At 1 April 2002	11,286,502	10,061,085
	Surplus on valuation (note 8 (a))	2,426,895	2,535,817
	Transfer from capital reserve (note 15)	-	6,000
	Transfer to retained profits on disposal of assets	-	(1,316,400)
	At 31 March 2003	<u>13,713,397</u>	<u>11,286,502</u>
		Group and Company	
		2003	2002
		K'000	K'000
15.	Capital reserve		
	Arising on acquisition of investment		
	properties in exchange of properties held	-	224,000
	Arising on capitalisation of motor vehicle	-	6000
	Transfer to retained profits on disposal of assets	-	(224,000)
	Transfer to revaluation reserve (note 14)	-	(6,000)
		<u>-</u>	<u>-</u>
16.	Corporate bonds		
	At 1 April 2002	2,385,585	3,035,000
	Conversion to preference shares during the year	-	(1,765,015)
	Exchange difference	298,890	1,115,600
	At 31 March 2003	<u>2,684,475</u>	<u>2,385,585</u>

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

16. Corporate bonds (continued)

- (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 A	1,762	3 years	250	3 November 2003
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.

(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.

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

16. Corporate bonds (continued)

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 conversions 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.

	Group and Company	
	2003	2002
	K'000	K'000
17. 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 2002	7,553,893	-
Issued during the year	154,140	7,553,893
At 31 March 2003	7,708,033	7,553,893

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

17. Convertible redeemable cumulative preferred stock (continued)

- (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.

	Group and Company	
	2003	2002
	K'000	K'000
18. Obligations under finance leases		
At 1 April 2002	1,765,492	-
Obtained during the year	1,978,058	1,992,885
Exchange difference	128,457	544,610
Less: Paid during the year	<u>(914,484)</u>	<u>(772,003)</u>
At 31 March 2003	2,957,523	1,765,492
Less: Proportion repayable within next twelve months (note 20)	<u>(1,560,707)</u>	<u>(847,436)</u>
	<u>1,396,816</u>	<u>918,056</u>
Repayable by 31 March		
2004	1,560,707	847,436
2005	770,683	847,436
2006	<u>626,133</u>	<u>70,620</u>
	<u>2,957,523</u>	<u>1,765,492</u>

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

19.	Deferred income		
	At 1 April 2002	303,875	-
	Arising during the year	<u>445,799</u>	<u>437,580</u>
		749,674	437,580
	Proportion attributable to current year	<u>(170,627)</u>	<u>(133,705)</u>
		579,047	303,875
	Proportion attributable to next twelve months (note 20)	<u>(286,204)</u>	<u>(145,860)</u>
	At 31 March 2003	<u>292,843</u>	<u>158,015</u>

	<u>Group</u>		<u>Company</u>	
	2003	2002	2003	2002
	K'000	K'000	K'000	K'000
20.	Creditors and accruals			
	6,307	4,273	6,307	4,237
	Trade creditors			
	260,685	183,618	260,685	183,618
	Rentals received in advance			
	-	-	642,542	-
	Payable to group company			
	234,890	839,359	369,855	801,647
	Accruals and provisions			
	292,991	257,403	160,916	257,403
	Other			
	1,560,707	847,436	1,560,707	847,436
	Proportion of finance lease obligations (note 18)			
	<u>286,204</u>	<u>145,860</u>	<u>286,204</u>	<u>145,860</u>
	Deferred income (note 19)			
	<u>2,641,784</u>	<u>2,277,949</u>	<u>3,287,216</u>	<u>2,240,237</u>

21. **Capital commitments**

Commitments in respect of contracts amounted to K nil at the balance sheet date (2002 – K3,879 million).

22. **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.

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

23. **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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