Economic Diversification through Sustainable Business Investment

Annual Report 2012

Botswana Development Corporation Limited
"Your Investment Partner"

CORPORATE **PROFILE**

STRUCTURE

The control of the Corporation is vested in the Board of Directors. All the directors are appointed by the Minister of Trade and Industry. The Corporation is managed by the Managing Director, who is assisted by two General Managers. Subsidiary Companies are independent and BDC's influence is exercised through the Directors it nominates to subsidiary boards (appointees do not have to be BDC employees). Directors are nominated to the boards of associate and affiliate companies. Such appointees act largely in an advisory and monitoring capacity.

OBJECTIVE

To assist in the establishment and development of viable businesses in Botswana.

MISSION

"The Premier Innovative Investment Partner Offering Diverse Financial Products to promote Development and Economic Diversification."

VISION

"To be the Leading Investment and Development Financier."

BDC'S ROLE

- Provide financial assistance to investors with commercially viable projects.
- Support projects that generate sustainable employment for Batswana and add skills to the local workforce.
- Encourage citizen participation in business ventures.

Furthermore, BDC supports the development of viable businesses that perform one or more of the following functions:

- Use locally available resources.
- Produce products for export or to substitute imports.
- Foster linkages with the local industry.
- Contribute to the development of Botswana's overall economy.

As far as possible, BDC wishes to limit its involvement in new projects to a minority interest, but will bear the major burden of development where this is a matter of national interest.

BDC'S PRODUCT/SERVICES

BDC provides the following services:

- Equity Participation.
- Loan Financing.
- Provision of commercial, industrial and residential premises.
- Invoice Discounting.

For further information contact:
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Corporate Communications and Public Relations
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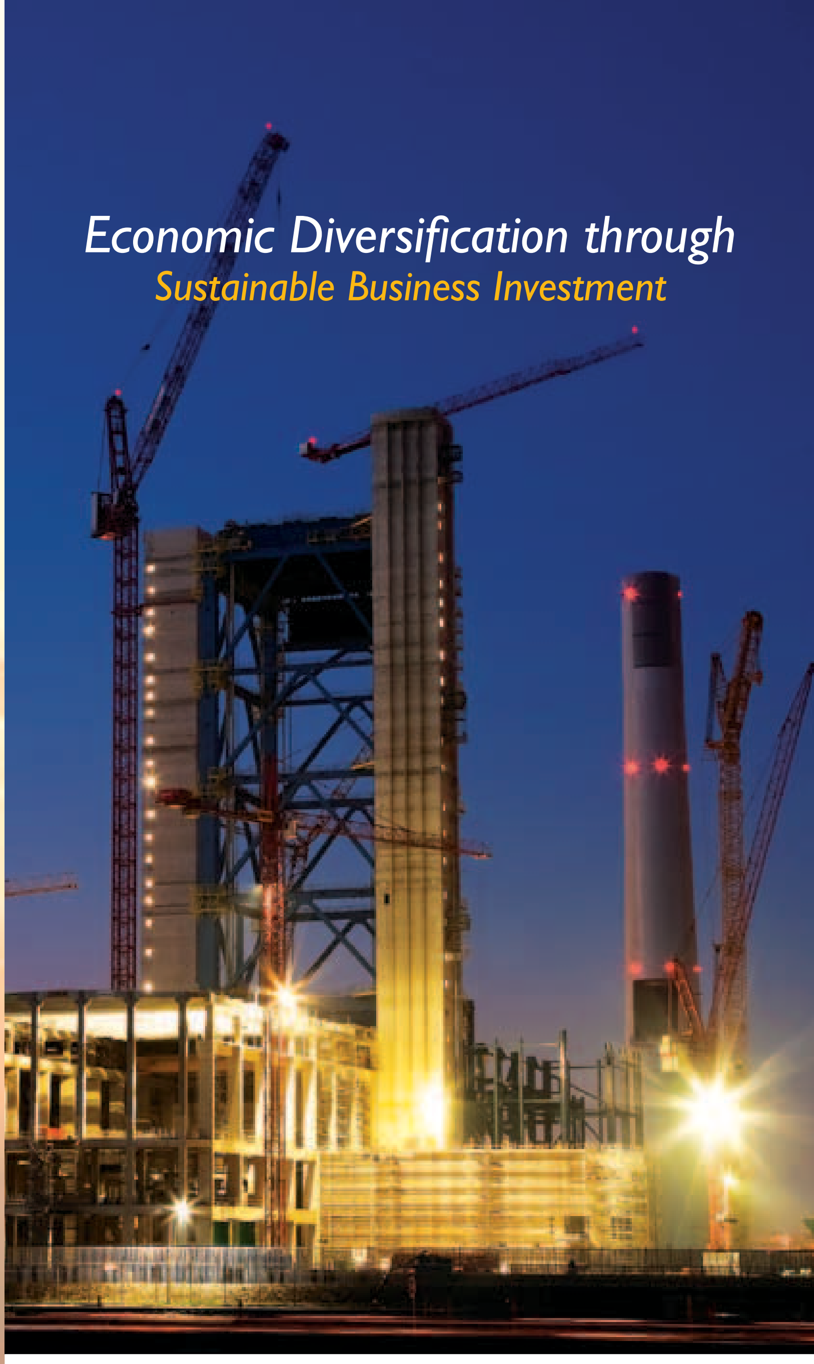

Economic Diversification through
Sustainable Business Investment

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Economic Diversification through
Sustainable Business Investment

BOARD OF DIRECTORS

Mr. Blackie Marole
Chairman of the Board

Ms. Banny K. Molosiwa
Vice Chairperson of the Board

Mr. Solomon M. Sekwakwa
Board Member

Ms. Mpho Moremong-Gobe
Board Member

Mr. Armando Vasco Lionjanga
Board Member

Mr. Reetsang Willie Mokgatlhe
Board Member

Ms. Verily Molatedi
Board Member

Mr. Richard Vaka
Board Member

MANAGEMENT

Mr. James N. Kamyuka
General Manager, Management Services

Ms. Magdeline Tsiane
Chief Financial Accountant

Mr. Batlang G. Mmualefe
Manager, Marketing and Research

Mr. Benny Medupe
Management Accountant

Mr. Martin M. Sikalesele
Chief Information Officer

Ms. Jennifer Dube
Manager, Legal Division

Mr. Ronald M. Phole
Group Internal Auditor

Mr. Letsweletse M. Ramokate
Manager, Property Development & Management

Ms. Diketso Rantshabeng
Manager, Agribusiness

Mr. Gomolemo Zimona
Manager, Corporate Communications & Public Relations

Mr. Blackie Marole

CHAIRMAN'S STATEMENT

FINANCIAL PERFORMANCE

A consolidated profit before tax for the year of P113.1 million was achieved compared to P154.7 million the previous year. The decrease in profit is mainly due to less than desired performance by some of the subsidiary companies.

Highlights of performance of various companies that made a profit are as follows: Botswana Hotel Development Company P15.3 million (P63.7 million in 2011), Commercial Holdings P6.2 million (P7.7 million in 2011), Letlole la Rona P80.0 million (P942 million in 2011), Residential Holdings P21.6 million (P24.5 million in 2011), NPC P7.0 million (P6.1 million in 2011) and Western Industrial Estates P33.9 million (P24.3 million loss in 2011).

The Corporation and its Group of Companies have come through another difficult year achieving satisfactory results despite the subdued global economic activity.

CHAIRMAN'S STATEMENT

Amongst associates that performed well during the year were Global Resorts P29.7 million (P64.7 million in 2011), Metropolitan P21.0 million (P50.8 million in 2011), Investec 13.4 million (P20.7 million in 2011), and NBC P3.7 million (P8.2 million in 2011), Kwena Rocla P14.2 million (P16.5 million in 2011), DBN Developments P3.4 (P6.7 million in 2011), Healthcare Holdings P12.0 million (P9.8 million loss in 2011).

The Corporation's investment in subsidiaries increased by 12.5% to P1,015.8 million in the year under review. Key beneficiaries of these funds were Lobatse Clay Works (P3.4million), Commercial Holdings (P85.5 million) which is in the business of developing commercial properties and LP Amusement Park (P2.4 million), Talana (P5.1 million), Coast to Coast P6.3million), Can Manufacturers (P7.2 million) and Western Industrial Estates P23.7 million).

The associates have increased by 32.1% from P371.7 million in 2011 to P491.0 million in the year under review. The key increases are attributable to Botalana (11.0 million) and Fengyue Glass Manufacturing (Botswana) (Pty) Ltd (P169.6.6 million).

OPERATING ENVIRONMENT

The marketing landscape continues to be impacted upon by the effects of the economic slowdown as most economies remain affected by the global financial crisis. Significant downside risks remain and could affect the Corporation and the Group Companies projections negatively.

The Corporation has been given a new and challenging mandate of cross border financing which allows it to invest in viable projects outside the country. It continues with its role of providing financial assistance to investors with commercially viable projects. The Corporation also supports projects that generate sustainable employment for Botswana and add to the skills of the local work force.

Some of the Corporation's projects which were on the pipeline during the period under review are listed below:

Fengyue Glass Manufacturing (Botswana) Pty Ltd
The project is under implementation but has temporarily been halted. A due diligence exercise is being carried out with the aim of establishing the way forward with regard to its implementation.

Commercial Holdings (Pty) Ltd
The company which is 100% subsidiary of BDC is developing an upmarket mixed use facility comprising offices, hotel, retail and residential uses at Fairgrounds Office Park. The first phase of the project is expected to be completed and ready for occupation in 2014.

Block 5 North
BDC is developing a 67 hectare piece of land through Residential Holdings, a 100% BDC subsidiary. The engineering designs have been approved including the Environmental Impact Assessment. The development will generate a mix of single-family residential plots, multi-family residential plots, a commercial centre and civic and community plots for sale to citizens and citizen owned companies.

Governance
The BDC Board of Directors re-affirms its commitment to the principles of sound corporate governance as called for by the universally recognised international best practice and quality standards including King III, OECD principles and ISO 9001: 2008. The Corporation issues a fully fledged corporate governance statement setting out all governance practices and activities. The statement is contained in the annual report.

Conclusion
I wish to thank the board for all their support in successfully steering the Corporation towards the right direction. I also wish to thank management and staff of the Corporation for their endless effort in doing their work and for continuously maintaining high service standard.

Mr. Blackie Marole
Chairman of the Board

ACTING MANAGING DIRECTOR'S REPORT

Mr. James N. Kamyuka

The Corporation's assets continue to grow at a healthy rate. During the year under review, the corporation's assets reached P2.4 billion as opposed to P2.3 billion in the previous year.The 5% growth is mainly a result of the increase in investments.

FINANCIAL PERFORMANCE

Dividend income from subsidiaries decreased from P240.7 million (2011) to P11.3 million during the year under review.This is mainly due to reduction of dividends from the property companies which was largely boosted by divestment proceeds last year. Dividend income from associate companies reduced by 73% to P23.1 million (P86.9 million in 2011) on the back of good performance by several of the Corporation's associate companies. These included Kwena Rocla at P10.2 million (P8.3 million in 2011) NBC Developments at P5.4 million (P0.0 million in 2011), Investec at P3.3 million (P4.0 million in 2011), Metropolitan at P2.1 million (P23.2 million in 2011).

Administrative expenses went up by 13% from P52.2 million to P60.6 million mainly as a result of inflationary adjustment. Other operating expenses showed a significant growth as the Corporation resolved to make additional provisions on its investments as a matter of prudence. These provisions relate mainly to the Lobatse Clay Works (Pty) Ltd and Can Manufacturers (PTY) Ltd. Lobatse Clay Works has experienced a severe reduction in its operations mainly due to the economic recession which saw Government shelve most of the planned developmental projects. Can Manufacturers on the other hand is still in the process of concluding client deals for the uptake of its products which has been slower than previously anticipated.

Botswana Development Corporation Limited plays a significant role in the development and diversification of Botswana economy. The Corporation has recorded a profit before tax of P3.1 million in the year under review compared to P229.7 million profits before tax in the previous year which was largely boosted by the divestment proceeds in respect of LLR.

ACTING MANAGING DIRECTOR'S REPORT

The Corporation has seen a sizeable increase in its investments in subsidiaries. This is mostly a result of the investment holding in Letlole La Rona Ltd amounting to P334.1 million at year end. Investments in associate companies grew by 33% to P485.5 million mainly on the strength of the investment into the Fengyue Glass Manufacturing Company. On the other hand quoted investment declined in line with the fall in the share price of Sechaba on the BSE whilst cash and cash equivalents also declined in line with the disbursements into new investments. In all, the Corporation's assets have grown from P2.32 billion to P2.43 billion this being a healthy 4.7% increase.

STRATEGIC PLAN

The Corporation's current 5 year strategy is being reviewed. The Corporation has also embarked on a business review exercise with the aim of establishing if the Corporation is conducting business within its mandate. This exercise is also going to revise the Corporation's business and realign it to the current market trends.

HUMAN RESOURCES

The Corporation continues to place significant value in its people as the single most critical source of sustainable competitive advantage. As a knowledge based organization, the Botswana Development Corporation is highly dependent on the competency levels of the people in its fold. This year, the Corporation began to lay foundations for future human resources intervention - with the sole aim of ultimately ensuring that people management interventions are strategic and that they add value to the bottom line of the business at all levels.

TRAINING

During the year under review, the Corporation sent six (6) of its senior managers (Divisional Heads) to attend Senior Management Development Program. This development initiative forms the foundation for future human resources, as well as general business management, interventions. It gives the management team the capacity to create and lead a high performance workforce for the Corporation - making excellence an integral part of the BDC culture.

STAFF COMPLIMENT

The staff compliment for the year under review was 87 compared to 78 for the same period last year. Staff turnover for the year stood at 4.5%. The Corporation, however, experienced significant staffing challenges at executive and senior management levels with most of the separations having been at that level. The board and management are working around the clock to ensure that this situation is normalized during the next financial year.

HIV/AIDS

The Corporation continued with its multiple education campaigns in terms of its HIV/AIDS Programme. This was mainly achieved through the utilisation of the Wellness Room; a feature used to disseminate HIV/AIDS information in a raw format. Participation in the activities of the World AIDS Day was a success in December 2010. The Corporation continued to network with other relevant organizations which are geared at helping the community to effectively deal with HIV/AIDS pandemic. We are currently reviewing our HIV/AIDS Policy with a view to align it with the National HIV/AIDS Policy.

CORPORATE SOCIAL RESPONSIBILITY PROGRAMME (CSR)

The Corporation continues to play a leading role in supporting worthy causes. The Corporation continued to aggressively implement its social responsibility policy. The following interventions were undertaken during the year under review:

(i) A cash donation of good will was made to the Zebras (The National Soccer Team) in recognition of their good performance and participation in the AFCON games.

(ii) Tsatsi-le-etla in Motlhabaneng - this is a women's group of twenty five in the Bobirwa area. The Corporation undertook to fence their plot and then built an office with a stand-alone toilet facility. The project has provided storage for their traditional basketry and an office space.

(iii) Phuthadikobo Museum - a donation was made for the refurbishments and purchase of materials.

(iv) Ramotlabaki - This project comprised construction of ten housing units and stand alone toilet facilities in the village for the disadvantaged people following destruction of their mud huts by a hail storm.

I wish to thank all stakeholders for supporting the Corporation in the achievement of its goals, more importantly the board for its guidance and BDC staff for the hard work through the year.

Mr. James N. Kamyuka
Acting Managing Director

BUSINESS DEVELOPMENT REPORT

Mr. Batlang G. Mmualefe

During the year under review, the Corporation embarked on a number of initiatives with a view to grow its portfolio base and support government's economic diversification drive and productive capacity.

AGRIBUSINESS AND SERVICES

The portfolio comprises companies or projects involved in agricultural and service sectors. The agricultural sector includes companies engaged in commercial irrigated crop production, ostrich farming and marketing of horticultural produce. To grow the sector, the division is pursuing dairy farming as there is low production of milk in the country This commodity is needed for food sufficiency and economic diversification.

In the services sector, companies range from those involved in the hospitality industry, health services and educational services to financial services. Among others, the sector that shows growth is tourism/hospitality. It has substantial potential for growth as it plays a significant role in the national economy. Also given the country's dependence on mining and the increasing pressure for employment creation, the sector is well suited as priority for economic diversification.

During the year, the following projects in this sector were under implementation with some almost at the operational phase:

Philisa Day Care Centre - This is a pre-school and day care centre constructed in Gaborone. The company was approved a loan of P2.3 million for construction and furnishing of the school. Construction of buildings is complete and the promoter is currently purchasing furniture and equipment to start operating.

The BDC continues to be to a premier player in its quest to diversify the economy of this country. The Corporation through its Business Development Arm relentlessly identify business opportunities and readily assists potential investors with finance to start, grow and expand their businesses.

L P Amusement - The company operates an amusement facility which comprises an amusement centre, entertainment area and animal enclosures. The expansion component of the company was started in the past financial year and some of the projects are complete. The company is currently working on projects comprising, inter alia, construction of a science centre, restaurant upgrade and construction of a conference centre. Save for restaurant upgrade which is still at preliminary stage, construction of the projects is at advanced stage with the conference centre being expected to be completed by mid-year; and the Science Centre by end of 2013.

Gloryland Guest Lodge (Pty) Ltd - This is a wholly owned citizen company setting up a 59 room lodge with a conference centre of a capacity of 600 people, bar and restaurant in Palapye. BDC approved a total loan of P17.6 million to the company and the project is on course for completion by June 2013.

Coast-to-Coast Inn - A BDC subsidiary with a 40 bed lodge comprising of 50 seated conference room, a camping site and curio shop is near completion in Mamuno. This is along the TransKalahari Highway, which is part of the Coast to Coast corridor that runs from Mozambique to Namibia through South Africa and Botswana. A total investment of P18.2 million has been approved towards financing this project. Construction of structures is complete and only electrification, water reticulation and the interior are yet to be completed. The lodge is expected to be operational later this year.

As at end of 2012, the portfolio companies employed 2415 people as opposed to 2386 in the previous year. Considering the fact that other projects are still under construction, it is believed that more employment could still to be created through this portfolio.

PROPERTY

Demand for quality office space, residential and industrial properties in major cities continued to be good during the financial year.

INDUSTRIAL PROPERTIES

During the year under review, the division added yet another 8,500m2 of lettable space into the portfolio with additional 4,000 m2 of showroom development nearing completion. The division also embarked on refurbishment and rehabilitation of majority of properties in Selebi Phikwe. The properties continued to enjoy high occupancy rates in Gaborone. There is great appetite for industrial space in Selebi Phikwe and Gaborone as evidenced by high demand for more units and the uptake of the existing space.

OFFICE DEVELOPMENT

Commercial Holdings (CH), a 100% subsidiary of BDC is developing an iconic mixed-use building at the Fairgrounds office park. The Project is being built by Stefanutti Stocks at a sum of P367 million, with planned completion in 2014. The Project is progressing satisfactorily, with good quality workmanship and proactive planning. Management is continuing with marketing the development and securing tenants.

BLOCK 5 NORTH - GABORONE

During the year, the division was involved in the design of infrastructure works for land servicing of Block 5 North. The project entails design and construction of water, sewerage, road, telecommunications and power reticulation networks in a 77 hectare piece of land adjacent the Grand Palm Hotel. BDC intends to sell the serviced plots after completion of the project. Detailed designs have been completed and all approvals from authorities have been obtained. The project is currently at tender stage. It is anticipated that construction will commence during the second half of 2013 and finish in December 2014.

MARKETING

During the year under review, the Marketing and Research Division continued with its efforts to market the products and services of the Corporation, coupled with research on specific industries of interest offering potential for investment by the Corporation or private investors.

In the same year, the division aggressively forged strong working links with other organizations that contribute directly and indirectly to the Corporation's mandate such as National Food Technology Research Centre, Botswana Export Development and Investment Authority (BEDIA), Ministry of Trade (MoT), Botswana Confederation of Commerce and Industry (BOCCIM), Department of Energy, Transport Hub, Education Hub and Local Entrepreneurship Authority (LEA). Presentations on the Corporation's product offerings were conducted to inward inventor missions that visited Botswana, and leads are trickling in. The Division also continued to market the Corporation's products and services at various exhibitions locally such as the Global Expo, Property Expo, BOCCIM Trade Fairs, LEA Trade Fairs and at breakfast seminars. Direct marketing was also an integral part of the marketing effort yielding positive results.

The year equally saw the division launch a search for partners to exploit opportunities identified from in-house research. Technical partners were aggressively searched for in the areas of food processing and canning as well as the dairy, with promising prospects. These potential projects were viewed as important in the import substitution drive as well as in diversifying the domestic economy. Going forward, Marketing and Research will focus on bringing in mega-projects from identified strategy priority sectors such as energy, agriculture, communications, transportation and infrastructure development.

Ms. Magdeline Tsiane

MANAGEMENT SERVICES REPORT

The department through its different functions supplies the required systems and processes to ensure quality service delivery, productivity and improvement throughout the entire Corporation and its group of companies.

FINANCIAL ACCOUNTING

The Financial Accounting Division (FAD) is the backbone of the Corporation's financial operations and processes. It records operating transactions, analyses them and prepares financial statements that inform top management and the shareholders about the Corporation's economic health. The division effectively contributes to strategic initiatives, promotes the internal control framework and provides information to assist in strategic decision making and in the daily running of the Corporation.

FAD is responsible for both the strategic and operational aspects of financial planning and management of the Corporation. Integral to this responsibility is the facilitation of strategic planning at corporate level.

The division ensures that the financial policies and guidelines are complied with and that the quality and timelines of financial information and reporting are assessed.

Management Services Department continuously develops sound systems and maintains procedures, operational guidelines and professional standards to ensure that it delivers the highest standards of service to the internal and external Stakeholders.

MANAGEMENT SERVICES REPORT

MANAGEMENT ACCOUNTING AND TREASURY

The division continues to strive at exploiting possibilities of funding from both the capital markets and international financial institutions as a way of meeting the expected high disbursement schedule which comes as a result of the strategic plan to invest in mega projects. An example of these includes the One Billion Note Issue that is currently being put in place.

RISK MANAGEMENT - DURING THE YEAR UNDER REVIEW

The Corporation strove to contain and minimise risks prevalent to the existing portfolio. Although most projects were challenged by unavailability of markets and generally low demand for end-products and commodities, the Corporation managed to maintain the target of 75 percent of portfolio in good performing grades of 1 up to 3, and even exceeding that target during some of the quarters.

In addition, an effort was made to avoid absorbing more new risks into the portfolio by adopting a more risk adverse approach in new projects assessments, in view of the fact that there are some large projects, in value terms which are still under implementation.

More stringent controls resulted in no reported cases of fraud and money laundering.

In future, the Corporation aims to invest in a more versatile integrated information management system, which would lead to improved risk analysis, real time flagging of risk events and therefore improved response rate and treatment of risks. As part of this project, the Business Continuity Management will be enhanced to include online backups and to provide a more robust prevention, monitoring and mitigation of risks.

INFORMATION TECHNOLOGY

The Information Management Division continued to offer information and communication technology services to the Corporation by automating business processes; securing the Corporation's data; providing users with reliable access to corporate electronic information; and ensuring that management and users are kept abreast of the developments in information technology.

The division started the process of implementation of COBIT 4.1 governance framework with the objective of improving the Corporation's overall IT governance: This included integrating and institutionalizing good practices to ensure that the Corporation's IT supports the business objectives. Furthermore the division has initiated a comprehensive review of its IT-related policies.

The Division also continued to improve the Corporation's computer systems by maintaining regular systems upgrades.

INTEGRATED REPORT

ABOUT THIS REPORT

We are pleased to present the 2012 BDC Integrated report. This report tells BDC's story, covering financial, environmental as well as societal considerations. It is through these three perspectives that we wish our performance to be judged on. The report is based on the Corporation's events and transactions during the financial year ended 30th June 2012, and subsequent events that were considered important for stakeholders to be aware of.

It is our intention over the next three years by providing detailed information regarding responsibility performance in the following areas:

1. THE CORPORATION

LEGAL PERSONA

Botswana Development Corporation Limited, the "Corporation" or "BDC", incorporated in 1970, is a state owned enterprise, with separate legal persona, distinct from its members and employees and all stakeholders.

Incorporated as a private limited company with shareholding 100% owned by Botswana Government, the shareholding and control is through a delegated ministry. Since incorporation the Ministry of Finance and Development Planning had the oversight responsibility, which continued until January 2013 when the Ministry of Trade and Industry assumed the majority shareholding and oversight role.

HOW THE CORPORATION SURVIVES

As enshrined in its mandate the Corporation's focus is that of a provider of equity and debt finance as well as short term working capital requirements primarily to start-up entrepreneurs, and the rest of the corporate world that can benefit from a financier who has the balance sheet, the resources and processes robust enough to be able to understand their business and support them in their pursuit for success on the same triple bottom line basis.

To date the market niche for these products and services has been predominantly in property development and management, manufacturing industries, agro based large scale processing, as well as in service and hospitality industries and in the same order of concentration.

Without question 2011 was a challenging year for the global economy, characterised by slow economic growth, diminished output volumes and strained margins. Whilst 2012 had indications of improvement in terms of financial performance, the impact of poor past performance on the society and environment will have longer recovery periods, hence an important consideration for the Corporation as a development arm of government.

2. OUR PERFORMANCE INTEGRATED IN ONE REPORT

Whilst in pursuit of financial performance, the board continued to keep focus on ensuring that issues of compliance designed to protect the Corporation, the Society and the environment remain central to the manner in which business is transacted at all times. First and foremost, as a private company, BDC is subject to an array of statutory and legal framework and requirements resulting in stakeholders continuously monitoring the Corporation's affairs to ensure that it does not lose sight of its obligation and responsibilities. Of paramount importance to this framework is the Botswana Company's Act, which also forms the basis and support framework for the Corporation's own constitution.

INTEGRATED REPORT

2. OUR PERFORMANCE INTEGRATED IN ONE REPORT

This Integrated report sets out detailed key corporate governance perspectives on a triple bottom line approach, encompassing social, economic and environmental considerations and progress made during the financial year. The purpose of this is to ensure that readers gain a better understanding of the governance systems and processes that the board of directors deployed to control and manage the affairs of the Corporation and the BDC group as a whole.

In the same environment we understand that customer delight is central to the Corporation's ability to meet and sometimes exceed their expectations notwithstanding that the competition invariably will have slight edge given their structural advantages as privately owned entities with flexible and conducive processes than BDC; a stat-owned enterprise with a complex network of stakeholders, whose expectations of the Corporation may also be in conflict among themselves. One way or the other the Corporation attempts to find a way to fulfil all stakeholder needs.

Be that as it may it is always understood that at all times all structures of the Corporation are expected to make decisions that are first and foremost in the best interest of the Corporation but taking into consideration the needs, interests and expectations of key stakeholders.

The Board and Management of the Corporation recognise that they have a duty to make an informed assessment of the sustainability of the Corporation's business before investing the Corporation's ultimate beneficiaries' equity. The board is also aware that the ultimate beneficiaries of the Corporation are over two million citizens of Botswana, and the intended reader of this report. This report therefore forms part of the non-financial information essential for integrated reporting, to assist the ultimate beneficiaries regarding who runs the Corporation's operations, how it is run, how it makes its money, how it deals with its customers and how it creates value for the society, the environment and the economy.

2012 TIMELINE AT A GLANCE: ENVIRONMENTAL, SOCIAL, GOVERNANCE

Beginning of the Financial year.		Donation to: Babusi ward, Soft Sport Investment, Nata Senior Secondary School, Botswana National Museum.	Donation to: BDF annual concert, Bought dinner tickets for: BOCCIM 2011, Kalahari Conservation Society, BALA, BOTEC, Sidekicks Karate Club and donation towards art workshop.	BDC recertified to: ISO9001: 2008. Soft Sport investment donation. New board and board chair is appointed.	Took part in World Aids Day in Palapye.
JULY 2011	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER

	Mophato Dance Theater sponsorship.			Sponsorship for Masire Foundation dinner, SAN traditional dance, Red Cross, LEA, Boxing 2011 awards.	Sponsorship for UB Foundation dinner, Maitisong tickets, YWCA and CRS Conference.
JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE 2012
	Approval of 2011 financials.		Board approves 2012 budget.	Release of Customer. Perception Survey.	End of financial year.

Despite the challenging global conditions, and the spillover from the 2008 global meltdown, we at BDC remained mindful of how we could continue to improve upon our business and operating practices around the globe. As a global financial institution, we acknowledge that our obligations reaches beyond a singular focus on achieving returns for our shareholders, and realise that how we approach every aspect of our corporate responsibility has an effect on our ability to be successful in the long term. For the executives and board members of BDC, stewardship is not peripheral to our business; it is integral to it.

2.1 ENVIRONMENT

At Botswana Development Corporation we understand that whilst as a financial institution the Corporation will not by itself participate in the operations of projects which may have negative impact on the scarce natural resources, in particular: air, water and environment, it is possible that entities we finance may lose sight of the need to ensure that their operations do not have a negative impact on the environment.

INVESTMENT IN CLEAN TECHNOLOGY

Despite the fact that the Corporation has not yet invested in or financed or co-invested any projects on clean technology, the Corporation nonetheless remains optimistic that opportunities to invest in clean technology projects will arise in the future. We are conscious that this is an emerging industry focused on creating sustainable sources of energy with zero to very low carbon emissions and holds great promise in helping Botswana to eventually transition to a low-carbon based economy.

We have provided in our budget, financing of mega projects including clean-tech companies that can obtain the financing they require to achieve scale and present a cost-competitive alternative to traditional energy sources.

We hope that the Corporation can extend its commitment to supporting renewable energy generation by setting aside specific funds for investing in clean tech companies over the next decade.

Furthermore minimizing environmental impact from the group's operations is an essential component of BDC's environmental framework and our priorities have been identified in the following areas of priority:

- to promoting energy-efficiency and reducing our group's carbon footprint, with a goal of managing our carbon emissions to the minimum possible;
- maximizing the use of universal green building standards; and
- responsibly managing waste and the sustainability of our supply chain.

Through our continuous monitoring of projects and through independent boards of entities that we invest in, attention is paid to ensuring that minimizing environmental impact is an essential component of a sound environmental policy of each entity.

It is why since the publication in 2011 annual report the Corporation will continue to report in a candid manner the performance of entities that we have invested in which have the potential to impact the environment, and need to be carefully managed.

To-date the Corporation has interests in entities that by nature of their business would be so characterised. Based on the assurance and the facts available, the BDC board confirms that such investments pose no negative impact on the environment in the short term or long term. Sustainability strategies implemented by some of the BDC related companies includes:

1. Producing final products with less water by following staged processes to protect limited water supply, reduce wastage, reuse and recycling, as a comprehensive risk-based approaches to manage water in the businesses value chain. Where water is also used for other processes such as cooling, cleaning and pasteurization, a continuous evaluation is done and efforts are used to reduce water consumption, including recycling it for use in secondary processes such as cooling and cleaning.

2. Our group companies are also encouraged; and are making good efforts to conserve energy, especially in production. As an example, one of the BDC related company's beverage plant recently automated its boilers and corrected the power factors of all major equipment at manufacturing sites. This has reduced the electricity used during periods of peak demand.

3. Similarly efforts are made to ensure that much of waste becomes a valuable resource for food producers and farmers as well as being a potential energy source, hence saving money as well as reducing impact on the environment. Where possible, waste generated from operations is either resold or recycled.

4. In plants where considerable dust is produced such as in brick moulding, the dust generated in the process is collected by dust collectors and re-used in the process, thereby reducing dust emissions to the environment and the effects on health for the employees and surrounding environment. Where appropriate the Department of Waste Management is also engaged to monitor such emissions to ensure that they fall within safe limits for the environment.

5. In the large scale commercial agricultural entities, where substantial electricity and water are used for irrigation systems, processes are put in place to monitor the moisture content and thereby minimize the possibility of over irrigation and water and electricity waste. One of the strategies used is drip irrigation which is believed to use up to 40% less water than overhead irrigation.

At the end of it all we believe that when we help our subsidiaries and clients develop business strategies that take advantage of opportunities and reduce the adverse environmental impacts of their business, we help to build the foundation for a sustainable future, because we understand that a healthy environment is a necessary condition for individuals, communities, businesses and economies to thrive and we view environmental stewardship both as an important responsibility and as an opportunity to bring our knowledge and resources to bear on initiatives that will shape the future for our business, the global economy and society.

2.1 SOCIETY

At BDC, we define our social value by what we contribute to making markets robust and economies strong - whether in collaboration with our clients, shareholders and vendors, or as a responsible investor of our own financial and intellectual capital. We recognize that we cannot succeed unless we are able to recruit and retain the best people, and our clients value the advice and services that we provide.

OUR COMMITMENT TO SOCIETY

Since economic growth is essential to a prosperous society as it creates jobs, improves standards of living and ultimately expands the tax base that supports the infrastructure and social services that our communities require, we believe that whether it is the construction of our new offices, new hospital, hotel or residential houses, a growing economy is a vital component for meeting these public needs, and that is part of our mandate.

Our role and contribution as an investment financier of projects countrywide is therefore by itself a deliberate action that will contribute to the creation of sustainable jobs and poverty alleviation. By working tirelessly to fund both new and mature businesses with the capital available we are therefore contributing to social governance.

Through our partners identification and selection process and project appraisal that follow for potential projects, we aim to be diligent and apply good judgment, with an awareness of social and environmental issues that touch our people, the society at large, our clients and stakeholders in general. We recognize that lasting contributions to a strong and sustainable economy are possible only if we are committed to the well-being of our people and our communities.

CORPORATE SOCIAL INVESTMENT

The tradition of individual philanthropy remains a core tenet of our culture. In recent years, we assisted a number of deserving groups as part of our Corporate Social Investment program, including but not limited to the need for the Corporation to play a part in the upliftment of economically challenged communities, caring for the physically and mentally challenged and under privileged. This role also extents to the empowerment of the youth and women.

To achieve our CSI goals, BDC offers financial assistance, fosters community engagement as well as targeting new investment areas that may not be attractive on the basis of short term economic indicators alone and hence we go where no commercial banker can easily venture into.

OUR PEOPLE/GOVERNANCE

In 2012, we devoted considerable resources to ensure that our people receive the support they need to serve our clients and communities. The investment we make in our employees begins at the onset of their career and continues through every step they take with us along the way. Our goal is to maximize their potential; increase commercial effectiveness; reinforce our culture of consensus and empowerment; expand their professional opportunities; and help them make lasting contributions to our clients and their communities, whether they spend just a few years or their entire professional careers at BDC.

THE VALUES THAT GUIDES THE CORPORATION EXECUTIVES

At BDC we understand that how we do business and how we project ourselves is as equally important as the business we do, and hence the need to always uphold our corporate values. At BDC we say:

- We do business with professionalism and will uphold the highest levels of ethics and adhere to standards and have Integrity and act in a fair and honest manner in our dealings with internal and external stakeholders;
- We ensure that because our stakeholders have dynamic needs we shall be continuously Innovative and through Teamwork we guarantee delivery to all our promise, and
- We will always be customer centric, excited and committed when dealing with our customers, stakeholders and colleagues.

OUR PEOPLE EMPOWERMENT TRAINING

During the year the Corporation arranged a number of training programs aimed at empowering its people to be better at what they do and to be great leaders of tomorrow.

	AREA OF FOCUS	NUMBER OF STAFF
Leadership	- Management and Leadership skills program	1
	- Senior Management Development Program	6
	- Corporate Governance Principles	6
Processes	- ISO9000: Quality Management System	19
Health & safety	- First Aid Level 2	12
People	- Leadership and security Conference	1
	- Management & career development for technical managers	1
	- Executive handling of discipline in the workplace	1
Supply Chain	- Tender/procurement preparation and evaluation techniques	1
ICT	- Document Management - eB basic management training program	70
Law	- Advanced Contract Management: SLA and benchmarking	1
	- Advanced management and administration skills	1
Finance	- Finance for non-finance managers program	10
	- International financial reporting standards	7
	- Financial Analysis and Forecasting program	2
	- Fraud Prevention	1
Business Generation	- Project Financing modeling training	1
	- Advanced Financial Analyses	1
	- Workshop on mastering FIDIC, NEC and JBCC contract	3
Customer Care	- Branding in Banking and Finance conference	1
	- Business presentation skills program	5
	- Strategies for PR and communications master class	1
	- Customer care program	2

INTEGRATED REPORT

BDC WORKFORCE DEMOGRAPHICS

Our employment statistics reflect our recognition of the need for youth, gender equity and the need to provide opportunities for the disabled. While we have succeeded on this front as at year end we had not yet succeeded in also giving opportunities to the handicapped, as an opportunity had not yet arisen, this we plan to review in the coming years. Our current workforce demographics are as illustrated below.

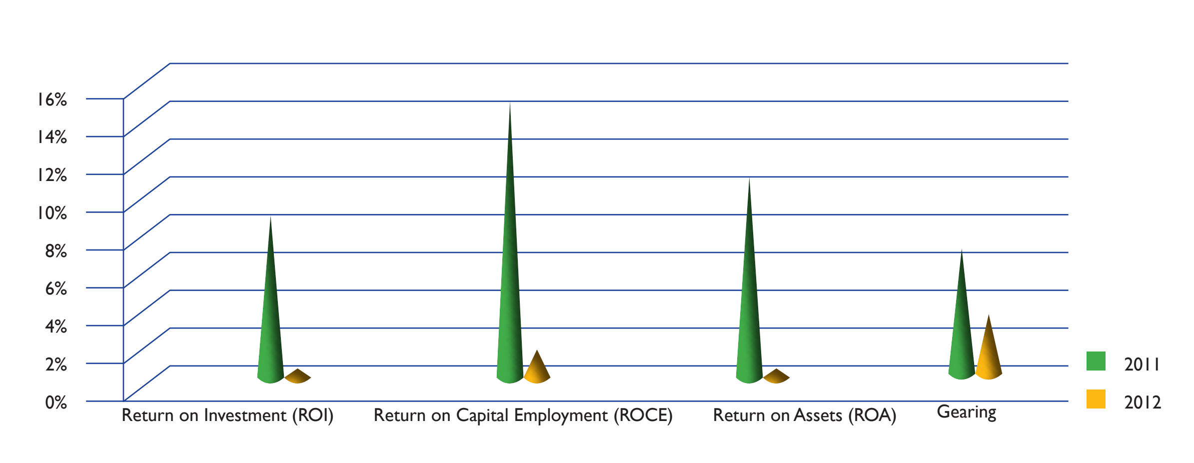
PERSONNEL	TOTAL	MALE	FEMALE	YOUTH <35	OLDER >35	GRADUATES	POST GRADUATES	OTHER
Management	12	5	7	-	12	2	9	1
Supervisory	30	14	16	9	21	14	16	-
Officers	31	14	17	13	18	19	4	8
Industrial staff	11	3	8	1	10	-	-	11
Internship students	8	4	4	8	-	8	-	-
Total	92	40	52	31	61	43	29	20

3. FINANCIAL PERFORMANCE AND INDICATORS

Using 2009 as the base year the following are the financial performance indicators over the four year time-line.

MEASUREMENT	FINANCIAL YEAR-END 30TH JUNE							
	2009		2010		2011		2012	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Return on Investment (RoI)	3%	-11%	13%	14%	4%	9%	3%	1%
Return on Capital Employed	6%	-11%	7%	17%	7%	15%	2%	2%
Return on Assets (RoA)	3%	-8%	16%	12%	4%	11%	2%	1%
Gearing	32%	18%	39%	5%	36%	7%	45%	4%
PORTFOLIO GROWTH	10%	-10%	10%	-0.2%	10%	38%	25%	14%

During the financial year the Corporation made impressive returns, therefore also contributing to both citizen empowerment and increase in shareholder value as well as facilitating economic growth.



AUDITED FINANCIAL STATEMENTS

As set out in the Statement of Comprehensive Income, the Statement of Financial Affairs and the notes thereto, the financial statements were prepared in accordance with international financial reporting standards. The financial statements were reviewed and recommended by the Board Audit Committee and have been approved by the Board of Directors for presentation at the Annual General Meeting of the shareholders for formal adoption. The Corporation posted a profit after tax of P25.97 million and hence proposed to pay a dividend of P6.5 million to the shareholder, Botswana Government, representing 25% of after-tax profits for the Corporation.

The directors confirm their responsibility for the preparation, approval and reporting of the financial statements of the Corporation and consolidated financial statements of the Group. The external auditors have reviewed the financial statements as set out and have expressed a qualified audit opinion on the fairness of the Corporation's Financial Statements.

The board reaffirms its commitment to ensure that corrective action is taken on any issues that may have been raised by the external assurance providers, irrespective of how immaterial they may appear to be.

The board of directors, management and the auditors of Botswana Development Corporation Limited confirm that the Corporation is expected to continue as a going concern in the foreseeable future.

4. OUR INVESTMENTS IMPACT ON SOCIETY AND ENVIRONMENT

WE PROVIDE SHELTER

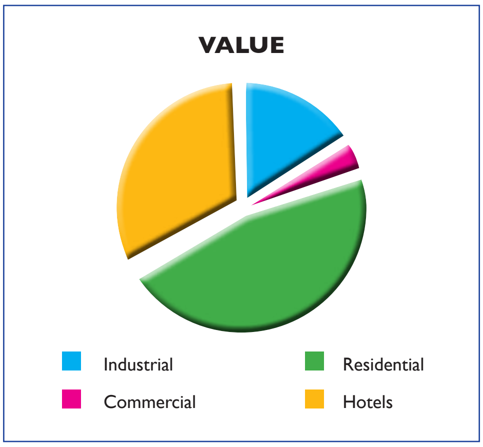
Since the incorporation in 1970 BDC has provided residential accommodation in major cities especially for the middle to high income families. We have provided numerous factory shells for startup entrepreneurs and hotels country wide to facilitate mobility both to the business communities and the general citizenry as they explore opportunities nationwide.

The Corporation provides shelter to business communities in the form of residential accommodation, industrial space and factory shells, hotels and commercial properties.

OUR SUCCESSES

Since 1970, BDC contributed to the promotion and facilitation of Botswana's economic development. Over the past forty two years, the Corporation has financed private sector start-ups and expansions in partnership with local Foreign Direct Investment with emphasis on investments meeting the long term commercial viability test.

Starting with a meagre investments of R71 000 in 1971, rising to P11,2 million in 1981 and P230,5 million in 1991, P1.26 billion in 2011, the Corporation's investments has now reached P1.49 billion, spread across the different sectors of the economy. In 2012 BDC's total assets reached P2.4 billion from P2.3 billion in 2011.



Some of the projects financed by the Corporation are also shining stars amongst Botswana success stories. This includes Cresta Marakanelo; now a public listed company with hotel operations spread across the country and now growing regionally, Sechaba Breweries, another public-listed company dominates the supply of refreshments and beverages throughout the country and also exporting regionally. The latest milestone being Letlole La Rona LTD another public listed entity formed through consolidation of the Corporation's previously 100% owned properties, and empowering citizens with a stake in this top-end property market.

A NEW MIXED USE COMPLEX EXPECTED TO CREATE MASSIVE EMPLOYMENT

During the year the Corporation, through its property subsidiary Commercial Holdings Pty Ltd, commenced with the construction of new mixed-use complex, one of the noticeable infrastructure development that will transform the landscape of Gaborone and lifestyle of a number of citizens. This mammoth eighteen floor building consisting of fifteen floors above ground and three below-ground makes it the first of its kind in Botswana. This development will, in addition to being the new head quarters of BDC, also house a one stop shopping mall, up market office accommodation, restaurants, pent houses, hotel and day and night 24/7 convenient lifestyle facilities; a paradise for every tourist.

INTEGRATED REPORT

AWARDS AND RANKING

Clearly we have a long way to go in terms of accolades. In the past four years, the Corporation was awarded the following for its achievements and contribution to the general society:

2009	2010	2011	2012
- Awarded BNSC Bronze for supporting sport	- Awarded Golden Arrow award by PMR Africa for stimulating economic growth	- Awarded BOCCIM sponsor of the year - Awarded BNSC Bronze for supporting sport - Awarded ISO9001: 2008 certification by BVI for Quality	- Awarded ISO9001: 2008 recertification

OUR FAILURES OVER THE YEARS

Over the years the Corporation has taken a calculated risk and invested in green field projects which by their nature have a high risk profile. Unfortunately some of these projects, spread across all sectors, did not perform as planned. The Corporation has particularly had a hard time with textile, farming and industrial projects which needed specialised machinery and custom made factory shells.

The following is a chart down of the 12 companies from various sectors of the economy associated with BDC over a 20-year period, that has since collapsed.

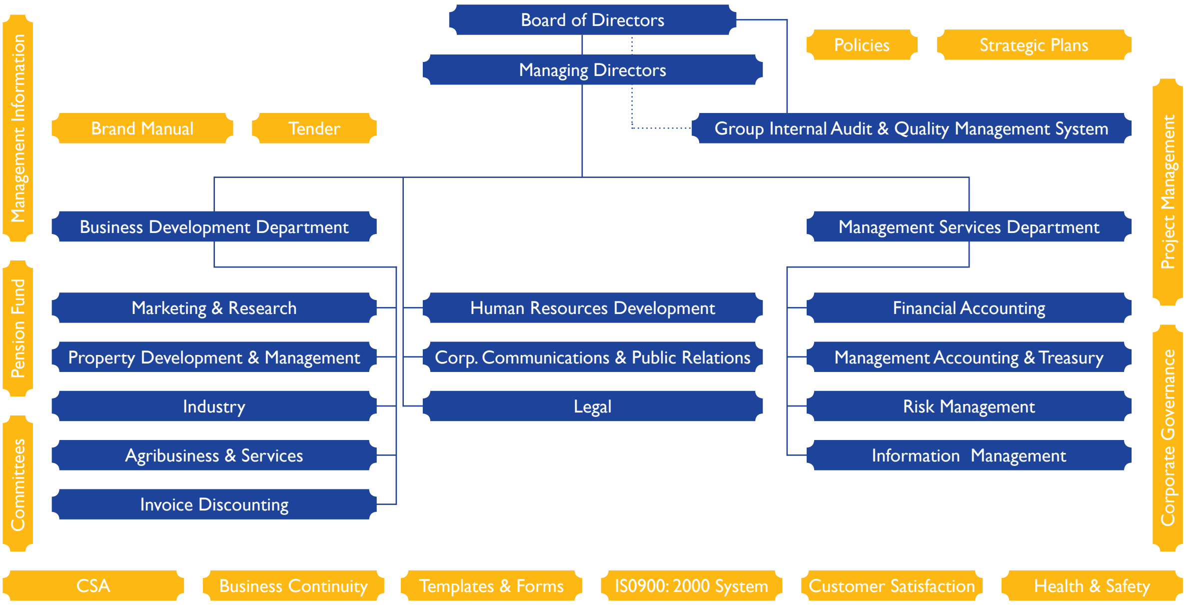
SECTOR	NUMBER OF FAILURES	LESSONS LEARNT
Textile and Leather	4	Besides the requirement for highly specialised textile machinery that require substantial financial investment and land space, the industry target market is mostly foreign based and controlled by large multinationals. Similarly the sector experienced challenges and obtaining a reliable and cost effective raw materials supply, particularly in the leather industry.
Agro-based production	6	Particular difficulties were experienced in the poultry production business, as well as in the dairy and beef production fields. Although the local market is adequate to sustain dairy and the meat market most of the operations that the Corporation supported did not invest sufficient technical expertise and high tech production required as opposed to the traditional methods. Similarly because of the dry climatic conditions resulting in poor plantation and grazing, high costs were experienced in the purchase of animal feeds in particular.
Manufacturing - Tile and Motor	2	In order to facilitate Foreign Direct Investments substantial financing was extended to two large and high tech projects in motor and ceramic tile production outfits respectively. The establishment, running and maintenance of these production lines required specialised industry knowledge not available locally that had to be imported. These arrangement proved particularly problematic when relationships with the technical partners become unmanageable, resulting in partners exiting and the Corporation being forced to be the sole shareholder. With no expertise and capability to run with these operations by itself, the consequence could only be projects closure.

5. GOVERNANCE

Strong and sustainable corporate performance cannot be achieved without sound governance. Across all aspects, BDC continues to commit considerable resources to ensure effective governance, because that we are stewards for our shareholder, our clients, our people and our communities.

At BDC, engagement with stakeholders and other important constituents is not a one-day event. During the 2012 financial year numerous meetings were held with BDC governance constituents and through our Directors and staff we participated in major governance initiatives regionally and globally covering a broad range of topics from executive compensation to governance structures, risk management and sustainability. All of which are all important for us as we strive to balance the priorities of different stakeholders with the best interests of the Corporation and maintaining our goal of creating long-term shareholder value.

OUR COMMITMENT TO GOOD GOVERNANCE



We prefer to approach the governance of the Corporation and everything around it as a foundation of a well-run company, embodying principles and commitments that share fundamental aspirations: increasing value for shareholders, promoting exceptional service to clients, managing risks, and making meaningful contributions to the communities where we do business.

Successful governance for the Corporation is a vibrant process that involves the diversity of our businesses, the global nature of our partners, and the rapidly changing needs of our clients.

We are conscious of the fact that quality governance starts at the very top, the board. For that reason, eight of our nine Board members are independent from management. Towards the end of the year Mr. Blackie Marole was appointed Board Chairman, who for the first time in the history of the Corporation is also an independent non executive director (NED), compared to previously where the chairpersons were also permanent Secretaries in the oversight Ministry.

Additionally all board committees were reconstituted, with Ms. Verily Molatedi being appointed to chair the Board Audit Committee; Mr. Richard Vaka heading the Human Resources Committee and Mr. Amando Lionjanga to chair the Board Tender Committee. A Risk Investment Committee was constituted in the new financial year, and is been chaired by Mr. Reetsang Willie Mokgatlhe.

Profiles and relevant details of all current members of the board and independent members are set out on pages 30 - 33 of this report.

Board members met with the shareholder throughout the year to ensure that at all times the Shareholder is aware of all strategic and critical issues affecting the future of the Corporation, and to seek to obtain alignment on expectations and critical decisions.

Our board executes independent oversight over areas of risk to our business, the performance of our senior management team, succession planning, compensation issues, and overall business strategy, our commitment to good stewardship on behalf of clients, shareholders, regulators and the broader public is illustrated by the fact that about half of our employees sit on the "control" side of the Corporation, in the form of risk management, financial accounting, legal, information management and internal audit to name but a few. These controllers perform independent control functions; the primary goal being to make sure that we meet the financial control and reporting obligations of a public and effectively self-regulated financial institution.

Similarly, our credit risk professionals are independent of the revenue producing sides of our business, and report to our General Manager Management Services. They are expected to evaluate the potential for loss due to counterparty default and seek to mitigate risk though limits, collateral, hedging and other techniques.

Our group internal audit professionals are independent of the management activities of the Corporation and report to the board through the Board Audit Committee.

INTEGRATED REPORT

BOARD GOVERNANCE

The re-approval of Revised Board Charter in 2012: reaffirmed our commitment to ensuring an effective and robust board that responsibly considers environmental, social and governance issues at all times.

During the 2012 financial year the Board revised and re-approved the BDC Board Charter to ensure that it remains relevant and thereby reaffirming our commitment to ensuring an effective and Robust Board that responsibly considers environmental, social and governance issues at all times.

GOVERNANCE AND INTERNAL CONTROL SYSTEMS

The board is confident that there are robust policies, systems and procedures that provide reasonable assurance in safeguarding assets, prevention and detection of errors, accuracy and completeness of management information, accounting records and reliability of financial statements.

The internal checks serve management and the board by performing independent evaluations of the adequacy and effectiveness of financial reporting mechanisms, records, and operations as well as protecting the interests of the Corporation.

GOVERNANCE AT SUBSIDIARIES

In line with good business practice, the board of the holding company has vested the control and direction of its subsidiaries, set up as separate legal entities, in the boards that it appoints directly or through management.

Whist efforts are being made to ensure that there is a clear separation of roles and to avoid any inherent conflict of interest, the Corporation appoints its personnel to participate in the Boards of those companies.

The Boards of those subsidiaries are expected to follow the same principles of good corporate governance and best practice as that of the Corporation.

IT GOVERNANCE

In today's world the information systems of enterprises is now pervasive, no longer only used to enable a company to work more efficiently but are now the very fabric of the enterprise of today. It is with this in mind that at Botswana Development Corporation information systems are being aligned with the long-term strategy of the Corporation, to ensure achievement of the latter.

Additionally the Corporation continuously reviews its information and data security to insure that critical information of both the Corporation and its clients is fully secured, in particular from external threats.

BOARD GOVERNANCE

The Corporation has a unitary Board structure appointed by the shareholder, including the Chairperson and the Managing Director. The unitary structure enables the Board to obtain the desired level of objectivity and independence in board deliberations and decision-making. The board is assisted by four Board Committees.

DELEGATION OF AUTHORITY

Whilst the Board has delegated some of its authority, the board understands that it still retains the accountability and liability concerning the exercise of its delegated authority, and hence has put in place internal control and internal audit to ensure the proper discharge of the delegated authority. In the interest of promoting efficiency and effective management, the board has delegated some of its authority to its committees and management.

COMMITTEES OF THE BOARD

The Board performs its overall oversight on the Corporation and management's activities by reviewing reports from management and its auditors through its normal meetings and in detail through its sub committees as set out below:

BOARD AUDIT COMMITTEE

The overall objectives of the Board Audit Committee are to monitor the adequacy of financial controls and reporting, review audit plans and adherence to these by external and internal auditors, ascertain the reliability of accounting records; ensure that financial statements comply with International Financial Reporting Standards (IFRS) and the Companies Act; review and make recommendations on all financial matters and to recommend the appointment of external auditors to the Board.

The Board Audit committee's role also includes setting out the nature, role, responsibility and authority of the risk management function within the BDC; outlining the scope of risk management; reviewing and assessing the integrity of the risk control systems; ensuring that the risk policies and strategies are effectively managed; providing independent and objective oversight; reviewing the information presented by management; as well as taking into account reports by management and auditors on financial, business and strategic risk issues.The committee also monitors the BDC's appetite for risk and mitigating controls.

BOARD HUMAN RESOURCES COMMITTEE

This committee assists the board in the development of Human Resource strategies, plans and performance goals, as well as specific compensation levels for BDC. The committee annually manages the Board's evaluation of the performance of the Managing Director and also assists the Board in fulfilling its oversight responsibilities relating to succession planning as well as overall compensation and human resource policies for all BDC employees.

BOARD TENDER COMMITTEE

Central to the committee's key consideration in procurement is a continued effort to promote citizen economic empowerment, both through development of policies to guide the bigger picture as well as the taking of deliberate decisions that promote citizen economic empowerment in awarding contracts.

BOARD RISK AND INVESTMENT COMMITTEE

The Committee was formed and constituted in 2012. The Committee's main role is to ensure effective management of credit and investment risk as well as to review and approve or make recommendations on new investments and financing. Its mandate as well as approval limits will be determined during the course of the new year.

BOARD PERFORMANCE AND EMOLUMENTS

Whilst the Corporation recognises the need and importance of both attracting and retaining competent directors to drive the Corporation's mandate, efforts are underway to establish a compensation mechanism that will achieve the same. However, as a 100% government-owned entity, the Corporation complies with the government directives that govern the payment of fees to directors.

In accordance with the Corporations Board Charter Directors made efforts to attend all meetings of the Board and its Committees. Also in line with best practice, non-executive Directors met at least once without the executive director and management being present.

Currently directors are paid a seating allowance at prevailing rates issued by the shareholder from time to time. During the financial year seating allowances were paid at P840 for directors and P1050 for chairperson of the Board and of chairperson for each board committee, both amounts being net of withholding tax.

Board members are also paid the equivalent of seating allowance for any other official engagements that they are involved in. Fees for civil servants who also serve in the board are payable directly to Botswana Government. Consequently all fees for both S. M Sekwakwa and B. K. Molosiwa were paid to Botswana Government. A summary of the total Meetings scheduled, Directors Fees and Attendance Record for Board and Committee meetings is set out below: Board Committees membership as at year end.

INTEGRATED REPORT

	MAIN BOARD	MAIN BOARD SPECIAL	BOARD AUDIT COMMITTEE	BOARD HR COMMITTEE	BOARD TENDER COMMITTEE	SPECIAL EVENTS
Total Meetings Convened by June 2012	6	9 *	9	3	7	2

These meetings include outside town board engagements including projects site visits. Main board special also includes attendance of annual general meeting.

	CURRENT MEMBER	MAIN BOARD SCHEDULED	MAIN BOARD SPECIAL	BOARD AUDIT COMMITTEE	BOARD HR COMMITTEE	BOARD TENDER COMMITTEE	SPECIAL EVENTS	TOTAL MEETINGS ATTENDED	TOTAL FEES DUE BWP
Marole B (Chairperson)		4	6	-	-	-	2	12	12,600
Molosiwa B. K (Deputy Chair)		5	6	-	-	-	1	12	10,080
Nthebolan M. M (Managing Director)		5	4	7	1	5	1	23	-
Lionjanga A.V (Board Tender Com Chair)		2	5	-	-	5	2	14	12,810
Molatedi V (Audit Com Chair)		3	5	6	-	-	2	16	14,700
Sekwakwa S. M		3	6	-	-	-	-	9	8,610
S. S. G Tumelo (Resigned)		3	5	-	-	-	-	8	6,720
Vaka R (HR Com Chair)		3	4	5	1	-	2	15	12,810
Modise M. D (Resigned)		3	5	-	1	5	2	16	13,440
Masisi N. M (Resigned)		1	3	-	1	-	-	5	4,200
Ndzinge S. E (Audit Com Chair - Retired)		2	4	3	-	-	3	12	10,710
Kandjii I. K (HR Com Chair - Retired)		1	3	-	2	-	1	7	6,510
Kwele N. K (Retired)		2	3	2	2	-	-	9	7,560
Merafhe O (Board Tender Com Chair - Retired)		2	3	2	-	2	-	9	7,980
Dikgaka T. C (Retired)		2	3	-	-	2	-	7	5,880
M. Lesolle (Independent Audit Com Member)		-	-	6	-	-	-	6	5,040
M. Mpungwa (Independent HR Com Member)									0
TOTAL BOARD FEES									139,650

Table: 2 Schedule of attendance record and Board Fees

COMBINED ASSURANCE AND INTERNAL AUDIT

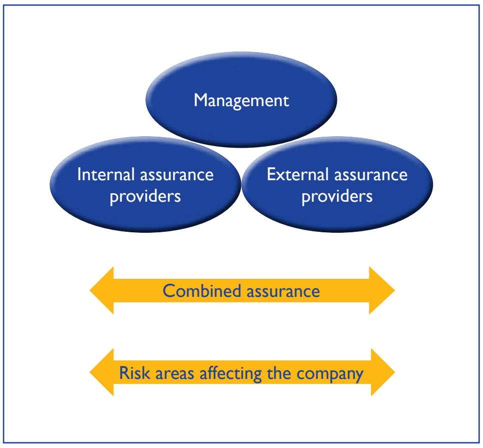
Because of the fast moving electronic based and pervasive nature of today's business environment the Board relies on the combined assurance from management, internal auditor and external auditors, as illustrated below, in the management and balancing of both risks affecting the Corporation as well as pursuing the returns associated therewith.

In particular the board at all times seeks to ensure promotion of an effective internal audit function. To that end the Corporation's Group Internal Auditor is central to the strategy planning, execution, monitoring and assurance and is a key contributor to the achievement of strategy and an objective provider of assurance on the Corporation's mandate.

The board therefore recognises that internal audit of today is central to the combined assurance of management, internal audit and external audit, being the three defences for a non executive Directors.

As both a loan financier and a venture capitalist the Corporation faces governance challenges as it operates in the global village. Similarly we recognise that our partners also depend on the Corporation's combined assurance to ensure that the sum of their efforts they and, the strategic and operational decisions they make, are supported by a robust partner who will also seek to ensure that their interests are protected, even if they are in the minority.

Therefore the internal audit function provides helicopter view and provides audit assurance to the holding company as well as to the minority interests, to the extent that they may not have their own internal audit assurance. The board through the Board Audit Committee ensures that swift and decisive action is taken especially on significant issues reported by Internal Audit.



STATEMENT OF COMPLIANCE

The Board is satisfied that every effort is being made to comply in all material respects to all principles of good governance, as pronounced in King III Corporate Governance Code and the Companies Act 2003, as well as the principles as set out in the proposed corporate governance Code for Botswana, as issued by the Directors Institute of Botswana.

The Corporation's compliance is further verified by the various assurance providers including the Internal and External Auditors as well as the ISO9001: 2008 Quality Auditors.

INTEGRATED REPORT

BOARD PROFILE AND RESPONSIBILITIES

The profile and Board responsibilities of the current Board is as follows:

RESPONSIBILITIES AND RESUME

Blackie Marole, Chairman of the Board. Appointed with effect from November 14, 2011. An Economist by profession, Mr. Marole spent 21 years of his career life in the civil service where he excelled to reach the highest post in the Ministry of Energy, Water and Minerals Resources as its Permanent Secretary.

Mr. Marole has provided oversight as Director and Chairman of the following national and international boards: African Energy Resources; Associated Fund Administrators (AFA); Alternate Director Botswana Diamond Valuing Company; Alternate Director for Debswana Diamond Company; Director Diamond Manufacturing Botswana; Alternate Director Diamond Trading Company; Alternate Director for Debswana Pension Fund Board of Trustees; Chairman of Botswana Power Corporation; Chairman of Water Utilities Corporation; Alternate Director BCL; Chairman of Water Apportionment Board; Chairman Teemane Manufacturing Company; Chairman Botswana Diamond Valuing Company; Director and Chairman Debswana Diamond Company; Director De Beers Centenary AG/De Beers Consolidated Mines; Director BCL Limited; Director Botswana Ash; Director Debswana Diamond Company; Director De beers Prospecting (Pty) Ltd; Director De Beers Botswana (Pty) Ltd; Chairman Barclays Bank of Botswana; Director CIC Energy among others.

Mr. Marole holds a Master of Arts Degree in Economics from the Williams College, Massachusetts, United States. He also holds Bachelor of Arts Degree in Economics from the University of Botswana, and an Economic Institute Diploma with the University of Colorado.

Banny K. Molosiwa, appointed Director with effect from August 01, 2004 and is the current Vice Chairperson of the BDC Board.

An economist, Ms. Molosiwa is Permanent Secretary in the Ministry of Trade and Industry. She was secretary for Economic Affairs in the Ministry of Finance and Development Planning. She previously served in different capacities at the Ministry of Finance and Development Planning, including being Deputy Secretary for Economic Affairs, and Director for Development Programmes.

Ms. Molosiwa's professional experience includes serving on the Boards of several key institutions, including BHC, WUC, BOTEC, BEDIA (now BITC), SPEDU, Okavango Diamond Company, National Employment Manpower Incomes Council, National AIDS Council, and the Rural Development Council. She was also the Alternate Governor for Botswana on the African Development Bank (ADB) Board of Governors.

Ms. Molosiwa holds a Masters Degree in Development Economics from the Institute of Social Studies at the Hague in the Netherlands.

Armando Vasco Lionjanga, Appointment to board effected on February 01, 2012. He also Chairs the Board Tender Committee.

A Civil Engineer, Mr. Lionjanga, is currently the Registrar (CEO) of Engineers Registration Board, a statutory body entrusted with the responsibility of regulating the activities and conduct of registered engineers.

He started his working career as an Assistant Roads Engineer in 1975 under the then Ministry of Works, Transport & Communications (WTC). He rose through the ranks to become Roads Engineer, Senior Roads Engineer, Chief Roads Engineer (1982 to 1989), Deputy Permanent Secretary (1989 to 1992) and ultimately Permanent Secretary in the same Ministry of WTC from 1992 to 1999. Mr. Lionjanga was appointed Chairman of a number of statutory bodies including: Air Botswana, Botswana Railways, Botswana Telecommunications Corporation and Botswana Railways. Upon his retirement from Public Service in 1999, he joined a firm of Consulting Civil Engineers from 1999 till June 2002 when he was then appointed founding Executive Chairman of the Public Procurement and Asset Disposal Board (PPADB), a position he held till 2010. During the same period when he was with PADB he also served as board member of the Botswana Bureau of Standards.

Mr. Lionjanga holds a Bachelor of Engineering (Civil) Degree from the University of Zambia, 1975 and Masters of Science in Highway Engineering from University of Birmingham, UK, 1979.

Verily Molatedi, was appointed to the board on February 01, 2012. She also chairs the Board Audit Committee and is a member of the Board Human Resources Committee.

As a Certified Chartered Accountant with more than 20 years hands-on experience, Ms. Molatedi is currently the Deputy Chief Executive Officer (Support Services) at the Local Enterprise Authority (LEA). She is responsible for driving the strategies of Corporate Services, Human Recourses, Research and Development as well as Stakeholder Engagement and Communications.

Prior to joining LEA, she worked in both the parastatal and private sectors at Management level where she demonstrated her ability to lead diverse teams of professionals to new levels of success in areas of Strategic Planning, Corporate Governance, Project Management and implementation, financial management and systems of internal control improvements. Some of the organisations that she has worked for are Water Utilities Corporation, Botswana Housing Corporation, Botswana Meat Commission and Standard Chartered Bank.

Ms. Molatedi has served on a number of National and Regional Boards as a director. These include Botswana Medical Aid Society, Botswana Railways, Rural Industries Promotion Company and SADCAS, which is a subsidiary of SADC.

Ms. Molatedi holds a Bachelor of Commerce Degree from the University of Botswana and ACCA Qualification. She has attended a number of leadership development programmes. She is a fellow member of ACCA and an Associate of the Botswana Institute of Chartered Accountants.

Solomon M. Sekwakwa, Member of the Board. Appointed Board Chair from 2009 to 2011, and rejoined the board as director from November 2011.

An Economist, Mr. Sekwakwa is the Permanent Secretary in the Ministry of Finance and Development Planning.

Mr. Sekwakwa started his career as an Industrial Planner for Selibe Phikwe mine in 1979, joined the Southern District Council as an Assistant Economist where he rose through the ranks to become Senior Economist in 1994. He worked as Principal Economist for the Central District Council and Ministry of Finance and Development Planning from 1995 to 1998 respectively. In 2000, he was again promoted to Chief Economist (Projects), and subsequently re-designated Chief Economist (Macro). In 2001, he was further promoted to Director of Economic Affairs (Macro). In 2007, Mr. Sekwakwa became Secretary, Development and Budget Division and a year later, he was appointed Permanent Secretary in the Ministry of Finance and Development Planning.

Mr. Sekwakwa has served in a number of Boards including: Citizen Entrepreneurial Development Agency (CEDA), University of Botswana's Finance and Audit Committee (as Chairman), National Development Bank, Vision 2016 Council, Bank of Botswana, De Beers Societe Anonyme Board, Debswana Board and Debswana Investment Board.

Mr. Sekwakwa holds a Masters of Arts Degree in Development Economics from the University of Sussex in the United Kingdom and has a Bachelor of Arts degree in Economics from the University of Botswana.

Richard Vaka, appointed with effect from on February 01, 2012. He also chairs the Board Human Resources Committee and is a member of the Board Audit Committee.

An industrial relation practitioner, Mr. Richard Vaka is currently the Group Employee Relations Manager for Debswana Diamond Company. He joined Debswana in 1988 as a Graduate Trainee, rose to Chief Personnel Officer in 1990, Industrial Relations Manager for Orapa Mine in 1991, Human Resources Manager, Botswana Diamond Valuing Company in 1994, Deputy Group Human Resources Manager, Debswana HQ (2000) and transferred to Jwaneng and Orapa mines as Senior Human Resources Manager, between 2001 and 2005. From March 2005 Mr. Vaka was appointed Group Employee Relations Manager, at Debswana Headquarters, a post which he holds to date.

Mr. Vaka holds a BSc (Honours) in Psychology and a Post Graduate Diploma in Occupational Psychology from Hull University in the United Kingdom (Britain). He also holds an Bachelor of Laws from the University of South Africa .

Mr. Vaka has served as Chairman on the boards of the Debswana Pension Fund, Botswana Medical Aid Society and Botswana Amateur Athletics Association.

Reetsang Willie Mokgatlhe, appointed Director with effect from December 2012. He also chairs the Board Risk and Investment Committee and is a member of the Board Audit Committee.

A Business Executive, Mr. Mokgatlhe is currently the Managing Director of Vivo Energy Botswana and Vivo Energy Namibia where he is entrusted with formulating and implementing strategic goals and objectives of the two organizations.

He brings valuable experience in the Private and quasi - government sectors, having held senior positions in large private and parastatal organisations in Botswana, Namibia, South Africa and the Netherlands.

Willie has worked in international organisations with diverse cultures and excelled in such environments. He has successfully implemented change management during change in strategic direction; led privatization of Air Botswana, managing staff and other stakeholder expectations; successfully set up new structures of senior staff for Shell Namibia, successfully led stakeholder engagements in order to implement Shell downstream strategy for Africa and during the introduction of new investors leading to timely regulatory approvals.

Positions held include: Shell International, Netherlands as the Government Relations Adviser - Africa from Jan 2010 to December 2011, Shell Namibia as country chairman from December 2005 to July 2009 and was Chief Executive Officer at Air Botswana from September 2002 to June 2005. Prior to that Mr. Mokgatlhe had held senior positions at both Shell and Air Botswana.

Willie has been a Director in several companies; Shell Namibia Limited - Chairman, Shell Oil Botswana - Chairman, National Development Bank - Chairman, Botswana Post - Director, Air Botswana - Director and Chairman of Airline Association of Southern Africa.

Mr. Mokgatlhe holds a Master of Science Degree in Air Transport Management from Cranfield Institute of Technology in UK which he obtained in 1991. He also holds a Bachelor of Commerce Degree from the University of Botswana.

Mpho Moremong-Gobe, appointed Director with effect from December, 2012. She is also a member of the Board Tender Committee and Board Risk and Investment Committee.

A Real Estate Practitioner, Ms. Mpho Moremong-Gobe, a member of the Royal Institute of Chartered Surveyors (RICS), UK; Real Estate Institute of Botswana and Real Estate Advisory Council currently the Managing Director for MG Properties, a position she has held from June 2010, where she is responsible for property valuations, management, commercial lettings as well as sales. A seasoned Business woman with a thorough knowledge in estate management which she acquired through her training and experience over a long period of time having held numerous high profile positions steering different business entities in the private and public sector.

Previously, she was Managing Director for with Pam Golding International Botswana. She has worked with Knight Frank Botswana (KFB) as an Associate Partner.

Mrs. Moremong-Gobe has valuable experience in different Boards including; Chairperson of Gaborone City Council Adjudication Board, Africa Representative in the RICS Governing Council in the UK 2004 July 2009, Chairperson of Board of Royal Institution of Chartered Surveyors Botswana Group - 2004 - 2009, Vice President of the Real Estate Institute of Botswana, Chairperson of the Real Estate Advisory Council, amongst others. She holds a Bachelor of Science (BSc) Hons. in Estate Management from Oxford Brookes University, UK and Masters in Business Administration (MBA), University of North West, RSA, jointly with the University of Liverpool, UK.

INTEGRATED REPORT

Michael Lesolle, Independent member of the Board Audit Committee, appointment with effect from February, 2012.

A Certified Chartered Accountant, Michael is currently the Executive Director of Botswana Accountancy College (BAC), a role he has discharged for just over five years. A fellow member of the Association of Chartered Certified Accountants (ACCA), he has extensive experience in various aspects of business and the accountancy profession. The past fifteen years of his professional career were spent in the organizational leadership role at the apex, and as architect/designer of organizational transformation, strategy formulation and its implementation, as well as managing change.

His accountabilities at BAC and Botswana Savings Bank as CEO in both cases, entailed the engineering of teams' behavioral change dynamic, mindset change, the imperative of holding the customer in high esteem, embracing technology, anticipating market changes and wealth creation. He has contributed extensively in the accountancy profession both locally at the Botswana Institute of Accountants (BIA) where for many years he was Member of Council, and ultimately as President of the Institute. At international level, he was involved with several of ACCA Global initiatives. In a similar fashion, Mike was an active member of the Botswana Institute of Bankers, and at some point the Institute President.

The formative years of his accountancy career were in the UK where he studied and trained in 'The City' with the firm of chartered accountants- Deloitte Haskins & Sells at the time. He learnt the ropes within the firm in the statutory audits of the blue chip companies in various industry groupings, most of them listed in international exchanges. Within Deloitte, he had exposure to Corporate Finance, Consulting and Small Enterprise divisions of the firm. He is non-executive director for a number of Boards including as member of the BDC Audit Committee, Chairman of Venture Partners Botswana, former Member of University of Botswana Council and others. He spends a good deal of his time mentoring young people into believing in themselves and cultivating the spirit of entrepreneurship.

Mr. Losolle holds an ACCA qualification and is also a Member of the Botswana Institute of Chartered Accountants.

Malebogo Itumeleng Mpugwa, Independent member of the Board Human Resources Committee, appointment with effect from 9th August 2012.

A seasoned Human Resources practitioner, Ms. Mpugwa is currently Head of Human Resources for De Beers Global Sightholder Sales (DBGSS) since May 2012, where her primary responsibilities include assisting in the seamless migration and smooth transitioning of more than 80 non citizen employees and families relocating from London to Botswana as a result of the historic and milestone decision to process and sell diamonds from Botswana. She is also responsible for setting up a fully functional HR Department in Botswana which includes developing strategies and solutions to successfully execute the Companies strategic purpose of "turning diamond dreams in to lasting realities".

Previously she held several human resources managerial positions including Standard Chartered Bank where she was the Regional Head of Human Resources for Consumer Banking Business in Southern Africa where she amongst others was developing HR solutions aligned to the Company's strategic pillar of "Massively Multiplying Our Leadership Capability".

She also previously worked for Debswana Diamond Company as the Group Organizational Design and Talent Manager, and before that as Head of Employee Relations and Head of Human Resources for the Debswana mines.

She has extensive experience in the upstream diamond business and is now accelerating her learning and growth in the downstream side of diamond business.

She is a Board member of Botswana Fibre Networks (BoFiNet)

Ms Mpugwa holds a Bachelor of Arts Degree in Public Administration and Political Science from the University of Botswana and holds several professional certifications including; Executive Leadership Programme - London Business School and Certificate Programme in Labour Relations (Wits University) among others and is currently pursuing final year Masters in Business Administration with De Mont Fort University, Leicester, UK.


Economic Diversification through
Sustainable Business Investment

CONTENTS

DIRECTORS' REPORT

The Botswana Development Corporation Limited (the Company) is a public entity set up by the Government of the Republic of Botswana (GRB) to promote development through equity and loan investment finance. The Company is registered under the Companies Act of Botswana (Companies Act, 2003).

The Directors have pleasure in submitting their annual report to the Shareholder together with the consolidated audited financial statements for the year ended 30 June 2012 in accordance with the requirements of the Companies Act of Botswana (Companies Act, 2003).

FINANCIAL RESULTS

The financial results for the Company and the Group are set out on pages 41 to 95. A dividend of P6,494,000 (2011: P38,700,000) has been proposed for the year.

DIRECTORS

At the date of authorisation of these financial statements the following were directors of the Company:

B. Marole	(Chairman)
M. M. Nthebolan	(Managing Director - Resigned 31 January 2013)
S. M. Sekwakwa	
V. Molatedi	
A.V. Lionjanga	
B. K. Molosiwa	
R. Vaka	
R.W. Mokgatlhe	(Appointed 1 December 2012)
M. Moremong-Gobe	(Appointed 1 December 2012)
M. N. Masisi	(Resigned 9 July 2012)
M. Modise	(Resigned 28 August 2012)
S. Tumelo	(Resigned 26 November 2012)

STATED CAPITAL

The total number of ordinary shares issued and fully paid is 517,699,462 (2011: 517,699,462).

INVESTMENTS

During the year the Company invested further equity (ordinary and preference shares) in the following entities:

	P
- Commercial Holdings (Pty) Ltd	85,484,293
- Fengyue Glass Manufacturing (Pty) Ltd	73,746,289
- Western Industrial Estates (Pty) Ltd	23,602,515
- Botalana Ventures (Pty) Ltd	7,500,000
- Can Manufacturers (Pty) Ltd	7,158,553
- Coast-to-Coast Inn (Pty) Ltd	6,273,735
- Talana Farms (Pty) Ltd	5,134,355
- Matsiloje Portland Cement (Pty) Ltd	3,602,082
- Lobatse Clay Works (Pty) Ltd	3,406,377
- LP Amusements (Pty) Ltd	2,649,651
- Kwalape (Pty) Ltd	426,378
- Marekisetso A Merogo (Pty) Ltd	196,000
- Golden Fruit 97 (Pty) Ltd	10,331

DIRECTORS' FEES AND EXPENSES

It is recommended that directors' fees and expenses of P291,185 (2011: P177,662) and directors' emoluments of P1,375,231 (2011: P1,511,825) for the year to 30 June 2012 be ratified.

By Order of the Board

J. Dube
26 March 2013
Group Company Secretary

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the Group and Company annual financial statements of Botswana Development Corporation Limited (the Company), comprising the statements of financial position as at 30 June 2012 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards ("IFRSs").

The directors are required by the Companies Act of Botswana (Companies Act, 2003) to maintain adequate accounting records and are responsible for the content and integrity of and related financial information included in this report. It is their responsibility to ensure that the Group and Company annual financial statements fairly present the state of affairs of the Group and Company as at the end of the financial year and the results of their operations and cash flows for the year then ended, in conformity with IFRSs. The external auditors are engaged to express an independent opinion on the Group and Company annual financial statements.

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

The Group and Company annual financial statements are prepared in accordance with IFRSs and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in the annual financial statements.

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

The Directors have made an assessment of the Company's ability to continue as a going concern and there is no reason to believe the business will not be a going concern in the year ahead. The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The external auditors are responsible for independently reviewing and reporting on the Group's and Company's annual financial statements, which were examined by the external auditors and their report is presented on page 40.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The Group and Company annual financial statements set out on pages 41 to 95 which have been prepared on the going concern basis, were approved by the Board on 26 March 2013 and are signed on its behalf by:

Mr. B. Marole Chairman	Ms. V. Molatedi Director

QUALIFIED INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BOTSWANA DEVELOPMENT CORPORATION LIMITED

We have audited the group annual financial statements and annual financial statements of Botswana Development Corporation Limited, which comprise the consolidated and separate statements of financial position as at 30 June 2012, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 41 to 95.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

BASIS FOR QUALIFIED OPINION

The investment in Fengyue Glass Manufacturing (Botswana) (Proprietary) Limited, an associated company accounted for by the equity method, is reflected at P422 million as at 30 June 2012. This balance comprises both equity and debt instruments, accounted for at cost and amortised cost respectively. During the current year, the Board approved additional funding to Fengyue Glass Manufacturing (Botswana) (Proprietary) Limited of P332 million to cover additional costs on the project. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the investment in Fengyue Glass Manufacturing (Botswana) (Proprietary) Limited because the financial information to make a full evaluation of the carrying value of the investment was not available. Consequently, we were unable to determine whether any adjustment to the carrying value of the investment was necessary.

QUALIFIED OPINION

In our opinion, except for the effect on these financial statements of the matters described in the Basis for Qualified Opinion paragraph, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Botswana Development Corporation Limited as at 30 June 2012, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

Deloitte & Touche
Certified Auditors
Practicing Member: F C Els (19980074)
26 March 2013

STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Group 2012 P 000	Group 2011 P 000	Company 2012 P 000	Company 2011 P 000
Continuing operations					
REVENUE	1	**274,417**	267,105	**104,151**	400,056
Cost of revenue		**(96,288)**	(105,392)	**-**	-
Gross profit		**178,129**	161,713	**104,151**	400,056
Finance income	2	**22,928**	27,599	**57,168**	18,489
Other operating income	3	**16,862**	33,899	**10,765**	12,617
Fair value of investment properties		**40,297**	140,646	**-**	-
As per valuation	6	**50,568**	139,034	**-**	-
Straight-line rental adjustment	6	**(10,271)**	1,612	**-**	-
Share of profits of associates	10	**46,760**	54,893	**-**	-
Fair value of borrowings	28	**(2,201)**	(2,405)	**(2,201)**	(2,405)
Distribution costs		**(8,059)**	(9,224)	**-**	-
Marketing expenses		**(6,091)**	(5,426)	**(3,517)**	(2,260)
Occupancy expenses		**(2,989)**	(2,235)	**(6,871)**	(7,398)
Administrative expenses		**(114,480)**	(131,779)	**(52,209)**	(60,580)
Other operating expenses		**(20,487)**	(80,729)	**(71,166)**	(97,706)
Finance costs	2	**(37,548)**	(32,408)	**(33,023)**	(31,108)
PROFIT BEFORE TAX	5	**113,121**	154,724	**3,097**	229,705
Income tax credit/(expense)	5	**6,462**	(100,613)	**22,877**	(73,140)
Profit for the year from continuing operations		**119,583**	54,111	**25,974**	156,565
Discontinued operations					
Profit for the year from discontinued operations	36	**-**	10,589	**-**	-
PROFIT FOR THE YEAR		**119,583**	64,700	**25,974**	156,565
OTHER COMPREHENSIVE INCOME					
Net gain on investments designated as at fair value through other comprehensive income	23	**30,509**	28,517	**30,509**	28,517
Net (loss)/gain on revaluation of property, plant and equipment		**(350)**	4,522	**-**	-
Share of other comprehensive loss of associates	10	**(6,469)**	(10,976)	**-**	-
Other comprehensive income for the year, net of tax		**23,690**	22,063	**30,509**	28,517
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**143,273**	86,763	**56,483**	185,082
Profit attributable to:					
Owners of the Company		**112,156**	39,772	**25,974**	156,565
Non-controlling interests	27	**7,427**	24,928	**-**	-
		119,583	64,700	**25,974**	156,565
Total other comprehensive income attributable to:					
Owners of the Company		**23,690**	22,063	**30,509**	28,517
Non-controlling interests		**-**	-	**-**	-
		23,690	22,063	**30,509**	28,517

STATEMENTS OF FINANCIAL POSITION

		Group		Company	
		2012	2011	2012	2011
	Notes	P 000	P 000	P 000	P 000
ASSETS					
NON-CURRENT ASSETS					
Investment properties	6	1,200,253	1,068,847	-	-
Property, plant and equipment	7	254,374	201,760	2,346	1,892
Intangible assets	8	2,421	2,622	-	-
Subsidiaries	9	-	-	1,011,911	894,683
Associated companies/partnerships	10	627,371	481,022	485,537	365,433
Unquoted investments	11	83,290	119,657	83,290	119,657
Quoted investments	13	475,707	445,198	475,707	445,198
Due from group companies - net	14	-	-	94,706	54,964
Game stock	15	79	79	-	-
Rental straight-line adjustment		29,068	18,797	-	-
		2,672,563	2,337,982	2,153,497	1,881,827
CURRENT ASSETS					
Inventories	16	29,740	35,987	-	-
Trade and other receivables	17	118,438	118,393	63,280	175,696
Short-term loans and advances	18	23,073	24,724	26,915	32,851
Available for sale investments	19	10,396	307	-	-
Cash and cash equivalents	20	281,422	402,833	185,673	231,739
Taxation recoverable		34,635	10,794	4,972	2,435
		497,704	593,038	280,840	442,721
TOTAL ASSETS		3,170,267	2,931,020	2,434,337	2,324,548
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES					
Stated capital	21	864,199	864,199	864,199	864,199
Contribution to factory premises	22	24,070	24,070	24,070	24,070
Fair value reserve	23	325,155	294,646	325,155	294,646
Other reserves	24	68,208	75,832	-	-
Dividend reserve	25	45,194	38,700	45,194	38,700
Claims equalisation reserve	26	4,054	3,375	-	-
Retained earnings		949,601	834,634	491,794	472,314
Equity attributable to owners of the Company		2,280,481	2,135,456	1,750,412	1,693,929
Non-controlling interests	27	163,395	159,211	-	-
Total equity		2,443,876	2,294,667	1,750,412	1,693,929
NON -CURRENT LIABILITIES					
Borrowings	28	165,836	212,382	63,933	121,921
Government grants	29	13,546	13,482	-	-
Provision for restoration costs	30	15,084	6,404	-	-
Deferred tax liability	31	68,891	81,734	-	-
		263,357	314,002	63,933	121,921
CURRENT LIABILITIES					
Current portion of borrowings	28	281,465	46,180	277,784	44,711
Trade and other payables	32	171,736	266,508	342,208	463,987
Bank overdrafts	33	8,126	2,862	-	-
Taxation payable		1,707	6,801	-	-
		463,034	322,351	619,992	508,698
TOTAL LIABILITIES		726,391	636,353	683,925	630,619
TOTAL EQUITY AND LIABILITIES		3,170,267	2,931,020	2,434,337	2,324,548

STATEMENTS OF CHANGES IN EQUITY

	Notes	Stated capital P 000	Contribution to factory premises P 000	Fair value reserve P 000	Other reserves P 000	Dividend reserve P 000	Claims equalisation reserve P 000	Retained earnings P 000	Total attributable to members P 000	Non-controlling interests P 000	Total P 000
Group											
Year ended 30 June 2012											
Balance at 1 July 2011		864,199	24,070	294,646	75,832	38,700	3,375	834,634	2,135,456	159,211	2,294,667
Total comprehensive income for the year		-	-	30,509	(6,819)	-	-	112,156	135,846	7,427	143,273
Profit for the year		-	-	-	-	-	-	112,156	112,156	7,427	119,583
Other comprehensive income for the year		-	-	30,509	(6,819)	-	-	-	23,690	-	23,690
Transfers during the year		-	-	-	(805)	-	679	126	-	-	-
Debenture interest declared during the year	27	-	-	-	-	-	-	-	-	(4,816)	(4,816)
Taxation attributable to debenture interest	25	-	-	-	-	-	-	9,179	9,179	-	9,179
Issue of shares to minority interests		-	-	-	-	-	-	-	-	1,631	1,631
Dividend proposed	25	-	-	-	-	6,494	-	(6,494)	-	-	-
Dividend paid	27	-	-	-	-	-	-	-	-	(58)	(58)
Balance at 30 June 2012		**864,199**	**24,070**	**325,155**	**68,208**	**45,194**	**4,054**	**949,601**	**2,280,481**	**163,395**	**2,443,876**
Year ended 30 June 2011											
Balance at 1 July 2010		**864,199**	**24,070**	**333,197**	**97,768**	**32,279**	**2,468**	**752,442**	**2,106,423**	**50,922**	**2,157,345**
Total comprehensive income for the year		**-**	**-**	**28,517**	**(6,454)**	**-**	**-**	**39,772**	**61,835**	**24,928**	**86,763**
Profit for the year		-	-	-	-	-	-	39,772	39,772	24,928	64,700
Other comprehensive income for the year		-	-	28,517	(6,454)	-	-	-	22,063	-	22,063
Transfers during the year		-	-	(67,068)	(15,594)	-	821	81,841	-	-	-
Movement during the year		-	-	-	112	-	86	-	198	-	198
Issue of shares to minority interests		-	-	-	-	-	-	-	-	83,361	83,361
Dividend proposed	25	-	-	-	-	38,700	-	(38,700)	-	-	-
Dividend paid	25	-	-	-	-	(32,279)	-	(721)	(33,000)	-	(33,000)
Year ended 30 June 2011		**864,199**	**24,070**	**294,646**	**75,832**	**38,700**	**3,375**	**834,634**	**2,135,456**	**159,211**	**2,294,667**
Company											
Year ended 30 June 2012											
Balance at 1 July 2011		864,199	24,070	294,646	-	38,700	-	472,314	1,693,929	-	1,693,929
Total comprehensive income for the year		-	-	30,509	-	-	-	25,974	56,483	-	56,483
Profit for the year		-	-	-	-	-	-	25,974	25,974	-	25,974
Other comprehensive income for the year		-	-	30,509	-	-	-	-	30,509	-	30,509
Ordinary shares issued during the year	22	-	-	-	-	-	-	-	-	-	-
Dividend proposed	25	-	-	-	-	6,494	-	(6,494)	-	-	-
Balance at 30 June 2012		**864,199**	**24,070**	**325,155**	**-**	**45,194**	**-**	**491,794**	**1,750,412**	**-**	**1,750,412**
Year ended 30 June 2011											
Balance at 1 July 2010		864,199	24,070	333,197	-	32,279	-	288,102	1,541,847	-	1,541,847
Total comprehensive income for the year		-	-	28,517	-	-	-	156,565	185,082	-	185,082
Profit for the year		-	-	-	-	-	-	156,565	156,565	-	156,565
Other comprehensive income for the year		-	-	28,517	-	-	-	-	28,517	-	28,517
Transfers during the year		-	-	(67,068)	-	-	-	67,068	-	-	-
Dividend proposed	25	-	-	-	-	38,700	-	(38,700)	-	-	-
Dividend paid	25	-	-	-	-	(32,279)	-	(721)	(33,000)	-	(33,000)
Balance at 30 June 2011		**864,199**	**24,070**	**294,646**	**-**	**38,700**	**-**	**472,314**	**1,693,929**	**-**	**1,693,929**

FOR THE YEAR ENDED 30 JUNE 2012

STATEMENTS OF CASH FLOWS

	Notes	Group 2012 P 000	Group 2011 P 000	Company 2012 P 000	Company 2011 P 000
Cash flows from operating activities					
Cash (used in)/generated from operations	40	**(47,127)**	45,324	**6,259**	482,984
Tax paid		**(28,558)**	(3,830)	**(19,402)**	(61,198)
Net cash (used in)/from operating activities		**(75,685)**	41,494	**(13,143)**	421,786
Cash flows from investing activities					
Purchase of investment properties	6	**(132,664)**	(76,058)	**-**	-
Purchase of property, plant and equipment	7	**(35,158)**	(46,583)	**(1,307)**	(800)
Purchase of intangible assets	8	**(154)**	(30)	**-**	-
Purchase of shares in subsidiaries		**-**	-	**(134,687)**	(463,841)
Purchase of shares in associates		**(81,869)**	(88,283)	**(81,869)**	(88,283)
Purchase of shares in unquoted investment companies		**(3,602)**	-	**(3,602)**	-
Loans disbursed to subsidiaries		**-**	-	**(622)**	(22,912)
Loans disbursed to associated companies		**(80,968)**	(150,470)	**(80,968)**	(150,470)
Loans disbursed to unquoted investment companies		**(19,130)**	(47,311)	**(19,130)**	(47,311)
Loans repaid by subsidiaries		**-**	-	**4,294**	85,008
Loans repaid by associated companies		**19,808**	5,617	**19,808**	5,617
Loans repaid by unquoted investment companies		**3,115**	7,471	**3,115**	7,471
Proceeds from disposal of property, plant and equipment		**134**	45	**21**	2
Proceeds from disposal of investment properties		**31,802**	26,763	**-**	-
Proceeds from disposal of quoted investments		**-**	85,121	**-**	85,121
Net movement in the reserves of associates		**(6,037)**	(16,220)	**-**	-
Write-off/disposal of investments		**71,250**	8,502	**72,662**	9,752
Dividends received from associates		**23,106**	86,903	**-**	-
Interest received	2	**22,928**	27,599	**57,168**	18,489
Net cash used in investing activities		**(187,439)**	(176,934)	**(165,117)**	(562,157)
Cash flows from financing activities					
Long term borrowings raised		**240,478**	88,855	**225,000**	88,855
Long term borrowings repaid		**(61,607)**	(216,604)	**(59,783)**	(212,292)
Dividend paid to group shareholder	25	**-**	(33,000)	**-**	(33,000)
Debenture interest and dividends paid to minority interests	27	**(4,874)**	-	**-**	-
Issue of shares to minority interests		**-**	83,361	**-**	-
Finance costs	2	**(37,548)**	(32,408)	**(33,023)**	(31,108)
Net cash from/(used in) financing activities		**136,449**	(109,796)	**132,194**	(187,545)
Decrease in cash and cash equivalents		**(126,675)**	(245,236)	**(46,066)**	(327,916)
Movement in cash and cash equivalents					
Beginning of the year		**399,971**	645,207	**231,739**	559,655
Decrease during the year		**(126,675)**	(245,236)	**(46,066)**	(327,916)
End of the year		**273,296**	399,971	**185,673**	231,739
Cash and cash equivalents comprise:					
Cash and cash equivalents	20	**281,422**	402,833	**185,673**	231,739
Bank overdrafts	33	**(8,126)**	(2,862)	**-**	-
		273,296	399,971	**185,673**	231,739

SIGNIFICANT ACCOUNTING POLICIES

GENERAL INFORMATION

Botswana Development Corporation Limited (the Company) is a public entity set up by the Government of the Republic of Botswana (GRB) to promote development through equity and loan investment finance. The Company is registered under the Companies Act of Botswana (Companies Act, 2003) and holds investments in companies involved in various business categories, for example, agriculture, manufacturing, properties and services provision. The Company's address, registered office and principal place of business are disclosed in the introduction to the annual report.

APPLICATION OF NEW AND REVISED IFRSS

In the current year, the Group has adopted all the new and revised Standards and Interpretations of the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2011.

New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs have also been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

	NEW/REVISED STANDARD/INTERPRETATION	EFFECTIVE DATE
IFRS 1	First-time Adoption of International Financial Reporting Standards - Amendments resulting from May 2010 Annual Improvements to IFRSs	1 July 2011
IFRS 1	First-time Adoption of International Financial Reporting Standards - Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs'	1 July 2011
IFRS 1	First-time Adoption of International Financial Reporting Standards - Additional exemption for entities ceasing to suffer from severe hyperinflation	1 July 2011
IFRS 7	Financial Instruments: Disclosures - Amendments enhancing disclosures about transfers of financial assets	1 July 2011
IFRS 7	Financial Instruments: Disclosures - Amendments resulting from May 2010 Annual Improvements to IFRSs	1 January 2011
IAS 1	Presentation of Financial Statements - Amendments resulting from May 2010 Annual Improvements to IFRSs	1 January 2011
IAS 1	Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	1 July 2012
IAS 24	Related Party Disclosures - Revised definition of related parties	1 January 2011
IAS 34	Interim Financial Reporting - Amendments resulting from May 2010 Annual Improvements to IFRSs	1 January 2011
IFRIC 13	Customer Loyalty Programmes - Amendments resulting from May 2010 Annual Improvements to IFRSs	1 January 2011
IFRIC 14	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction - November 2009 Amendments with respect to voluntary prepaid contributions	1 January 2011

New and revised Standards and Interpretations in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations which are applicable to the Group were issued but were not yet effective:

SIGNIFICANT ACCOUNTING POLICIES

NEW/REVISED INTERNATIONAL REPORTING STANDARDS		EFFECTIVE DATE
IFRS 9	Financial Instruments - Classification and Measurement	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 19	Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	1 January 2013
IAS 32	Presentation of Financial Instruments	1 January 2014

The directors have not yet had the opportunity to consider the potential impact of the adoption of these amendments.

STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with IFRSs. The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below:

BASIS OF PREPARATION

The consolidated financial statements, which are presented in Botswana Pula (the functional currency), have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity. Any fair value gain or loss on initial recognition is recognised in the statement of comprehensive income.

SIGNIFICANT ACCOUNTING POLICIES

BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Business combinations that took place prior to 1 July 2010 were accounted for in accordance with the previous version of IFRS 3 Business Combinations.

SIGNIFICANT ACCOUNTING POLICIES

GOODWILL

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under investments in associates.

INVESTMENTS IN ASSOCIATES

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held-for-sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets or the associates, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identification assets, liabilities and contingent liabilities of the associate recognised as the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

INTERESTS IN JOINT VENTURES

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

When a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venture has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current assets Held for Sale and Discontinued Operations. The Group's share of interests, liabilities, income and expenses of jointly controlled entities is combined with the equivalent items in the consolidated financial statements on a line-by-line basis. Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising in a business combination as described above.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group' consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a complete sale within one year from the date of classification.

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

Non-current assets (and disposal groups) classified as held for sale measured at the lower of their previous carrying amount and fair value less costs to sell.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognised when goods are delivered and legal title is passed.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees from a recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

SIGNIFICANT ACCOUNTING POLICIES

REVENUE RECOGNITION {CONTINUED}

The Group's policy for recognition of revenue from construction contracts is described separately below.

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life if the financial asset to that asset's net carrying amount on initial recognition.

Premium income

Premium income is recognised in the period in which the related risk is notified to the Group. A provision for unearned premiums, which represents the estimated portion of net premiums written relating to unearned risks, is made at end of the financial year. Salvage income is recognised as and when realised.

Rental income

The Group's policy for recognition of revenue from operating leases described under leasing below.

CONSTRUCTION CONTRACTS

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

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

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

The Group as lessee

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

SIGNIFICANT ACCOUNTING POLICIES

LEASING {CONTINUED}

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

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

Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

BORROWING COSTS

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

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

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

GOVERNMENT GRANTS

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

SIGNIFICANT ACCOUNTING POLICIES

RETIREMENT BENEFIT COSTS

Pension obligations

Group companies have various defined contribution pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds. A defined contribution plan is a pension plan under which the group pays fixed regular contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Severance pay and gratuity

Citizen employees are entitled to statutory severance benefits and gratuities at end of every five years. Non-citizen employees receive gratuities at end of every two-year contract. Provision is made in respect of these benefits on an annual basis and included in operating results.

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (when in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

SIGNIFICANT ACCOUNTING POLICIES

BIOLOGICAL ASSETS AND AGRICULTURAL PRODUCE

The Group recognises a biological asset or agricultural produce only when a group entity controls the asset as a result of past events;

- it is probable that future economic benefits associated with the asset will flow to the group entity; and
- the cost or fair value of the asset can be measured reliably.

Biological assets or agricultural produce are measured at their fair values less estimated costs to sell. A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less estimated costs to sell is included in profit or loss for the period in which it arises. Where market-determined prices or values are not available, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

PROPERTY, PLANT AND EQUIPMENT

Properties held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such property is recognised in other comprehensive income and accumulated under the heading of revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such property is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The estimated useful lives of property, plant and equipment are as follows:

Buildings	25 - 50 years
Plant and machinery	14 - 25 years
Furniture and equipment	4 - 10 years
Computer equipment	3 - 5 years
Motor vehicles	3 - 5 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

SIGNIFICANT ACCOUNTING POLICIES

INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL

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

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

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

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL {CONTINUED}

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

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

INVENTORIES

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the first-in first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Provision is made for obsolete, slow- moving and defective inventory.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short highly liquid investments with original maturities of three months and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the statement of financial position.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

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

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Restructurings

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18 Revenue.

SIGNIFICANT ACCOUNTING POLICIES

DIVIDEND RESERVE
Dividends proposed or declared after the statement of financial position date are shown as a component of capital and reserves as required by the Standard, and not as a liability.

RELATED PARTY TRANSACTIONS
Related parties are defined as those parties:

(a) directly, or indirectly through one or more intermediaries, the party:
(i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
(ii) has an interest in the entity that gives it significant influence over the entity; or
(b) that are members of the key management personnel of the entity or its parent including close members of the family.

All dealings with related parties are transacted on an arm's length basis and accordingly included in profit or loss for the year.

FINANCIAL INSTRUMENTS
Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

FINANCIAL ASSETS
Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL
Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "net gains and losses on investments in other comprehensive income. Fair value is determined in the manner described in note 41.

FINANCIAL ASSETS {CONTINUED}

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because the directors consider that fair value can be reliably measured). Fair value is determined in the manner described in note 43. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and related party balances) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL ASSETS {CONTINUED}

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Compound instruments

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to stated capital. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to stated capital. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the consolidated statement of comprehensive income.

Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS {CONTINUED}

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Critical accounting estimates and judgements in applying accounting policies

In the application of the Group's accounting policies, the Directors and Management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

- the recognition of revenue and contract incentives;
- the recognition of penalties and claims on contracts;
- the calculation of the provision for doubtful debts;
- the calculation of the provision for obsolete inventories;
- the determination of income tax and deferred taxation liabilities;
- the calculation of any provision for claims, litigation and other legal matters;
- the assessment of impairments and calculation of the recoverable amount of assets;
- the calculation of any other provisions including warrantees, guarantees and bonuses; and
- the determination of useful lives and residual values of items of property, plant and equipment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Group 2012 P 000	Group 2011 P 000	Company 2012 P 000	Company 2011 P 000
1. REVENUE				
Income from trade	**124,360**	134,522	**-**	-
Rental income	**85,769**	72,674	**-**	-
- Contract rental	**75,498**	54,666	**-**	-
- Straight line lease rental adjustment	**10,271**	(1,612)	**-**	-
Interest on loans:				
- Subsidiaries	**-**	-	**2,165**	11,104
- Associated companies	**1,166**	6,362	**1,166**	6,362
- Unquoted investments	**9,613**	9,496	**9,613**	9,496
- Invoice discounting	**6,350**	6,059	**9,650**	7,478
Dividends received:				
- Subsidiaries	**-**	-	**11,292**	240,721
- Associated companies	**-**	-	**23,106**	86,903
- Unquoted investments	**10,271**	-	**10,271**	-
- Quoted investments	**36,888**	37,992	**36,888**	37,992
	274,417	267,105	**104,151**	400,056
2. FINANCE INCOME AND FINANCE COSTS				
Interest income:				
- Bank	**22,310**	25,852	**1,910**	15,520
- Debenture interest	**-**	-	**33,108**	-
- Preference shares	**615**	-	**21,991**	-
- Other	**3**	1,747	**159**	2,969
	22,928	27,599	**57,168**	18,489
Interest expense:				
- Bank borrowings	**(13,434)**	(1,078)	**(12,697)**	(796)
- Bonds	**-**	(22,188)	**-**	(22,188)
- Long-term borrowings	**(20,956)**	(8,257)	**(20,326)**	(8,124)
- Finance leases	**(189)**	(280)	**-**	-
- Unwinding of discount on restoration costs (note 30)	**(2,969)**	(605)	**-**	-
	(37,548)	(32,408)	**(33,023)**	(31,108)
3. OTHER OPERATING INCOME				
Cost recoveries	**189**	3,176	**5,432**	7,708
Directors' fees received	**581**	193	**581**	350
Loan negotiating fees	**197**	544	**197**	544
Invoice discounting service fees	**1,835**	2,845	**1,835**	2,845
Bad debts recovered	**-**	79	**-**	-
Other income	**14,060**	27,062	**2,720**	1,170
	16,862	33,899	**10,765**	12,617

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

4. PROFIT BEFORE TAX

The following items have been (credited)/charged in arriving at profit before tax, in addition to the amounts already disclosed in notes 1, 2 and 3 above:

	2012 P 000	2011 P 000	2012 P 000	2011 P 000
Reversal/(amortisation) of Government grant	**64**	(17,181)	**-**	-
Amortisation of intangible assets	**355**	342	**-**	-
Auditor's remuneration - current year	**1,892**	1,669	**430**	350
- prior year	**125**	113	**125**	-
- other	**50**	80	**50**	80
Operating lease payments	**1,524**	616	**7,896**	7,398
Amortisation of intangible assets (note 8)	**355**	342	**-**	-
Depreciation (note 7) - Property, plant and equipment	**17,467**	16,649	**659**	235
Impairment of property, plant and equipment (note 7)	**4,771**	61,506	**-**	-
Directors' fees	**291**	178	**291**	178
Directors' emoluments	**1,375**	1,512	**1,375**	1,512
Key management emoluments	**2,458**	2,841	**2,458**	2,841
Net foreign exchange (gains)/losses	**(1,494)**	1,707	**(1,233)**	1,703
Provision for losses: - Investments (note 12)	**9,310**	29,389	**25,732**	86,753
- other	**-**	2,601	**-**	2,601
Bad and doubtful debts (note 17)	**15,026**	7,808	**12,558**	3,225
Transfer to claims equalisation reserve (note 26)	**-**	86	**-**	-
Rates	**2,479**	1,737	**-**	-
Utilities	**5,091**	5,214	**-**	-
Repairs and maintenance	**4,822**	4,661	**182**	137
Staff costs (as below)	**68,656**	82,464	**33,312**	45,703
Loss on disposal of investments	**243**	2,355	**243**	2,355
(Profit)/loss on - disposal of property, plant and equipment	**85**	(10)	**173**	2
- disposal of investment properties	**(336)**	5,317	**-**	-

Staff costs				
Salaries and wages	**67,281**	78,988	**33,312**	43,419
Terminal benefits	**1,375**	3,476	**-**	2,284
	68,656	82,464	**33,312**	45,703

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 P 000	2011 P 000	2012 P 000	2011 P 000
5. INCOME TAX (CREDIT)/EXPENSE				
Botswana company taxation				
- basic tax at 22%/15% (2011: 15%/5%)	**10,514**	18,661	**-**	-
- additional company tax at Nil (2011: 10%)	**-**	12,443	**-**	-
Normal taxation	**10,514**	31,104	**-**	-
Normal taxation - prior year	**(16,729)**	(880)	**-**	-
Withholding tax paid on dividends	**5,365**	55,790	**5,365**	55,790
Group tax relief	**-**	-	**(28,242)**	5,376
Total normal taxation	**(850)**	86,014	**(22,877)**	61,166
Deferred taxation (note 31) - current year	**(16,624)**	(4,227)	**-**	-
- rate change from 25% to 22%	**-**	(5,848)	**-**	-
- prior year	**(208)**	238	**-**	
- capital gains tax	**4,462**	11,974	**-**	11,974
Share of associate company taxation (note 10)	**6,758**	12,462	**-**	-
(Credit)/charge for the year	**(6,462)**	100,613	**(22,877)**	73,140

The tax on the profit before tax differs from the theoretical amount as follows:

Profit before tax	**113,121**	154,724	**3,097**	229,705
Tax calculated at 22%/15% (2011: 25%/15%)	**21,013**	38,680	**681**	57,426
Income not subject to tax	**(10,375)**	(13,938)	**(17,943)**	(91,404)
Normal taxation - prior year	**(16,729)**	(880)	**-**	-
Deferred taxation - prior year	**(208)**	238	**-**	-
Capital gains tax	**1,338**	26,697	**-**	11,974
(Income)/expenses not deductible for tax purposes	**(2,833)**	17,016	**17,261**	33,978
Effect on deferred tax balances due to the change in income tax rate	**-**	(5,848)	**-**	-
Fair value adjustments subject to capital gains tax	**(10,791)**	(29,604)	**-**	-
Share of associated company taxation	**6,758**	12,462	**-**	-
Withholding tax paid on dividends	**5,365**	55,790	**5,365**	55,790
(Losses)/profits utilised by subsidiaries	**-**	-	**(28,242)**	5,376
	(6,462)	100,613	**(22,877)**	73,140

Tax losses:

In accordance with the Income Tax Act (Chapter 52:01), Section 46, assessed tax losses in relation to any tax year are deductible in ascertaining the relevant chargeable income for the subsequent tax year. No assessed tax losses shall be carried forward as a deduction for a period more than the five years succeeding the tax year in which such losses arose.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 P 000	2011 P 000	2012 P 000	2011 P 000

5. INCOME TAX (CREDIT)/EXPENSE {CONTINUED}

At the end of the year, the assessed and estimated tax losses available for deduction are as follows:

Tax year:	2012 P 000	2011 P 000	2012 P 000	2011 P 000
2006/2007	**-**	23,089	**-**	19,029
2007/2008	**52,735**	52,735	**31,593**	31,593
2008/2009	**115,541**	115,541	**98,608**	98,608
2009/2010	**15,377**	15,377	**15,058**	15,058
2010/2011	**-**	-	**-**	-
2011/2012	**58,536**	-	**6,524**	-
	242,189	206,742	**151,783**	164,288

6. INVESTMENT PROPERTIES

	Group 2012 P 000	Group 2011 P 000
Land and buildings at fair value	1,229,321	1,087,644
Straight line lease rental adjustment	(29,068)	(18,797)
Balance at end of year	1,200,253	1,068,847
Reconciliation of fair value		
Balance at beginning of the year	1,068,847	884,223
At valuation	1,087,644	904,632
Straight line lease rental adjustment	(18,797)	(20,409)
Additions during the year	132,664	76,058
Transfers to available for sale investments (note 19)	(10,089)	-
Disposals during the year	(31,466)	(32,080)
Fair value of investment properties	40,297	140,646
Increase in fair value during the year	50,568	139,034
Straight line lease rental adjustment	(10,271)	1,612
Balance at end of the year	1,200,253	1,068,847

The fair value of the investment property has been arrived at on the basis of valuations carried out at 30 June 2012 by professional internal and external valuers. Both the internal and external valuers are members of the Real Estate Institute of Botswana and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

The valuations were done in conformity with and are subject to the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the appraisal organisations with which the valuers are affiliated. The market value was determined by the valuers using an investment valuation model for industrial and commercial properties. The effective date of valuation was 30 June 2012.

All of the Company's investment property is held under freehold interests.

	2012 P 000	2011 P 000
Rental income	**85,769**	72,674
Repairs and maintenance	**1,677**	1,538

7. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Computers	Motor vehicles	Plant and machinery	Furniture, fittings and equipment	Capital work in progress	Total
	P 000	P 000	P 000	P 000	P 000	P 000	P 000
Group							
Year ended 30 June 2012							
Balance at beginning of the year	90,409	1,546	1,923	63,991	4,956	38,935	201,760
Additions	329	336	1,247	3,791	4,415	25,040	35,158
Transfers	1,368	-	-	14,053	-	(15,421)	-
Depreciation (note 4)	(2,948)	(614)	(631)	(11,652)	(1,622)	-	(17,467)
Disposals	-	-	(194)	-	(25)	-	(219)
Revaluation	(866)	-	-	40,779	-	-	39,913
Revaluation during the year (note 24)	(866)	-	-	-	-	-	(866)
Adjustment for revaluation on plant and machinery	-	-	-	40,779	-	-	40,779
Impairment loss through profit and loss (note 4)	-	-	-	(4,771)	-	-	(4,771)
Impairment loss through other comprehensive income (note 24)	-	-	-	-	-	-	-
Balance at end of the year	**88,292**	**1,268**	**2,345**	**106,191**	**7,724**	**48,554**	**254,374**

7. PROPERTY, PLANT AND EQUIPMENT {CONTINUED}

	Land and buildings	Computers	Motor vehicles	Plant and machinery	Furniture, fittings and equipment	Capital work in progress	Total
	P 000	P 000	P 000	P 000	P 000	P 000	P 000
At 30 June 2012							
Cost	95,751	11,069	4,122	199,845	15,446	38,935	365,168
Accumulated depreciation	(7,459)	(9,801)	(1,777)	(93,654)	(7,722)	9,619	(110,794)
Net book value	**88,292**	**1,268**	**2,345**	**106,191**	**7,724**	**48,554**	**254,374**
Year ended 30 June 2011							
Balance at beginning of the year	92,359	1,191	2,138	126,941	5,114	-	227,743
Additions	299	693	436	4,834	1,386	38,935	46,583
Depreciation (note 4)	(2,249)	(328)	(651)	(11,889)	(1,532)	-	(16,649)
Disposals	-	(10)	-	(13)	(12)	-	(35)
Adjustment for revaluation on plant and machinery (note 24)	-	-	-	5,624	-	-	5,624
Impairment loss through profit and loss (note 4)	-	-	-	(61,506)	-	-	(61,506)
Balance at end of the year	90,409	1,546	1,923	63,991	4,956	38,935	201,760
At 30 June 2011							
Cost	94,920	10,733	3,686	145,993	32,217	-	287,549
Accumulated depreciation	(4,511)	(9,187)	(1,763)	(82,002)	(27,261)	38,935	(85,789)
Net book value	90,409	1,546	1,923	63,991	4,956	38,935	201,760

The impairment loss of P4.77 million (2011: P61.51 million) represents the write - down of carrying value of plant and machinery of a subsidiary company. The recoverable amount was based on value in use and was determined by taking the Net Present Value of future cash flows and the discounted residual value of the plant in the fifth year. Certain assets are secured as set out in notes 28 and 33.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Computers	Motor vehicles	Furniture& fittings	Total
	P 000	P 000	P 000	P 000
7. PROPERTY, PLANT AND EQUIPMENT {CONTINUED}				
Company				
Year ended 30 June 2012				
Balance at beginning of the year	980	217	695	1,892
Additions	301	858	148	1,307
Depreciation (note 4)	(273)	(90)	(296)	(659)
Disposals	-	(194)	-	(194)
Balance at end of the year	**1,008**	**791**	**547**	**2,346**
At 30 June 2012				
Cost	9,409	885	3,389	13,683
Accumulated depreciation	(8,401)	(94)	(2,842)	(11,337)
Net book value	**1,008**	**791**	**547**	**2,346**
Year ended 30 June 2011				
Balance at beginning of the year	635	5	691	1,331
Additions	338	273	189	800
Depreciation (note 4)	7	(61)	(181)	(235)
Disposals	-	-	(4)	(4)
Balance at end of the year	980	217	695	1,892
At 30 June 2011				
Cost	9,108	337	3,241	12,686
Accumulated depreciation	(8,128)	(120)	(2,546)	(10,794)
Net book value	980	217	695	1,892

		Group
	2012	2011
	P 000	P 000
8. INTANGIBLE ASSETS		
Computer software:		
Balance at beginning of the year	2,622	2,934
Additions	154	30
Amortisation charge (note 4)	(355)	(342)
Balance at end of the year	**2,421**	**2,622**
At 30 June		
Cost	3,595	3,441
Accumulated amortisation	(1,174)	(819)
Net book value	**2,421**	**2,622**

	Ordinary shares at cost	Preference shares at cost	Held to maturity Short term loan	Held to maturity Long term loan	Total loan	2012 Total investment	2011 Total investment	% of shares held	Loan interest rate p.a
	P 000	P 000	P 000	P 000	P 000	P 000	P 000		
9. SUBSIDIARIES									
Agriculture	**50,985**	**6,000**	**453**	**7,436**	**7,889**	**64,874**	**57,312**		%
Farm Development Company (Pty) Ltd	2	-	-	-	-	**2**	2	100	-
Talana Farms (Pty) Ltd	8,138	-	-	-	-	**8,138**	3,004	100	-
LP Amusements (Pty) Ltd	26,649	6,000	453	7,436	7,889	**40,538**	38,110	100	17.50
Malutu Investments (Pty) Ltd	16,196	-	-	-	-	**16,196**	16,196	100	-
Industry	224,785	97,244	-	-	-	**322,029**	311,453		
Kwena Concrete Products (Pty) Ltd	11,880	-	-	-	-	**11,880**	11,880	100	-
Lobatse Clay Works (Pty) Ltd	70,577	61,573	-	-	-	**132,150**	128,743	100	-
Golden Fruit 97 (Pty) Ltd	24,863	-	-	-	-	**24,863**	24,853	100	-
Can Manufacturers (Pty) Ltd	117,465	35,671	-	-	-	**153,136**	145,977	100	-
Services	21,146	-	-	-	-	**21,146**	13,905		
Export Credit Insurance & Guarantee (Pty) Ltd	13,436	-	-	-	-	**13,436**	12,469	100	-
Coast-to-Coast Inn (Pty) Ltd	7,710	-	-	-	-	**7,710**	1,436	100	-

	Ordinary shares at cost	Preference shares at cost	Held to maturity Short term loan	Long term loan	Total loan	2012 Total investment	2011 Total investment	% of shares held	Loan interest rate p.a
	P 000	P 000	P 000	P 000	P 000	P 000	P 000		
9. SUBSIDIARIES {CONTINUED}									
Property management	**831,521**	**6,347**	**3,842**	**91,690**	**95,532**	933,400	**829,791**		%
Botswana Hotel Development Co. (Pty) Ltd	104,098	-	-	86,999	86,999	**191,097**	191,474	100	11.00
Commercial Holdings (Pty) Ltd	141,794	-	-	-	-	**141,794**	56,310	100	-
Fairground Holdings (Pty) Ltd	8,615	-	-	-	-	**8,615**	8,615	51	-
NPC Investments (Pty) Ltd	1,321	-	-	-	-	**1,321**	1,321	100	-
Residential Holdings (Pty) Ltd	32,787	6,347	3,839	4,642	8,481	**47,615**	51,117	100	11.00
Western Industrial Estate (Pty) Ltd	209,909	-	3	49	52	**209,961**	186,307	100	-
Phakalane Property Development (Pty) Ltd	510	-	-	-	-	**510**	510	51	-
Letlole la Rona Ltd	332,487	-	-	-	-	**332,487**	334,137	80	-
Total all sectors	1,128,437	109,591	4,295	99,126	103,421	**1,341,449**	1,212,461		
Less:									
Provision for losses (note 12)						**(238,697)**	(222,275)		
Fair value adjustment of loan provided at below market rate						**(86,999)**	(87,376)		
						1,015,753	902,810		
Less:									
Current portion of loans included in short-term loans and advances (note 18)						**(3,842)**	(8,127)		
						1,011,911	894,683		

All the subsidiaries are registered in Botswana.
The loans and advances are repayable over periods varying from 2 to 10 years and analysed as follows:

Maturity of short and long term loans	2012	2011
Up to 1 year	**3,842**	8,127
Between 2 and 5 years	**12,580**	13,686
Over 5 years	**86,999**	85,656
	103,421	107,469

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Ordinary shares at cost	Preference shares at cost	Held to maturity Short term loan	Held to maturity Long term loan	Total loan/ debenture	Post acquisition reserves	2012 Total investment	2011 Total investment	% of shares held	Loan interest rate p.a
	P 000	P 000	P 000	P 000	P 000	P 000	P 000	P 000		%
10. ASSOCIATED COMPANIES/PARTNERSHIPS										
Group										
Agriculture	20,460	-	4,905	2,996	7,901	(6,396)	21,965	16,512		
Botalana Ventures (Pty) Ltd	11,335	-	4,612	-	4,612	(2,565)	13,382	8,237	33	17.50
Kwalape (Pty) Ltd	4,693	-	293	2,996	3,289	-	7,982	7,148	40	17.50
Marekisetso A Merogo (Pty) Ltd	4,432	-	-	-	-	(3,831)	601	1,127	33	-
Industry	205,507	30,000	866	218,720	219,586	17,839	472,932	322,108		
Asphalt Botswana (Pty) Ltd	6,804	-	866	345	1,211	18,153	26,168	21,880	48	12.00
Fengyue Glass Manufacturing (Botswana) (Pty) Ltd	173,746	30,000	-	218,375	218,375	-	422,121	270,909	43	11.75
Kwena Rocla (Pty) Ltd	2,695	-	-	-	-	15,320	18,015	22,691	49	-
Tannery Industries (Botswana) (Pty) Ltd	22,262	-	-	-	-	(15,634)	6,628	6,628	32	-
Services	46,435	3,000	508	5,135	5,643	87,579	142,657	137,491		
Peermont Global (Botswana) Ltd	10,710	3,000	-	-	-	35,650	49,360	53,452	40	-
Healthcare Holdings (Pty) Ltd	4,421	-	508	5,135	5,643	13,255	23,319	18,298	30	Various
Investec Holdings Botswana Ltd	870	-	-	-	-	2,381	3,251	4,017	24	-
TransUnion (Pty) Ltd	147	-	-	-	-	2,553	2,700	966	49	-
Mashatu Nature Reserve (Pty) Ltd	10,287	-	-	-	-	15,770	26,057	24,993	30	-
Metropolitan Life of Botswana Ltd	20,000	-	-	-	-	17,970	37,970	35,765	25	-

	Ordinary shares at cost	Preference shares at cost	Held to maturity Short term loan	Held to maturity Long term loan	Total loan/ debenture	Post acquisition reserves	2012 Total investment	2011 Total investment	% of shares held	Loan interest rate
	P 000	P 000	P 000	P 000	P 000	P 000	P 000	P 000		p.a
10. ASSOCIATED COMPANIES/PARTNERSHIPS {CONTINUED}										
Group										
Property management	3,031	-	-	-	-	41,312	44,343	42,839		%
DBN Developments Partnership	1,500	-	-	-	-	25,107	26,607	22,618	33	-
NBC Developments	1,531	-	-	-	-	16,205	17,736	20,221	33	-
Total all sectors	275,433	33,000	6,279	226,851	233,130	140,334	681,897	518,950		
Less: Suspended interest (Fengyue Glass Manufacturing (Botswana) (Pty) Ltd)							(14,923)	-		
Less: Provision for losses (note 12)							(34,140)	(31,631)		
							632,834	487,319		
Less: Current portion of loans included in short-term loans and advances (note 18)							(5,463)	(6,297)		
							627,371	481,022		

Company	2012	2011
Ordinary and preference shares at cost	**P 000**	**P 000**
- group investment as disclosed above	308,433	247,815
- amount invested in DBN Developments by NPC Investments (Pty) Ltd	(1,500)	(1,500)
	306,933	246,315

	Ordinary shares at cost	Preference shares at cost	Short term loan	Held to maturity Long term loan	Total loan/ debenture	Post acquisition reserves	2012 Total investment	2011 Total investment	% of shares held	Loan interest rate
	P 000	P 000	P 000	P 000	P 000	P 000	P 000	P 000		p.a
10. ASSOCIATED COMPANIES/PARTNERSHIPS {CONTINUED}										
Group										
Loans							233,130	157,046		
							540,063	403,361		
Less: Suspended interest (Fengyue Glass Manufacturing (Botswana) (Pty) Ltd)							(14,923)	-		
Less: Provision for losses (note 12)							(34,140)	(31,631)		
							491,000	371,730		
Less: Current portion of loans included in short-term loans and advances (note 18)							(5,463)	(6,297)		
							485,537	365,433		

All associated companies/partnerships are registered in Botswana.

The loans and advances are repayable over periods varying from 2 to 10 years and analysed as follows:

	2012 P 000	2011 P 000
Maturity of short and long term loans		
Up to 1 year	5,463	6,297
Between 2 and 5 years	227,667	150,749
Over 5 years	-	-
	233,130	157,046
Included in post acquisition reserves are the following:		
Current year share of associates profits (note 40)	46,760	54,893
Current year share of associates tax charge (note 5)	(6,758)	(12,462)
Net profit after tax	40,002	42,431
Share of other comprehensive income/(loss) of associates, net of tax	(6,469)	(10,976)
	33,533	31,455

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		Held to maturity			2012	2011	
	Preference shares at cost	Short term loan	Long term loan	Total loan	Total investment	Total investment	Loan interest rate
	P 000	P 000	P 000	P 000	P 000	P 000	p.a
11. UNQUOTED INVESTMENTS							
Agriculture	2,096	1,004	13,115	14,119	**16,215**	14,885	%
AOB-AGRIB (Pty) Ltd	2,096	503	4,202	4,705	**6,801**	6,596	13.00
Chicken Zone (Pty) Ltd	-	501	8,913	9,414	**9,414**	8,289	13.00
Industry	8,778	12,688	48,052	60,740	**69,518**	111,668	
Matsiloje Portland Cement (Pty) Ltd	5,587	-	-	-	**5,587**	1,985	-
Botswana Vaccine Institute (Pty) Ltd	-	-	-	-	**-**	50,000	-
Hypen Holdings (Pty) Ltd	-	167	1,825	1,992	**1,992**	1,692	17.25
Crates & Pallets Botswana (Pty) Ltd	3,191	130	3,675	3,805	**6,996**	6,496	13.75
Prima Foods (Pty) Ltd	-	916	5,032	5,948	**5,948**	7,213	12.75
Seven Star Steel Pipe Group (Pty) Ltd	-	11,475	37,520	48,995	**48,995**	44,282	13.25
Services	-	3,301	15,711	19,012	**19,012**	11,531	
Collins Newman & Co.	-	-	-	-	**-**	110	11.75
Lavender Projects (Pty) Ltd	-	2,044	5,021	7,065	**7,065**	5,450	12.50
Afri-Media (Pty) Limited	-	114	699	813	**813**	748	14.00
Gloryland Guest Lodge (Pty) Ltd	-	1,143	9,991	11,134	**11,134**	5,223	13.25
Property management	-	617	2,339	2,956	**2,956**	-	
Agronet (Pty) Ltd	-	617	2,339	2,956	**2,956**	-	13.25
Total all sectors	10,874	17,610	79,217	96,827	**107,701**	138,084	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Group & Company	
	2012	2011
	P 000	P 000
11. UNQUOTED INVESTMENTS {CONTINUED}		
Total all sectors	**107,701**	138,084
Provision for losses (note 12)	**(6,801)**	-
	100,900	138,084
Less: Current portion of loans included in short-term loans and advances (note 18)	**(17,610)**	(18,427)
	83,290	119,657
<u>Maturity of short and long term loans</u>		
Up to 1 year	**17,610**	18,427
Between 2 and 5 years	**79,217**	62,385
Over 5 years	**-**	-
	96,827	80,812
Securities pledged for the above loans	**240,077**	236,577

Securities pledged comprise immovable assets and Deeds of Hypothecation over movable assets.

At the financial year end the value of security obtained on individual loans was greater than the carrying amounts of the respective loans.

	Group		Company	
	2012	2011	2012	2011
	P 000	P 000	P 000	P 000
12. PROVISION FOR LOSSES ON INVESTMENTS				
Balance at beginning of the year	**31,631**	33,660	**253,906**	448,647
Provision written off during the year	**-**	(31,418)	**-**	(281,494)
Increase in provision during the year (note 4)	**9,310**	29,389	**25,732**	86,753
Balance at end of the year	**40,941**	31,631	**279,638**	253,906
Represents provision against:				
Subsidiaries (note 9)	**-**	-	**238,697**	222,275
Associated companies/partnerships (note 10)	**34,140**	31,631	**34,140**	31,631
Unquoted investments (note 11)	**6,801**	-	**6,801**	-
	40,941	31,631	**279,638**	253,906

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2012	2011	2012	2011
	P 000	P 000	P 000	P 000
13. QUOTED INVESTMENTS				
Shares at cost	150,552	150,552	150,552	150,552
Net gain transferred to fair value reserve (note 23)	325,155	294,646	325,155	294,646
Shares at market value	475,707	445,198	475,707	445,198
At cost comprising:				
Sechaba Breweries Holdings Ltd	72,612	72,612	72,612	72,612
Cresta Marakanelo Ltd	77,940	77,940	77,940	77,940
	150,552	150,552	150,552	150,552

The Company holds 34,044,315 (2011: 34,044,315) and 50,283,975 (2011: 50,283,975) ordinary shares in Sechaba Breweries Holdings Ltd and Cresta Marakanelo Ltd, respectively.

Although the Company owns 25% (2011: 25%) of Sechaba Breweries Holdings Ltd issued capital, the equity method of accounting is not followed as the Company does not exercise significant influence over Sechaba Breweries Holdings Ltd's financial and operating policies.

Although the Company owns 27% (2011: 27%) of Cresta Marakanelo Ltd issued capital, the equity method of accounting is not followed as the Company does not exercise significant influence over Cresta Marakanelo Ltd's financial and operating policies.

14. DUE FROM GROUP COMPANIES - NET

This comprises amounts due from Group companies as a result of the companies having claimed, under provisions of the Fourth Schedule of the Income Tax Act, to offset their assessable income against the assessable losses of the Company.

	Company	
	2012	2011
	P 000	P 000
Group company name		
Talana Farms (Pty) Ltd	273	236
Can Manufacturers (Pty) Ltd	-	(6,423)
Lobatse Clay Works (Pty) Ltd	(5,648)	(10,724)
Malutu (Pty) Ltd	1,229	1,229
Kwena Concrete Products (Pty) Ltd	48	-
Export Credit Insurance & Guarantee (Pty) Ltd	2,342	1,868
Botswana Hotel Development Co. (Pty) Ltd	22,650	15,612
Commercial Holdings (Pty) Ltd	8,365	7,717
NPC Investments (Pty) Ltd	6,239	5,328
Residential Holdings (Pty) Ltd	8,673	5,957
Western Industrial Estate (Pty) Ltd	50,535	34,164
	94,706	54,964

	Group 2012 P 000	2011 P 000
15. GAME STOCK		
Relates to wildlife purchased and excludes donations and indigenous game	**79**	79

The directors are of the opinion that the carrying value of the game stock at year reflects its fair value.

	Group 2012 P 000	2011 P 000
16. INVENTORIES		
Raw materials	**8,116**	8,410
Work in progress	**299**	341
Finished goods	**17,724**	23,408
Moulds and patterns	**1,947**	1,622
Consumables	**1,654**	2,206
	29,740	35,987

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2012	2011	2012	2011
	P 000	P 000	P 000	P 000
17. TRADE AND OTHER RECEIVABLES				
Gross trade receivables	**81,976**	95,545	**50,435**	67,140
Allowance for doubtful debts	**(36,173)**	(22,912)	**(26,820)**	(14,262)
Net trade receivables	**45,803**	72,633	**23,615**	52,878
Prepayments	**29,314**	2,331	**-**	-
Loans to officers	**8,578**	9,159	**8,578**	9,159
Due from related parties	**-**	-	**20,025**	106,312
Other	**34,743**	34,270	**11,062**	7,347
	118,438	118,393	**63,280**	175,696

The average credit period is 60 days. No interest is charged on overdue trade debtors. The Group has provided for all trade debtors over 60 days based on estimated irrecoverable amounts.

Other receivables mainly comprise other amounts receivable.

Included in trade debtors are amounts past due at the reporting date for which the Group has not provided as they are still considered recoverable. There are no other impaired receivables.

Ageing of past due but not impaired				
60 - 90 days	**921**	3,821	**-**	-
90 - 120 days and above	**1,567**	6,736	**-**	566
Total	**2,488**	10,557	**-**	566

Movement in the allowance for doubtful debts				
Balance at beginning of the year	**22,912**	17,306	**14,262**	11,037
Allowance charged during the year (note 4)	**15,026**	7,808	**12,558**	3,225
Amounts written off as uncollectable	**(1,765)**	(2,202)	**-**	-
Balance at end of the year	**36,173**	22,912	**26,820**	14,262

At the reporting date, the Group considers the concentration of credit risk is limited due to the customer base being unrelated. There are no other impaired trade debtors. Accordingly, the directors believe that there is no further provision required in excess of the allowance for doubtful debts.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2012	2011	2012	2011
	P 000	P 000	P 000	P 000
18. SHORT-TERM LOANS AND ADVANCES				
Short-term portion of loans and advances to:				
Subsidiaries (note 9)	**-**	-	**3,842**	8,127
Associated companies (note 10)	**5,463**	6,297	**5,463**	6,297
Unquoted investments (note 11)	**17,610**	18,427	**17,610**	18,427
	23,073	24,724	**26,915**	32,851
19. AVAILABLE FOR SALE INVESTMENTS				
Land held for sale				
Balance at beginning of the year	**307**	307	**-**	-
Transfer from investment properties (note 6)	**10,089**	-	**-**	-
Balance at end of the year	**10,396**	307	**-**	-

Land held for sale

In the opinion of the directors, based on the market conditions, the amount realisable through an arm's length sale will exceed its carrying value.

	Group 2012	Group 2011	Company 2012	Company 2011
20. CASH AND CASH EQUIVALENTS				
Money market funds	**28,393**	53,724	**5,350**	27,010
Cash and bank deposits	**253,029**	349,109	**180,323**	204,729
	281,422	402,833	**185,673**	231,739

Money market funds

Surplus cash funds are invested by the parent company on behalf of the Group in money market funds The interest earned is an effective rate of 9.79% (2011: 9.79%). The proportionate amount of interest up to 30th June is added to the cost of investment approximating the fair value.

Cash and bank deposits

Cash and bank deposits comprise cash and funds held in bank accounts. Included in cash and bank deposits is restricted cash amounting to P12 348 283 (2011: P12 539 994) relating to security bond deposits held on behalf of Group clients and a balance held in a call account amounting to P88 855 000 (2011: P88 855 000) which is not available for use as it is pledged as security as detailed in note 28.

21. STATED CAPITAL

Issued and fully paid

Balance at beginning and end of the year - 517,699, 462 (2011: 517,699, 462) ordinary shares

	Group 2012	Group 2011	Company 2012	Company 2011
	864,199	864,199	**864,199**	864,199

22. CONTRIBUTION TO FACTORY PREMISES

The amount relates to non-refundable contributions received from the Government of the Republic of Botswana in respect of funding for the construction of factories of the subsidiary companies:

	Group 2012	Group 2011	Company 2012	Company 2011
	24,070	24,070	**24,070**	24,070

	Group		Company	
	2012	2011	2012	2011
	P 000	P 000	P 000	P 000
23. FAIR VALUE RESERVE				
Balance at beginning of the year	**294,646**	333,197	**294,646**	333,197
Fair value during the year	**30,509**	28,517	**30,509**	28,517
Disposals during the year	**-**	(67,068)	**-**	(67,068)
Balance at end of the year	**325,155**	294,646	**325,155**	294,646
<u>Comprising:</u>				
Sechaba Breweries Holdings Ltd	**355,325**	322,302	**355,325**	322,302
Cresta Marakanelo Ltd	**(30,170)**	(27,656)	**(30,170)**	(27,656)
	325,155	294,646	**325,155**	294,646

	Group				
	Repairs & maintenance reserve	Capital redemption reserve	Statutory capital & solvency reserves	Revaluation reserve	Total
	P 000	P 000	P 000	P 000	P 000
24. OTHER RESERVES					
Balance at 30 June 2010	318	10,765	4,767	81,918	97,768
Movement in associated companies' reserves	-	-	-	(10,976)	(10,976)
Transfers from/(to) retained earnings	46	(10,765)	787	(5,662)	(15,594)
Adjustment on revaluation of plant and machinery (note 7)	-	-	-	5,624	5,624
Deferred tax adjustments during the year (note 31)	-	-	112	(1,102)	(990)
Balance at 30 June 2011	364	-	5,666	69,802	75,832
Movement in associated companies' reserves	-	-	-	(6,469)	(6,469)
Transfers from/(to) retained earnings	51	-	(4,157)	3,301	(805)
Revaluation during the year (note 7)	-	-	-	(866)	(866)
Deferred tax adjustments during the year (note 31)	-	-	-	516	516
Balance at 30 June 2012	**415**	**-**	**1,509**	**66,284**	**68,208**

Statutory capital and solvency reserves

In terms of the Insurance Act (CAP 46:01), 15% of profit after taxation and 10% of profit before tax of a subsidiary company, which is providing export and domestic credit insurance, is transferred to statutory capital and solvency reserves respectively.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Group and Company	
	2012	2011
	P 000	P 000
25. DIVIDEND RESERVE		
Balance at beginning of the year	**38,700**	32,279
Dividend declared	**-**	721
Dividend proposed	**6,494**	38,700
Dividends paid during the year	**-**	(33,000)
Balance at end of the year	**45,194**	38,700

		Group
	2012	2011
	P 000	P 000
26. CLAIMS EQUALISATION RESERVE		
Balance at beginning of the year	**3,375**	2,468
Charge to the statement of comprehensive income	**-**	86
Transfers from other reserves	**679**	821
Balance at end of the year	**4,054**	3,375

It is the policy of a subsidiary company to transfer 10% of the net commercial and domestic premium income from retained earnings into the claims equalisation reserve. The transfer from retained earnings ceases when the balance in the reserve account amount to 150% of the highest gross premium income over the past five years.

27. NON-CONTROLLING INTERESTS		
Balance at beginning of the year	**159,211**	50,922
Share of net profit of subsidiaries	**7,427**	24,928
Debenture interest declared during the year	**(4,816)**	-
Dividends paid	**(58)**	-
Issue of shares during the year	**1,631**	83,361
Balance at end of the year	**163,395**	159,211

	Group 2012 P 000	Group 2011 P 000	Company 2012 P 000	Company 2011 P 000
28. BORROWINGS				
Debt Participation Capital Funding				
Unsecured loan bearing interest at 2% per annum repayable in half-yearly instalments of P253,000 each over a period of 17 years	**1,938**	2,399	**1,938**	2,399
Unsecured loan bearing interest at 12.1% per annum repayable in half-yearly instalments of P564,000 each over the period to 2020	**6,089**	6,612	**6,089**	6,612
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P145,000 each over the period to 2011	**-**	138	**-**	138
Unsecured loan bearing interest at 8.5% per annum repayable in half-yearly instalments of P231,000 each over the period to 2011	**-**	222	**-**	222
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P261,000 each over the period to 2012	**250**	721	**250**	721
Unsecured loan bearing interest at 7.5% per annum repayable in half-yearly instalments of P316,000 each over the period to 2014	**1,153**	1,669	**1,153**	1,669
Unsecured loan bearing interest at 7.5% per annum repayable in half-yearly instalments of P750,000 each over the period to 2014	**3,363**	4,544	**3,363**	4,544
Unsecured loan bearing interest at 8% per annum repayable in half-yearly instalments of P1,100,000 each over the period to 2015	**5,765**	7,405	**5,765**	7,405
Unsecured loan bearing interest at 8% per annum repayable in half-yearly instalments of P1,580,000 each over the period to 2016	**11,746**	13,839	**11,746**	13,839
Unsecured loan bearing interest at 9.5% per annum repayable in half-yearly instalments of P221,000 each over the period to 2016	**1,988**	2,225	**1,988**	2,225
Unsecured loan bearing interest at 9.5% per annum repayable in half-yearly instalments of P2,515,000 each over the period to 2017	**22,612**	25,301	**22,612**	25,301
Unsecured loan bearing interest at 12.1% per annum repayable in half-yearly instalments of P300,000 each over the period to 2017	**2,645**	2,901	**2,645**	2,901
Unsecured loan bearing interest at 12.1% per annum repayable in half-yearly instalments of P834,000 each over the period to 2020	**8,396**	8,992	**8,396**	8,992
	65,945	76,968	**65,945**	76,968

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Group 2012 P 000	Group 2011 P 000	Company 2012 P 000	Company 2011 P 000
28. BORROWINGS {CONTINUED}				
European Investment Bank (EIB)				
Loan bearing interest at 5% per annum, guaranteed by the Government of the Republic of Botswana, repayable by 2013 (loan number 70699)	-	1,423	-	1,423
Loan bearing interest at 2% per annum, guaranteed by the Government of the Republic of Botswana, repayable by 2017 (loan number 70893)	**14,354**	13,889	**14,354**	13,889
	14,354	15,312	**14,354**	15,312
Total Debt Participation Capital Funding and EIB loans	**80,299**	92,280	**80,299**	92,280
Total Debt Participation Capital Funding and EIB loans brought forward	**80,299**	92,280	**80,299**	92,280
Loans taken out by the Company				
A maximum unsecured loan of P225,000, 000 by Stanbic Bank Botswana Limited, bearing interest at prime lending rate (currently 11%) minus 2.5% margin per annum and repayable in eighteen (18) months period to 31 March 2013.	**209,868**	-	**209,868**	-
Unsecured loan bearing no interest repayable annually in instalments amounting to 50% of the total incremental free cash flow generated by Gaborone International Conference Centre (GICC), subject to a minimum of P200,000 for the first year, escalated thereafter at a rate equal to the increase in Consumer Price Index for urban areas	**86,999**	87,376	**86,999**	87,376
Discounted Letters of Credit (LC's) drawn by a Group entity bearing no interest and repayable after 720 days following each draw down.The LC's are secured as per note 19.	**64,217**	88,855	**64,217**	88,855
Loans taken out by subsidiaries owing to third parties				
Loan by First National Bank of Botswana Limited, bearing interest at prime lending rate, currently 11.0% (2011:11.0%) per annum and repayable in 2021	**13,351**	1,542	-	-
Mortgage loans				
Liabilities under mortgage loans are held over fifteen and twenty years and bear interest at prime lending rate, currently 11.0% (2011:11.0%) plus 1% per annum.	**3,236**	367	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Group 2012 P 000	Group 2011 P 000	Company 2012 P 000	Company 2011 P 000
28. BORROWINGS {CONTINUED}				
Finance leases				
Liabilities under finance leases are held over three to five years at varying interest rates	**1,998**	2,645	**-**	-
Gross borrowings	**459,968**	273,065	**441,383**	268,511
Less:				
Portion of exchange loss borne by the Government of the Republic of Botswana	**(6,718)**	(6,353)	**(6,718)**	(6,353)
Fair value adjustment arising from valuation of loans at below market interest rates	**(5,949)**	(8,150)	**(92,948)**	(95,526)
	447,301	258,562	**341,717**	166,632
Less: Current portion included under current liabilities	**(281,465)**	(46,180)	**(277,784)**	(44,711)
	165,836	212,382	**63,933**	121,921
Analysis of gross borrowings				
Not later than 1 year	**281,465**	46,180	**277,784**	44,711
Later than 1 year, but not later than 5 years	**84,989**	103,605	**70,085**	100,520
Later than 5 years	**93,514**	123,280	**93,514**	123,280
Gross borrowings	**459,968**	273,065	**441,383**	268,511

On 1 April 2004 the Government of the Republic of Botswana transferred its rights, title and interests and delegated its obligations under certain Public Debt Service Fund (PDSF) loan agreements to the Debt Participation Capital Funding (DPCFL). DPCFL had issued bonds to finance the acquisition of these loans from the Government of Botswana. The bonds which were listed on the Botswana Stock Exchange, were repaid during the year.

	Group 2012 P 000	Group 2011 P 000	Company 2012 P 000	Company 2011 P 000
Fair value of borrowings:				
Balance at beginning of the year	**(8,150)**	(10,555)	**(95,526)**	(98,275)
Transfer from provisions arising on repayments	**-**	-	**377**	344
Fair value adjustment arising from valuation of loans at below market interest rates	**2,201**	2,405	**2,201**	2,405
Balance at end of the year	**(5,949)**	(8,150)	**(92,948)**	(95,526)

Mortgage loans

The mortgage loans are repayable over a period of fifteen and twenty years in monthly instalments of P52,237 (2011:P30,615) each, bearing interest at prime lending rate, currently 11.0% (2011:11.0%), plus 1.0% per annum and is secured by land and buildings at Plot 115, Farm Forest Hill, Kgale Mews and Plot 142, Farm Forest Hill, Gaborone International Finance Park.

Finance leases

Finance leases are repayable over a period of three to five years in monthly instalments of P70,936 (2011: P70,936) bearing interest at an average rate of 11.5% (2011: 11.5%) per annum and are secured by motor vehicles with a net book value as follows:

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Group 2012 P 000	Group 2011 P 000
28. BORROWINGS {CONTINUED}		
Cost	**3,805**	3,883
Accumulated depreciation	**(1,041)**	(1,058)
Net book value	**2,764**	2,825

European Investment Bank (EIB) loans

The borrowings from the European Investment Bank (EIB) are repayable in half-yearly instalments. The composition of the foreign currency of the balances at 30 June 2012 are as follows:

		Group and Company			
Loan number	Currency	Foreign amount at 2012 Euro 000	Foreign amount at 2011 P 000	Pula equivalent at 2012 P 000	Pula equivalent at 2011 P 000
70699	Euro	**-**	186	**-**	1,423
70893	Euro	**1,500**	1,500	**14,354**	13,889
		1,500	1,686	**14,354**	15,312

Foreign loans have been translated to Pula at the rates of exchange ruling at the statement of financial position dates and are stated in the statement of financial position net of the proportion of exchange losses which would be borne by the Government of the Republic of Botswana in terms of the exchange protection agreements.

	Group 2012 P 000	Group 2011 P 000
29. GOVERNMENT GRANTS		
Balance at beginning of the year	**13,482**	14,259
Reversal/(amortisation) during the year (note 4)	**64**	(17,181)
Re-classified as directly associated with assets held for sale	**-**	16,404
Balance at beginning of the year	**13,546**	13,482
Gross Government grants	**32,456**	48,860
Amortisation	**(8,910)**	(8,974)
Utilised as provision for impairment loss	**(10,000)**	(10,000)
Realised on disposal of properties	**-**	(16,404)
Re-classified as directly associated with assets held for sale (note 20)	**-**	-
	13,546	13,482

A provision of impairment loss of factory premesis in Selibe Phikwe on lot 11270, 11271 and 11272 was made in 2000. The provision was applied firstly to the grant of P10,000,00 which was received from the Government of Botswana as part of finance for construction costs.

	Group 2012 P 000	Group 2011 P 000
30. PROVISION FOR RESTORATION COSTS		
Balance at beginning of the year	**6,404**	5,758
Movement in provision for restoration costs during the year:	**8,680**	646
Charge to the statement of comprehensive income (note 2)	**2,969**	605
Charge due to increase in mining area	**5,711**	41
Balance at beginning of the year	**15,084**	6,404

A subsidiary company has two mining sites which have been operational since 1992. The lease agreement for the mine require the company to restore the sites to their original condition on cessation of mining operations in 2017.

	2012	2011
31. DEFERRED TAXATION		
Balance at beginning of the year	**81,734**	42,181
(Credit)/charge to the statement of other comprehensive income (note 24)	**(516)**	990
Credit to the income statement (note 5) - current year	**(16,581)**	(4,227)
- rate change from 25% to 22%	**-**	(5,848)
- prior year	**(208)**	238
- capital gains tax	**4,462**	-
Re-classified as directly associated with assets held for sale	**-**	48,400
Balance at end of the year	**68,891**	81,734
Comprising:		
Temporary differences on investment properties, property, plant and equipment and Government grants	**62,286**	74,070
Capital gains tax deferred on acquisition of properties by a subsidiary	**6,605**	7,664
	68,891	81,734

Capital gains tax deferred on acquisition of properties by a subsidiary

On the creation of a Variable Loan Stock Company, Letlole la Rona Ltd (LLR), exemption was obtained from Botswana Unified Revenue Services (BURS) for the payment of capital gains tax on transfer of properties from the subsidiaries of the Company ("the Vendors"), until such time as the properties are disposed of by LLR.

This amount represents the potential deferred capital gains tax liability at 30 June 2011. The actual liability arising on the disposal of any of the properties will be settled by the Vendors on disposal of the properties by LLR.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Group 2012 P 000	Group 2011 P 000	Company 2012 P 000	Company 2011 P 000
32. TRADE AND OTHER PAYABLES				
Trade payables	**22,882**	13,098	**185**	633
Accruals	**14,910**	24,455	**8,749**	16,804
Amounts due to related parties	**-**	-	**255,678**	276,732
Other payables	**133,944**	228,955	**77,596**	169,818
	171,736	266,508	**342,208**	463,987

Trade and other payables comprise amounts owing for trade transactions and accruals of ongoing costs. The average credit period on purchases is 60 days. Although no interest is charged on overdue trade payables, the company has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

33. BANK OVERDRAFTS

The bank overdrafts of subsidiaries are secured by deeds of hypothecation over fixed and moveable assets and suretyship signed by the Company.

	Group 2012 P 000	Group 2011 P 000	Company 2012 P 000	Company 2011 P 000
	8,126	2,862	**-**	-

34. COMMITMENTS

	Group 2012 P 000	Group 2011 P 000	Company 2012 P 000	Company 2011 P 000
Operating lease receivables/(payables):				
Not later than one year	**70,270**	109,671	**(7,887)**	(7,896)
Later than one year to five years	**235,063**	389,286	**(30,218)**	(30,218)
Later than five years	**64,063**	274,203	**-**	-
	369,396	773,160	**(38,105)**	(38,114)
Other commitments:				
Not later than one year	**425,555**	455,270	**424,158**	445,779
Later than one year up to five years	**365,622**	786,367	**365,622**	786,367
Later than five years	**-**	-	**-**	-
	791,177	1,241,637	**789,780**	1,232,146
Other commitments are analysed as:				
Approved equity and loan investments undisbursed	**789,780**	1,232,146	**789,780**	1,232,146
Approved but not contracted capital expenditure	**-**	7,100	**-**	-
Approved and contracted capital expenditure	**1,397**	2,391	**-**	-
	791,177	1,241,637	**789,780**	1,232,146

Other commitments will be financed by funds to be raised from shareholder equity injections, capital markets, bank borrowings and internal resources within the Group.

	Group 2012 P 000	Group 2011 P 000	Company 2012 P 000	Company 2011 P 000
35. CONTINGENT ASSETS/(LIABILITIES)				
Legal matters against certain subsidiaries	**(1,000)**	-	**-**	-
Guarantees in respect of facilities granted to certain subsidiaries and third parties	**(571,101)**	(171,513)	**(125,916)**	(171,513)
Withholding tax payable on management fees and interest thereon	**-**	(500)	**-**	-
	(572,101)	(172,013)	**(125,916)**	(171,513)

Included in guarantees in respect of facilities granted to certain subsidiaries and third parties, is the Company's guarantee for Letters of Credit (LC's) granted by a financial institution to a Group's investment project in progress, Fengyue Glass Manufacturing (Botswana) (Pty) Ltd, as follows:

	Group and Company: Foreign amount at 2012 US$ 000	Pula equivalent at 2012 P 000	Foreign amount at 2011 US$ 000	Pula equivalent at 2011 P 000
Total Letters of Credit (LC's)	**38,343**	-	**38,343**	-
Less: Drawn and settled	**(10,399)**	-	**(5,531)**	-
Less: Discounted and committed	**(13,337)**	-	**(13,337)**	-
Net balance	**14,607**	109,416	**19,475**	128,146
Analysed as:				
Undrawn Letters of Credit - secured by cash holding	**-**	-	**3,282**	21,596
Corporate Guarantee for Letters of Credit	**14,607**	109,416	**16,193**	106,550
	14,607	109,416	**19,475**	128,146

36. DISCONTINUED OPERATIONS

The business activity of one of the Company's investments in a subsidiary involved in the manufacturing of various types of tiles, ceased trading in the financial year 2009 and was finally wound up during the financial year 2011. The gain on re-measure of fair value less costs to sell, relates to the discontinued operation of this business activity.

	Group 2012 P 000	Group 2011 P 000
Profit for the year from discontinued operations:		
Profit for the year from discontinued operations	**-**	10,589

37. PENSION SCHEME ARRANGEMENTS

The Company operates a contributory pension scheme for its eligible employees which provides for a pension based on length of service. The defined contribution scheme was effected in March 2001.

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38. FINANCIAL RISK MANAGEMENT

Financial instruments carried on the statement of financial position include cash and bank balances, trade receivables, investments in and loans to subsidiaries, associates and non-affiliates companies, trade payables, related party balances and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

		Group		Company
	2012	2011	2012	2011
	P 000	P 000	P 000	P 000
Financial assets				
Receivables from related parties	**-**	-	**94,706**	54,964
Loans and receivables	**190,024**	254,146	**164,180**	313,780
Quoted investments	**475,707**	445,198	**475,707**	445,198
Cash and bank balances	**281,422**	402,833	**185,673**	231,739
	947,153	1,102,177	**920,266**	1,045,681
Financial liabilities				
Long term borrowings	**447,301**	258,562	**341,717**	166,632
Trade and other payables	**171,736**	266,508	**342,208**	463,987
Bank overdrafts	**8,126**	2,862	**-**	-
	627,163	527,932	**683,925**	630,619

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

(i) Capital risk management:

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 28, cash and cash equivalents and equity attributable to equity holders of the parent, comprising stated capital, reserves and retained earnings as disclosed in notes 21 to 26. The Group's risk management committee reviews the capital structure of the Group. The committee considers the cost of capital and the risks associated with each class of capital.

(ii) Credit risk:

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics.

(iii) Interest rate risk:

Financial instruments that are sensitive to interest rate risk are bank balances and borrowings. Exposure to interest rate risk applicable to these financial instruments is managed through constant monitoring of prevailing interest rates in the market.

38. FINANCIAL RISK MANAGEMENT {CONTINUED}

(iv) Foreign currency risk:

In the normal course of business, the Group enters into transactions denominated in foreign currencies. As a result, the Group is subject to exposure to fluctuation in foreign currency exchange rates.

(v) Liquidity risk management:

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(vi) Fair value:

At 30 June 2012 and 2011, the carrying value of cash and bank balances, trade receivables, quoted and unquoted investments, trade payables and related party balances reported in the financial statements approximate their fair values due to their short-term maturity. These financial instruments are held in the ordinary course of business.

39. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions with related parties are carried out at arm's length and in the normal course of business. Related party balances consist of amounts due from/(to) entities under common ownership or control other than the Government of the Republic of Botswana and its entities.

		Group
	2012	2011
	P 000	P 000
Transactions during the year		
Other related parties		
Botswana Development Corporation (BDC)		
Directors' fees	**291**	178
Directors' remuneration for executive services	**1,375**	1,512
Key management remuneration	**2,458**	2,841
Export Credit Insurance & Guarantee (Pty) Ltd		
Directors' fees	**47**	18
Lobatse Clay Works (Pty) Ltd		
Directors' fees	**34**	22
Kwena Concrete Products (Pty) Ltd		
Directors' fees	**59**	-

	Group 2012 P 000	Group 2011 P 000
39. RELATED PARTY TRANSACTIONS AND BALANCES {CONTINUED}		
Fairground Holdings (Pty) Ltd		
Directors' fees	-	16
Letlole la Rona Ltd		
Directors' fees	**393**	304
Associated companies		
Asphalt Botswana (Pty) Ltd		
Finance costs on borrowings from BDC	**252**	401
Peermont Global (Botswana) Ltd		
Directors' fees paid to BDC	**31**	23
Management fees paid to Global SA (Pty) Limited, the holding company	**23,971**	22,320
Kwena Rocla (Pty) Ltd		
Management fees paid to D and H Industrial Holdings (Pty) Ltd, immediate holding company	**525**	885
Purchases from D and H Industrial Holdings (Pty) Ltd, immediate holding company	**4,346**	23,648
Investec Holdings (Botswana) Ltd		
Asset management fees paid to fellow subsidiaries	**6,139**	4,595
Directors' remuneration for executive services	**1,577**	1,545
Finance income from fellow subsidiaries	**5,397**	5,012
Year end balances		
Associated companies		
Peermont Global (Botswana) Ltd		
Current account balance due to Global Resorts SA (Pty) Ltd, immediate holding company	**(1,693)**	(2,112)
Kwena Rocla (Pty) Ltd		
Current account balance due to Rocla SA (Pty) Ltd	**(1,438)**	(1,467)

		Group		Company	
	Notes	2012 P 000	2011 P 000	2012 P 000	2011 P 000
40. CASH (USED IN)/GENERATED FROM OPERATIONS					
Profit before tax		113,121	154,724	3,097	229,705
Adjustments for:					
Amortisation of Government grants	29	64	(17,181)	-	-
Amortisation of intangible assets	4	355	342	-	-
Depreciation of property, plant and equipment	4	17,467	16,649	659	235
Impairment of property, plant and equipment	4	4,771	61,506	-	-
Fair value adjustment of investment properties	6	(40,297)	(140,646)	-	-
Revaluation of property, plant and equipment	7	(39,913)	(5,624)	-	-
Fair value adjustment of long term borrowings	28	2,201	2,405	2,201	2,405
Foreign exchange losses on long term borrowings		7,667	1,505	7,667	1,505
Movement in provision for restoration costs	30	8,680	646	-	-
(Profit)/loss on disposal of investment properties	4	(336)	5,317	-	-
Loss/(profit) on disposal of property, plant and equipment	4	85	(10)	173	2
Net loss on disposal of quoted investments		-	2,355	238	2,355
Share of profits of associates before tax	10	(46,760)	(54,893)	-	-
Transfer to claims equalisation reserve	26	-	86	-	-
Movement in other reserves	26	679	821	-	-
Movement in provisions for losses on investments	12	9,310	29,389	25,732	86,753
Interest received	2	(22,928)	(27,599)	(57,168)	(18,489)
Finance costs	2	37,548	32,408	33,023	31,108
Changes in working capital					
- rental straight-line adjustment		(10,271)	1,612	-	-
- trade and other receivables		(45)	68,828	112,416	(11,763)
- inventories		6,247	(8,206)	-	-
- assets held for sale		-	(63,284)	-	-
- trade and other payables		(94,772)	(15,826)	(121,779)	159,168
		(47,127)	45,324	6,259	482,984

41. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of financial instruments approximates their carrying values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 P 000	Level 2 P 000	Level 3 P 000	Total P 000
Group and Company				
Financial assets				
Quoted investments	**475,707**	-	-	475,707

There were no transfers between levels during the period.

42. SEGMENT INFORMATION

42.1 Application of IFRS 8 Operating Segments

The Group complies with IFRS 8 Operating Segments, which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

42.2 Products and services from which reportable segments derive their revenues

The Group's reportable segments under IFRS 8 are as follows:

- Agribusiness and Services
- Industry
- Property
- Holding Company

Information regarding the Group's reportable segments is presented below.

42.3 Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Segment revenue		Segment (loss)/profit before tax	
	2012	2011	2012	2011
	P 000	P 000	P 000	P 000
Agribusiness and Services	**22,530**	20,103	**(372)**	90
Industry	**78,872**	94,166	**(45,826)**	(35,944)
Property	**105,327**	93,225	**126,227**	191,961
Holding Company	**104,151**	400,056	**3,097**	229,705
	310,880	607,550	**83,126**	385,812

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment.

	Total assets		Total liabilities	
	2012	2011	2012	2011
	P 000	P 000	P 000	P 000
42.4 Segment assets and liabilities				
Agribusiness and Services	**134,702**	115,660	**50,701**	37,086
Industry	**230,390**	298,635	**84,090**	54,378
Property	**1,583,082**	1,484,512	**256,602**	351,180
Holding Company	**2,434,337**	2,324,548	**683,925**	630,619
	4,382,511	4,223,355	**1,075,318**	1,073,263

For the purposes of monitoring segment performance and allocating resources between segments:

all assets are allocated to reportable segments other than investments in associates, 'other financial assets' and tax assets.

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	Depreciation		Additions to non-current assets	
	2012	2011	2012	2011
	P 000	P 000	P 000	P 000
42.5 Other segment information				
Agribusiness and Services	1,655	1,420	13,625	13,625
Industry	13,393	13,223	31,247	31,247
Property	1,760	1,771	911	911
Holding Company	659	235	1,307	800
	17,467	**16,649**	**47,090**	**46,583**

An impairment loss of P4.77 million (2011: P61.51 million) was recognised in respect of the carrying value of plant and machinery of a subsidiary company.

43. EVENTS AFTER THE REPORTING PERIOD

43.1 Investment in Fengyue Glass Manufacturing (Botswana) (Proprietary) Limited

The Company has invested in Fengyue Glass Manufacturing (Botswana) (Proprietary) Limited (associate), a company established to build a float glass production line. The project is a venture between the Company and Shanghai Fengyue Glass Co. Limited (Shanghai Fengyue), a company incorporated in the British Virgin Islands. The total investment comprises:

	Company	Shanghai Fengyue	Total
	P 000	P 000	P 000
Total funding			
Stated capital (43% Company and 57% Shanghai Fengyue)	132,470	130,000	262,470
Preference shares (cumulative)	71,276	-	71,276
Long term loan	218,375	-	218,375
Disbursed at 30 June 2012	422,121	130,000	552,121
Approved and undisbursed (as below)	225,825	47,056	272,881
Total project costs	**647,946**	177,056	**825,002**
Approved and undisbursed			
Stated capital	3,047	47,056	50,103
Preference shares	65,007	-	65,007
Long term loan	157,771	-	157,771
	225,825	47,056	**272,881**

	2012 P 000	2011 P 000
43. EVENTS AFTER THE REPORTING PERIOD {CONTINUED}		
Guarantees by the Company for the project (Note 35)		
Undrawn Letters of Credit - secured by cash holding	-	21,596
Guarantees for Letters of Credit	109,416	106,550
	109,416	128,146

The project has experienced substantial cost over-runs and during the current year the Board approved total additional funding of P332 million to cover additional costs on the project. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the investment in this project because the financial, operational and marketing information to make a full evaluation of the carrying value of the investment was not available. Consequently, we were unable to determine whether any adjustment to the carrying value of the investment, at the year end, is necessary.

Other than any adjustments arising from the matter noted above, no adjusting events have occurred between the reporting date and the date of approval of the financial statements.

43.2 Bank facility - First National Bank of Botswana Limited

On 7 March 2013, the Company entered into a facility agreement with First National Bank of Botswana Limited (as the Lender) and First Rand Bank Limited of South Africa (as Mandated Lead Arranger) for a P400 million facility by way of advances. The facility is to be used for the general funding purposes of the Company but prohibits the use of any portion of the facility for any purpose, directly or indirectly, connected with the financing or otherwise of the Fengyue Glass Manufacturing project mentioned in 43.1 above, except for the already existing funding arrangements for the project as at the signature date of the facility agreement.

The tenor for this facility is 18 months, it is unsecured and attracts interest at the discount rate payable at 91 days in respect of the Bank of Botswana Certificates (BOBCs' rate) plus a margin of 225 basis points. Interest is accrued on the daily balance beginning on the draw down date of each advance.

The drawn downs are as follows:

	Amount P 000
Fixed draw downs	
Up to 30 June 2013	240,000
Thereafter up to 1 March 2014	160,000
	400,000

As at the date of approval of the financial statements, an amount of P100 million had been drawn.

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