SUSTAINABLE DEVELOPMENT

Botswana Development Corporation Limited

Annual Report 2014

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OUR VISION IS TO BE AN INNOVATIVE AND SUSTAINABLE DEVELOPMENT FINANCE INSTITUTION.

OVERVIEW OF BDC

- Established in 1970 as a private company
- Owned 100% by Government of Botswana
- Provides debt and equity financing to investors (local and foreign) with commercially viable projects
- Funding starts from P25million investments
- Has a mandate to invest outside of Botswana's borders
- Promotes and facilitates economic development and diversification
- Investments across 10 industries including manufacturing, services, property and agriculture
- Balance sheet of over P3billion and a portfolio of 41 clients and investments

OUR VALUES

- Enterprising
- Collaboration
- Integrity

OUR PURPOSE IS TO PROVIDE, FACILITATE AND SUPPORT THE FINANCING OF COMMERCIALLY VIABLE DEVELOPMENTS IN ORDER TO CONTRIBUTE TO A SUSTAINABLE AND DIVERSIFIED BOTSWANA ECONOMY.

OUR MANDATE

- Promotion and facilitation of the economic development of Botswana
- Development of new or existing industrial, commercial, agricultural and property development businesses.
- Provision of direct financial investment or assistance to local or foreign investors with commercially viable projects.
- Conducting profitable, innovative and sustainable business.

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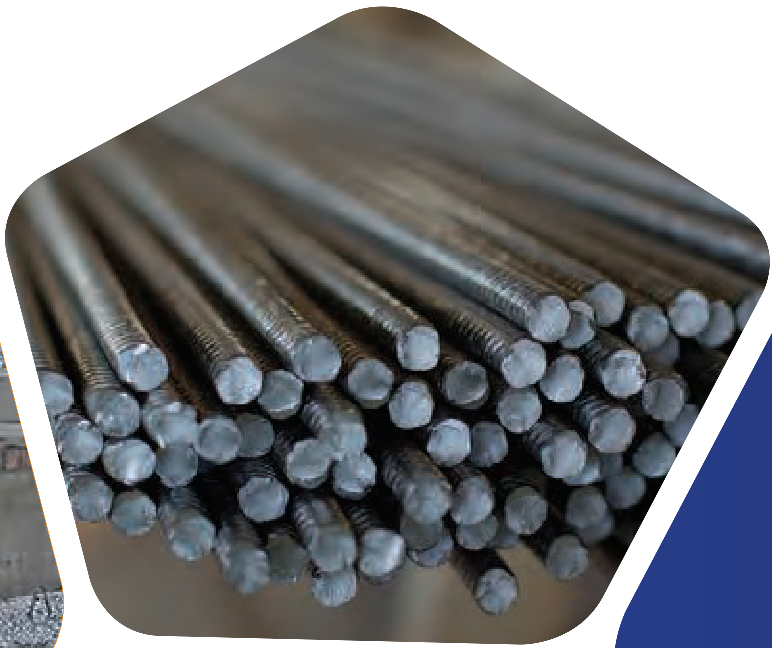
VALUE CREATED

Botswana Development Corporation creates value for its shareholders through its business activities and interactions. This is reflected in the value created report which shows the Corporation's residual income after distribution amongst its stakeholders. Value is created by generating income that exceeds all economic costs incurred to earn that income.

	2004	2005	2006	2007
Income from trade	133,677	171,855	182,503	200,023
Less: Cost of supplies and services	15,187	16,613	19,905	17,440
Total Value Added	**118,490**	**155,242**	**162,598**	**182,583**
Distributed as follows:				
Employees payroll cost	12,282	16,058	18,387	22,512
To providers of finance interest on loans	20,324	39,616	37,987	38,911
Company taxation on profits	9,459	12,151	15,866	23,772
Dividends to shareholder	15,000	20,000	17,126	18,050
Depreciation and provisions against investments	10,893	18,803	18,160	31,830
Profit retained	50,532	48,614	55,072	47,508
Total Value Added	**118,490**	**155,242**	**162,598**	**182,583**

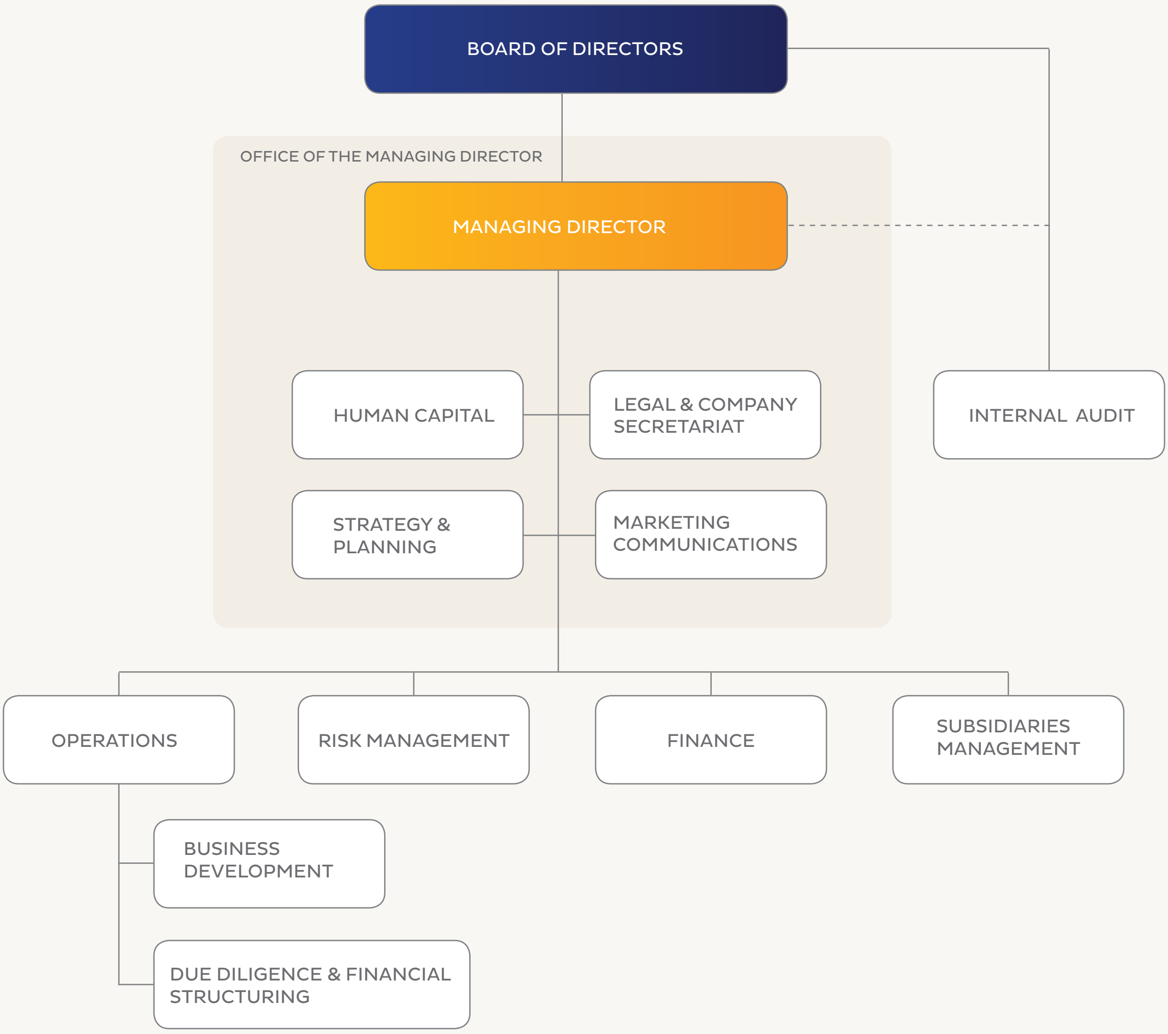


"The Business Re-Modelling Programme has begun to show positive signs and we believe these signs will be accelerated in the coming financial year."

2008	2009	2010	2011	2012	2013	2014
171,623	156,082	294,738	431,162	172,084	151,600	211,182
21,022	18,865	33,212	37,893	79,481	25,849	109,075
150,601	**137,217**	**261,526**	**393,269**	**92,603**	**125,751**	**102,107**
25,570	31,540	35,089	45,703	33,312	33,660	33,787
31,525	36,179	33,670	31,108	33,023	46,964	50,588
15,426	7,733	14,494	73,140	(22,877)	(2,459)	10,491
20,000	12,000	-	33,000	-	-	-
47,090	197,349	21,986	86,753	202,242	267,278	84,822
10,990	(147,584)	156,287	123,565	(153,097)	(219,692)	(77,581)
150,601	**137,217**	**261,526**	**393,269**	**92,603**	**125,751**	**102,107**

BOTSWANA DEVELOPMENT CORPORATION
NEW ORGANISATIONAL STRUCTURE

The Corporation approved a new organisational structure during the year under review which will be implemented in the next financial year. The new organisational structure was initiated as part of a broader organisational transformation project dubbed "BDC Business Re-Modelling." Below is the new structure.

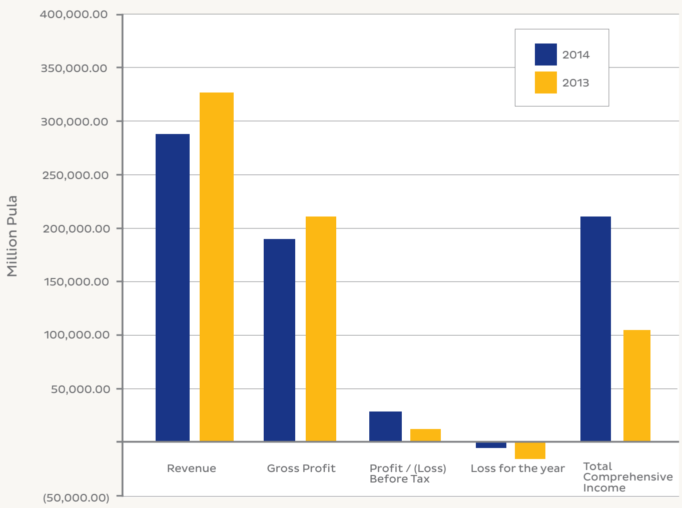


The latest BDC Development: Fairscape Precinct. Amongst many major tenants this building will also house BDC's new headquaters.

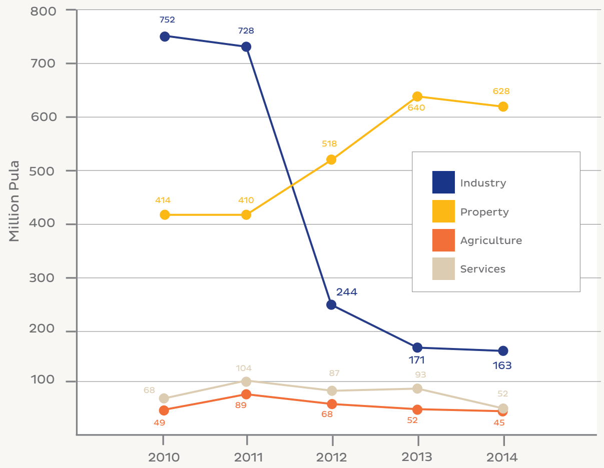
BOTSWANA DEVELOPMENT CORPORATION

FINANCIAL HIGHLIGHTS

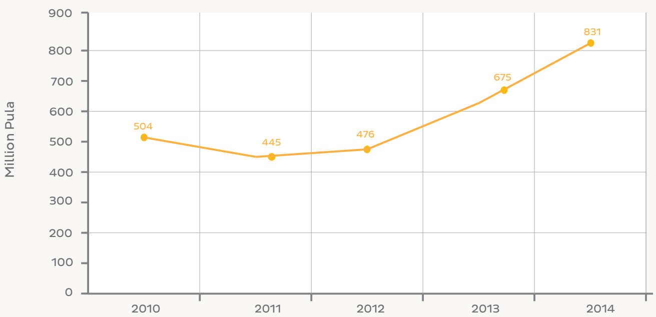
GROUP PERFORMANCE SUMMARY



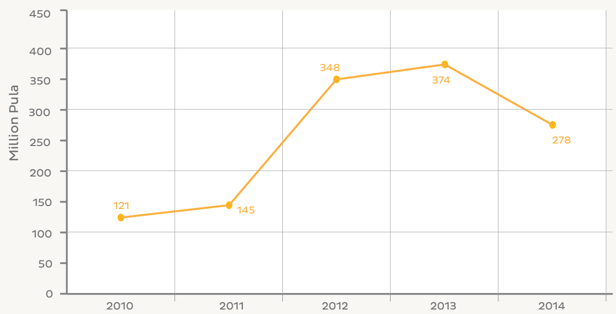
BUSINESS SECTOR DISTRIBUTION



LISTED INVESTMENTS



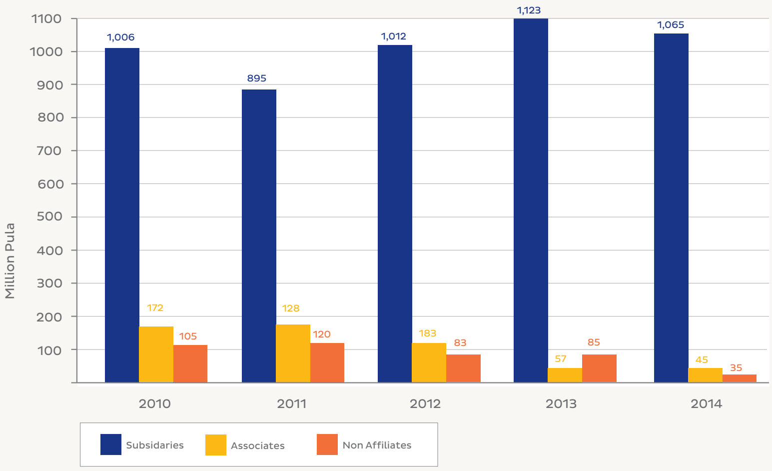
EXPENDITURE



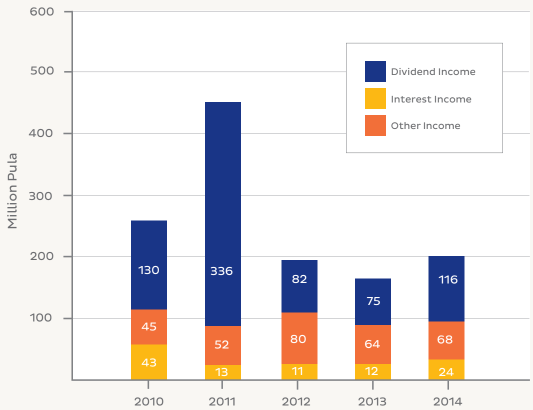
10% Group revenue declined by 10% as a result of a reduction in trade revenue as well as interest on loans.

48% BDC Company revenue increased by 48% driven by growth in both of the Corporation's main revenue streams, dividends and interest income.

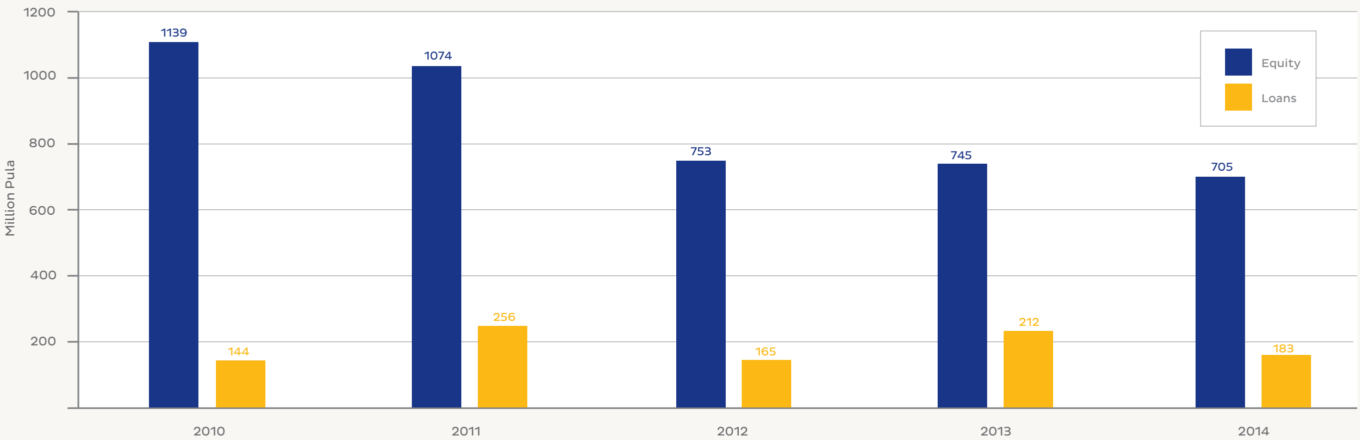
INVESTMENTS DISTRIBUTION



REVENUE DISTRIBUTION



PRODUCT RANGE



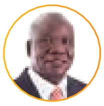
166% PBT has increased by 166% at Group level. At the Company level the LBT is 70% less than in the previous year.

15% Total assets for the Group and the Company have grown by 15% and 4% respectively.

BOTSWANA DEVELOPMENT CORPORATION

BOARD MEMBERS

1	Blackie Marole Chairman of the Board	6	Verily Molatedi
2	Bashi Gaetsaloe Managing Director	7	Amando Vasco Lionjanga
3	Mpho Moremong - Gobe	8	Solomon M. Sekwakwa
4	Reetsang Willie Mokgatlhe	9	Richard Vaka
5	Banny K. Molosiwa Deputy Chairperson of the Board		



BLACKIE MAROLE

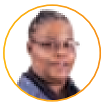
Board Chairman.

Appointed 14 November, 2011.

An Economist by profession, Mr. Marole spent 21 years in the civil service, rising to the position of Permanent Secretary at the Ministry of Energy, Water and Minerals Resources.

Mr. Marole has served on numerous national and international Boards including: African Energy Resources; Associated Fund Administrators (AFA); Botswana Diamond Valuing company; Diamond Manufacturing Botswana; Diamond Trading Company; Debswana Pension Fund Board of Trustees; Botswana Power Corporation (Chairman); Water Utilities Corporation (Chairman); Water Apportionment Board (Chairman); Debswana Diamond Company (Director and Chairman); De Beers Centenary AG/De Beers Consolidated Mines; BCL Limited; Botswana Ash; De Beers Prospecting (Pty) Ltd; De Beers Botswana (Pty) Ltd; Barclays Bank of Botswana (Chairman); CIC Energy among others.

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



BANNY K MOLOSIWA

Board Deputy Chairperson.

Appointed 1 August, 2004.

An Economist, Ms. Molosiwa is Permanent Secretary in the Ministry of Trade and Industry. Previously, she served in different capacities at the Ministry of Finance and Development Planning, and held the positions of Deputy Secretary and Secretary for Economic Affairs as well as Director for Development Programmes.

Ms. Molosiwa has served on the Boards of several institutions including BHC, WUC, BOTEC, BEDIA (now BITC), SPEDU, Okavango Diamond Company, Bank of Botswana, 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 has a Masters Degree in Development Economics from the Institute of Social Studies at The Hague in the Netherlands.

BASHI GAETSALOE

Managing Director.

Appointed 1 April, 2014.

Mr. Gaetsaloe joined BDC from Accenture Botswana where he was the Country Managing Director. A former Partner and Director of HRMC Management Consultants and later held the position of Chief Executive Officer at KPMG Consulting before joining Accenture Botswana. He has advised and consulted to the Botswana Government as well as to Botswana's leading companies across the banking, telecommunications, insurance, manufacturing and mining industries.

Mr. Gaetsaloe has a MA in Economics from Yale University, New Haven, USA and a Bachelor of Arts in Economics from Connecticut College, New London, USA.

AMANDO VASCO LIONJANGA

Chairman, Board Tender Committee.

Appointed 1 February, 2012

A Civil Engineer, Mr. Lionjanga, is currently the Registrar (CEO) of the Engineers Registration Board, a statutory body responsible for regulating the activities and conduct of registered engineers in Botswana.

He joined the Roads Department under the then Ministry ofWorks, Transport & Communications (WTC) in 1975 as an Assistant Roads Engineer and rose through the ranks to become Permanent Secretary in Ministry of WTC, a position he held from 1992 to 1999. Mr. Lionjanga was appointed Chairman of a number of statutory bodies under the Ministry of WTC including: Air Botswana, Botswana Railways, Botswana Telecommunications Corporation and Botswana Postal Services.

He retired from the Public Service in 1999 and joined Haas Consult, a local firm of Consulting Civil Engineers. In 2002 he was appointed founding Executive Chairman of the Public Procurement and Asset Disposal Board (PPADB), a position he held until 2010. During the same period he also served as Board Member of the Botswana Bureau of Standards.

Mr. Lionjanga has a Bachelor of Engineering (Civil) Degree from the University of Zambia and a Master of Science in Highway Engineering from University of Birmingham, UK.

VERILY MOLATEDI

Chairperson, Board Finance and Audit Committee;
Member Board Human Capital Committee.

Appointed 1 February, 2012.

A Certified Chartered Accountant, Ms. Molatedi is the Chief Executive Officer of Botswana Institute of Chartered Accountants (BICA) where she is responsible for driving the strategic direction of the Institute.

Prior to joining BICA she was Deputy Chief Executive Officer (Support Services) at the Local Enterprise Authority (LEA) responsible for Corporate Services, Human Recourses, Research and Development as well as Stakeholder Engagement and Communications.

Previously, she worked in both the parastatal and private sectors for organisations such as Water Utilities Corporation, Botswana Housing Corporation, Botswana Meat Commission and Standard Chartered Bank, She has many years of managerial experience working in the areas of Strategic Planning, Corporate Governance, Project Management and implementation, Financial Management and systems of Internal Control improvements.

Ms. Molatedi has served on several National and Regional Boards including Botswana Medical Aid Society, Botswana Railways, Rural Industries Promotion Company and SADCAS, a subsidiary of SADC.

Ms. Molatedi has 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.

RICHARD VAKA

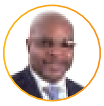
Chairman, Human Capital Committee; Member Finance and Audit Committee. Appointed 1 February, 2012.

A Human Resources practitioner, Mr. Richard Vaka is Group Employee Relations Manager for Debswana Diamond Company. He joined Debswana in 1988 as a Graduate Trainee and has held various Human Resources and Industrial Relations roles in the Debswana Group over the years. He was appointed to his current position in 2005.

Mr. Vaka has a BSc (Honours) in Psychology and a Post Graduate Diploma in Occupational Psychology both from Hull University, UK. He also has a Bachelor of Laws Degree from the University of South Africa.

Mr. Vaka is currently Chairman of the Debswana Pension Fund and Debswana ART and Wellness Fund Boards. He is the former

Chairman of the Botswana Medical Aid Society and Botswana Amateur Athletics Association.



REETSANG WILLIE MOKGATLHE

Chairman, Board Risk and Investment Committee; Member, Board Finance and Audit Committee.
Appointed 1 December, 2012.

Mr. Mokgatlhe is the founding Chief Executive Officer of Botswana Oil Limited, a Government-owned company tasked with ensuring security of supply and facilitation of citizen participation in the petroleum sector. He is the former Managing Director of Vivo Energy Botswana and Vivo Energy Namibia.

Mr. Mokgatlhe has held a range of senior positions in large private and parastatal organisations in Botswana, Namibia, South Africa and the Netherlands including Government Relations Advisor-Africa at Shell International; Country Chairman, Shell Namibia; and Chief Executive Officer, Air Botswana.

He had held directorships in several companies including Shell Namibia Limited (Chairman); Shell Oil Botswana (Chairman); National Development Bank (Chairman); Botswana Post; Air Botswana; and Airline Association of Southern Africa (Chairman).

Mr. Mokgatlhe has a Masters Degree from Canfields Institute of Technology, UK, and a Bachelor of Commerce from the University of Botswana.

SOLOMON M. SEKWAKWA

Former Board Chairman (2009-2011).
Appointed 1 November, 2011.

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

Having started his career as an Industrial Planner at the Selibe-Phikwe mine in 1979, Mr. Sekwakwa later joined the Southern District Council, first as an Assistant Economist and later as Senior Economist. He became Principal Economist for the Central District Council and thereafter the Ministry of Finance and Development Planning where he subsequently became Chief Economist and later, Director of Economic Affairs (Macro), Secretary, Development and Budget Division; and finally- Permanent Secretary in the Ministry of Finance and Development Planning.

Mr. Sekwakwa has served on a number of Boards including: Citizen Entrepreneurial Development Agency (CEDA), University of Botswana's Finance and Audit Committee (Chairman), National Development Bank, Vision 2016 Council, Bank of Botswana, De Beers Societe Anonyme, Debswana, Debswana Investment Board, De Beers Audit Committee and Banyana Farm Pty Ltd. Mr. Sekwakwa has a Masters of Arts Degree in Development Economics from the University of Sussex, UK and a Bachelor of Arts in Economics and Sociology from the University of Botswana

MPHO MOREMONG-GOBE

Member, Board Tender Committee and Board Risk and Investment Committee. Appointed 1 December, 2012

A Real Estate Practitioner, Ms. Moremong-Gobe is Managing Director of MG Properties and a member of the Royal Institute of Chartered Surveyors (RICS), UK; as well as the Real Estate Institute of Botswana and Real Estate Advisory Council.

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

Ms. Moremong-Gobe has served on numerous Boards including Gaborone City Council Adjudication Board (Chairperson); RICS Governing Council, UK (Africa Representative). Royal Institution of Chartered Surveyors Botswana Group (Chairperson) Real Estate Institute of Botswana (Vice President) and Real Estate Advisory Council (Chairperson), amongst others.

She has a Bachelor of Science (BSc) Hons. in Estate Management from Oxford Brookes University, UK, and a Masters in Business Administration (MBA), University of North West, RSA, jointly with the University of Liverpool, UK.

Independent Board Committee Members

When appropriate, the Board brings in independent professionals to assist the Board to better execute its duties and responsibility. The current independent members are:

MICHAEL LESOLLE

Independent member, Board Audit Committee.
Appointed February, 2012.

A Certified Chartered Accountant, Mr. Lesolle is Executive Director of Botswana Accountancy College (BAC) and former CEO of Botswana Savings Bank. He is a Fellow of the Association of Chartered Certified Accountants (ACCA) and has extensive experience in various aspects of business and the accountancy profession as well as in business leadership, organisational transformation, strategy formulation and its implementation, and managing change.

He has contributed extensively in the accountancy profession both locally at the Botswana Institute of Accountants (BIA, now BICA) where for many years he was Member of Council, and ultimately as President of the Institute. He is Non-Executive Director for a number of Boards including the BDC Audit Committee, Chairman of VPB, former Member of University of Botswana Council and others.

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

MALEBOGO ITUMELENG MPUGWA

Independent member, Human Capital Committee,
Appointed 9 August, 2012.

Ms. Mpugwa is Head of Human Resources and part of the Executive Committee for De Beers Global Sightholder Sales (DBGSS) where her primary responsibility is to lead and manage the company's people management strategy.

She previously held several human resources managerial and executive positions at Standard Chartered Bank, including as Regional Head of Human Resources for Consumer Banking Business in Southern Africa Debswana Diamond Company; and Debswana mines.

She is a Board member of Botswana Fibre Networks (BoFiNet) and the De Beers Global Sightholder Sales (DBGSS).

Ms. Mpugwa has 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.

SEAN RASEBOTSA

Independent member, Risk and Investment Committee.
Appointed 8 October, 2013.

Mr. Rasebotsa is Managing Director of Coronation Fund Managers (Botswana). Previously he served as Chief Executive Officer at Glenrand MIB. Prior to that held various positions at Barclays Bank in Botswana, Zambia and South Africa. Mr. Rasebotsa has a Bachelor of Commerce Degree from the University of Botswana.

BOTSWANA DEVELOPMENT CORPORATION

MANAGEMENT

1	Bashi Gaetsaloe Managing Director	7	Kebareileng Lebalang Chief Information Officer (Ag)
2	Jennifer Dube Manager, Legal	8	Kamogelo Kesiilwe Manager, Invoice Discounting
3	Boitshwarelo Lebang Manager, Corporate Communications and Public Relations (Ag)	9	Judith Dintwa Manager, Risk Management (Ag)
4	Emmanuel Maite Manager, Human Resource & Development	10	Jezenga Uezesa Manager, Industry
5	Magdeline Tsiane General Manager, Management Services (Ag)	11	Batlang Mmualefhe Manager, Marketing and Research
6	Ronald Phole Group Internal Auditor	12	Diketso Rantshabeng Manager, Agribusiness & Services

CHAIRMAN'S

STATEMENT

Blackie Marole

"On behalf of the Board, I want to thank all our stakeholders for their understanding, patience and continued loyalty and commitment to BDC and to what BDC can accomplish for the Nation."

In the year ending June 2014, the Corporation continued to manage the effects of financial losses accumulated over the past few years.

The decision to liquidate Fengyue Glass Manufacturing Botswana Pty Ltd led to a full impairment of the investment, which further worsened the financial performance of the Corporation. The impairment was spread over three years with a considerable amount in the prior financial year and a restatement in the 2011 and 2012 financials. The Corporation also experienced challenges during the year as many of its investment companies faced different and difficult market conditions.

The different operating conditions manifested in liquidity and other deficits, a problem further compounded by the fact that the Corporation had for a long time depended on short term funding for long term projects.

All these problems led the Board to review the fundamentals of the Corporation. The review, carried out with the assistance of KPMG as business consultants, went well and resulted in recommended structural reforms. The anticipated changes in the Corporation's business model caused some anxiety amongst staff which resulted in some unusually high turnover. After the approval of the new business model, all BDC staff members were given notice of possible job losses in terms of the Section 25 of the Employment Act, further increasing the uncertainty in the security of their jobs.

The implementation of the Business Re-Modelling Programme commenced in April 2014 with a clear action plan to address problems in the areas listed below over a period of six months. The exercise ended in December 2014.

1. Organisational Structure Design and Implementation
2. Risk Framework Design and Implementation
3. Governance Framework Design and Implementation
4. Legal Framework Design and Implementation
5. Business Process Re-Design and Implementation
6. Strategy Development and Implementation

Implementation of this plan began in April 2014 and the exercise will be completed by October 2014. The Board has every confidence that through this Re-Modelling Programme, BDC will not only solve many of its current challenges, but most importantly, will lay the foundation for future success and sustainability.

This will be a challenging and difficult journey, but we believe we are on the right path. The Business Re-Modelling Programme has begun to show positive signs and we believe these signs will be accelerated in the coming financial year.

On behalf of the Board, I want to thank all our stakeholders for their understanding, patience and continued loyalty and commitment to BDC and to what BDC can accomplish for the Nation.

I also want to express our utmost appreciation for the unwavering support and guidance that we received from the Honourable Minister of Trade and Industry, Ms. Dorcas Makgato.

Mr B Marole
Chairman

MANAGING DIRECTOR'S

STATEMENT

Bashi Gaetsaloe

Revenue for BDC Company	48%	▲
Group revenue	10%	▼
Loss before tax	70%	▼
Group profit before tax	166%	▲
Group assets growth	15%	▲

"Implementation of the programme begun in April 2014 with the objectives of reducing wastage, preserving cash, preserving the integrity of the balance sheet, and creating a platform for sustainable and viable growth."

I am honoured to report the Corporation's performance for the year ended June 2014. Several key developments have defined this period, namely: my appointment as the Managing Director, the implementation of the Business Re-Modelling initiative, and the approval of a bold and progressive Financial Restructuring initiative.

My appointment in March 2014 came at a time when the Corporation had been making losses for the previous three years both at a Company and Group level. My very first task, therefore, was to understand the challenges of our business and develop a clear and comprehensive plan to create a profitable and sustainable BDC. I am confident that we closed the last quarter of the year, with a thorough understanding of our strengths and weaknesses and a decisive and transformational plan that will return BDC to profitability and set the foundation for sustainable growth. Execution of this plan – dubbed the Business Re-Modelling Programme - was approved by the Board in March 2014 and an accelerated Financial Restructuring Plan approved a month later.

While I expect that many of the outcomes of these two programmes will be felt in 2015, I am pleased that we have already achieved some early successes.

BUSINESS RE-MODELLING PROGRAMME

The Business Re-Modelling Programme looks at ways to break away from the old corporate culture and introduce new ways of working, partnering, and executing. Implementation of the programme begun in April 2014 with the objectives of reducing wastage, preserving cash, preserving the integrity of the balance sheet, and creating a platform for sustainable and viable growth. Key activities include the following:

1. Financial Restructuring: a detailed review of the BDC portfolio including its development, decisions to sell, manage or restructure key investments.

2. Organisational Structure Design: a detailed re-design of the structure and associated job profiles and job grading. Through this exercise, it is anticipated that BDC will separate with a significant number of staff.

3. Risk Management and Governance Frameworks and Policies: a detailed review of our risk management and governance processes, frameworks and policies. Key to this work stream is the development of a robust and rigorous credit risk and investment framework and associated tools.

4. Legal Framework Review: a review of all our legal agreements to ensure the Corporation is adequately protected in all its transactions.

5. Business Process Re-Design: a detailed review of over 45 processes to ensure compliance with best practice and introduce a higher level of efficiency.

This programme is scheduled to be completed by the second quarter in the next financial year (October 2014). I am confident that through the successful completion of the Re-Modelling Programme, BDC will not only rebuild trust with our stakeholders, but will also emerge as the leading investment company in Botswana and the Region.

ACCELERATED FINANCIAL STRUCTURING PLAN

The Accelerated Financial Restructuring Plan is a part of the broader Business Re-Modelling Programme and has the single aim of creating a healthier and stronger BDC portfolio. Through this plan we will review each of our investments and, using clear criteria, make decisions to keep, sell, or restructure that investment.

This exercise, will have the benefit of not only aligning BDC towards its core mandate – but also of allowing private sector and citizen participation in all our investments. This exercise will further stimulate private sector growth and drive citizen empowerment. In delivering this Financial Restructuring Plan, BDC will ensure the highest standards of governance, transparency and integrity.

STRATEGIC PLAN

Given the Board's decision to review the BDC mandate and business model, the current four year strategy was put on hold, with the intention of reviewing the strategy and aligning it to the new business model. A new long term business strategy will be developed in the first quarter of next year and used to guide the organisation for the next four years.

This new plan will not only be aligned to the proposed business model, but will also chart a new direction for BDC as a pioneer in the diversification and expansion of the Botswana economy and a vehicle for wealth creation for the shareholder. Further, BDC will also explore markets outside Botswana for the very first time.

FINANCIAL PERFORMANCE AND DIVIDENDS

In the year under review, revenue for the BDC Company grew from P101.7M to P150.4M while Group revenue declined from P317.9M in the previous year to P286.8M in the current year. The slow-down in revenue at the Group level continued to reflect the challenges that the organisation is facing within its Subsidiary and Associate company structures.

At a Company level, BDC experienced a loss before tax of P67.1M against a loss before tax of P222.2M in the previous year. This loss at a Company level is substantially less than the loss in the previous year and is reflective of key initiatives to manage operating costs, improve collections and execute turn-around strategies within our portfolio of companies. However, the Group delivered a profit before tax of P35.7M for the year under review against a profit before tax of P13.4M in the previous year. This is a positive development and demonstrates that the Re-Modelling Programme is starting to show early signs of success.

The Group's assets continued to grow at a healthy rate increasing from P3.16B to P3.64B. BDC will continue to leverage this asset base as it seeks growth in the coming years.
During this financial year, the Corporation took a deliberate decision to cease new funding until the new Business Model was fully implemented and as a result no new projects were funded in the year under review. The Corporation will ramp up new funding, starting in January 2015.

THE JOURNEY AHEAD

The coming year will be a Transition Year for the Corporation as we introduce and bed-down many of the changes that will be necessary for the Corporation to achieve long term success.

Ultimately, we will create and nurture a new culture at BDC. A culture based on integrity, high performance, commercial acumen, and sustainability.

The journey will be challenging and as always we look forward to working with the Board, shareholder, and the business community on the important and urgent task of transforming BDC into a profitable and sustainable development finance institute.

Mr B Gaetsaloe
Managing Director

"At BDC, we understand that trust doesn't just happen. We have to earn it and build it."

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 100% owned by the 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 shareholder's oversight role.

About the Corporation

In terms of its mandate, the Corporation provides equity and debt finance as well as short-term working capital primarily to start-up entrepreneurs but also to other corporates that can benefit from a financier which has the balance sheet, resources and processes sufficiently robust to understand their business and support them in their pursuit of success. 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 the service and hospitality industries.

THE BDC BRAND

BDC has a strong brand that has developed over the past 44 years. Our Corporate Brand values: enterprising, collaboration and integrity are a benchmark to measure the behaviour and performance of the Corporation and its employees. Employees measure themselves against, and are in turned measured by, their adherence to these values.

Our logo is a graphic representation of who we are, and the important role we play as a development finance institution.

The BDC logo depicts four "pillars" of Botswana Development Corporation Limited, encompassing a "round table."

The "pillars" represent the Corporation's continued support of local and foreign investors through providing financial support to commercially viable projects, for the benefit of Botswana's economic development.

The pillars therefore firmly position BDC as a commercial and industrial development agency that occupies a central and responsible position in Botswana.

The "round table" – a universal symbol of discussion and negotiation – reinforces BDC's commitment to forging viable partnerships and cementing lasting

relationships in order to improve the quality of life. This underpins the Corporation's brand values and promise.

A Brand Promise is an extension of the mandate of a brand. The BDC's Brand Promise is "To promote and facilitate economic development for Botswana" through:

Providing financial assistance to investors with commercially viable projects that:

- Pioneer new industries
- Unlock value in existing industries
- Stimulate private sector growth and linkages
- Drive diversification and exports
- Create significant employment
- Generate wealth from outside the country

The BDC Brand Differentiator, "Your Investment Partner," puts emphasis on the mutual cooperation and responsibility of both the Corporation and its stakeholders towards a sphere of common interest. It positions BDC as the leader in equity investments and as an agency that is worthy of its stakeholders' trust to improve their quality of life.

BDC TRANSFORMATION OVERVIEW

In August 2013, BDC appointed KPMG to review and analyse its business model. By benchmarking it against similar institutions both regionally and globally and to recommend a new business model based on BDC's mandate, governance structures, risk appetite, sustainable growth potential and overall performance. The consultants were also asked to provide a high level scope, budget and timeline for the successful implementation of their recommended business model.

The internal analysis required the project team to engage with key BDC stakeholders as well as review relevant documentation from BDC in order to understand the issues and challenges with the business model. The review was conducted across seven areas of the business: Strategy, Operating Model, Organisational Design, Financial Structuring, Legal, Risk and Governance.

A benchmarking review critically evaluated four development financial institutions in order to benchmark leading practice and compared BDC to these organisations. The organisations reviewed were: Industrial Development Corporation (South Africa), Brazilian Development Bank, Business Development Bank of Canada and Malaysian Industrial Development Finance Berhad.

An important finding from the analysis was that BDC's mandate was still relevant but that there were issues when it came to putting the mandate into operation. The consultants proposed three future state Target Operating Models for BDC which would address these issues.

After assessing each option, BDC selected its preferred future state operating model – to be a Niche Development Finance Institute. The Business Model Review was then completed by developing a high level scope, budget and timeline for its implementation.

In May 2014, BDC appointed a Transformation Manager to work with consultants in the implementation of the selected Business Model. This initiative was done under the auspices of a project dubbed the "Business Re-Modelling" project. The project focused on addressing two critical platforms: a financial review and balance sheet restructuring; and organisational restructuring. In addition, five foundational building blocks - Risk Management, Governance, Legal Agreements and Frameworks, Operational Strategy and Capabilities and Processes, were identified and addressed during the Business Model Implementation.

The project will be completed in October 2014, ushering in the **#NewBDC.**

OUR PERFORMANCE

The Corporation's performance is evaluated against key Corporate Governance requirements from a triple bottom line perspective, encompassing social, economic and environmental considerations and progress made during the financial year. The purpose of this is to ensure that all stakeholders gain a better understanding of the governance systems and processes that the Board of Directors deploy to control and manage the affairs or the Corporation and the BDC Group as a whole.

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

"We have to take every opportunity to make a difference and to reduce environmental degradation. This is a priority for our organisation."

Corporation's ultimate beneficiaries' equity. The Board is also aware that the ultimate beneficiaries of the Corporation are the more than two million citizens of Botswana, and all other stakeholders.

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 adds value to society, the environment and the economy.

BUSINESS DEVELOPMENT AND PORTFOLIO OVERVIEW

During the review period, Business Development reflected on its portfolio and specific strategic actions were formulated to address key areas of the portfolio that were a source of concern. The biggest concern was the non-performance and poor performance of a proportion of the portfolio. Business Development adopted a strategic operational plan which was aimed at reappraising the entire portfolio with the view to making project-by-project decisions on key issues identified during the re-appraisal exercise. Bold decisions had to be taken on some projects given the results of the reappraisal.

The division also embarked on a "crisis response plan" strategy which was put in place after the adoption of the new BDC strategy.

The crisis response strategy was multi-faceted. Business Developments proposed the divestment from assets that were not aligned to the current organisational strategy. The Corporation is focusing and realigning its strategy to its mandate and hence focuses on transformational projects that pioneer and turn industries and sectors around. The Corporation's position is that it will no longer play a role in industries and sectors that are deemed to be mature in order to avoid crowding out the private sector, especially where it is proven that private companies can play competently. The criteria on divestment were based on this principle. Companies that were considered to not be performing to desired levels were to be subjected to a "turnaround plan."

"The Board is also aware that the ultimate beneficiaries of the Corporation are the more than two million citizens of Botswana, and all other stakeholders."

CORPORATE SOCIAL RESPONSIBILITY

In the period under review, the Corporation did not undertake any major Corporate Social Responsibility (CSR) projects due to the Re-Modelling exercise which also involved a review and update of the CSR policy. The Corporation however, engaged in ad hoc donations and sponsorships to support communities in which we operate.

BDC's revised CSR approach is premised on the following:

- The need to align the CSR Policy to the Corporation's business strategy, objectives, vision, mission, and values.
- The need to align the CSR Policy to best practice standards with regard to the BDC mandate, management, operation, budget, administration and reporting structures.
- The need to clearly define how the CSR budget is allocated and distributed towards deserving projects, donations and sponsorships and how these fit into the overall BDC Corporate strategy.
- By using greener practices and helping entrepreneurs to do the same.

THE ENVIRONMENT

We are determined that as we pursue the Corporation's business, we, together with our partners, shall preserve what nature has offered to the inhabitants of planet earth. We understand that a healthy environment is a necessary condition for individuals, communities, businesses and economies to thrive. 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.

Therefore we have to take every opportunity to make a difference and to reduce environmental degradation. This is a priority for our organisation because we also understand that as a financial institution, the Corporation will not directly participate in the operations of projects which may have negative impact on the environment's scarce natural resources. However, it is possible that projects we finance might.

In short, we endeavour to support environmentally beneficial projects and refuse those that do harm. We seek to give priority to and support entrepreneurs who create and use clean technologies as well as renewable energy companies. Our property portfolio, including our new Head Office, will be designed to ensure we manage energy and other resources used.

Through our continuous monitoring of projects and through independent Boards of entities that we invest in, the Boards of the BDC Group of companies continually ensure that minimising environmental impact is an essential component of policy frameworks.

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. At present, the Corporation has interests in entities that, by the nature of their business, would be so characterised.

Ultimately, we believe that when we help our subsidiaries and clients develop business strategies that take advantage of green opportunities and reduce the adverse environmental impacts of their business, we help to build the foundation for a sustainable future.

OUR SOCIETY

All citizens expect the Corporation and its sister companies and partners to fulfill their critical role of promoting and supporting present and future entrepreneurs. Similarly it is expected that we are accountable and transparent while doing so. The BDC team understands that it should continuously apply good business judgment, guided by high ethical business practices as qualified, motivated employees engaged to provide entrepreneurs with high-quality service at all times. We work to fulfill these expectations in a variety of ways. The proof is reflected in the trust our customers, our Board of Directors and National leaders afford us. However, we understand that we have to earn their trust.

We have a responsibility to do our job and deliver on our obligations in ways that engender the trust and approval of both the Botswana and global society. While ensuring that our business partners are proud to be associated with us. In striving to achieve this, we continuously monitor our attitudes towards:

- Good governance
- Responsible Corporate Citizenship and business practices
- The workplace we create

Our mandate was handed down by the Botswana Parliament: our officials are accountable to an independent Board of Directors, who are in turn accountable, through the Minister of Trade and Industry, to Parliament, and ultimately to Botswana citizens. This means that we have structured accountability. At the end of the day, we are entrusted with the mandate and therefore responsible to every citizen. We also need and expect the society to hold us to our mandate and to demand high standards in everything we do.

In pursuing our mandate, our Shareholder and our Board of Directors demand of our people an understanding that how we seek to do business and project ourselves are as important as the business we do – hence the need to always uphold our Corporate Values. At BDC we promise to:

- Do business with professionalism and display the highest levels of ethics and adhere to standards; uphold Integrity; and act in a fair and honest manner in our dealings with internal and external stakeholders
- Ensure that because our Stakeholders have dynamic needs, we shall continuously innovate and through team work, guarantee delivery on all our promises
- Always be customer centric, enthusiastic and committed when dealing with our customers, stakeholders and colleagues.

OUR HUMAN CAPITAL

The Corporation underwent a major restructuring process in the year under review. This project was aimed at ensuring that the organisational structure, job profiles, salary structure and other strategic human capital management tools are aligned to the vision of the new BDC. This was done to ensure that the Corporation has the necessary capacity, in terms of human capital, to deliver on its mandate.

As part of the restructuring exercise, there were, regrettably, some job losses. This was consistent with the decisions taken to reposition the business – ensuring that it rebuilds itself into a position of strength and resilience. A degree of right sizing was therefore an imperative. The Corporation carried this out with the seriousness and sensitivity it required.

The Corporation continues to enjoy a positive labour relations environment. During this reporting period, the staff members registered a Trade Union (Botswana Development Corporation Staff Union) and the Corporation recognised it within a very short period of time. The parties look forward to having a collaborative and mutually beneficial relationship.

On the human capital development front, the Corporation has been taking advantage of the special relationships it has built among its sister companies within the SADC region. A number of

"The Corporation's position is that it will no longer play a role in industries and sectors that are deemed to be mature in order to avoid crowding out the private sector."

employees have spent time at these organisations giving them the necessary exposure to acquire the skills and competencies needed in the new BDC. This will continue during the next financial year.

RISK MANAGEMENT

Risk management is a discipline that lies at the core of the Corporation and includes all the activities that affect BDC's risk and return profile. During the review period, BDC continued to pay close attention to Risk and the mitigation and management of acceptable business risks. BDC is continually exposed to a spectrum of risks as part of its daily business operations. It is therefore a business imperative that there is a full understanding and management of current and prospective risks.

Towards the end of June 2014, BDC started to develop a new Risk Management Policy and Framework (RMPF). The new RMPF was aimed at building a holistic framework which would allow the Corporate to more effectively assess, quantify, monitor and control risk all with an appropriate governance structure.

An overview of the inter-relationships between the principle components of this risk management framework are outlined in the diagram on the next column (Figure 1):

The Risk Management framework aims to ensure that risks are managed in a co-ordinated, comprehensive and systematic manner that is line with BDC's corporate mandate, national legislation and is consistent with internationally accepted standards and guidelines.

Figure 1: *Principle Elements of the Risk Management Framework.*

This framework regulates all risk management initiatives and activities, and facilitates their alignment with the strategic and operational objectives to ensure that the risks threatening the achievement of BDC's objectives are adequately and effectively managed at acceptable levels.

Three Lines of Defence Philosophy

BDC follows a "three lines of defence" philosophy which defines the roles of line management, support functions and internal and external functions in relation to the risk management process. A high level outline of this philosophy is outlined in the table below (Figure 2) :

THE FIRST LINE OF DEFENCE RISK MANAGEMENT

Encompasses the functional units that are responsible for the business operational activities, including those which are involved in day to day transaction services, and which are responsible for managing their own risks. Business Units are primarily responsible for identifying and managing risks in their area, and for developing and communicating policies, guidance and procedures necessary to manage those risks.

THE SECOND LINE OF DEFENCE RISK CONTROL

Consists of functional units that are responsible for monitoring the activities of the first "line of defence" and exercising risk control. It comprises risk management and compliance functions which are governed by BDC's risk and capital committees. Another key function of the second line of defence is to challenge the business lines' inputs to and outputs from the organisation's risk management, risk measurement and reporting processes/systems.

THE THIRD LINE OF DEFENCE RISK ASSURANCE

Provides an independent review and challenge of the Corporation's risk management controls, processes and systems. Those performing these reviews must be competent and appropriately trained and not directly involved in the development, implementation and operation of the Risk Management Framework. This assurance may be done by internal audit or by staff independent of the process or system under review, but may also involve suitably qualified external parties.

Figure 2: *Three Lines of Defence Philosophy.*

The third line is responsible for reviewing the activities of lines 1 and 2 functions at an appropriate frequency, assessing the robustness of control and mandating corrective action or improvement where necessary. Risk Assurance services are provided to BDC by the Internal Audit function.

RISK MANAGEMENT COMMITTEES

Three Risk Management structures ensure rigorous risk management oversight and management:

Board of Directors

The Board has the ultimate responsibility for identifying and controlling all risks that affects BDC. The responsibility for managing and monitoring risks has been delegated to two Board Sub-Committees – the Risk Committee and the Asset & Liability Committee (ALCO).

"Across all aspects, BDC continues to commit considerable resources to ensure effective governance."

Credit and Investment Committee

The purpose of the Credit and Investment Committee is to approve specific credit applications that are beyond the authority level of management and to oversee the control and management of all policies; processes and procedures related BDC's lending function. The scope of risks covered by this committee includes Credit Risk, Concentration Risk, and Country & Cross Border Risk.

Finance and Audit Committee

The Finance and Audit Committee is an operationally independent function set up to ensure that internal control systems address key risks and mitigate the scope of risk events to enhance stakeholders' value.

The Finance and Audit Committee monitors and reviews the integrity of the financial statements including annual and quarterly reports. This committee also approves the Internal Audit plan,and monitors and reviews the effectiveness of BDC's Internal Audit function, recommends the appointment of the external auditor and oversees the external audit process It also provides oversight of the compliance function to ensure compliance with applicable laws and regulations.

RISK MANAGEMENT FUNCTIONS

In addition, several Risk Management Functions exist within the organisation and these include:

Executive Committee (ExCo)

The purpose of the Executive Committee is to provide a supporting role to the CEO in exercising his delegated authorities and responsibilities from the Board. The mandate of the ExCo covers all current and prospective risks that the Corporation is exposed to.

Asset and Liability Committee (ALCO)

The purpose of the Asset and Liability Management Committee is to manage BDC's assets and liabilities in order to maximise shareholder value, enhance profitability, promote growth in capital, and protect BDC from adverse financial consequences stemming from fluctuations in liquidity risk. ALCO advises the Risk Committee on liquidity policy, funding policy, limit framework, as well as related procedures. Ultimately, ALCO exists to optimise the capital structure of BDC and reviews the balance sheet, funding and capital implications of major corporate restructuring proposals, including investments and acquisitions.

Risk Management Department

The overall Risk Management function is independent, reporting directly to the Chairperson of the Risk Committee with an operational line to the Chief Risk Officer (CRO). The Risk Division is led by the CRO who is accountable for coordinating BDC's Risk Management approach. The CRO is responsible for enabling an efficient and effective governance of BDC's significant risks and related opportunities.

Internal Audit Department

The Internal Audit Division – led by the Chief Auditor Executive – provides independent assurance in relation to management's assertions surrounding the robustness and effectiveness of risk management (including compliance) and may comment on the level of risk management maturity. Internal Audit complements but does not assume the functions, systems and processes of risk management, and assists the Board and the management in the monitoring and management of risks within BDC. Internal audit also monitors, through its own assurance processes, the progress of the different units in the Corporation in managing their risks.

Ultimately BDC's revised RMPF will not only protect the assets of the Corporation and ensure sound investment decisions, but will also drive a new culture of accountability and integrity.

GOVERNANCE FRAMEWORK

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

From June 2013 through June 2014, the BDC Board engaged independent consultants, as part of the Business Model Review project, to conduct extensive internal and external stakeholder engagements in order to solicit their views about the Corporation's governance structures. The ultimate objective of this was the designing a new governance framework that will ensure sustainability of the Corporation. A new governance framework, which includes a new Governance Policy, a revised Board Charter, a revamped and robust Delegation of Authority Policy with its Authority Arrangements, and a Shareholder Compact have been developed and approved, and the implementation thereof has commenced. The key principles of the new governance framework include:

- To ensure that there is clarity and proper translation of the Corporation's mandate by all stakeholders and those charged with the responsibility of guiding the Corporation.

- To enforce division of responsibilities so that there is role clarity between those charged with the customer relations responsibilities and those who have to enforce the obligations that go with that relationship.

- To develop an environment wherein those charged with governance and assurance have both the obligations and conditions to perform their duties.

- To improve the Corporation's financial governance which will result in improving the Corporation's fund raising capability and ability to compete in the market by providing its full services with competitive packages.

- To strengthen the BDC Group governance framework that will ensure that the companies in which BDC invests are self-sufficient and structured to be able to compete in their own right

- To enhance the Corporation's risk management framework to ensure that the Corporation is able to do business by taking opportunities where it should but continuously managing risk.

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 valued service to clients, managing risks, and making lasting 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 Board members are independent from management. Mr Blackie Marole, an independent Non-Executive Director, chairs the Board.

- Profiles and relevant details of all current members of the Board and independent members are set out on page 10-11 of this report.

Shareholder Engagement

The Board Chairman, Board members and management continued to engage with the Shareholder throughout the year to ensure that at all times there is alignment between the Shareholder vision about the Corporation and the Board and Management execution of that vision. To augment the continuous engagement and reporting to the shareholder, the Board has approved a Shareholder Compact between the Botswana Government and BDC not only to introduce performance contracting as an instrument for monitoring performance, but also to ensure that the parameters of the relationship between the Shareholder and BDC articulate the shareholder's expectations, set performance targets, monitor and evaluate performance and confirm the

"These independent control functions ensure that we meet the control and reporting obligations required of a self-regulated financial institution such as BDC."

performance targets as indicated in the Strategic Plan and Business Plan of BDC.

Independent Oversight

- The Board executes independent oversight over areas of risk to our business including the performance of our senior management team, succession planning, compensation issues, and overall business strategy.
- The Board also receives input from employees working in areas that include Risk management, Financial Accounting, Legal, Information Management and Internal Audit to name a few. These employees work in the "control" side of BDC and make up about half of the Corporation's staff compliment.
- The primary goal of all these independent control functions is to ensure that we meet the control and reporting obligations required of a self-regulated financial institution such as BDC.
- Our credit risk professionals are independent of the revenue producing sides of our businesses. They are expected to evaluate the potential for loss due to counter party default and to 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.

Governance and Internal Control Systems

- The Board is confident that following the implementation of the reviewed Business Model, the Corporation has robust policies, systems and procedures that provide reasonable assurance in safeguarding assets; preventing and detecting errors; and 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.

In order to ensure that there is a clear separation of roles and to avoid any inherent conflict of interest, the Corporation appoints independent Non-Executive Directors in subsidiary Boards, and a few of its personnel participate in the Boards of those companies.

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

IT Governance

Information systems in 21st century enterprises are all pervasive, no longer used only to enable a company to work more efficiently. They are now the very heart of the enterprise.

BDC is acutely aware of the critical role played by information systems and as a result, ours are being aligned with the long-term strategy of the Corporation.

Information Management is central to effective IT Governance, especially as it relates to Information Security.

The Information Technology department is an integral part of business process management within BDC. The Department continually reviews the security policies and procedures that represent the foundation for BDC's information security program. The information security policies serve as overarching guidelines for the use, management, and implementation of information security. The IT department also tests and enforces the internal controls to provide a system of checks and balances intended to identify irregularities, prevent waste, fraud or abuse, and assists in resolving discrepancies that are accidentally introduced in the operation of day to day business. Furthermore, in order to sustain reliability and efficiency of the IT services the Department maintains an upgraded schedule to keep the Corporation's infrastructure in tune with the latest technology. The Department also maintains robust security solutions by installing internationally recommended firewall solutions, as well as proactive end point protection.

"BDC is acutely aware of the critical role played by information systems and as a result, ours are being aligned with the long-term strategy of the Corporation."

Board Governance

The Corporation has a unitary Board structure appointed by the Shareholder which also appoints Chairman 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

In the interest of promoting efficiency and effective management, the Board has delegated some of its authority to its Committees and Management. Despite this, the Board understands that it still retains accountability and liability for its delegated authority. The Board has therefore put in place internal control and internal audit mechanisms to ensure the proper discharge of the delegated authority.

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 Finance and Audit Committee

The overall objectives of the Board Finance and Audit Committee are to monitor the adequacy of financial controls and reporting; review audit plans and adherence to these by external and internal auditor; 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 recommend the appointment of external auditors to the Board.

The Board Finance and Audit committee's role also includes assisting the Board of Directors in discharging its responsibilities in relation to audit; finance and corporate governance; and to enhance the credibility and objectivity of BDC's financial reporting. This Committee considers any matters relating to the financial affairs of BDC and its controlled entities. It also considers matters concerning BDC's Internal and External Audit as well as taking account of reports by management and Auditors on financial, business and strategic risk issues. The Committee also monitors BDC's appetite for risk and mitigating controls.

Board Human Capital Committee

The Committee assists the Board in the development of Human Capital 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 subsequent to the end of the financial year. The Committee's main role is to ensure effective management of the risk function within BDC; outline the scope of risk management; review and assess the integrity of the risk control systems; ensure that the risk policies and strategies are effectively managed; provide independent and objective oversight; evaluate credit and investment risk; and 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 current financial year.

"The Board and Management 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."

Board Performance and Emoluments

The Corporation recognises the need and importance of attracting and retaining competent Directors to drive the Corporation's mandate, and efforts are underway to establish a compensation mechanism that will achieve this. Nevertheless, as a 100% Government-owned entity, the Corporation complies with the government directives that control the payment of fees to Directors.

In accordance with the Corporation's Board Charter, Directors made efforts to attend all meetings of the

Board and its Committees. In line with best practice, non-executive Directors met at least once without the Executive Director and Management being present.

At present, Directors are paid a seating allowance at the prevailing rates issued by the shareholder from time to time. During the review period, seating allowances were paid at P840 for Directors and P1, 050 for Chairperson of the Board as well as Chairpersons of each Board Committee, both amounts being net of withholding tax.

Board members are also paid the equivalent of a seating allowance for any other official engagements that they are involved in. Fees for civil servants who also serve on the Board are payable directly to the Botswana Government. Consequently, all fees for both S.M Sekwakwa and B.K Molosiwa were paid to the Botswana Government.

Statement of Compliance

The Board is satisfied that every effort is being made to comply in all material respects with all principles of good governance, as set out in the 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 and the ISO9001:2008 Quality Auditors.

INTERNAL AUDIT

Governance Assurance and Internal Audit

While it is understood that the Board of Directors has overall responsibility for assuring that there is robust control and governance throughout the organisation at all times and to ensure there is also conformance and compliance to the Corporation's policies and procedures as well as compliance to other external requirements and best practice, the Board will be unable to provide such assurance without an effective internal assurance that is provided by the internal audit function.

Recognising this, the BDC Board established an independent internal audit function, whose mandate is established through an internal audit charter based on the Botswana Code on Corporate Governance, King III as well as the professional standards as pronounced by the Institute of Internal Auditors Incorporated, globally.

In line with best practice, the head of Internal is accountable to the Board of Directors through the Board Audit Committee, while also recognising the administrative responsibility to the Chief Executive.

The Board Audit Committee monitors the adequacy and effectiveness of the internal audit function by recommending the appointment of the Group Internal Auditor, a position that has subsequently been renamed Chief Audit Executive, approving and reviewing execution of the Internal audit plans as well as the Internal audit reports to the Board.

The Board Audit committee and the Board of Directors at all times seek to ensure promotion of an effective Internal Audit function. To that end the Corporation's Chief Audit Executive is regarded as central to 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 Audit Committee has oversight over the internal auditor who in turn has open access to the Chairman of the Audit Committee and the Chairman of the Board.

The Board recognises that Internal Audit is central to the combined assurance provided by Internal Audit and external auditors, which are both especially important for a Non-Executive Director.

Therefore the Internal Audit function provides a helicopter view of and 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.

Tip-Offs Anonymous

Internal Audit oversees and provides liaison between the Corporation's structures and an independent 24 hours anonymous tip-off Service

The service forms part of the mechanisms that assist the Corporation in fraud and corruption deterrence as well as detection. The Corporation in turn has a Whistle-blowers' Protection Policy to support the service by ensuring that whistle-blowers are both protected and are afforded fair treatment in dealing with any alleged reports.

DIRECTOR'S RESPONSIBILITY

	Executive Directors	Board Finance & Audit Committee	Board Human Capital Committee	Board Tender Committee	Board Risk & Investment Committee
Marole B (Chairman of the Board)					
Molosiwa B.K (Deputy Chairman)					
Gaetsaloe B	✔	✔	✔	✔	✔
Lionjanga A.V				✔ Chair	
Molatedi V		✔ Chair	✔		
Vaka R		✔	✔ Chair		
Mokgatlhe W		✔			✔ Chair
Sekwakwa S.M					
Moremong – Gobe M				✔	✔
Lesolle M (Independent Audit Comm member)		✔			
Mpungwa M (Independent HR Comm member)			✔		
Rasebotsa S (Independent Risk & Investment Comm member)					✔

ATTENDANCE AND TOTAL BOARD FEES

	Main Ordinary Board	Special Boards	Board Finance & Audit Comm	Board Human Capital Comm	Board Tender Board	Board Risk & Investment Comm	Total Meetings	Total Fees Due BWP
Marole B (Chairman)	5/6	12/14	–	–	–	–	17	17,850.00
Molosiwa B.K (Deputy Chairman)	2/6	7/14	–	–	–	–	9	7,560.00
Lionjanga A.V (Tender Board Comm Chair)	4/6	10/14	–	–	4/4	–	18	16,170.00
Molatedi V (Audit Comm Chair)	4/6	12/14	3/4	2/3	–	–	21	17,430.00
Vaka R (HR Comm Chair)		14/14	2/4	3/3	–	–	19	20,580.00
Mokgatlhe W	6/6	8/14	4/4	–	–	6/6	24	22,260.00
Sekwakwa S.M	1/6	5/14	–	-	–	–	6	5,040.00
Moremong – Gobe M	6/6	8/14	–	–	4/4	5/6	23	19,320.00
Lesolle M (Independent Audit Comm member)	–	2/14	3/4	–	–	–	5	4,200.00
Mpungwa M (Independent HR Comm)	–	1/14	–	3/3	-	–	4	3,360.00
Rasebotsa S (Independent Risk & Invest Comm)	–	–	–	–	-	3/6	3	3,360.00
Mphetlhe B (Botswana Government Proxy)	–	1/14	–	–	-	–	1	840.00
Gwere C (Retired member)	1/6	1/14	–	–	-	–	2	1,680.00

Attendance is measured in meetings attended out of total meetings convened by 30 June 2014.

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GROUP
ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2014

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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 2014 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 33 to 77. The Company has not declared dividend for the year ended 30 June 2014 (2013:P Nil).

DIRECTORS

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

B Marole (Chairman)
B K Molosiwa (Deputy Chairman)
B Gaetsaloe (Managing Director)
A V Lionjanga
V Molatedi
R Vaka
R W Mokgatlhe
S M Sekwakwa
M Moremong - Gobe

STATED CAPITAL

The total number of ordinary shares issued and fully paid is 517,699,462 (2013: 517,699,462).

INVESTMENTS

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

	BWP
Talana (Pty) Ltd	1 040 285
Lobatse Clay Works (Pty) Ltd	18 661 369
Coast-to-Coast Inn (Pty) Ltd	5 200 000
Golden Fruit 97 (Pty) Ltd	5 417 315
Thakadu & Kwena (Pty) Ltd	2 957 839

DIRECTORS' FEES AND EXPENSES

It is recommended that Directors' fees, expenses and emoluments of P635,226 (2013: P3,280,137) for the year to 30 June 2014 be ratified.

By Order of the Board

J Dube
Group Company Secretary
29 January 2015

DIRECTORS' RESPONSIBILITIES AND APPROVAL OF THE FINANCIAL STATEMENTS

30 June 2014

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation and fair presentation of the Group and Company financial statements of Botswana Development Corporation Limited (the Company), comprising the statements of financial position as at 30 June 2014 and the statements of comprehensive income, changes in equity and 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 ("IFRS").

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 the financial information included in this report. It is their responsibility to ensure that the Group and Company financial statements fairly present the state of affairs of the Group and Company as at 30 June 2014 and the results of their operations and cash flows for the year then ended, in conformity with IFRS. The external auditors are engaged to express an independent opinion on the Group and Company 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 IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments 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 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 and Company financial statements, which were examined by the external auditors and their report is presented on page 32.

DISCLOSURE OF AUDIT INFORMATION

Each of the Directors at the date of approval of this report confirms that:

- in so far as the director is aware, there is no relevant audit information of which the Group's and Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Group's and Company's auditor is aware of that information.

DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The Group and Company financial statements set out on pages 33 to 77 which have been prepared on the going concern basis, were approved by the Board on 29 January 2015 and are signed on its behalf by:

Mr B Marole
Chairman

Ms V Molatedi
Director

We have audited the accompanying consolidated and separate financial statements of Botswana Development Corporation Limited, which comprise the consolidated and separate statements of financial position as at 30 June 2014, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 33 to 77.

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 audit opinion.

OPINION

In our opinion, 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 2014, 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)

Gaborone
16 February 2015

BOTSWANA DEVELOPMENT CORPORATION LIMITED
STATEMENTS OF **COMPREHENSIVE INCOME**

For the year ended 30 June 2014

		Group		Company	
		2014	**2013**	**2014**	**2013**
	Notes	**P 000**	P 000	P 000	P 000
REVENUE					
Income from trade	1	188 894	216 557	150 379	101 744
Rental income		97 849	101 376	–	–
Contract rental		**93 420**	**88 665**	–	–
Straight line lease rental adjustment		**4 429**	**12 711**	–	–
		286 743	317 933	150 379	101 744
Cost of sales		(91 312)	(96 416)	–	–
GROSS PROFIT		195 431	221 517	150 379	101 744
Finance income	2	21 464	23 035	33 130	37 342
Other operating income	3	36 249	17 616	27 673	12 514
Fair value gain of investment properties	6	110 515	89 089	–	–
As per valuation		**114 944**	**101 800**	–	–
Straight-line rental adjustment		**(4 429)**	**(12 711)**	–	–
Share of profits of associates	10	53 272	71 809	–	–
Amortised cost of borrowings	28	(1 611)	(1 926)	(1 611)	(1 926)
Distribution costs		(3 403)	(5 545)	–	–
Marketing expenses		(3 649)	(5 877)	(1 941)	(3 719)
Occupancy expenses		(15 833)	(12 461)	(7 728)	(7 635)
Administrative expenses		(149 756)	(100 322)	(90 119)	(60 802)
Other operating expenses		(145 369)	(232 555)	(126 285)	(252 705)
Finance costs	2	(61 596)	(50 947)	(50 588)	(46 964)
PROFIT/(LOSS) BEFORE TAX	4	35 714	13 433	(67 090)	(222 151)
Income tax (expense)/credit	5	(43 496)	(35 906)	(10 491)	2 459
LOSS FOR THE YEAR		(7 782)	(22 473)	(77 581)	(219 692)
OTHER COMPREHENSIVE INCOME					
Net gain on investments designated as at fair value through other comprehensive income	23	203 606	151 660	203 606	151 660
Net gain on revaluation of property, plant and equipment	24	808	5 075	–	–
Share of other comprehensive profit/(loss) of associates	10	18 701	(27 173)	–	–
Other comprehensive income for the year		223 115	129 562	203 606	151 660
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		215 333	107 089	126 025	(68 032)
Profit/(Loss)Loss attributable to:					
Owners of the Company		(74 880)	(46 070)	(77 581)	(219 692)
Non-controlling interests	27	67 098	23 597	–	–
		(7 782)	(22 473)	(77 581)	(219 692)
Total other comprehensive income attributable to:					
Owners of the Company		223 115	129 562	203 606	151 660
Non-controlling interests		–	–	–	–
		223 115	129 562	203 606	151 660

BOTSWANA DEVELOPMENT CORPORATION LIMITED

STATEMENTS OF **FINANCIAL POSITION**

At 30 June 2014

	Notes	Group 2014 P 000	Group 2013 P 000	Company 2014 P 000	Company 2013 P 000
ASSETS					
Non-current assets					
Investment properties	6	**1 842 473**	1 538 849	**–**	–
Property, plant and equipment	7	**159 716**	162 655	**1 155**	1 759
Intangible assets	8	**1 742**	2 088	**–**	–
Subsidiaries	9	**–**	–	**1 064 785**	1 122 613
Associated companies/partnerships	10	**301 246**	285 793	**45 459**	56 570
Unquoted investments	11	**34 926**	85 019	**34 926**	85 019
Quoted investments	13	**830 973**	627 367	**830 973**	627 367
Due from group companies - net	14	**–**	–	**107 951**	104 457
Game stock	15	**–**	79	**–**	–
Rental straight-line adjustment		**22 861**	40 123	**–**	–
		3 193 937	2 741 973	**2 085 249**	1 997 785
Current assets					
Inventories	16	**31 194**	32 443	**–**	–
Trade and other receivables	17	**76 430**	82 598	**49 035**	51 047
Short-term loans	18	**20 124**	16 224	**39 851**	21 960
Available for sale investments	19	**560**	2 640	**–**	–
Cash and cash equivalents	20	**261 408**	230 615	**86 551**	94 423
Taxation recoverable		**49 390**	50 735	**3 858**	12 412
		439 106	415 255	**179 295**	179 842
Assets classified as held for sale	6	**2 510**	2 510	**–**	–
		441 616	417 765	**179 295**	179 842
Total assets		**3 635 553**	3 159 738	**2 264 544**	2 177 627
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	21	**864 199**	864 199	**864 199**	864 199
Share application	22	**24 070**	24 070	**24 070**	24 070
Fair value reserve	23	**680 421**	476 815	**680 421**	476 815
Other reserves	24	**135 385**	115 697	**–**	–
Dividend reserve	25	**45 194**	45 194	**45 194**	45 194
Claims equalisation reserve	26	**5 737**	4 956	**–**	–
Retained earnings/(accumulated losses)		**479 515**	547 203	**(168 383)**	(90 802)
Equity attributable to owners of the Company		**2 234 521**	2 078 134	**1 445 501**	1 319 476
Non-controlling interests	27	**313 751**	185 041	**–**	–
Total equity		**2 548 272**	2 263 175	**1 445 501**	1 319 476
Non-current liabilities					
Borrowings	28	**381 467**	387 209	**123 587**	284 539
Government grants	29	**12 834**	13 191	**–**	–
Provision for restoration costs	30	**13 771**	10 236	**–**	–
Deferred tax liability	31	**84 421**	73 807	**–**	–
		492 493	484 443	**123 587**	284 539
Current liabilities					
Current portion of borrowings	28	**386 290**	244 037	**383 652**	241 548
Trade and other payables	32	**120 238**	141 588	**226 318**	312 508
Bank overdrafts	33	**49 683**	26 495	**46 986**	19 556
Remodelling provision	43	**38 500**	–	**38 500**	–
Taxation payable		**77**	–	**–**	–
		594 788	412 120	**695 456**	573 612
Total equity and liabilities		**3 635 553**	3 159 738	**2 264 544**	2 177 627

STATEMENTS OF **CASH FLOWS**

For the year ended 30 June 2014

		Group		Company	
	Notes	**2014** **P 000**	2013 P 000	**2014** **P 000**	2013 P 000
Cash flows from operating activities					
Cash generated from/(used in) operations	39	**(21 867)**	75 426	**(30 479)**	36 883
Tax paid		**(14 036)**	(39 075)	**(14 014)**	(14 732)
Net cash (used in)/from operating activities		**(35 903)**	36 351	**(44 493)**	22 151
Cash flows from investing activities					
Purchase of investment properties	6	**(191 200)**	(224 137)	**-**	-
Purchase of property, plant and equipment	7	**(40 559)**	(11 653)	**(9)**	(706)
Purchase of intangible assets	8	**(10)**	(22)	**-**	-
Purchase of shares in subsidiaries		**-**	-	**(25 222)**	(121 889)
Purchase of shares in associates		**-**	(16)	**-**	(16)
Purchase of shares in unquoted investment companies		**-**	(15)	**-**	(15)
Redeemed shares		**5 602**	-	**5 602**	-
Purchase of available for sale investments	19	**-**	(712)	**-**	-
Loans disbursed to subsidiaries		**-**	-	**(20 439)**	(108 304)
Loans disbursed to associated companies		**(23 973)**	(111 979)	**(23 973)**	(111 979)
Loans disbursed to unquoted investment companies		**(8 544)**	(13 538)	**(8 544)**	(13 538)
Loans repaid by subsidiaries		**-**	-	**10 600**	1 826
Loans repaid by associated companies		**1 032**	31 017	**1 032**	31 017
Loans repaid by unquoted investment companies		**-**	5 784	**-**	5 784
Proceeds from disposal of property, plant and equipment		**523**	503	**-**	-
Proceeds from disposal of investment properties		**-**	-	**-**	-
Proceeds from disposal of available for sale investments	19	**2 080**	8 468	**-**	-
Net movement in the reserves of associates		**4 804**	38 436	**-**	-
Proceeds on disposal of investments		**39 133**	-	**39 133**	-
Write-offs of investments		**67 317**	11 347	**67 317**	14 171
Dividends received from associates		**29 312**	13 088	**-**	-
Interest received	2	**21 464**	23 035	**33 130**	37 342
Net cash (used in)/from investing activities		**(93 019)**	(230 394)	**78 627**	(266 307)
Cash flows from financing activities					
Long term borrowings raised		**259 614**	401 751	**93 094**	400 000
Long term borrowings repaid		**(123 103)**	(221 862)	**(111 942)**	(219 686)
Debenture interest and dividends paid to minority interests	27	**(13 021)**	(7 579)	**-**	-
Issue of shares to minority interests		**74 633**	5 628	**-**	-
Finance costs	2	**(61 596)**	(50 947)	**(50 588)**	(46 964)
Finance costs capitalised to investment properties	6	**-**	(2 124)	**-**	-
Net cash from/(used in) financing activities		**136 527**	124 867	**(69 436)**	133 350
Movement in cash and cash equivalents		**7 605**	(69 176)	**(35 302)**	(110 806)
Movement in cash and cash equivalents					
Beginning of the year		**204 120**	273 296	**74 867**	185 673
Movement during the year		**7 605**	(69 176)	**(35 302)**	(110 806)
End of the year		**211 725**	204 120	**39 565**	74 867
Cash and cash equivalents comprise:					
Cash and cash equivalents	20	261 408	230 615	86 551	94 423
Bank overdrafts	33	(49 683)	(26 495)	(46 986)	(19 556)
		211 725	204 120	39 565	74 867

BOTSWANA DEVELOPMENT CORPORATION LIMITED
STATEMENTS OF **CHANGES IN EQUITY**

For the year ended 30 June 2014

	Notes	Stated capital P 000	Share application P 000	Fair value reserve P 000	Other reserves P 000	Dividend reserve P 000	Claims equalisation reserve P 000	Retained earnings/ accumulated losses) P 000	Total attributable to members P 000	Non-cont rolling interests P 000	Total P 000
Group											
Year ended 30 June 2014											
Balance at 1 July 2013		864 199	24 070	476 815	115 697	45 194	4 956	547 203	2 078 134	185 041	2 263 175
Total comprehensive income for the year		–	–	203 606	19 509	–	–	(74 880)	148 235	67 098	215 333
(Loss)/profit for the year		–	–	–	–	–	–	(74 880)	(74 880)	67 098	(7 782)
Other comprehensive income for the year		–	–	203 606	19 509	–	–	–	223 115	–	223 115
Transfers during the year		–	–	–	179	–	781	(960)	–	–	–
Taxation attributable to debenture interest		–	–	–	–	–	–	8 152	8 152	–	8 152
Debenture interest declared during the year	27	–	–	–	–	–	–	–	–	(12 933)	(12 933)
Issue of shares to minority interests	27	–	–	–	–	–	–	–	–	74 633	74 633
Dividend paid	27	–	–	–	–	–	–	–	–	(88)	(88)
Balance at 30 June 2014		**864 199**	**24 070**	**680 421**	**135 385**	**45 194**	**5 737**	**479 515**	**2 234 521**	**313 751**	**2 548 272**
Year ended 30 June 2013											
Balance at 1 July 2012–as restated		864 199	24 070	325 155	68 208	45 194	4 054	656 198	1 987 078	163 395	2 150 473
Reclassification	24	–	–	–	69 501	–	–	(69 501)	–	–	–
Total comprehensive income for the year		–	–	151 660	(22 098)	–	–	(46 070)	83 492	23 597	107 089
(Loss)/profit for the year		–	–	–	–	–	–	(46 070)	(46 070)	23 597	(22 473)
Other comprehensive income for the year		–	–	151 660	(22 098)	–	–	–	129 562	–	129 562
Transfers during the year		–	–	–	86	–	902	(988)	–	–	–
Taxation attributable to debenture interest		–	–	–	–	–	–	7 564	7 564	–	7 564
Debenture interest declared during the year	27	–	–	–	–	–	–	–	–	(7 518)	(7 518)
Issue of shares to minority interests	27	–	–	–	–	–	–	–	–	5 628	5 628
Dividend paid	27	–	–	–	–	–	–	–	–	(61)	(61)
Balance at 30 June 2013		**864 199**	**24 070**	**476 815**	**115 697**	**45 194**	**4 956**	**547 203**	**2 078 134**	**185 041**	**2 263 175**
Company											
Year ended 30 June 2014											
Balance at 1 July 2013		864 199	24 070	476 815	–	45 194	–	(90 802)	1 319 476	–	1 319 476
Total comprehensive income for the year		–	–	203 606	–	–	–	(77 581)	126 025	–	126 025
Loss for the year		–	–	–	–	–	–	(77 581)	(77 581)	–	(77 581)
Other comprehensive income for the year		–	–	203 606	–	–	–	–	203 606	–	203 606
Balance at 30 June 2014		**864 199**	**24 070**	**680 421**	**–**	**45 194**	**–**	**(168 383)**	**1 445 501**	**–**	**1 445 501**
Year ended 30 June 2013											
Balance at 1 July 2012 – as restated		864 199	24 070	325 155	–	45 194	–	128 890	1 387 508	–	1 387 508
Total comprehensive income for the year		–	–	151 660	–	–	–	(219 692)	(68 032)	–	(68 032)
Loss for the year		–	–	–	–	–	–	(219 692)	(219 692)	–	(219 692)
Other comprehensive income for the year		–	–	151 660	–	–	–	–	151 660	–	151 660
Balance at 30 June 2013		**864 199**	**24 070**	**476 815**	**–**	**45 194**	**–**	**(90 802)**	**1 319 476**	**–**	**1 319 476**

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.

Adoption of new and revised International Financial Reporting Standards (IFRSs)

NEW AND REVISED STANDARDS AND INTERPRETATIONS EFFECTIVE FOR THE CURRENT PERIOD:

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 2013.

The Group adopted the following amendments to existing Standards in the current period:

IFRS 7 Financial Instruments – Disclosure (offsetting assets and liabilities)
The amendment is effective for periods beginning on or after 1 January 2013. The amendment requires disclosure of information about recognised financial instruments subject to enforceable master netting arrangements.

IFRS 10 Consolidated Financial Statements
This is a new Standard effective for periods beginning on or after 1 January 2013. It outlines the requirements for the preparation and presentation of consolidated financial statements, requiring entities to consolidate entities it controls. Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee.

IFRS 11 Joint Arrangements
This is a new Standard effective for periods beginning on or after 1 January 2013. It outlines the accounting by entities that jointly control an arrangement. Joint control involves the contractually agreed sharing of control and arrangements subject to joint control are classified as either a joint venture (representing a share of net assets and equity accounted) or a joint operation (representing rights to assets and obligations for liabilities, accounted for accordingly).

IFRS 12 Disclosure of Interests in Other Entities
This is a new Standard effective for periods beginning on or after 1 January 2013. It is a consolidated disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. Disclosures are presented as a series of objectives, with detailed guidance on satisfying those objectives.

IFRS 13 Fair Value Measurement
This is a new Standard effective for periods beginning on or after 1 January 2013. It applies to IFRSs that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The Standard defines fair value on the basis of an 'exit price' notion and uses a 'fair value hierarchy', which results in a market-based, rather than entity-specific, measurement.

IAS 1: Presentation of Financial Statements – Disclosure requirements for comparative information
The amendment is effective for periods beginning on or after 1 January 2013. The amendment clarified that there is no need to present three (3) sets of balance sheet notes when a third (3rd) balance sheet is presented and that the third (3rd) balance sheet is only required if the restatement in terms of IAS 8 has a material impact on the 3rd balance sheet. The Group has early adopted this Standard in the prior year.

IAS 19 Employee Benefits
The amendment is effective for periods beginning on or after 1 January 2013. The amendments were in respect of the recognition of defined benefit liability, disclosure and accounting for termination benefits.

IFRIC 20 Stripping costs in the production phase of a surface mine
The interpretation is effective for periods beginning on or after 1 January 2013 and deals with waste removal costs that are incurred in surface mining activity during the production phase of the mine.

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:

NEW/REVISED INTERNATIONAL REPORTING STANDARDS		Effective Date
IFRS 7	Financial Instruments - Disclosures	1 January 2015
IFRS 9	Financial Instruments - Classification and Measurement	1 January 2018
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2016
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014
IFRS 13	Fair Value Measurement	1 July 2014
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IFRS 16	Property, Plant and Equipment	1 January 2016
IFRS 19	Employee Benefits	1 July 2014
IFRS 27	Separate Financial Statements: Investment Entities	1 January 2014
IFRS 32	Financial Instruments	1 January 2014
IFRS 36	Recoverable amount disclosures for non-financial assets	1 January 2014
IFRS 38	Intangible Assets	1 January 2016
IFRS 39	Financial Instruments: Recognition and Measurement	1 January 2014
IFRS 21	Levies (recognition of liability for levies imposed by a Government in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets	1 January 2014

The Directors have not yet had the opportunity to consider the potential impact of the adoption of the above new and amended standards and interpretations.

Statement of compliance and basis of preparation

The consolidated financial statements, which are presented in Botswana Pula (the functional currency), have been prepared in accordance with IFRSs and 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.

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.

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 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.

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.

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.

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.

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.

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 t o 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.

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.*

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 40.

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.

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.

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 amounts of assets (including investments);
- 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.

	Group		Company	
	2014	2013	2014	2013
	P 000	P 000	P 000	P 000
1. REVENUE				
Income from trade:				
Revenue from the sale of goods and rendering of services	**136 152**	142 510	–	–
Interest on loans:				
– Subsidiaries	**–**	–	**14 017**	4 596
– Associated companies	**1 270**	3 232	**1 270**	3 232
– Unquoted investments	**12 781**	12 514	**12 781**	12 514
– Invoice discounting	**6 538**	4 083	**6 538**	6 756
Dividends received:				
– Subsidiaries	**–**	–	**54 308**	7 340
– Associated companies	**–**	–	**29 312**	13 088
– Unquoted investments	**–**	17 330	**–**	17 330
– Quoted investments	**32 153**	36 888	**32 153**	36 888
	188 894	216 557	**150 379**	101 744
2. FINANCE INCOME AND FINANCE COSTS				
Interest income:				
– Bank	**20 180**	20 384	**1 139**	873
– Debenture interest	**–**	–	**23 747**	26 866
– Preference shares	**1 284**	1 676	**8 244**	8 630
– Other	**–**	975	**–**	973
	21 464	23 035	**33 130**	37 342
Interest expense:				
– Bank borrowings	**(46 448)**	(25 572)	**(34 747)**	(24 633)
– Bonds	**–**	(1 532)	**–**	–
– Long-term borrowings	**(16 225)**	(23 288)	**(15 841)**	(20 851)
– Finance leases	**(229)**	(185)	**–**	–
– Botswana Unified Revenue Service (BURS)	**(41)**	(1 480)	**–**	(1 480)
– Borrowing costs capitalised to investment properties (note 6)	**–**	2 124	**–**	–
– Unwinding of discount on restoration costs (note 30)	**1 347**	(1 014)	**–**	–
	(61 596)	(50 947)	**(50 588)**	(46 964)
3. OTHER OPERATING INCOME				
Cost recoveries	**1 505**	2 653	**6 846**	7 096
Directors' fees received	**173**	165	**305**	408
Loan negotiating fees	**87**	123	**87**	123
Invoice discounting service fees	**1 732**	2 094	**1 732**	2 094
Bad debts recovered (note 17)	**7 893**	295	**7 584**	40
Profit on disposal of investments	**7 075**	–	**7 075**	–
Sundry income	**17 784**	12 286	**4 044**	2 753
	36 249	17 616	**27 673**	12 514

	Group		Company	
	2014	**2013**	**2014**	**2013**
	P 000	P 000	P 000	P 000
4. PROFIT/(LOSS) BEFORE TAX				
The following items have been (credited) /charged in arriving at profit/(loss) before tax, in addition to the amounts already disclosed in notes 1, 2 and 3 and 6:				
Amortisation of Government grant	**(357)**	(355)	**-**	-
Auditor's remuneration				
- current year	**1 837**	2 102	**428**	409
- prior year	**47**	22	**-**	-
- other	**23**	40	**-**	-
Operating lease payments	**677**	653	**7 728**	7 635
Amortisation of intangible assets (note 8)	**374**	355	**-**	-
Depreciation (note 7)				
- Property, plant and equipment	**13 023**	14 226	**613**	711
Impairment of property, plant and equipment (note 7)	**27 720**	112 959	**-**	-
Directors' fees	**158**	104	**158**	104
Directors' emoluments	**477**	3 176	**477**	3 176
Key management emoluments	**1 797**	4 444	**914**	1 550
Net foreign exchange losses/(gains)	**733**	(2 887)	**804**	2 679
Impairment on investments (note 12)	**43 701**	153 608	**108 182**	266 567
Bad and doubtful debts (note 17)	**11 699**	10 015	**4 253**	6 046
Rates	**3 496**	1 483	**-**	-
Utilities	**7 152**	6 763	**551**	762
Repairs and maintenance	**4 292**	4 656	**391**	289
Staff costs (as below)	**74 827**	73 072	**32 396**	33 660
Profit on disposal of investments	**(7 075)**	(38)	**(7 075)**	(38)
(Profit)/loss on disposal of property, plant and equipment	**(99)**	354	**-**	582
Staff costs				
Salaries and wages	**67 146**	64 237	**27 861**	28 836
Terminal benefits	**7 681**	8 835	**4 535**	4 824
	74 827	73 072	**32 396**	33 660
5. INCOME TAX EXPENSE/(CREDIT)				
Botswana company taxation				
Normal taxation at 22%/15%	**4 698**	18 067	**-**	-
Normal taxation - prior year	**(4 541)**	(4 166)	**(3 619)**	-
Withholding tax paid on dividends	**17 633**	7 292	**17 633**	7 292
Group tax relief	**-**	-	**(3 523)**	(9 751)
Total normal taxation	**17 790**	21 193	**10 491**	(2 459)
Deferred taxation (note 31)				
- current year	**10 418**	3 985	**-**	-
- prior year	**(1 511)**	1 031	**-**	
- capital gains tax	**2 515**	(25)	**-**	-
Share of associate company taxation (note 10)	**14 284**	9 722	**-**	-
Charge/(credit) for the year	**43 496**	35 906	**10 491**	(2 459)

5. INCOME TAX EXPENSE/(CREDIT) (Continued)

	Group		Company	
	2014	**2013**	**2014**	**2013**
	P 000	P 000	P 000	P 000
The tax on the profit/(loss) before tax differs from the theoretical amount as follows:				
Profit/(loss) before tax	**35 714**	13 433	**(67 090)**	(222 151)
Tax calculated at 22%/15%	**7 857**	2 955	**(14 760)**	(48 873)
Income not subject to tax	**(5 945)**	(11 928)	**(25 470)**	(16 422)
Normal taxation				
– prior year	**(4 541)**	(4 166)	**(3 619)**	–
Deferred taxation				
– prior year	**(1 511)**	1 031	**–**	–
Capital gains tax	**4 839**	(1 288)	**–**	–
Expense not deductible for tax purposes	**26 774**	55 254	**40 230**	65 295
Fair value adjustments subject to capital gains tax	**(19 193)**	(22 966)	–	–
Share of associated company taxation	**14 284**	9 722	**–**	–
Withholding tax paid on dividends	**17 633**	7 292	**17 633**	7 292
Unutilised losses carried forward	**3 299**	–	**–**	–
Losses utilised by subsidiaries	**–**	–	**(3 523)**	(9 751)
	43 496	35 906	**10 491**	(2 459)

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.

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

Tax year:	Group 2014	Group 2013	Company 2014	Company 2013
2008/2009	**–**	115 541	**–**	98 608
2009/2010	**15 377**	15 377	**15 058**	15 058
2011/2012	**68 250**	68 250	**–**	–
2012/2013	**92 700**	–	**76 131**	–
2013/2014	**149 861**	–	**110 398**	–
	176 327	199 168	**91 189**	113 666

	Group	
	2014	**2013**
	P 000	P 000
6. INVESTMENT PROPERTIES		
Land and buildings at fair value	**1 888 681**	1 580 628
Straight line lease rental adjustment	**(46 208)**	(41 779)
Balance at end of year	**1 842 473**	1 538 849
Reconciliation of fair value		
Balance at beginning of the year	**1 538 849**	1 200 253
At valuation	**1 580 628**	1 229 321
Straight line lease rental adjustment	**(41 779)**	(29 068)
Additions during the year	**191 200**	224 137
Borrowing costs capitalised	**–**	2 124
Transfers from properties, plant and equipment (note 7)	**1 909**	25 756
Transfer to assets classified as held for sale	**–**	(2 510)
Fair value of investment properties	**110 515**	89 089
Increase in fair value during the year	**114 944**	101 800
Straight line lease rental adjustment	**(4 429)**	(12 711)
Balance at end of the year	**1 842 473**	1 538 849

Fair value of investment properties

The fair value of the investment property has been arrived at on the basis of valuations carried out at 30 June 2014 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 2014.

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

Investment property available for sale

A subsidiary company is in the process of negotiating the sale of an investment property. As a result the investment property has been disclosed as an "Asset classified as held for sale". Proceeds from this sale will be utilised for other projects. The property has not been disposed yet as management is currently in the process of

Transactions associated with investment properties are:		
Rental income	**97 849**	101 376
Repairs and maintenance expenses	**(2 630)**	(2 552)

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 2014							
Balance at beginning of the year	92 694	743	2 226	30 789	6 554	29 649	162 655
Additions	8 684	751	324	6 004	2 584	22 212	40 559
Transfers	6 183	-	-	29	(422)	(6 212)	(422)
Transfers to investment properties (note 6)	(1 909)	-	-	-	-	-	(1 909)
Depreciation (note 4)	(1 824)	(545)	(413)	(8 063)	(2 178)	-	(13 023)
Disposals	-	(3)	(290)	(131)	-	-	(424)
Impairment loss through profit and loss (note 4)	-	-	-	(27 720)	-	-	(27 720)
Balance at end of the year	103 828	946	1 847	908	6 538	45 649	159 716
At 30 June 2014							
Cost/valuation	102 526	11 820	4 446	233 569	18 030	45 649	416 040
Accumulated depreciation	1 302	(10 874)	(2 599)	(232 661)	(11 492)	-	(256 324)
Net book value	103 828	946	1 847	908	6 538	45 649	159 716
Year ended 30 June 2013							
Balance at beginning of the year	88 292	1 268	2 345	106 191	7 724	48 554	254 374
Additions	151	346	854	645	1 356	8 301	11 653
Transfers	1 450	-	-	-	-	(1 450)	-
Transfers to investment properties (note 6)	-	-	-	-	-	(25 756)	(25 756)
Depreciation (note 4)	(2 199)	(486)	(723)	(8 514)	(2 304)	-	(14 226)
Disposals	-	(385)	(250)	-	(222)	-	(857)
Revaluation	5 000	-	-	45 426	-	-	50 426
Revaluation during the year (note 24)	5 000	-	-	-	-	-	5 000
Adjustment for revaluation on plant and machinery	-	-	-	45 426	-	-	45 426
Impairment loss through profit and loss (note 4)	-	-	-	(112 959)	-	-	(112 959)
Balance at end of the year	92 694	743	2 226	30 789	6 554	29 649	162 655
At 30 June 2013		743		30 789	6 554		
Cost/valuation	100 902	11 415	4 976	358 875	16 802	29 649	522 619
Accumulated depreciation	(8 208)	(10 672)	(2 750)	(328 086)	(10 248)	-	(359 964)
Net book value	92 694	743	2 226	30 789	6 554	29 649	162 655

The impairment loss of P57.5million (2013: P112.96 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 asset out in notes 28 and 33.

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Computers P 000	Motor vehicles P 000	Furniture & fittings P 000	Total P 000
Company				
Year ended 30 June 2014				
Balance at beginning of the year	568	587	604	1 759
Additions	–	–	9	9
Depreciation (note 4)	(243)	(203)	(167)	(613)
Balance at end of the year	**325**	**384**	**446**	**1 155**
At 30 June 2014				
Cost	2 226	885	2 072	5 183
Accumulated depreciation	(1 901)	(501)	(1 626)	(4 028)
Net book value	**325**	**384**	**446**	**1 155**
Year ended 30 June 2013				
Balance at beginning of the year	1 008	791	547	2 346
Additions	183	–	523	706
Depreciation (note 4)	(255)	(204)	(252)	(711)
Disposals	(368)	–	(214)	(582)
Balance at end of the year	568	587	604	1 759
At 30 June 2013				
Cost	2 226	885	2 063	5 174
Accumulated depreciation	(1 658)	(298)	(1 459)	(3 415)
Net book value	568	587	604	1 759

8. INTANGIBLE ASSETS

	Group	
	2014 P 000	2013 P 000
Computer software:		
Balance at beginning of the year	**2 088**	2 421
Additions	**10**	22
Amortisation charge (note 4)	**(356)**	(355)
Balance at end of the year	**1 742**	2 088
At 30 June		
Cost	**3 627**	3 617
Accumulated amortisation	**(1 885)**	(1 529)
Net book value	**1 742**	2 088

9. SUBSIDIARIES

	Ordinary shares at cost	Preference shares at cost	Held to maturity Short term loan	Held to maturity Long term loan	Total loan	2014 Total investment	2013 Total investment	% of shares held	Loan interest rate
	P 000	P 000	P 000	P 000	P 000	P 000	P 000		p.a (%)
Agriculture	52 774	8 000	11 296	–	11 296	**72 070**	67 597		
Farm Development Company (Pty) Ltd	2	–	–	–	–	**2**	2	100	–
Talana Farms (Pty) Ltd	9 178	–	–	–	–	**9 178**	8 138	100	–
LP Amusements (Pty) Ltd	27 398	8 000	11 296	–	11 296	**46 694**	43 261	100	17.50
Malutu Investments (Pty) Ltd	16 196	–	–	–	–	**16 196**	16 196	100	–
Industry	291 163	79 009	1 650	5 125	6 775	**376 947**	345 599		
Kwena Concrete Products (Pty) Ltd	11 880	–	–	–	–	**11 880**	11 880	100	–
Lobatse Clay Works (Pty) Ltd	131 122	30 000	–	–	–	**161 122**	142 460	100	–
Golden Fruit 97 (Pty) Ltd	25 496	13 338	–	–	–	**38 834**	33 416	100	–
Can Manufacturers (Pty) Ltd	122 665	35 671	1 650	5 125	6 775	**165 111**	157 843	100	11.75
Services	24 437	5 200	–	6 131	6 131	**35 768**	30 970		
Export Credit Insurance & Guarantee (Pty) Ltd	13 437	–	–	–	–	**13 437**	13 436	100	–
Coast-to-Coast Inn (Pty) Ltd	11 000	5 200	–	6 131	6 131	**22 331**	17 534	100	13.00
Property management	883 345	6 347	6 781	196 737	203 518	**1 093 210**	1 118 011		
Botswana Hotel Development Co. (Pty) Ltd	104 098	–	–	77 346	77 346	**181 444**	186 270	100	11.00
Commercial Holdings (Pty) Ltd	215 932	–	–	111 037	111 037	**326 969**	315 532	100	8.80
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	32 788	6 347	2 733	–	2 733	**41 868**	44 516	100	11.00
Western Industrial Estate (Pty) Ltd	222 463	–	4 048	8 354	12 402	**234 865**	231 572	100	Varied
Phakalane Property Development (Pty) Ltd	510	–	–	–	–	**510**	510	51	–
Letlole la Rona Ltd	297 618	–	–	–	–	**297 618**	329 675	59	–
Total all sectors	**1 251 719**	**98 556**	**19 727**	**207 993**	**227 720**	**1 577 995**	**1 562 177**		

	2014	2013
Less:		
Accumulated impairment (note 12)	**(416 137)**	(351 656)
Fair value adjustment of loan provided at below market rate	**(77 346)**	(82 172)
	1 084 512	1 128 349
Less:		
Current portion of loans included in short-term loans and advances (note 18)	**(19 727)**	(5 736)
	1 064 785	1 122 613

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

	2014	2013
Up to 1 year	**19 727**	5 736
Between 2 and 5 years	**130 647**	117 163
Over 5 years	**77 346**	77 346
	227 720	200 245

10. ASSOCIATED COMPANIES/PARTNERSHIPS

	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	2014 Total investment	2013 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 (%)
Agriculture	10 477	10 000	-	9 334	9 334	(10 554)	**19 257**	17 150		
Botalana Ventures (Pty) Ltd	3 835	7 500	-	6 067	6 067	(6 487)	**10 915**	10 589	33	17.50
Kwalape (Pty) Ltd	2 210	2 500	-	3 267	3 267	(832)	**7 145**	6 253	40	17.50
Marekisetso A Merogo (Pty) Ltd	4 432	-	-	-	-	(3 235)	**1 197**	308	33	-
Industry	141 969	57 232	-	328 089	328 089	32 641	**559 931**	556 565		
Asphalt Botswana (Pty) Ltd	6 804	-	-	-	-	21 530	**28 334**	41 280	48	-
Fengyue Glass Manufacturing (Botswana) (Pty) Ltd	132 470	57 232	-	328 089	328 089	-	**517 791**	493 821	43	11.75
Kwena Rocla (Pty) Ltd	2 695	-	-	-	-	11 111	**13 806**	14 836	49	-
Tannery Industries (Botswana) (Pty) Ltd	-	-	-	-	-	-	**-**	6 628	32	-
Services	38 113	-	-	-	-	173 409	**211 522**	158 543		
Peermont Global (Botswana) Ltd	3 000	-	-	-	-	49 459	**52 459**	60 632	40	-
Healthcare Holdings (Pty) Ltd	3 809	-	-	-	-	15 005	**18 814**	17 084	30	-
Investec Holdings Botswana Ltd	870	-	-	-	-	1 357	**2 227**	3 089	24	-
TransUnion (Pty) Ltd	147	-	-	-	-	1 731	**1 878**	2 297	49	-
Mashatu Nature Reserve (Pty) Ltd	10 287	-	-	-	-	72 031	**82 318**	37 690	30	-
Metropolitan Life of Botswana Ltd	20 000	-	-	-	-	33 826	**53 826**	37 751	25	-

	Ordinary shares at cost	Preference shares at cost	Short term loan	Held to maturity Long term loan	Total loan/ debenture	Post acquisition reserves	2014 Total investment	2013 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)										
Property management	3 031	-	-	-	-	58 791	**61 822**	91 762		
DBN Developments Partnership	1 500	-	-	-	-	24 237	**25 737**	40 213	33	-
NBC Developments	1 531	-	-	-	-	34 554	**36 085**	51 549	33	-
Total all sectors	193 590	67 232	-	337 423	337 423	254 287	**852 532**	824 020		
Less: Accumulated impairment (note 12)							**(546 237)**	(538 070)		
							306 295	285 950		
Less: Current portion of loans included in short-term loans and advances (note 18)							**(5 049)**	(157)		
							301 246	285 793		
Company										
Ordinary and preference shares at cost										
- Gvroup investment as disclosed above							**260 822**	283 084		
- amount invested in DBN Developments by NPC Investments (Pty) Ltd							**(1 500)**	(1 500)		
							259 322	281 584		
Loans							**337 423**	313 213		
							596 745	594 797		
Less: Accumulated impairment (note 12)							**(546 237)**	(538 070)		
							50 508	56 727		
Less: Current portion of loans included in short-term loans and advances (note 18)							**(5 049)**	(157)		
							45 459	56 570		

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:

	2014 P 000	2013 P 000
Maturity of short and long term loans		
Up to 1 year	**5 049**	157
Between 2 and 5 years	**332 374**	313 056
	337 423	313 213
Included in post acquisition reserves are the following:		
Current year share of associates profits	**53 272**	71 809
Current year share of associates tax charge (note 5)	**(14 284)**	(9 722)
Net profit after tax	**38 988**	62 087
Share of other comprehensive loss of associates, net of tax	**18 701**	(27 173)
	57 689	34 914

11. UNQUOTED INVESTMENTS

	Preference shares at cost P 000	Held to maturity Short term loan P 000	Held to maturity Long term loan P 000	Total loan P 000	2014 Total investment P 000	2013 Total investment P 000	Loan interest rate p.a (%)
Agriculture	-	386	10 270	10 656	**10 656**	16 119	
AOB-AGRIB (Pty) Ltd	-	-	-	-	**-**	6 801	
Chicken Zone (Pty) Ltd	-	386	10 270	10 656	**10 656**	9 318	13.00
Industry	3 192	11 451	39 669	51 120	**54 312**	70 414	
Matsiloje Portland Cement (Pty) Ltd	-	-	-	-	**-**	5 602	-
Delta Diaries (Pty) Ltd	-	739	4 142	4 881	**4 881**	4 913	13.00
Philisa Day Care Centre (Pty) Ltd	-	215	2 379	2 594	**2 594**	2 284	13.00
Hypen Holdings (Pty) Ltd	-	306	2	308	**308**	1 414	17.25
Crates & Pallets Botswana (Pty) Ltd	3 192	1 261	5 358	6 619	**9 811**	7 583	13.75
Prima Foods (Pty) Ltd	-	1 210	2 330	3 540	**3 540**	4 743	12.75
Seven Star Steel Pipe Group (Pty) Ltd	-	7 720	25 458	33 178	**33 178**	43 875	13.25
Services	2 958	2 983	25 404	28 387	**31 345**	24 572	
Lavender Projects (Pty) Ltd	-	2 377	1 620	3 997	**3 997**	6 814	12.50
Afri-Media (Pty) Limited	-	194	918	1 112	**1 112**	956	14.00
Thakadu & Kwena Hotels (Pty) Ltd	2 958	-	-	-	**2 958**	-	
Gloryland Guest Lodge (Pty) Ltd	-	412	22 866	23 278	**23 278**	16 802	13.25
Property management	-	255	3 351	3 606	**3 606**	4 365	
Agronet (Pty) Ltd	-	255	3 351	3 606	**3 606**	4 365	13.25
Total all sectors	6 150	15 075	78 694	93 769	**99 919**	115 470	

11. UNQUOTED INVESTMENTS (Continued)

	Group and Company 2014 P 000	Group and Company 2013 P 000
Total all sectors	99 919	115 470
Accumulated impairment	(49 918)	(14 384)
	50 001	101 086
Less: Current portion of loans included in short-term loans and advances (note 18)	(15 075)	(16 067)
	34 926	**85 019**

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

	2014	2013
Maturity of short and long term loans		
Up to 1 year	15 075	16 067
Between 2 and 5 years	78 694	88 513
	93 769	104 580
Securities pledged for the above loans	1 243 537	264 387

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	
	2014 P 000	2013 P 000	**2014 P 000**	2013 P 000
12. ACCUMULATED IMPAIRMENT OF INVESTMENTS				
Balance at beginning of the year	**552 454**	398 846	**904 110**	637 543
Increase in impairment during the year (note 4)	**43 701**	153 608	**108 182**	266 567
Balance at end of the year	**596 155**	552 454	**1 012 292**	904 110
Represents provision against:				
Subsidiaries (note 9)	**-**	-	**416 137**	351 656
Associated companies/partnerships (note 10)	**546 237**	538 070	**546 237**	538 070
Unquoted investments (note 11)	**49 918**	14 384	**49 918**	14 384
	596 155	552 454	**1 012 292**	904 110
13. QUOTED INVESTMENTS				
Shares at cost	**150 552**	150 552	**150 552**	150 552
Net gain transferred to fair value reserve (note 23)	**680 421**	476 815	**680 421**	476 815
Shares at market value	**830 973**	627 367	**830 973**	627 367
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 (2013: 34,044, 315) and 50,283,975 (2013: 50,283,975) ordinary shares in Sechaba Breweries Holdings Ltd and Cresta Marakanelo Ltd, respectively.

Although the Company owns 25% (2013: 25%) Of Sechaba Breweries Holdings Ltd's 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% (2013: 27%) of Cresta Marakanelo Ltd's 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 the provisions of the Fourth Schedule of the Income Tax Act, to offset their assessable income against the assessable losses of the Company.

	Company	
	2014	**2013**
	P 000	P 000
Group company name		
Talana Farms (Pty) Ltd	**591**	405
Lobatse Clay Works (Pty) Ltd	**(5 647)**	(5 647)
Malutu (Pty) Ltd	**3 974**	3 974
Kwena Concrete Products (Pty) Ltd	**65**	48
Export Credit Insurance & Guarantee (Pty) Ltd	**2 342**	2 342
Botswana Hotel Development Co. (Pty) Ltd	**25 109**	23 372
Can Manufacturers (Pty) Ltd	**(3 497)**	-
Commercial Holdings (Pty) Ltd	**7 308**	8 964
NPC Investments (Pty) Ltd	**7 082**	6 415
Residential Holdings (Pty) Ltd	**11 727**	10 185
Western Industrial Estate (Pty) Ltd	**58 897**	54 399
	107 951	104 457

	Group	
	2014	**2013**
	P 000	P 000
15. GAME STOCK		
Relates to wildlife purchased and excludes donations and indigenous game	**-**	79

The Directors are of the opinion that the carrying value of the game stock reflects its fair value.

16. INVENTORIES		
Raw materials	**7 185**	8 946
Work in progress	**2 550**	41
Finished goods	**16 007**	19 953
Moulds and patterns	**1 617**	1 371
Consumables	**3 835**	2 132
	31 194	32 443

The cost of inventories recognised as an expense during the year in respect of write-downs of inventory to Net Realisable Value (NRV) was P534 821 (2013: P2 400 062).

17. TRADE AND OTHER RECEIVABLES

	Group 2014 P 000	Group 2013 P 000	Company 2014 P 000	Company 2013 P 000
Gross trade receivables	**89 352**	80 123	**50 355**	54 507
Allowance for doubtful debts	**(48 022)**	(45 893)	**(29 495)**	(32 826)
Net trade receivables	**41 330**	34 230	**20 860**	21 681
Prepayments	**2 499**	7 123	**293**	-
Loans to officers	**3 450**	6 331	**3 450**	6 331
Value Added Tax (VAT)	**4 990**	13 580	**517**	301
Due from related parties	**4 126**	2 595	**14 255**	1 956
Other	**20 035**	18 739	**9 660**	20 778
	76 430	82 598	**49 035**	51 047

The average credit period is 30 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 impaired as they are still considered recoverable. There are no other impaired receivables not included in the bad debt allowance.

Ageing of past due but not impaired	Group 2014 P 000	Group 2013 P 000	Company 2014 P 000	Company 2013 P 000
31 - 60 days	**3 499**	449	**-**	-
61 - 90 days	**2 787**	1 207	**-**	-
91 - 120 days and above	**3 007**	3 791	**-**	-
Total	**9 293**	5 447	**-**	-

Movement in the allowance for doubtful debts	Group 2014 P 000	Group 2013 P 000	Company 2014 P 000	Company 2013 P 000
Balance at beginning of the year	**45 893**	36 173	**32 826**	26 820
Allowance recovered during the year (note 3)	**(7 893)**	(295)	**(7 584)**	(40)
Allowance charged during the year (note 4)	**11 699**	10 015	**4 253**	6 046
Amounts written off as uncollectable	**(1 677)**	-	**-**	-
Balance at end of the year	**48 022**	45 893	**29 495**	32 826

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 impairment required in excess of the allowance for doubtful debts.

18. SHORT-TERM LOANS

Short-term portion of loans and advances to:	Group 2014 P 000	Group 2013 P 000	Company 2014 P 000	Company 2013 P 000
Subsidiaries (note 9)	**-**	-	**19 727**	5 736
Associated companies (note 10)	**5 049**	157	**5 049**	157
Unquoted investments (note 11)	**15 075**	16 067	**15 075**	16 067
	20 124	16 224	**39 851**	21 960

	Group		Company	
	2014	2013	**2014**	2013
	P 000	P 000	**P 000**	P 000
19. AVAILABLE FOR SALE INVESTMENTS				
Land held for sale:				
Balance at beginning of the year	**2 640**	10 396	**-**	-
Repurchased during the year	**-**	712	**-**	-
Disposals during the year	**(2 080)**	(8 468)	**-**	-
Balance at end of the year	**560**	2 640	**-**	-

Land held for sale
During the year the Group subdivided and offered for sale 50 plots totaling 200 hectares of Portion 12 (a portion of Portion 11) No 15-KO of the Farm Crocodile Pools.
At 30 June 2014, assets held for sale, represents one lot of 4 hectares, repurchased from a previous sale resulting from a legal dispute.

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

20. CASH AND CASH EQUIVALENTS

	Group 2014	Group 2013	Company 2014	Company 2013
Money market funds	**65 740**	53 214	**438**	419
Cash and bank deposits	**195 668**	177 401	**86 113**	94 004
	261 408	230 615	**86 551**	94 423

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 at an effective rate of 7.1% (2013: 7.5%). The proportionate amount of interest up to30 June is added to the cost of investment to approximate 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 P29 981 655 (2013: P19 273 683) relating to security bond deposits held on behalf of Group clients.

21. STATED CAPITAL

Issued and fully paid

	Group 2014	Group 2013	Company 2014	Company 2013
Balance at beginning and end of the year - 517,699,462 (2013: 517,699,462) ordinary shares	**864 199**	864 199	**864 199**	864 199

22. SHARE APPLICATION

	Group 2014	Group 2013	Company 2014	Company 2013
The amount relates to nonrefundable contributions received from the Government of the Republic of Botswana in respect of funding for the construction of factories of the subsidiary companies. The amount will be allocated to share capital.	**24 070**	24 070	**24 070**	24 070

23. FAIR VALUE RESERVE

	Group 2014	Group 2013	Company 2014	Company 2013
Balance at beginning of the year	**476 815**	325 155	**476 815**	325 155
Fair value during the year	**203 606**	151 660	**203 606**	151 660
Balance at end of the year	**680 421**	476 815	**680 421**	476 815
Comprising:				
Sechaba Breweries Holdings Ltd	**718 918**	506 482	**718 918**	506 482
Cresta Marakanelo Ltd	**(38 497)**	(29 667)	**(38 497)**	(29 667)
	680 421	476 815	**680 421**	476 815

24. OTHER RESERVES

	Group			
	Repairs & maintenance reserve P000	**Statutory capital & solvency reserves** P000	**Revaluation reserve** P000	**Total** P000
Subsidiaries				
Balance at 30 June 2012	415	1 509	66 284	68 208
Reclassification	–	–	(27 173)	(27 173)
Transfers from/(to) retained earnings	55	285	(254)	86
Revaluation during the year (note 7)	–	–	5 000	5 000
Deferred tax adjustments during the year (note 31)	–	–	75	75
Balance at 30 June 2013	470	1 794	43 932	46 196
Transfers from/(to) retained earnings	59	374	(254)	179
Deferred tax adjustments during the year (note 31)	–	–	808	808
Balance at 30 June 2014	529	2 168	44 486	47 183
Associates				
Balance at 30 June 2012	–	–	–	–
Reclassifications	–	–	96 674	96 674
Share of other comprehensive loss of associates (note 10)	–	–	(27 173)	(27 173)
Balance at 30 June 2013	–	–	69 501	69 501
Share of other comprehensive loss of associates (note 10)	–	–	18 701	18 701
Balance at 30 June 2014	–	–	88 202	88 202
Total Other reserves at 30 June 2012	415	1 509	66 284	68 208
Total Other reserves at 30 June 2013	470	1 794	113 433	115 697
Total Other reserves at 30 June 2014	529	2 168	132 688	135 385

Statutory capital and solvency reserves
In terms of the Insurance Act (CAP46:01), 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.

25. DIVIDEND RESERVE

	Group and Company	
	2014 P 000	2013 P 000
Balance at beginning of the year	**45 194**	45 194
Balance at end of the year	**45 194**	45 194

26. CLAIMS EQUALISATION RESERVE

	Group	
	2014 P 000	2013 P 000
Balance at beginning of the year	**4 956**	4 054
Transfers from other reserves	**781**	902
Balance at end of the year	**5 737**	4 956

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

27. NON-CONTROLLING INTERESTS

	Group	
	2014	**2013**
	P 000	P 000
Balance at beginning of the year	**185 041**	163 395
Share of net profit of subsidiaries	**67 098**	23 597
Debenture interest declared during the year	**(12 933)**	(7 518)
Dividends paid	**(88)**	(61)
Issue of shares during the year	**74 633**	5 628
Balance at end of the year	**313 751**	185 041

28. BORROWINGS

	Group		Company	
	2014	**2013**	**2014**	**2013**
	P 000	P 000	P 000	P 000
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	**988**	1 468	**988**	1 468
Unsecured loan bearing interest at 12.1% per annum repayable in half-yearly instalments of P564,000 each over the period to 2020	**5 230**	5 684	**5 230**	5 684
Unsecured loan bearing interest at 7.5% per annum repayable in half-yearly instalments of P316,000 each over the period to 2014	**-**	598	**-**	598
Unsecured loan bearing interest at 7.5% per annum repayable in half-yearly instalments of P750,000 each over the period to 2014	**723**	2 092	723	2 092
Unsecured loan bearing interest at 8% per annum repayable in half-yearly instalments of P1,100,000 each over the period to 2015	**2 074**	3 992	**2 074**	3 992
Unsecured loan bearing interest at 8% per annum repayable in half-yearly instalments of P1,580,000 each over the period to 2016	**7 033**	9 482	**7 033**	9 482
Unsecured loan bearing interest at 9.5% per annum repayable in half-yearly instalments of P221,000 each over the period to 2016	**1 444**	1 729	**1 444**	1 729
Unsecured loan bearing interest at 9.5% per annum repayable in half-yearly instalments of P2,515,000 each over the period to 2017	**16 423**	19 660	**16 423**	19 660
Unsecured loan bearing interest at 12.1% per annum repayable in half-yearly instalments of P300,000 each over the period to 2017	**2 034**	2 357	**2 034**	2 357
Unsecured loan bearing interest at 12.1% per annum repayable in half-yearly instalments of P834,000 each over the period to 2020	**6 970**	7 724	**6 970**	7 724
	42 919	54 786	**42 919**	54 786
European Investment Bank (EIB)				
Loan bearing interest at 2% per annum, guaranteed by the Government of the Republic of Botswana, repayable by 2017 (loan number 70893)	**14 118**	16 484	**14 118**	16 484
Total Debt Participation Capital Funding and EIB loans	**57 037**	**71 270**	**57 037**	**71 270**
Total Debt Participation Capital Funding and EIB loans brought forward	**57 037**	71 270	**57 037**	71 270
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 9.0% (2013: 9.5%) minus 2.5% margin per annum and repayable in three years to 30 June 2016 by equal instalments of P25 million, semi-annually.	**125 680**	225 000	**125 680**	225 000

	Group		Company	
28. BORROWINGS (Continued)	**2014 P 000**	2013 P 000	**2014 P 000**	2013 P 000
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	**77 346**	82 172	**77 346**	82 172
Term loans				
Loans by First National Bank of Botswana Limited, bearing interest at prime lending rate, currently 9.0% (2013: 9.5%) per annum and repayable in 2021	**15 049**	16 868	**-**	-
Unsecured loan by First National Bank of Botswana Limited, bearing interest at the discount rate payable at 91 days in respect of the Bank of Botswana Certificates (BOBCs) plus a margin of 225 basis points and is repayable in 18 months period on 15 September 2014.	**333 652**	240 558	**333 652**	240 558
Loan by Stanbic Bank Botswana Limited, accrues interest at prime lending rate (currently 9%) less 2%. The loan is repayable as follows: P2 million in each of the financial years 2016, 2017 and 2018, and P35 million in 2019. The loan is secured by a First Mortgage Bond of P34 million over plot 54233 and P7 million over plot 14398 as well as a cession of a material damage policy over those properties (note 6).	**41 000**	-	**-**	-
A maximum loan of P179,960,000 by Barclays Bank of Botswana Limited. The loan accrues interest at 2.1% below prime rate (currently 9%). The loan is repayable in 168 equal monthly instalments. The loan is secured by a first mortgage bond over **Lot 70667 Gaborone (note 6)**	**125 520**	-	**-**	-
Mortgage loans				
Liabilities under mortgage loans are held over fifteen and twenty years and bear interest at prime lending rate, currently 9.0% (2013: 9.5%) plus 1% per annum.	**-**	4 488	**-**	-
Finance leases				
Liabilities under finance leases are held over three to five years at varying interest rates	**1 603**	1 631	**-**	-
Gross borrowings	**776 887**	641 987	**593 715**	619 000
Less: Portion of exchange loss borne by the Government of the Republic of Botswana	**(6 718)**	(6 718)	**(6 718)**	(6 718)
Amortised costs adjustment arising from valuation of loans at below market interest rates	**(2 412)**	(4 023)	**(79 758)**	(86 195)
	767 757	631 246	**507 239**	526 087
Less: Current portion included under current liabilities	**(386 290)**	(244 037)	**(383 652)**	(241 548)
	381 467	387 209	**123 587**	284 539
Analysis of gross borrowings				
Not later than 1 year	**386 290**	244 037	**383 652**	241 548
Later than 1 year, but not later than 5 years	**313 251**	315 778	**132 717**	295 280
Later than 5 years	**77 346**	82 172	**77 346**	82 172
Gross borrowings	**776 887**	641 987	**593 715**	619 000

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.

28. BORROWINGS (Continued)

	Group		Company	
	2014	2013	**2014**	2013
	P 000	P 000	**P 000**	P 000
Amortised cost of borrowings:				
Balance at beginning of the year	**(4 023)**	(5 949)	**(86 195)**	(92 948)
Transfer from provisions arising on repayments	**-**	-	**4 826**	4 827
Amortised costs adjustment arising from valuation of loans at below market interest rates	**1 611**	1 926	**1 611**	1 926
Balance at end of the year	**(2 412)**	(4 023)	**(79 758)**	(86 195)

Mortgage loans

The mortgage loans are repayable over a period of fifteen and twenty years in monthly instalments of P52,237 (2013: P52,237) each, bearing interest at prime lending rate, currently 9.0% (2013: 9.5%), 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 P108,791 (2013: P70,936) bearing interest at an average rate of 10.5% (2013: 10.5%) per annum and are secured by motor vehicles with a net book value as follows:

	Group	
	2014	2013
	P 000	P 000
Cost	**4 503**	2 511
Accumulated depreciation	**(1 684)**	(1 370)
Net book value	**2 819**	1 141

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 balance sat 30 June 2014 are as follows:

		Group and Company			
		Foreign reserve	**Foreign reserves**	**Pula reserve**	**Pula Total**
		2014	**2013**	**2014**	**2013**
Loan number	**Currency**	Euro 000	Euro 000	P 000	P 000
70893	Euro	**1 200**	1 500	**14 118**	16 484

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.

29. GOVERNMENT GRANTS

	Group	
	2014	2013
	P 000	P 000
Balance at beginning of the year	**13 191**	13 546
Amortisation during the year (note 4)	**(357)**	(355)
Balance at beginning of the year		
	12 834	13 191
Gross Government grants	**32 456**	32 456
Amortisation	**(9 622)**	(9 265)
Utilised as provision for impairment loss	**(10 000)**	(10 000)
	12 834	13 191

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

30. PROVISION FOR RESTORATION COSTS

	Group	
	2014	**2013**
	P 000	P 000
Balance at beginning of the year	**10 236**	15 084
Movement in provision for restoration costs during the year:	**3 535**	(4 848)
(Credit)/charge to the statement of comprehensive income (note 2)	**(1 347)**	1 014
Change due to increase/(decrease) in mining area	**4 882**	(5 862)
Balance at end of the year	**13 771**	10 236

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

31. DEFERRED TAXATION

	Group 2014 P 000	Group 2013 P 000
Balance at beginning of the year	**73 807**	68 891
Credit to the statement of other comprehensive income (note 24)	**(808)**	(75)
Charge to the income statement (note 5)		
– current year	**10 418**	3 985
– prior year	**(1 511)**	1 031
– capital gains tax	**2 515**	(25)
Balance at end of the year	**84 421**	73 807
Comprising temporary differences on:		
Investment properties, property, plant and equipment and Government grants	**78 313**	67 699
Capital gains tax deferred on acquisition of properties by a subsidiary	**6 108**	6 108
	84 421	73 807

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.

32. TRADE AND OTHER PAYABLES

	Group		Company	
	2014	**2013**	**2014**	**2013**
	P 000	P 000	**P 000**	P 000
Trade payables	**25 285**	19 463	**11**	554
Payroll accruals	**9 051**	10 447	**4 534**	5 374
Accruals	**2 155**	17 299	**1 023**	14 624
Value Added Tax (VAT)	**1 881**	855	**–**	–
Amounts due to related parties	**73**	289	**220 750**	289 047
Other payables	**81 793**	93 235	**–**	2 909
	120 238	141 588	**226 318**	312 508

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

	Group 2014 P 000	Group 2013 P 000	Company 2014 P 000	Company 2013 P 000
The bank overdrafts of subsidiaries are secured by deeds of hypothecation over fixed and moveable assets and suretyship signed by the Company.	**49 683**	26 495	**46 986**	19 556
The Group's bank overdraft limits are as follows:				
– Standard Chartered Bank Botswana Limited	**5 000**	5 000	**–**	–
– Stanbic Bank Botswana Limited	**153 500**	153 500	**150 000**	150 000
	158 500	158 500	**150 000**	150 000

The facilities are secured over:
- The Company's facilities are unsecured.
- BDC's corporate guarantee of P5,000,000.
- First covering mortgage bond for P4,720,000 over Lot 14405, Gaborone.

	Group		Company	
	2014	**2013**	**2014**	**2013**
34. COMMITMENTS	–	P 000	**P 000**	P 000
Operating lease receivables/(payables):				
Not later than one year	**59 410**	51 538	**(9 705)**	(9 210)
Later than one year to five years	**144 001**	147 519	**(12 481)**	(12 481)
Later than five years	**37 213**	65 681	**–**	–
	240 624	264 738	**(22 186)**	(21 691)
Other commitments:				
Not later than one year	**(16 997)**	(249 904)	**(16 601)**	(17 920)
Later than one year up to five years	**(148 641)**	(148 641)	**(148 641)**	(148 641)
Later than five years	**(185 000)**	(185 000)	**(185 000)**	(185 000)
	(350 638)	(583 545)	**(350 242)**	(351 561)
Other commitments are analysed as:				
Approved equity and loan investments undisbursed	**(350 242)**	(351 561)	**(350 242)**	(351 561)
Approved and contracted capital expenditure	**(396)**	(231 984)	**–**	–
	(350 638)	(583 545)	**(350 242)**	(351 561)

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

35. CONTINGENT LIABILITIES

	Group 2014	Group 2013	Company 2014	Company 2013
Legal matters against certain subsidiaries	**(7 200)**	(1 000)	**–**	–
Guarantees in respect of facilities granted to the Group of companies	**(302 915)**	(476 155)	**(16 500)**	(16 500)
	(310 115)	(477 155)	**(16 500)**	(16 500)

36. 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.

37. 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 2014	Group 2013	Company 2014	Company 2013
Financial assets				
Receivables from related parties	**-**	–	**107 951**	104 457
Loans and receivables	**118 942**	162 981	**98 226**	151 832
Quoted investments	**830 973**	627 367	**830 973**	627 367
Cash and bank balances	**261 408**	230 615	**86 551**	94 423
	1 211 323	1 020 963	**1 123 701**	978 079
Financial liabilities				
Long term borrowings	**767 757**	631 246	**507 239**	526 087
Trade and other payables	**109 306**	130 286	**221 784**	307 134
Bank overdrafts	**49 683**	26 495	**46 986**	19 556
	926 746	788 027	**776 009**	852 777

37. FINANCIAL RISK MANAGEMENT (Continued)

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 maximizing 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 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 counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy 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 counter party 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.

(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 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 2014 and 2013, the carrying value of cash and bank balances, trade receivables, 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.

38. 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	
	2014	**2013**
Transactions during the year	**P 000**	P 000
Other related parties		
Botswana Development Corporation (BDC)		
Directors' fees	**158**	104
Directors' remuneration for executive services	**477**	3 176
Key management remuneration	**914**	1 550
Loans to officers	**6 331**	6 331
Can Manufacturers (Pty) Ltd		
Directors' fees	**3**	13
Export Credit Insurance & Guarantee (Pty) Ltd		
Directors' fees	**22**	34
Lobatse Clay Works (Pty) Ltd		
Directors' fees	**-**	-
Kwena Concrete Products (Pty) Ltd		
Directors' fees	**1**	26
Fairground Holdings (Pty) Ltd		
Directors' fees	**24**	18
Letlole la Rona Ltd		
Directors' fees	**520**	520
Associated companies		
Asphalt Botswana (Pty) Ltd		
Finance costs on borrowings from BDC	**144**	144
Peermont Global (Botswana) Ltd		
Directors' fees paid to BDC	**32**	32
Rental paid to a BDC subsidiary company	**9 767**	9 767
Management fees paid to Global SA (Pty) Limited, the holding company	**22 756**	22 756
Kwena Rocla (Pty) Ltd		
Sales to Murray & Roberts (Botswana) Ltd	**(350)**	(350)
Rental of plant and machinery from Rocla SA (Pty) Ltd	**48**	48
Management fees paid to D&H Piping Systems (Pty) Ltd, immediate holding company	**558**	558
Purchases from D&H Piping Systems (Pty) Ltd and related companies	**5 987**	5 987
Investec Holdings (Botswana) Ltd		
Asset management fees paid to fellow subsidiaries	**6 139**	6 139
Directors' remuneration for executive services	**1 577**	1 577
Finance income from fellow subsidiaries	**5 397**	5 397
Year end balances		
Botalana Ventures (Pty) Ltd		
Current account balance due to BDC	**937**	937
Current account balance due to a BDC subsidiary company	**919**	919
Kwalape (Pty) Ltd		
Current account balance due to BDC	**739**	739
Letlole la Rona Ltd		
Current account balance due to Stanlib Investment Management Services (Pty) Ltd	**(289)**	(289)
Peermont Global (Botswana) Ltd		
Current account balance due to a BDC subsidiary company	**(4 983)**	(4 983)
Current account balance due to Global Resorts SA (Pty) Ltd, immediate holding company	**(2 142)**	(2 142)
Kwena Rocla (Pty) Ltd		
Current account balance due to Rocla SA (Pty) Ltd	**(590)**	(590)

39. CASH GENERATED FROM/(USED IN) OPERATIONS

		Group 2014	Group 2013	Company 2014	Company 2013
		-	P 000	P 000	P 000
Profit/(loss) before tax		**35 714**	13 433	(67 090)	(222 151)
Adjustments for:					
Amortisation of Government grants	29	**(357)**	(355)	-	-
Amortisation of intangible assets	4	**374**	355	-	-
Depreciation of property, plant and equipment	4	**13 023**	14 226	613	711
Fair value adjustment of investment properties	6	**(110 515)**	(89 089)	-	-
Impairment of property, plant and equipment	4	**27 720**	112 959	-	-
Revaluation of property, plant and equipment	7	**-**	(50 426)	-	-
Fair value adjustment of long term borrowings	28	**1 611**	1 926	1 611	1 926
Foreign exchange losses on long term borrowings		**-**	2 130	-	2 130
Movement in provision for restoration costs	30	**3 535**	(4 848)	-	-
Profit on disposal of investment properties	4	**-**	-	-	-
(Profit)/loss on disposal of property, plant and equipment	4	**(99)**	354	-	582
Net loss/(profit) on disposal of investments		**(7 075)**	(26)	(7 075)	(38)
Share of profits of associates before tax	10	**(53 272)**	(71 809)	-	-
Movement in other reserves	24	**(19 688)**	(21 859)	-	-
Movement in provisions for losses on investments	12	**43 701**	153 608	108 182	266 567
Interest received	2	**(21 464)**	(23 035)	(33 130)	(37 342)
Finance costs	2	**61 596**	50 947	50 588	46 964
Changes in working capital					
- rental straight-line adjustment		**17 262**	(11 055)	-	-
- trade and other receivables		**6 168**	30 841	2 012	7 234
- inventories		**1 249**	(2 703)	-	-
- trade and other payables		**(21 350)**	(30 148)	(86 190)	(29 700)
		(21 867)	75 426	(30 479)	36 883

40. FAIR VALUES OF FINANCIAL INSTRUMENTS

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	Level 2	Level 3	Level 4
	P 000	P 000	P 000	P 000
Group and Company				
Financial assets				
Quoted investments	830 973	-	-	830 973
There were no transfers between levels during the period.				

41. SEGMENT INFORMATION

41.1 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.

41.2 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.

41.3 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 profit/ (loss) before tax	
	2014 P 000	2013 P 000	**2014 P 000**	2013 P 000
41.5 Other segment information				
Agribusiness and Services	**28 515**	49 641	**(2 605)**	2 774
Industry	**75 470**	67 874	**(18 355)**	(8 938)
Property	**134 671**	122 951	**160 412**	170 670
Holding Company	**150 379**	101 744	**(67 090)**	(222 151)
	389 035	342 210	**72 362**	(57 645)

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.

41.4 Segment assets and liabilities

	Total assets		Total liabilities	
	2014 P 000	2013 P 000	**2014 P 000**	2013 P 000
Agribusiness and Services	**145 284**	146 149	**68 174**	57 615
Industry	**276 790**	250 153	**100 367**	89 153
Property	**2 140 217**	1 910 995	**539 715**	383 205
Holding Company	**2 264 544**	2 177 627	**819 043**	858 151
	4 826 835	4 484 924	**1 527 299**	1 388 124

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

41. SEGMENT INFORMATION (Continued)

41.5 Other segment information

	Depreciation		Additions to non-current assets	
	2014 P 000	2013 P 000	**2014 P 000**	2013 P 000
Agribusiness and Services	**1 947**	1 802	**3 725**	3 737
Industry	**7 704**	9 261	**6 668**	6 668
Property	**2 273**	2 452	**191 764**	224 701
Holding Company	**613**	711	**9**	706
	12 537	14 226	**202 166**	235 812

42. INTERESTS IN OTHER ENTITIES

42.1 Entities with non-controlling interests and associate companies

Subsidiary companies

NAME	PHAKALANE PROPERTY DEVELOPMENT	FAIRGROND HOLDINGS(PTY)LTD	LETLOLE LA RONA LTD
PRINCIPAL PLACE OF BUSINESS	Phakalane	Plot 50381, Fairground Office Park, Gaborone	Moedi House, Plot 50380, Fairgrounds, Gaborone
NATURE OF BUSINESS	Property Developers	Conference Facilities, Renting office Space, Operating a Restaurant, a bar and take away	Variable Loan Stock Company Engaged In Property Investment and Deriving Revenue In Property Rentals and Trade In Property
PROPORTION OF OWNERSHIP INTERESTS HELD BY NCI	49%	49%	41%
PROPORTION OF VOTING RIGHTS HELD BY NCI	49%	49%	41%
PROFIT OR LOSS ALLOCATED TO NCI OF SUB (in P'000)	430	5 157	37 962
ACCUMULATED NCI OF SUB (in P'000)	434	80 071	221 396
DIVIDENDS PAID TO NON CONTROLLING INTERESTS (in P'000)	-	-	83

Material Associated companies

NAME	GLOBAL RESORTS	HEALTHCARE HOLDINGS	METROPOLITAN
NATURE OF THE ENTITY'S RELATIONSHIP	Operation of Casinos, Hotels, Conference Centres in Botswana	Property Management. The company owns Hospital and residential buildings	Insurance
PRINCIPAL PLACE OF BUSI-NESS	Plot 17898, Molepolole Road, Gaborone	Gaborone	Plot 1124-1130, 1st Floor Standard House, Queens Road, Main Mall, Gaborone
NATURE OF BUSINESS	Property Developers	Conference Facilities, Renting office Space, Operating a Restaurant, a bar and take away	Variable Loan Stock Company Engaged In Property Invest-ment and Deriving Revenue In Property Rentals and Trade In Property
PROPORTION OF OWNERSHIP INTEREST-HELD BY ENTITY	40%	29%	24%
INVESTMENT MEASURE-FAIR VALUE OR EQUITY METHOD	Equity Method	Equity Method	Equity Method
DIVIDENDS RECEIVED FROM ASSOCIATE (in P'000)	17 024	552	-

42. INTERESTS IN OTHER ENTITIES (Continued)

42.2 Summarised financial information for non-controlling interests and associate companies (Continued)

	Fairground Holdings P'000	Phakalane Property Development P'000	Letlole La Rona P'000
Subsidiary companies			
Statements of Comprehensive Income			
Revenue	30 957 358	1 500 000	60 472 782
Cost of sales	(13 506 770)	–	–
Gross profit	17 450 588	1 500 000	60 472 782
Operating income	6 479 491	276 103	1 204 092
Finance income	–	1 080	–
Fair value adjustment	–	–	44 842 089
Operating expenses	(12 720 009)	(900 186)	(13 928 808)
		–	
Profit before tax	11 210 070	876 997	92 590 155
Income tax expense	(686 077)	–	(11 150 884)
Profit for the year from continuing operations	10 523 993	876 997	81 439 271
Other comprehensive income	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**10 523 993**	**876 997**	**81 439 271**
Statements of Financial Position			
Non-current assets	159 100 789	657 290	584 410 724
Current assets	18 261 030	360 934	44 345 733
Total Assets	**177 361 819**	**1 018 224**	**628 756 457**
Capital and reserves	163 409 850	885 499	546 385 986
Non-current liabilities	8 559 349	42 703	57 965 586
Current liabilities	5 392 620	90 022	24 404 885
Total Equity and Liabilities	**177 361 819**	**1 018 224**	**628 756 457**

42. INTERESTS IN OTHER ENTITIES (Continued)

42.2 Summarised financial information for non-controlling interests and associate companies (Continued)

	Healthcare P'000	Global Resorts P'000	Metropolitan P'000
Associated companies			
Statements of Comprehensive Income			
Revenue	8 892	131 118	512
Gross profit	8 892	49 010	512
Operating income	434	–	–
Other expenses	(3 888)	(27 563)	(433)
Profit before tax	5 438	21 447	79
Dividends paid	–	(10 000)	–
Income tax expense	(1 576)	(12 264)	(10)
Profit for the year	3 862	(817)	69
Other comprehensive income	–	–	–
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**3 862**	**(817)**	**69**
Statements of Financial Position			
Non-current assets	44 344	146 471	–
Current assets	23 366	21 807	–
Total Assets	**67 710**	**168 278**	**1 573**
Capital and reserves	64 709	131 149	–
Minority interest	–	–	223
Non-current liabilities	–	11 211	1 350
Current liabilities	3 001	25 918	–
Total Equity and Liabilities	**67 710**	**168 278**	**1 573**

43. EVENTS AFTER THE REPORTING PERIOD

In August 2013, the Corporation appointed consultants to review and analyse its business model, to benchmark it against similar institutions both regionally and globally and to recommend a new business model based on BDC mandate, Government structures, risk appetite, sustainable growth potential and overall perfomance. Upon completion of their analysis, the consultants proposed three future state Target Operating Models for BDC.

After assessing each option BDC selected its preferred future state operating model and engaged the consultant to assist in its implementation. This project focused on addressing two burning platforms; a financial review and balance sheet restructuring and an organisational restructuring. In addition, five foundational building blocks, namely Risk Management, Governance, Legal Agreements and Frameworks, Operational Strategy and Capabilities and Processes, were identified and addressed during the Business Model Implementation.

The project was completed in October 2014 with the implementation of the new processes, procedures, policies and organisational structure. The Corporation also separated with 60% of its staff members. The Corporation has provided an amount of P38.5 million (2013: P Nil) for costs incurred in respect of the remodelling exercise as at 30 June 2014.

GO ONLINE

This Annual Report, together with trading statments and previous Annual Reports is available online at **www.bdc.bw**

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