Transforming the economy after the crisis

2010

Group revenue for both "Continuing" (P282.6 million) and "Discontinued" (P171.5 million) operations totaled P454.1 million. This compares favourably with total group revenues of P431.5 million in the previous year with a 5% growth.

Annual Report 2010

Corporate Profile

Structure

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

OBJECTIVE

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

MISSION

The Premier Innovative Investment Partner delivering flexible financial solutions.

VISION

To be the Leading Development and Investment Financier.

BDC's role is to:

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

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

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

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

BDC'S PRODUCTS/SERVICES:

BDC provides the following services:

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

For further information, contact:

The Manager
Corporate Communications
and Public Relations
Botswana Development Corporation
Limited
Moedi House, Plot 50380
Fairgrounds Office Park
P/Bag 160, Gaborone
Tel: (267) 365 1300
Fax: (267) 390 3114, 390 4193, 391 3567
Email: enquiries@bdc.bw
Website:www.bdc.bw

Organisational Structure

- BOARD OF DIRECTORS
  - GROUP INTERNAL AUDIT
  - MANAGING DIRECTOR
    - GROUP INTERNAL AUDIT
    - BUSINESS DEVELOPMENT DEPARTMENT
      - MARKETING & RESEARCH
      - INDUSTRY
      - INVOICE DISCOUNTING
      - PROPERTY DEVELOPMENT & MANAGEMENT
      - AGRIBUSINESS & SERVICES
    - MANAGEMENT SERVICES DEPARTMENT
      - FINANCIAL ACCOUNTING
      - RISK MANAGEMENT
      - INFORMATION MANAGEMENT
      - MANAGEMENT ACCOUNTING & TREASURY
    - HUMAN RESOURCES & DEVELOPMENT
    - CORPORATE COMMUNICATIONS & PUBLIC RELATIONS
    - SPECIAL PROJECTS
    - LEGAL

Board of Directors

This page from left:

1. Mr. Solomon M. Sekwakwa	Board Chairman
2. Dr. Shabani E. Ndzinge	Deputy Board Chairman
3. Ms. Maria M. Nthebolan	Managing Director
4. Mr. Thuso C. Dikgaka	

This page from left:

5. Mrs. Ina K. Kandjii
6. Mrs. Banny K. Molosiwa
7. Mr. Odirile Merafhe
8. Mrs. Ntletleng M. Masisi
9. Mr. Nightingale K. Kwele

9.

5.

8.

6.

7.

Management

2. 3. 4.

5. 6. 7.

1.

This page from left:

1. Ms. Maria M. Nthebolan	Managing Director
2. Mrs. Sametsi Ditshupo	General Manager, Business Development
3. Mr. James N. Kamyuka	General Manager, Management Services
4. Mr. Martin M. Sikalesele	Chief Information Officer
5. Mr. Batlang G. Mmualefe	Manager, Marketing and Research
6. Ms. Rosemary D. Mogorosi	Manager, Industry
7. Ms. Magdeline Tsiane	Chief Financial Accountant

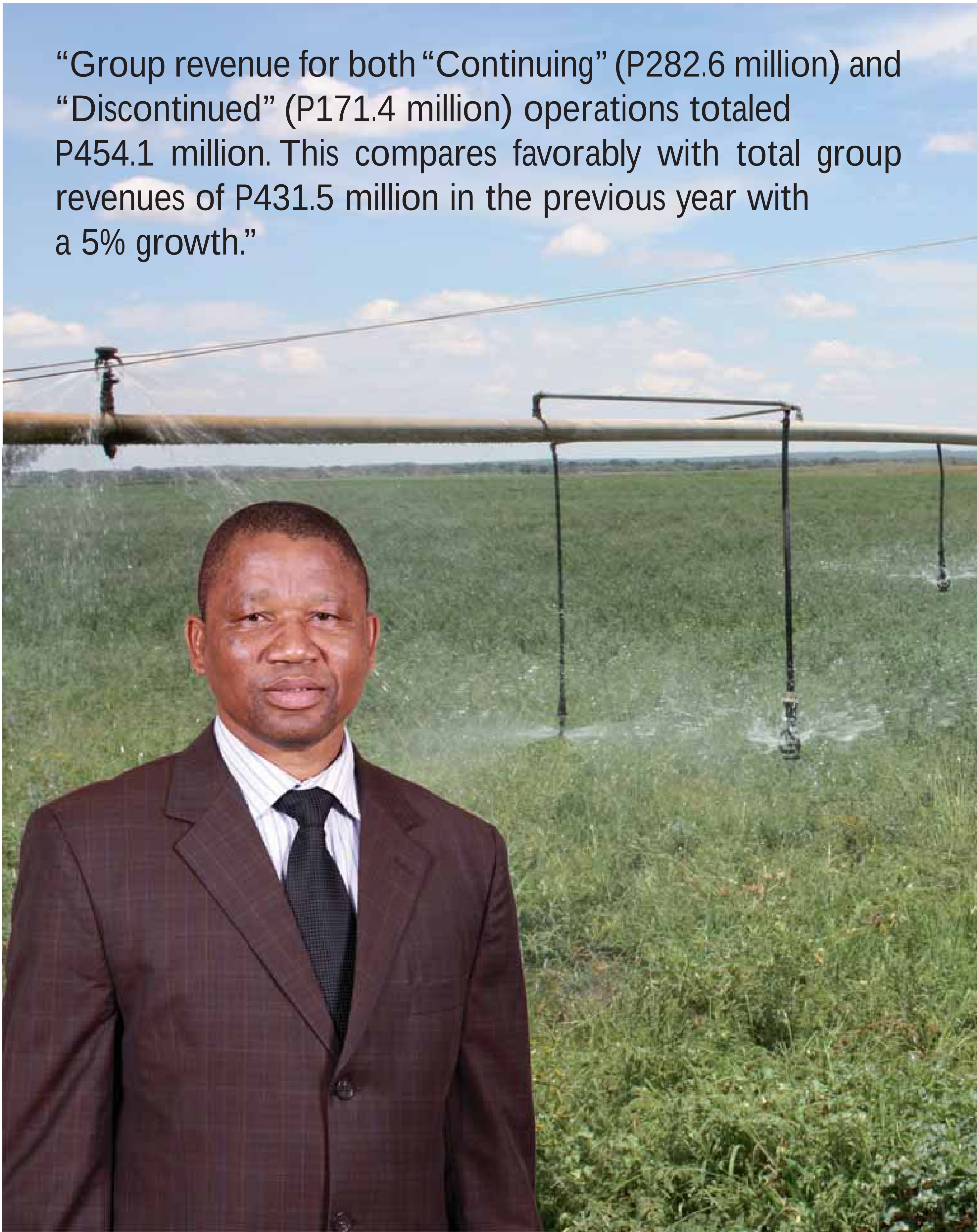
7. 8. 9. 10.

11. 12. 13. 14.

This page from left:

7. Mr. Khalala Mokefane	Manager, Invoice Discounting
8. Mrs. Wilhelminah Baipidi - Maje	Manager, Risk Management
9. Mr. Rod Boyd	Manager, Special Projects
10. Mr. Letsweletse M. Ramokate	Manager, Property Development and Management
11. Mr. Ronald M. Phole	Group Internal Auditor
12. Mr. Gomolemo Zimona	Manager, Corporate Communications and Public Relations
13. Mr. Simon T. Meti	Manager, Human Resources and Development
14. Ms. Diketso Rantshabeng	Manager, Agribusiness

Chairman's Report



Botswana Development Corporation has come through another difficult year with very good results. Having been greatly affected by some of its group companies which performed poorly during the period characterized by the Global Recession, the Corporation and Group Companies have emerged with good results.

Financial Performance

A consolidated profit before tax and discontinued operations of P203.6 million was achieved this year. This compares favorably to the previous performance which was boosted by the revaluation of properties. Without that gain on revaluation, the profit before tax for that year was P129.0 million. As such the Group has seen a growth in group profitability of a healthy 57% over the previous year.

Group revenue for both "Continuing" (P282.6 million) and "Discontinued" (P171.4 million) operations totaled P454.1 million. This compares favorably with total group revenues of P431.5 million in the previous year with a 5% growth.

Various Group Companies made profits and these included Lobatse Clay Works (P9.7 million), Cresta Marakanelo (P22.9 million), Commercial Holdings (P5.7 million), Fairground Holdings (P9.7 million), Malutu (P5.1 million), Residential Holdings (P6.8 million), NPC (P4.6 million). Amongst the Associate Companies that made profit were Asphalt (P20.3 million), Global Resorts (P84.6 million), Metropolitan (P47.9 million), Investec (P20.6 million) and NBC (P13.3 million). These results are commendable given that the economy was just emerging from the global economic recession.

Operating Environment

As is the Corporation's policy, Group Companies that are mature are reviewed on an ongoing basis and where appropriate the Corporation divests from such companies. In the year under review, the Corporation divested from Cresta Marakanelo by way of an Initial Public Offer (IPO) where it reduced its shareholding in the entity from 60% to 26%. The Company was successfully listed on the Botswana Stock Exchange on the 28th June 2010. Another initiative in the divestment drive is the creation of a new property fund which will result in a new class of investible assets for citizens and fund managers thus creating an opportunity for Batswana to partake in a wider property ownership base through shareholding. This initiative will be realized by the consolidation of various properties from the Industrial, Commercial and Hospitality Sector into one company which will then be listed. This initiative is well underway and will be finalized in the coming year.

The number of Group Companies continues to grow and major projects under implementation include the Glass Manufacturing Project which the Corporation is pursuing in partnership with a Chinese Company with a total project cost of P539 million. This project is based in Palapye and currently the key buildings are under construction. The construction is expected to be completed in the last quarter of 2011 and will produce float glass for both domestic and export markets. Notable also is the large diameter steel pipe project under implementation and also based in Palapye. Satisfactory progress has been made on this and it is expected to be complete by May 2011. The total project cost is P137 million. The Corporation also approved funding for its 100% Subsidiary, Commercial Holdings (Pty) Ltd, for a commercial property. This development is estimated at P450 million and is to be based at Fairgrounds. It totals 26000 square meters and will include a hotel, office and retail space as well as residential space. Other significant projects approved by the Board during the year under review include additional injection of P22 million into LP Amusement Park, P105.4 million into Lobatse Clay Works for the acquisition of new machinery and a second production line and P18 million in Can Manufacturers Company.

Sechaba Holdings, the listed entity which owns 60% of Kgalagadi Breweries Limited and Botswana Breweries Limited has seen its performance negatively impacted as a

Chairman's Report (Cont.)

result of the introduction of the alcohol levy. Consequently, revenues derived from this entity by the Corporation have reduced significantly. The Corporation is however always vigilant in ensuring that it does not solely rely on income from a single entity. Nevertheless, it is important to point out that due to the decline in the performance of Sechaba, the value of its listed shares also declined significantly resulting in a book net value loss on available-for-sale financial assets to the Corporation of P103.1 million.

The Corporation and its Group of Companies continue to play a significant role in contributing to the Government coffers. In the year under review the Group paid a total of P46.4 million in Corporate Taxes. Also significant is that the Corporation paid a dividend to the Government for the year ending June 2010 amounting to P33 million.

Governance

The Board reaffirms its commitment to the principles of sound corporate governance as called for by the King III Code and other international best practices and quality standards, including ISO 9000:2008.

During the year the Board revived its Corporate Governance Framework. As a result, a Draft Constitution was drawn up for approval by the Shareholder. This Constitution will then replace the existing Articles and Memorandum of Association which, due to the passage of time and developments in governance issues, was lagging behind current practice and requirements.

Conclusion

Over the years the Corporation has continued to show resilience despite very trying times. The financial results for the year under review are testimony to the concerted effort and commitment on the part of Management and Staff. I congratulate them for a job well done. Let me also pay tribute to all Board Members as they continue to direct the Corporation to achieve success and provide leadership.

Mr. Solomon M. Sekwakwa
Chairman of the Board


TOYOTA

Managing Director's Report

The Corporation's turnover has improved by a healthy 14% from P134.7 million to P153.4 million. Dividend income from subsidiaries and associates increased by 20% from P108.0 million to P129 million.

It is with utmost pleasure that I present the Corporation's performance for the year ended 30 June 2010. The Corporation has achieved a record profit before tax of P227.6 million against the previous year loss of P160.4 million.

Performance of the Corporation

Coming out of the global recession the Corporation has seen its subsidiaries and associates performing better than expected.

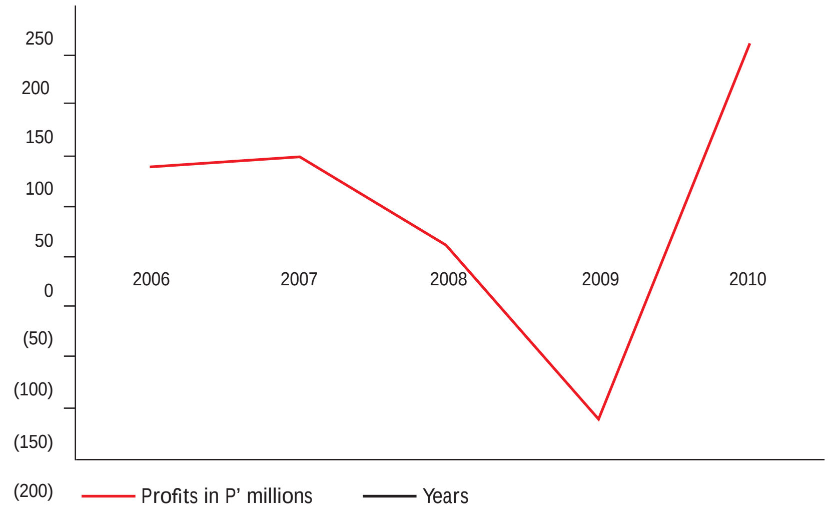
The Corporation's turnover has improved by a healthy 14% from P134.7 million to P153.4 million. Dividend income from subsidiaries and associates increased by 20% from P108.0 million to P129.8 million. The Corporation has acquired additional equity investment of P53.6 million during the year. All effort is made to keep expenses under control and for the year under review total expenses amounted to P63.0 million against the previous year's P82.9 million, this being a good 24% below the previous year. The finance cost also went down due to the reduced amount of debt held by the Corporation. Furthermore the Corporation has kept staff costs in check.

The Corporation made provision for losses on investments amounting to P22.0 million. This is against provisions of P197.3 million in the previous year. These lower provisions are a reflection of the greatly improved quality of the Corporation investment portfolios. The provisions made in the year under review relate to Tannery Industries Botswana and Can Manufacturers Botswana. The Corporation has resolved to further assist Can Manufacturers Botswana with additional working capital funding.

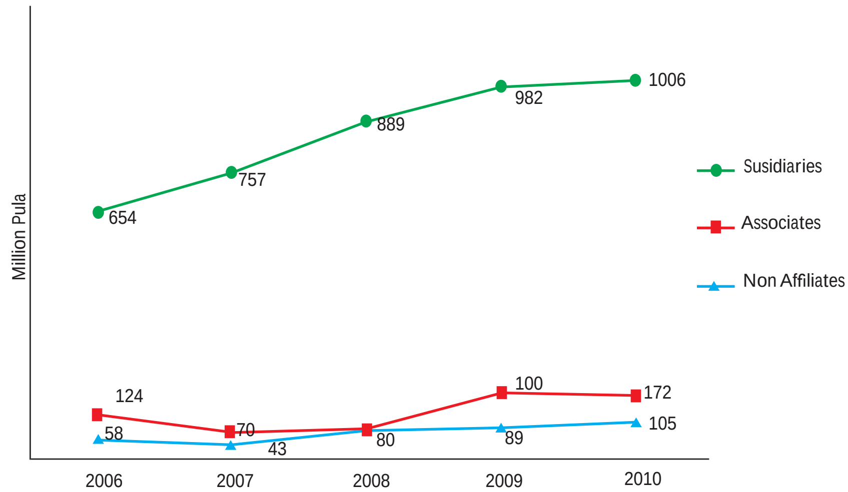
The Corporation's total assets continue to grow at a healthy rate. The year under review saw the assets reach P2.1 billion as opposed to P1.6 billion in the previous year. This 31% growth is mainly a result of the increased cash resources which the Corporation has generated through its divestment exercise and the capital injection by the Botswana Government for the funding of a project. Further divestments are still ongoing and should be completed in the coming year.

Listed Investments in (P'million)

Profitability



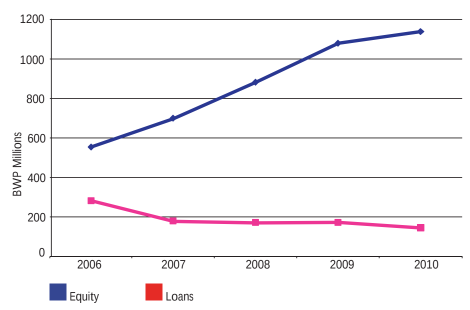
Investments Distribution



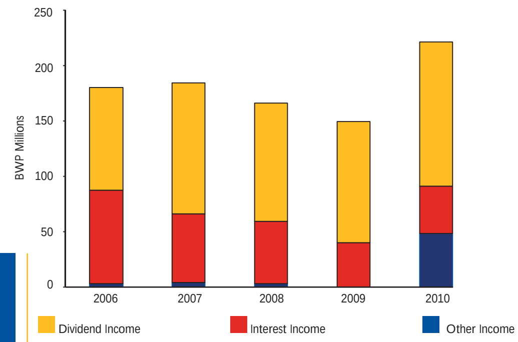
The investment distribution for subsidiaries excludes the Botswana Hotel Development Company pass-through loan of P 87.7 million.

Managing Director's Report (Cont.)

Investments Distribution (P' millions)



Revenue Distribution (P' millions)



Botswana Development Corporation Limited has a Bond amounting to P200 million. This Bond is due to mature on the 30th June 2011. The Corporation has therefore reclassified this Bond to current liabilities and will be in a position to liquidate the bond when it falls due.

Strategic Plan

The year under review is the third year of the four year Strategic Plan and the Corporation is well on track in meeting its goals as set out in the Strategic Plan. Whilst the Corporation's Strategic Plan forecasted profit before tax of P89.4 million, and a 6.6% return on shareholders' funds, the results actually achieved are P227.6 million and 19.7 % respectively. Strategic Plan actions continue to be implemented and the year under review saw the Corporation listing its shares in Cresta Marakanelo by offering 75% of the shares to the public. The Corporation has also embarked on a major property divestment exercise which will see the majority of its commercial, industrial and hotel property portfolio bundled into a special purpose vehicle which the Corporation is planning to list on the Botswana Stock Exchange. This exercise is expected to be completed in the coming year. The Corporation continues to scan the environment for additional large scale projects.

Risk Management

The review and alignment of the Risk Management Framework with international best practice continued into the year, resulting in the introduction of additional risk management policies including the Enterprise Wide Risk Management Policy, an independent Arrears Management Policy, a Fraud and Money Laundering Policy, and a new flexible Pricing Policy and Model.

The new pricing model is computer based, and it constitutes features that enhance further the flexibility of our pricing policy. In addition it ensures consistency in application in the pricing, while maintaining alignment with the lending policies and the risk profile of the project.

Human Resources

The Corporation continued to motivate and support its human capital during this period through continuous review of conditions of service with a view to improve employees' welfare and to significantly enhance staff motivation. Consequently, the overall intention is to enable the Corporation to attract and retain high caliber staff.

Although the Corporation still undertook general staff training the main emphasis of training this year focused on cultural change. In view of this, the Corporation engaged in a culture change program named Investment in Excellence for all staff during the year. The Corporation also ran several in-house brand awareness refresher training workshops for all staff.

The staff complement for the year under review was seventy-eight (78) compared to seventy-seven (77) for the same period last year. There were six (6) terminations and the Corporation recruited seven (7) new staff.

HIV/AIDS

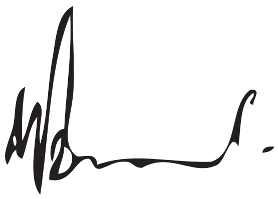
The Corporation continued with its multiple education campaigns in terms of its AIDS Program. This was mainly achieved through the utilization of the Wellness Room which is a feature of disseminating information on HIV/AIDS in a raw form. Participation in the activities of the World AIDS Day was a success in December 2009. The Corporation continued to network with other organizations which are geared at helping the community to effectively deal with HIV/AIDS pandemic.

Corporate Social Responsibility Program (CSR)

Qualifying organizations in terms of the Corporation's Social Responsibility Policy continue to benefit from the fund. The total amount of donations utilized by deserving organizations was approximately P400 000 for the year under review. We are confident that the purpose for which the fund was set up for is being achieved.

Conclusion

The period ending June 2010 has been a very challenging one. Management and staff have worked very hard to achieve the results attained and I wish to most sincerely thank them for the relentless efforts and also congratulate them for achieving such good results. I also wish to thank the Board of Directors for their guidance through the year.



Ms. Maria M. Nthebolan
Managing Director

Corporate Governance Statement

Botswana Development Corporation Limited is a public entity set up by Botswana Government to promote development through equity and loan investment finance.

The objectives and mandate of the Corporation, powers of the Board as well as the relationship between BDC and its shareholders are set out in the Memorandum and Articles of Association. As a company BDC is also subject to the provisions of the Companies Act.

The Corporate Governance Statement set out details of key Corporate Governance challenges, practices and activities that prevailed during the past financial years, in order for readers to have a greater understanding of the governance systems and processes that the Board of Directors deployed to both control and manage the affairs of the Corporation.

CorporateGovernanceStatement (Cont.)

Quality Governance

The Board of Botswana Development Corporation recognises that Quality Governance involves the honest application of the mind to issues which are clearly understood by the Board and decisions made in the best interest of the Corporation in the maximisation of its total economic value taking into consideration the needs, interests and expectations of the various stakeholder groups linked to the Corporation by its business.

The Board therefore continuously establishes structures and processes, with appropriate checks and balances, defined accountability and responsibilities, and supporting policy and legal framework that will facilitate a realisation of quality governance in the robust discharge of the social, legal, economic and environmental responsibilities of Directors.

The BDC Board reaffirms its commitment to the principles of sound corporate governance as called for by King III Code and other international best practices and quality standards, including ISO9001:2008

The implementation of these principles and best practices has enhanced the realization of BDC's Corporate and ethical values as well as continued value creation for the nation of Botswana.The Board, the Management and our business partners all uphold the Corporate Values detailed below deliberately picked by the Board to pursue a vision of being the leading development and investment partner.

- Quality – we strive to achieve excellence in all we do and deliver a world class service through continuous employee development and teamwork

- Professionalism and integrity – we treat all people with courtesy and respect and demand integrity and honesty from all employees when dealing with our stakeholders

- Customer focus – we put our targeted customers at the heart of all we do

- Challenge and innovation – we create a dynamic environment, which challenges all our staff to set high standards for themselves in tackling the constantly changing development needs of Botswana.

Governance Benchmark

Botswana Development Corporation views Corporate Governance as a business imperative that requires the application of business judgement rules and qualitative governance over and above quantitative governance. The Board is aware that in exercising business judgment and decision making, including taking into consideration key stakeholder concerns, and whereas its decisions shall at all times be in the interest of the Corporation first, such decisions may not always please every single stakeholder. Where a stakeholder has cause to question a decision or action taken, the Corporation undertakes to provide full explanation of its action.

The Corporation has a comprehensive customer complaints and customer feedback handling mechanism in place that contains an escalation proviso to ensure that all customer concerns are dealt with expediently. During the year all issues brought to the attention of the Corporation were resolved and closed out with the customer's consent.

The Corporation benchmarks against King III Code of Governance for South Africa 2009 (King III), with its Code of Governance Principles, which came into effect on 1st March 2010.

Realising that principles are a guide and therefore cannot be prescriptive, the new code has adopted the principles of 'apply or explain'. BDC is in the continued process of reviewing its corporate governance framework, including the drafting of its constitution, to ensure compliance with the requirements of King III and the revised Botswana Companies Act 2004.

The Corporation is aware of the greater emphasis of King III on Internal Audit, IT governance, the environment and the responsibility of directors thereon. In that regard BDC Board takes responsibility for ensuring greater emphasis on Internal Audit and IT governance, environmental sustainability and in ensuring alignment with corporate strategy.

In line with King III, the role and value-add provided by the Internal Audit function rests in its relevance and effective communication to the Board Audit Committee. The Head of the Internal Audit is required to and provides periodic written assessment to the Board on the Corporation's internal control environment, performance and risk management. This assists the Board to ensure that risk management does not become a series of activities that are detached from the realities of the Corporation's business.

Statement of Compliance

The Board is satisfied that every effort is being made to comply in all material respects to all principles of good governance, as pronounced in King III Corporate Governance Code and the Companies Act.

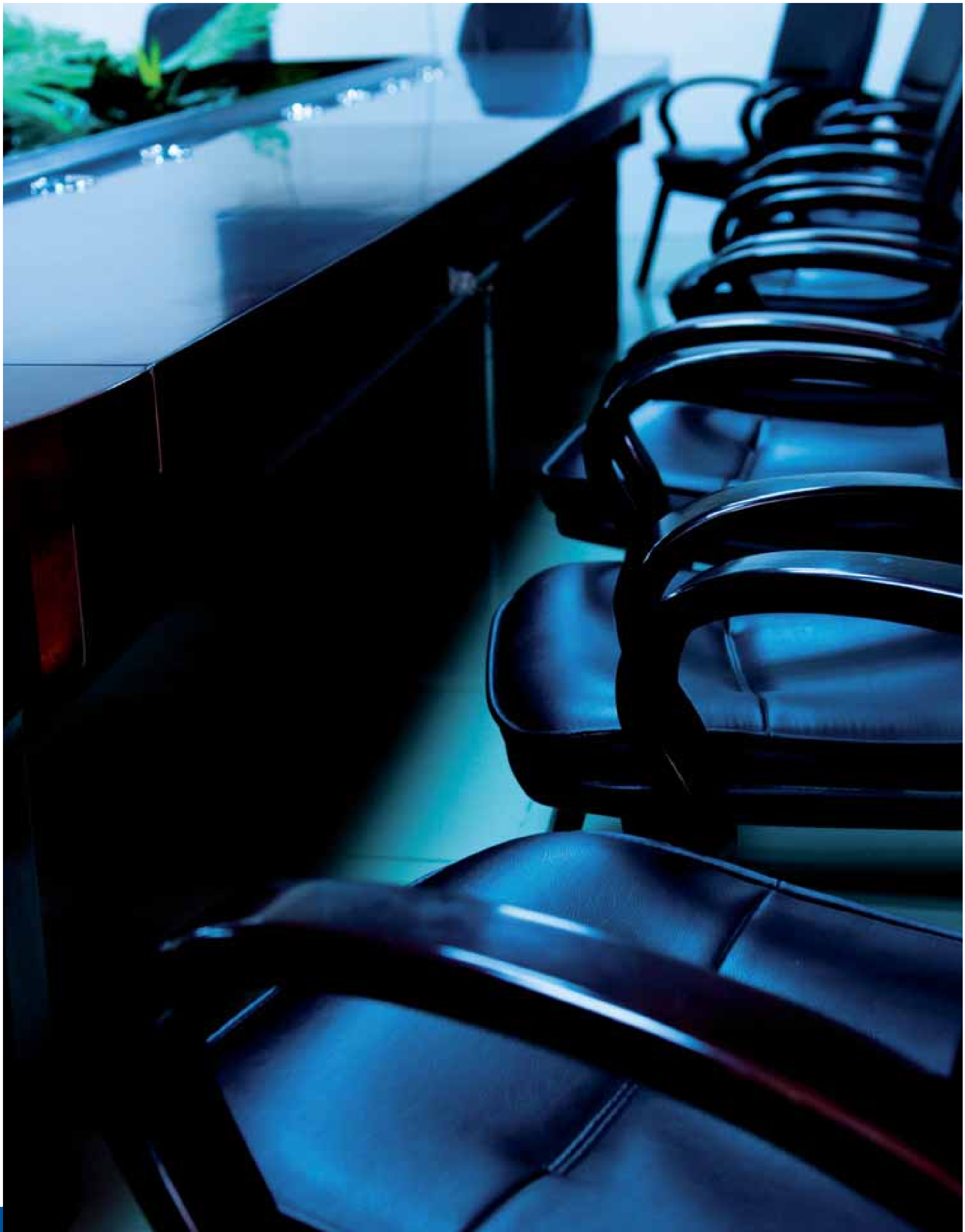
The Corporation's compliance is further verified by the Internal Auditors as well as the ISO9001:2008 Quality Auditors.

Highlights of the year under review

The Board considered a number of key governance initiatives and issues during the reporting period.

- BDC initiated a review of its Memorandum and Articles of Association and consolidated them into a Constitution that will conform with both legal requirements and best practice. The proposed memorandum has been submitted to the Minister for approval.

- BDC reviewed its risk management framework to ensure that the risk



CorporateGovernanceStatement (Cont.)

management processes, procedures and practices are in line with best practice and robust enough to ensure both early detection, prevention mitigation and eradication of risk as business imperatives may dictate.

- The Board identified projects that qualify for divestment to assist in the economic diversification and citizen economic empowerment.

- The Board continued to drive the Corporation to continuously pursue customer-centricity to ensure that BDC's clients remain central to its business strategy.

- The Corporation implemented its External Audit Policy, approved in the previous period, wherein Deloitte and Touche were appointed External Auditors for the BDC Group for this reporting period and will be subject to performance evaluation before determining whether to reappoint them or not for the next financial year, thereby aligning practice with the requirements of the Companies Act, in terms of appointing auditors annually.

- Similarly whilst the Corporation has been pursuing non financial aspects of governance a balance was also made to ensure that pursuit of good financial performance is also achieved. To that end BDC made a profit of P213.1 million and paid a dividend of P33 million to Botswana Government.

The Future Challenges

As the challenges of managing an enterprise in a virtually borderless, globally competitive, even more uncertain yet less forgiving market, the Board and Management of Botswana Development Corporation have and/or will be initiating a number of programmes to ensure that the Corporation remains both a globally competitive enterprise and also a socially responsible corporate citizen of the global village.

BDC has substantial interests in a number of enterprises. Consequently its governance framework incorporates all essential corporate governance systems necessary in any world class investment entity similar to the Corporation. This includes ensuring that robust systems exist and function effectively in all governance assurance functions including, but not limited to risk management, financial management, Company Secretarial and Internal Audit, as well as statutory audits.

Board Structure

The Corporation has a unitary Board structure appointed by the Shareholder, the Botswana Government, including the 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 Board Committees, duly formed according to the guidelines in the King III Report on Corporate Governance and the Botswana Companies Act.

The size of the Board is dictated by the Memorandum of Association of BDC, which permits a minimum of seven and a maximum of thirteen Directors appointed by the Shareholder. In line with the recommendations of King III, the positions of Chairman and Managing Director are separately held, with a clear division of duties.

As at 30 June 2010 there were nine directors of which eight were non-executive directors.

Induction and Training

New Directors appointed to serve on the BDC Board benefit from a planned induction process, facilitated internally and externally and aimed at enhancing their understanding of BDC and the business as well as enhancing their understanding of Corporate Governance and Companies Act requirements as they relate to BDC. There were no changes in the Board composition throughout the year.

Board Charter and Responsibilities

The Board has a Charter which sets out its mission, role, duties and responsibilities, and, in particular, the leadership of the Board, fiduciary duties, induction of new directors, evaluation of directors, Board meetings and procedure; and the relationship between employees and external stakeholders. The Board ensures that BDC's business is conducted in line with high standards of corporate governance, within the predetermined parameters of risk management and internal controls, and in accordance with local and internationally accepted corporate best practices. This, in turn ensures conformance and compliance without impeding business performance.

The Board has established three standing committees, the Board Audit Committee, Board HR Committee and the Board Tender Committee. These Committees are a vital assembly of skills that seek to achieve set objectives and are designed to delegate Board functionality, assist and monitor the executives and ensure that dedicated functions are executed in the best interest of BDC and its stakeholders.

The Board meets at least four times per annum and as circumstances necessitate. The Board is responsible to the Shareholder for setting economic, social and environmental direction through strategic objectives and key policies, and monitors implementation through structured reporting systems. The Board accepts responsibility for the annual financial statements.

Committees of the Board

The Board performs its overall oversight of the Corporation and Management's activities by reviewing reports from Management and its auditors through its normal meetings and in detail through its Sub Committees as set out below:

Board Audit Committee

The overall objectives of the Board Audit Committee are to monitor the adequacy of financial controls and reporting, review audit plans and adherence to these by external and internal auditors, ascertain the reliability of the audit, ensure that financial reporting complies with IFRS and the Companies Act, review and make recommendations on all financial matters and to recommend the appointment of external auditors to the Board.

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

The Board Audit Committee convened and met four times during the financial year, to discharge its mandate.

At the end of the financial reporting period the Board Audit Committee reviewed, discussed with management and approved for submission to the Board, the Corporation's and the Group's consolidated financial statements.

Board Human Resources Committee

The main objective of this Committee is to assist the Board in the development of Human Resources 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. The Human Resources Committee convened and met eight times during the financial year to discharge its mandate.

Board Tender Committee

The main objective of the Committee is to ensure that the procurement process of the Corporation upholds the principles of transparency, objectivity and fairness in procurement of goods and services for the Corporation.

Similarly, 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.

The Board Tender Committee met three times to consider tenders within its authority, including reviewing any proposed improvements and amendments to the BDC Tender Rules and Regulations.

Board membership and Attendance Record

The Board met seven times during the year, made up of the four scheduled meetings, two special Board meetings and attendance of an annual general meeting held in February 2010.

In line with best practice, non-executive Directors met at least once without the Executive Director and Management being present. The Board met twice once without the substantive Chairman being present, wherein the meeting was chaired by the Deputy Chairman.

The total Directors Fees and Attendance Record for Board and Committee meetings is set out below:

	Main Board	Audit Committee	HR Committee	Tender Board Committee	Total Meetings Attended	Total Fees Due (P)
Sekwakwa S.M (Chairman)	5	-	-	-	5	7,350.00
Ndzinge S.E (Deputy Chair & Audit Com Chair)	6	4	-	-	10	13,230.00
Nthebolan M.N (Managing Director)	7	3	8	1	19	Nil
Kandjii I.K (Chair HR Com)	5	-	8	-	13	14,280.00
Kwele N K (Chair Tender to Dec 09)	6	4	7	2	19	18,900.00
Merafhe O (Chair Tender from Dec 09)	7	3	-	3	13	12,810.00
Molosiwa B.K	3	-	-	-	3	3,360.00
Dikgaka T.C (Appointed to Tender Com Dec 09)	7	-	-	2	9	10,920.00
Masisi M.N	5	-	7	-	12	10,080.00
M.Lesolle (Independent Audit Com member)	-	3	-	-	3	3,360.00
TOTAL OF MEETINGS HELD	7	4	8	3	22	
TOTAL BOARD FEES PAID						94,290.00

The above fees are net of withholding tax

Corporate Governance Statement (Cont.)

Note: Total fees include fees paid to Directors for attendance of three Board Workshops hosted during the year and attendance of the Annual General Meeting (AGM) by some Directors. Board Fees for Ms. B.K. Molosiwa and Mr S. M Sekwakwa were paid to Botswana Government as per government policy. No Board fees are paid to the Managing Director.

Fees are calculated and paid by applying the rates determined by the Shareholder, Botswana Government. The Board Chairman and Chairpersons of the respective Board Committees including acting Chairpersons were paid P1 050 per meeting attended. Other members were paid P840 per meeting attended.

There was no other remuneration paid to any of the Directors other than the Managing Director's emoluments as disclosed in the audited financial statements.

Delegation of Authority

In the interest of promoting efficiency and effective management the Board has delegated some of its authority limits as follows:

Board Chairman:

The Chairman together with the Managing Director has authority to approve investment financing decisions of between P5 million and P7.5 million.

Managing Director:

The Managing Director is authorised to approve financing of projects up to P5 million cumulative value per project.

Whist the Board has delegated some of its authority to Management, through the Managing Director, the Board understands that it still retains the accountability and liability concerning the exercise of its delegated authority, and hence has put in place internal control and internal audit to ensure the proper discharge of the delegated authority

Internal Control Systems

The Board is confident that the policies, systems and procedures adopted by management provide reasonable assurance in safeguarding assets, prevention and detection of errors, accuracy and completeness of 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.

Fraud Prevention

In today's complex environment, coupled with the dynamics of borderless global e-commerce through diverse cultures, reliance on systems of internal controls alone is not sufficient, Hence boards have realized that whilst trust is critical for an effective operation of any enterprise, fraud prevention is equally important.

The Board Audit committee therefore performs an oversight role to ensure that there is an effective fraud prevention culture as well as a robust system for dealing with suspected and/or reported fraud. During the year the Corporation implemented a whistleblowing policy and later developed a fraud policy, which has been adopted by the Board in the new year.

Through both of these policies the Corporation personnel are encouraged to report any suspected fraudulent, unethical or corrupt practices to the fraud tip-off hotline.

Relations with the shareholders and Communication with stakeholders

The Board retains full and effective control over the Corporation by monitoring management in implementing Board policies and strategies within the parameters of its mandate, setting targets and measuring the Corporation's performance on an annual basis.

Whilst the shareholder has through the memorandum and articles delegated the responsibility to run the affairs of the Corporation to the Board, measurement of the Corporation and the Board's performance against agreed principles and benchmarks and regular dialogue between the two is maintained at all times.

Governance at Subsidiaries

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

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

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 that of the Corporation.

Strategic Planning

The Corporation has a comprehensive four year strategic plan that commenced in July 2007 and will end in June 2011. The strategy implementation is closely managed by the Strategy Implementation Monitoring Committee that meets bi-monthly to review strategy action plans and in turn briefs the BDC Board quarterly on progress made.

As the Corporation approaches the end of the current strategy planning period, the Board is making preparations for the formulation of a new strategic plan that should address both the challenges of the past, the present and the future.

IT Governance

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

Similarly over and above the information Systems, critical to IT Governance is Information Management especially as it relates to Information Security. The Corporation continuously reviews its information and data security to insure that critical information of both the Corporation and its clients is fully secured in particular from external threats.

Business Continuity

The Corporation subscribes to a total business resumption solution, Business Continuity Management also known as Business Continuity Planning, that guarantees to the Corporation's customers and stakeholders that in the event that normal operations or offices of the Corporation are interrupted or unavailable to conduct business from, the Corporation has the ability to resume its critical business processes at a remote location within customer acceptable times. The Board has set three days as the maximum duration that the Corporation's operations can be unavailable to customers, even in worse case scenarios.

Internal Audit

One of the major transformations of enterprise governance, and one of the main focus of King III is Internal Audit. The internal audit of today is central to the combined assurance of management, internal audit and external audit, being the three defences for a non executive Director.

Botswana Development Corporation being both a loan and equity investment financier, bridging both the characteristics of a venture capitalist and an investment partner is well aware of the governance challenges of today's company operating in the global village. Our partners are critical to the success of our business. They too therefore need to be assured that the efforts they make, the strategic and operational decisions they make, are not only in line with the expectations of their major shareholders and minority interest but also in line with international good governance. Therefore the internal audit function at BDC also provides group audit assurance, providing internal audit role to the holding company and to a diverse group of subsidiaries and associates.

It is also for this reason that the Board Audit Committee annually reviews and sanctions an audit plan and periodically reviews progress on the implementation of the approved plan, as well as reviews the issues reported by Internal audit to ensure that corrective and preventive action is taken.

Significant issues reported by Internal Audit are then reported by the Audit Committee Chairman to the main Board of Directors.

Customer Focus and Quality

Customer satisfaction is central to the Corporation's way of doing business. It is for this reason that the Corporation has adopted the International Standard Organisation (ISO) standard 9001:2008 to benchmark its quality management system, its total approach to customer happiness programs and its handling of customer complaints and feedback processes.

Audited for the last ten years, three times annually by independent internal quality auditors and annually by external quality auditors, and in all cases compliance to the international quality standard confirmed by the auditors the Corporation has a track record of being truly customer centric.

Corporate Reporting

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

A. Environment:

Although the Corporation does not provide any goods and/or services that may in the short and long term have any negative impact on the environment, it is also true that the Corporation sometimes funds or participates in projects that have the potential to negatively impact on the environment if not properly managed. To-date the Corporation has interests in entities that by nature of their business would be so characterised. Based on the assurance and the facts available the Board of Botswana Development Corporation confirms that such investments pose no negative impact on the environment in the short term or long term. The details of how these companies manage their environmental programmes are set out in the reports of those entities.

As a control procedure the Corporation or its business partners undertake environmental impact analyses before potentially harmful operations are undertaken. Subsequent to commencement of their operations such manufacturing processes undergo regular inspection by the relevant authorities, as part of their trading license requirements.

B. Corporate Social Investment

Corporate social investment has a pivotal role to play in bringing about meaningful transformation to the benefit of many including the less fortunate citizenry. The Corporation recognises that the social needs and challenges facing our continent and our country are substantial and therefore it is a moral duty for the Corporation to make a difference by supporting projects that benefit historically disadvantaged sectors of our society as well as facilitating youth development programmes.

Corporate Governance Statement (Cont.)

With corporate social investment becoming ever more strategically focused, the Corporation ensures that in investing in the social good it also seeks to align its corporate social investment spending with the core business objectives and imperatives of the Corporation in which true partnerships with beneficiaries, government and NGOs bring about long-term sustainable development to the benefit of all.

C. Ethics and Society

The Board upholds the principles of good ethical conduct in the leadership of the Corporation and its major investments. It therefore continuously inculcates a culture of integrity and good work ethics, observing directors' fiduciary duties and responsibilities, avoiding conflicts of interest and acting in the best interest of the Corporation; encouraging whistle-blowing; and promoting the values and principles set out in the BDC's code of business conduct.

The greatest challenges for financial institutions today is to some extent fraud and money laundering both of which have a potential to systematically creep into and contaminate the internal stakeholders, the staff, and slowly degrade their existing robust ethical morals and integrity through the promise of misguided and ill gained quick fortunes.

The Board ensures that in conducting the Corporation's business and in interacting with stakeholders, due regard is given to conformance to the BDC's Corporate Values, and code of ethics in force from time to time.

The Board ensures that at all times the Board, Management and Staff are committed to the highest standards of integrity in all their dealings with stakeholders. The Board therefore periodically reviews the Corporation's policies, procedures and systems to ensure, monitor, communicate and verify its compliance to these practices including where there has been a departure there from.

Audited Financial Statements

As set out in the Statements of Financial Position, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows and the notes thereto, the financial statements were prepared in accordance with International Financial Reporting Standards. The financial statements were reviewed and recommended by the Board Audit Committee and have been approved by the Board of Directors for presentation at the Annual General Meeting of the shareholders for formal adoption. At the end of the financial year the Board recommended that a dividend of P33 million be paid to the Shareholder, representing 25% of the after tax profits of the Corporation.

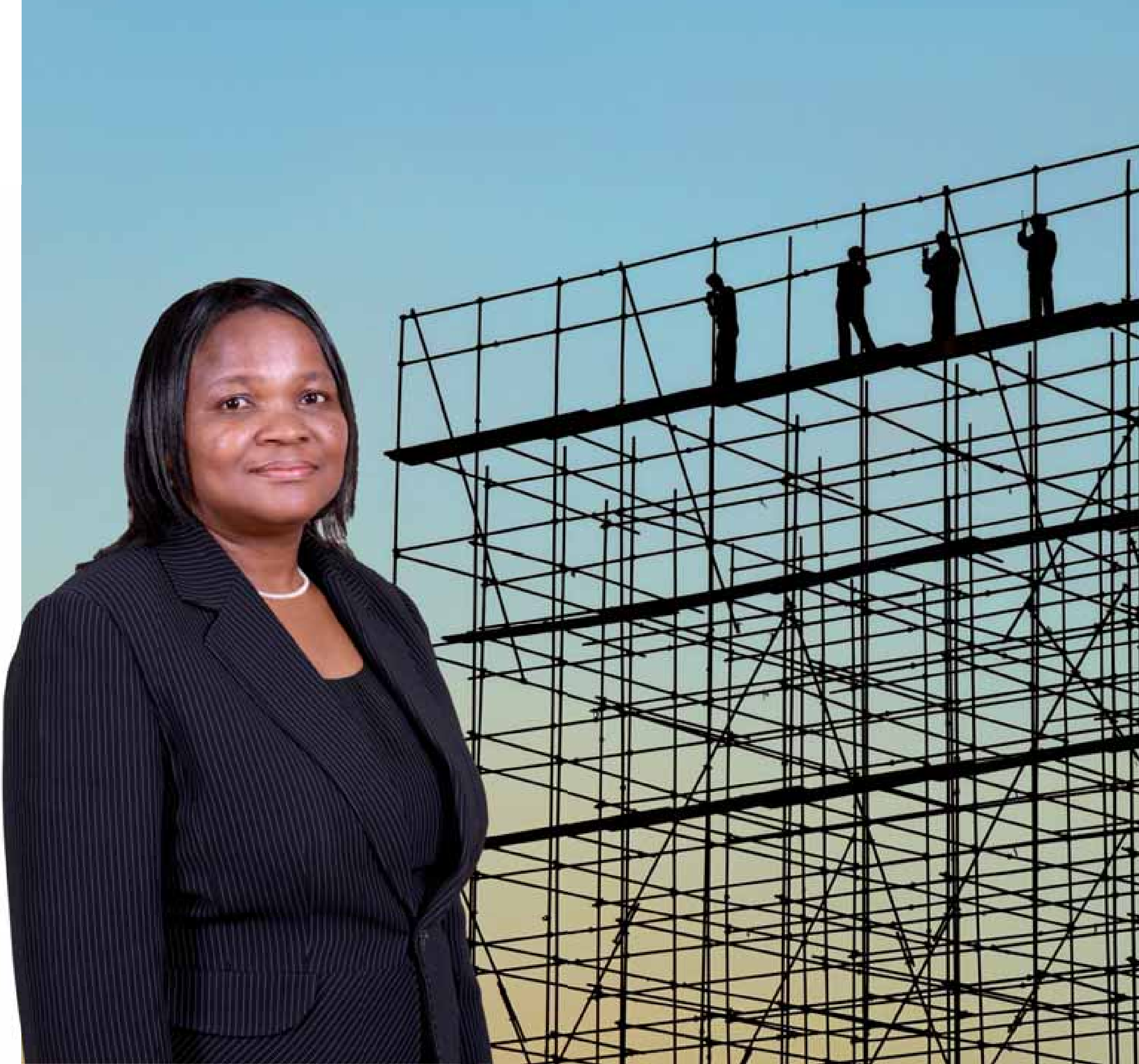
The Directors confirm their responsibility for the preparation, approval and reporting of the financial statements of the Corporation and consolidated financial statements of the Group. The external auditors have audited the financial statements as set out and have expressed an unqualified audit opinion on the fairness of those statements.

The Board of Directors and the Management of Botswana Development Corporation Limited confirm that the Corporation is expected to continue as a going concern in the next year.


Tetra Brik Aseptic

Business Development Report

The Corporation through its marketing initiative will continue to identify new growth areas for investment. In addition, the Corporation will continue to seek new business partners both domestically and internationally in order to continue to contribute to the economic growth of the domestic economy.



During the period under review the world economy started showing signs of recovery following an era of economic contraction. Some of the countries especially those more reliant on the extractive industry experienced more turbulent conditions on the backdrop of a fall in commodity prices. Unfortunately Botswana did not escape these challenging times as its economy contracted due to the poor performance of the mining sector and in the process accumulated a huge budget deficit. Fortunately signs of economic recovery are now evident in the domestic economy underpinned by the recovery in the mining sector which still dominates the economy.The recession led to the postponement of some of the development projects and this has resulted in subdued economic activity given that government is still a dominant player in the domestic market. At the Corporation level, the impact of the economic crisis has been felt more at subsidiary level through reduced demand for their products and services though their performance was not greatly affected. However, the situation is expected to improve as economic recovery in now eminent led by the developing economies.

Foreign Direct Investment into the developing world is expected to increase by 17% during 2011.This positive outlook is expected to bolster the Corporation's prospects of attracting new partners in order to further grow its portfolio. In light of this recovery, aggressive marketing will be embarked upon to ensure that the Corporation fully reaps the benefit of the improved market outlook for new investment seeking a new home.

There is competition for the limited bankable projects available in the domestic market. However, BDC being a development financier continues to take lead in investing in projects which are deemed to be highly risky to attract private capital due to their longer gestation periods. Of paramount importance in making investment decicions is the economic impact of such projects on the national economy and their long term viability and sustainability.

The role of the Corporation is to nurture, harness and build the local business capacity through provision of flexible financial solutions. To this end, the Corporation financed new projects during the year under review as enumerated below. BDC will continue to play a vital role as a development financier in pioneering and moving into unchartered territories in terms of investing in greenfield investment in the quest to contribute to economic diversification and reduce dependency on the mining sector.

During the year under review, the Corporation embarked on a divestment process which saw the Corporation shedding off some of its investments which resulted in citizen economic empowerment. The proceeds of the divestment process will be utilized in financing new projects to further grow the Corporation's portfolio. In addition, the Corporation will continue to review its portfolio and divest from mature investment using appropriate vehicles which will result in broader participation of citizens who may not have access to substantial financial resources to invest in projects on their own.

Despite the effects of the global financial crisis, the Corporation and its group of companies sailed through and achieved commendable results. The expectation is that as the economic recovery picks momentum, the companies especially those in the construction and allied industries will see improved performance. The Corporation through its marketing initiative will continue to identify new growth areas for investment. In addition, the Corporation will continue to seek new business partners both domestically and internationally in order to continue to contribute to the economic growth of the domestic economy. The focus of the Corporation in terms of seeking new investments will continue to focus in the industrial, property development and management, services and agricultural sectors. In addition, the Corporation will continue to seek opportunities in public private partnerships as well as infrastructure development.

Below is a summary of new investments approved in the year under review as well as highlights of the performance of the various sectors that the Corporation focuses on:

Agribusiness and Services

The portfolio comprises companies in the Agricultural and Services sectors. The agricultural sector includes companies engaged in commercial irrigated crop production, ostrich farming and marketing of horticultural produce. The Corporation is vigorously pursuing growth of the agricultural portfolio by investing in dairy farming as there is high demand but low production of milk in the country. This investment once it materialises, will ensure that the country moves towards self sufficiency in milk production.

In the Services sector, companies range from those involved in the hospitality industry, health services, educational services and financial services. Among these industries the hospitality/tourism offers great potential for future growth and also offers further impetus for the economic diversification drive. Overall the plan is to continue to grow the agricultural and services sector within the Corporation in order to unlock the real potential that these sectors offer in terms of economic diversification.

The total investment in the Divisional portfolio as at 30 June 2010 stood at P167.1 million, an increase of 22 percent over last year. This growth is attributable to the following projects approved during the year under review:

Chicken Zone (Pty) Ltd - This wholly owned citizen company runs a chicken farm with abattoir facilities in Tlokweng. BDC finance was for both capital expenditure and working capital.

Marekisetso A Morogo Wa Rona t/a Botswana Horticultural Market - Additional equity investment to finance working capital was approved for this company which runs a horticultural produce market in Gaborone. The market provides a platform for the selling of the

Business Development Report (Cont.)

farmers' produce. The market operates on a commission basis in that the farmer engages an agent to sell produce on his behalf in return for a commission. The produce remains the property of the market until sold.

The market plays a crucial role in ensuring that it removes the burden of marketing the produce from the farmer to the market hence the farmer has ample time to focus on production. Again given that the market has undertaken to pay the farmer within 5 days of selling his produce it has had the effect of improving his cash unlike in yester years when the farmer was at the mercy of the trader who would often pay after 60 days of selling his produce.

L P Amusement Centre – This is an amusement facility currently located at the Lion Park. The project consists of an amusement centre, entertainment area, and animal enclosures. Upon realising the need for more facilities, funding for expansion was approved during the year. The expansion was meant to enhance the centre so that it can have wider public appeal. Intended facilities are procurement of the roller coaster, construction of a conference centre, Science Centre, Paintball War Area, Putt Putt Course, Quad Track with off road buggies, Curio Shop, Restaurant Upgrade and upgrade of Speed and Super Tube Tower.
The acquisition and undertaking of the above will not only overcome the problem of limited entertainment facilities but would also solve that of lack of education facilities by erecting a Science Centre. It would also lessen the problem of shortage of conference accommodation especially for activities such as team building.

Projects under implementation:
Coast-to-Coast Inn- a 40 bed lodge with 50 seated conference room, a camping site and curio shop to be constructed at Mamuno. This is along the Transkalahari Highway, which is part of the coast to coast corridor that runs from Mozambique to Namibia through South Africa and Botswana. The lodge would be strategically located as it would be the next stop after Kang, a distance of about 500km. It would also be convenient for travellers who might not want to branch to Gantsi for stop over. The facility will be located about 750 metres from the Namibian border which is an ideal stop over spot for tourists crossing over to Namibia.

Kwalape Tours & Safaris (Pty) Ltd- this is a luxury 24 bed tented lodge in Kazungula. BDC provided both equity and loan to this 100% citizen owned company for the construction and operation of modern tented accommodation. In addition the company is planning to construct a 200 seated conference room; the biggest in the District, a swimming pool and camp site. The project is expected to be operational by December 2010.

Industry
For the year ended 30 June 2010, the Corporation's total exposure in the Industry Sector stood at P348.9 million. The portfolio consisted of 16 companies which created 1715 direct employment for citizens. The Division's portfolio companies are engaged in a wide range of activities that include construction, food and beverage, furniture, leather, food cans, and glass manufacturing.

Competition for Foreign Direct Investment (FDI) in the region remains highly competitive and the challenge is to attract quality investors. The Corporation is implementing a business development strategy that is intended to set up businesses that will utilise local raw materials.

The Division is currently implementing a large project that will manufacture float glass for the construction industry. The main raw material inputs are silica sand and soda ash, which are readily available locally. This investment will create more linkages and is expected to stimulate related industries such as glass processing for the production of tempered glass, rolled glass, laminated glass, insulated glass, energy saving glass and the production of automobile glass manufacturing. The Division is also implementing a large diameter steel pipe project for the local market suitable for the transmission of water, sewerage, oil and gas. The pipes can also be used for structural purposes such as for the frameworks for buildings and bridges and their foundation piles. The project will be first ferrous (ductile & steel) pipe manufacturer in Botswana. All ferrous pipes are currently imported and statistics show that the bulk is from China followed by South Africa. The importation of steel pipes results in high costs emanating from transport costs. The project will employ at least 200 citizens when running two shifts at full production.

The Corporation continues with research into the development of more viable projects in other sectors with emphasis on import substitution industries. The focus is currently to develop the agro processing industry and research for areas where citizens can participate. Overall performance of the companies in the portfolio was good despite the trying economic circumstances. The construction sector emerged as the major contributor to the performance of the Division during the year. This sector achieved the outstanding performance on the back of strong government spending on infrastructure development.

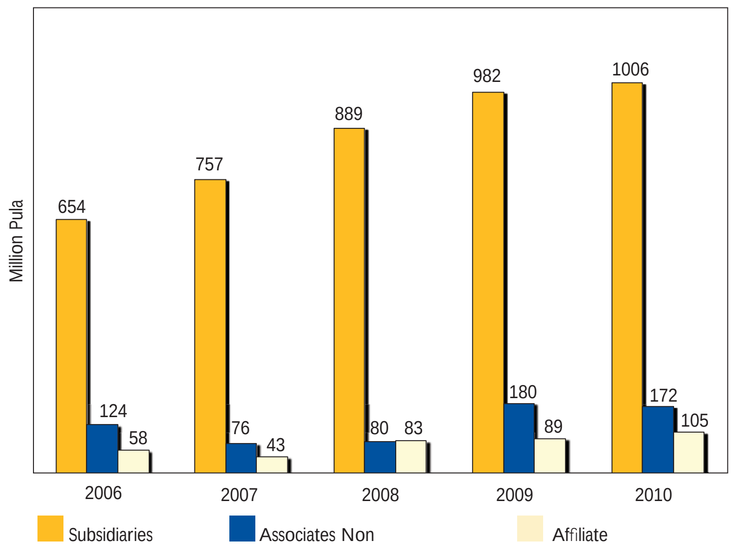
Property
Demand for quality office space, residential and industrial properties in major cities continued to be good during the financial year.

Property Divestment
The Corporation's divestment programme relating to property portfolio is at an advanced stage. The portfolio will be listed on the Botswana Stock Exchange and this is expected to be concluded by March 2011.

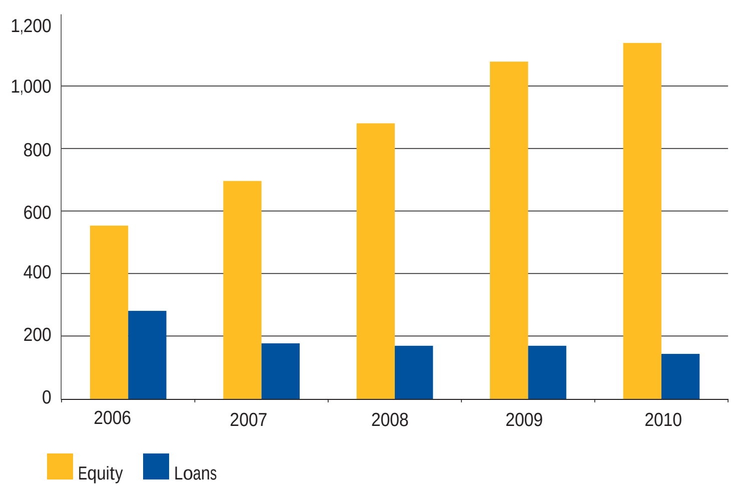
Hotel Properties
During the year under review, the refurbishment of Cresta Hotel in Gaborone, as well as construction of a conference centre were completed. The Honourable Assistance Minister of Finance & Development Planning officially opened the upgraded facility in August 2010.

Business Development Report (Cont.)

Investments Distribution (P' millions)



Product Range (P' millions)



Industrial Properties

During the year under review the Division embarked on refurbishment of most of the properties in Gaborone, Lobatse and Francistown. The Division was also involved in construction of ten factory shells on the old Hyundai site in Gaborone. The properties continued to enjoy high occupancy rates in Gaborone. The property market in Selibe Phikwe has resurrected. There is improved appetite for industrial space as evidenced by the uptake of the existing space. The demand for industrial space was triggered by among other things; the need for space by CEDA funded projects as well as the proposed rescue packages for the textile industry.

Office Development

The Division is in the process of developing a modern office development and an iconic building in the Fairgrounds Office Park. Planning approval for the development is in place with the design at an advanced stage. Management has commenced procurement of the main contractor for construction. Works are expected to commence end of first quarter next year.

Botswana Innovation Hub – Progress

The project is split into two phases being, infrastructure development and the construction of BIH Head Office

- **Infrastructure Works**
  The Master plan (Urban Design Framework) for the site has been approved by the Town and Country Planning Board.. All infrastructure designs have been approved by respective Authorities (Water Utilities Corporation, Botswana Power Corporation, Botswana Telecommunications Corporation and Gaborone City Council). The contractor, China State Construction has been appointed to undertake construction of infrastructure works (water, sewerage, roads, power and telecommunications). Commencement of construction works began on 1st November 2010.

- **Construction of the BIH Head Office and Associated Buildings**
  Architectural Design – SHoP Architects have completed Stage 3 (Technical Drawings) of the work. Management is in the process of soliciting the services other professionals such as Civil/Structural Engineers, Electrical/ Mechanical Engineers and Quantity Surveyors.

Block 5 North – Gaborone
During the year the Division was involved in the design of infrastructure works for land servicing of Block 5 North – this entails water, sewerage, network of roads, telecommunications and power reticulation. Preliminary designs have been completed. Liaison with Authorities to get the requisite approvals is in progress. It is anticipated that detailed designs will be completed early in 2011 while construction is planned to commence during the second quarter of 2011.

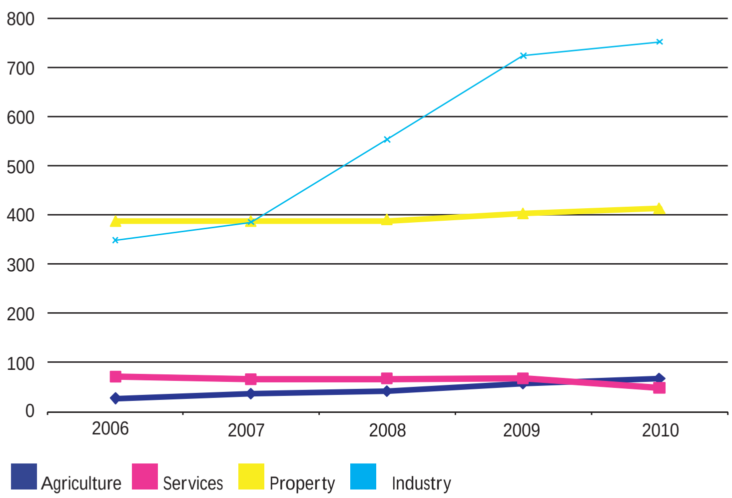
Invoice Discounting
Invoice finance has been available to the business community for three years now, having grown from a foreign concept that the market did not fully understand to a facility that the market now demands. The division has financed projects in almost all sectors including Manufacturing, Services, Retail, Pharmaceutical, Agricultural, Mining and Construction.

Businesses fail not from lack of profit, but from lack of cash because when the funds dry up there are often very few places go. That is why safe and certain receipt of funds from customers is inevitably the top priority. Business overdrafts can and do bridge the gap between paying input costs such as wages and raw materials and the receipt of money from trade sales, but something more closely involved and shaped to the cash cycle in the form of Invoice Discounting provides more flexible and fuller support. BDC through its Invoice Discounting Division has taken a leading role in the Invoice Finance sector because it offers innovative, flexible and competitive products. The BDC Invoice Discounting facility is the only working capital finance that is guaranteed to grow with your sales, ensuring smooth business growth and no over trading.

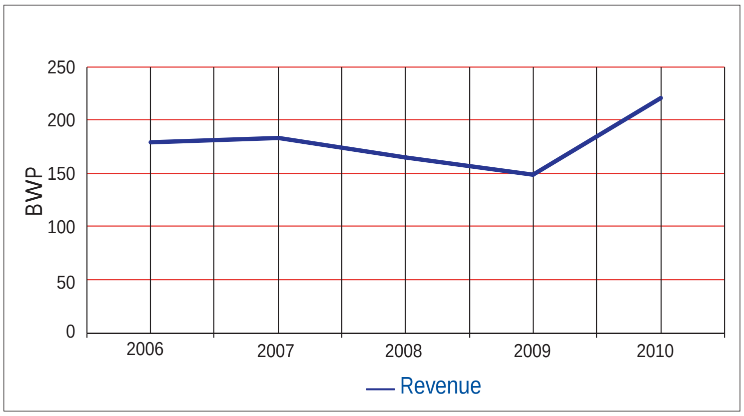
During the year ended 30 June 2010, the Division advanced P121 million to its customers ranging across the SME spectrum, with total invoices purchased of P167 million and receipts from debtors totalling P113 million.

The Invoice Discounting Division continues to innovatively structure and develop new products to widen the asset based lending solutions in order to improve cash flow and stimulate growth of its clients. The Division will continuously provide innovative solutions to meet working capital requirements within the context of Invoice Finance.

Business Sector Distribution



Revenue



ManagementServicesReport

“The Information Management Division continued to provide IT support and services to the Corporation, exceeding its key systems uptime and support turnaround targets.”

The Management Services Department consistently delivers on its obligations with a view to total client satisfaction at all times. Both internal and external client needs are continuously assessed and appropriate solutions applied.

Financial Accounting

The Division continues to provide financial accounting services to the Corporation. As a means of assuring quality and timely reporting the Division now makes periodic visits to Group Companies to assess their resource requirements and capability to handle the financial accounting function and providing advice as necessary.

The Division continues to remain abreast of all recent developments and has assured that the Corporation adopts new IFRS as they become applicable.

Risk Management

In the year under review the Division undertook a total review and re-alignment of the Risk Management Framework. The following policies were introduced:

- Enterprise Wide Risk Management Policy
- Arrears Management Policy
- Fraud and Money Laundering Policy
- Pricing Policy

The Division further concentrated on vigilantly maintaining the risk profile of both Lending and Investment portfolios within acceptable limits.

Information Technology

The Information Management Division continued to provide IT support and services to the Corporation, exceeding its key systems uptime and support turnaround targets. During the year under review, the Information Security policy was updated to bring it in line with current technology and best practice. A project to implement the CoBit IT Governance Framework in the Corporation has been started and will be concluded in the coming financial year. A workflow system for projects was developed. This system will automate the entire project approval and monitoring process and will be rolled out in the next financial year. Other initiatives include the automation of leave requisitioning and approval as well as the provision of electronic payslips.

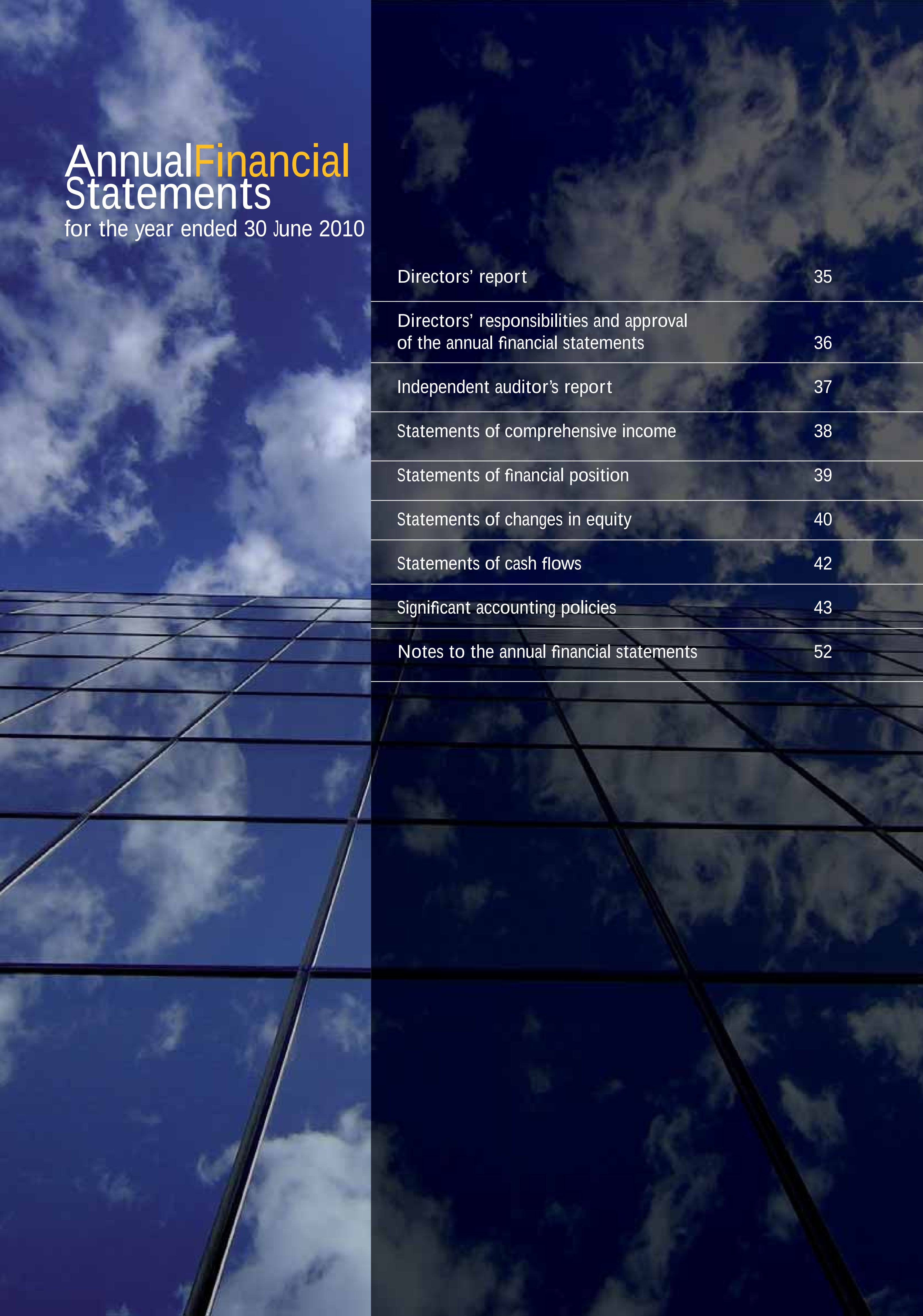
Management Accounting and Treasury

The Division continutes to provide relevant performance information aimed at assisting and facilitating Management decision making and operational control at all levels of management within the Corporation. At the same time, the Division has continued to ensure that the Corporation's treasury risk is minimized while returns on surplus funds are maximized.

ValueCreated2001-2010

	2001 P 000	2002 P 000	2003 P 000
Income from trade			
Interest income	43,206	45,042	49,105
Dividend	32,834	43,029	98,281
Sundry income	5,986	4,703	7,026
Profit on sale of investment/assets	1,958	-	-
	83,984	92,774	154,412
Less:Cost of supplies and services	(17,892)	(17,985)	(19,979)
Total Value Added	66,092	74,789	134,433
Distributed as follows:			
To employees payroll cost	10,286	11,171	10,949
To providers of finance interest on loans	22,033	21,578	20,917
To Government			
Company taxation on profits	(4,183)	(7,725)	-
To providers of permanent capital			
Dividends to shareholder	-	11,273	-
To maintain and expand the Corporation			
Provisions against investments	10,862	12,400	42,230
Profit/(loss) retained	27,094	26,092	60,337
Total	66,092	74,789	134,433

	Re-stated 2004 P 000	Re-stated 2005 P 000	2006 P 000	2007 P 000	Re-stated 2008 P 000	2009 P 000	2010 P 000
	50,205	73,991	84,628	62,866	56,143	39,740	42,676
	68,506	95,363	92,593	117,865	106,953	108,042	129,827
	14,966	2,474	5,282	11,227	8,527	8,300	26,494
	-	27	-	8,065	-	-	95,741
	133,677	171,855	182,503	200,023	171,623	156,082	294,738
	(15,187)	(16,613)	(19,905)	(17,440)	(21,022)	(18,865)	(33,212)
	118,490	155,242	162,598	182,583	150,601	137,217	261,526
	12,282	16,058	18,387	22,512	25,570	31,540	35,089
	20,324	39,616	37,987	38,911	31,525	36,179	33,670
	9,459	12,151	15,866	23,772	15,426	7,733	14,494
	15,000	20,000	17,126	18,050	20,000	12,000	-
	10,893	10,617	18,160	31,830	47,090	197,349	21,986
	50,532	56,800	55,072	47,508	10,990	(147,584)	156,287
	118,490	155,242	162,598	182,583	150,601	137,217	261,526



Annual Financial Statements

for the year ended 30 June 2010

Directors' Report

for the year ended 30 June 2010

The directors have pleasure in submitting their annual report to the shareholders together with the audited financial statements for the year ended 30 June 2010 in accordance with the requirements of the Companies Act of Botswana (Companies Act, 2003).

Financial Results

1. The financial results for the company and the group are set out on pages 38 to 81.
2. Dividend of P32,278,807 has been proposed for the year.

Directors

3. The following were directors of the company during the year under review:

S M Sekwakwa	**Chairman**
S E Ndzinge	**Deputy Chairman**
M M Nthebolan	**Managing Director**
I K Kandjii	
N K Kwele	
O Merafhe	
B K Molosiwa	
T C Dikgaka	
M N Masisi	

Stated Capital

4. During the year 279,000,000 ordinary shares were issued and fully paid, bringing the total number of ordinary shares issued to 517,699,462 (2009: 238,699,462).

Investments

5. During the year the company invested further equity into the following:

- Can Manufacturers (Pty) Ltd	P8,516,275
- Botswana Hotel Development Company (Pty) Ltd	P21,526,314
- Western Industrial Estates (Pty) Ltd	P14,077,178
- Fengue Glass Manufacuring (Pty) Ltd	P823,938
- Tannery Industries (Botswana) (Pty) Ltd	P6,919,061
- Kwalape (Pty) Ltd	P600,000
- Coast-to-Coast Inn (Pty) Ltd	P698,750
- AOB-AGRIB (Pty) Ltd	P2,095,762
- Marekiseto A Merogo (Pty) Ltd	P600,000

Directors' Fees and Expenses

6. It is recommended that directors' fees and expenses of P114,602 (2009: P104,000) and directors' emoluments of P1,073,277 (2009:P2,277,000) for the year to 30 June 2010 be ratified.

By Order of the Board

J.Dube
Group Company Secretary

Directors' Responsibilities And Approval

of the Annual Financial Statements for the year ended 30 June 2010

The directors are responsible for the preparation and fair presentation of the company and group annual financial statements of Botswana Development Corporation Limited (the Corporation), comprising the statements of financial position as at 30 June 2010 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act of Botswana (Companies Act, 2003).

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

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The company and group 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 annual financial statements.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the company. 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 group'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 company's and group's annual financial statements, which were examined by the external auditors and their report is presented on page 37.

Approval of the annual financial statements

The company and group annual financial statements set out on pages 38 to 81 which have been prepared on the going concern basis, were approved by the board on 13 December 2010 and are signed on its behalf by:

Mr. S.M. Sekwakwa
Chairman

Mrs. M.M. Nthebolan
Managing Director

Annual Report 2010 Annual Report 2010 Annual Report 2010 Annual Report 2010 Annual Report 2010 Annual Report 2010 Annual Report 2010 Annual Report 2010 Annual Report 2010 Annual Report 2010

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Independent Auditor's Report

To the members of Botswana Development Corporation Limited

Report on the Financial Statements

We have audited the accompanying company and group annual financial statements of Botswana Development Corporation Limited, set out on pages 38 to 81, which comprise the statements of financial position as at 30 June 2010, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 in the manner required by the Companies Act of Botswana (Companies Act, 2003).

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 judgment, 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 company and the group financial statements present fairly, in all material respects, the financial position of the company and of the group as at 30 June 2010, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Botswana (Companies Act, 2003).

Deloitte & Touche

13 December 2010

Statements of comprehensive income

For the year ended 30 June 2010

	Notes	Group 2010 P 000	Group Re-stated 2009 P 000	Company 2010 P 000	Company 2009 P 000
Continuing operations					
REVENUE	1	282,605	431,542	153,452	134,704
Cost of revenue		(117,994)	(208,128)	-	-
Gross profit		164,611	223,414	153,452	134,704
Interest received		32,042	22,168	19,051	13,078
Other operating income	2	48,122	15,996	26,494	8,300
Fair value of investment properties	6	(35,666)	213,640	-	-
As per valuation		(35,272)	227,047	-	-
Straight-line rental adjustment		(394)	(13,407)	-	-
Share of profits of associates		104,289	61,230	-	-
Fair value of borrowings		(2,875)	(2,955)	(2,875)	(2,955)
Disposal/fair value of investment retained in a subsidiary	43	95,741	-	152,582	-
Distribution costs		(7,043)	(4,906)	-	-
Marketing expenses		(4,492)	(7,308)	(2,580)	(3,281)
Occupancy expenses		(1,169)	(1,726)	(7,445)	(12,667)
Administrative expenses		(116,359)	(67,276)	(44,919)	(29,391)
Other operating expenses		(36,873)	(70,734)	(32,468)	(231,991)
Finance costs	3	(36,714)	(38,209)	(33,670)	(36,179)
PROFIT BEFORE TAX	4	203,614	343,334	227,622	(160,382)
Income tax expense	5	(46,429)	(92,742)	(14,494)	(7,733)
Profit /(loss) for the year from continuing operations		157,185	250,592	213,128	(168,115)
Discontinued operations					
Profit /(loss) for the year from discontinued operations	37	29,657	(122,520)	-	-
PROFIT FOR THE YEAR		186,842	128,072	213,128	(168,115)
OTHER COMPREHENSIVE (LOSS)/INCOME					
Net value loss on available-for-sale financial assets	24	(103,100)	(179,575)	(103,100)	(179,575)
Net gains on revaluation of property, plant and equipment		14,879	12,999	-	-
Share of other comprehensive (loss)/income of associates		(8,948)	8,470	-	-
Other comprehensive loss for the year, net of tax		(97,169)	(158,106)	(103,100)	(179,575)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		89,673	(30,034)	110,028	(347,690)
Profit/(loss) attributable to:					
Owners of the company		172,770	107,478	213,128	(168,115)
Non-controlling interests	28	14,072	20,594	-	-
		186,842	128,072	213,128	(168,115)
Total other comprehensive loss attributable to:					
Owners of the company		(97,169)	(158,106)	(103,100)	(179,575)
Non-controlling interests		-	-	-	-
		(97,169)	(158,106)	(103,100)	(179,575)

Statements of financial position

At 30 June 2010

	Notes	Group 2010 P 000	Group Re-stated 2009 P 000	Group Re-stated 2008 P 000	Company 2010 P 000	Company 2009 P 000
ASSETS						
NON-CURRENT ASSETS						
Investment properties	6	491,928	884,393	667,222	-	-
Property, plant and equipment	7	283,076	390,158	367,679	1,331	1,808
Intangible assets	8	2,934	2,726	2,079	-	-
Subsidiaries	9	-	-	-	559,320	540,994
Associated companies/partnerships	10	307,352	273,183	153,293	136,325	156,182
Unquoted investments	11	97,661	81,050	88,502	97,661	80,947
Quoted investments	13	504,157	529,777	709,352	504,157	529,777
Rental straight-line adjustment		1,419	19,991	8,978	-	-
Due from group companies - net	14	-	-	-	60,340	53,876
Investment projects in progress	15	1,209	510	17,158	1,209	510
		1,689,736	2,181,788	2,014,263	1,360,343	1,364,094
CURRENT ASSETS						
Inventories	16	27,860	22,931	29,741	-	-
Trade and other receivables	17	187,221	101,604	104,590	163,933	55,363
Short-term loans and advances	18	9,325	11,085	11,226	39,893	45,583
Available for sale investments	19	307	370	12,172	-	-
Cash and cash equivalents	20	650,744	246,287	292,761	559,655	97,705
Taxation recoverable		50,386	32,711	52,479	9,162	-
		925,843	414,988	502,969	772,643	198,651
Assets classified as held for sale	21	459,907	35,573	1,739	-	-
		1,385,750	450,561	504,708	772,643	198,651
TOTAL ASSETS		3,075,486	2,632,349	2,518,971	2,132,986	1,562,745
EQUITY AND LIABILITIES						
CAPITAL AND RESERVES						
Stated capital	22	864,199	585,199	535,199	864,199	585,199
Contribution to factory premises	23	24,070	24,070	24,070	24,070	24,070
Fair value reserve	24	333,197	436,297	615,872	333,197	436,297
Other reserves	25	104,810	99,998	83,847	-	-
Dividend reserve	26	32,279	-	12,000	32,279	-
Claims equalisation reserve	27	2,468	1,344	1,107	-	-
Retained earnings		750,330	609,286	504,018	288,102	107,253
Equity attributable to owners of the company		2,111,353	1,756,194	1,776,113	1,541,847	1,152,819
Non-controlling interests	28	50,922	86,216	74,572	-	-
Total equity		2,162,275	1,842,410	1,850,685	1,541,847	1,152,819
NON-CURRENT LIABILITIES						
Borrowings	29	164,863	379,975	408,098	75,258	286,462
Government grants	30	14,259	31,440	32,217	-	-
Provision for restoration costs	31	5,808	8,787	6,430	-	-
Deferred taxation	32	93,792	135,794	93,771	-	-
		278,722	555,996	540,516	75,258	286,462
CURRENT LIABILITIES						
Current portion of borrowings	29	217,538	15,953	12,591	210,901	10,375
Trade and other payables	33	282,284	155,488	83,357	304,819	112,928
Bank overdrafts	34	6,358	10,032	14,120	-	-
Tax payable		659	2,073	4,400	-	-
Capital gains tax		161	161	161	161	161
Dividend payable		-	-	13,141	-	-
		507,000	183,707	127,770	515,881	123,464
Liabilities directly associated with assets classified as held for sale	21	127,489	50,236	-	-	-
		634,489	233,943	127,770	515,881	123,464
TOTAL LIABILITIES		913,211	789,939	668,286	591,139	409,926
TOTAL EQUITY AND LIABILITIES		3,075,486	2,632,349	2,518,971	2,132,986	1,562,745

Statements of Changes In Equity

For the year ended 30 June 2010

	Notes	Stated capital P 000	Contribution to factory premises P 000	Capitalisation of bonus reserve P 000	Fair value reserve P 000	Capital redemption reserve P 000
Group						
Year ended 30 June 2010						
Balance at 1 July 2009 - As re-stated		585,199	24,070	-	436,297	8,831
Profit for the year		-	-	-	-	-
Other comprehensive income for the year		-	-	-	(103,100)	-
Total comprehensive income for the year		-	-	-	(103,100)	-
Ordinary shares issued during the year	22	279,000	-	-	-	-
Transfers		-	-	-	-	1,933
Movement during the year		-	-	-	-	-
Dividend declared	26	-	-	-	-	-
Dividend paid	26	-	-	-	-	-
Balance at 30 June 2010		864,199	24,070	-	333,197	10,764
Year ended 30 June 2009						
Balance at 1 July 2008 - As previously stated		535,199	24,070	1,504	615,872	11,940
Prior year adjustment-deferred tax (Note 38)		-	-	-	-	-
Balance at 1 July 2008 - As re-stated		535,199	24,070	1,504	615,872	11,940
Profit for the year - As re-stated		-	-	-	-	-
Other comprehensive income for the year		-	-	-	(179,575)	-
Total comprehensive income for the year		-	-	-	(179,575)	-
Ordinary shares issued during the year	22	50,000	-	-	-	-
Transfers	22	-	-	-	-	891
Movement during the year		-	-	(1,504)	-	(4,000)
Dividend paid	26	-	-	-	-	-
Year ended 30 June 2009 - As re-stated		585,199	24,070	-	436,297	8,831
Company						
Year ended 30 June 2010						
Balance at 1 July 2009		585,199	24,070	-	436,297	-
Profit for the year		-	-	-	-	-
Other comprehensive income for the year		-	-	-	(103,100)	-
Total comprehensive income for the year		-	-	-	(103,100)	-
Ordinary shares issued during the year	22	279,000	-	-	-	-
Dividend declared	26	-	-	-	-	-
Balance at 30 June 2010		864,199	24,070	-	333,197	-
Year ended 30 June 2009						
Balance at 1 July 2008		535,199	24,070	1,504	615,872	4,000
Profit for the year	38	-	-	-	-	-
Other comprehensive income for the year		-	-	-	(179,575)	-
Total comprehensive income for the year		-	-	-	(179,575)	-
Ordinary shares issued during the year		50,000	-	-	-	-
Transfers		-	-	(1,504)	-	(4,000)
Dividend paid	26	-	-	-	-	-
Balance at 30 June 2009		585,199	24,070	-	436,297	-

	Statutory capital/ solvency & other reserves P 000	Dividend reserve P 000	Claims equalisation reserve P 000	Retained earnings P 000	Total attributable to members P 000	Minority interest P 000	Total P 000
	91,167	-	1,344	609,286	1,756,194	86,216	1,842,410
	-	-	-	172,770	172,770	14,072	186,842
	5,931	-	-	-	(97,169)	-	(97,169)
	5,931	-	-	172,770	75,601	14,072	89,673
	-	-	-	-	279,000	-	279,000
	(3,253)	-	767	553	-	-	-
	201	-	357	-	558	(46,679)	(46,121)
	-	32,279	-	(32,279)	-	-	-
	-	-	-	-	-	(2,687)	(2,687)
	94,046	32,279	2,468	750,330	2,111,353	50,922	2,162,275
	70,403	12,000	1,107	523,308	1,795,403	74,572	1,869,975
	-	-	-	(19,290)	(19,290)	-	(19,290)
	70,403	12,000	1,107	504,018	1,776,113	74,572	1,850,685
	-	-	-	107,478	107,478	20,594	128,072
	21,469	-	-	-	(158,106)	-	(158,106)
	21,469	-	-	107,478	(50,628)	20,594	(30,034)
	-	-	-	-	50,000	-	50,000
	(601)	-	-	(2,210)	(1,920)	(6,550)	(8,470)
	(104)	-	237	-	(5,371)	-	(5,371)
	-	(12,000)	-	-	(12,000)	(2,400)	(14,400)
	91,167	-	1,344	609,286	1,756,194	86,216	1,842,410
	-	-	-	107,253	1,152,819	-	1,152,819
	-	-	-	213,128	213,128	-	213,128
	-	-	-	-	(103,100)	-	(103,100)
	-	-	-	213,128	110,028	-	110,028
	-	-	-	-	279,000	-	279,000
	-	32,279	-	(32,279)	-	-	-
	-	32,279	-	288,102	1,541,847	-	1,541,847
	-	12,000	-	275,368	1,468,013	-	1,468,013
	-	-	-	(168,115)	(168,115)	-	(168,115)
	-	-	-	-	(179,575)	-	(179,575)
	-	-	-	(168,115)	(347,690)	-	(347,690)
	-	-	-	-	50,000	-	50,000
	-	-	-	-	(5,504)	-	(5,504)
	-	(12,000)	-	-	(12,000)	-	(12,000)
	-	-	-	107,253	1,152,819	-	1,152,819

Statements of Cash Flows

For the year ended 30 June 2010

	Notes	Group 2010 P 000	Group 2009 P 000	Company 2010 P 000	Company 2009 P 000
Cash flows from operating activities					
Cash generated from operations	42	144,384	219,105	200,581	106,457
Tax paid		(46,503)	(20,444)	(30,120)	731
Net cash from operating activities		97,881	198,661	170,461	107,188
Cash flows from/(to) investing activities					
Purchase of investment properties	6	(40,196)	(28,238)	-	-
Purchase of property, plant and equipment	7	(45,121)	(110,719)	(250)	(1,083)
Purchase of intangible assets	8	(724)	(848)	-	-
Purchase of shares in subsidiaries		-	-	(34,876)	(95,700)
Purchase of shares in associates		(8,943)	(95,968)	(8,943)	(95,968)
Purchase of shares in non-affiliated companies		(2,096)	(5,176)	(2,096)	(5,176)
Loans disbursed to subsidiaries		-	-	(10,565)	(26,477)
Loans disbursed to associated companies		(2,751)	(4,833)	(2,751)	(4,833)
Loans disbursed to non-affiliated companies		(17,532)	(3,569)	(17,532)	(3,569)
Loans repaid by subsidiaries		-	-	8,539	29,522
Loans repaid by associated companies		15,383	812	15,383	812
Loans repaid by non-affiliated companies		2,445	2,825	2,445	2,825
Purchase of shares in investment projects in progress		(699)	-	(699)	-
Net cash inflow on disposal of partial interest in subsidiary		151,100	-	79,830	-
Net decrease in loans in investment projects in progress		-	16,648	-	-
Proceeds from disposal of property, plant and equipment		3,050	1,683	-	67
Proceeds from disposal of investment properties		4,847	5,926	-	-
Net movement in the reserves of associates		(21,704)	(10,695)	-	-
Disposal of investments		15,768	13,316	14,189	-
Interest received	2	32,042	22,168	19,051	13,078
Net cash from/(used in) investing activities		84,869	(196,668)	61,725	(186,502)
Cash flows from/(to) financing activities					
Decrease in long term borrowings		(13,527)	(28,499)	(15,566)	(14,118)
Dividend paid to group shareholder	26	-	(25,141)	-	(25,141)
Dividends paid to minority interests	28	(2,687)	(2,400)	-	-
Issue of shares	22	279,000	50,000	279,000	50,000
Finance costs	3	(36,714)	(38,209)	(33,670)	(36,179)
Net cash from/(used in) financing activities		226,072	(44,249)	229,764	(25,438)
Increase/(decrease) in cash and cash equivalents		408,822	(42,256)	461,950	(104,752)
Movement in cash and cash equivalents					
Beginning of the year		236,385	278,641	97,705	202,457
Increase/(decrease) during the year		408,822	(42,256)	461,950	(104,752)
End of the year		645,207	236,385	559,655	97,705
Cash and cash equivalents comprise:					
Cash and cash equivalents		650,744	246,287	559,655	97,705
Bank overdrafts		(6,358)	(10,032)	-	-
Assets held for sale		821	130	-	-
		645,207	236,385	559,655	97,705

Significant Accounting Policies

30 June 2010

BASIS OF PREPARATION

The financial statements are presented in Botswana Pula (the functional currency). The financial statements have been prepared under the historical cost convention as modified by the land and buildings, financial assets and financial liabilities at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Although these estimates are based on management's best knowledge of the current events and actions, actual results may ultimately differ from those estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

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 2009. The adoption of these standards has not resulted in changes to the group's accounting policies.

Standards and interpretation affecting amounts reported in the current period

The new and revised Standards and Interpretations adopted in the current period have not affected the amounts reported in these financial statements.

Standards and interpretation affecting presentation and disclosure

<u>IAS 1(as revised in 2007 Presentation of financial statements)</u>

IAS1(2007) has introduced terminology changes (including revised titles for the financial statements and changes in the format and content of financial statements).

<u>IFRS 7 Financial Instruments Disclosures</u>

The amendment to IFRS 7 expand the disclosures required in respect of fair value measurement and liquidity risk.

New interpretations and standards not yet adopted

Certain new accounting standards, interpretations and amendments to existing standards which have been published that are mandatory for the group's accounting periods beginning on or after 1 January 2010 which the group has not early adopted, are as follows:

Standard/Interpretation	Annual periods beginning on or after
IFRS 2 - Share-based Payment - Amendments relating to group cash-settled share-based payment transactions:	1 January 2010
IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations - Amendments resulting from April 2009 Annual Improvements to IFRSs:	1 January 2010
IFRS 8 - Operating Segments - Amendments resulting from April 2009 Annual Improvements to IFRSs:	1 January 2010
IFRS 9 - Financial Instruments - Classification and Measurement :	1 January 2013
IAS 1 - Presentation of Financial Statements - Amendments resulting from April 2009 Annual Improvements to IFRSs:	1 January 2010
IAS 7 - Statement of Cash Flows - Amendments resulting from April 2009 Annual Improvements to IFRSs:	1 January 2011
IAS 17 - Leases - Amendments resulting from April 2009 Annual Improvements to IFRSs:	1 January 2010
IAS 24 - Related Party Disclosures - Revised definition of related parties:	1 January 2011
IAS 32 - Financial Instruments: Presentation - Amendments relating to classification of rights issues:	1 February 2010
IAS 36 - Impairment of Assets - Amendments resulting from April 2009 Annual Improvements to IFRSs:	1 January 2010
IAS 39 - Financial Instruments: Recognition and Measurement - Amendments resulting from April 2009 Annual Improvements to IFRSs:	1 January 2010

Significant Accounting Policies (Cont.)

30 June 2010

IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction : 1 January 2010

IFRIC 16, Hedges of a Net Investment in a Foreign Operation: 1 October 2009

Management is in the process of evaluating the standards and interpretations and their impact on the group's financial results and the disclosure and presentation of the annual financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 had the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results 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.

Where 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.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control 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 interest 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. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. 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 jointly controlled entity. Any fair value gain or loss on initial recognition is recognised in the statement of comprehensive income.

Business combinations

Acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair value (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are measured to fair value at the acquisition date (i.e. the date the Group attains 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, when such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3(2008) 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 arrangement are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively.

- Assets (or disposal groups) that are classified as held of sale in accordance with IFRS 5 Non-current Assets held for sale and

Significant Accounting Policies (Cont.)

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Discontinued Operations are measured in accordance with the Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period 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 below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date - and is subject to a maximum of one year.

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 of 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 identified 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.

When a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Interest 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.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). 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 amount of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets 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 equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill as been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-

Significant Accounting Policies (Cont.)

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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 pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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 are 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.

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 are 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 of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

The Group's policy for recognition of revenue from operating leases is 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 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.

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.

Significant Accounting Policies (Cont.)

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The Group as lessor

Amounts due from lessees under 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.

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.

Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less related accumulated depreciation and provision for impairment. Cost includes all costs directly attributable to bringing the assets to working conditions for their intended use. It is the group's policy to obtain independent valuations of land and buildings on a regular basis and to transfer unrealised surpluses and deficits on revaluation to a non-distributable reserve. On realisation such surpluses and deficits, based on revalued book value, are included in the income statement.

Other property, plant and equipment are included at historical cost. Depreciation is charged so as to write off the depreciable amount of the assets over their estimated useful lives to estimated residual values, using a method that reflects the pattern in which the assets future economic benefits are expected to be consumed by the entity. Where significant parts of an item have different useful lives to the item itself, these parts are depreciated over their estimated useful lives. The methods of depreciation, useful lives and residual values are reviewed annually.

The estimated useful lives 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

Land is not depreciated as it is deemed to have an infinitive life. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit or loss in the period in which they arise. When revalued assets are sold, the amounts included in fair value and other reserves are transferred to retained earnings.

Repairs and maintenance are charged to the statement of comprehensive income 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.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised, during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

Intangible assets

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

Development costs

Generally, costs associated with developing or maintaining computer software programmes are recognised as an expense when incurred. However, costs that are directly associated with identifiable and unique software products controlled by the group and have probable economic benefit exceeding the cost beyond one year, are recognised as intangible assets. Direct costs comprise mainly staff costs of the software development team.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the

Significant Accounting Policies (Cont.)

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straight –line method over their useful lives, not exceeding a period of 5 years.

Investment properties

Investment properties, principally comprising industrial, commercial and residential buildings, are held for long-term rental yields and are not occupied by the group. Investment properties are treated as long-term investments and are measured initially at cost and are stated at fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment properties are included in the profit or loss for the period in which they arise.

Investment projects in progress

Investment projects in progress, which represents start-up costs in subsidiaries, before commissioning of the projects, are measured initially at cost and are stated at fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment projects in progress are included in the profit or loss for the period in which they arise.

Impairment of assets

At each reporting date, the group reviews the carrying amount 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

Other than goodwill, where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating-unit) is increased to the revised estimate of its recoverable amount. This is done so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in the statement of comprehensive income.

Financial assets

The group classifies its financial assets into the following categories: loans and receivables, held-to-maturity and available-for-sale. The classification is dependent on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of the purchase.

Investment loans and receivables

Investment loans and receivables that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets; for the purpose of these financial statements short term is defined as 3 months.

Trade receivables

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off when identified.

Held-to-maturity

Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within 12 months from the statement of financial position date which are classified as current assets.

Available-for-sale

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; and are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the statement for financial position date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Available-for-sale investments also include real estate development. Real estate development is stated at cost. Cost includes all direct costs which includes certain overheads. The surplus on revaluation of the property is taken to a revaluation reserve and is released to statement of comprehensive income on sale of properties. Payments that have been received from the customers prior to transfer of the title to the properties are treated as advance payments. The cost of development and advance payments are set off against each other in the financial statements.

Purchases and sales of investments are recognised on the trade date, which is the date that the group commits to purchase or sell the asset. Cost of purchase includes transaction costs. Trading and available-for-sale investments are subsequently carried at fair value. Held-to-maturity investments are carried at amortised cost using the effective yield method. Realised and unrealised gains and losses arising from changes in the fair value of trading investments are included in the statement of comprehensive income in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised through other comprehensive income. The fair value of investments are based on quoted bid prices or amounts derived from cash flow models. Fair values for unlisted equity securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the statement of comprehensive income as gains and losses from investment securities.

Significant Accounting Policies (Cont.)

30 June 2010

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where 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 impacted.

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.

Derecognition of financial assets

The group derecognises financial assets only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all risks and rewards of ownership of the asset to another entity. 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.

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 balance sheet.

Financial liabilities and equity instruments issued by the group

Equity instruments

Incremental external costs directly attributable to the issue of new shares, other than in connection with business combination, are shown in equity as a deduction, net of tax, from the proceeds. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition.

Where the company or its subsidiaries purchases the company's equity share capital, the consideration paid including any attributable incremental external costs net of income taxes is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

Other financial liabilities

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method or at fair value any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings.

Derecognition of financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

Government grants

Non-refundable grants received from the Government of Botswana for construction of properties are included in non-current liabilities and are amortised on the same method for charging depreciation on the properties.

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.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Restructuring provisions comprise lease termination penalties and employee termination payments, and are recognised in the period in which the group becomes legally or constructively committed to payment. Costs related to the ongoing activities of the group are not provided in advance.

Provision is made for the estimated value of future claims and related costs arising from premiums earned, using the best information available at the time. The provision includes reported claims not yet paid as well as estimated claims incurred but not yet reported.

Foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions; gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Such balances are translated at year-end rates.

In the case of foreign loans, exchange gains or losses arising on repayment are covered by agreements for partial protection entered into with the Government of Botswana. Such loans are translated to Botswana Pula at the rates of exchange ruling at the end of the financial year and the amount of exchange losses or gains which would be borne by or accrue to the Government in terms of these agreements, if these loans were to be repaid at these rates of exchange, is adjusted in arriving at the amount which these loans are stated in the statement of financial position.

Employee benefits

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. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs.

Severance pay and gratuity

Citizen employees who are not members of a pension fund are entitled to statutory severance benefits and gratuities at end of every five years. Non-citizen employees receive gratuities at the end of every two-year contract. Provision is made in respect of these benefits on an annual basis and included in operating results.

Revenue recognition

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.

Significant Accounting Policies (Cont.)

30 June 2010

Dividends

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 arms length basis and accordingly included in profit or loss for the year.

Financial instruments

Financial assets

Financial assets are recognised and derecognised on trade date and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset 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 on 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 asset, or, where appropriate, a shorter period.

Financial liabilities and equity instruments

The group's financial liabilities are borrowings and trade and other payables.

Financial liabilities are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. 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 through the expected life of the financial liability, or, where appropriate, a shorter period.

Equity instruments comprise stated capital, which is recorded at the amount of proceeds received.

Critical accounting estimates and judgements
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty
The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The group uses certain assumptions and key factors in the management of and reporting for its contracting arrangements. The most significant estimates and assumptions made in the preparation of these financial statements are:

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

Notes to the Financial Statements

30 June 2010

	Group		Company	
	2010	2009	2010	2009
1. REVENUE	P 000	P 000	P 000	P 000
Continuing operations				
Income from trade	117,777	282,730	-	-
Rental income	54,865	55,445	-	-
- Contract rental	54,666	46,513	-	-
- Straight line lease rental adjustment	199	8,932	-	-
Interest on loans:				
- Subsidiaries	-	-	15,519	18,765
- Associated companies	2,646	3,699	2,646	3,699
- Unquoted investments	5,460	4,198	5,460	4,198
Dividends received:				
- Subsidiaries	-	-	27,970	22,572
- Associated companies	55,950	27,736	55,950	27,736
- Unquoted investments	45,907	57,734	45,907	57,734
	282,605	431,542	153,452	134,704
Discontinued operations				
Income from trade (note 37)	171,477	19,228	-	-
2. OTHER OPERATING INCOME				
Continuing operations				
Cost recoveries	-	80	5,532	3,222
Directors' fees received	159	194	115	345
Loan negotiating fees	452	207	452	207
Invoice discounting service fees	2,075	1,364	2,075	1,364
Expense recovered	939	668	-	-
Bad debts recovered	708	3,104	708	3,104
Other income	43,789	10,379	17,612	58
	48,122	15,996	26,494	8,300
Discontinued operations				
Other income (note 37)	222	43	-	-
3. FINANCE COSTS				
Interest expense:				
- bank borrowings	(4,368)	(11,509)	(441)	-
- bonds	(21,588)	(25,194)	(21,588)	(25,124)
- long-term borrowings	(12,943)	(7,560)	(11,641)	(11,055)
- finance leases	(99)	(154)	-	-
	(38,998)	(44,417)	(33,670)	(36,179)
Attributable to:				
Continuing operations	(36,714)	(38,209)	(33,670)	(36,179)
Discontinued operations (note 37)	(2,284)	(6,208)	-	-
	(38,998)	(44,417)	(33,670)	(36,179)

4. PROFIT BEFORE TAX

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

	Group 2010	Group 2009	Company 2010	Company 2009
Amortisation of Government grant	(777)	(777)	-	-
Amortisation of intangible assets	201	40	-	-

Notes to the Financial Statements (Cont.)

30 June 2010

		Group 2010 P 000	Group 2009 P 000	Company 2010 P 000	Company 2009 P 000
4. PROFIT BEFORE TAX (Continued)					
Auditor's remuneration	- current year	1,796	1,636	250	240
	- prior year	814	606	-	310
Operating lease payments		1,221	1,367	7,445	12,667
Amortisation of intangible assets		356	201	-	-
Depreciation					
- Property, plant and equipment		22,283	24,048	727	635
Directors' fees		159	104	115	104
Directors' emoluments		1,073	2,277	1,073	2,277
Key management emoluments		2,736	2,787	2,736	1,822
Provision for losses:					
- Investments		12,580	10,015	21,986	197,349
Bad debts recovered		(708)	(3,104)	(708)	(3,104)
Net foreign exchange gains		-	783	-	783
Transfers to claims equalisation reserve		357	237	-	-
Impairment of property, plant and equipment		22,024	-	-	-
Utilities		939	668	-	-
Repairs and maintenance		1,789	4,946	166	-
Staff costs (as below)		97,044	87,663	35,089	31,540
Loss/(profit) on:					
- disposal of property, plant and equipment		4,745	1,807	-	(31)
- disposal of investment properties		(887)	281	-	-
Staff costs					
Salaries and wages		94,939	85,688	33,355	29,878
Terminal benefits		2,105	1,975	1,734	1,662
		97,044	87,663	35,089	31,540
Average number of employees		1,340	1,242	78	77
5. INCOME TAX EXPENSE					
Botswana company taxation					
- basic tax at 15%/5%		3,757	15,041	-	-
- additional company tax at 10%		2,701	6,977	-	-
Normal taxation		6,458	22,018	-	-
Withholding tax paid on dividends		18,133	15,143	18,133	15,143
Normal taxation	- prior year	(2)	(1,868)	-	-
Capital gains tax		2,825	2,592	2,825	-
Group tax relief		-	-	(6,464)	(7,410)
Total normal taxation		27,414	37,885	14,494	7,733
Deferred taxation (note 32)	- current year	6,099	46,154	-	-
	- prior year	1,808	(5,767)	-	-
Share of associated company taxation		16,017	14,470	-	-
Charge for the year		51,338	92,742	14,494	7,733
Attributable to:					
Continuing operations		46,429	92,742	14,494	7,733
Discontinued operations (note 37)		4,909	-	-	-
		51,338	92,742	14,494	7,733

Notes to the Financial Statements (Cont.)

30 June 2010

5. INCOME TAX EXPENSE (Continued)		Group 2010 P 000	Group Re-stated 2009 P 000	Re-stated 2008 P 000	Company 2010 P 000	Company 2009 P 000
The tax on the profit before tax differs from the theoretical amount as follows:						
Profit before tax		203,614	343,334		227,622	(160,382)
Tax calculated at 25%/15%		51,174	75,170		56,906	(40,096)
Income not subject to tax		(15,279)	(21,367)		(32,457)	(27,010)
Normal taxation	- prior year	(2)	(1,868)		-	-
Deferred taxation	- prior year	1,808	(5,767)		-	-
Capital gains tax		2,825	2,592		2,825	-
(Income)/expenses not deductible for tax purposes		1,185	14,372		(24,449)	67,106
Net difference between depreciation and capital allowances		(24,524)	(3)		(24,449)	-
Share of associated company taxation		16,017	14,470		-	-
Withholding tax paid on dividends		18,133	15,143		18,133	15,143
Profits/(losses) utilised by subsidiaries		-	-		(6,464)	(7,410)
		51,338	92,742		(9,955)	7,733
Tax Losses						
Tax year						
2004/2005		-	25,142		-	-
2005/2006		26,960	26,960		-	-
2006/2007		30,779	30,779		19,029	19,029
2007/2008		32,734	32,734		31,593	31,593
2008/2009		120,720	120,720		98,608	98,608
2009/2010		41,918	-		16,057	-
		253,111	236,335		165,287	149,230

6. INVESTMENT PROPERTIES

At fair value	Group 2010 P 000	Group Re-stated 2009 P 000	Re-stated 2008 P 000	Company 2010 P 000	Company 2009 P 000
Balance at beginning of the year	884,393	667,222	644,531	-	-
Additions	40,196	28,238	25,429	-	-
Transfers to property, plant and equipment (note 7)	(740)	(18,500)	2,791	-	-
Fair value adjustments	(35,666)	213,640	6,681	-	-
Disposals	(3,960)	(6,207)	(12,210)	-	-
Re-classified as held for sale (note 21)	(392,295)	-	-		
Balance at end of the year	491,928	884,393	667,222	-	-

The group's investment properties were revalued at 30 June 2010 either by independent professionally qualified valuers namely, Knight Frank or internally by the Directors. The valuations were based on current prices in an active market for all properties.

	Group 2010 P 000	Group Re-stated 2009 P 000	Re-stated 2008 P 000	Company 2010 P 000	Company 2009 P 000
Rental income	54,865	55,445	52,211	-	-
Repairs and maintenance	1,623	1,650	1,066	-	-

Notes to the Financial Statements (Cont.)

30 June 2010

7. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings P 000	Computers P 000	Motor vehicles P 000	Plant and machinery P 000	Furniture, Fittings and equipment P 000	Capital work in progress P 000	Total P 000
Year ended 30 June 2010							
Balance at beginning of the year	155,074	3,086	1,381	134,570	28,963	67,084	390,158
Revaluation	2,591	-	-	10,633	-	-	13,224
Additions	3,040	3,755	1,457	13,172	16,564	7,133	45,121
Transfers from investment properties	740	-	-	-	-	-	740
Transfers	-	(86)	-	58,361	8,236	(66,511)	-
Depreciation (note 4)	(3,026)	(1,055)	(270)	(10,619)	(7,313)	-	(22,283)
Disposals	(41)	(994)	(378)	(2,195)	(4,187)	-	(7,795)
Impairment loss (note 4)	-	-	-	(22,024)	-	-	(22,024)
Transfer on part disposal of a subsidiary	(58,469)	(3,515)	(52)	(7,174)	(37,149)	(7,706)	(114,065)
Balance at end of the year	99,909	1,191	2,138	174,724	5,114	-	283,076
At 30 June 2010							
Cost	104,523	10,733	3,686	207,672	32,217	-	358,831
Accumulated depreciation	(4,614)	(9,542)	(1,548)	(32,948)	(27,103)	-	(75,755)
Net book value	99,909	1,191	2,138	174,724	5,114	-	283,076
Year ended 30 June 2009							
Balance at beginning of the year	138,253	2,539	2,838	111,151	22,300	90,598	367,679
Revaluation	3,798	(241)	257	10,879	(258)	200	14,635
Additions	6,755	2,035	576	25,112	10,691	65,550	110,719
Transfers to investment properties	18,500	-	-	-	-	-	18,500
Transfers	2,403	-	(147)	83,750	3,258	(89,264)	-
Transfers to assets classified as held for sale	(11,197)	(76)	(689)	(85,149)	(92)	-	(97,203)
Depreciation (note 4)	(3,438)	(1,166)	(1,424)	(11,173)	(6,847)	-	(24,048)
Disposals	-	(5)	(30)	-	(89)	-	(124)
Balance at end of the year	155,074	3,086	1,381	134,570	28,963	67,084	390,158
At 30 June 2009							
Cost	172,841	17,251	2,867	140,808	69,366	67,084	470,217
Accumulated depreciation	(17,767)	(14,165)	(1,486)	(6,238)	(40,403)	-	(80,059)
Net book value	155,074	3,086	1,381	134,570	28,963	67,084	390,158

The impairment loss of P22.02 million (2009:PNil) 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. In determining value in use, the net future cash flows were discounted at a nominal rate of 8% on a pre-tax basis.

Certain assets are secured as set out in notes 29 and 34.

NotestotheFinancialStatements (Cont.)

30 June 2010

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Computers P 000	Motor and vehicles P 000	Furniture fittings P 000	Total P 000
Year ended 30 June 2010				
Balance at beginning of the year	1,006	12	790	1,808
Additions	46	-	204	250
Depreciation (note 4)	(417)	(7)	(303)	(727)
Balance at end of the year	635	5	691	1,331
At 30 June 2010				
Cost	8,770	64	3,057	11,891
Accumulated depreciation	(8,135)	(59)	(2,366)	(10,560)
Net book value	635	5	691	1,331
Year ended 30 June 2009				
Balance at beginning of the year	586	19	791	1,396
Additions	762	-	321	1,083
Disposals at cost	(5)	-	(31)	(36)
Depreciation (note 4)	(337)	(7)	(291)	(635)
Balance at end of the year	1,006	12	790	1,808
At 30 June 2009				
Cost	8,724	64	2,853	11,641
Accumulated depreciation	(7,718)	(52)	(2,063)	(9,833)
Net book value	1,006	12	790	1,808

8. INTANGIBLE ASSETS

Group	Computer software P 000	Trademarks P 000	Total P 000
Year ended 30 June 2010			
Balance at beginning of the year	2,526	200	2,726
Additions	724	-	724
Amortisation charge (note 4)	(316)	(40)	(356)
Transfer on part disposal of a subsidiary	-	(160)	(160)
Balance at end of the year	2,934	-	2,934
At 30 June 2010			
Cost	3,411	597	4,008
Accumulated amortisation	(477)	(437)	(914)
Transfer on part disposal of a subsidiary	-	(160)	(160)
Net book value	2,934	-	2,934

Notes to the Financial Statements (Cont.)

30 June 2010

8. INTANGIBLE ASSETS (Cont.)

Group	Computer software P 000	Trademarks P 000	Total P 000
Year ended 30 June 2009			
Balance at beginning of the year	1,839	240	2,079
Additions	848	-	848
Amortisation charge (note 4)	(161)	(40)	(201)
Balance at end of the year	2,526	200	2,726
At 30 June 2009			
Cost	2,687	600	3,287
Accumulated amortisation	(161)	(400)	(561)
Net book value	2,526	200	2,726

Trademarks were acquired on 1 July 1999 on acquisition of the Marang Hotel and are amortised over 15 years.

Notes to the Financial Statements (Cont.)

30 June 2010

9. SUBSIDIARIES	Shares at cost P 000	Short term loan P 000	Held to maturity Long term loan P 000	Total loan P 000
Agriculture				
Farm Development Company (Pty) Ltd	2	-	-	-
Talana Farms (Pty) Ltd	3,032	-	-	-
LP Amusements (Pty) Ltd	16,000	1,421	4,584	6,005
Malutu Investments (Pty) Ltd	16,195	-	-	-
	35,229	1,421	4,584	6,005
Industry				
Kwena Concrete Products (Pty) Ltd	11,904	-	-	-
Lobatse Clay Works (Pty) Ltd	100,668	-	-	-
Lobatse Tile (Pty) Ltd	278,863	1,964	-	1,964
Golden Fruit 97 (Pty) Ltd	8,499	1,964	4,226	6,190
Can Manufacturers (Pty) Ltd	132,212	-	-	-
	532,146	3,928	4,226	8,154
Services				
Cresta Marakanelo (Pty) Ltd		-	-	-
Export Credit Insurance & Guarantee (Pty) Ltd	12,000	-	-	-
	12,000	-	-	-
Property management				
Botswana Hotel Development Company (Pty) Ltd	74,100	3,623	101,614	105,237
Coleraine Holdings (Pty) Ltd	1,250	-	6,078	6,078
Commercial Holdings (Pty) Ltd	29,516	2,968	11,032	14,000
Fairground Holdings (Pty) Ltd	8,615	-	-	-
NPC Investments (Pty) Ltd	1,321	-	-	-
Residential Holdings (Pty) Ltd	36,740	11,133	10,154	21,287
Western Industrial Estate (Pty) Ltd	183,508	7,495	9,916	17,411
	335,050	25,219	138,794	164,013
Total all sectors	914,425	30,568	147,604	178,172
Less: Current portion of loans included in short-term loans and advances (note 18)				
Provision for losses (note 12)				
Fair value of loan provided at below market rate				

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

Maturity of short and long term loans
Between 1 and 2 years
Between 2 and 5 years
Over 5 years

Notes to the Financial Statements (Cont.)

30 June 2010

2010 Total investment P 000	Re-stated 2009 Total investment P 000	Re-stated 2008 Total investment P 000	% of shares held		Loan Interest rate p.a %
2	2	2	100		-
3,032	3,032	3,032	100		-
22,005	20,279	-	100		17.50
16,195	16,195	5,265	100		
41,234	39,508	8,299			
11,904	11,904	11,904	100		-
100,668	100,668	98,448	100		-
280,827	280,512	274,591	100		17.50
14,689	13,810	12,272	100		17.50
132,212	123,696	68,565	100		-
540,300	530,590	465,780			
-	11,100	11,100	-	(2009: 60)	-
12,000	14,000	14,000	100		-
12,000	25,100	25,100			
179,337	163,144	140,156	100		11.00
7,328	6,553	6,605	65		16.25
43,516	44,783	49,652	100		11.00
8,615	8,615	8,615	51		-
1,321	1,321	1,321	100		-
58,027	61,811	64,955	100		11.00
200,919	187,689	189,629	100		Various
499,063	473,916	460,933			
1,092,597	1,069,114	960,112			
(30,568)	(34,498)	(36,839)			
1,062,029	1,034,616	923,273			
(414,987)	(405,581)	(218,247)			
(87,722)	(88,041)	(88,342)			
559,320	540,994	616,684			
30,568	34,498	36,839			
48,353	82,636	75,331			
99,251	91,437	97,054			
178,172	208,571	209,224			

Notes to the Financial Statements (Cont.)

30 June 2010

10. ASSOCIATED COMPANIES/PARTNERSHIPS

Group	Shares / capital accounts cost P 000	Held to maturity Short term loan P 000	Long term loan P 000	Total loan/ debenture P 000	Post acquisition reserves P 000	2010 Total investment P 000
Agriculture						
Golddiger Ventures (Pty) Ltd	3,835	241	2,587	2,828	(148)	6,515
Kwalape (Pty) Ltd	1,000	117	1,310	1,427	-	2,427
Marekisetso A Merogo (Pty) Ltd	4,236	-	-	-	(2,496)	1,740
	9,071	358	3,897	4,255	(2,644)	10,682
Industry						
Asphalt Botswana (Pty) Ltd	1,092	1,138	1,829	2,967	23,029	27,088
Fengue Glass Man (Pty) Ltd	97,294	-	-	-	-	97,294
Kwena Rocla (Pty) Ltd	2,695	-	-	-	20,984	23,679
Tannery Industries (Botswana) (Pty) Ltd	22,305	-	-	-	(15,634)	6,671
	123,386	1,138	1,829	2,967	28,379	154,732
Services						
Global Resorts (Pty) Ltd	4,819	-	-	-	51,015	55,834
Healthcare Holdings (Pty) Ltd	4,421	408	4,053	4,461	11,476	20,358
Investec Holdings Botswana Ltd	870	-	-	-	3,036	3,906
Information Trust Company Botswana (Pty) Ltd	147	-	-	-	1,162	1,309
Mashatu Nature Reserve (Pty) Ltd	10,287	-	-	-	14,664	24,951
Metropolitan Life of Botswana Ltd	5,000	-	-	-	27,525	32,525
	25,544	408	4,053	4,461	108,878	138,883
Property management						
DBN Developments Partnership	1,500	-	-	-	18,909	20,409
The Liaison Partnership	-	-	-	-	-	-
NBC Developments	1,531	510	-	510	16,005	18,046
Riverwalk (Pty) Ltd	-	-	-	-	-	-
	3,031	510	-	510	34,914	38,455
Total all sectors	161,032	2,414	9,779	12,193	169,527	342,752
Less: Current portion of loans included in short-term loans and advances (note 18)						(2,414)
						340,338
Less: Provision for losses (note 12)						(32,986)
						307,352

Notes to the Financial Statements (Cont.)

30 June 2010

Re-stated 2009 Total investment P 000	Re-stated 2008 Total investment P 000	% of shares held		Loan Interest rate p.a %
3,933	4,820	33		17.50
1,648	495	33		17.50
2,232	3,636	33		-
7,813	8,951			
28,830	11,997	48		12.00
96,470	473	37		-
19,020	12,633	49		-
3,328	9,223	32		-
147,648	34,326			
27,874	36,289	40		-
10,734	11,058	30		Various
5,964	(11,564)	24		-
2,809	1,957	49		-
16,193	7,602	30		-
26,599	36,447	25		-
90,173	81,789			
16,207	15,232	33		-
2,090	137	-	(2009: 40)	-
13,422	7,118	33		11.50
19,699	19,791	-	(2009: 20)	-
51,418	42,278			
297,052	167,344			
(3,463)	(3,660)			
293,589	163,684			
(20,406)	(10,391)			
273,183	153,293			

Notes to the Financial Statements (Cont.)

30 June 2010

10. ASSOCIATED COMPANIES/PARTNERSHIPS (Cont.)

Company
Shares/capital accounts at cost

	Shares / capital accounts cost P 000	Held to maturity Short term loan P 000	Long term loan P 000	Total loan/ debenture P 000	Post acquisition reserves P 000	2010 Total investment P 000
- group investment as given above						161,032
- amount invested in DBN Developments by NPC Investments (Pty) Ltd						(1,500)
						159,532
Loans						12,193
						171,725
Less: Current portion of loans included in short-term loans and advances (note 18)						(2,414)
						169,311
Less: Provision for losses (note 12)						(32,986)
						136,325
Long-term loans are repayable over periods varying from 2 to 10 years and analysed as follows:						
Maturity of short and long term loans						
Between 1 and 2 years						2,414
Between 2 and 5 years						9,779
Over 5 years						-
						12,193
Included in post acquisition reserves are the following:						
Current year share of associates profits						104,289
Current year share of associates tax charge (note 5)						(16,017)
Net profit after tax						88,272

Notes to the Financial Statements (Cont.)

30 June 2010

Re-stated 2009 Total investment P 000	Re-stated 2008 Total investment P 000	% of shares held	Loan Interest rate p.a %
156,726	60,758		
(1,500)	(1,500)		
155,226	59,258		
24,825	20,804		
180,051	80,062		
(3,463)	(3,660)		
176,588	76,402		
(20,406)	(10,391)		
156,182	66,011		
3,463	3,660		
21,362	1,910		
-	15,234		
24,825	20,804		
67,306	49,993		
(15,386)	(9,682)		
51,920	40,311		

Notes to the Financial Statements (Cont.)

30 June 2010

	Group 2010 P 000	Re-stated 2009 P 000	Re-stated 2008 P 000	Company 2010 P 000	2009 P 000
11. UNQUOTED INVESTMENTS					
Shares at cost	64,274	63,358	58,182	64,274	63,358
Other investments	-	103	13,419	-	-
Held to maturity loans	40,972	25,885	25,141	40,972	25,885
	105,246	89,346	96,742	105,246	89,243
Provision for losses (note 12)	(674)	(674)	(674)	(674)	(674)
	104,572	88,672	96,068	104,572	88,569
Less: Current portion of loans included in short-term loans and advances (note 18)	(6,911)	(7,622)	(7,566)	(6,911)	(7,622)
	97,661	81,050	88,502	97,661	80,947

Other investments represent school shares, loans and debentures. Long-term loans attract interest at rates varying between 16% and 17.5% per annum, are repayable over periods varying from 2 to 10 years and are analysed as follows:

	Group 2010 P 000	Re-stated 2009 P 000	Re-stated 2008 P 000	Company 2010 P 000	2009 P 000
Between 1 and 2 years	6,911	7,622	7,566	6,911	7,622
Between 2 and 5 years	34,061	18,263	16,971	34,061	18,263
Over 5 years	-	-	604	-	-
	40,972	25,885	25,141	40,972	25,885
Security pledged for the above loans	68,953	68,953	68,953	68,953	68,953

At the financial year end the value of security obtained on individual loans was greater than the carrying amounts of the respective loans. Security compromised moveable and immovable assets.

	Group 2010 P 000	Re-stated 2009 P 000	Re-stated 2008 P 000	Company 2010 P 000	2009 P 000
12. PROVISIONS FOR LOSSES ON INVESTMENTS					
Balance at beginning of the year	21,080	11,065	32,303	426,661	229,312
Movement during the year (note 4)	12,580	10,015	(21,238)	21,986	197,349
Balance at end of the year	33,660	21,080	11,065	448,647	426,661
Represents provisions against:					
Subsidiaries (note 9)	-	-	-	414,987	405,581
Associated companies/partnerships (note 10)	32,986	20,406	10,391	32,986	20,406
Unquoted investments (note 11)	674	674	674	674	674
	33,660	21,080	11,065	448,647	426,661
13. QUOTED INVESTMENTS					
Shares at cost	170,960	93,480	93,480	170,960	93,480
Net gain transferred to fair value reserve (note 24)	333,197	436,297	615,872	333,197	436,297
Shares at market value	504,157	529,777	709,352	504,157	529,777
Comprising:					
Sechaba Breweries Holdings Ltd	338,741	451,087	636,629	338,741	451,087
PPC South Africa Ltd	81,565	78,690	72,723	81,565	78,690
Cresta Marakanelo Ltd	83,851	-	-	83,851	-
	504,157	529,777	709,352	504,157	529,777

Notes to the Financial Statements (Cont.)

30 June 2010

The company holds 34,044,315 (2009: 34,044,315), 2,825,283 (2009: 3,049,150) and 54,336,391 (2009: Nil) ordinary shares in Sechaba Breweries Holdings Ltd, PPC South Africa Ltd and Cresta Marakanelo Ltd, respectively. During the year 223,867 ordinary shares were bought back by PPC South Africa Ltd at a consideration of P6,370,550.

Although the company owns 25% (2009: 25%) of Sechaba Breweries Holdings Ltd issued capital, the equity method of accounting is not followed as the company does not exercise significant influence over Sechaba Breweries Holdings Ltd's financial and operating policies.

Although the company owns 29% (2009: 60%) of Cresta Marakanelo Ltd issued capital, the equity method of accounting is not followed as the company does not exercise significant influence over Cresta Marakanelo Ltd's financial and operating policies.

14. DUE FROM GROUP COMPANIES - NET

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

	Company	
	2010 P 000	2009 P 000
Talana Farms (Pty) Ltd	166	88
Can Manufacturers (Pty) Ltd	(3,395)	-
Lobatse Clay Works (Pty) Ltd	(8,306)	(8,306)
Malutu (Pty) Ltd	1,229	-
Export Credit Insurance & Guarantee (Pty) Ltd	1,868	757
Botswana Hotel Development Company (Pty) Ltd	15,612	14,759
Commercial Holdings (Pty) Ltd	7,717	6,037
NPC Investments (Pty) Ltd	5,328	4,790
Residential Holdings (Pty) Ltd	5,957	4,799
Western Industrial Estate (Pty) Ltd	34,164	30,952
	60,340	53,876

15. INVESTMENT PROJECTS IN PROGRESS

	Group and Company		
		Re-stated	Re-stated
	2010 P 000	2009 P 000	2008 P 000
Equity			
LP Amusement (Pty) Ltd	-	-	13,954
Coast-to-Coast Inn (Pty) Ltd	699	-	-
Phakalane Property Development (Pty) Ltd	510	510	510
	1,209	510	14,464
Loans			
LP Amusement (Pty) Ltd	-	-	2,694
Coast to Coast	-	-	-
Total equity and loans	1,209	510	17,158

The above investment projects in progress represent start-up costs in subsidiaries before commissioning.

Notes to the Financial Statements (Cont.)

30 June 2010

	Group			Company	
		Re-stated	Re-stated		
	2010	2009	2008	2010	2009
16. INVENTORIES	P 000	P 000	P 000	P 000	P 000
Raw materials	6,672	5,900	10,529	-	-
Work in progress	887	498	481	-	-
Finished goods	16,704	12,098	15,656	-	-
Moulds and patterns	1,053	669	708	-	-
Consumables	2,544	3,766	2,367	-	-
	27,860	22,931	29,741	-	-
17. TRADE AND OTHER RECEIVABLES					
Gross trade receivables	40,463	57,888	70,569	45,175	28,708
Allowance for doubtful debts	(17,306)	(14,425)	(11,569)	(11,037)	(6,477)
Net trade receivables	23,157	43,463	59,000	34,138	22,231
Prepayments	616	642	71	-	-
Loans to officers	14,541	13,246	16,577	14,541	13,246
Other	151,960	44,253	28,942	115,254	19,886
Less: Re-classified as held for sale (note 21)	(3,053)	-	-	-	-
	187,221	101,604	104,590	163,933	55,363

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

Other receivables mainly comprise other amounts receivable.

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

Ageing of past due but not impaired	Group 2010	Group 2009	Group 2008	Company 2010	Company 2009
60 - 90 days	4,918	3,305	10,433	1	37
90 - 120 days	2,605	710	5,042	565	415
Total	7,523	4,015	15,475	566	452
Movement in the allowance for doubtful debts					
Balance at beginning of the year	14,425	11,569	8,247	6,477	243
Allowance charged during the year	2,881	9,027	3,797	4,560	6,234
Amounts written off as uncollectible	-	(6,171)	(475)	-	-
Balance at end of the year	17,306	14,425	11,569	11,037	6,477

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

18. SHORT-TERM LOANS AND ADVANCES	Group 2010	Group 2009	Group 2008	Company 2010	Company 2009
Short-term portion of loans to:					
Subsidiaries (note 9)	-	-	-	30,568	34,498
Associated companies (note 10)	2,414	3,463	3,660	2,414	3,463
Unquoted investments (note 11)	6,911	7,622	7,566	6,911	7,622
	9,325	11,085	11,226	39,893	45,583

Notes to the Financial Statements (Cont.)

30 June 2010

	Group 2010 P 000	Group Re-stated 2009 P 000	Group Re-stated 2008 P 000	Company 2010 P 000	Company 2009 P 000
19. AVAILABLE FOR SALE INVESTMENTS					
Land held for sale:					
Balance at beginning of the year	370	12,172	1,715	-	-
Net movement during the year	(63)	(11,802)	10,457	-	-
Balance at end of the year	307	370	12,172	-	-
20. CASH AND CASH EQUIVALENTS					
Money market funds	137,843	81,016	68,236	-	58
Cash and bank deposits	512,901	165,271	224,525	559,655	97,647
	650,744	246,287	292,761	559,655	97,705

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 9.79% (2009: 9.79%).The proportionate amount of interest up to 30th June is added to the cost of investment approximating the fair value.

21. ASSETS HELD FOR SALE

	Group 2010 P 000	Group Re-stated 2009 P 000	Group Re-stated 2008 P 000	Company 2010 P 000	Company 2009 P 000
Land for sale (see 21.1 below)	-	1,739	1,739	-	-
Assets related to discontinued operations (see 21.2)	67,612	33,834	-	-	-
Investment properties (see 21.3)	392,295	-	-	-	-
	459,907	35,573	1,739	-	-
Liabilities associated with assets held for sale (see 21.2)	127,489	50,236	-	-	-

21.1 Subsidiary companies of the group had approximately 19.9 hectares of land within the Gaborone Showgrounds acquired from the Government of Botswana for development and resale.

21.2 The business activities of two of the Corporation's investments in subsidiaries ceased trading during the prior year due to lack of profitable business. One of the businesses related to rental of an investment property but ceased operations due to poor tenant base and the other business which related to the manufacturing of various types of tiles was liquidated.

21.3 Subsequent to the year end, BDC (the Corporation) intends to set-up a property fund company which will be a variable loan stock company to be listed on the Botswana Stock Exchange.The Corporation will have a 30% stake in this company. Certain properties owned by the subsidiary property companies, will be transferred into the new property fund company.

The carrying amounts of the major classes of assets and liabilities comprising the operations classified as held for sale at the statement of financial position date are as follows:

	Group 2010 P 000	Group Re-stated 2009 P 000	Group Re-stated 2008 P 000	Company 2010 P 000	Company 2009 P 000
Investment properties (note 6)	392,295	1,739	-	-	-
Rental straight-line adjustment	18,990	-	-	-	-
Property, plant and equipment	44,045	29,527	-	-	-
Inventories	703	900	-	-	-
Trade and other receivables (note 17)	3,053	3,277	-	-	-
Cash and cash equivalents	821	130	-	-	-
Assets classified as held for sale	459,907	35,573	-	-	-
Deferred tax	(48,400)	-	-	-	-
Government grants (note 30)	(16,404)	-	-	-	-
Long term borrowings	(30,407)	(25,386)	-	-	-
Trade and other payables	(32,278)	(24,850)	-	-	-
Liabilities directly associated with assets classified as held for sale	(127,489)	(50,236)	-	-	-
Net assets/(liabilities) of discontinued businesses classified as held for sale	332,418	(14,663)	-	-	-

Notes to the Financial Statements (Cont.)

30 June 2010

	Group			Company	
		Re-stated	Re-stated		
	2010 P 000	2009 P 000	2008 P 000	2010 P 000	2009 P 000
22. STATED CAPITAL					
Issued and fully paid					
Balance at beginning of the year - 238,699, 462 (2009: 238,199, 462) ordinary shares	585,199	535,199	238,199	585,199	535,199
Issued during the year	279,000	50,000	297,000	279,000	50,000
Balance at end of the year - 517,699, 462 (2009: 238,699, 462) ordinary shares	864,199	585,199	535,199	864,199	585,199

During the year the Botswana Government injected additional capital into the Corporation for the funding of a project.The funding was converted to 279,000,000 ordinary shares.

	Group			Company	
23. CONTRIBUTION TO FACTORY PREMISES					
The balance comprises of non- refundable contributions received from the Government of Botswana in respect of funding for the construction of factories of the subsidiary companies:	24,070	24,070	24,070	24,070	24,070
24. FAIR VALUE RESERVE					
Balance at beginning of the year	436,297	615,872	566,813	436,297	615,872
Movement during the year	(103,100)	(179,575)	49,059	(103,100)	(179,575)
Balance at end of the year	333,197	436,297	615,872	333,197	436,297
Comprising:					
Quoted investments (note 13)	333,197	436,297	615,872	333,197	436,297
25. OTHER RESERVES					
Capital redemption reserve	10,764	8,831	11,940	-	-
Capitalisation of bonus shares	-	-	1,504	-	-
Revaluation reserve	58,903	44,024	33,185	-	-
Statutory capital, solvency and other reserves	35,143	47,143	37,218	-	-
	104,810	99,998	83,847	-	-

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

Notes to the Financial Statements (Cont.)

30 June 2010

	Group and Company		
		Re-stated	Re-stated
	2010	2009	2008
	P 000	P 000	P 000
26. DIVIDEND RESERVE			
Dividend reserve:			
Balance at beginning of the year	-	12,000	20,000
Dividends proposed	32,279	-	12,000
Dividends paid	-	(12,000)	(20,000)
Balance at end of the year	32,279	-	12,000
Dividend payable:			
Balance at beginning of the year	-	13,141	13,141
Dividends paid during the year	-	(13,141)	-
Balance at end of the year	-	-	13,141

	Group		
	2010	2009	2008
	P 000	P 000	P 000
27. CLAIMS EQUALISATION RESERVE			
Balance at beginning of the year	1,344	1,107	971
Charge to the statement of comprehensive income	357	237	136
Transfers from other reserves	767	-	-
Balance at end of the year	2,468	1,344	1,107

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

28. NON-CONTROLLING INTERESTS

	2010	2009	2008
Balance at beginning of the year	86,216	74,572	69,487
Share of net profit of subsidiaries	14,072	20,594	9,291
Movement during the year	(46,679)	(6,550)	(1,084)
Dividends paid	(2,687)	(2,400)	(3,122)
Balance at end of the year	50,922	86,216	74,572

Notes to the Financial Statements (Cont.)

30 June 2010

29. BORROWINGS	Group 2010 P 000	Group Re-stated 2009 P 000	Group Re-stated 2008 P 000	Company 2010 P 000	Company 2009 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	2,851	3,294	3,728	2,851	3,294
Unsecured loan bearing interest at 12.1% per annum repayable in half-yearly instalments of P564,000 each over the period to 2021	6,836	7,113	7,419	6,836	7,113
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P165,000 each over the period to 2011	306	584	836	306	584
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P145,000 each over the period to 2011	393	626	837	393	626
Unsecured loan bearing interest at 8.5% per annum repayable in half-yearly instalments of P231,000 each over the period to 2011	639	1,022	1,376	639	1,022
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P261,000 each over the period to 2012	1,154	1,552	1,918	1,154	1,552
Unsecured loan bearing interest at 7.5% per annum repayable in half-yearly instalments of P316,000 each over the period to 2014	2,143	2,588	3,004	2,143	2,588
Unsecured loan bearing interest at 7.5% per annum repayable in half-yearly instalments of P750,000 each over the period to 2014	5,642	6,661	7,608	5,642	6,661
Unsecured loan bearing interest at 8% per annum repayable in half-yearly instalments of P1,100,000 each over the period to 2015	8,920	10,322	11,617	8,920	10,322
Unsecured loan bearing interest at 8% per annum repayable in half-yearly instalments of P1,580,000 each over the period to 2016	15,775	17,564	19,219	15,775	17,564
Unsecured loan bearing interest at 9.5% per annum repayable in half-yearly instalments of P221,000 each over the period to 2006	2,440	2,637	2,816	2,440	2,637
Unsecured loan bearing interest at 9.5% per annum repayable in half-yearly instalments of P2,515,000 each over the period to 2017	27,752	29,986	32,022	27,752	29,986

Notes to the Financial Statements (Cont.)

30 June 2010

29. BORROWINGS (continued)	Group 2010 P 000	Group Re-stated 2009 P 000	Group Re-stated 2008 P 000	Company 2010 P 000	Company 2009 P 000
Unsecured loan bearing interest at 12.1% per annum repayable in half-yearly instalments of P300,000 each over the period to 2017	3,128	3,330	3,510	3,128	3,330
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, 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	87,722	88,041	88,342	87,722	88,041
Unsecured loan bearing interest at 12.1% per annum repayable in half-yearly instalments of P834,000 each over the period to 2020	9,520	9,992	10,411	9,520	9,992
	175,221	185,312	194,663	175,221	185,312
European Investment Bank Loan bearing interest at 5% per annum, guaranteed by the Government of Botswana, repayable by 2013 (loan number 70699)	3,156	5,245	5,780	3,156	5,245
Loan bearing interest at 2% per annum, guaranteed by the Government of Botswana, repayable by 2017 (loan number 70893)	12,712	14,085	15,122	12,712	14,085
Unsecured loan bearing interest at 1% per annum repayable in 10 annual payments from 2000 (loan number 70948)	-	-	1,269	-	-
	15,868	19,330	22,171	15,868	19,330
Bonds Bond 2 Bearing interest at a rate linked to Consumer Index Price redeemable on 1 June 2011	75,000	75,000	75,000	75,000	75,000
Bond 3 Bearing interest at a rate linked to Consumer Index Price redeemable on 1 June 2011	125,000	125,000	125,000	125,000	125,000
Loans by subsidiaries owing to third parties Bearing interest at average rate of 15% per annum and repayable over varying periods	5,754	9,963	16,856	-	-
Mortgage loans and finance leases Liabilities under mortgage loans and finance leases held over three, four and five years at varying interest rates	2,146	786	8,274	-	-
Gross borrowings	398,989	415,391	441,964	391,089	404,642
Less: Portion of exchange loss borne by the Government of Botswana	(6,655)	(6,655)	(5,512)	(6,655)	(6,655)
Fair value adjustment arising from valuation of loans at below market interest rates	(9,933)	(12,808)	(15,763)	(98,275)	(101,150)
	382,401	395,928	420,689	286,159	296,837
Less: Current portion included under current liabilities	(217,538)	(15,953)	(12,591)	(210,901)	(10,375)
	164,863	379,975	408,098	75,258	286,462

Notes to the Financial Statements (Cont.)

30 June 2010

29. BORROWINGS (continued)	Group 2010 P 000	Group Re-stated 2009 P 000	Group Re-stated 2008 P 000	Company 2010 P 000	Company 2009 P 000
Analysis of gross borrowings					
Not later than 1 year	217,538	15,953	12,591	210,901	10,375
Later than 1 year, but not later than 5 years	146,906	247,329	244,047	146,906	246,906
Later than 5 years	34,545	152,109	185,326	33,282	147,361
Gross borrowings	398,989	415,391	441,964	391,089	404,642

On 1 April 2004 the Government 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 has issued bonds to finance the acquisition of these loans from the Government of Botswana.These bonds are listed on the Botswana Stock Exchange.

	Group 2010 P 000	Group Re-stated 2009 P 000	Group Re-stated 2008 P 000	Company 2010 P 000	Company 2009 P 000
Fair value of borrowings:					
Balance at beginning of the year	(12,808)	(15,763)	(18,986)	(101,150)	(104,105)
Fair value adjustment arising from valuation of loans at below market interest rates	2,875	2,955	3,223	2,875	2,955
Balance at beginning of the year	(9,933)	(12,808)	(15,763)	(98,275)	(101,150)

Finance leases are repayable over a period of four years in monthly instalments of P22,587 (2009: P22,587) bearing interest at an average rate of 14,25% (2009: 14,25%) per annum and are secured by motor vehicles with a net book value as follows:

	Group 2010 P 000	Group Re-stated 2009 P 000	Group Re-stated 2008 P 000	Company 2010 P 000	Company 2009 P 000
Cost	2,614	1,426	4,091	-	-
Accumulated depreciation	(737)	(658)	(1,272)	-	-
Net book value	1,877	768	2,819	-	-

The mortgage loans are repayable over a period of ten years in monthly instalments of P40,948 (2009:P21,195) each, bearing interest at 14.00% (2009:14.00%) per annum and is secured by land building at Plot 115, Unit 6, Kgale Mews, Millennium Park, Gaborone and plot 140 Ramotswa with a book value of P656,000 (2009: P701,000)

The borrowings from European Investment Bank are repayable in half-yearly instalments.

The composition of foreign currencies of the balances at 30 June 2010 and each instalment are as follows:

Loan number	Currency	Group and Company Foreign amount at 2010 Euro 000	Group and Company Pula equivalent at 2010 P 000	Group and Company Foreign amount at 2009 Euro 000	Group and Company Pula equivalent at 2009 P 000	Group and Company Pula equivalent at 2008 P 000
70699	Euro	372	3,156	372	5,245	5,780
70893	Euro	1,500	12,712	1,500	14,085	15,122
70948	Euro	-	-	-	-	1,269
		1,872	15,868	1,872	19,330	22,171

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

Notes to the Financial Statements (Cont.)

30 June 2010

30. GOVERNMENT GRANTS	Group 2010 P 000	Re-stated 2009 P 000	Re-stated 2008 P 000
Balance at beginning of the year	31,440	32,217	32,994
Amortisation during the year (note 4)	(777)	(777)	(777)
Re-classified as directly associated with assets held for sale (note 21)	(16,404)	-	-
Balance at beginning of the year	14,259	31,440	32,217
Gross Government grants	49,960	49,960	49,960
Amortisation	(8,197)	(7,420)	(6,643)
Utilised as provision for impairment loss	(10,000)	(10,000)	(10,000)
Realised	(1,100)	(1,100)	(1,100)
Re-classified as directly associated with assets held for sale (note 21)	(16,404)	-	-
	14,259	31,440	32,217

A provision for impairment loss of factory premises in Selibe 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.

31. PROVISION FOR RESTORATION COSTS

Balance at beginning of the year	8,787	6,430	6,500
(Credit)/charge to the statement of comprehensive income	(2,979)	2,357	(70)
Balance at beginning of the year	5,808	8,787	6,430

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

32. DEFERRED TAXATION

Balance at beginning of the year		135,794	93,771	61,179
(Credit)/charge to the other comprehensive income		(1,509)	1,636	11,062
Charge to the income statement (note 5)	- current year	6,099	46,154	27,297
	- prior year	1,808	(5,767)	(5,767)
Re-classified as directly associated with assets held for sale (note 21)		(48,400)	-	-
Balance at end of the year		93,792	135,794	93,771

The provision mainly comprises temporary differences on property, plant and equipment, investment properties and Government grants.

Notes to the Financial Statements (Cont.)

30 June 2010

	Group 2010 P 000	Group Re-stated 2009 P 000	Group Re-stated 2008 P 000	Company 2010 P 000	Company 2009 P 000
33. TRADE AND OTHER PAYABLES					
Trade payables	14,407	22,059	19,868	672	97
Accruals	7,534	5,046	14,714	1,335	1,286
Other payables	260,343	128,383	48,775	302,812	111,545
	282,284	155,488	83,357	304,819	112,928

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.

	Group 2010 P 000	Group Re-stated 2009 P 000	Group Re-stated 2008 P 000	Company 2010 P 000	Company 2009 P 000
34. BANK OVERDRAFTS					
The bank overdrafts of subsidiaries are secured by deeds of hypothecation over fixed and moveable assets and suretyship signed by the Corporation.	6,358	10,032	14,120	-	-

	Group 2010 P 000	Group Re-stated 2009 P 000	Group Re-stated 2008 P 000	Company 2010 P 000	Company 2009 P 000
35. COMMITMENTS					
Operating lease receivables (payables):					
Not later than one year	58,966	47,114	44,044	(4,182)	(6,871)
Later than one year to five years	126,907	108,779	151,703	(20,353)	(34,355)
Later than five years	32,647	70,315	32,278	(7,710)	(1,718)
	218,520	226,208	228,025	(32,245)	(42,944)
Other commitments					
Approved capital expenditure	10,768	10,768	6,439	-	-
Approved equity and loan investments undisbursed	863,937	233,261	201,106	863,937	233,261
	874,705	244,029	207,545	863,937	233,261

Other commitments will be financed by internal resources and the additional funding received from Government as described in note 22.

	Group 2010 P 000	Group Re-stated 2009 P 000	Group Re-stated 2008 P 000	Company 2010 P 000	Company 2009 P 000
36. CONTINGENT LIABILITIES					
Guarantees in respect of facilities granted to certain subsidiaries and third parties	43,367	29,153	19,852	43,367	27,852
Withholding tax payable on management fees and interest thereon	500	3,500	5,439	-	-
	43,867	32,653	25,291	43,367	27,852

37. DISCONTINUED OPERATIONS

As disclosed in note 13 the Company disposed of part of its interest in a subsidiary Cresta Marakanelo Ltd. The results of the subsidiary to disposal date have been classified as dis-continued operations. The amount of P11 669 000 of gain relating to the re-measure of fair value less costs to sell relates to the discontinued operation from 2009 as detailed in Note 21.2

Notes to the Financial Statements (Cont.)

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37. DISCONTINUED OPERATIONS (Cont.)

As disclosed in note 13 the Company disposed of part of its interest in a subsidiary Cresta Marakanelo Ltd.The results of the subsidiary to disposal date have been classified as dis-continued operations.The amount of P11 669 000 of gain relating to the re-measure of fair value less costs to sell relates to the discontinued operation from 2009 as detailed in Note 21.2

	Notes	Group 2010 P 000	Group 2009 P 000
Profit/(loss) for the year from discontinued operations			
Revenue		171,477	19,228
Cost of sales		(114,945)	(44,136)
Gross loss		56,532	(24,908)
Other income		222	43
		56,754	(24,865)
Expenses		(31,573)	(7,506)
Finance costs	3	(2,284)	(6,208)
Profit/(loss) before tax		22,897	(38,579)
Attributable income tax expense	5	(4,909)	-
		17,988	(38,579)
Gain/(loss) on remeasure to fair value less costs to sell		11,669	(83,941)
Profit/(loss) for the year from discontinued operations		29,657	(122,520)
Cash flows from discontinued operations			
Net cash flows from operating activities		27,134	(8,773)
Net cash flows from investing activities		(26,418)	(4,121)
Net cash flows from financing activities		(8,599)	4,390
Net cash flows		(7,883)	(8,504)

The two businesses discontinued in the prior year have been classified and accounted for at 30 June 2010 as a disposal group held for sale (see note 21).

38. PRIOR YEAR ADJUSTMENT

During the current year, a restatement was effected to the prior years' group financial information, regarding the provision for deferred tax on temporary differences arising from capital allowances claimed on investment properties. In prior years, deferred tax was not provided on the temporary tax allowances claimed for tax purposes when calculating the deferred taxation liability.

The effect on of this restatement on the group comparative information is shown below.

	Group Re-stated June 2009 P 000	Group Re-stated June 2008 P 000
Retained income		
As previously stated	637,314	523,308
Deferred tax adjustment - cumulative to 2008	(19,290)	(19,290)
Deferred tax adjustment - 2009	(8,738)	-
As re-stated	609,286	504,018
Deferred taxation liabilities		
As previously stated	107,766	74,481
Deferred tax adjustment - cumulative to 2008	19,290	19,290
Deferred tax adjustment - 2009	8,738	-
As re-stated	135,794	93,771
Statement of comprehensive income - Income tax expense		
As previously stated	84,004	
Deferred tax adjustment	8,738	
As re-stated	92,742	

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39. PENSION SCHEME ARRANGEMENTS

The Corporation 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.

40. FINANCIAL RISK MANAGEMENT

Financial instruments carried on the statement of financial position include quoted and unquoted investements, cash and bank balances, trade receivables, trade payables, related party balances and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

	Group		Company	
	2010	2009	2010	2009
Financial assets	P 000	P 000	P 000	P 000
Receivables from related parties	-	-	60,340	53,876
Loans and receivables	291,177	275,925	268,505	252,502
Available for sale	504,157	529,777	504,157	529,777
Cash and bank balances	650,744	246,417	559,655	97,705
	1,446,078	1,052,119	1,392,657	933,860
Financial liabilities				
Amortised cost	633,713	507,089	585,663	403544
At FVTPL	93,657	94,563	5,315	6,221
Bank overdrafts	6,358	10,032	-	-
	733,728	611,684	590,978	409,765

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 a going concern while maximising the return to stakeholders. The capital structure of the group consists of debt, which includes the borrowings disclosed in note 29, cash and cash equivalents and equity attributable to equity holders of the parent, comprising stated capital, reserves and retained earnings as disclosed in notes 22 to 27. The group's risk management committee reviews the capital structure of the group. The committee considers the cost of capital and the risks associated with each class of capital.

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

Notes to the Financial Statements (Cont.)

30 June 2010

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

(vi) Fair value
At 30 June 2010 and 2009, 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.

Notes to the Financial Statements (Cont.)

30 June 2010

41. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Group	
Transactions during the year	2010 P 000	2009 P 000
Subsidiaries		
Cresta Marakanelo (Pty) Ltd		
Management fees paid Trans Industries (Pty) Ltd - minority shareholder	5,158	4,785
Profit bonus paid to Trans Industries (Pty) Ltd - minority shareholder	5,853	6,997
Other related parties		
Directors' fees	-	135
Directors' remuneration for executive services	-	934
Key management's remuneration	-	2,189
Associated companies		
Asphalt Botswana (Pty) Ltd		
Finance costs on borrowings from Botswana Development Corporation Limited	626	206
Global Resorts (Pty) Ltd		
Directors Fees paid - BDC	30	59
Management fees paid to Global SA (Pty) Limited, the holding company	20,077	17,895
Kwena Rocla (Pty) Ltd		
Management fees paid to D and H Industrial Holdings (Pty) Ltd, immediate holding company	543	415
Purchases from D and H Industrial Holdings (Pty) Ltd, immediate holding company	57,670	6,011
Investec Holdings (Botswana) Ltd		
Asset management fees paid to fellow subsidiaries	4,608	5,015
Directors' remuneration for executive services	1,436	1,515
Finance income from fellow subsidiaries	4,231	3,983
Year end balances		
Subsidiaries		
Cresta Marakanelo (Pty) Ltd		
Due from Cresta Hospitality (Pvt) Zimbabwe - fellow subsidiary	-	2
Due from Botsalo (Pty) Ltd	-	207
Due from/(to) Trans Industries (Pty) Ltd - minority shareholder	2,395	(1,504)
Associated companies		
Asphalt Botswana (Pty) Ltd		
Due to Botswana Development Corporation Limited	-	(806)
Global Resorts (Pty) Ltd		
Current account balance due to Global Resorts SA (Pty) Ltd, immediate holding company	2,445	(3,141)
ITC Botswana (Pty) Ltd		
Current account balance due to ITC SA (Pty) Limited, immediate holding company	431	(193)
Kwena Rocla (Pty) Ltd		
Current account balance due to Rocla SA (Pty) Ltd	7,925	-
Healthcare Holdings (Pty) Ltd		
Debentures - Debswana Pension Fund	-	(13,161)
Debentures - Botswana Insurance Fund Management Ltd	(8,760)	(8,760)

Notes to the Financial Statements (Cont.)

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	Notes	Group 2010 P 000	Group 2009 P 000	Company 2010 P 000	Company 2009 P 000
42. CASH GENERATED FROM OPERATIONS					
Profit/(loss) before tax		203,614	343,334	227,622	(160,382)
Adjustments for:					
Fair value of investment retained in a subsidiary	43	(95,741)	-	(152,582)	-
Amortisation of Government grants	30	(777)	(777)	-	-
Amortisation of intangible assets	4	356	201	-	-
Depreciation of property, plant and equipment	4	22,283	24,048	727	635
Impairment of property, plant and equipment	4	22,024	-	-	-
Revaluation of property, plant and equipment	7	(13,224)	(14,635)	-	-
Fair value of investment properties		35,666	(213,640)	-	-
Fair value of borrowings		2,875	2,955	2,875	2,955
Foreign exchange losses		2,013	783	2,013	783
Movement in provision for restoration costs	31	(2,979)	2,357	-	-
Dividends received from associates		55,950	27,736	-	-
(Profit)/loss on disposal of investment properties	4	(887)	281	-	-
Loss/(profit) on disposal of property, plant and equipment	4	4,745	(1,559)	-	(31)
Share of profits of associates before tax		(104,289)	(61,230)	-	-
Movement in other reserves		(39,038)	9,027	-	(5,504)
Transfer to claims equalisation reserve	4	357	237	-	-
Movement in provisions for losses on investments	4	12,580	10,015	21,986	197,349
Interest received		(32,042)	(22,168)	(19,051)	(13,078)
Finance costs	3	36,714	38,209	33,670	36,179
Changes in working capital					
- due from group companies		-	-	-	(29,126)
- rental straight-line adjustment		(418)	(11,013)	-	-
- trade and other receivables		(85,393)	2,986	(108,570)	541
- inventories		(4,732)	6,810	-	-
- assets held for sale		(9,497)	3,017	-	-
- trade and other payables		134,224	72,131	191,891	76,136
		144,384	219,105	200,581	106,457

43. DISPOSAL OF INTEREST IN SUBSIDIARY

On 28 June 2010, the Group disposed of its controlling interest in Cresta Marakanelo (Pty) Ltd and retained an interest which has been classified as Quoted Investment - Available for sale.

	2010 P 000	2009 P 000
43.1 Consideration received		
Consideration received in cash and cash equivalents	152,582	-
43.2 Analysis of assets and liabilities over which control lost		
Current assets	18,080	-
Non current assets	114,902	-
Current liabilities	(20,932)	-
Non-current liabilities	(17,316)	-
Net assets disposed of	94,734	-
43.3 Gain on disposal of subsidiary		
Consideration received	152,582	-
Net assets disposed of	(94,734)	-
Non-controlling interest	37,893	
Gain on disposal	95,741	-
The gain on disposal is included in the statement of comprehensive income.		
43.4 Net cash inflow on disposal of subsidiary		
Consideration received in cash and cash equivalents	152,582	-
Less: Cash and cash equivalent balances disposed of	(1,482)	-
	151,100	-

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44. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of financial instruments approximates their carrying values.

Valuation techniques and assumptions applied for the purposes of measuring fair value
The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

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

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

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

Group & Company	Level 1 P 000	Level 2 P 000	Level 3 P 000	Total P 000
Financial assets				
Available for sale investments				
Quoted investments	504,157	-	-	504,157

There were no transfers between levels during the period.

45. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

No adjusting events have occurred between the statement of financial position date and the date of approval of the financial statements, which would materially affect the financial statements. Subsequent to the year end, BDC intends to set-up a property fund company which will be a variable loan stock company to be listed on the Botswana Stock Exchange. The Corporation will have a 30% stake in this company. Certain properties owned by the subsidiary property companies, namely Commercial Holdings (CH), Botswana Hotel Development Company (BHDC) and Western Industrial Estates (WIE), will be transferred into the new property fund company.

46. SEGMENT INFORMATION

46.1 Adopting of IFRS Operating Segments

The Group has adopted IFRS 8 Operating Segments with effect from 1 July 2009. IFRS 8 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 allocated resources to the segments and to assess their performance.In contrast, the predecessor Standards (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's systems of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, following the adoption of IFRS 8, the identification of the Group's reportable segments has changed.

46.2 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.

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30 June 2010

46.3 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	
	2010 P 000	2009 P 000	2010 P 000	2009 P 000
Agribusiness and services	190,058	181,805	27,613	49,866
Industry	136,280	122,971	(24,058)	491
Property	83,599	89,573	12,609	253,947
Holding Company	153,453	134,704	208,568	(160,382)
	563,390	529,053	224,732	143,922

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year.

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

	Total assets		Total liabilities	
	2010 P 000	2009 P 000	2010 P 000	2009 P 000
Agribusiness and services	235,190	221,244	81,788	79,136
Industry	322,644	383,455	180,534	147,211
Property	1,037,808	1,028,347	338,866	305,303
Holding Company	2,108,742	1,562,745	591,139	409,926
	3,704,384	3,195,791	1,192,327	941,576

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 liabilities are allocated to reportable segments other than 'other financial liabilities', current and deferred tax liabilities, and 'other' liabilities.

46.4 Other segment information

	Depreciation		Additional to non-current assets	
	2010 P 000	2009 P 000	2010 P 000	2009 P 000
Agribusiness and services	12,548	8,837	32,503	38,514
Industry	5,837	3,007	11,285	70,077
Property	638	730	1,466	1,045
Holding company	729	635	250	1,083
	19,752	13,209	45,504	110,719

An impairment loss of P22.0 million (2009:PNil) was recognised in respect of the carrying value of plant and machinery of a subsidiary company.