Botswana Development Corporation Limited

"Your Investment Partner"

TURNING CHALLENGES INTO OPPORTUNITIES

ANNUAL REPORT 2009

2006

"The BDC Group of Companies have performed commendably achieving revenues of P247.6 million. This represents revenue growth of 4.43% despite the very difficult operating conditions. Operating profit has grown by a comfortable 13.38% and despite the very difficult operating conditions. Operating profit has grown by a comfortable 13.38% and profit before taxation has grown impressively to P80.16 million translating to 33.7% improvement over the previous year."

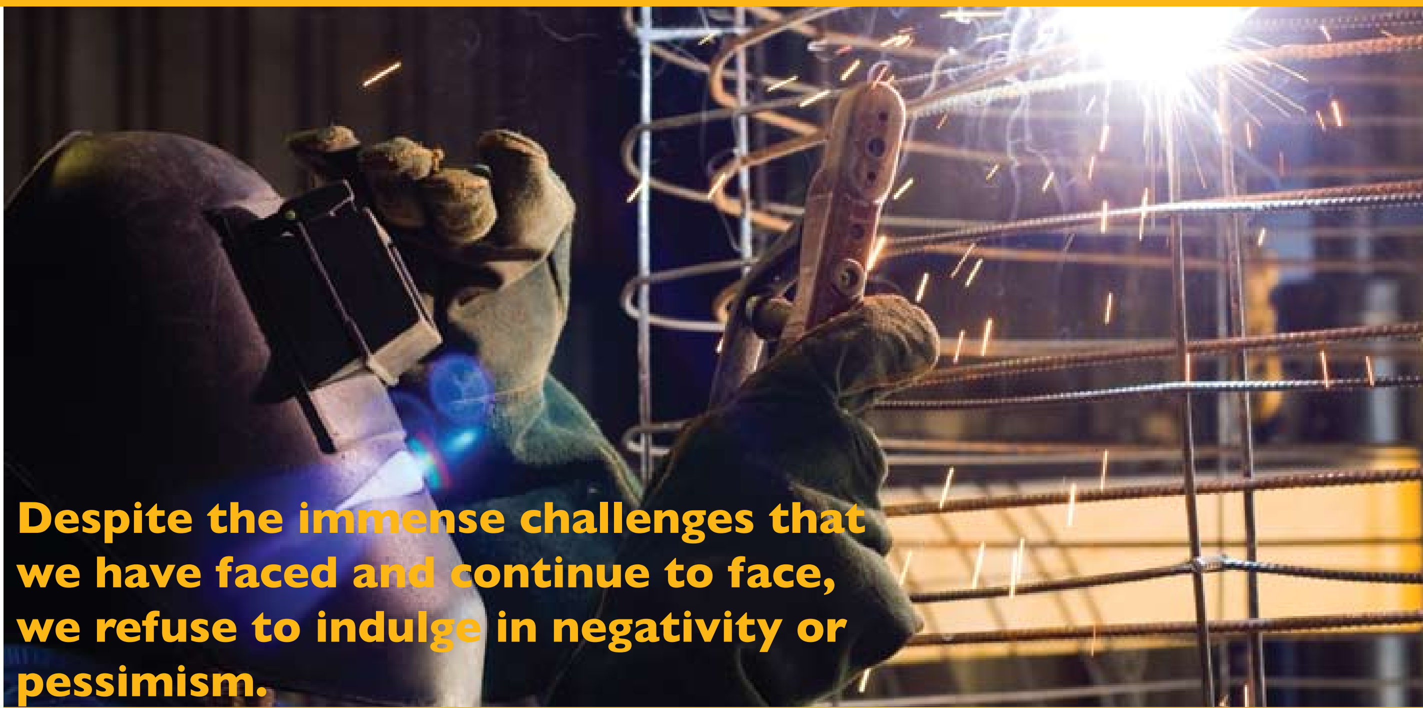
2007

"During the year, the Group revenues grew by 12.3% from P247.6 million in 2006 to P278.1 million in 2007. The growth has been accompanied by an unprecedented achievement in Group Net profits after Tax of P211.9 million, compared to P 57.6 million of the previous year and translating to a massive 267% movement. Total project disbursement by the Corporation amount to P125 million spread over Agribusiness and Services, Property Development and Industry/ Manufacturing projects. The Corporation now boasts an asset base of P1.79 billion of which P1.35 billion is investments. On the other hand, the Group has now reached P2.35 billion an increase of 13% over the previous year."

2008

"Whilst the Corporation's revenue for the year marginally declined the Group Companies revenue raced ahead impressively to top P384.6 million. This performance translates into a healthy growth of 38.3% and is evidence of the much increased activity at group level. Group gross profit in turn grew by 101.8% from P103.1 million to P208.1 million."

Turning challenges into opportunities



Despite the immense challenges that we have faced and continue to face, we refuse to indulge in negativity or pessimism.

We are an organisation that believes in empowering people to be their best. Challenges after all have the effect of eliciting talents, which, in prosperous circumstances, would have lain dormant. With that positive attitude we have transformed our challenges into opportunities that have seen us realise more value than had been anticipated.

2009

"Once again, the Group's turnover performance has been above expectation, totaling P431.5 million, up from P384.6 million in the last year. This 12.2% growth in turnover has been achieved despite the impact of the global recession on some major group companies. Profit before tax has improved by 132.7% from P147.5 million to P343.3 million.

Similarly the accrued tax payable by the Group to Government of Botswana has also risen by 47% from P23.5 million to P34.6 million whilst the total tax charge attributable to the year under review has risen to P84.0 million up from P39.4 million in the previous year.

Group profit after tax and after having taken into account the loss for the year from discontinued operations amounted to P116.2 million. This compares well with P68.3 million in the previous year and is 70.1% above that year."

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 PRODUCT/SERVICES:

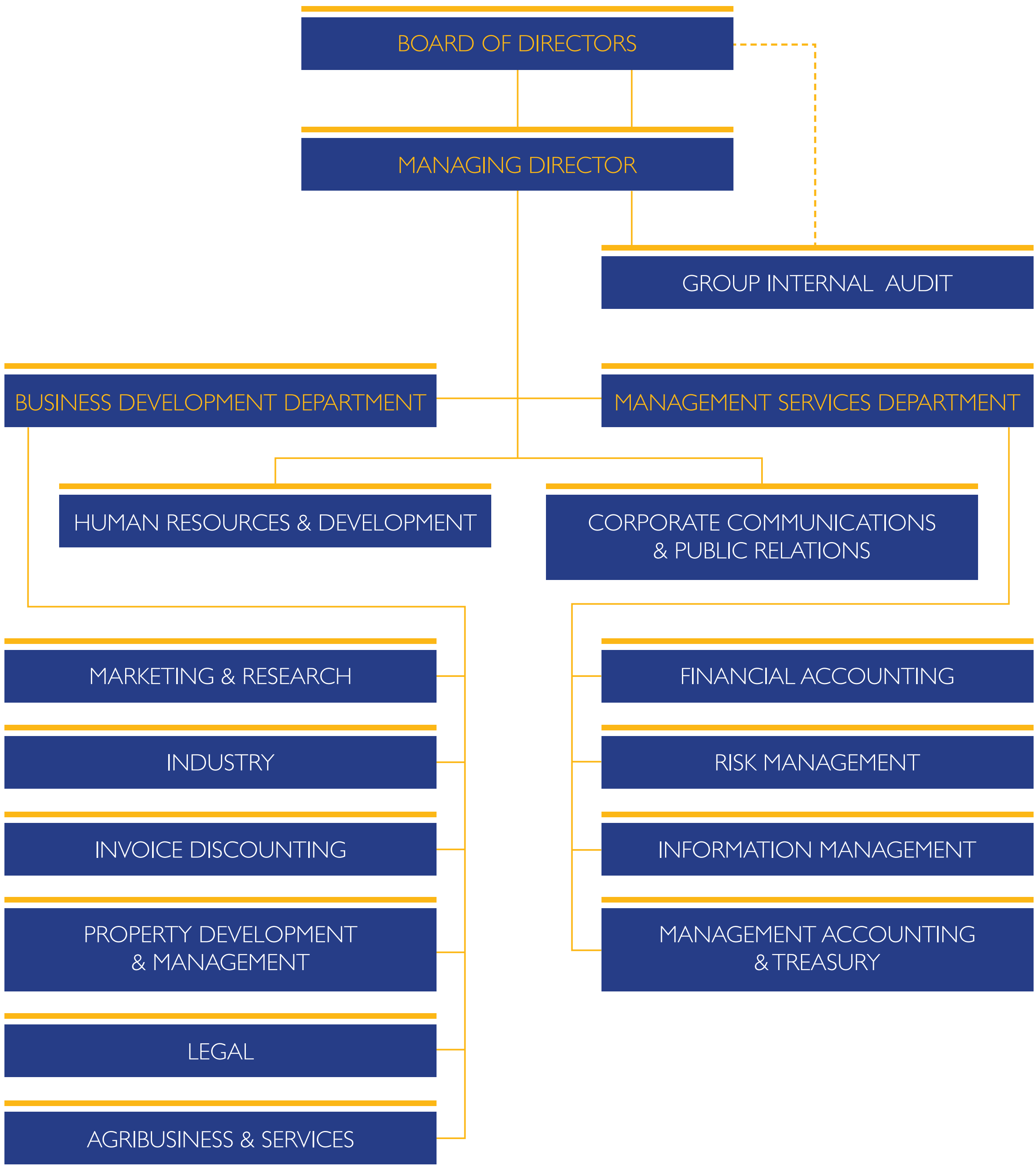
BDC provides the following services:

- 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

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

Management

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. Ms. Rosemary D. Mogorosi – Chief Financial Accountant
5. Mr. Martin M. Sikalesele – Chief Information Officer
6. Mr. Batlang G. Mmualefe – Manager, Risk Management and Research

This page from left:

7. Mr. Michael Leburu – Manager, Legal
8. Mrs. Wilhelminah Baipidi - Maje – Manager, Industry
9. Mr. Rod Boyd – Manager, Invoice Discounting
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

Chairman's Report

Cresta Marakanelo	Lobatse Clayworks
P31.7m	6.07m
Botswana Hotel Development Company	**Western Industrial Estates**
P58.2m	P73.5m
Commercial Holdings	**Malutu**
P28.5m	P3.7m
Fairground Holdings	**Residential Holdings**
P20.2m	P20.7m

"The Corporation once again did well. Performance has been above expectation totaling P431.5m."

The Corporation and its group of companies continue to perform well despite the many challenges that the country as well as the global economy experienced in the past year.

Financial Performance

Once again, the Group's turnover performance has been above expectation, totaling P431.5 million, up from P384.6 million in the last year. This 12.2% growth in turnover has been achieved despite the impact of the global recession on some major group companies. Profit before tax has improved by 13.2% from P147.5 million to P343.3 million. Similarly the accrued tax payable by the group to Government of Botswana has also risen by 47% from P23.5 million to P37.9 million whilst the total tax charge attributable to the year under review has risen to P84.0 million up from P39.4 million in the previous year.

Group profit after tax and after having taken into account the loss for the year from discontinued operations amounted to P116.2 million. This compares well with P68.3 million in the previous year and is 70.1% above that year.

Group companies continue to perform impressively. Group companies that made profits in the year under review included Cresta Marakanelo (P31.7 million), Botswana Hotel Development Company (P58.2 million), Commercial Holdings (P28.5 million), Fairground Holdings (P20.2 million), Lobatse Clayworks (P6.07 million), Malutu (P3.7 million), Residential Holdings (P20.7 million) and Western Industrial Estates (P73.5 million). Notwithstanding the fact that the fair value adjustment of investment properties of P213.6 million played a role in the performance of the group companies, the results achieved given the operating environment remain impressive.

Lobatse Tile Ltd, one of the Corporations' larger investments has been put into liquidation. This situation arose from the sudden collapse of the housing and commercial property construction sector in the Republic of South Africa and the global economic recession in general.

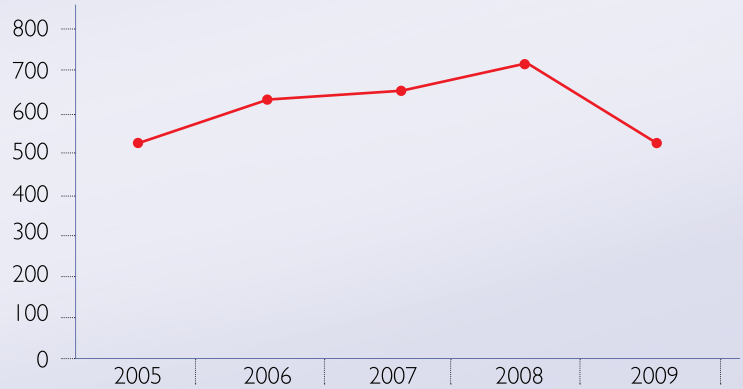
The company saw its market disappear virtually overnight leaving it with vast quantities of finished goods stock and a considerable amount of debt. The Corporation has made full provision for the entity in the year under review.

Operating Environment

Various Group Companies suffered significant setbacks in the year under review. In addition to Lobatse Tile Ltd., Tannery Industries Botswana also saw its operations impacted negatively by the global recession. This Company witnessed substantial reduction in the demand for its products resulting in trading losses for the year. The Corporation continues to monitor these companies closely.

The effects of the global economic recession started to recede in the developed economies during the last quarter of the year under review. This will take time to filter through to the developing and under developed economies. The Corporation is however positioning itself to be ready to harness the opportunities that may arise. As per its Strategic Plan 2007-2011, the Corporation is well advanced in its divestment programme a consequence of which will be the listing of a number of its investments on the Botswana Stock Exchange.

Listed Investments in (P'millions)



Kwena Rocla workman cutting reinforcement bars

Governance principles/Statutory Matters

The Board has made sure and is satisfied that the Corporation complies in all material respect to all the principles of good Governance as pronounced in King III Corporate Governance Code and the amended Companies Act of Botswana (Companies' Act 2003). During the year under review I joined the BDC Board as the new Chairperson taking over the seat from Mr. S. S. G. Tumelo to whom I express my gratitude for his contribution to the Corporation's development. I am pleased also, to announce that Ms. M. M. Nthebolan was appointed Managing Director during the year under review following Mr. O. K. Matambo's retirement. Further to this, additional board appointments were made comprising of Mrs. N. M. Masisi and Mr. T. C. Dikgaka. I welcome them to the Board.

ISO

The Corporation underwent an ISO Re-Certification Audit in the year under review. I am pleased to report that the audit results were very favourable and the Corporation was re-certified ISO 9001:2000 compliant. I am also pleased to say that a number of the Corporation's subsidiaries are now also ISO Certified and that this number is increasing.

Conclusion

I wish to thank the Corporation and all the Group Companies for all the hard work they have endured in order to get their respective entities through the hard times experienced in the year under review. I thank also all the other stakeholders for their support without which the Corporation would be constrained in achieving its mandate.

Mr. Solomon M. Sekwakwa
Chairman of the Board

Managing Director's Report

Profit before impairment	Turnover
P37.0m	P134.7m

Additional equity investments	Loan disbursements
P196.8m	P34.9m

"The Corporation has seen its investment portfolio increasing significantly with additional equity investment totaling P196.8 million, whilst a total of P34.9 million was disbursed as loans."

Performance of the Corporation

Botswana Development Corporation Limited continues to play a significant role in the development and diversification of the Botswana economy. The recent global financial meltdown has seen some of the Corporation investments suffer setbacks in their operations. Nevertheless, the Corporation through its well diversified portfolio has in general withstood the adverse effects of the global recession.

Performance of the Corporation

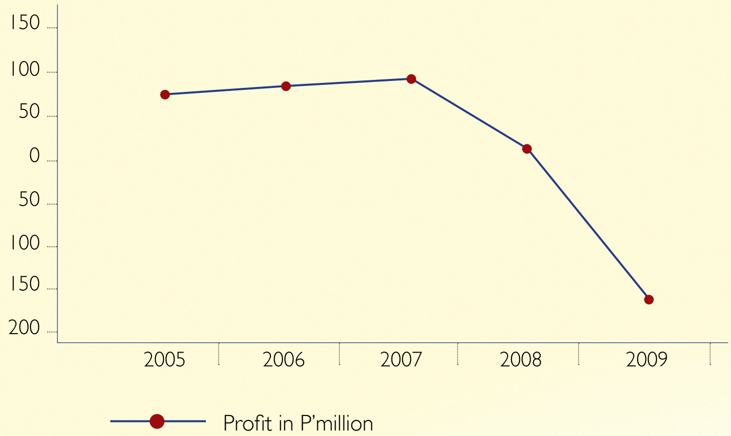
In the year under review the Corporation made a profit before tax of P37.0 million. This compares favourably with the Corporation's budget of P32.5 million for the same period but is some 26% below what was achieved in the prior year. As the budget indicates, this was not unexpected and was a result of a conscious business decision by the Corporation to participate in large scale projects. This had two effects: firstly, participation resulted in the Corporation utilising within a very short time large amounts of its surplus funds with the consequence that revenue normally derived from keeping these surplus funds was severely reduced. Secondly, these projects are not income generating for several years and hence do not contribute to profits in the short term. Coupled with this, the persistent high rate of inflation in the year under review meant that the Corporation had to pay more interest than usual on its CPI linked bond.

Turnover increased marginally to P134.7 million, up from P132.5 million in the previous year. However, the Corporation has seen its investment portfolio increasing significantly with additional equity investment totaling P196.8 million, whilst a total of P34.9 million was disbursed as loans.

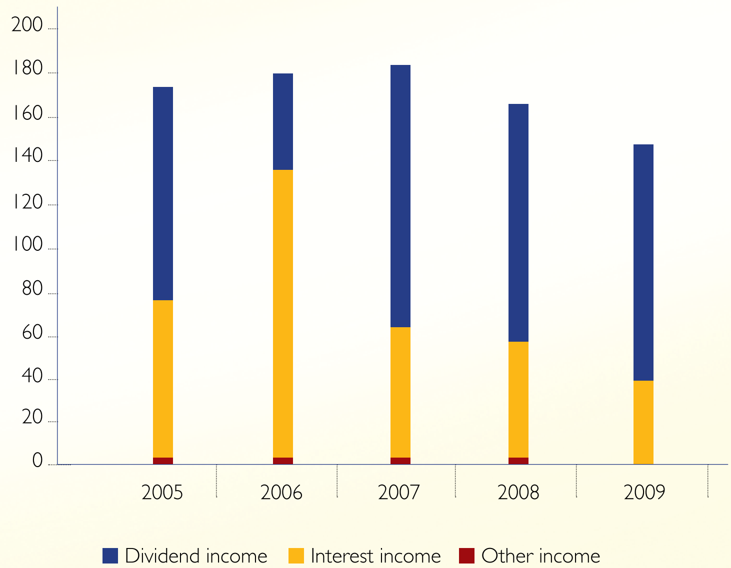
Expenses (excluding other operating expenses) amounted to P84.5 million, up from P74.4 million translating to a 13.6% increase. This is to be expected and is in line with the rate of inflation in the year under consideration.

As has been the trend in the past, dividend income continues to be the biggest contributor to the Corporation's revenue. Despite the difficult trading conditions, the Corporation's subsidiaries were able to maintain the rate of dividend payment which resulted in a total of P108.0 million being received by the Corporation, up 1.0% on last year's figure of P106.9 million.

Profitability (P'millions)



Revenue Distribution (P'millions)



Managing Director's Report *(Continued)*

Cement making machine at the Matsiloje Portland Cement Plant

The Corporation's bottom line was adversely affected as a result of the need for the Corporation to make additional bad debt provisions as a consequence of the less than desired performance of some of the Corporation's subsidiaries. As earlier mentioned the global recession did significantly impact on the operations of a number of subsidiaries and of note is the Lobatse Tile Ltd. which has since been closed down. In all, the Corporation made provisions amounting to P197.3 million in respect of these subsidiaries.

Strategic plan

The year under review forms the second year of the Corporation's four year Strategy Plan period. Having completed in the past year all those actions prerequisite to the attainment of the Strategic Plan goals, the Corporation has this year focused on the attainment of the goals themselves. Of note has been the divestment drive which has seen the Corporation dispose of much of its residential property to citizen bidders. The majority of the Commercial and Industrial property is to be consolidated into a special purpose vehicle to be listed on the Botswana Stock Exchange. This process is well underway and should be finalised early next year. Another strategic goal, the effects of which have been reported above, is to participate in large scale projects. To this end, the Corporation is now involved in a P539 million plate glass manufacturing project as well as a P137 million steel pipe manufacturing project.

Information Management

During the year, the Information Management Division undertook a comprehensive review of the IT infrastructure that culminated in the upgrading of all server and desktop hardware. As a result, the hardware resources in place are adequate to meet the demands on computing resources by current and future corporate applications.

Business continuity planning continues to be a key focus area, with the external backup site being upgraded to facilitate synchronisation with the live network infrastructure and systems.

Human Resources

The Corporation also continued to motivate and support its human capital during this period through the continuous review of conditions of service and a robust training programme. Furthermore, the Corporation engaged a consultant to carry out a culture and skills audit. The intention with respect to all these efforts is to enable the Corporation to attract and retain high calibre staff and to create a highly efficient workforce.

During the year under review, staff training and development received continuous attention in order to ensure the success of the corporate strategy since human capital development is the pillar of the Corporation's existence. Most staff participated in various training programs, to enhance their skills and productivity. The Corporation again sponsored a staff member undertaking post graduate studies in finance abroad.

The Corporation continued with its multiple education campaigns in terms of its AIDS Program. This was mainly achieved through the utilisation of the Wellness Room which is a feature of disseminating information on HIV/AIDS. Participation in the activities of the World AIDS Day was a success in December 2008. The Corporation continued to network with other relevant organizations which are geared at helping the community to effectively deal with the HIV/AIDS pandemic.

Corporate Social Responsibility Program (SRC)

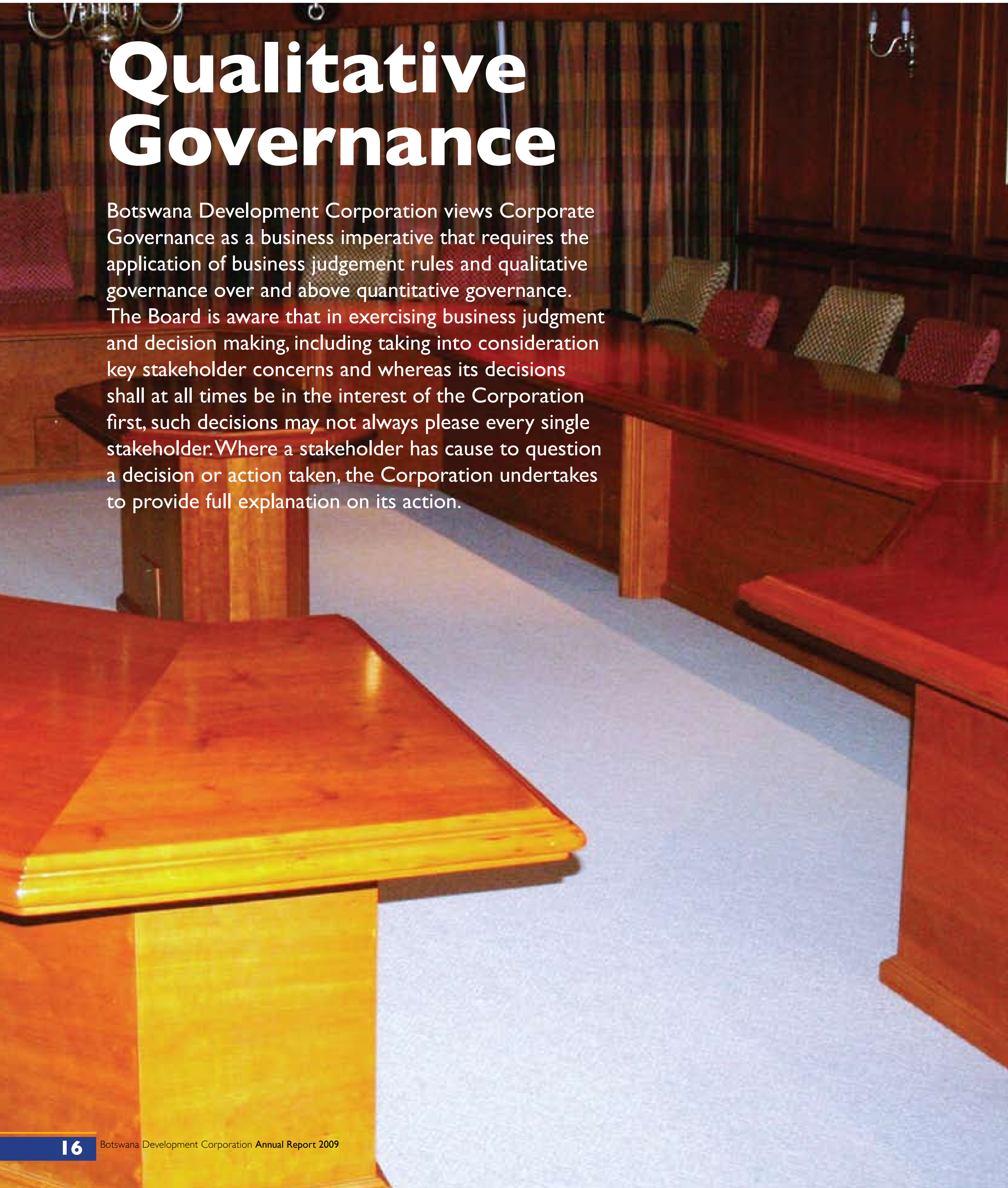
Qualifying organisations in terms of the Corporation's social responsibility policy continue to benefit from the fund set up by the Corporation. The total amount of donations utilized by deserving organizations was approximately P1.1million a significant portion of which was donated towards building a block of three classrooms for the Botswana Society for the Deaf. We are confident that the purpose for which the fund was set up is being achieved for.

Conclusion

The year under review has been a very challenging one. New opportunities are emerging from these challenges both for the Corporation and the nation at large. The BDC Board of Directors, Management and Staff have embraced these challenges and are ready to carry the Corporation successfully forward. My appreciation for everyone's efforts is endless and I thank you all for the good work.

Ms. Maria M. Nthebolan
Managing Director

Corporate Governance Statement



Qualitative Governance

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 on its action.

Introduction

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 below details 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 or the Corporation.

Statement of Compliance

At all times the Corporation strives for and commits to ensuring the application of higher standards of integrity and ethical conduct and to an open and transparent governance that gives its Shareholder and other stakeholders the assurance that it is being managed ethically in line with best practice, applicable legislation and predetermined risk parameters. In so doing, the Board recognises the need to conduct the corporation in accordance with the globally accepted principles of excellent governance.

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.

In particular the Board continuously assesses the Corporation's activities and processes to ensure that there is transparency, accountability, responsibility, fairness, discipline and that at all times the Board as a body and the individual Directors maintain a high degree of independence in considering alternative business decisions about the Corporation's activities and transactions.

The Corporation's compliance is further verified by the various assurance providers including the internal and external auditors as well as the ISO9001 quality auditors.

Corporate Governance Statement *(Continued)*

Students at the Francistown Centre for the Deaf where BDC handed over a classroom block to the value of P850 000

The Corporation's Governance Methodology

The Corporation integrates Corporate Governance processes in all its structures and processes, such that the implementation of good governance is seamless and is intertwined in the everyday work methods.

BDC has substantial interest in a number of subsidiaries. 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. To that end the following Corporation governance framework initiatives were made or implemented during the financial year;

- The Board developed and approved an External Audit Policy that will assure stakeholders of the existence of external auditor's independence, at all times.
- The Board authorised a project to review and implement an enterprise wide Risk Management Framework.
- The Corporation reviewed and redirected its strategic intent 2007 – 2011 to ensure that the Corporation's governance systems established to realize the objectives of the Corporation and the Group are still in line with the Shareholder expectation, especially taking into consideration the global economic meltdown that ensued during the financial year.
- A three pronged Board evaluation exercise, evaluating the Board as a Team, Individual Directors, and the Chairman, was undertaken to ensure that the Board remained focused and delivers on its duties and expectation. The exercise confirmed that the Board was in control. The Board also noted where there were opportunities for improvement and is committed to institute all necessary actions necessary to ensure improved Board performance.

The BDC's Approach to Governance

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 on 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.

BDC Governance Framework and Operation

Board of Directors

The appointment of the BDC Board of Directors is done by the shareholder with the Board operating within a unitary structure that provides for interaction among all Board members in the decision-making process on strategy; planning; performance; allocation of resources; business ethics and communication with stakeholders. The Board of Directors was reconstituted during the year with two retirements and four new appointments. New Board members are Ms M.M. Nthebolan, Mrs. N.M. Masisi, Mr. T.C. Dikgaka and Mr S.M Sekwakwa, with the latter being the Board Chairman. Former Chairman Mr S.S.G. Tumelo and the Managing Director Mr O. K. Matambo retired from the board during the course of the year.

The Board continued to subscribe to and comply with the requirements of the Board Charter and is confident that it has performed to the standards set out in the Board Charter.

Delegation of Authority

No variations were made to existing delegation arrangements. In all material respects all structures in the Corporation's delegation framework complied with the existing delegated limits which are as follows:

Managing Director – The Managing Director is authorised to approve financing of applications up to P5 million cumulative value.

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

Board – the Board has retained the authority to approve financing of applications and project capital expenditure of above P7.5 million.

Corporate Social Investment

During the financial year the Corporation implemented its Corporate Social Investment programme approved in the previous year. The main objective of all programmes implemented was to ensure that the Corporation contributes to the enhancement of national competitiveness by identifying beneficiaries that are in need and deserving of assistance.

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.

Board Composition

The Corporation has a unitary Board of Directors, currently consisting of one Executive Director, two Non-Executive Directors (NED), and Six independent Non-Executive Directors (INED). In accordance with the Memorandum and Articles of Association of the Corporation, the two NEDs are appointed from the two representative Ministries, namely Ministry of Finance and Development Planning and Ministry of Trade and Industry, whilst the INEDs are appointed in their personal capacity, from the private sector.

This tripartite Board composition provides the desired level of critical stakeholder engagement, objectivity and independence in Board deliberations and decision-making. The Board process is strengthened by the Board Committees assurance process, duly constituted in accordance with the King III guidelines and the Companies Act of Botswana (Companies Act, 2003.)

The combined Board composition brings to the Corporation's Boardroom diverse skills, experience and appropriate business experience sufficient to drive the Corporation's mandate, strategic plan, as well as deal with dynamic business challenges facing the Corporation and the Group.

Board Meetings and Fees

The Board met ten times during the year, made up of four scheduled meetings, five special Board meetings and attendance of an annual general meeting held in April 2009.

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

The Directors attendance record for the main board meetings for the financial year is as set out as follows:

Member	17/09 2008	23/09 2008	31/10 2008	05/12 2008	28/01 2009	29/01 2009	30/01 2009	19/03 2009	AGM 01/04 2009	25/06 2009	Total Meetings Attended
Sekwakwa S.M. (Chair)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	X	✓	✓	2
Tumelo S.S.G. (Ex Chair)	✓	✓	✓	✓	✓	✓	✓	n/a	n/a	n/a	7
Matambo O.K.	✓	✓	✓	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3
Nthebolan M.M (M.D)	n/a	n/a	n/a	✓	✓	✓	✓	✓	✓	✓	7
Kandjii I.K.	✓	✓	✓	X	X	✓	✓	✓	✓	✓	8
Ndzinge S.E.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
Kwele N.K.	✓	✓	X	✓	✓	✓	✓	✓	✓	✓	9
Merafhe O.	✓	✓	✓	X	✓	X	X	X	✓	✓	6
Molosiwa B.K.	✓	✓	X	✓	X	X	✓	✓	X	✓	6
Dikgaka T.C.	n/a	n/a	n/a	n/a	n/a	n/a	n/a	✓	✓	✓	3
Masisi M.N.	n/a	n/a	n/a	n/a	n/a	n/a	n/a	X	✓	✓	2

Key: ✓ =Present, X = Apology, n/a = Not a Director.

Corporate Governance Statement *(Continued)*

Kwena Concrete Products' bricks ready for dispatch.

	Main Board	Audit Committee	HR Committee	Tender Board Committee	Total Meetings Attended	Total Fees Due (P)
Sekwakwa S.M	2	-	-	-	2	2,100
Tumelo S.S.G [x]	7	-	-	-	7	7,350
Matambo O.K [x]	3	2	7	1	13	-
Nthebolan M.N	7	4	1	3	15	-
Kandjii I.K	8	-	4	-	12	10,920
Ndzinge S.E	10	6	-	-	16	18,900
Kwele N.K	9	6	8	4	27	23,520
Merafhe O.	6	1	5	4	16	13,440
Molosiwa B.K	6	-	-	-	6	5,250
Dikgaka T.C	3	-	-	-	3	2,520
Masisi M.N	2	-	-	-	2	1,680
M. Lesolle (Independent)	-	2	-	-	2	1,680
						87,360

(x) = retired during the year

The above fees are net of witholding tax

Mr.S.S.G.Tumelo and Mr O.K. Matambo ceased to be Directors on 1st February 2009 and 31st October 2008, respectively

The total Directors fees and attendance record for Board and Committee meetings is as set out above.

Board fees paid were calculated and paid by applying the rates determined by the Shareholder, Botswana Government, as follows:

Chairperson:	Main Board or Board Sub committees: P1 050 per meeting
Directors:	Main Board or Board Sub committees: P 840 per meeting

Board fees for Mr. S.S.G.Tumelo, Mrs. B.K. Molosiwa and Mr S. M. Sekwakwa were paid to Botswana Government as per government policy. No fees were paid to the Managing Director.

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.

Board processes

To ensure continued commitment to transparency, maintaining standards of competency, integrity and accountability and independence the board approved the implementation of the External Audit Policy. The policy defines the minimum guidelines to be used by the BDC group of companies in the selection, appointment and review of External Auditors. With respect to operational matters the Board monitors and pays particular attention to the acquisitions, disposals, material agreements and capital expenditures outside predetermined limits set by the Board. The Board has in place a Board Tender Committee that considers tenders above specified limits set by the Board.

Strategic Planning

The Corporation has a comprehensive four year strategic plan that will run from 2008 -2011. It is closely managed by the Strategy Implementation Monitoring Committee that meets monthly to review divisional action plans and in turn briefs the BDC Board quarterly on progress made. During the year under review the Corporation embarked on a review of its strategy as there was a need for the organisation to examine both its internal and external environment and respond appropriately to any changes in economic and business outlook.

Board Committees

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

The Board has in place the Board Audit Committee, Board Human Resources Committee and the Board Tender Committee that assist it in ensuring the proper discharge of its mandate. Except for specifically delegated powers all Committees of the

Corporate Governance Statement *(Continued)*

Kwena Concrete Products' bricks in the production yard

Board do not have executive powers, but instead make recommendations to the Board.

Board Audit Committee

The Board Audit Committee convened a total of six times during the financial year, made up of two scheduled meetings and four special meetings. The audit committee met to review the appropriateness and effectiveness of the Corporation's internal controls, accounting policies and financial procedures. Other matters pertinent to the Audit committee regarded the appointment of external auditors and approval of terms of engagement and the results of the audit. The Board Audit Committee also reviewed the effectiveness of the Corporation's risk management procedures and reported to the Board on these matters.

The Board Audit Committee placed reliance on assurance providers by reviewing reports submitted by Management, Group Internal Audit and External Auditors, including quality auditors. The Board Audit Committee reviewed, discussed with management and approved for submission to the Board, the Corporation and the Group's consolidated financial statements.

Board Human Resources Committee

The HR Committee met eight times to review and make recommendations to the Board on matters within its terms of reference.

Board Tender Committee

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

Relations with shareholders

The Board recognises the importance of maintaining good relations with the shareholder and hence, where necessary, it communicated to the Shareholder especially with regard to the Corporation's strategy, financial performance and prospects. Detailed communication to Shareholders and other Stakeholders was done through the Corporation's website and press, including publication of results for the previous year.

The Annual General Meeting was held in January 2009 and was chaired by the Board Chairman. There was no extraordinary general meeting held during the year.

Information Technology

The utilisation of Information Technology continues to play a critical role in the Corporation's day to day affairs. The Corporations information Technology platform enables global communication of critical information about the Corporation as well as ensuring effective and efficient customer service delivery.

Business Continuity Management

The Corporation subscribes to a total business resumption solution, Business Continuity management also known as Business Continuity Planning, that guarantees the Corporation's Customers and stakeholders that in the event the normal operations or offices of the Corporation are interrupted or unavailable to conduct business from, the Corporation has the ability to resume the Corporation's business, 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.

Operational risk

Corporate Governance systems in place at BDC ensure that operational risk, being the risk category relating to BDC's reliance on systems, processes and people is carefully managed and mitigated. Such systems safeguard BDC against operational risks through:

- Regularly updating systems and procedures, approved by the Board or its Committees;
- Regular internal and external audits as well as risk management review;
- A comprehensive business continuity plan (BCP) incorporating a Disaster Recovery Plan (DRP) for information technology (IT) recovery and working Business Continuity Management Teams that meet regularly;
- Prudent and transparent recruitment policies;
- Internal audit reviews of all aspects of the Corporation from strategic to operational matters;
- Insurance of fidelity guarantees, legal risks, public liability and other identified insurable risks including those of fixed assets; and
- The commitment of all employees to a code of conduct that encourages honesty, integrity and effectiveness.

Group Internal Audit

The Board has in place a Group Internal Audit function that audits all governance system's compliance and effectiveness in both the Corporation and its major subsidiaries. The purpose, authority and responsibility of the internal auditing function are formally defined in the Internal Audit Charter which is consistent with the globally accepted internal auditing standards. To ensure a broad and risk based audit coverage the Board Audit Committee annually reviews and sanctions an audit plan and periodically reviews progress on the implementation of the approved plan. Group Internal Audit reports the results of its audits to the respective Companies, for the attention of the Board and Management of those companies. To ensure follow-up on corrective and preventive actions Group Internal Audit also reports on a summary basis to the Corporation's Management and the Board Audit Committee. The Board Audit Committee in turn reports any significant issues to the main Board.

ISO9001 Quality Standard

The Corporation has adopted the International Standard Organisation (ISO) standard 9001:2000 as its benchmark on the quality of its processes, the people who drive those processes and its performance on the customer satisfaction interface. For the last six years the Corporation has been accredited to ISO9001:2000 having continuously excelled against all set benchmarks. Implementation of a new standard, ISO9001:2008 issued by the International Standards Organisation (ISO), was initiated towards the end of the year to prepare the Corporation's processes and quality systems for verification of compliance to the new standard in the new year.

Disclosure and transparency

The Board and Management have committed to ensuring that timely and accurate disclosures are made on all material matters affecting the Corporation, including the financial position, performance, ownership, and governance of the Corporation.

Sustainability Report

In line with the King Code of Corporate Governance and the Global Reporting Initiative, BDC, through diverse programs and initiatives promotes the implementation and monitoring of sustainable business practices throughout the BDC group.

In particular, developments and interventions have been effected to ensure sustainability of business, governance and legal compliance including workplace health and safety, customer satisfaction and perception/reputation surveys, brand audit all of which will be finalised in the new financial year.

Ethics, Environment and Society

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 considers customer primacy, employee development, teamwork, professionalism and integrity as critical values that all BDC personnel and agents subscribe to. The Board, Management and Staff are committed to the highest standards of integrity in all their dealings with stakeholders. Both the Corporation's personnel and clients are expected to observe ethical practices in carrying out the Corporations business activities.

The Corporation ensures that all new undertakings take into consideration the precious environment as well as the society. Consequently every project that brings about major changes in the landscape or environment in general will have to pass the environmental impact assessment tests before it can be implemented, irrespective of its profitability or otherwise.

Health & safety

The Corporation is committed to upholding good social, ethical, safety, health and environment practices at the workplace, as well as organisational integrity. To endeavour to meet this commitment and to continually improve our health and safety conditions, the Board and management has committed to periodically review policies, procedures and systems in place to ensure, monitor, communicate and verify its compliance to these practices including where there has been a departure therefrom.

Audited Financial Statements

The audited financial statements, as set out on pages 38 to 72, were prepared by Management in accordance with International Financial Reporting Standards. The financial statements were reviewed and recommended by the 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 no dividend be paid to the Shareholder.

The Directors are responsible for the preparation, approval and reporting of the financial statements of the Corporation and consolidated financial statements of the Group. The external auditors have reviewed the financial statements and have expressed an unqualified audit opinion on the fairness of the statements.

The Board of Directors and Management confirm that the Corporation is expected to continue as a going concern in the foreseeable future.

High volume packaging of Delta Dairy milk products

BDC, a Champion of Diversification

BDC as one of the champions of diversification is taking the challenge seriously and is eyeing opportunities for further development of new businesses to reduce the dependency on the mining sector.

The period under review was a challenging one for the Corporation and the world over due to the financial crisis which swept throughout the entire world. It was during this period that many countries went through recessionary periods and experienced negative growth. The Botswana economy was affected immediately the crisis unfolded in developed economies of Europe and United States of America.

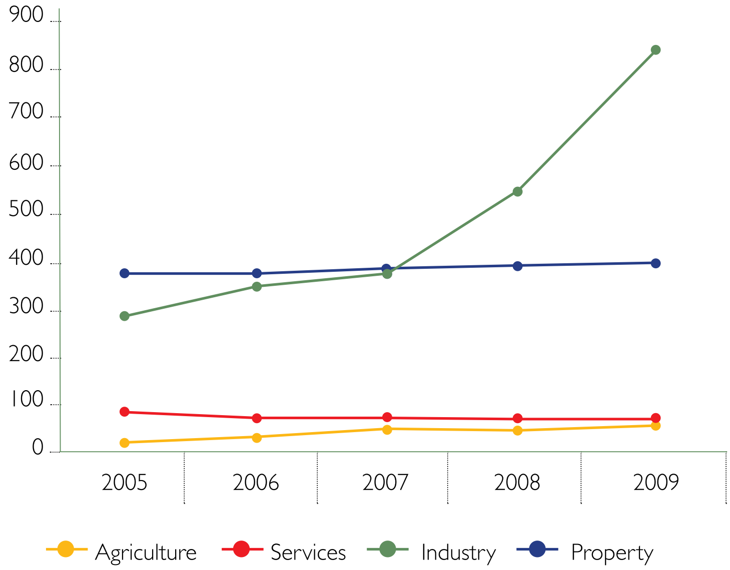
These economies have historically been the biggest importers of Botswana's mineral products. The crisis resulted in their demand for minerals being drastically reduced. The country's foreign reserves were negatively affected, unemployment surged in different sectors of the economy due to low demand for goods and services. However, glimpses of recovery have been recorded in major economies and the secondary effects are slowly being realised in developing countries. This recovery creates an opportunity for the Corporation to manifest itself as a front runner in ceasing opportunities that will arise as a result of the rebound in the domestic and the world economy.

The financial crisis exposed and brought to the fore the vulnerability of the Botswana economy. The country's overreliance on the mining sector has been tested. The crisis has brought about an awakening in terms of an urgent need to diversify the economy. BDC as one of the champions of diversification is taking the challenge seriously and is eyeing opportunities for further development of new businesses to reduce the dependency on the mining sector. Key among the opportunities to be pursued is the need to grow the agricultural portfolio in order to contribute towards import substitution and food security. In addition, opportunities in the industrial, property and services sectors will be vigorously pursued. One of the cornerstone of BDC's strategy is the need to invest in activities which add value and beneficiate locally available natural resources in order to build sustainable enterprises which will contribute to economic growth. The results of this strategy are evident through existing projects and those under implementation.

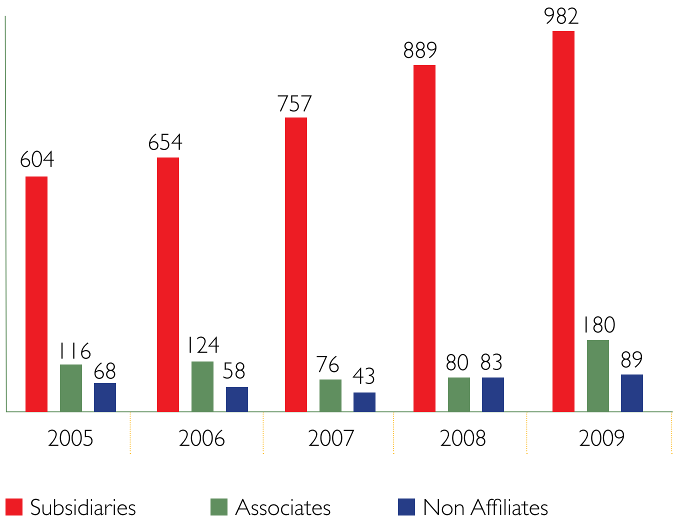
The need for diversification of the export markets and product range available for export has been underscored in order to cushion the economy from external shocks. To this end, BDC will continue to play a catalytic role in stimulating economic activity and propelling further growth through investment in greenfields and expansion of existing enterprises. This period has not been easy as enterprises responded by shelving or postponing planned expansions and new investments.

Business Development Report *(Continued)*

Business Sector Distribution (P'millions)



Investments Distribution (P'millions)



The expectation is that the years ahead will result in further growth of the portfolio as the recovery process unfolds.

The Corporation has adopted a forward looking strategy which advocates for innovative products and services. To achieve the desired results of this strategy, the Corporation established Marketing and Research Division to provide an impetus to business development through expansions of existing enterprises as well as securing new business to grow the portfolio of the Corporation. The role of this Division is to identify investment opportunities for the organisation through research and direct marketing of BDC's products and services. A number of new growth opportunities have been investigated and will be vigorously pursued during the next financial year.

Impact of the crisis on BDC operations

The crisis manifested themselves through decreased demand for goods and services. In this regard, the most affected sectors were the manufacturing and the tourism sectors. Due to the crisis, consumers were prioritising the goods and services they need to purchase hence the lower demand experienced. Despite the crisis, the impact on BDC operations was not significant and not very pronounced. The companies adopted and employed appropriate strategies which kept them afloat despite the difficult period.

The Corporation will continue to pursue opportunities in the industrial, agricultural, services and property sectors in order to further contribute to economic diversification and development.

Agribusiness and services

Additional funding was approved during the year for LP Amusement Centre to improve facilities at the Centre and for Goldigger Ventures, a joint venture farming operation in the Tuli Block, to fund seasonal input requirements.

Projects under implementation

Coast-to-Coast Inn, the 35 bed lodge being built at Mamuno has obtained the necessary Archeological and Environmental Impact Assessment approval and construction is underway. The lodge is expected to be fully operational by 2011.

Kwalape Tours & Safaris (Pty) Ltd, a middle market tented lodge in the Kazungula area is under construction and after the provision of additional funding by the Corporation to complete the project, it is expected to be fully operational in the first half of 2010.

Industry

For the year ended 30 June 2009, the Corporation's total exposure in the Industry Sector stood at P840.0 million compared to P650.4 million in the previous year, constituting a 29, 2 percent growth in the manufacturing portfolio. The growth resulted mainly from the implementation of the Fengyue Glass manufacturing project in Palapye, which continues to disburse as implementation picks up momentum into the new financial year.

Major sectors considered during the year by the Division included construction, food and beverage, furniture, pharmaceuticals, leather, food cans, and glass manufacturing.

The Corporation continued with research into the development of more viable projects in the manufacturing sector, more especially with the intention of utilising local raw materials. Research also continues into citizen owned businesses and their needs, with the intention of developing tailor made financing packages for them. Another area of research was into the opportunities deriving from the beneficiation of mineral resources.

The Industry Division continues to make a positive developmental and economic impact in terms of employment, having created about 3 405 direct jobs for Batswana through its portfolio companies which are spread across the country.

Property

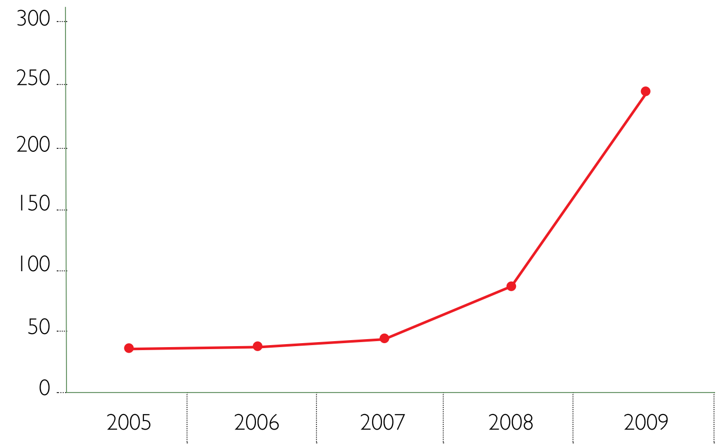
Demand for quality office space, residential and industrial properties in major cities has continued to be good during the year under review, despite the world financial crisis.

Pursuant to the Corporation's divestment programme, the Division has identified suitable properties for divestment and a financial consultancy has been engaged to provide expert advice on the divestment options available to the Corporation. It is anticipated that the transaction will be concluded in the first quarter of 2010.

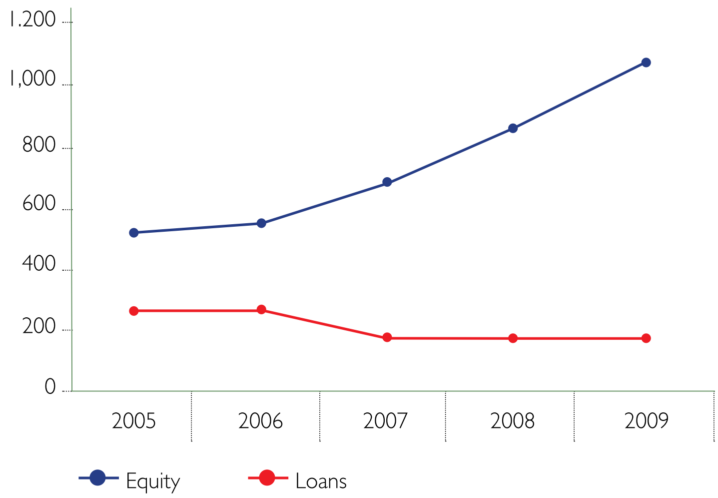
Hotel Properties

The refurbishment of the Cresta Hotels is coming to a conclusion. During the year under review, the refurbishment of Thapama Hotel in Francistown was completed and the refurbished hotel was

Expenditure (P'millions)



Product Range (P'millions)



Delta Diaries employees on the milk production line

officially opened by His Honour the Vice President in September 2009. Work is ongoing at Cresta Lodge in Gaborone as well as at Riley's Hotel, in Maun. The Cresta Lodge Conference Centre was completed and was due to receive guests in August 2009. The Cresta Hotels refurbishment programme is scheduled for completion during first quarter of 2010, well in time for the Cresta Group to take advantage of the spinoffs from the June 2010 World Cup in South Africa.

Industrial Properties
During the year the Division embarked on a project to develop factory shells on the old Hyundai site in Broadhurst, Gaborone. Minor refurbishment is also planned for most of the properties in Gaborone, Lobatse and Francistown. The properties continue to enjoy high occupacy levels except in Selibe Phikwe where the market is very subdued.

Botswana Innovation Hub
The master plan for the Botswana Innovation Hub (BIH) in Block 8 Gaborone. is expected to be approved by the Town and Country Planning Board and the Gaborone City Council during the first quarter of the next financial year. Engineering consultants are currently working on detailed engineering designs. An architectural completion is currently underway for the BIH headquarters building and related facilities.

Invoice Discounting Division
The Corporation pioneered the concept of invoice discounting in the Botswana market and the success of the Invoice Discounting Division indicates the need for this working capital product in the market place.

The Division proactively seeks out debt generating businesses that require their cash flow to be funded by leveraging their sales ledger beyond limits imposed by other funding mechanisms. The role of the division is to smoothen the working capital requirements of businesses by purchasing business to business debt. Businesses are able to raise up to 80% cash on the value of outstanding invoices, with the balance being paid net of charges when the invoices are settled.

As at year end, the Division had advanced P125 million to customers ranging across the SME spectrum, with total invoices purchased of P150 million and receipts from debtors totalling P133 million.

Invoice Discounting Division continues to grow its portfolio size and set foot print in the market. The Division will continuously provide innovative solutions to meet working capital requirements within the context of Invoice Finance.

"The Corporation has adopted a forward looking strategy which advocates for innovative products and services. To achieve the desired results of this strategy, the Corporation established Marketing and Research Division to provide an impetus to business development through expansions of existing enterprises as well as securing new business to grow the portfolio of the Corporation."

Implementing the Best Practice

Botswana Development Corporation Limited in line with its Vision of being the Leading Development and Investment Financier in Botswana commits to implementing and maintaining its internal processes at the highest levels of efficiency.

Through the seamless interface with the Business Development function, and the total Corporation, the Management Services Department delivers those systems and processes necessary to ensure that the Corporation's stakeholders, both internal and external are provided with the services they require at the highest level of efficiency. Amongst the milestones achieved in the year under review are the following:-

Financial Accounting

The Financial Accounting Division has seen tremendous growth in terms of knowledge and skills acquisition having attended various seminars, workshops and gained hands on experience relating to the recently introduced new International Accounting Standards.

Risk Management

The Corporation entered into a contract with IQ Business Group to revamp risk management so as to ensure it is enterprise wide, appropriate and is in line with international best practice. The exercise is intended to entrench an Enterprise Risk Management (ERM) framework that covers the risk management processes, people, methodologies and performance measurements amongst others. Included in the ERM are specialised disciplines of risk management namely, Credit, Investment, Project, Market, Industry and IT risk Management, amongst others. This exercise will be finalised in the new financial year.

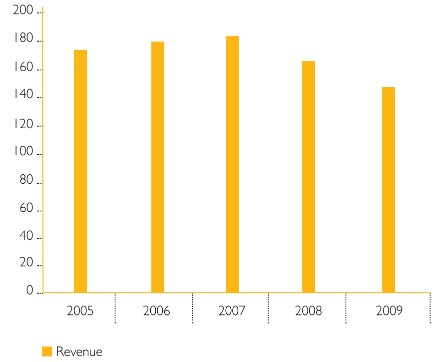
Information Technology

The Corporation has kept abreast of current technology. A revamped workflow is in the process of being developed whilst a secure remote access to corporate information resources through integration of the Corporation network with mobile and internet technologies has been achieved.

Management Accounting & Treasury

The Division undertook to revamp the Corporation's Treasury Policy with a view to streamlining treasury processes within the Corporation. Furthermore, the Division was assigned the Secretariat role for the Botswana Privatization Asset Holdings Company (BPAH) following the Corporation signing a contract with the Ministry of Finance and Development Planning to manage the day to day running of the BPAH Company.

Revenue Distribution (P'millions)



"The Corporation entered into a contract with IQ Business Group to revamp risk management so as to ensure it is enterprise wide, appropriate and is in line with international best practice."

Manhole rim covers are some of the products manufactured by Kwena Rocla

BDC Value Created 2000 - 2009

	2000 P'000	2001 P'000	2002 P'000	2003 P'000	Re-stated 2004 P'000	Re-stated 2005 P'000	2006 P'000	2007 P'000	Re-stated 2008 P'000	2009 P'000
Income from trade										
Interest income	57,273	43,206	45,042	49,105	50,205	73,991	84,628	62,866	56,143	**39,740**
Dividend	35,461	32,834	43,029	98,281	68,506	95,363	92,593	117,865	106,953	**108,042**
Sundry income	7,536	5,986	4,703	7,026	14,966	2,474	5,282	11,227	8,527	**8,300**
Profit on sale of investment/assets	–	1,958	–	–	–	27	–	8,065	–	**–**
	100,270	83,984	92,774	154,412	133,677	171,855	182,503	200,023	171,623	**156,082**
Less:Cost of supplies and services	(11,577)	(17,892)	(17,985)	(19,979)	(15,187)	(16,613)	(19,905)	(17,440)	(21,022)	**(18,865)**
Total Value Added	**88,693**	**66,092**	**74,789**	**134,433**	**118,490**	**155,242**	**162,598**	**182,583**	**150,601**	**137,217**
Distributed as follows:										
To employees payroll cost	9,283	10,286	11,171	10,949	12,282	16,058	18,387	22,512	25,570	**31,540**
To providers of finance interest on loans	34,440	22,033	21,578	20,917	20,324	39,616	37,987	38,911	31,525	**36,179**
To Government										
Company taxation on profits	–	(4,183)	(7,72)	–	9,459	12,151	15,866	23,772	15,426	**7,733**
To providers of permanent capital										
Dividends to shareholder	–	–	11,273	–	15,000	20,000	17,126	18,050	20,000	**12,000**
To maintain and expand the Corporation										
Depreciation and provisions against investments	25,379	10,862	12,400	42,230	10,893	10,617	18,160	31,830	47,090	**197,349**
Profit retained	19,591	27,094	26,092	60,337	50,532	56,800	55,072	47,508	10,990	**(147,584)**
Total	**88,693**	**66,092**	**74,789**	**134,433**	**118,490**	**155,242**	**162,598**	**182,583**	**150,601**	**137,217**

Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

Director's Report

30 June 2009

The directors have pleasure in submitting their annual report to the shareholders together with the audited financial statements for the year ended 30 June 2009 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 72.
2. No dividend was declared during the year.

DIRECTORS

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

S M Sekwakwa	Chairman (Appointed 1 February 2009)
M M Nthebolan	Managing Director (Appointed 11 February 2009)
I K Kandjii	
N K Kwele	
O Merafhe	
B K Molosiwa	
S E Ndzinge	
T C Dikgaka	(Appointed 1 February 2009)
M N Masisi	(Appointed 1 February 2009)
O K Matambo	(Retired 31 October 2008)
S S Tumelo	(Retired 28 February 2009)

STATED CAPITAL

4. During the year 500,000 ordinary shares were issued and fully paid, bringing the total number of ordinary shares issued to 238 699 462 (2008: 238 199 462).

INVESTMENTS

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

a) Wholly owned subsidiaries

- Can Manufacturing (Pty) Ltd	-	P52,081,867
- Golden Fruits (Pty) Ltd	-	P4,906,510
- Lobatse Tile (Pty) Ltd	-	P4,271,863
- Lobatse Clayworks (Pty) Ltd	-	P2,219,273
- L P Amusements (Pty) Ltd	-	P2,000,000
- Botswana Hotel Development Company (Pty) Ltd	-	P21,526,314
- Residential Holdings (Pty) Ltd	-	P694,847
- Western Industrial Estates (Pty) Ltd	-	P1,975,618

b) Investment projects in progress

- Fengue Glass Manufacuring (Pty) Ltd	-	P95,996,421

DIRECTORS' FEES AND EXPENSES

6. It is recommended that directors' fees and expenses of P104,000 and directors' emoluments of P2,277,000 for the year to 30 June 2009 be ratified.

By Order of the Board

Mr. M. Leburu
Group Company Secretary

Director's Responsibility and Approval

of Annual Financial Statements for the year ended 30 June 2009

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 balance sheets at 30 June 2009, and the income statements, the statements of changes in equity and cash flow statements 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 Botswana Companies Act, 2003.

The directors are required by the 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 group as at the end of the financial year and the results of its 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 annual financial statements.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Corporation 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 company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company 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 Corporation'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.

Although the board are primarily responsible for the financial affairs of the Corporation, they are supported by the Corporation's external auditors. The auditors are responsible for reporting on whether the company and group annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

The external auditors are responsible for independently reviewing and reporting on the Corporation's annual financial statements. The company and group annual financial statements have been examined by the Corporation's 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 72 which have been prepared on the going concern basis, were approved by the board on 16 December 2009 and were signed on its behalf by:

Mr. S.M. Sekwakwa Chairman	Ms. M.M. Nthebolan Managing Director

Deloitte.

PO Box 778
Gaborone
Botswana

Deloitte & Touche
Assurance & Advisory Services
Certified Public Accountants
(Botswana)
Deloitte & Touche House
Plot 50664
Fairgrounds Office Park
Gaborone
Botswana

Tel: +(267) 395 1611
Fax: +(267) 397 3137
www. deloitte.com

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 72 which comprise the balance sheet as at 30 June 2009, and the income statements, statements of change in equity and cash flow statements 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 mistatement.

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 risks of material misstatements 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 Botswana development Corporation Limited and its subsidiaries at 30 June 2009, and its 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

18 December 2009

Income Statements

for the year ended 30 June 2009

		Group		Company	
			Re-stated		Re-stated
Continuing operations	Notes	2009 P'000	2008 P'000	2009 P'000	2008 P'000
REVENUE	1	431,542	384,560	134,704	132,507
Cost of revenue		(208,128)	(176,497)	—	—
Gross profit		223,414	208,063	134,704	132,507
Interest received		22,168	38,504	13,078	30,589
Other operating income	2	15,996	16,088	8,300	8,527
Fair value of investment properties	6	213,640	6,681	—	—
As per valuation		227,047	6,681	—	—
Straight-line rental adjustment		(13,407)	—	—	—
Share of profits of associates		61,230	49,993	—	—
Fair value of borrowings	29	(2,955)	(3,223)	(2,955)	(3,223)
Distribution costs		(4,906)	(5,710)	—	—
Marketing expenses		(7,308)	(4,147)	(3,281)	(2,619)
Occupancy expenses		(1,726)	(2,167)	(12,667)	(6,185)
Administrative expenses		(67,276)	(72,135)	(29,391)	(30,887)
Other operating expenses		(70,734)	(48,398)	(231,991)	(87,469)
Finance cost	3	(38,209)	(36,067)	(36,179)	(31,525)
PROFIT (LOSS) BEFORE TAX	4	343,334	147,482	(160,382)	9,715
Income tax expense	5	(84,004)	(39,443)	(7,733)	(15,426)
Profit (loss) for the year from continuing operations		259,330	108,039	(168,115)	(5,711)
Discontinued operations					
Loss for the year from discontinued operations	37	(122,520)	(30,463)	—	—
PROFIT (LOSS) FOR THE YEAR)		136,810	77,576	(168,115)	(5,711
Attributable to:					
Equity holders of the parent		116,216	68,285	(168,115)	(5,711)
Minority interest	28	20,594	9,291	—	—
		136,810	77,576	(168,115)	(5,711)

Balance Sheets

At 30 June 2009

	Notes	Group 2009 P'000	Group Re-stated 2008 P'000	Company 2009 P'000	Company Re-stated 2008 P'000
ASSETS					
NON-CURRENT ASSETS					
Investment properties	6	884,393	667,222	—	—
Property, plant and equipment	7	390,158	367,679	1,808	1,396
Intangible assets	8	2,726	2,079	—	—
Subsidiaries	9	—	—	540,994	616,684
Associated companies/partnerships	10	273,183	153,293	156,182	66,011
Unquoted investments	11	81,050	88,502	80,947	75,083
Quoted investments	13	529,777	709,352	529,777	709,352
Rental straight-line adjustment		19,991	8,978	—	—
Due from group companies - net	14	—	—	53,876	24,750
Investment projects in progress	15	510	17,158	510	17,158
		2,181,788	2,014,263	1,364,094	1,510,434
CURRENT ASSETS					
Inventories	16	22,931	29,741	-	—
Trade and other receivables	17	101,604	104,590	55,363	55,904
Short-term loans and advances	18	11,085	11,226	45,583	48,065
Available for sale investments	19	81,386	80,408	58	38,532
Cash and cash equivalents	20	165,271	224,525	97,647	163,925
Taxation recoverable		32,711	52,479	—	8,464
		414,988	502,969	198,651	314,890
Assets classified as held for sale	21	35,573	1,739	—	—
		450,561	504,708	198,651	314,890
TOTAL ASSETS		2,632,349	2,518,971	1,562,745	1,825,324
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES					
Stated capital	22	585,199	535,199	585,199	535,199
Contribution to factory premises	23	24,070	24,070	24,070	24,070
Fair value reserve	24	436,297	615,872	436,297	615,872
Other reserves	25	99,998	83,847	—	5,504
Dividend reserve	26	-	12,000	—	12,000
Claims equalisation reserve	27	1,344	1,107	—	—
Retained earnings		637,314	523,308	107,253	275,368
Equity attributable to equity holders of the parent		1,784,222	1,795,403	1,152,819	1,468,013
Minority interest	28	86,216	74,572	—	—
Total equity		1,870,438	1,869,975	1,152,819	1,468,013
NON-CURRENT LIABILITIES					
Borrowings	29	379,975	408,098	286,462	298,221
Government grants	30	31,440	32,217	—	—
Provision for restoration costs	31	8,787	6,430	—	—
Deferred taxation	32	107,766	74,481	—	—
		527,968	521,226	286,462	298,221
CURRENT LIABILITIES					
Current portion of borrowings	29	15,953	12,591	10,375	8,996
Trade and other payables	33	155,488	83,357	112,928	36,792
Bank overdrafts	34	10,032	14,120	—	-
Tax payable		2,073	4,400	—	-
Capital gains tax		161	161	161	161
Dividend payable	26	—	13,141	—	13,141
		183,707	127,770	123,464	59,090
Liabilities directly associated with assets classified as held for sale	21	50,236	—	—	—
		233,943	127,770	123,464	59,090
TOTAL LIABILITIES		761,911	648,996	409,926	357,311
TOTAL EQUITY AND LIABILITIES		2,632,349	2,518,971	1,562,745	1,825,324

Statements of Changes In Equity

for the year ended 30 June 2009

	Notes	Stated capital P'000	Share premium P'000	Capital redemption reserve P'000	Capitalisation of bonus shares P'000
Group					
Year ended 30 June 2009					
Balance at 1 July 2008 - As re-stated		535,199	–	11,940	1,504
Ordinary shares issued during the year	22	50,000	–	–	–
Transfers		–	–	891	–
Movement during the year		–	–	(4,000)	(1,504)
Fair value adjustment of quoted investments	24	–	–	–	–
Revaluation surplus during the year	7	–	–	–	–
Dividend paid	26	–	–	–	–
Deferred tax on revaluation surplus	32	–	–	–	–
Profit for the year		–	–	–	–
Balance at 30 June 2009		585,199	–	8,831	-
Year ended 30 June 2008					
Balance at 1 July 2007		238,199	297,000	10,419	1,504
Transfers	22	297,000	(297,000)	1,521	–
Fair value adjustment of quoted investments	24	–	–	-	–
Movement during the year		–	–	-	–
Revaluation surplus during the year	7	–	–	-	–
Dividend declared	26	–	–	-	–
Dividend paid	26	–	–	-	–
Deferred tax on revaluation surplus	32	–	–	-	–
Profit for the year		–	–	-	–
Year ended 30 June 2008 - As re-stated		535,199	–	11,940	1,504
Company					
Year ended 30 June 2009					
Balance at 1 July 2008 - As re-stated		535,199	–	4,000	1,504
Ordinary shares issued during the year	22	50,000	–	-	–
Transfers		–	–	(4,000)	(1,504)
Fair value adjustment of quoted investments	24	–	–	–	–
Dividend paid	26	–	–	–	–
Profit for the year		–	–	–	–
Balance at 30 June 2009		585,199	–	–	–
Year ended 30 June 2008 - As re-stated					
Balance at 1 July 2007		238,199	297,000	4,000	1,504
Transfers	22	297,000	(297,000)	–	–
Fair value adjustment of quoted investments	24	–	–	–	–
Dividend declared	26	–	–	–	–
Dividend paid	26	–	–	–	–
Profit for the year - As re-stated	38	–	–	–	–
Balance at 30 June 2008 - As re-stated		535,199	–	4,000	1,504

Contribution to factory premises P'000	Fair value reserve P'000	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
24,070	615,872	70,403	12,000	1,107	523,308	1,795,403	74,572	1,869,975
–	–	–	–	–	–	50,000	–	50,000
–	–	7,869	–	–	(2,210)	6,550	(6,550)	–
–	–	(104)	–	237	–	(5,731)	–	5,371
–	(179,575)	–	–	–	–	(179,575)	–	(179,575
–	–	14,635	–	–	–	14,635	–	14,635
–	–	–	(12,000)	–	–	(12,000)	(2,400)	(14,400)
–	–	(1,636)	–	–	–	(1,636)	–	(1,636)
–	–	–	–	–	116,216	116,216	20,594	136,810
24,070	**436,297**	**91,167**	**–**	**1,344**	**637,314**	**1,784,222**	**86,216**	**1,870,438**
24,070	566,813	34,354	20,000	971	469,843	1,663,173	69,487	1,732,660
–	–	2,383	–	–	(2,820)	1,084	(1,084)	–
–	49,059	–	–	–	–	49,059	–	49,059
–	–	481	–	136	–	617	–	617
–	–	44,247	–	–	–	44,247	–	44,247
–	–	–	12,000	–	(12,000)	–	–	–
–	–	–	(20,000)	–	–	(20,000)	(3,122)	(23,122)
–	–	(11,062)	–	–	–	(11,062)	–	(11,062)
–	–	–	–	–	68,285	68,285	9,291	77,576
24,070	**615,872**	**70,403**	**12,000**	**1,107**	**523,308**	**1,795,403**	**74,572**	**1,869,975**
24,070	615,872	–	12,000	–	275,368	1,468,013	–	1,468,013
–	–	–	–	–	–	50,000	–	50,000
–	–	–	–	–	–	(5,504)	–	(5,504)
–	(179,575)	–	–	–	–	(179,575)	–	(179,575)
–	–	–	(12,000)	–	–	(12,000)	–	(12,000)
–	–	–	–	–	(168,115)	(168,115)	–	(168,115)
24,070	**436,297**	**–**	**–**	**–**	**107,253**	**1,152,819**	**–**	**1,152,819**
24,070	566,813	–	20,000	–	293,079	1,444,665	–	1,444,665
–	–	–	–	–	–	–	–	–
–	49,059	–	–	–	–	49,059	–	49,059
–	–	–	12,000	–	(12,000)	–	–	–
–	–	–	(20,000)	–	–	(20,000)	–	(20,000)
–	–	–	–	–	(5,711)	(5,711)	–	(5,711)
24,070	**615,872**	**–**	**12,000**	**–**	**275,368**	**1,468,013**	**–**	**1,468,013**

Cash Flow Statements

for the year ended 30 June 2009

	Notes	Group 2009 P'000	Group Re-stated 2008 P'000	Company 2009 P'000	Company Re-stated 2008 P'000
Operating activities					
Cash generated from operations	42	222,341	87,998	106,457	70,747
Tax paid		(20,444)	(35,455)	731	(21,038)
Net cash from operating activities		201,897	52,543	107,188	49,709
Investing activities					
Purchase of investment properties	6	(28,238)	(25,429)	–	–
Purchase of property, plant and equipment	7	(110,719)	(149,517)	(1,083)	(349)
Purchase of intangible assets	8	(848)	(1,839)	–	–
Purchase of shares in subsidiaries		–	–	(95,700)	(151,032)
Purchase of shares in associates		(95,968)	(7,975)	(95,968)	(7,975)
Decrease (increase) in shares in non-affiliated companies		8,140	(52,528)	(5,176)	(50,000)
Loans disbursed to subsidiaries		–	–	(26,477)	(31,814)
Loans disbursed to associated companies		(4,833)	(67)	(4,833)	(67)
Loans disbursed to non-affiliated companies		(3,569)	(10,583)	(3,569)	(10,583)
Loans repaid by subsidiaries		–	–	29,522	6,490
Loans repaid by associated companies		812	1,495	812	1,495
Loans repaid by non-affiliated companies		2,825	5,323	2,825	5,323
Purchase of in shares in investment projects in progress		–	(5,198)	–	(5,198)
Loans disbursed to investment projects in progress		–	(2,694)	–	(2,694)
Net decrease (increase) in shares in investment projects in progress		–	20,625	–	20,625
Net decrease (increase) in loans in investment projects in progress		16,648	23,998	–	23,998
Proceeds from disposal of property, plant and equipment		(1,683)	1,781	67	–
Proceeds from disposal of investment properties		5,926	10,125	–	–
Net movement in the reserves of associates		(10,695)	(1,977)	–	–
Disposal of investments		–	–	–	24,635
Interest received		22,168	38,504	13,078	30,589
Net cash used in investing activities		(200,034)	(155,956)	(186,502)	(146,557)
Financing activities					
Long term borrowings repaid		(28,499)	(5,318)	(14,118)	(10,993)
Dividend paid to group shareholder	26	(25,141)	(20,000)	(25,141)	(20,000)
Dividends paid to minority interests	28	(2,400)	(3,122)	–	–
Issue of shares	22	50,000	–	50,000	–
Finance costs	3	(38,209)	(36,067)	(36,179)	(31,525)
Net cash used in financing activities		(44,249)	(64,507)	(25,438)	(62,518)
Decrease in cash and cash equivalents		(42,386)	(167,920)	(104,752)	(159,366)
Movement in cash and cash equivalents					
Start of year		278,641	446,561	202,457	361,823
Decrease during the year		(42,386)	(167,920)	(104,752)	(159,366)
End of year		236,255	278,641	97,705	202,457
Available for sale investments	19	81,016	68,236	58	38,532
Cash and cash equivalents		165,271	224,525	97,647	163,925
Bank overdrafts		(10,032)	(14,120)	–	–
		236,255	278,641	97,705	202,457

Significant Accounting Policies

30 June 2009

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

The company has adopted all of 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 beginning on or after 1 July 2008. The adoption of these standards has not resulted in changes to the company's accounting policies.

The table below lists all the new accounting standards that has been adopted for the year ending 30 June 2009. None of these are applicable to the company.

Table 1: Annual periods Standard/Interpretation beginning on or after

IFRIC 12 - Service Concession Arrangements - 1 January 2008
IFRIC 13 - Customer Loyalty Programs - 1 July 2008
IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction - 1 January 2008

At the date of authorisation of these financial statements, the following new, revised and amended accounting standards and interpretations were issued but not effective for the year ending 30 June 2009:

Table 2: Annual periods Standard/Interpretation beginning on or after

IFRS 2 - Share Based Payments - 1 January 2009
IFRS 3 - Business Combinations - 1 July 2009
IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations - 1 July 2009
IFRS 7 - Financial instruments Disclosures - 1 January 2009
IFRS 8 - Operating Segments - 1 January 2009
IFRS 9 - Finannial Instruments - 1 January 2013
IAS 1 - Presentation of Financial Statements - 1 January 2009
IAS 16 - Property, Plant and Equipment - 1 January 2009
IAS 19 - Employee Benefits - 1 January 2009
IAS 20 - Accounting for Government Grants and disclosure of Government Assistance
IAS 23 - Borrowing Costs
IAS 27 - Consolidated and Separate Financial Statements - 1 January 2009
IAS 28 - Investments in Associates - 1 January 2009
IAS 29 - Financial Reporting in Hyperinflationary Economies - 1 January 2009
IAS 31 - Interests in Joint Ventures - 1 January 2009
IAS 32 - Financial Instruments: Presentation - 1 January 2009
IAS 36 - Impairment of Assets - 1 January 2009
IAS 38 - Intangible Assets - 1 January 2009
IAS 39 - Financial Instruments: Recognition and Measurement - 1 January 2009
IAS 40 - Investment Property - 1 January 2009
IAS 41 - Agriculture - 1 January 2009
IFRIC 15 - Agreements for the Construction of Real Estate - 1 January 2009
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation - 1 July 2009
IFRIC 17 - Distributions of Non-cash Assets to Owners - 1 July 2009
IFRIC 18 - Distributions of Assets to customers - 1 July 2009
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments - 1 July 2010

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:

A. Group accounting

Subsidiaries

Subsidiaries, which are those entities in which the group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies are consolidated. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the group and are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill.

Inter company transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the group.

Associates

Investments in associates are accounted for by the equity method of accounting. Under this method the company's share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment.

Associates are entities over which the group generally has between 20% and 50% of the voting rights, or over which the group has significant influence, but which it does not control. Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The group's investment in associates includes goodwill (net of accumulated amortisation) on acquisition. When the group's share of losses in an associate equals or exceeds its interest in the associate, the group does not recognise further losses, unless the group has incurred obligations or made payments on behalf of the associates.

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/ associate at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less impairment losses. Gains and losses on the disposal of an entity, include the carrying amount of goodwill relating to the entity sold, are allocated to cash generating units for the purpose of impairment testing.

B. Property, plant and equipment
Property, plant and equipment are stated in the balance sheet at cost/valuation 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 property plant and equipment 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 income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

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.

C. 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.

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

E. 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.

F. 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.

G. 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 income statement.

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 income statement.

H. 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 and re-evaluates such designation on a regular basis.

Investment loans and receivables

Investment loans

Investment loans 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 balance sheet 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 balance sheet 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 being released to income statement 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 income statement in the period in which they arise. Unrealised gain and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity. 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 income statement as gains and losses from investment securities.

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.

I. 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.

J. Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, 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.

K. Financial liabilities and equity instruments issued by the group

Equity instruments

Ordinary shares are classified as equity.

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, which include bonds issued, are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield methods or at fair value, where such borrowings attracts interest rates which are below market. Any difference between proceeds (net of transaction costs) and the redemption value of borrowings is recognised in the income statement 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.

L. Leases

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

M. 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.

N. Taxation

The charge for current tax is based on the results for the period as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases. In principle deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability settled.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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.

Current and deferred tax are recognised as an expense or income in profit and loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

O. 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.

P. 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 balance sheet.

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

R. Revenue recognition

Dividends and other income are accounted for when the group's right to receive payment is established. Interest income on loan investments is recognised on an effective yield basis. Interest on short term investments is recognised on an accrual basis. Rental income from investment properties is recognised once a lease agreement has been signed and is recorded on an accrual basis.

Sales are recognised upon delivery of products and customer acceptance or on the performance of service.

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.

S. Dividends

Dividends proposed or declared after the balance sheet date are shown as a component of capital and reserves as required by the Standard, and not as a liability.

T. 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

U. Financial instruments

Financial assets

The group's financial assets are 'loans and receivables' including cash and cash equivalents. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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.

V. 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 company 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 warrantees, guarantees and bonuses;
- the assessment of impairments and calculation of the recoverable amount of assets;
- the determination of taxation liabilities.
- the determination of fair values of borrowings; and
- the determination of fair values of property, plant and equipment, investments and investment properties.

	Notes	Group 2009 P'000	Group Re-stated 2008 P'000	Company 2009 P'000	Company Re-stated 2008 P'000
1. REVENUE					
Continuing operations					
Income from trade		282,730	255,350	–	–
Rental income		55,445	52,211	–	–
Contract rental		46,513	45,897	–	–
Straight line lease rental adjustment		8,932	6,314	–	–
Interest on loans:					
- Subsidiaries		–	–	18,765	18,217
- Associated companies		3,699	3,096	3,699	3,096
- Unquoted investments		4,198	4,241	4,198	4,241
Dividends received:					
- Subsidiaries		–	–	22,572	37,291
- Associated companies		27,736	20,527	27,736	20,527
- Unquoted investments		57,734	49,135	57,734	49,135
		431,542	384,560	134,704	132,507
Discontinued operations					
Income from trade (note 37)		19,228	9,759	–	–
2. OTHER OPERATING INCOME					
Continuing operations					
Cost recoveries		80	102	3,222	3,175
Directors' fees received		194	149	345	257
Loan negotiating fees		207	655	207	655
Invoice discounting service fees		1,364	578	1,364	578
Expense recovered		668	813	-	–
Bad debts recovered		3,104	476	3,104	409
Other income		10,379	13,315	58	3,453
		15,996	16,088	8,300	8,527
Discontinued operations					
Other income (note 37)		43	299	–	–
3. FINANCE COSTS					
Interest expense:					
- bank borrowings		(11,509)	(4,074)	–	–
- bonds		(25,194)	(21,575)	(25,124)	(21,491)
- long-term borrowings		(7,560)	(10,598)	(11,055)	(10,034)
- finance leases		(154)	(663)	-	–
		(44,417)	(36,910)	(36,179)	(31,525)
Attributable to:					
Continuing operations		(38,209)	(36,067)	–	–
Discontinued operations (note 37)		(6,208)	(843)	–	–
		(44,417)	(36,910)	–	–

4. PROFIT (LOSS) BEFORE TAX	Group 2009 P'000	Group Re-stated 2008 P'000	Company 2009 P'000	Company Re-stated 2008 P'000
The following items have been charged (credited) in arriving at profit (loss) before tax, in addition to the amounts already disclosed in notes 1 and 2 above:				
Amortisation of government grant	(777)	(777)	–	–
Amortisation of intangible assets (note 8)	201	40	–	–
Auditor's remuneration - current year	1,636	1,399	240	293
- prior year	606	321	310	–
Operating lease payments	1,367	1,173	12,667	6,185
Depreciation				
- Property, plant and equipment	24,048	24,514	635	543
Directors' fees	104	33	104	33
Directors' emoluments	2,277	1,050	2,277	989
Key management's emoluments	2,787	2,305	1,822	2,189
Provision for impairments:				
- Investments	10,015	(21,238)	197,349	47,090
Bad debts recovered	(3,104)	(476)	(3,104)	(409)
Net foreign exchange gains	783	3,285	783	3,220
Transfers to claims equalisation reserve	237	136	–	–
Impairment of property, plant and equipment	-	249	–	–
Utilities	668	813	–	–
Repairs and maintenance	4,946	3,725	–	–
Staff costs (as below)	87,663	79,852	31,540	25,570
Loss (profit) on:				
- disposal of property, plant and equipment	1,807	(122)	(31)	–
- disposal of investment properties	281	2,085	–	–
Staff costs:				
Salaries and wages	85,688	78,201	29,878	24,188
Terminal benefits	1,975	1,651	1,662	1,382
	87,663	79,852	31,540	25,570
Average number of employees	1,242	1,366	76	76

5. INCOME TAX EXPENSE	Group 2009 P'000	Group Re-stated 2008 P'000	Company 2009 P'000	Company Re-stated 2008 P'000
Botswana company taxation				
-basic tax at 15%/5%	15,041	4,972	–	–
-additional company tax at 10%	6,977	2,137	–	–
Normal taxation	22,018	7,109	–	–
Withholding tax paid on dividends	15,143	16,043	15,143	16,043
Normal taxation - prior year	(1,868)	381	–	–
Capital gains tax	2,592	–	–	–
Group tax relief	–	–	(7,410)	(617)
Total normal taxation	37,885	23,533	7,733	15,426
Deferred taxation (note 32) - current year	37,416	1,641	–	–
- prior year	(5,767)	599	–	–
Share of associated company taxation	14,470	9,682	–	–
Charge for the year	84,004	35,455	7,733	15,426
Attributable to:				
Continuing operations	84,004	39,443	7,733	15,426
Discontinued operations (note 37)	–	(3,988)	–	–
	84,004	35,455	7,733	15,426
The tax on the profit (loss) before tax differs from the theoretical amount as follows:				
Profit (loss) before tax	343,334	147,482	(160,382)	9,715
Tax calculated at 25%/15%	66,431	17,489	(40,096)	2,429
Income not subject to tax	(21,367)	(17,415)	(27,010)	(26,738)
Normal taxation - prior year	(1,868)	381	–	–
Deferred taxation - prior year	(5,767)	599	–	–
Capital gains tax	2,592	–	–	–
Expenses not deductible for tax purposes	14,372	12,092	67,106	24,309
Utilisation of previously unrecognised losses	–	–	–	–
Net difference between depreciation and capital allowances	(3)	433	–	–
Share of associated company taxation	14,470	9,682	–	–
Withholding tax paid on dividends	15,143	16,043	15,143	16,043
Expenses subject to double deduction	–	(52)	–	–
Unutilised losses carried forward	–	(3,797)	–	–
Losses utilised by subsidiaries	–	–	(7,410)	(617)
	84,004	35,455	7,733	15,426
Tax Losses:				
Tax year				
2003/2004	–	18,993	–	–
2004/2005	25,142	25,142	–	–
2005/2006	26,960	26,960	–	–
2006/2007	30,779	30,779	–	–
2007/2008	32,734	32,734	–	–
2008/2009	120,720	–	–	–
	236,335	134,608	–	–

6. INVESTMENT PROPERTIES	Group 2009 P'000	Group Re-stated 2008 P'000	Company 2009 P'000	Company Re-stated 2008 P'000
At fair value				
Balance at beginning of the year	667,222	644,531	–	–
Additions	28,238	25,429	–	–
Transfers (to) from property, plant and equipment (note 7)	(18,500)	13,291	–	–
Transfer to investments held for sale (note 19)	–	(10,500)	–	–
Fair value adjustments	213,640	6,681	–	–
Disposals	(6,207)	(12,210)	–	
Balance at end of the year	884,393	667,222	–	–

The group's investment properties were revalued at 30 June 2009 by independent professionally qualified valuers namely, CB Richard Ellis, Pam Golding International, Kwena Property Services, Roscoe Bonna and Stocker Fleetwood Bird. The valuations were based on current prices in an active market for all properties

	Group 2009 P'000	Group Re-stated 2008 P'000	Company 2009 P'000	Company Re-stated 2008 P'000
Rental income	55,445	52,211	–	–
Repairs and maintenance	1,650	1,066	–	–

7. PROPERTY, PLANT AND EQUIPMENT	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
Group							
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	11,079	(258)	–	14,635
Additions	6,755	2,035	576	25,112	10,691	65,550	110,719
Transfers from investment properties	20,903	–	(147)	83,550	3,258	(89,064)	18,500
Reclassification to assets 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/valuation	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
Year ended 30 June 2008							
Balance at beginning of the year	121,130	1,723	1,593	53,194	14,194	23,533	215,367
Revaluation	12,902	-	-	31,345	–	–	44,247
Additions	8,469	1,919	2,310	38,272	13,342	85,205	149,517
Transfers to investment properties	1,330	–	–	3,519	–	(18,140)	(13,291)
Transfers to assets classified as held for sale	(1,739)	–	–	–	–	–	(1,739)
Disposals	–	(50)	(137)	(1,454)	(18)	–	(1,659)
Depreciation (note 4)	(3,839)	(1,053)	(928)	(13,713)	(4,981)	–	(24,514)
Impairment loss (note 4)	–	–	–	(12)	(237)	–	(249)
Balance at end of the year	138,253	2,539	2,838	111,151	22,300	90,598	367,679
At 30 June 2008							
Cost/valuation	183,701	17,696	6,148	163,348	59,635	94,006	524,534
Accumulated depreciation	(45,448)	(15,157)	(3,310)	(52,197)	(37,335)	(3,408)	(156,855)
Net book value	138,253	2,539	2,838	111,151	22,300	90,598	367,679

The impairment loss of P nil (2008:P0.2 million loss) 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 Vaue 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 discontinued at a nominal rate of 8% on a pre-tax basis.

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

7. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Computers P'000	Motor vehicles P'000	Furniture and fittings P'000	Total P'000
Company				
Year ended 30 June 2009				
Balance at beginning of the year	586	19	791	1,396
Additions	762	–	321	1,083
Disposals	(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
Company				
Year ended 30 June 2008				
Balance at beginning of the year	735	–	855	1,590
Additions	143	27	179	349
Disposals at cost	–	–	–	–
Depreciation (note 4)	(292)	(8)	(243)	(543)
Balance at end of the year	586	19	791	1,396
At 30 June 2008				
Cost	8,825	27	3,017	11,869
Accumulated depreciation	(8,239)	(8)	(2,226)	(10,473)
Net book value	586	19	791	1,396

8. INTANGIBLE ASSETS

	Trademarks P'000	Computer Software P'000	Total P'000
Group			
Year ended 30 June 2009			
Balance at beginning of the year	240	1,839	2,079
Additions	–	848	848
Amortisation charge (note 4)	(40)	(161)	(201)
Balance at end of the year	200	2,526	2,726
At 30 June 2009			
Cost	600	2,687	3,287
Accumulated amortisation	(400)	(161)	(561)
Net book value	200	2,526	2,726
Year ended 30 June 2008			
Balance at beginning of the year	280	–	280
Additions	–	1,839	1,839
Amortisation charge (note 4)	(40)	–	(40)
Balance at end of the year	240	1,839	2,079
At 30 June 2008			
Cost	600	1,839	2,439
Accumulated amortisation	(360)	–	(360)
Net book value	240	1,839	2,079

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

9. SUBSIDIARIES	Shares at cost P'000	Short term loan P'000	Held to maturity Long term loan P'000
Agriculture			
Farm Development Company (Pty) Ltd	2	–	–
Talana Farms (Pty) Ltd	3,032	–	–
LP Amusements (Pty) Ltd	15,954	899	3,426
Malutu Investments (Pty) Ltd	16,195	–	–
	35,183	**899**	**3,426**
Industry			
Kwena Concrete Products (Pty) Ltd	11,904	–	–
Lobatse Clay Works (Pty) Ltd	100,668	–	–
Lobatse Tile (Pty) Ltd	278,863	1,649	–
Golden Fruit 97 (Pty) Ltd	8,499	1,831	3,480
Can Manufacturers (Pty) Ltd	91,591	5,882	26,223
	491,525	9,362	29,703
Services			
Cresta Marakanelo (Pty) Ltd	11,100	–	–
Export Credit Insurance & Guarantee (Pty) Ltd	14,000	–	–
	25,100	–	–
Property management			
Botswana Hotel Development Co. (Pty) Ltd	62,243	2,599	98,302
Coleraine Holdings (Pty) Ltd	1,250	5,303	–
Commercial Holdings (Pty) Ltd	29,516	2,968	12,299
Fairground Holdings (Pty) Ltd	8,615	–	–
NPC Investments (Pty) Ltd	1,321	–	–
Residential Holdings (Pty) Ltd	36,359	7,027	18,425
Western Industrial Estate (Pty) Ltd	169,431	6,340	11,918
	308,735	24,237	140,944
Total all sectors	860,543	34,498	174,073
Less: Current portion of loans included in short-term loans and advances (note 18)			
Less:			
Provision for impairment (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:

Between 1 and 2 years
Between 2 and 5 years
Over 5 years

Total loan P'000	2009 Total investment P'000	Re-stated 2008 Total investment P'000	% of shares held	Loan interest p.a %
–	2	2	100	17.5
–	3,032	3,032	100	
4,325	20,279	–	100	
–	16,195	5,265	100 (2008: 70)	
4,325	39,508	8,299		
–	11,904	11,904	100 (2008: 50)	15
–	100,668	98,448	100	17.5
1,649	280,512	274,591	100	17.5
5,311	13,810	12,272	100	17.5
32,105	123,696	68,565	100	17.5
39,065	530,590	465,780		
–	11,100	11,100	60	
–	14,000	14,000	100	
–	25,100	25,100		
100,901	163,144	140,156	100	
5,303	6,553	6,605	65	16.25
15,267	44,783	49,652	100	11
–	8,615	8,615	51	
–	1,321	1,321	100	
25,452	61,811	64,955	100	11
18,258	187,689	189,629	100	Various
165,181	473,916	460,933		
208,571	1,069,114	960,112		
	(34,498)	(36,839)		
	1,034,616	923,273		
	(405,581)	(218,247)		
	(88,041)	(88,342)		
	540,994	616,684		
	34,498	36,839		
	82,636	75,331		
	91,437	97,054		
	208,571	209,224		

10. ASSOCIATED COMPANIES/PARTNERSHIPS	Shares / capital accounts cost P'000	Held to maturity Short term loan P'000	Long term loan P'000
Group			
Agriculture			
Golddiger Ventures (Pty) Ltd	3,835	241	7
Kwalape (Pty) Ltd	400	–	1,248
Marekisetso A Merogo (Pty)Ltd	3,635	–	–
	7,870	241	1,255
Industry			
Asphalt Botswana (Pty) Ltd	1,092	1,688	2,491
Fengue Glass Man (Pty) Ltd	96,470	–	–
Kwena Rocla (Pty) Ltd	2,695	–	–
Tannery Industries (Botswana) (Pty) Ltd	15,386	–	–
	115,643	1,688	2,491
Services			
Global Resorts (Pty) Ltd	4,819	–	–
Healthcare Holdings (Pty) Ltd	4,421	408	8,739
Investec Holdings Botswana Ltd	870	–	–
Information Trust Company Botswana (Pty) Ltd	147	–	–
Mashatu Nature Reserve (Pty) Ltd	10,287	–	–
Metropolitan Life of Botswana Ltd	5,000	–	–
	25,544	408	8,739
Property management			
DBN Developments Partnership	1,500	–	–
The Liaison Partnership	1,763	–	–
NBC Developments	1,531	1,126	–
Riverwalk (Pty) Ltd	2,875	–	8,877
	7,669	1,126	8,877
Total all sectors	156,726	3,463	21,362
Less: Current portion of loans included in short-term loans and advances (note 18)			
Less: Provision for impairment (note 12)			

Total loan/ debenture P'000	Post acquisition reserves P'000	2009 Total investment P'000	2008 Total investment P'000	% of shares held	Loan Interest rate p.a %
248	(150)	3,933	4,820	33	17.5
1,248	–	1,648	495	33	17.5
–	(1,403)	2,232	3,636	33	17.5
1,496	(1,553)	7,813	8,951		
4,179	23,559	28,830	11,997	48	12
–	–	96,470	473	37.21 Various	
–	16,325	19,020	12,633	49	
–	(12,058)	3,328	9,223	32	
4,179	27,826	147,648	34,326		
–	23,055	27,874	36,289	40	
9,147	(2,834)	10,734	11,058	29.65 Various	
–	5,094	5,964	(11,564)	24.24	
–	2,662	2,809	1,957	49	
–	5,906	16,193	7,602	30	5
–	21,599	26,599	36,447	25	
9,147	55,482	90,173	81,789		
–	14,707	16,207	15,232	33.33	11
–	327	2,090	137	40	
1,126	10,765	13,422	7,118	33.33	11.5
8,877	7,947	19,699	19,791	20	16
10,003	33,746	51,418	42,278		
24,825	115,501	297,052	167,344		
		(3,463)	(3,660)		
		293,589	163,684		
		(20,406)	(10,391)		
		273,183	153,293		

10. ASSOCIATED COMPANIES/PARTNERSHIPS *(Continued)*	Shares / capital accounts cost P'000	Held to maturity Short term loan P'000	Long term loan P'000
Company			
Shares/capital accounts at cost			
-group investment as given above			
-amount invested in DBN Developments by NPC Investments (Pty) Ltd			
Loans			
Less: Current portion of loans included in short-term loans and advances (note 18)			
Less: Provision for impairment (note 12)			
Long-term loans are repayable over periods varying from 2 to 10 years and analysed as follows:			
Between 1 and 2 years			
Between 2 and 5 years			
Over 5 years			
Included in post acquisition reserves are the following:			
Current year share of associates profits			
Current year share of associates tax charge (note 5)			
Net profit after tax			

Total loan/ debenture P'000	Post acquisition reserves P'000	2009 Total investment P'000	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		

11. UNQUOTED INVESTMENTS

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Shares at cost	63,358	58,182	63,358	58,182
Other investments	103	13,419	–	–
Held to maturity loans	25,885	25,141	25,885	25,141
	89,346	96,742	89,243	83,323
Provision for impairment (note 12)	(674)	(674)	(674)	(674)
	88,672	96,068	88,569	82,649
Less: Current portion of loans included in short-term loans and advances (note 18)	(7,622)	(7,566)	(7,622)	(7,566)
	81,050	88,502	80,947	75,083

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 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Between 1 and 2 years	7,622	7,566	7,622	7,566
Between 2 and 5 years	18,263	16,971	18,263	16,971
Over 5 years	–	604	–	604
	25,885	25,141	25,885	25,141
Security pledged for the above loans	68,953	68,953	68,953	68,953

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

12. PROVISIONS FOR IMPAIRMENT - Re-stated

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Balance at beginning of the year	11,065	32,303	229,312	182,222
Movement during the year (note 4)	10,015	(21,238)	197,349	47,090
Balance at end of the year	21,080	11,065	426,661	229,312
Represents provisions for impairment against:				
Subsidiaries (note 9)	–	–	405,581	218,247
Associated companies/partnerships (note 10)	20,406	10,391	20,406	10,391
Unquoted investments (note 11)	674	674	674	674
	21,080	11,065	426,661	229,312

13. QUOTED INVESTMENTS

	Group and Company 2009 P'000	Group and Company 2008 P'000
Shares at cost	93,480	93,480
Net gain transferred to fair value reserve (note 24)	436,297	615,872
Shares at market value	529,777	709,352
Comprising:		
Sechaba Breweries Holdings Ltd.,	451,087	636,629
PPC South Africa Ltd.,	78,690	72,723
	529,777	709,352

The company holds 34,044,315 (2008: 34,044,315) and 287,187 (2008: 287,187) ordinary shares in Sechaba Breweries Holdings Ltd and PPC South Africa Ltd., respectively
Although the company owns 25% (2008: 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.

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 Taax act, to offset their assessable income against the assessable losses of the company.

	Company 2009 P'000	Company 2008 P'000
Talana Farms (Pty) Ltd	88	(103)
Lobatse Clay Works (Pty) Ltd	(8,306)	(8,306)
Lobatse Tile (Pty) Ltd	–	(21,716)
Export Credit Insurance & Guarantee (Pty) Ltd	757	–
Botswana Hotel Development Co. (Pty) Ltd	14,759	14,184
Commercial Holdings (Pty) Ltd	6,037	4,812
NPC Investments (Pty) Ltd	4,790	4,318
Residential Holdings (Pty) Ltd	4,799	3,827
Western Industrial Estate (Pty) Ltd	30,952	27,734
	53,876	24,750

15. INVESTMENT PROJECTS IN PROGRESS

	Group and Company 2009 P'000	Group and Company 2008 P'000
Equity		
L P Amusement (Pty) Ltd	–	13,954
Phakalane Property Development (Pty) Ltd	510	510
	510	14,464
Loans		
LP Amusements (Pty) Ltd	–	2,694
Total equity and loans	510	17,158
	510	17,158

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

	Group		Company	
	2009	2008	2009	2008
16. INVENTORIES	P'000	P'000	P'000	P'000
Raw materials	5,900	10,529	–	–
Work in progress	498	481	–	–
Finished goods	12,098	15,656	–	–
Moulds and patterns	669	708	–	–
Consumables	3,766	2,367	–	–
	22,931	29,741	–	–
17. TRADE AND OTHER RECEIVABLES				
Gross trade receivables	57,888	70,569	28,708	28,875
Allowance for doubtful debts	(14,425)	(11,569)	(6,477)	(243)
Net trade receivables	43,463	59,000	22,231	28,632
Prepayments	642	71	-	-
Loans to officers	13,246	16,577	13,246	16,577
Other	44,253	28,942	19,886	10,695
	101,604	104,590	55,363	55,904

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 estimate 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.

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Ageing of past due but not impaired				
60 - 90 days	3,305	10,433	37	28
90 - 120 days	710	5,042	415	1,475
Total	4,015	15,475	452	1,503
Movement in the allowance for doubtful debts				
Balance at beginning of the year	11,569	8,247	243	183
Allowance charged during the year	9,027	3,797	6,234	60
Amounts written off as uncollectible	(6,171)	(475)	–	–
Balance at end of the year	14,425	11,569	6,477	243

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.

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
18. SHORT-TERM LOANS AND ADVANCES				
Short-term portion of loans to:				
Subsidiaries (note 9)	–	–	34,498	36,839
Associated companies (note 10)	3,463	3,660	3,463	3,660
Unquoted investments (note 11)	7,622	7,566	7,622	7,566
	11,085	11,226	45,583	48,065
19. AVAILABLE FOR SALE INVESTMENTS				
Land held for sale:				
Balance at beginning of the year	12,172	1,715	–	–
Transfer from investment properties (note 6)	–	10,500	–	–
Net movement during the year	(11,802)	(43)	–	–
Balance at end of the year	370	12,172	–	–
Money market funds	81,016	68,236	58	38,532
	81,386	80,408	58	38,532

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% (2008:12.78%).The proportionate amount of interest up to 30 June is added to the cost of investment approximating the fair value.

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
20. CASH AND CASH EQUIVALENTS				
Cash and bank deposits	165,271	224,525	97,647	163,925
21. ASSETS HELD FOR SALE				
Land for sale (see 21.1 below)	1,739	1,739	–	–
Assets related to discontinued operations (see 21.2)	33,834	–	–	–
	35,573	1,739	–	–
Liabilities associated with assets held for sale (see 21.2)	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 current 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.

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

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Property, plant and equipment	29,527	–	–	–
Inventories	900	–	–	
Trade and other receivables	3,277	–	–	
Cash and cash equivalents	130	–	–	–
Assets classified as held for sale	33,834	–	–	–
Long term borrowings	(25,386)	–	–	–
Trade and other payables	(24,850)	–	–	–
Liabilities directly associated with assets classified as held for sale	(50,236)	–	–	–
Net liabilities of the discontinued businesses classified as held for sale	(16,402)	–	–	–

	Group		Company	
	2009	2008	2009	2008
22. STATED CAPITAL	P'000	P'000	P'000	P'000
Issued and fully paid				
Balance at beginning of the year - 238,199, 462 ordinary shares	535,199	238,199	535,199	238,199
Transfer from share premium	–	297,000	–	297,000
Movement during the year	50,000	–	50,000	–
Balance at end of the year - 236,699, 462 ordinary shares	585,199	535,199	585,199	535,199

During the year the Botswana Government injected additional capital into the Corporation for the funding of a project named Fengue Glass Manufacturing (Pty) Ltd .The funding was converted to 500 000 ordinary shares.

23. CONTRIBUTION TO FACTORY PREMISES

	Group 2009	Group 2008	Company 2009	Company 2008
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. FAIR VALUE RESERVE

	Group 2009	Group 2008	Company 2009	Company 2008
Balance at beginning of the year	615,872	566,813	615,872	566,813
Movement during the year	(179,575)	49,059	(179,575)	49,059
Balance at end of the year	436,297	615,872	436,297	615,872
Comprising:				
Quoted investments (note 13)	436,297	615,872	436,297	615,872

25. OTHER RESERVES

	Group 2009	Group 2008	Company 2009	Company 2008
Capital redemption reserve	8,831	11,940	–	4,000
Capitalisation of bonus shares	–	1,504	–	1,504
Revaluation reserve	44,024	33,185	–	–
Statutory capital, solvency and other reserves	47,143	37,218	–	–
	99,998	83,847	–	5,504

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.

	Group and Company	
	2009	2008
26. DIVIDEND RESERVE	P'000	P'000
Dividend reserve:		
Balance at beginning of the year	12,000	20,000
Dividends proposed	–	12,000
Dividends paid during the year	(12,000)	(20,000)
Balance at end of the year	–	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	
	2009	2008
27. CLAIMS EQUALISATION RESERVE	P'000	P'000
Balance at beginning of the year	1,107	971
Transfers from other reserves	237	136
Balance at end of the year	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. MINORITY INTEREST

	Group and Company 2009 P'000	Group and Company 2008 P'000
Balance at beginning of the year	74,572	69,487
Share of net profit of subsidiaries	20,594	9,291
Movement during the year	(6,550)	(1,084)
Dividends paid	(2,400)	(3,122)
Balance at end of the year	86,216	74,572

29. BORROWINGS

	Group		Company	
	2009 P'000	2008 P'000	2009 P'000	2008 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	3,294	3,728	3,294	3,728
Unsecured loan bearing interest at 12.1% per annum repayable in half-yearly instalments of P564,000 each over the period to 2021	7,113	7,419	7,113	7,419
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P165,000 each over the period to 2011	584	836	584	836
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P145,000 each over the period to 2011	626	837	626	837
Unsecured loan bearing interest at 8.5% per annum repayable in half-yearly instalments of P231,000 each over the period to 2011	1,022	1,376	1,022	1,376
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P261,000 each over the period to 2012	1,552	1,918	1,552	1,918
Unsecured loan bearing interest at 7.5% per annum repayable in half-yearly instalments of P316,000 each over the period to 2014	2,588	3,004	2,588	3,004
Unsecured loan bearing interest at 7.5% per annum repayable in half-yearly instalments of P750,000 each over the period to 2014	6,661	7,608	6,661	7,608
Unsecured loan bearing interest at 8% per annum repayable in half-yearly instalments of P1,100,000 each over the period to 2015	10,322	11,617	10,322	11,617
Unsecured loan bearing interest at 8% per annum repayable in half-yearly instalments of P1,580,000 each over the period to 2016	17,564	19,219	17,564	19,219
Unsecured loan bearing interest at 9.5% per annum repayable in half-yearly instalments of P221,000 each over the period to 2006	2,637	2,816	2,637	2,816
Unsecured loan bearing interest at 9.5% per annum repayable in half-yearly instalments of P2,515,000 each over the period to 2017	29,986	32,022	29,986	32,022
Unsecured loan bearing interest at 12.1% per annum repayable in half-yearly instalments of P300,000 each over the period to 2017	3,330	3,510	3,330	3,510
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	88,041	88,342	88,041	88,342
Unsecured loan bearing interest at 12.1% per annum repayable in half-yearly instalments of P834,000 each over the period to 2020	9,992	10,411	9,992	10,411
	185,312	194,663	185,312	194,663

29. BORROWINGS *(Continued)*	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
European Investment Bank				
Loan bearing interest at 5% per annum, guaranteed by the Government of Botswana, repayable by 2013 (loan number 70699)	5,245	5,780	5,245	5,780
Loan bearing interest at 2% per annum, guaranteed by the Government of Botswana, repayable by 2017 (loan number 70893)	14,085	15,122	14,085	15,122
Unsecured loan bearing interest at 1% per annum repayable in 10 annual payments from 2000 (loan number 70948)	–	1,269	–	1,269
	19,330	22,171	19,330	22,171
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
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
Loans by subsidiaries owing to third parties Bearing interest at average rate of 15% per annum and repayable over varying periods	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	786	8,274	–	–
Gross borrowings	415,391	441,964	404,642	416,834
Less:				
Portion of exchange loss borne by the Government of Botswana	(6,655)	(5,512)	(6,655)	(5,512)
Fair value adjustment arising from valuation of loans at below market interest rates (as below)	(12,808)	(15,763)	(101,150)	(104,105)
	395,928	420,689	296,837	307,217
Less: Current portion included under current liabilities	(15,953)	(12,591)	(10,375)	(8,996)
	379,975	408,098	286,462	298,221
Analysis of gross borrowings				
Not later than 1 year	15,953	12,591	10,375	8,996
Later than 1 year, but not later than 5 years	247,329	244,047	246,906	243,310
Later than 5 years	152,109	185,326	147,361	164,528
Gross borrowings	415,391	441,964	404,642	416,834
Fair value of borrowings:				
Balance at beginning of the year	(15,763)	(18,986)	(104,105)	(107,328)
Fair value adjustment arising from valuation of loans at below market interest rates	2,955	3,223	2,955	3,223
Balance at beginning of the year	(12,808)	(15,763)	(101,150)	(104,105)

29. BORROWINGS *(Continued)*	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Cost	1 ,426	4 ,091	–	–
Accumulated depreciation	(658)	(1,272)	–	–
Net book value	768	2 ,819	–	–

Bonds

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.

Mortgage loans and finance leases *(continued)*

Finance leases are repayable over a period of four years in monthly instalments of P22,587 (2008: P40,120) bearing interest at an average rate of 14,25% (2008: 15.67%) per annum and are secured by motor vehicles with a net book value as follows:

The mortgage loans are repayable over a period of ten years in monthly instalments of P21,195 (2008:P20,983) each, bearing interest at 14.0% (2008:16,75%) 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 P701,000 (2008: P746,000). The borrowings from European Investment Bank are repayable in half-yearly instalments. The composition of foreign currencies of the balances at 30 June 2009 and each instalment are as follows:

Loan number	Currency	Group and Company: Foreign amount at 2009 Euro '000	Group and Company: Pula equivalent at 2009 P'000	Group and Company: Foreign amount at 2008 Euro '000	Group and Company: Pula equivalent at 2008 P'000
70699	Euro	559	5,245	745	5,780
70893	Euro	1,500	14,085	893	15,122
70948	Euro	–	–	126	1,269
		2,059	19,330	1,764	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

30. GOVERNMENT GRANTS	Group 2009 P'000	Group 2008 P'000
Balance at beginning of the year	32,217	32,994
Amortisation during the year (note 4)	(777)	(777)
Balance at beginning of the year	31,440	32,217
Gross Government grants	49,960	49,960
Amortisation	(7,420)	(6,643)
Utilised as provision for impairment loss	(10,000)	(10,000)
Realised	(1,100)	(1,100)
	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

	Group 2009 P'000	Group 2008 P'000
Balance at beginning of the year	6,430	6,500
Charge to the income statement	2,357	(70)
Balance at beginning of the year	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

	Group 2009 P'000	Group 2008 P'000
Balance at beginning of the year	74,481	61,179
Charge to the revaluation reserve	1,636	11,062
Charge to the income statement (note 5) - current year	37,416	1,641
- prior year	(5,767)	599
Balance at beginning of the year	107,766	74,481

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

33. TRADE AND OTHER PAYABLES

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Trade payables	22,059	19,868	97	72
Accruals	5,046	14,714	1,286	11,956
Other payables	128,383	48,775	111,545	24,764
	155,488	83,357	112,928	36,792

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 timeframe.

34. BANK OVERDRAFTS

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

35. COMMITMENTS

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Operating lease receivables (payables):				
Not later than one year	47,114	44,044	(6,871)	(6,145)
Later than one year to five years	108,779	151,703	(34,355)	(30,724)
Later than five years	70,315	32,278	(1,718)	(7,681)
	226,208	228,025	(42,944)	(44,550)
Other commitments				
Approved capital expenditure	10,768	6,439	–	–
Approved equity and loan investments undisbursed	233,261	201,106	233,261	201,106
	244,029	207,545	233,261	201,106

36. CONTINGENT LIABILITIES

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Guarantees in respect of facilities granted to certain subsidiaries and third parties	29,153	19,852	27,852	18,852
Withholding tax payable on management fees and interest thereon	3,500	5,439	–	–
	32,653	25,291	27,852	18,852

37. DISCONTINUED OPERATIONS

As disclosed in note 21.2 two business operations ceased operations during the year. The combined results of the discontinued operations included in the income statement are set out below.The comparative profit and cash flows from discontinued operations have been re-represented to include those operations classified as discontinued in the current period.

	Group 2009 P'000	Group 2008 P'000
Loss for the year from discontinued operations		
Revenue	19,228	9,759
Cost of sales	(44,136)	(36,212)
Gross loss	(24,908)	(26,453)
Other income	43	299
	(24,865)	(26,154)
Expenses	(7,506)	(7,454)
Finance costs	(6,208)	(843)
Loss before tax	(38,579)	(34,451)
Attributable income tax expense	–	3,988
	(38,579)	(30,463)
Loss on remeasure to fair value of assets less costs to sell	(83,941)	–
Loss for the year from discontinued operations	(122,520)	(30,463)
Loss for the year from discontinued operations		
Net cash flows from operating activities	(8,773)	(10,388)
Net cash flows from investing activities	(4,121)	(86,039)
Net cash flows from financing activities	4,390	88,695
Net cash flows	(8,504)	(7,732)

The two businesses discontinued during the year have been classified and accounted for at 30 June 2009 as a disposal group held for sale (see note 21).

38. PRIOR YEAR ADJUSTMENT

Provision for impairment on the investment in a subsidiary was understated in the prior year by an amount of P54, 328,346. The effect of this re-statement to the prior year's income statement and balance sheet was to decrease the profit for the year and investment in subsidiaries by the same amount as follows:

	Company P'000
Profit for the year ended 30 June 2008	
Profit for the year (as previously stated)	48,617
Additional provision for impairment	(54,328)
Loss for the year (as re-stated)	(5,711)
Investment in subsidiaries:	
Balance at 30 June 2008 (as previously stated)	671,012
Additional provision for impairment	(54,328)
Balance at 30 June 2008 (as re-stated)	616,684

This re-statement has no effect on the income taxation for 2009 and 2008.

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 balance sheet include cash and bank balances, trade receivables, investments in and loans to subsidiaries, associates and non-affiliates, trade payables, related party balances and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The group's exposure to financial risk arises in the normal course of the group's business.

(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 los from defaults. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

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

(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 2009 and 2008, 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.

	Group 2009 P'000	Group 2008 P'000
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.		
Transactions during the year		
Subsidiaries		
Cresta Marakanelo (Pty) Ltd		
Management fees paid Trans Industries (Pty) Ltd, minority shareholder	4,785	4,310
Profit bonus paid to Trans Industries (Pty) Ltd, minority shareholder	6,997	5,797
Other related parties		
Directors' fees	135	149
Directors' remuneration for executive services	934	1,050
Key management's remuneration	2,189	2,189
Associated companies		
Asphalt Botswana (Pty) Ltd		
Finance costs on borrowings from Botswana Development Corporation Limited	206	220
Global Resorts (Pty) Ltd		
Directors Fees paid - BDC	59	–
Management fees paid to Global SA (Pty) Limited, the holding company	17,895	13,597
Kwena Rocla (Pty) Ltd		
Management fees paid to D and H Industrial Holdings (Pty) Ltd, immediate holding company	415	417
Purchases from D and H Industrial Holdings (Pty) Ltd, immediate holding company	6,011	1,353
Investec Holdings (Botswana) Ltd		
Directors' remuneration for executive services	1,515	873
Asset management fees paid to fellow subsidiaries	5,015	6,400
Finance income from fellow subsidiaries	3,983	(4,205)
Year end balances		
Subsidiaries		
Cresta Marakanelo (Pty) Ltd		
Due from Cresta Hospitality (Pvt) Zimbabwe-fellow subsidiary	2	2
Due from Trans Industries (Pty) Ltd-minority shareholder	207	297
Due to Trans Industries (Pty) Ltd-minority shareholder	(1,504)	(1,980)
Associated companies		
Asphalt Botswana (Pty) Ltd		
Due to Botswana Development Corporation Limited	(806)	(1,263)
Global Resorts (Pty) Ltd		
Current account balance due to Global Resorts SA (Pty) Ltd, immediate holding company	(3,141)	(1,388)
ITC Botswana (Pty) Ltd		
Current account balance due to ITC SA (Pty) Limited, immediate holding company	(193)	(355)
Healthcare Holdings (Pty) Ltd		
Debentures-Debswana Pension Fund	(13,161)	(13,161)
Debentures-Botswana Insurance Fund Management Ltd	(8,760)	(8,760)

42. CASH GENERATED FROM OPERATIONS	Notes	Group 2009 P'000	Group Restated 2008 P'000	Company 2009 P'000	Company Restated 2008 P'000
Profit (loss) before tax		343,334	147,482	(160,382)	9,715
Adjustments for:					
Amortisation of Government grants	30	(777)	(777)	–	–
Amortisation of intangible assets	4	201	40	–	–
Depreciation					
- Property, plant and equipment	4	24,048	24,514	635	543
Impairment of property, plant and equipment	4	–	249	–	–
Fair valuation of investment properties	6	(213,640)	(6,681)	–	–
Fair valuation of borrowings		2,955	3,223	2,955	3,223
Foreign exchange losses		783	3,285	783	3,220
Dividend received from associates		27,736	20,706	–	–
Loss on disposal of investment properties	4	281	2,085	–	–
Loss (profit) on disposal of property, plant and equipment	4	1,807	(122)	(31)	–
Loans written off - associates		–	18,481	–	25
Shares written off - investment projects in progress		–	1,444	–	1,444
Share of profits of associates before tax		(61,230)	(49,993)	–	–
Movement in other reserves		(5,608)	481	(5,504)	–
Transfer from claims equalisation	4	237	136	–	–
Movement in provisions for losses on investments	4	10,015	(21,238)	197,349	47,090
Interest received	2	(22,168)	(38,504)	(13,078)	(30,589)
Finance costs	3	38,209	36,067	36,179	31,525
Changes in working capital					
- due from group companies		–	–	(29,126)	(463)
- rental straight-line adjustment		(11,013)	(8,978)	–	–
- trade and other receivables		2,986	(10,027)	541	(17,513)
- inventories		6,810	(17,970)	–	–
- assets held for sale		2,887	(27,738)	–	–
- provision for restoration costs	31	2,357	(70)	–	–
- trade and other payables		72,131	11,903	76,136	22,527
		222,341	87,998	106,457	70,747

43 EVENTS AFTER THE BALANCE SHEET DATE

No events have occurred between the balance sheet date and the date of approval of the financial statements, which would materially affect the financial statements.

Botswana Development Corporation
Moedi House, Plot50380, Fairgrounds Office Park
Private Bag 160, Gaborone, Botswana
Tel: +267 365 1300
Fax: +267 3903114; 390 4193; 391 3567
Email: enquiries@bdc.bw
Website: www.bdc.bw