

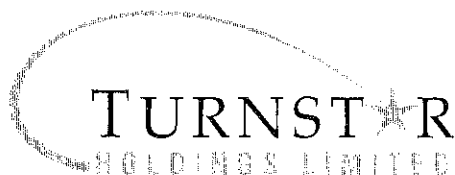
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## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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### ACTION REQUIRED

IF YOU ARE IN ANY DOUBT ON THE ACTION YOU SHOULD TAKE, IMMEDIATELY SEEK ADVICE FROM YOUR ADVISER, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.



Turnstar Holdings Limited  
incorporated in the Republic of Botswana on 7 November 2000  
under registration number 2000/5302  
an investment company with variable capital  
("the Company")

### Prospectus

In respect of an offer to selected placees, by way of placement of 55,000,000 ordinary shares at P0.90t per share

This Prospectus is issued in compliance with the Companies Act Cap 42:01.

The Directors, whose names are given in Section 7.11 of this Prospectus collectively and individually accept full responsibility for the accuracy of the information given herein, and certify to the best of their knowledge and belief there are no other facts the omission of which would make any statement false or misleading and that they have made all reasonable enquiries to ascertain such facts and that the Prospectus contains all information required by law.

The Directors confirm that this Prospectus includes all such information within their knowledge (or which it would be reasonable for them to obtain by making a reasonable enquiry) as investors and their professional advisers would reasonably require and reasonably expect to find for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the issuer and of the rights attaching to be offered to the placees.

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This Prospectus dated 10 August 2001 was registered by the Registrar of Companies in terms of the Companies Act 42:01 on 14 August 2001.

Reference is made to paragraph 5 on page 7 which deal with the consents of experts and material contracts.

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## 1 CORPORATE INFORMATION

### DIRECTORS

C. M. Lekaukau (Chairman)

G. H. Abdoola (Managing)

T. K. Mmusi

P. K. Balopi

A. J. Lemo

I. Nshakazhogwe

N. W. Armstrong

### Legal Adviser



ATTORNEYS NOTARIES & CONVEYANCERS

Fifth Floor, Barclays House

Khama Crescent

P O Box 1368, Gaborone

### Registered Office

Acumen Park

Plot 50370

Fairground Office Park

Gaborone

### Underwriters



### Auditors

Grant Thornton Acumen 

Acumen Park

Plot 50370

Fairground Office Park

P O Box 1157

Gaborone

### Receiving Banker



First National Bank of Botswana limited

5th Floor

Finance House

Khama Crescent

Gaborone

## 2 DEFINITIONS

In this Prospectus, unless otherwise stated, the words in the first column shall have the meaning stated opposite them in the second column and cognate expression shall bear corresponding meanings. Words importing the masculine include the feminine and the neuter, and words importing the singular include the plural and vice versa. Words importing persons include corporations and associations of persons.

"Independent Valuers"	Richard Ellis Africa (Pty) Ltd, trading as CB Richard Ellis, a company incorporated with limited liability in Botswana and practising as real estate valuers, consultants and agents, directors of which are members of the Royal Institute of Chartered Surveyors and the Real Estate Institute of Botswana; appointed as independent valuers by the Company;
"the Act"	the Companies Act (Cap 42:01) as amended;
"BSE"	the Botswana Stock Exchange, constituted in terms of the Botswana Stock Exchange Act 1994, the Regulations 1995 and the Rules promulgated pursuant thereto;
"CIU Act"	the Collective Investment Undertakings Act 1999 and the Regulations promulgated pursuant thereto;
"Turnstar or the Company"	Turnstar Holdings Limited, a public company incorporated with limited liability in Botswana on 7 November 2000 under registration number 2000/5302;
"Debentures"	10 debentures each with a face value of P3 million which accrue interest at a rate of 14% per annum;
"Debentureholder"	Botswana Insurance Fund Management Limited, a public company incorporated with limited liability in Botswana;
"Directors"	the Directors of Turnstar Holdings Limited;
"Financial year"	the financial year ending 31 October annually;
"Lease"	the Lease entered into between the Company and the Bishop for the time being of the Diocese of Gaborone of the Roman Catholic Church on the 11th of April 2001 in terms of which the Company rents an area of land approximately 13,97 hectares until 31 March 2076;

## 2 DEFINITIONS

Project"	the development of a modern regional shopping centre providing a fully integrated shopping experience of approximately 40,000 sqm gross area and approximately 34,000sqm lettable area, with parking to accommodate approximately six customer vehicles per 100sqm of retail space, to be constructed on the land the subject of the Lease;
"Placing Shares"	55,000,000 Shares in the capital of the Company
"Placement"	the placing, pursuant to this offer to selected placees, of the Placing Shares at a price of P0.90t per share;
"Pula or P"	the legal tender of Botswana in which all monetary amounts in this Prospectus are expressed;
"thebe or t"	the legal tender of Botswana, representing one hundredth of a Pula;
"Share"	an ordinary share in the share capital of Turnstar Holdings Limited;

## 3 SHAREHOLDERS DIARY

Offer opens	10h00 Monday 20 August 2001
Offer closes	17h00 Friday 28 September 2001
Notice of allotment	<u>Tuesday 9 October 2001</u>

These dates are subject to change; any substantive change will be notified directly to each placee.

## 4 IMPORTANT FEATURES

### SHARE AND SHARE CAPITAL DETAILS

	Ordinary Shares	Pula
Authorised share capital	150,000,000	1.50m
Issued share capital as at date of this Prospectus (issued at P0,01t per share)	46,000,000	0,46m
Ordinary shares to be issued to placees at P0,90t per share in terms of this Prospectus	55,000,000	49,50m
Ordinary shares to be issued to Debentureholder at P0,90t per share on conversion of the Debentures to shares inclusive of Debenture interest	38,000,000	30,00m
Upon completion of placement and conversion of Debentures	139,000,000	79,96m

### PROCEEDS OF PLACEMENT

Offer price per share offered to placees	0,90t
Total funds to be raised in the Company through the placement, after expenses	47,22m

### TURNOVER AND ATTRIBUTABLE EARNINGS OF THE COMPANY

	forecast 2003	forecast 2004	forecast 2005
Year ending 31October	2003	2004	2005
Turnover (P000s)	22.915	24.478	26.436
Attributable earnings (000s)	19.202	20.139	21.802
Earnings per share (thebe)	13.81	14.49	15.68
Dividend per share (thebe)	13.81	14.49	15.68
Earnings yield (based on issue price)	15.35	16.10	17.43
Dividend yield (based on issue price)	15.35	16.10	17.43
P E ratio (based on issue)	6.52	6.21	5.74

The above forecasts are subject to Assumptions on page 26

### DIVIDENDS

Dividends, after listing of the Company, will be declared and paid twice yearly.

It is proposed to distribute, by way of dividend, all income received by the Company, less that utilised in effecting payment of actual costs incurred by the Company in its management and administration, and in the maintenance and management of the Project and any other real estate projects acquired or developed by it.

## 5 DATE OF AND REGISTRATION OF PROSPECTUS

The date of this Prospectus is 10 August 2001.

A copy of this Prospectus was registered on 14 August 2001 with the Registrar of Companies in terms of the Act with

- (i) the written consent of the auditors, bankers and legal advisers named in this Prospectus to act in their respective capacities, which consents had not been withdrawn before delivery of this document for registration;
- (ii) the written consents of the auditors and independent valuers, including the reports in the form and the context in which they are included herein, which consents had not been withdrawn before delivery of this document for registration;
- (iii) copy of the underwriting agreement between the Company and the Debentureholder.

Copies of these documents, and the Memorandum and Articles of Association of the Company may be inspected at the registered office of the Company at Acumen Park, Plot 50370, Fairground Office Park, Gaborone, during normal business hours prior to the closing of the offer.

## 6 TERMS AND CONDITIONS OF THE OFFER

Applications are invited for shares in the Company on the terms and conditions set out in the application form attached to this Prospectus.

The offer price of P0.90t per Share is payable in three tranches, as set out in the Application Form, with the first tranche payable on delivery of the duly executed Application Form.

No Shares may be sold by a Placee until the price payable in respect of the subscription thereof is paid in full.

### Commission

Commission at the rate of 1% will be paid on the subscriptions paid in respect of shares allotted in respect of applications procured by promoters and agents of the Company, to such agents and promoters.

## 7 DETAILED INFORMATION

### 1 Purpose of the Offer

The Company is the lessee in terms of the Lease with the Bishop for the time being of the Diocese of Gaborone of the Roman Catholic Church in respect of a certain piece of land, in extent 13,97 hectares, in terms of which the Company is entitled to occupy the land for a period of 75 years calculated as from 1 April 2001, and develop upon the land a regional shopping centre.

The land the subject of the lease, has been zoned for commercial purposes, and accordingly the development of and the trading of a regional shopping centre by the Company is permitted.

The purpose of the offer to selected placees is to raise finance from selected investors, who shall become shareholders in the Company, to fund the Project being the development of the regional shopping centre upon the land the subject of the Lease.

Preference will be given to citizen and citizen owned placees who or which subscribe for shares.

The purpose of the offer is to afford citizens and citizen owned entities the opportunity to participate in the major retail real estate development in Botswana.

### 2 History and Background

The Company was formed on 7 November 2000, as a private company, with limited liability. The authorised share capital was P100 divided into 100 ordinary shares of P1,00 each.

On 12 February 2001 beneficial ownership of the then issued shares (100) was transferred to GH Group (Pty) Ltd.

On 30 May 2001 by special resolution the authorised share capital was increased to P1,500,000 and the nominal value of the shares converted from P1,00 to P0,01t each. That resolution was registered at the Registrar of Companies on 21 June 2001.

On 31 May 2001 by ordinary resolution the issued share capital was increased to 40,000,000 million shares of P0,01t each and 39,990,000 Shares were issued to GH Group (Pty) Ltd at an issue price of P0,01t each.

On 24 July 2001 GH Group transferred 10,000,000 Shares to Eagle Properties (Pty) Ltd at P0,01t per share, and the Company issued 6,000,000million Shares to Eagle Properties (Pty) Ltd at P0,01t per Share.

## 7 DETAILED INFORMATION

On 1 August 2001 the shareholders passed special resolutions which special resolutions were registered by the Registrar of companies on 6 August 2001, in terms of which:-

- (i) the Company converted from a private to a public company;
- (ii) the shareholders adopted for the Company, Memorandum and Articles of Association that comply with the provisions of the Companies Act for a public company, the provisions of the BSE Rules for a listed public company, and the provisions of the Collective Investment Undertakings Act for a collective investment undertaking company in terms of the CIU Act;
- (iii) all the authorised and issued shares of the Company were converted to shares of no par value.

On 1 August 2001 the shareholders passed ordinary resolutions in terms of which:-

- (i) the issue of Debentures in the aggregate of P30,000,000, and the terms thereof were approved;
- (ii) 93,000,000 Shares were placed under the control of the directors for issue
  - to selected placees pursuant to applications made by such placees in terms of this Prospectus at a price of P0,90t per share;
  - 38,000,000 thereof to the Debentureholder, upon conversion of the Debentures and interest accrued thereon, into share capital;

During the period from December 2000 to April 2001 G H Group (Pty) Ltd the founder and promoter of the Company, on behalf of the Company, negotiated for the grant to the Company of the Lease upon the terms and conditions reflected in the instrument of Lease.

The Lease was executed by the Landlord, the Bishop for the time being of the Diocese of Gaborone of the Roman Catholic Church and the Company on the 11th of April 2001.

During the period November 2000 to July 2001 G H Group (Pty) Ltd has negotiated on behalf of the Company with potential tenants of premises in the Project:- their requirements in respect of shopping space in the Project and in respect of the design; and specifications of the space and facilities required by them in the Project; and the rentals to be paid by them in respect of the Project; and has elicited commitment from them to rent that space from the Company.

As a result the Company has concluded leases with tenants of premises in the Project, as set out in Part 1 of Annexure E.

G H Group (Pty) Ltd on behalf of the Company has settled the plans, designs and specifications for the Project and will proceed, with appropriate consultants, to place the contracts and subcontracts for the erection of the complex of the Project, and negotiate with the contractors and subcontractors the terms and conditions of each contract and subcontract involved in the works of erection of the shopping centre.

## 7 DETAILED INFORMATION

### 3 PURPOSE OF THE COMPANY

The object of the Company is to invest in the real estate property represented by the land the subject of the Lease and the Project, to make other acquisitions of real estate and derive the income represented by the rental stream generated by such real estate, and to develop other real estate projects and derive the income represented by the rental stream to be generated thereby.

The purpose of the placing and the subsequent listing, where preference will be given to citizens and citizen owned entities who or which subscribe for Shares, is to afford as many citizens as possible the opportunity to invest in the Company and participate in the projects undertaken by the Company.

The cost of the Project is professionally and independently estimated at P85m. Such cost is perceived to be beyond the capability of a single investor in Botswana. Therefore it is necessary to create a pool of investors to raise the finance to fund the Project.

The risk in a project of the magnitude of the Project is too burdensome for a single investor. By creating a pool of investors the burden of risk is spread.

By pooling the resources of investors a project of the magnitude of the Project is rendered possible and it attracts tenants of good financial repute and of long standing thereby lessening the risk in respect of the rental stream.

Future investments in real estate will assist to further spread the risk represented by the initial investment in the Project.

The initial operation of the Company will be to contract for the erection of the shopping centre which comprises the Project and supervise the erection and completion thereof (in order that beneficial occupation of the Project can be given to anchor tenants by 31 August 2002) and to let space in the Project to tenants at market related rental, with commercial operations of the Company anticipated to commence on 1 November 2002.

After deducting from rental income the cost of operating and maintaining the Project, the Company shall distribute the balance by way of dividends to shareholders in the Company.

The ongoing operations of the Company will be to seek out and evaluate other real estate property acquisition or development opportunities.

When a real estate property acquisition or development opportunity, after evaluation, is considered by management and the directors of the Company to be viable and capable of rendering appropriate returns for the Company, then the finance for the Company's investment in the acquisition or development will be raised by means best suited to the Company and if necessary by way of rights issue to existent shareholders in the Company.

The Company will become involved either as acquirer of real estate developments or developer of real estate projects if the return generated thereby is substantially similar to the returns being generated by the Company from the projects in which it is invested at the time, as determined by the Board of Directors from time to time.

## 7 DETAILED INFORMATION

### 4 COLLECTIVE INVESTMENT UNDERTAKING

The Directors believe that the object and purpose of the Company falls within the definition of collective investment undertaking and particularly an investment company investing in property, in terms of the CIU Act. Accordingly the Company has adopted Memorandum and Articles of Association which stipulate that

- (i) the Company has variable capital;
- (ii) the Shares in the Company do not have a nominal value;
- (iii) the value of a Share will be the value of the consideration for which the Share has been issued;
- (iv) the Company may purchase its own Shares to ensure that the stock exchange value of its shares does not deviate from the value thereof based on net asset value by more than 5%;
- (v) upon request by a shareholder, the Company is obliged to purchase the Shares offered by the shareholder;
- (vi) the value of a Share is based on the Net Asset Value divided by the number of Shares in issue
- (vii) if the Company is not listed and hence its Shares not quoted on the BSE, the Shares shall be purchased at a price arrived at by dividing the net asset value of the Company by the number of shares in issue - and net asset value shall be based on the probable realisable value of the assets of the Company;
- (viii) if the shares of the Company are listed and quoted on the BSE the value of the assets of the Company shall be based on the latest stock exchange quotation of its shares and where the latest stock exchange quotation is not representative, the value of assets shall be based on the probable realisable value estimated by the Company, in good faith;
- (ix) the Company shall issue a half yearly report and an audited annual report as prescribed by the CIU Act;
- (x) such reports will be sent to shareholders and made available to the public at the registered office of the Company;
- (xi) the Company may give, whether directly or indirectly and whether by means of a loan, guarantee, the provision of security or otherwise financial assistance for the purchase of or in connection with the purchase or subscription made or to be made by any person of or for any shares in the Company;
- (xii) the Company may purchase its own shares subject to the shares being fully paid for at the time of the transaction and such purchase may be satisfied by payment in cash or in any other manner for partly in one way or partly in the other, shall be authorised by the Company in general meeting;
- (xiii) any shares purchased by the Company shall be cancelled and the amount of the Company's issued share capital reduced by the amount of the consideration paid by the Company for the purchase of the shares;
- (xiv) if requested by a shareholder to purchase the Shares held by the Shareholder the Company shall determine the price payable for the Shares and be obliged to discharge the consideration therefor to the shareholder within three months of date of the request, on the basis that the share certificates in respect of the shares will be delivered to the Company against discharge of the consideration;
- (xv) the purchase prices payable by the Company for its shares shall be calculated twice in every month, unless the regulatory authority otherwise determines.

## 7 DETAILED INFORMATION

### 5 TAX

As a collective investment undertaking as defined in the Income Tax Act in terms of Section 21 (A) of the Income Tax Act the Company "shall be charged to tax on the undistributed amount of the chargeable income and the amount of chargeable income that has been distributed to shareholders shall retain its form and be taxed as such in the hands of shareholders." Therefore if the Company distributes its entire income, save for income to meet deductible expenses, the Company will not pay tax. Opinion has been received that rental income distributed by way of dividend because it retains its nature (as rental) should not be subject to withholding tax by the Company, but taxable in the hands of the shareholder.

### 6 APPLICATION FOR LICENCE

Application will be made to the regulatory authority, the Bank of Botswana in terms of the CIU Act to licence the Company as a Collective Investment Undertaking being an investment company, in terms of that Act. It is hoped that the Licence will be approved by 1 January 2002.

### 7 DISCLAIMER

In accordance with the requirements of the CIU Act the Company notifies potential investors that the Regulatory Authority, the Bank of Botswana shall not be liable by virtue of its licensing of the Company as a collective investment undertaking investment company in terms of the CIU Act or by reason of exercise by it of the functions conferred on it by Legislation in relation to the Company or in default of the Company of any of its obligations. Licensing of the Company as a collective investment undertaking does not constitute a warranty by the Regulatory Authority as to the credit worthiness or financial standing of the various parties to the undertaking.

### 8 SHARES NOT TAKEN UP

In the event applications to subscribe for all the Placing Shares are not received on or before 28 September 2001, and after Placing Shares have been taken up in terms of the Underwriting Agreement, there remain Placing Shares unallotted, the Directors shall offer those Shares to such persons at such price as the Directors deem fit, or recommend that such Shares be cancelled.

## 7 DETAILED INFORMATION

### 9 LISTING

It is the intention through the placing of shares with selected placees to achieve a spread of shareholders to qualify for listing of the Company on the Botswana Stock Exchange, and that shares representing in excess of 50% of the issued shares of the Company are held by members of the public and that members of the public hold shares that exceed in value P40,000,000.

In such event application will be made to the Botswana Stock Exchange for the listing of the issued Share capital of the Company on the Botswana Stock Exchange in October 2002 by way of introduction and prelisting statement.

In the event that the necessary spread of shareholders, percentage holding by the public and value holding by the public is not achieved through the placement the subject of this Prospectus, then the Company will upon completion of the Project and a re-evaluation of its assets at the time make an open offer to the public to subscribe for additional Shares to be issued by the Company, to achieve the spread, percentage and value holding by the public and then make application for a listing of the issued Share capital of the Company on the Botswana Stock Exchange.

It is anticipated that, after the listing of the entire issued share capital of the Company, the share capital of the Company will be

Authorised share capital: 150,000,000 ordinary shares

Issued share capital: 139,000,000 ordinary shares

held as to:-

	Shares
Eagle Properties (Pty) Ltd	16,000,000
GH Group (Pty) Ltd	30,000,000
the Debentureholder	38,000,000
The public being Placees pursuant to this placement	55,000,000

### 10 FUNDING

10.1 In order to enable Game Discount World (Botswana) (Pty) Ltd ("Game") to relocate from its current premises and take up a lease in the Project it was necessary to obtain the consent of Eagle Properties (Pty) Ltd to an early termination of the lease between it and Game. Eagle Properties (Pty) Ltd suffered damages estimated at some P16,000,000 as a result of that early termination. Eagle Properties (Pty) Ltd agreed to accept 16,000,000 shares at P0,01t each in the Company, in lieu of compensation for early termination of the lease between it and Game.

## 7 DETAILED INFORMATION

10.2 Eagle Properties (Pty) Ltd has secured the advance to the Company, by way of bridging finance and an overdraft, of a facility of P14,000,000 from a financial institution.

10.3 On 16 August 2001 the Company issued the Debentures to the Debentureholder which subscribed P30,000,000 to the Company.

10.4 The terms of the Debentures are

10.4.1 each Debenture has a face value of P3m;

10.4.2 each Debenture accrues interest at the rate of 14% per annum from date of issue;

10.4.3 the interest is accrued annually in arrear;

10.4.4 in the event the Company is licensed as a Collective Investment Undertaking as an investment company in terms of the CIU Act, the Debentureholder is obliged to convert the Debentures, at face value and any interest accrued but as yet unpaid, into shares in the Company, at an issue value of P0.90t per share on the anniversary of the issue date;

10.4.5 in the event the Company is not so licensed, the Debentures are redeemable by the Company on the 15th anniversary of the date of issue thereof.

## 7 DETAILED INFORMATION



### 11(a) THE PROJECT

#### 11.1 Valuation

The Independent Valuers, in their considered opinion, deem the investment/discounted cashflow method of valuation (as opposed to replacement cost method of valuation) the most appropriate to the Project, as appears from the Valuation Annexure D.

The investment/discounted cashflow method requires determination of the income producing capacity of a property by estimating market related rentals making deductions for vacancy and collection losses as well as operating expenses from comparable rentals, then capitalising the future income to a present value using a discount rate by analysing current investor yield requirements for similar investments and analysing initial returns and IRR's of comparable sales including the opportunity cost of investment funds. It implies that a rate of return must be paid to an investor sufficient to meet the competition of alternative investment outlets.

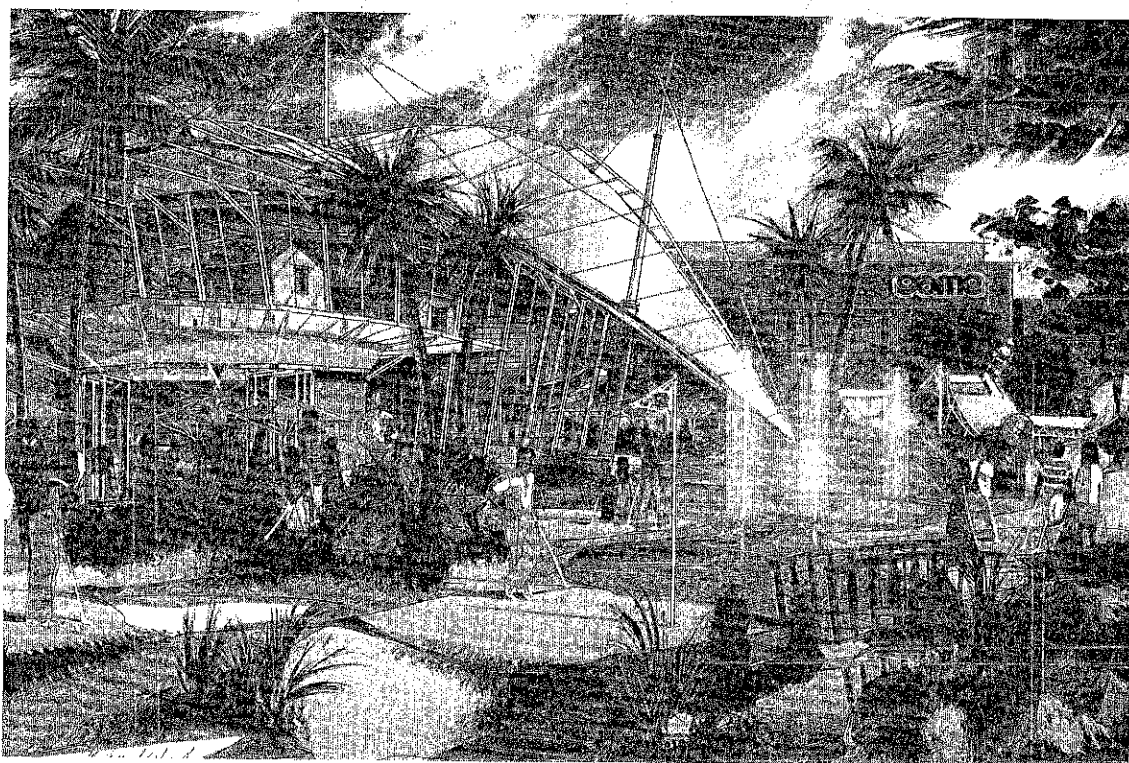
By virtue of the fact that there is sufficient data available in respect of the Project in respect of rentals and expenses, the investment/discounted cashflow method of valuation of the Project was deemed appropriate.

The Project is valued at P132m.

## 7 DETAILED INFORMATION

### 11.2 Tenants

As of the date of this Prospectus of the total lettable area of 34,273 sqm, 13,422 sqm representing 39.16% of the total lettable area are the subject concluded leases. Provisional terms have been agreed in respect of further 9,926 sqm representing 28.96% of the total lettable area. As a result 68.12% of the total lettable area can be considered committed. There is a risk that certain of the provisional terms agreed might not result in leases or terms may be varied. In addition, agents on behalf of the Company are actively pursuing negotiations with tenants who have expressed interest in a further 10,070sqm or 29.38% of the total lettable area. As at date of this Prospectus approximately 866m (2.5% of the total lettable area) appears vacant.



### 11.3 Lease expiry profile

Having regard to leases signed and terms provisionally agreed, it appears that 59% of lettable area in the Project will be let for five year duration (commencing October 2002) with an option to renew for a further five years. 41% of lettable area will be let for a single period of ten years with renewal options.

### 11.4 Return

Based on the income generated by the rentals in respect of the leases already concluded, and the rentals anticipated to be achieved in respect of leases still to be concluded and after deduction of appropriate expenses (i.e. interest, cost of maintenance, cost of ground rent, and provision for refurbishment) the Project is anticipated to yield a return on an investment of P0.90t per Share of approximately 15.35% in the first year of operation.

## 7 DETAILED INFORMATION

### 11.5 Consents

The area which includes the land the subject of the Lease has been zoned for commercial use. On the 28th of June 2001 the Town and Country Planning Board approved the commercial development that is the Project, on the land. On the 24 July 2001 the South East District Council issued the building permit for the Project.

The Project will require the upgrading of surrounding roads to improve traffic flow and traffic access in the area. The road infrastructure re-development was part and parcel of the application for the development, which has now been approved.

The development was the subject of an environmental assessment study and the impact of that study and the requirements enumerated therein have been taken into account and the development of the Project is in compliance therewith.

All the utility providers in respect of essential services to the Project have committed the provision of bulk services to the Project.

### 11.7 Risks

The Directors are confident the Project will succeed. It also acknowledged that there are risks which could affect its future performance. The attention of intending investors is drawn to these risks, the major ones of which are considered to be:

- Timeous service supply: although the utility providers have committed to provide the bulk services through primary and secondary infrastructure to the Project for connection of the Project to the service supplies, there is the risk that utility providers will not timeously and properly provide the services, which could affect the time for completion of the development and the commencement of operations of tenants in the Project; these risks are to be managed by the appointment of a strong professional team of consultants and the appointment of a competent contractor, all of whom are capable of early and thorough liaison with the utility providers in order to agree and keep with a reasonable programme that will go a long way to ensuring that all contractors to the Project and the utility providers deliver on time.

## 7 DETAILED INFORMATION

- **Construction risk:** There is a risk of a failure by an approved contractor to perform in accordance with the programme or the intervention of force majeure which could result in a delay of the works, which in turn could delay the generation of income, and increase the costs; these risks are to be managed by correct contract documentation, the appointment of contractors of strength with previous sound track record and the imposition of appropriate penalties.
- **Contract cost overrun:** The cost of the Project is estimated at P85m; this cost is the subject of an estimate by experienced quantity surveyors and a quotation against the plans and specifications, by a reputable contractor. Within such cost is provision for cost overruns of P4.2m.
- **Letting risk:** As at date hereof written leases with tenants in respect of 39.16% of the gross lettable area of the Project have been concluded and provisional terms have been agreed with tenants in respect of 28.96% of the gross lettable area. Reference is made to paragraph 9.2 on page 15; there is a risk that the remaining space in the Project will not be taken up by tenants; however the Company currently pursues tenants who have expressed interest for space totalling 10,070sqm ie 29.38% of space and has the period of construction conclude these to seek out new tenants and replace any who renege upon provisionally agreed terms; the existence of strong and renowned anchor tenants (which have already committed in terms of a written lease to space in the Project) will, the Company believes, motivate other tenants to take up space in the Project;
- **Tenant failure:** This is a normal risk in a project of this nature and size; in order to minimise this risk there will be careful screening of the initial tenants every effort made to enlist tenants of financial strength, sound business experience and successful track record, and put in place competent contract documentation and pro-actively manage and administer all leases so that appropriate steps can be taken at an early stage to protect the income stream in respect of any particular space in the Project.

### 11 (b) FOUNDING MEMBERS' COVENANT

The Founding Members G H Group (Pty) Ltd and Eagle Properties (Pty) Ltd have covenanted to the Board of the Company to the benefit of prospective Shareholders, that, in the event the operations of the Company in the 12 month period ending 31 October 2003 and the 12 month period ending 31 October 2004 do not yield a return on an investment of P0.90t per share of 14%, the Promoters will either effect payment to Shareholders (via the Company) of such an amount, or forgo dividends to which they as Shareholders are entitled to such an extent, or surrender some or all of the shares held by them in the Company to the Company for cancellation, so as to ensure that Shareholders other than the Founding Members receive a Return of 14% on a P0.90t price per share, in each period. A copy of the covenant is available for inspection at the registered office of the Company with the other documents referred to in paragraph 5 on page 7 hereof.

## 7 DETAILED INFORMATION

### 12 DIRECTORS

The Directors of Turnstar Holdings Limited as at date hereof are as follows

**Cuthbert Moshe Lekaukau** (*Chairman*)

Plot 2667, Phuti Crescent,  
Extension 9, Gaborone  
Motswana

**Patrick Kediretswe Balopi**

Plot 31336, Gaborone North,  
Gaborone  
Motswana

**Gulaam Husain Abdoola** (*Managing*)

Plot 2578, Extension 9, Gaborone  
South African

**Abram Jonathan Lemo**

Plot 2661, Kgosi Close, Extension 9, Gaborone  
Motswana

**Thomas Kagiso Mmusi**

Plot 21153, Extension 15, Gaborone  
Motswana

**Neill William Armstrong**

Plot 10299, Maru-a-Pula, Gaborone  
South African

**Ishmael Nshakazhogwe**

Plot 16493, Gaborone West  
Motswana

Cuthbert Moshe Lekaukau P H, LL.B. (UBLS) LL.M. (Columbia - NYC), 56, a citizen qualified as an attorney and served the Government as senior public officer, in various capacities from 1973 to 1996, 12 years of which he was a Permanent Secretary in various Ministries. He is currently the founding Executive Chairman of the Botswana Telecommunications Authority, the Chairman of Finance House, (Pty) Ltd which company owns the Finance House, Khama Crescent Gaborone, Director of Leno Holdings (Pty) Ltd, a shareholder in Finance House (Pty) Ltd, a member of the University of Botswana Foundation, having previously served as Chairman of the Governing Council Botswana College of Agriculture, Botswana Telecommunications Corporation, Botswana Diamond Valuing Company (Pty) Ltd., Water Utilities Corporation, Air Botswana Corporation, Botswana Railways Corporation, Botswana Vaccine Institute, Botswana Agricultural Resources Board and as Vice Chairman of Botswana Meat Commission, Debswana Diamond Co. (Pty) Ltd, Soda Ash Botswana (Pty) Ltd. and as Director of Botswana Development Corporation Limited, De Beers Centenary AG, De Beers Consolidated Mines Ltd, Diamond Trading Company (Pty) Ltd, BMC (UK) Holdings Ltd, Table Bay Cold Storage (Pty) Ltd (RSA), Kloppe and Gluckman (Pty) Ltd (RSA), BCL/BRST Ltd, and National Development Bank. He was awarded a Presidential Order of Honour (PH) in 1996 for the recognition of his efficient and devoted services.

Patrick Balopi, 60, served as an elected member of Parliament for 20 years, 15 of which he served as Cabinet Minister in the Ministries of Health, Local government Lands and Housing and Labour and Home Affairs, being National Executive Secretary of the Botswana Democratic Party for 12 years. Besides being a member of the Land Tenure Commission and Chairman of the Presidential Commission on Constitutional Amendments he is Director of Northern Investments (Pty) Ltd, Italtswana Construction Company (Pty) Ltd, Fable Holdings (Pty) Ltd, Phuramarapo Investments (Pty) Ltd.

## 7 DETAILED INFORMATION

Kagiso Mmusi, 35, a citizen, holds a Business Management Diploma from the University of South Africa, Pretoria and attended the Management Development Programme and Executive Development Programme at the University of Cape Town Graduate School of Business, is a businessman with interests in Pula Holdings (Pty) Ltd, a transport company distributing petroleum products for Total Botswana, Smart Investments (Pty) Ltd which owns a warehouse and trucks distributing Chibuku for Botswana Breweries, Kwena Minerals (Pty) Ltd which owns and leases warehouses in Gaborone West, TK Trading (Pty) Ltd, a company trading in telecommunications equipment and accessories, which acts as a representative of several manufacturers of such equipment and is currently the Managing Partner of Optimum McCann Erickson, an advertising company with substantial corporates as clients.

Abram Lemo, 61, holds a Diploma in Economic Development and Administration from the University of York, having also completed a Part I Degree in Social Sciences there, served the Government of Botswana in senior positions from 1962 to 1991 and served as Director of Customs and Director of Administration Bank of Botswana, and is currently a businessman and Director of Finance House (Pty) Ltd, Leno Holdings (Pty) Ltd and Maiteko Enterprises (Pty) Ltd.

Ishmael Nshakazhogwe, 52, a citizen, holder of a Certificate in Business Management from the University of Pittsburg, Pennsylvania State, United States of America and Certificate in Business Financial Management the Managing Director of the Zambezi Group of Companies, which holds the dealership for sales, service and maintenance of DAF Trucks, buses, LDVs and ACMAT Multi Purchase Vehicles, and Exim Enterprises (pty) Ltd which company distributes coal in Botswana and runs the engineering shop for the refurbishment of engines of all makes, Truck Holdings (Pty) Ltd which company is possessed of workshop facilities and three petrol filling stations and Zambezi Transport and Concrete Products (Pty) Ltd which manufactures concrete products and carries out the transport of same.

Neill Armstrong, 50, BL LLB a South African, has been resident and practising as an attorney in Botswana since 1978, and is the senior partner of Armstrongs law firm, which specialises in commercial and corporate legal advice and has been involved, as consultant in the drafting of the Botswana Stock Exchange Act, and in a Government inspired project which ultimately resulted in the Collective Investment Undertakings Act, as adviser to the consultancy in respect of the amendment to the Income Tax Act to establish the International Financial Services Centre, as representative of the Botswana Law Society on the reference group reviewing the Companies Act, as legal advisor to the majority of listings on the Botswana Stock Exchange, and as local counsel in the privatisation of Air Botswana, and in addition to other directorships, he is Chairman of RPC Data Limited and director of MRI Botswana Limited, both of which companies are listed on the Botswana Stock Exchange.

The Debentureholder has been invited to appoint a person as Director on the Board. In terms of the Articles of Association of the Company, any shareholder holding shares which is equal to or exceeds 15% in value of the total share capital of the Company, at any time, is entitled to appoint one director to the Board of Directors of the Company.

## 7 DETAILED INFORMATION

### 13 MANAGEMENT

The management of the Company will be provided by

- Gulaam Abdoola, the managing director. Gulaam has resided in Botswana since 1981 and has been involved in the development of properties, the sale of developed properties, the development of fast food outlets, motor parts and tyre fitment centre and supermarket and wholesale businesses. During the period 1994 to 1999 served as now executive deputy chairman to Prefsure Insurance Botswana (Pty) (Ltd) and McCarthy Retail Botswana (Pty) Ltd which latter company operates Game, Bee Gee, Savells, Happy Homes, Bonus Building Supplies, Guys & Girls and Bears retail outlets in Botswana. Gulaam is the executive chairman of SupaSave (Pty) Ltd which operates supermarkets, MegaSave (Pty) Ltd, which operates a wholesaler, Eagle Properties (Pty) Ltd, which owns the property currently occupied by Game Stores at Tlokweng Gaborone, Continental Holdings (Pty) Ltd, which owns residential and industrial properties, and Barolong Shoe Wholesalers (Pty) Ltd, which owns the Nzano Centre in Francistown, which is a retail shopping complex of approximately 13,000 square metres and GH Investments (Pty) Ltd T/A Autocity. He is a director of Stanbic Bank of Botswana Limited.
- Two individuals, one a finance manager, with appropriate experience, who will control directly all the income accruing and the expenses incurred by the Company and the treasury function involved in investing, from time to time, any cash surpluses pending distribution of dividends, and the distribution of dividends by the Company, the other an estate manager of appropriate qualifications and experience, who will be required, on a full time basis, to manage the Project and all activities conducted therein, including promotional and market activities of all and any operations conducted in the Project by any tenant, the operations of the tenants, the security maintenance of the Project and the security of customers visiting the area, will be recruited by the Company prior to completion of the works for the Project.
- In the event that the two individuals (the finance manager and estate manager) cannot be recruited, then the Company shall contract with a corporate entity, skilled and experienced in management of an estate such as the Project which can or through subcontracts provide also the financial management and administration services required. An amount of 1.5% of income has been projected as a cost for salaries of the finance and estate manager or the employment of the corporate entity manager.

The Managing Director will focus particularly on the identification of the acquisition of other real estate properties in Botswana and elsewhere and development of real estate property opportunities which comply with the investment strategy and policies of the Company as determined by the Board of Directors from time to time. Upon the identification of such an acquisition or development opportunity, the Investment Committee will make a complete presentation to the Board for determination whether or not the Company should make the acquisition or involve itself in the development. The Board of Directors would be at liberty, if it so deems fit, to have the presentation assumptions and forecasts of the Investment Committee independently verified. The Managing Director will be entitled to an incentive (in addition to the remuneration determined by the Board to be paid to the Managing Director for his role as Managing Director) to complete the acquisition or the participation in the development and increase the income stream for the Company. Such incentive will be subject to negotiation between the Board and the Managing Director (who shall recuse himself from voting on the issue) on a project by project basis.

## 7 DETAILED INFORMATION

### 14 DIRECTORS FEES

Non executive directors will be paid a fee of P20,000 per annum, calculated with regard to reasonable reimbursement for time spent preparing for and attending four board meetings each year. The executive director/the managing director shall receive a salary of P240,000 per annum.

### 15 CORPORATE GOVERNANCE

The Directors have responsibility for maintaining a system of risk identification and management and controls which provides assurance of effective and efficient operations, internal financial control and compliance with laws and regulations. The Board of Directors of Turnstar is constituted with a majority of non-executive directors and shall meet at least quarterly. The Board of Directors is chaired by a non-executive chairman and the function of this office is separate from that of the managing director.

The Company will put in place responsive systems of governance and practice which the Directors and management regard as appropriate. The Directors will regularly review the systems to ensure that they reflect best practice in corporate governance.

#### The Investment Committee

The Managing Director and the director appointed by the Debentureholder will serve on the Investment Committee which will evaluate other investment opportunities for the Company prior to submission to the Board for approval.

#### The Audit Committee

There shall be an Audit Committee of the Board to deal, inter alia, with financial and treasury policy matters to be recommended by the Board and which will be concerned with compliance and internal control. It is to be regulated by specific terms of reference and is to be chaired by the non-executive Chairman and is to be comprised, in majority, by non-executive directors. It shall meet periodically with the Company's external auditors to discuss accounting, auditing, internal control and financial reporting matters. The external auditors have unrestricted access to the Audit Committee. The Audit Committee shall be approved by the Board prior to 1 June 2002.

### 16 EXISTING SHAREHOLDERS

The shareholders in Turnstar as at the date of this Prospectus were as follows

Name	number of shares
G H Group (Pty) Ltd	30,000,000
Eagle Properties (Pty) Ltd	16,000,000
Currently in issue	46, 000,000

## 7 DETAILED INFORMATION

### 17 SHARE CAPITAL

(a) Authorised	Number of Ordinary Shares	
Authorised share capital on incorporation	100	
Authorised share capital as at the date of this Prospectus	150,000,000	
(b) Issued and fully paid up		Issue Prices in P
In issue as at date of this Prospectus	46,000,000	460,000
To be issued in terms of the placement	55,000,000	49,500,000
To be issued on conversion of the Debentures (including Debenture Interest) into share capital	38,000,000	34,200,000
Shares in issue after placement and conversion of Debentures	139,000,000	84,160,000
(c) Unissued as at date of this Prospectus		
Under the control of the Directors 93,000,000 Shares for issue		
(i) to placees pursuant to this Prospectus and		
(ii) to the Debentureholder upon conversion of the Debentures (including Debenture Interest) into share capital		

## 7 DETAILED INFORMATION

### 18 RIGHTS OF SHAREHOLDERS

No special voting power is reserved for any promoter or any other person. All Shares are currently ordinary shares of one class and rank pari passu in all respects. All new shares issued in terms of the placement and issued in terms of the offer to the public will rank pari passu with the existing shares from date of allotment, and ownership of all shares will be evidenced by certification. At general meetings every member present in person or by proxy shall have one vote on a show of hands and one vote for each share of which he is the registered holder, on a poll. The rights of shareholders may only be varied with the sanction of a special resolution which requires a 75% majority to be passed.

### 19 DIVIDEND POLICY

The dividend policy is to distribute all income of the Company save that which is required to meet the management and operational costs of the Company and the cost of maintenance and management of the Project and any other real estate that may be acquired or developed by the Company, and any obligations to repurchase Shares from Shareholders.

Dividends will be declared twice a year in June and December, payable in September and March respectively. All shares issued in terms of this Prospectus will be eligible for the interim dividend payable in June 2003 based on the interim results up to March 2003.

All dividends unclaimed for a period of not less than three years from the date on which the dividends became payable, may be forfeited by the Directors for the benefit of the Company. In the event of a resolution being passed providing for the Company to be wound up voluntarily, such resolution may provide that any dividends unclaimed for a period of not less than three years from the date on which the dividends became payable and not previously forfeited, may be forfeited by the Directors for the benefit of the Company.

## DETAILED INFORMATION

### PROFIT FORECAST CONTINUED...

The Directors forecast for the three years ending 31 October 2005 is given below:

Year ending 31 October	Forecast	Forecast	Forecast
	2003	2004	2005
	P000	P000	P000
Net Property Income	18,961	19,925	21,494
Net Interest Receivable	241	214	308
	<hr/>	<hr/>	<hr/>
Attributable Earnings	19,202	20,139	21,802
	<hr/>	<hr/>	<hr/>
Dividends	19,202	20,139	21,802

### Share Statistics

Total Shares in Issue	139 000 000	139 000 000	139 000 000
Weighted number of			
Shares in Issue	139 000 000	139 000 000	139 000 000
Earnings per Share - (thebe)	13,81	14,49	15,68
Dividend per Share - (thebe)	13,81	14,49	15,68

### Assumptions

This profit forecast has been based on the following assumptions:

- The Net Expenditure during the construction period is capitalised. The interest income up to 31 October 2002 is on the assumption that the proceeds of the offer will be received on the due dates reflected in the Prospectus and earn interest at the rate indicated.
- Interim and final dividends will be paid for the year ending 31 October 2003 and reference should be made to paragraph 18 on page 24, which details the dividend policy to be adopted by Turnstar in the future.
- The profit forecast reflected above to 31 October 2003 assumes that the shares in terms of the offer are in issue for the full year.
- The profit forecast is based on the assumption that circumstances which affect the Company's business, but which are outside the control of the directors, will not materially change in such a way as to affect the revenue earning capability of Turnstar. In particular, the forecast is based on the assumptions that the economic conditions and political stability in Botswana will not deteriorate.
- The profit forecast is based on the assumption that there are no cost or time overruns in the Project.
- The Pula will remain stable against major international currencies and the Rand.
- There will be no major changes in the interest rates.

## DETAILED INFORMATION

- h) The property is fully let at the expected rental and the Company will be able to collect all the rentals for the 12 months from November 2002 without any break. There will be no breach of any lease between the Company and a tenant. That the loss in rental due to vacancy from the second year of operations is not more than 2% of the rental income.
- i) The value of the Project as determined by the Independent Valuers on completion will not be less than P145,000,000.
- j) There will no taxation payable by the Company as the Company intends to declare the entire net income as dividends and no major changes occur to the present taxation regime, levels of taxation and duties payable.
- k) The Company is able to invest all surplus funds getting an interest income of 1% per month.
- l) The difference between the valuation and actual cost of the building is credited to a Non Distributable reserve.

The above assumptions are material to the forecast and the actual financial results of the Company depend on them.

As certain of the assumption may not materialise and/or certain unforeseen events or circumstances may occur subsequent to the forecast, the actual results to be achieved during the 3 year period ending 31 October 2005 may differ from the forecast.

## 22 LOANS AND BORROWINGS

As at the date of this Prospectus the Company had the following borrowings

Bridging Finance	P14,000,000
Debentures	P30,000,000

## 23 EXPENSES OF THE PLACING ISSUE

The expenses of the issue comprising the placement to selected placees is estimated at P2,200,000 comprising

Independent Valuers fees	P 50,000
Secretarial, financial consultancy and audit fees	P200,000
Commission/Raising fee	P795,000
Legal Advisor's fee	P200,000
Advertising and Printing	P240,000
Underwriting fee	P800,000

The above expenses are payable direct to the respective parties which rendered the services to the Company, from the proceeds of the issue to placees.

## 7 DETAILED INFORMATION

### 24 BORROWING POWERS OF DIRECTORS

The Directors may raise or borrow for the purpose of the Company's business such sum or sums of money as in aggregate at any time do not exceed twenty-five per cent of its net assets at any one time, or such other sum as the Company may, by ordinary resolution, in General Meeting determine. The Directors may secure the repayment of or raise any such sum or sums as aforesaid by mortgage or charge upon the whole or any part of the property and assets of the Company present and future, or by the issue, at such price as they may think fit, of debentures either charged upon the whole or any part of the property and assets of the Company, or not so charged or in such other way as the Directors may think expedient.

### 25 DIRECTORS INTERESTS IN CONTRACTS

Save for shareholdings in companies which maybe tenants in the Project, the current directors of the Company have no interests in any of the contracts to which the Company is a party.

### 26 DIRECTORS INTEREST IN COMPANY

Gulaam Abdoola holds a 75% interest in GH Group (Pty) Ltd and 75% interest in Eagle Properties (Pty) Ltd, and those companies currently hold 30 million shares and 16million shares in the Company respectively.

### 27 SIGNIFICANT ACQUISITIONS

Since its incorporation Turnstar acquired the rights in terms of the Lease.

### 28 THE FUTURE

The Company sees potential for growth in the

- (i) acquisition of property in other countries in Africa and the development thereon of retail centres, for and with the commitment of the Massmart Holdings Group of retail operators as lead tenant; and
- (ii) the acquisition of land in Botswana and the development thereon of medium cost residences for on-sale to private buyers and the financing of the purchase prices payable by those buyers.

Such acquisition shall be made only if all elements thereof comply with the strategic and investment criteria of the Company as determined by the Board from time to time.

## 8 STATUTORY AND GENERAL INFORMATION

The following information is given in terms of the Act, the paragraphs being numbered to correspond with the numbers of the paragraphs forming the Third Schedule of the said Act.

### THIRD SCHEDULE PART ONE

1 Turnstar was incorporated in Botswana on 7 November 2000 and the address of the registered office is Acumen Park, Plot 50370, Fairground Office Park, Gaborone.

2(a) There is no shareholding qualification for Directors. Unless otherwise decided by the Company General Meeting, the number of Directors shall not be less than four (4) nor more than twelve (12).

(b) The remuneration of directors shall be such sum or sums as may from time to time be approved by the Company in General Meeting. Details of current remuneration appears at paragraph 14 on page 22. Directors shall also be paid such travelling, hotel and other expenses as may be properly and necessarily incurred by them in and about the execution of their duties as directors, including any such expenses incurred in connection with the attendance at meetings of directors or committees thereof and at General Meetings.

A quorum of disinterested Directors may award special remuneration out of the funds of the Company to any non-executive director undertaking any work additional to that usually required of non-executive directors of a company similar to the Company, and shall approve any visit abroad by any director on the business of the Company and the expenses to be met by the Company.

The Company shall, in accordance with the provisions of section 152 of The Act, duly keep at the registered office, in respect of each Director, a register of the description and amount of any shares in or debentures of the Company and in or of other bodies corporate in which he is interested, as is required by such section. Such Register shall be open to inspection between the hours of 10 am and 12 noon during the periods prescribed by the section and shall also be produced at the commencement of each Annual General Meeting and shall remain open and accessible during the continuance of the meeting to any person attending the meeting.

A Director may hold any office or place of profit under the Company or a subsidiary other than that of Auditor, or Custodian to the Company, in conjunction with the office of Director of the Company or a subsidiary, for such period and on such terms as to remuneration and otherwise as determined by a disinterested quorum of Directors.

## 8 STATUTORY AND GENERAL INFORMATION

The Directors may from time to time appoint one or more of their body to full time employment with the Company, with such title as the Directors may in their absolute discretion determine and may stipulate whether or not the holding by that Director of the office of director is a condition (or otherwise) of such employment and may fix his/her remuneration either by way of salary or commission for an amount equal to a percentage of dividends declared (not to exceed 5%) or by a combination of two or more of those modes, and if the holding of office as a director is a condition of such contract may, if the Directors deem prudent, stipulate the terms of such holding of office, and may stipulate that there be paid to him or his widow or her or her widower or such other dependants, a pension or gratuity on retirement or death. The appointee shall not vote upon any resolution in respect of his/her appointment or in respect of determination of any terms and conditions of such appointment and employment.

- 3 (i) The names, occupations and addresses of the Directors are given on pages 19, 20 and 21 of this prospectus
- (ii) The names and address of the auditors of the Company are given on page 3 of this prospectus.
- (iii) At every ordinary meeting of the Company at least one-third of the Directors for the time being shall retire from office. The Directors so to retire in each year shall be those who have been longest in office since their last appointment or election, but as between persons who were last elected Directors on the same day, those to retire, unless they otherwise agree among themselves, shall be determined by lot, provided that notwithstanding anything herein contained, if, at the date of any ordinary meeting any Director shall have held office for a period of three (3) years since his last election or appointment, he shall retire at such meeting, either as one of the Directors to retire in pursuance of the foregoing provisions, or additionally thereto. A retiring Director shall hold office until the conclusion of the meeting at which he retires.

Retiring Directors shall be eligible for re-election, but no person not being a retiring Director shall be eligible for election to the office of Director at any general meeting unless the member intending to propose him and the member intending to second him have at least five (5) clear days before the meeting, left at the registered office of the Company a notice in writing, duly signed signifying the intention of such members to propose and second him and the consent of the candidate to assume the office of the Director.

The Company in general meeting shall fill up any vacancies in the Board of Directors existing or arising at that meeting, unless it is resolved to reduce the number of Directors.

If at any general meeting at which an election of Directors ought to take place, the place of any retiring Director is not filled up, he shall, if willing, continue in office until the dissolution of the ordinary meeting in the next year, and so on from year to year until his place is filled up, unless it shall be determined at such meeting not to fill up such vacancy.

Subject to the provisions of Article 64 the Company by ordinary resolution in general meeting may from time to time increase or reduce the number of Directors and alter their qualifications and may also determine in which rotation such increased or reduced number is to go out of office. Whenever such increase is made the shareholders at the said meeting, or failing them, the Directors, may fill up the new seats so created.

## 8 STATUTORY AND GENERAL INFORMATION

Notwithstanding anything to the contrary contained in Article 66, any person employed under a contract with the Company, which contract has as a condition thereof that the person shall be a director of the Board, that person shall not be subject to retirement by rotation, but the period for which that person shall be a director and shall hold office as such shall be determined by the terms and conditions of his contract with the Company, provided that less than half of the Directors may be appointed to any such position on the condition that they will not be subject to retirement by rotation.

- 4 (a) By reason of the capital raised by the Debentures, the capital guaranteed by the underwriting, and the finance facility, the minimum amount which in the opinion of the Directors must be raised by the issue of the shares now offered for subscription in terms of this prospectus is P2,200,000 to cover the cost of this placing issue as set out in paragraph 23 on page 27.
- (b) Additional capital expenditure will be financed by loans or, from time to time, by rights issues.

5 The time of opening of the offer is 10.00 am on Monday 20 August 2001.

6 The amount payable on application in respect of the Shares now offered is P0,90t per Share. The following shares have been issued within two years preceding the date of this prospectus:-

- on 12 February 2001 100 ordinary shares at P1,00 each to GH Group (Pty) Ltd which on 31 May 2001 were converted to 10,000 shares of P0,01t each
- on 30 May 2001 39,990,000 ordinary shares at P0,01t each to GH Group (Pty) Ltd
- on 24 July 2001 6,000,000 ordinary shares at P0,01t each to Eagle Properties (Pty) Ltd
- on 1 August 2001 93,000,000 shares for issue to placees pursuant to placement and to the Debentureholder pursuant to conversion of debentures into equity;

The P0,90t value of each of the shares to be issued in terms of the placement represents the underlying value of the Lease, the facilities made available to the Company from the financial institution and the Debentureholder in order to enable it to commence the Project, and the rental stream represented by the sub-leases already concluded between the Company and the tenants of space in the Project and the subleases likely to be concluded between the Company and tenants in respect of space in the Project.

## 8 STATUTORY AND GENERAL INFORMATION

- 7 P30,000,000 Debentures have been issued to the Debentureholder. The terms of the Debentures are set out at paragraph 10.4 on page 14.
- 8 In the preceding two years no shares or debentures have been issued or agreed to be issued other than in cash.
- 9-10 No property has been or is to be acquired or purchased out of the proceeds of the issue.
- 11 A commission of 1% of the proceeds of the debenture issue, which was procured by agents for the Company, is payable to the agents of the Company. A commission of 1% of the proceeds of an application for Shares by a placee which has been procured by an agent or promoter of the Company is payable to the agent or promoter on payment of the full amount due in respect of the shares applied for. An underwriting fee of P800,000 is payable by the Company to the Debentureholder in respect of its underwriting of Shares to a value of P20,000,000. Directors of the Debentureholder are J.A. Burbidge, A.D. Norrie, S Gupta and T de Bruin. No Director or officer of the Company has an interest in the Debentureholder.
- 12 The costs of this issue are estimated to be P2,200,000. The expenses will be paid by the Company out of the proceeds of offer.
- 13 Except for the commission set out in section 11 above the Company has not, within the two years preceding the date of this prospectus, paid, nor does it intend to pay, any promoter for service rendered in connection with the promotion of this placement.
- 14 The only material contract not being in the ordinary course of business entered into by the Company is the Underwriting Agreement with the Debentureholder. A copy of this contract may be inspected at the registered office of the Company during normal business hours until the close of the offer.
- 15 No sums have been or are to be paid to any Director in cash or otherwise to induce him to become a member of the Company. Directors who procure subscriptions for Shares from third party Placees will be entitled to the commission referred in 11 above.
- 16 The Founder Shares have been issued to GH Group (Pty) Ltd and Eagle Properties (Pty) Ltd. There are no management or deferred shares in the capital of the Company. The share capital of the Company is described on page 13 of this document.
- 17 Save to enter into the Lease, and the Underwriting Agreement, the leases for space in the project and contracts for the construction of the Project, the Company has not commenced trading and is anticipated to do so on 1 November 2002.

## 8 STATUTORY AND GENERAL INFORMATION

### THIRD SCHEDULE PART TWO

18 The report of the Company's auditors Grant Thornton Acumen is included in Annexure A to this document.

19-20 The proceeds of the issue are not to be applied as envisaged in these sections.

### LITIGATION

The Company has no litigation or claims of material importance pending or threatened against it.

### STATEMENT OF CAPITAL ADEQUACY

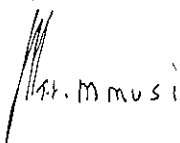
The Directors of the Company are of the opinion that with the capital raised by the Debentures and promised in terms of the Underwriting Agreement and working capital available to the Company, requirements of the Company in the foreseeable future are covered.


### STATEMENT BY DIRECTORS

The Directors hereby jointly and severally represent and undertake that:-

- (iii) all statements of fact contained in the Prospectus are true and accurate in all material respects and are not misleading and all expressions of opinion intention and expectation expressed in the Prospectus are reasonably based fair and honest;
- (iv) there are no other material facts known to the directors which are not disclosed and which are material for disclosure to a prospective purchaser of any of the Shares and that all such information as an investor and its professional advisors would reasonably require for the purposes of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Company are contained in the Prospectus;
- (v) there are no material facts known to the Directors which are not disclosed and the omission of which would make any statement in the Prospectus misleading or which in the context of the offer is material for disclosure to a prospective purchaser of any of the Shares.

This prospectus was signed at Gaborone on 10 August 2001 at Gaborone

  
1 Director  
T.K. Mmusi

  
2 Director  
G.H. Abdoola

in their capacities as Directors and on behalf of the other Directors of Turnstar.

## ANNEXURE A: INDEPENDENT REPORTING ACCOUNTANTS' REPORT

10 August 2001

The Directors  
Turnstar Holdings Limited  
P O Box 41029  
Gaborone

Gentlemen

We set out below our report in connection with the proposed offer to selected placees who shall become shareholders in the Company. Our report has been prepared in terms of section 18 of the Third Schedule of the Companies Act (CAP 42:01).

### NAME OF COMPANY AND INCORPORATION

The Company was formed on 7 November 2000, as a private company, with limited liability. The Company was converted from a private company to a public company on 1 August 2001.

### ASSOCIATED COMPANY

Mr G H Abdoola holds a 75% interest in GH Group (Proprietary) Limited and 75% interest in Eagle Properties (Proprietary) Limited. These two companies hold respectively, 30 million shares and 16 million shares in the Company.

It has been noted that an amount of P 1 569 369 has been incurred by an associated company towards the development costs of the project and will be claimed back by such associated company.

### DIRECTORS RESPONSIBILITY

The directors are responsible for the financial statements from which we have prepared our report and for the preparation of the Prospectus and the financial information contained therein.

### SCOPE OF EXAMINATION

We have examined the audited financial statements for the period ending 31 July 2001. Our examination was conducted in accordance with the Companies Act (CAP 42:01) and International Standards on Auditing.

### ACCOUNTING POLICIES

The Company's financial statements are prepared on the historical cost basis, adjusted for the revaluation of land and buildings. The following are the more important accounting policies adopted by the Company, which are in accordance with International Accounting Standards.

## ANNEXURE A: INDEPENDENT REPORTING ACCOUNTANTS' REPORT

### Investment properties

Leasehold land and buildings which are deemed to be investment properties are not depreciated and are stated at valuation on the basis of the most recently established open market values. The investment properties are valued independently on a regular basis. Increases in the carrying amount arising on revaluations are credited to non distributable reserves. Downward valuations that offset previous upward revaluations of the same asset are charged against the non distributable reserve. Other decreases in value of such assets are charged to the income statement. Provision is made where, in the opinion of the directors, a permanent diminution in value of an investment has occurred. On disposal of revalued assets, amounts in revaluation and other reserves relating to that asset are transferred to accumulated profit.

### Revenue recognition

Rental income is recognised over the period of the lease.

### Plant and equipment

Plant and equipment is stated in the balance sheet at cost less depreciation. Depreciation is calculated on the straight line basis to write off the cost of each asset to their residual value over their estimated useful life as follows:

Plant and machinery	3 - 7 years
Office equipment and furniture	7 - 10 years
Computers	2 - 3 years

### Foreign Currency

Foreign currency transactions are accounted for at exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions are recognized in the income statement. Monetary assets and liabilities denominated in such currencies are retranslated at the rates ruling on the balance sheet date duly approximated. Profits and losses arising on exchange are dealt with in the income statement.

### Trade Receivables

Trade receivables are carried at anticipated realised value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

### Borrowing costs

Borrowing costs directly attributable to the acquisition/construction of qualifying assets are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

## ANNEXURE A: INDEPENDENT REPORTING ACCOUNTANTS' REPORT

### Taxation

The Company appears to fall within the definition of a Collective Investment Undertaking, in the Income Tax Act and accordingly Section 21 A of the Income Tax (Amendment) Act, 1999 would apply and the Company would not pay tax on its chargeable income distributed to Shareholders.

### PROFIT AND LOSS SUMMARY

The company has not commenced business and hence there is no report under this caption.

### ASSETS AND LIABILITIES

The following is a statement of the audited assets and liabilities of Turnstar Holdings as at 31 July 2001:

#### Assets

##### Current assets

Cash and bank balances	460 000
------------------------	---------

Total Assets	460 000
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##### Capital employed

Share Capital	460 000
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### DIVIDENDS

No dividends have been declared by the Company as at 31 July 2001.

### NOTES TO THE FINANCIAL STATEMENTS

#### Share Capital

##### Authorised

150 000 000 ordinary shares

Issued and paid up

46 000 000 ordinary shares

## ANNEXURE A: INDEPENDENT REPORTING ACCOUNTANTS' REPORT

### CONTINGENT LIABILITIES AND COMMITMENTS

The company had no material contingent liabilities or commitments at 31 July 2001

### POST BALANCE SHEET EVENTS

Registration as a public company and resolutions passed and alteration of share capital

On 1 August 2001 the shareholders in the Company passed a special resolution in terms of which

- (i) The Company was converted from a private company to a public company;
- (ii) The shareholders adopted for the Company, Memorandum and Articles of Association that comply with the provisions of the Companies Act for a public company, the provisions of the BSE Rules for a listed public company and the provisions of the Collective Investment Undertakings Act for an investment company in terms of the CIU Act;
- (iii) All the authorized and issued shares of the Company were converted to shares of no par value.

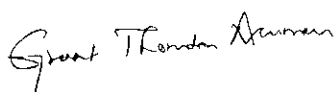
On 1 August 2001 the shareholders passed a resolution in terms of which

- (i) Debentures in the aggregate of P 30 000 000 and the terms thereof were approved and the issue thereof to the Debenture holder approved;
- (ii) 93 000 000 Shares were placed under the control of the directors for the issue of:
  - 55 000 000 thereof to selected placees pursuant to applications made by such placees in terms of the Prospectus at a price of P 0.90t per share;
  - 38 000 000 thereof to the Debenture holder, upon conversion of the Debentures and interest accrued thereon, into share capital.

### CASH FLOW AND WORKING CAPITAL ADEQUACY

We confirm that we have reviewed the Company's projected cash flow statement for the year ending 31 October 2003, which have been prepared by the directors. The cash flow statement is presented on a basis consistent with the accounting policies normally adopted by the Company. Based on the cash flows and the profit forecast assumptions as set in section 28 of this Prospectus, we are in agreement with the director's adequacy of working capital statement as set out on page 33 of this Prospectus.

Yours sincerely



GRANT THORNTON ACUMEN

## ANNEXURE B: REPORT ON PROFIT FORECAST

10 August 2001

The Directors  
Turnstar Holdings Limited  
P O Box 41029  
Gaborone

Gentlemen

INDEPENDENT REPORTING ACCOUNTANTS REPORT ON THE PROFIT FORECAST PREPARED FOR THE PURPOSE OF THE PROSPECTUS TO BE ISSUED TO SELECTED PLACES

We have examined the profit forecast of Turnstar Holdings Limited for the twelve-month period ending 31 October 2003, set out in paragraph 21 of the prospectus. The forecast was compiled by you and you are solely responsible therefor.

Our examination was carried out in accordance with generally accepted guidelines. In carrying out our examination we have analysed the accounting policies and have checked the calculations used in the profit forecast, and we have confirmed that the underlying information used in the forecast has been presented on a basis consistent with the accounting policies normally adopted by the Company. We consider that our procedures were appropriate in the circumstances to enable us to express our opinion presented below

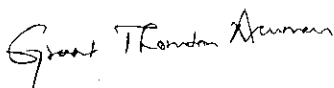
In our opinion:

- The assumptions provide a reasonable basis for the preparation of the profit forecast;
- The forecast has been properly compiled on the basis of the assumptions; and
- The forecast is presented on a basis consistent with the accounting policies normally adopted by the Company

Since the forecast is based on assumptions concerning future events, actual results may vary from the forecast, which has been presented, and the variations may be material. Accordingly, we express no opinion whether or not the forecast will be achieved.

We consent to the inclusion of this letter and the reference to our opinion in the prospectus in the form and context in which it appears.

Yours faithfully



GRANT THORNTON ACUMEN

## ANNEXURE C: LEASE

### Salient Details

Lessor: the Bishop for the time being of the Diocese of Gaborone of the Roman Catholic Church;  
Date of Execution: 11 April 2001;  
Date of commencement: 1 August 2001  
Date of Expiry by effluxion of time: 31 March 2076  
Area of land: 13,97 hectares

## ANNEXURE D: VALUATION

### VALUATION CERTIFICATE

REPORT DATE 5th June 2001  
ADDRESSEE Turnstar Holdings (Pty) Ltd  
P O Box 41029  
Gaborone

For the Attention of: Gulaam Abdoola

THE PROPERTY A Portion of Remaining Extent of Farm Portion 3 (A Portion of Portion 1 ) Farm Forest Hill 9-KO

PROPERTY DESCRIPTION A substantial commercial plot of 13.97 hectares to be developed with a large regional shopping complex of approximately 40,000 m<sup>2</sup> with a total of 73 shopping outlets, a multi sectioned cinema and approximately 1,864 parking spaces.

INSTRUCTION To value on the basis of Open Market Value the Leasehold interest in The Property as at the Valuation Date in accordance with your instructions dated 26th May 2001.

VALUATION DATE 1 July 2001

CAPACITY OF VALUER External.

PURPOSE OF VALUATION Listing purposes.

OPEN MARKET VALUE P 132,000,000 (One Hundred and Thirty Million Pula)

Our opinion of value is based upon the Scope of Work and Valuation Assumptions attached.

COMPLIANCE WITH VALUATION STANDARDS The valuation has been prepared in accordance with the RICS Appraisal and Valuation Manual. The property details on which this valuation is based are recorded in our report.

ASSUMPTIONS Although this certificate should be read in conjunction with all the information set out in our report, we would point out that we have made various assumptions as to town planning, condition + repair of buildings + site, including ground and environmental matters, completion of the developments and completion of leases.

## ANNEXURE D: VALUATION

VALUER	The property has been valued by a Valuer who is qualified for the purpose of the valuation in accordance with the RICS Appraisal and Valuation Manual and the Real Estate Institute of Botswana standards.
RELIANCE	This report is for the use only of the party to whom it is addressed for the specific purpose set out herein and no responsibility is accepted to any third party for the whole or any part of its contents.
PUBLICATION	Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear.

Yours Faithfully



MR Ramoroka BSc(Hons) MRICS MIVSA

Valuation Director

For and on behalf of

CB Richard Ellis

Email: rramoroka@it.bw

CB Richard Ellis

Tel: (267) 588 200

Fax: (267) 588197

E-mail: cbrichardellis@it.bw

## ANNEXURE D: VALUATION

### SCOPE OF WORK & SOURCES OF INFORMATION

**SOURCES OF INFORMATION** We have carried out our work based upon information supplied to us by yourselves, or your consultants and research carried out in respect of tenure and current market conditions.

**THE PROPERTY** We have not inspected the property but relied on the set of drawings for the proposed development by Conscom Architects and MDS Architects reference No. 0105 P007-1 revision No. 5 dated April 2001 together with the Bill of Quantities and specification prepared by P3M Paledi Morrison Mmole Mhutsiwa dated 7th June 2001 and our report contains a brief summary of the property details on which our valuation has been based.

**INSPECTION DATE** 5th June 2001

**AREAS** We have not measured the site but relied on the information as contained in the Agreement of Lease as prepared by Armstrongs Attorneys and on the Gross Lettable Areas of the Leased Premises provided by the Architects and the Quantity Surveyors.

**ENVIRONMENTAL MATTERS** We understand that the environmental audit and soil survey have been carried out on the property and the results generally indicate that there are no adverse materials likely to affect the property and the soils are capable of sustaining conventional foundations and related works.

**REPAIR AND CONDITION** The property was not built at the date of the report and we have assumed in this valuation it was complete (built) at the date of the valuation, in accordance with the drawings and Bill of Quantities provided.

**TOWN PLANNING** The property is zoned for commercial purposes for a regional shopping centre and has been approved by the Town and Country Planning Board on the 28th of June 2001 and in addition the proposed Drawings and Plans for the development has been approved as per the Building Permit dated 24th July 2001.

**TITLES & TENURES** Details of title/tenure under which the property is held have been obtained from the Deeds Office and the Agreement of Lease between the parties. Where information from deeds, leases or other documents is recorded in this report this represents our understanding of the relevant documents. We should emphasise, however, that the interpretation of the documents of title (including relevant deeds, leases and planning consents) is the responsibility of your legal advisor.

## ANNEXURE D: VALUATION

### STANDARD VALUATION ASSUMPTIONS

#### CAPITAL VALUE

The valuation has been prepared on the basis of "Open Market Value" on a "Discounted Cash Flow" basis assuming the property as complete and fully let on the rental stated and lease terms as at the date of the valuation; The Open Market Value is defined as; An opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation assuming;

- (a) willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;
- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion."

No allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal and acquisition costs have not been included in our valuation.

No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charges.

#### THE PROPERTY

Standard fixtures and other service installations including air conditioning have been treated as an integral part of the building and are specifically included within our valuations and the occupiers of the property and their tenants are assumed to have access to the car-parking as shown on the drawing. All measurements + areas quoted in our report are approximate.

#### ENVIRONMENTAL MATTERS

In undertaking our work, we have assumed that the property is not contaminated and that no contaminative or potentially contaminative uses have ever been carried out on it. In the absence of any information to the contrary, we have assumed that:

- (a) the property is not contaminated and is not adversely affected by any existing or proposed environmental law;
- (b) any processes which are carried out on the property which are regulated by environmental legislation are properly licensed by the appropriate authorities;
- (c) high voltage supply apparatus may exist within, or in close proximity of the property. Public perception of such apparatus may affect marketability and the future value of the property. Our valuation reflects our current understanding of the market and we have not made a discount to reflect the presence of this apparatus.

## ANNEXURE D: VALUATION

### REPAIR AND CONDITION

In the absence of any information to the contrary, we have assumed that:

- (a) there are no abnormal ground conditions, nor archaeological remains present which might adversely affect the present or future occupation, development or value of the property;
- (b) the property is free from rot, infestation, structural or latent defect; and
- (c) no currently known deleterious or hazardous materials or suspect techniques would have been used in the construction of, in any or subsequent alterations or additions to the property. We have otherwise had regard to the plans and specifications provided and to the stated intent by the lessor to provide a modern regional shopping centre as at par with those elsewhere in Southern Africa.

### TITLE, TENURE & PLANNING

In the absence of any information to the contrary, we have assumed that:

- (a) the property possesses a good and marketable title free from any onerous or hampering restrictions or conditions;
- (b) all buildings will have been erected either prior to planning control or in accordance with planning permissions and have the benefit of permanent planning consents or existing use rights for their current use;
- (c) the property will not be adversely affected by town planning or road proposals;
- (d) all buildings will comply with all statutory and local authority requirements including building, fire and health and safety regulations;
- (e) there are no user restrictions or other restrictive covenants in leases which would adversely affect value;
- (f) where appropriate permission to assign the interest being valued herein would not be withheld by the landlord where required; and
- (g) that all shops will be fully let on the terms of the leases as stated.

## ANNEXURE D: VALUATION

**PROPERTY DESCRIPTION:** A Portion of remaining extent of farm portion 3 (a portion of portion 1 ) Farm Forest Hill 9-KO

### PROPERTY RIGHTS

#### TITLE

The property is a subject of an Agreement of Lease between the Bishop for the time being of the Roman Catholic Church Diocese of Gaborone and Turnstar Holdings (Pty) Limited. The lease is for a period of 75 years commencing 1 April 2001 at an initial rental of P20,000 per month during the construction period and thereafter the rental payable is that percentage of the gross rents received net of operating expenses, as set out in the table below.

Item No.	Years	% of Gross Rent
1.	0- 10	10
2.	11 - 15	12.5
3.	16 -20	15
4.	21 -30	17.5
5.	31 - 40	20
6.	41 - 50	20
7.	51 - 65	25
8.	66 - 75	25

The subject piece of land measures approximately 13.97 hectares in extent.

The user clause specifies "shopping and entertainment complex with parking and promotional advertising and related uses".

### INTEREST VALUED

The interest valued is the Leasehold interest of the subject property, which gives the holder exclusive rights to the property for a period of 75 years from the date of transfer subject to the lesser development of the shopping complex. We have assumed that there are no current foreseeable schemes which are capable of altering the interest of the lease so enjoyed under the subject title.

### SITE ANALYSIS

#### SITUATION/LOCATION

The property is situated in the south western fringes of Gaborone in Kgale and adjoining the existing Kgale Hill mall to the west and located approximately 7 kilometres west of Gaborone city centre with access off Gaborone-Lobatse road and direct linkage to the western-by pass road.

#### TOPOGRAPHY

The land is relatively flat but slopes slightly to the east and without any visible signs of rocky-outcrops, abnormal rock, substrata on apparently high water table.

## ANNEXURE D: VALUATION

EASEMENTS	We are unaware of any easement, encroachments, usufructs, servitudes or any other encumbrances subsisting on or under the subject land, which may negatively impact on use, marketability or value of the subject property.
SOILS	The composition of the soil of the subject property appears to be typical of the area. A geotechnical survey has been carried out and has revealed that the soil is capable of sustaining any conventional foundations and any other related construction works.
ENVIRONMENTAL ISSUES	The value estimate rendered in this report is predicted on the assumption that there is no hazardous material on or in the property that would cause loss in value.
IMPROVEMENTS	The property comprises a large commercial plot and the proposed improvements consist of a large regional shopping complex with a total of 84 shop units, a cinema and approximately 1,864 parking spaces.
CONSTRUCTION	
MAIN BUILDING (PROPOSED)	<p>To be constructed from steel frames with 230 and 115 mm brick wall infill, rendered and plastered internally under parapetted monopitched coloured Kingklip 700 - Chromadek 0.50 mm roof sheeting on steel trusses. The large shop unit is to be double volume with a mezzanine floor to the rear and the ceilings are of suspended Everite. Floors are to be of reinforced concrete slab with sand and cement screed finished with poly for vinyl sheet flooring. Each shop unit is to be fitted with an environmental controlled air-conditioning system.</p> <p>Accommodation comprises of 3 large shop units one with a mezzanine floor all with a total floor space of 14.082 sqm, medium/small line shop units totalling 18,805sqm and a cinema hall with a gross area of 1.386 sqm. Each unit consists of an open shop space, hall with its ablution facilities, a management office block and public toilets for the centre and a cinema hall with 6 separate screens.</p> <p>Plinth Area (gross)</p> <p>Main building 40,913 m<sup>2</sup></p>

## ANNEXURE D: VALUATION

### EXTERNAL AND

#### SURROUNDING WORKS

There is an artificial water feature to the main forecourt by the main access way (amphitheatre). There are a concrete paved walkways in between the shops and tarmacadammed public parking area with provision for 1,864 bays.

### CONDITION &

#### DECORATIONS

As at the time of our inspection the proposed buildings had not commenced.

### PROPOSED

#### SCHEME

We have had sight of the schedule of budget estimates by the Quantity Surveyors and quote by a contractor which approximate the total development of the scheme at P85,000,000 inclusive of all costs inclusive of design and construction costs. We consider these estimates to be reasonable, realistic and in line with today construction rates.

### TENANCY

The buildings have not yet been built, however we have been furnished with some of the pre-lets and the details of the tenancy as outlined in Annexure E to the Prospectus 39% of leases had been agreed upon and signed as at the time of valuation, and the rest were still under negotiation or under offer.

### HIGHEST AND BEST USE

The term "highest and best use" as used in this report, is defined as follows;

"The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible and that results in the highest value. The four criteria of the highest and best use meet are legal permissibility, physical possibility, financial feasibility and maximum profitability".

Application of this concept requires two separate and distinct analyses. The first considers the site as if vacant, while the second considers the contributory value (if any) of existing improvements.

## ANNEXURE D: VALUATION

### As if Vacant

The first test of value are; legally permissible uses, generally determined by existing zoning ordinances or specific plans which apply to a site. The subject site is zoned for a shopping centre and it is our view that it is well located and suitable for its proposed use.

The second test of value as if vacant examines the reasonable use based on the site's physical attributes. The subject site is adequately served by utilities, has adequate shape and size, reasonable visibility and sufficient access and adequate parking normally associated with the specified use.

In our opinion the highest and best use of the subject property is its present use for a regional shopping centre and it is well located in close proximity to the Gaborone city centre.

### As Improved

The highest and best use of the subject property, as improved, differs from that of the hypothetical site in that the contributory value of the existing improvements must be considered.

The proposed improvements consist of a number of large shop units, small units and value centres all of which complement each other.

## ANNEXURE D: VALUATION

It is our opinion that the proposed improvements represent the highest and best use.

### MARKET

Since mid 2000, there has been a general economic slow down which affected the property market resulting in softening of sales and rentals. However, the retail centres in prime areas with good composition/mix of tenants have not been severely affected.

In our recent survey, rental in prime areas range from P30 - P45/sqm for anchor shop units and up to P125/m2 for small medium units with yields from 12.5 - 14% depending on the quality of the development, finishes and the strength of the covenant.

We wish to state that there are other competing retail developments either existing or still under construction which may in future alter the current level of rentals. Nonetheless, should the general economic and the demographic situation continue to grow as has been the case for the past years then the effects will be minimal.

### VALUATION METHODOLOGY

The valuation process is defined as an orderly programme by which the assignment is planned as the data involved is acquired, classified, analysed and interpreted into an estimate of value. In this valuation, we considered two basic approaches; Replacement Cost Approach and DCF Approach. In valuation practice, an approach to value may be included or omitted based on its applicability to the property type being valued, and the quality and quantity of information available.

The final step in the valuation process is reconciliation. The alternative conclusions are analysed and a final value estimate is selected from the indications of value. The relative significance, applicability, and reasonableness of each approach is then weighed as it relates to the type of property being appraised.

## ANNEXURE D: VALUATION

### The Replacement Cost Approach

The Depreciated Replacement Cost Approach is based upon the proposition that the informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility having regard to its age, functionality and continued profitability. This approach is particularly applicable when the property being valued involves relatively new improvements which represents the highest and best use of the land or when relatively unique or specialised improvements are located on the site and for which there exist few sales or leases continue to grow and the demographic comparable properties.

Based on our analysis of the subject area, market participants are generally not buying, selling, investing or lending with reliance placed on the methodology of the Replacement Cost Approach to establish the value. Furthermore, though considered, the Replacement Cost Approach is not deemed to render a reliable indication of value due to the nature of estimating the accrued physical, functional, or external depreciation affecting the improvements. Therefore, for this assignment, the Replacement Cost Approach was used but not considered the best estimate of value appropriate to the subject property.

### The Investment Approach

The methodology of the Investment Approach is to determine the income-producing capacity of the property by estimating market rent from comparable rentals, making deductions for vacancy and collection losses as well as operating expenses, then capitalising the net income and value. This method is simplistic and very implicit in nature, and generally inappropriate for large investments with variable income streams and varying lease patterns. It fails to specify explicitly and efficiently the income flows and patterns over the assumed investment period and it applies growth via an implicit all risks yield to fixed contracted current tranches of income.

An improvement of the direct capitalisation method is the Discounted Cash Flow method. In this method of capitalising future income to a present value, periodic cash flows (which consist of a net income less capital costs/operating expenses for period) and a reversion are estimated and discounted to a present value. The discount rate is determined by analysing current investor yield requirements for similar investments and by analysing initial returns and IRRs of comparable sales.

## ANNEXURE D: VALUATION

This approach unlike the conventional approach referred to above, specifies precisely what rental income and expenses are expected when, and for how long. The DCF implements that idea of the opportunity cost of investment funds. It implies that a rate of return must be paid to an investor sufficient to meet the competition of alternative investment outlets.

We are of the opinion that since there is adequate income and expense data available to extract a reliable and defensible value conclusion, the advice rendered by the DCF method be considered appropriate for this assignment.

### VALUATION

In arriving at the valuation figure, we used the DCF approach as described above, thus the projected income flow from the signed leases and those which have not been signed and assumed a 20 year investment performance having regard to the expenditure and the anticipated vacancies at 2% of gross annual rent. The leases for major shops run initially for a 10 year period with an 8% annual escalation and 5 years for smaller shops with 10% annual escalations and the Share assumed a 5% escalation thereafter for the only extended period.

OPEN MARKETVALUE (ASSUMING COMPLETION + FULL LETTING)	132,000,000
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### REMARKS/ RECOMMENDATIONS

The proposed development comprises a large shopping complex of unprecedented size and quality in Botswana and offers varying shopping experience. It is our considered opinion that upon satisfactory completion, the property will provide adequate security to any financial institution for a normal mortgage advance on the basis of our valuation based on the plans and Bill of Quantities as provided by the Architects & Quantity Surveyors.

## ANNEXURE E: DETAILS OF SUBTENANTS

### Part 1: Concluded leases

Tenant	Square Meter Space	Date of Commencement	Date of Expiry
Sunbird Cellular (Pty) Ltd	126	15th October 2002	14th October 2007
Arma Trading (Pty) Ltd	150	15th October 2002	14th October 2007
Bemmsy Investments (Pty) Ltd T/A Steers	188	15th October 2002	14th October 2007
Palm City Nandos (Pty) Ltd T/A Nandos	149	15th October 2002	14th October 2007
Three Colour Services (Pty) Ltd	24	15th October 2002	14th October 2007
Hemamo Investments (Pty) Ltd T/A Wimpy	225	15th October 2002	14th October 2007
Calyx Investments (Pty) Ltd T/A Exquisite Jewellers	109	15th October 2002	14th October 2007
Pharma West (Pty) Ltd	293	15th October 2002	14th October 2012
The Pizza Hotline Botswana (Pty) Ltd T/A Scooters	135	15th October 2002	14th October 2007
Pay Less Supermarket (Pty) Ltd	3028	15th October 2002	14th October 2012
Jilani Investments	134	15th October 2002	14th October 2007
Eye Express (Pty) Ltd	96	15th October 2002	14th October 2007
The Workshop (Pty) Ltd	66	15th October 2002	14th October 2007
The Face and Body Care (Pty) Ltd	66	15th October 2002	14th October 2007
SpecSavers Botswana (Pty) Ltd	93	15th October 2002	14th October 2007
O & B Trading (IPty) Ltd	114	15th October 2002	14th October 2007
John Craig Botswana (Pty) Ltd	115	15th October 2002	14th October 2007
Game Stores Botswana (Pty) Ltd	8078	15th October 2002	14th October 2012
Three Colours Services (Pty) Ltd	112	15th October 2002	14th October 2007
Alema (Pty) Ltd T/A Alema Shoes	100	15th October 2002	14th October 2007
L and M Dry Cleaners	106	15th October 2002	14th October 2007

## ANNEXURE E: DETAILS OF SUBTENANTS - Part 2

### Part 2: Terms Provisionally Agreed

Area sqm	Tenant Name	Lease Period
50	Postnet Kgaleview	5 years
50	Tackshop	5 years
2975	Checkers Shoprite	10 years
30	Multiserve	5 years
400	Pep Stores (Botswana) (Pty) Ltd	5 years
145	Equatorial Coffee Company	5 years
1450	Mr Price	5 years
950	Edcon (Pty) Ltd	5 years
250	Options	5 years
427	Mc Rib	5 years
153	Brazilian Coffee Shop	5 years
255	Branded Clothing (Pty) Ltd	5 years
22	Maverick Trading (Pty) Ltd	5 years
567	SCB Botswana (Pty) Ltd	5 years
186	Cash Crusaders	5 years
49	Cash Crusaders	5 years
195	Mirror Magic	5 years
81	Shiraz Jewellers	5 years
221	Bata	5 years
1386	Avalon Cinema Group	5 years
84	Kopano Store	5 years

## ANNEXURE E: DETAILS OF SUBTENANTS

### Part 3: Leases in Negotiation

Area sqm	Tenant Name	Lease Period
2421	Relyant Retail	5 years
523	Beares	5 years
497	Savells	5 years
112	Chicken Licken	5 years
510	Geen and Richards	5 years
122	Barclays Prestige	5 years
339	Cash Bazaar	5 years
234	Top Line	5 years
99	Taku/Sauires	5 Years
491	Ackermanns	5 years
273	Smart Man	5 years
100	Shoes/Jewellery	5 years
300	Smart Lady	5 years
642	Sours/Panarottis/Black Steer	5 years
411	The Technology Group	5 years
151	Seema Tradina	5 years
150	Fashion World	5 years
224	Ocean Basket	5 years
40	Ocean Basket	5 years
100	Something Fishy	5 years
80	Timba Tradina	5 years
113	EdgarsRed Square	5 years
125	Streatbeat	5 years
401	C N A	5 years
59	Debonairs	5 years
136	Debonairs	5 years
622	Incredible Books/Mug 'N Bean	5 years
34	The Camera	5 years
111	Deli France/Milky Lane	5 years
226	Kopano Stores	5 years
23	Kad (Pty) Ltd	5 years
2g	Mak Holdings	5 years
42	Nes Cafe	5 years
65	Nes Cafe	5 years
265	Material Paradise	5 years

**APPLICATION FORM**  
**TURNSTAR HOLDINGS LIMITED ("the Company")**

APPLICATION FORM FOR THE RIGHT TO ALLOTMENT OF ORDINARY SHARES IN the Company as set out in the prospectus issued by the Company and registered in terms of the Companies Act Cap 42:01 on 10 August 2001.

The directors reserve the right to reject an application if the conditions contained in the prospectus and the instructions on this form are not complied with.

Please complete this form in block capitals

**INDIVIDUALS**

Surname: Mr/Mrs/Miss

First names:

Postal Address:

Residential Address:

Citizen of:

Omang/Passport Number (if any):

Date of birth:

Telephone number

Married in community of property

Married out of community of property

Widowed

Single

**COMPANIES**

Name:

Place of Incorporation:

Registration Number:

Postal Address:

Registered Office Address:

Names of Shareholders and percentage of Shareholdings:

Telephone Number:

Name of Authorised Representative:

Minimum number of Shares that may be Applied for 30,000 shares  
in multiples of 10,000 Shares

Price @ P0,90 t per Share

Payable now @ 33.3% of the above

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READ AND SIGN OVERLEAF

# TERMS AND CONDITIONS

## A APPLICATIONS

- 1 Application lists will open at 10.00 a.m. on Monday 20 August 2001 and close at 17h00 on Friday 28 September 2001.
- 2 Any applications received after 17h00 on Friday 28 September 2001 will not be accepted.
- 3 Applications must be received by not later than 17h00 Friday 28 September 2001 at the registered office of the Company at Acumen Park, Plot 50370, Fairground Office Park, Gaborone.
- 4 The price for the shares being offered is P0,90t per Share.
- 5 An application will comprise delivery to the registered office of the Company of this Application Form duly completed by and executed by the applicant him or herself, or an authorised representative thereof, together with payment of 33.3% of the value of the Shares applied for.
- 6 Applications must be for a minimum of 30,000 shares.
- 7 Applications for over 30,000 Shares must be in multiples of 10,000 Shares.
- 8 Any application made on a copy of the Application Form shall not be accepted.
- 9 No alterations to the Application Form shall be accepted, and any Application Form which bears such alterations will be considered null and void.
- 10 Only one application will be accepted from an applicant. Applicants other than recognised nominee companies, who submit more than one application render themselves liable to have ALL their applications rejected.
- 11 Persons or companies applying in a nominee capacity must disclose the names and addresses of their principals.
- 12 No receipt will be given for applications and remittances.
- 13 The Directors of Turnstar reserve to themselves the right, at their discretion in the event of, but not limited to oversubscription, to refuse any application for Shares and/or to abate applications on a basis to be determined by them, having regard to a fair spread of shareholders. Fractions of shares will not arise as a result of the allocation process.
- 14 If an application is accepted for a lesser number of shares than that applied for, the difference of 33.3% of the value of all the Shares applied and paid for on application and 33.3% of the value of the Shares allotted, will be refunded by First National Bank of Botswana Limited at the risk of the applicant, by no later than 19 October 2001.
- 15 Notification of the number of shares allotted and share certificates will be posted to successful applicants at their risk to the address given in the relevant Application Form. Instructions to send to another address will not be accepted.
- 16 No interest will be paid on refund monies, in whole or in part.
- 17 Applicants are not required to lodge any documents in support of their applications, or applications on behalf of third parties unless called for by the Directors.

## B PAYMENT

Each application must be accompanied by cheque drawn in the currency of Botswana for 33.33% of the full amount of all the Shares applied for, made in favour of Turnstar Holdings Limited and crossed 'not negotiable'. Bank commission must not be included. The cheque must be dated and expressed payable to the Company on the date of execution by the placee of the Application Form. All cheques received in respect of an application will be deposited upon receipt by First National Bank of Botswana into a separate account.

## C DEFINITIONS

- 1.1 The terms which are defined in the Prospectus shall, when used in this Application Form, have the same meaning ascribed to them in the Prospectus.
- 1.2 In this Application Form the following expressions shall, unless the context otherwise requires, have the following meanings:-
 

"the Placees"	selected investors to whom the offer has been made and who have applied for allotment to each of part of the Placing Shares;
"the Prospectus"	the Prospectus issued out by Turnstar Holdings Limited, dated 10 August 2001, and registered at the Registrar of Companies on 14 August 2001;
"Placee's Allocation"	the Shares comprising part of the Placing Shares which are allotted to the Placees of those applied for in terms hereof, at the Placing Price;
"Placing Price"	P0,90t per Share;

## D APPLICATION

The Applicant hereby applies to be allotted, the Shares applied for and upon allotment, subscribes for those allotted.

## E WARRANTIES

- E.1 The Company hereby represents and undertakes to the Applicant that the allotment and issue of the Placing Shares will not infringe or exceed in limits powers or restrictions or the terms of any contract, obligation or commitment whatsoever of Turnstar; the issue of the Placing Shares will comply with the Companies Act 42:01 as amended and all other relevant statutes and Governmental regulations and all agreements by which Turnstar is bound; Turnstar has the power under its Memorandum and Articles of Association to issue the Placing Shares and there are no consents required by Turnstar which have not been obtained;
- E.2 If at any time between the date of the Prospectus and allotment of the Placees Allocation or part thereof to the Applicant, the Directors become aware of a material breach of, or a fact or matter which is materially inconsistent with any of the representations contained in the Prospectus or the Directors become aware of any matter which might require the publication of a supplementary notice to recipients of the Prospectus or withdrawal of the Prospectus, the Company shall forthwith notify the Applicant and the Applicant may upon receipt thereof, withdraw the application.

## F IRREVOCABLE

The application and the offer to acquire Shares applied for in terms hereof is irrevocable, and is not capable of withdrawal by the Applicant save upon receipt of a notice referred to in Clause E.2 from the Company.

## G UNDERTAKING

The Applicant undertakes to effect payment of a second tranche equal to 33.3% of the value of the Placees Allocation at the Placing Price per Share, by way of cheque delivered to the Company and dated and expressed payable to the Company on or before 1 December 2001 a third tranche equal to 33.4% of the value of the number of Shares comprised in the Placees Allocation at the Placing Price per Share by way of cheque delivered to the Company and dated and expressed payable on or before 1 April 2002.

## H ALLOTMENT

- 1 The Company shall on the 9th of October 2001 notify the Applicant of the number of shares of the Placees Allocation, allotted to the Applicant.
- 2 The Applicant acknowledges that the Company and the Directors have the right, in their absolute and sole discretion, without any obligation to give any reason therefore, to reject the application in its entirety or decline to allot the entire Placees Allocation to the Applicant and allot only part thereof.
- 3 In the event that the Directors allot part of the Shares applied for to the Applicant, the Company shall refund to the Applicant the amount representing the Placing Price tendered for those Shares not allocated to the Applicant, on or before 19 October 2001.
- 4 Turnstar shall not pay any interest in respect of any monies refunded pursuant to in 3.
- 5 No party hereto shall have any claim against any other party to recover any damages caused, charges or expense which he/they may have suffered or incurred pursuant to the application in the event that all the Shares applied for are not allotted to the Applicant.

## I ISSUE

- 1 Against receipt of the amount referred to in B the Company shall issue to the Applicant Shares equivalent to 25% of the number of Shares allotted to the Applicant in terms of Clause H.
- 2 Against receipt of the second tranche referred to in G the Company shall issue to the Applicant Shares equivalent to 25% of the number of Shares allotted to the Applicant in terms of Clause H.
- 3 Against receipt of the third tranche referred to in G the Company shall issue to the Applicant Shares equivalent to 50% of the number of Shares allotted to the Applicant in terms of Clause H.

## J FAILURE TO PAY TRANCHE

- 1 In the event the Applicant fails to effect payment of any of the tranches due in terms of G on due date and within 14 days of demand by the Company upon the Applicant to effect payment thereof then:
  - (i) the Company shall be entitled but not obliged to declare all Shares the subject of the allotment to the Applicant, but not yet issued to the Applicant, forfeited to the Company; and
  - (ii) in the event of such forfeiture, the Company shall be entitled but not obliged to offer the Shares so forfeited, to any other person for subscription, at such price as shall be deemed appropriate by the Company.
- 2 The Applicant shall have no claim whatsoever on the Company for the issue to it of any of the Shares forfeited in terms of this Clause J, or for any proceeds of the sale of the forfeited Shares forfeited and sold to a third party.
- 3 The difference in value between the amount paid by an Applicant to the Company and the value of the Shares received by the Applicant on account of the allotment in respect of the Placees Allocation shall be deemed forfeited by the Applicant to the Company as rowwkoop and as fair compensation for the costs to be incurred by the Company in finding an alternative purchaser/subscriber for the Shares forfeited in terms hereof of 1 and as fair compensation for the loss of use and interest on the amount payable by the Applicant to the Company, which the Applicant failed to pay on due date and after due demand.

## K COVENANTS

The Applicant hereby covenants and undertakes to the Company that it shall not otherwise than as underwriter and with the prior written consent of the Company, apply for any Shares to be offered for subscription and purchase by open offer to the public in 2002, nor shall it sell any Shares allotted to it until all amounts due by it in respect thereof are paid in full.

## L NOTICES

All notices, demands and other communications hereunder or for the purposes hereof shall be in writing and shall be deemed duly served if delivered personally, faxed, telexed or mailed by recorded delivery:- in the case of a communication to the Company, at its registered office; in the case of a communication to the Placee, to its residential address or principal place of business as the case may be. If duly served to a party at its address aforesaid, a notice, demand or communication shall be deemed to have been received on the business day of service.

THUS EXECUTED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_ 2001,

IN THE PRESENCE OF THE WITNESSES HEREIN SET OUT

Witness 1 \_\_\_\_\_

2 \_\_\_\_\_

where appropriate full name of authorised representative

full name of applicant