annual report 2004

A DUAL ACT: DEVELOPMENT FINANCE AND COMMERCIAL ACTIVITY

BOTSWANA DEVELOPMENT CORPORATION LIMITED

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Corporate Profile

Botswana Development Corporation Limited (BDC) was established in 1970 to be the country's main agency for commercial and industrial development. The Botswana Government owns 100 percent of the issued share capital of the Corporation.

Structure

The control of the Corporation is vested in a 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.

Objective

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

Mission

To be "The Service-Plus Investment Corporation for Botswana"

Vision

To be the leading Investment and Development Financer

BDC's Role is to:

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

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

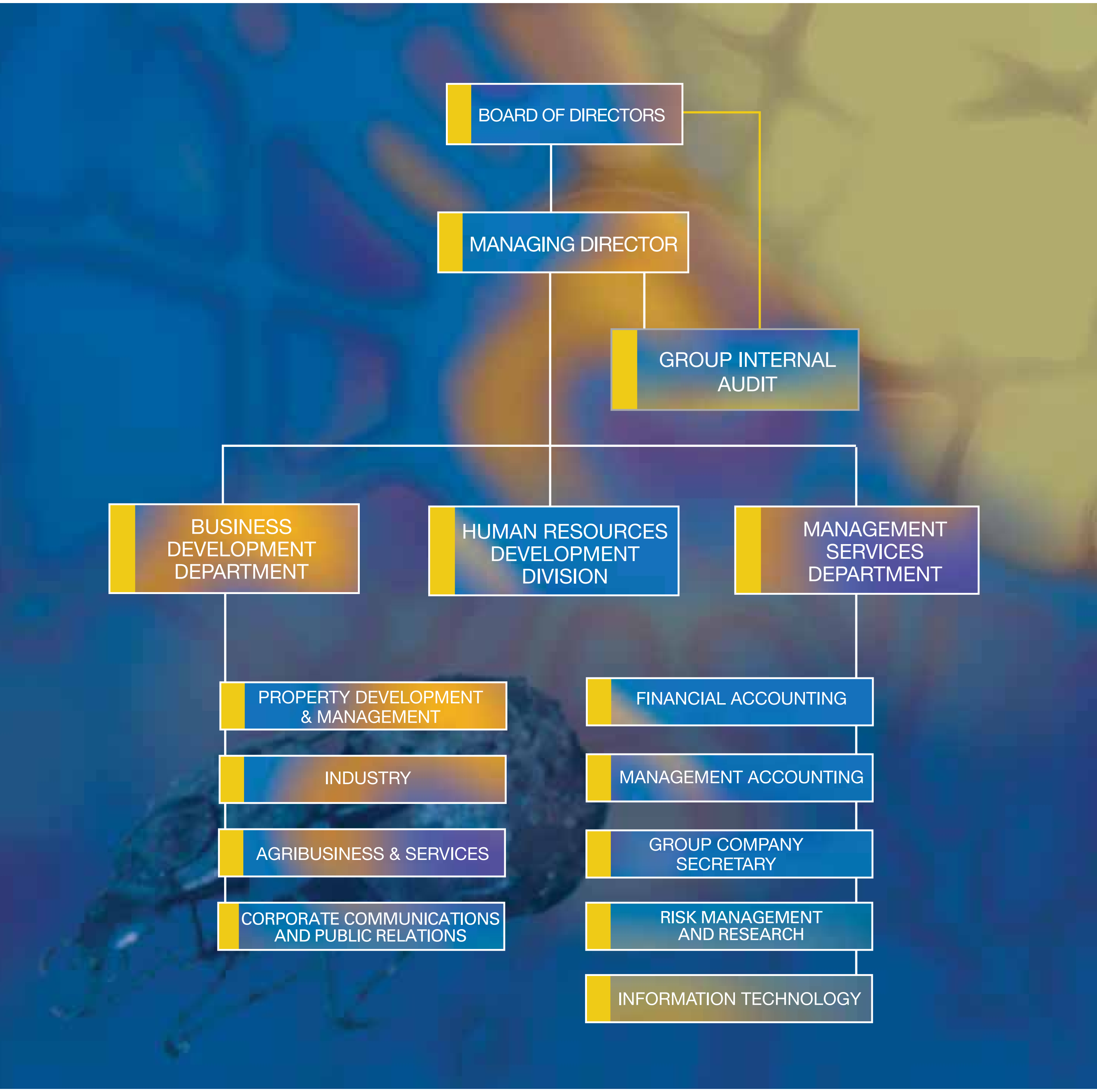
- Use locally available resources.
- Produce products for export or to substitute imports.
- Foster linkages with the local industry.
- Contribute to the development of
- Botswana's resources and overall economy.

- Subsidiary companies are independent and BDC 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 advisory and monitoring capacity.

For further information, contact:

The Manager
Corporate Communications and Public Relations
Botswana Development Corporation Limited
Moedi, Plot 50380, Gaborone International Showgrounds
P/Bag 160, Gaborone, BOTSWANA
Tel: (267) 365 1300, Fax: (267) 390 3115, 390 4193, 391 3567
E-mail: enquiries@bdc.bw
Website: www.bdc.b

Organisational Structure



Board of Directors

Mrs I . K. Kandjii

Mr D. Inger

Mr N.K. Kwele

Mrs B.K. Molosiwa

Mr S.S.G. Tumelo
Chairman

Mrs M. M. N. Maine

Dr S. E. Ndzinge

Mr Kenneth Matambo
Managing Director

Mr O. Merafhe

Mr A. B. Tafa

Management

Mr O. K. Matambo
Managing Director

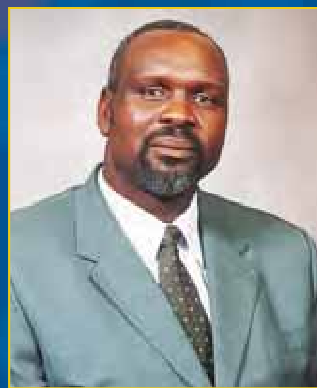
Mr J. N. Kamyuka
General Manager, Management Services

Mrs W. Baipidi-Maje
Manager, Industry

Mrs. G. V. Garekwe
Group Company Secretary

Mr O. C. Kgotlafela
Manager, Property Development

Mrs. S. R. Malikongwa
Manager, Corporate Communications & Public Relations



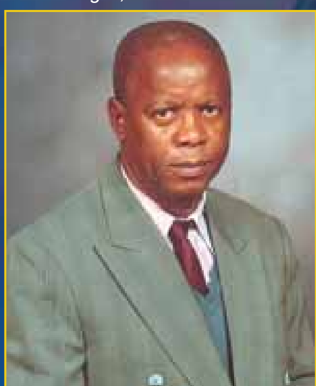
Mr. S. T. Meti
Manager, Human Resources

Mrs M. M.Nthebolan
General Manager, Business Development

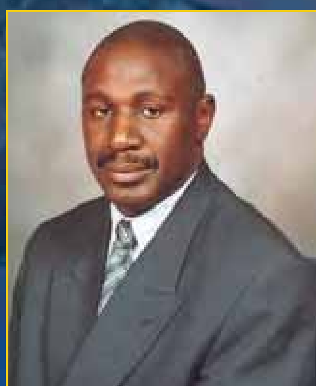
Mr. B. G. Mmualefe
Manager, Risk and Research

Ms. R. D. Mogorosi
Chief Financial Accountant

Mr. R. M. Phole
Group Internal Auditor



Mr J. P. Sono
Manager, Agribusiness & Services



Mr M. M. Sikalesele
Chief Information Officer

Mr M. Tau
Management Accountant

Value Created

VALUE CREATED 1995-2004

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Income from trade	2,332									
Interest on loan	36,295	40,505	50,121	67,034	69,967	57,273	43,206	45,042	49,105	50,205
Dividend	13,748	9,028	18,841	22,477	26,908	35,461	32,834	43,029	98,281	59,063
Sundry income	264	3,230	649	5,770	2,247	7,536	5,986	4,703	7,026	14,966
Profit on sale of investment	208,171	28,992	(1,194)	11,009	(15,229)	0	1,958	0	0	0
	260,810	81,755	68,417	106,290	83,893	100,270	83,984	92,774	154,412	124,234
Less:Cost of supplies and services	5,529	7,001	7,964	21,221	12,106	11,577	17,892	17,985	19,979	20,451
Total Value Added	**255,281**	**74,754**	**60,453**	**85,069**	**71,787**	**88,693**	**66,092**	**74,789**	**134,433**	**103,783**
Distributed as follows:										
To employees payroll cost	8,252	9,134	9,066	9,066	10,127	9,283	10,286	11,171	10,949	12,282
To providers of finance interest on loans	18,091	20,046	23,923	31,505	31,252	34,440	22,033	21,578	20,917	20,324
To Government										
Company taxation on profits	(1,395)	1,857	(2,573)	0	0	0	(4,183)	(7,725)	0	0
To providers of permanent capital										
Dividends to shareholder	36,677	10,149	5,093	5	0	0	0	11,273	0	0
To maintain and expand the corporation										
Depreciations and provisions against investments	113,193	2,678	14,618	108,230	175,504	25,379	10,862	12,400	42,230	5,629
Profit retained	80,463	30,890	10,326	(63,737)	(145,096)	19,591	27,094	26,092	60,337	65,548
Totals	**255,281**	**74,754**	**60,453**	**85,069**	**71,787**	**88,693**	**66,092**	**74,789**	**134,433**	**103,783**

Chairman's Statement

Another year has gone by and the Corporation has remained unwavering in its performance. The year ended June 2004 effectively saw the end of the 5-year Strategic Plan embarked upon in 1999. The Corporation's performance over those five years has been commendable. There has been a steady growth in the net profit before tax culminating in the P65.5 million in the year under review. The Corporation has also been able to meet the required return on shareholder's funds of 6% as set by the board.

A new three year Strategic Plan has been developed and is to be implemented from the 1st July 2004.

Mr S.S.G. Tumelo • *Chairman*

Operating Environment

The business environment has continued to be dynamic and necessitates constant review of the Corporation's environment. During the year under review, the CEDA Venture Capital came into being adding to the existing pool of investment funds.

The interest rate reduction announced by BOB in the second half of 2003 has meant that the Corporation re examines its pricing model on an ongoing basis. In the aftermath of those movements the Corporation saw the refinancing of various loans by the commercial banks.

The tourism sector remains a recognized vehicle for potential growth and the Corporation during the year committed P27 million to the refurbishment of the Cresta Marakanelo Hotels. Furthermore, Botswana Hotel Development Company, a 100% Subsidiary company of BDC has extended its lease to Global Resort Botswana (GRB) enabling GRB to develop a new hotel with 150 beds. The Corporation is also refurbishing the rooms at Grand Palm Hotel.

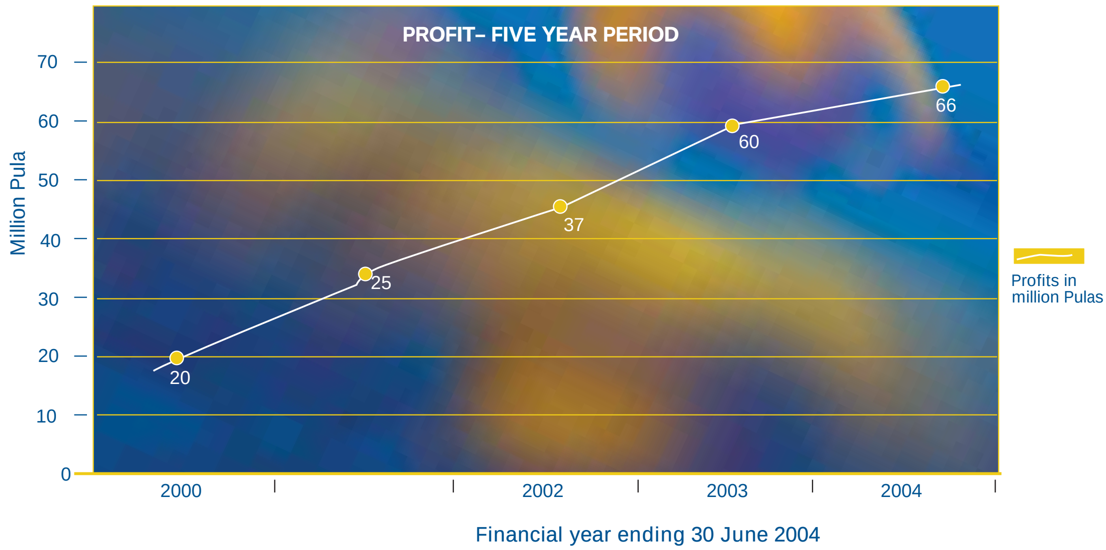
In the Capital Market sector, the Corporation has once again taken the lead by issuing a P75 million Consumer Price Index (CPI) linked note. This is a brave statement showing that the country's Development Corporation has absolute confidence in the economy. This issue guarantees the investor a real positive return throughout the tenure of the issue. The P75 million and additional Fixed Rate note of P125 million are listed on the Botswana Stock Exchange.

Financial Performance

Despite difficult operating conditions, the group has managed to put in another good performance. Turn over has amounted to P237.11 million (P281.34 million in 2003) being only 15% below last years performance despite the fact that Lobatse Tile, a substantial contributor to group income was not operational for much of the year under review.

Chairman's Statement

(continued)



Group net profit before tax has improved significantly moving up to P67.0 million (P59.0 in 2003). This represents a 13% growth in the bottom line. The Tax revenue implication of this cannot be understated. The Corporation also paid a dividend to its shareholder, Government of Botswana, amounting to P15 million.

In regard to the economic development role the Corporation has seen the Gaborone International Convention Center exceed all expectations in fulfilling its developmental role. It has become a true national asset that has set new standards and brought focus on the country. Its influence continues to grow as it draws activity to the country from within the region and beyond and hence feeding commercial benefit to our other sectors such as the transport, hotel and tourism.

Corporate Governance

Botswana Development Corporation Limited and its subsidiaries remain committed to the principles of good corporate governance. The board of BDC is relentless in maintaining the highest standards of integrity, accountability and openness in accordance with generally accepted corporate practices.

Conclusion

My appreciation goes to all members of staff of the BDC group of companies for their contribution to the excellent results that have jointly been achieved. We look forward to 2004/5 with the knowledge that our past successes have raised the benchmark.

Corporate Governance Statement

Following many years of Quality Governance, principles, the spirit and commitment to, Good Corporate Governance has become an integral part of the way we do business in Botswana Development Corporation Limited. It is for that reason that the Corporation has decided to continue, and will continue to include a Corporate Governance Statement in the Annual report for our stakeholders to measure our progress, to critic us and give us feedback where stakeholders deem appropriate and to suggest ways that we and our key stakeholders can benefit from reciprocal relationships in order for us all to succeed in our various corporate pursuits, going forward.

The report highlights some of the corporate governance initiatives that the Corporation undertook in the financial year just ended. In all its corporate governance initiatives the Corporation seeks to strike a balance between economic and social goals and individual and communal goals with the aim of aligning, as nearly as possible, the interests of the Corporation, Individuals, and the Community at large. As reported in the previous financial year the Corporation continues to be committed to the pillars of good governance, namely:

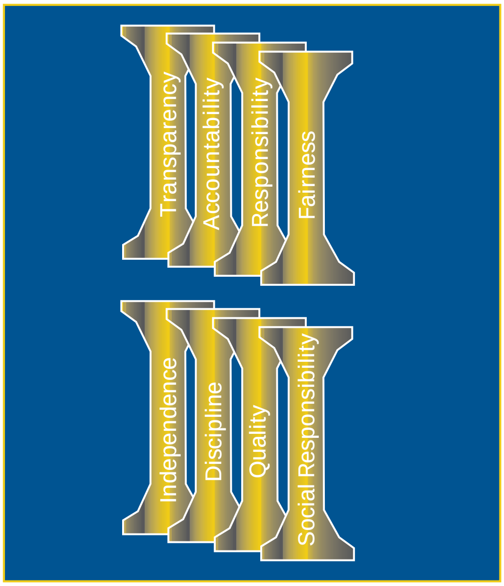


Fig 1 BDC's 8 Pillars of Corporate Governance

Statement of Compliance

The Corporation complies with pronounced best practice principles in particular King 2 Report on Corporate Governance, where relevant, and has not made any decision to exclude any principles of good governance. The Corporation is continuously assessed for quality compliance against ISO9001:2000 standards and has consistently been found to be in compliance. To demonstrate its commitment to corporate governance the Corporation supports the efforts of, and is a Corporate Member of the Directors Institute of Botswana, in good standing

Shareholder Rights

Botswana Development Corporation is a holding company in a number of investments where it either holds 100% equity or is in joint venture with other shareholders. In all cases, the Corporation's governance framework ensures the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders have the opportunity to obtain effective redress for any violation of their rights, perceived or real. In all cases the Corporation ensures that all shareholders of the same class are treated equally. The Corporation participates in the direction of such investments through the appointment of Directors to those companies, taking into account the nature of business and available expertise within the Corporation or where necessary from the market.

Stakeholders Considerations

The Corporation's governance framework and code of ethics recognise and respect the rights of all stakeholders as established by law and encourages active co-operation between the Corporation and the stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.

Disclosure and transparency

Management ensures that timely and accurate disclosure is made on all material matters regarding the Corporation, including the financial situation, performance, ownership, and governance of the Corporation.

Corporate Governance Statement
(continued)

Internal Control Systems

The Board of Directors is satisfied with the effectiveness of the Corporation's framework of internal control and have taken steps to ensure that effective systems of risk management are established as part of its risk-control systems. Internal audit periodically reviews the effectiveness of internal controls and advices Management and the Audit Committee accordingly.

BDC Corporate Governance Structure

In running the affairs of the Corporation, Management is guided by and is compliant with the provisions of the Companies Act, the Memorandum and Articles of Association, the shareholders expectations, Corporate Governance Principles and the requirements of ISO9001:2000.

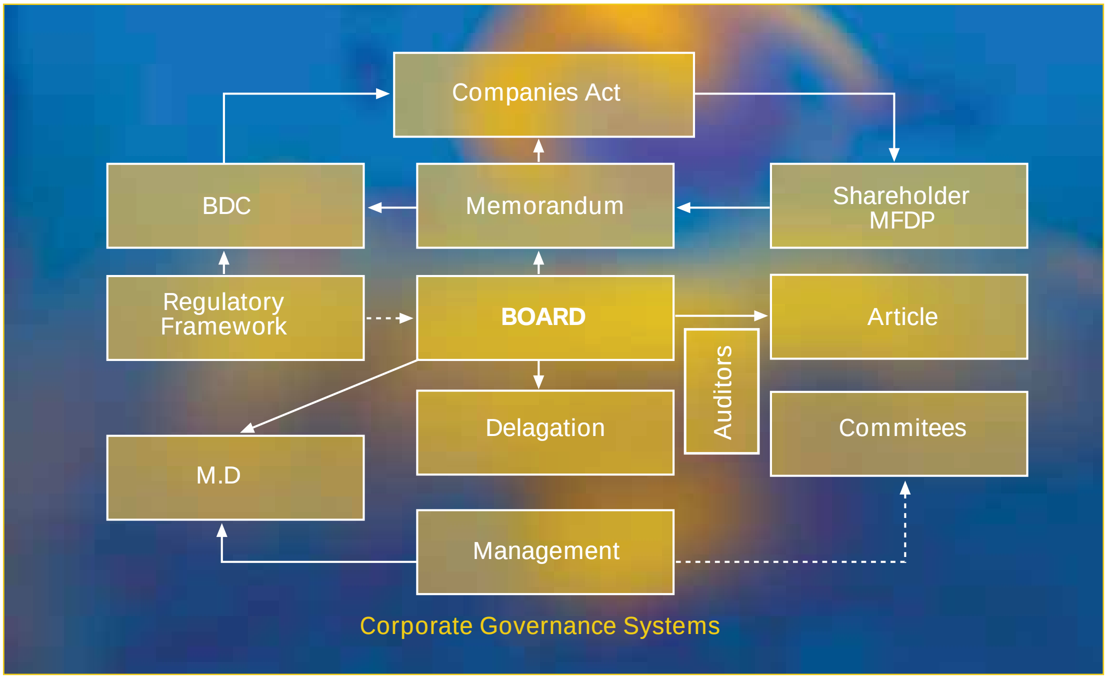


Fig 2 BDC Governance Framework

Board of Directors

The Board provides strategic guidance to the Corporation, the effective monitoring of management, and the Board's accountability to the company and the shareholders. Overall the Board reviews and guides corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives for management; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestitures.

In discharging its mandate the Board seeks to make intellectually honest decisions on a fully informed basis, based on facts, in good faith, with care and due diligence, and in the best interest of the Corporation, its shareholders, all stakeholders, and to balance financial performance with conformance to requirements and best practice.

The Corporation's Board of Directors comprises nine non-executive Directors and one executive Director being the Managing Director. Mr. S.S.G Tumelo chairs the Board. The shareholder,

Corporate Governance Statement
(continued)

Minister of Finance and Development Planning, reconstituted the Board early in the New Year following the retirement of four (4) Directors.

Meetings of the Board are scheduled each calendar quarter and at such other times as the exigencies of the Corporation may dictate. The Board further regularly reviews the Corporation's processes and procedures to ensure the effectiveness of internal control systems and the accuracy of its financial reporting, both at holding company level and at group level.

Board Sub-Committees

The Board discharges some of its key corporate governance responsibilities through well-balanced Board Audit Committee, Human Resource Committee and Board Tender Committee.

Human Resource Committee

The Human Resource Committee comprises of three non-executive Directors and the Managing Director. The Committee meets twice a year and was chaired by Mr. P.L Steenkamp until his retirement at the end of the year. Mrs. I.K Kandjii was, in the ensuing financial year, subsequently appointed Chairman of the Committee. The Committee oversees all policy matters relating to human resources issues and remuneration issues for the Directorate.

Directors Fees

During the year the Corporation authorized payment of the following Board fees to its Directors. Fees for some of the members were paid to their respective employers.
The Board Tender Committee did not meet during the current year. However a number of tenders were issued during the year and were considered by the Tender Committee, which is a sub-Committee of the Board Tender Committee.

FEES PAID FOR BDC ITS BOARD COMMITTEES	Main Board	Audit Committee	HR Committee	Board Tender Committee	Total Fees
Tumelo S.S.G (Board Chairman)	5,220	-	-		5,220
Moremi T.C (Vice Chair & Audit Comm. Chair) *	653	0	-		653
Matambo O.K	0	0	0		0
Chiepe M	870	-	-		870
Inger D	2,175	-	1,305		3,480
Kandjii I.K (HR & Board Tender Comm. Chair) **	2,175	-	870		3,045
Maine M.T.L (Audit Com Chair)*	2,610	1,740	-		4,350
Mwila E.K	1,740	435	1,740		3,915
Ndzinge S.E	1,305	-	-		1,305
Steenkamp P L (HR Comm. Chair) *	1,305	435	2,610		4,350
Lamdin S (Independent Audit Comm. Member)	0	870	0		870
Total	**18,053**	**1305**	**2,610**	**0**	**28,058**

Fig 3. 2003/2004 Board Fees *Key: * Chair for part of the year**Subsequent Chair*

Corporate Governance Statement
(continued)

Number of Meetings Attended by Directors

During the financial year Board members attended a number of Board meetings and meetings of the Board Subcommittees as analysed below.

	Main Board	Audit Committee	HR Committee	Board Tender Committee	Total Meetings Attended
Tumelo S.S.G (Board Chairman)	6	-			6
Moremi T.C (Vice Chair & Audit Comm. Chair) *	1	-			1
Matambo O.K	6	2	4		12
Chiepe M	2	-			2
Inger D	5	-	3		8
Kandjii I.K (HR & Board Tender Comm. Chair) **	5	-	1		6
Maine M.T.L (Audit Com Chair)*	6	2			8
Mwila E.K	4	1	4		9
Ndzinge S.E	3	-			3
Steenkamp P L (HR Comm. Chair) *	3	1	3		7
Lamdin S (Independent Audit Comm. Member)		2		-	2

Fig 4. 2003/2004 Attendance Schedule

*Key: * Chair for part of the year**Subsequent Chair*

The Board Tender Committee did not meet during the current year. However a number of tenders were issued during the year and we considered by the Tender Committee, which is a sub-Committee of the Board Tender Committee.

Board Rotation

Towards the end of the financial four (4) Directors retired and four (4) new directors were subsequently appointed in August 2004.

Retired Directors

	Date Appointed To Board	Date Retired From Board	Additional Roles Previously Played: HR Committee	Audit Committee	Board Tender Committee
1. Moremi T.C	09.03.1993	04.12.2003		Chair	
2. Chiepe M	18.11.1998	09.09.2004			
3. Mwila E.K	18.11.1998	01.08.2004	Member		
4. Steenkamp P.L	27.01.1993	23.03.2004	Chair		

Fig 5 Retired members

Corporate Governance Statement
(continued)

New BDC Board Composition and Sub Committee Roles as at 31st August 2004.

	Date Appointed To Main Board	Board Sub-Committee Roles as at 31st Aug. 2004		
		HR Committee	Audit Committee	Board Tender Committee
Continuing Members				
1. Tumelo S.S.G (Board Chairman)	20.01.1999			
2. Maine M.T.L	18.11.1998		Chair	
3. Matambo O.K (M.D)	01.09.1995	Member	Member	Member
4. Inger D	21.03.1978	Member		
5. Kandjii I.K	18.11.1998	Chair		Chair
6. Ndzinge S.E	18.11.1998			Member
7. Lamdin S (Independent Member)	28.05.1998		Member	
New Members				
8. Kwele N K	01.08.2004	Member		
9. Merafhe O	01.08.2004		Member	
10. Molosiwa B.K	01.08.2004			
11. Tafa A B	01.08.2004			

Fig 6 New BDC Board Composition and Board Committees Roles

Audit Committee

The Audit Committee mandate is defined through an Audit Committee Charter approved by the main Board of Directors. Members of the Committee are appointed by the Board of Directors from among its members. During the year the Chairperson of the Audit Committee T.C Moremi, retired. Ms MTL Maine was appointed new chairperson of the Committee. The Committee is composed of three non- executive Directors and one executive Director. The Committee also has an independent member, Mr. S Lamdin. The Committee met twice during the financial year.

The Audit Committee assists the Board in managing and reviewing its risk management processes and internal control environment to ensure that significant risks facing the Corporation are minimised.

Board Tender Committee

The Board Tender Committee's mandate is defined in the Corporation's Tender Rules and Regulations. Through strict adherence to the Tender Rules and Regulations the Committee ensures that fairness and transparency are observed in awarding the Corporation's contracts and in the disposal of its assets and Investments. A Management Tender Committee, established and guided by the same rules and reporting to the Board Tender Committee is in place and meets regularly to manage the tender process and to consider and award tenders within its mandate.

CODE OF ETHICS

The Corporation has in place a Code of Ethics that spells out the ethical aspirations of the Corporation in dealing with the diverse stakeholders.

Environment

It is the policy of the Corporation to ensure that all new undertakings are both financially sound and are in no way compromising environmental issues. During the year the Corporation did not engage or invest in projects that were harmful to the environment. Where necessary environmental impact studies were undertaken before deciding to invest in the projects.

Corporate Governance Statement

(continued)

Group Internal Audit

The Corporation has in place an effective Group Internal Audit function that has the respect and co-operation of both the Board and Management.

The purpose, authority and responsibility of the internal auditing function are formally defined in an Internal Audit Charter, approved by the Board, and which is consistent with the Institute of Internal Auditors (IIA) definition of internal auditing. The internal audit plan is based on a continuous Risk Control Self Assessment methodology that identifies not only residual or existing risk but also emerging risks.

The Internal Audit function co-ordinates with other internal and external providers of assurance including ISO9001:2000 quality auditors and the Corporation's external auditors to ensure proper coverage and to minimize duplication of effort. Fig 6 below shows a pictorial representation of the role played by group Internal audit in the overall governance of the BDC Group.

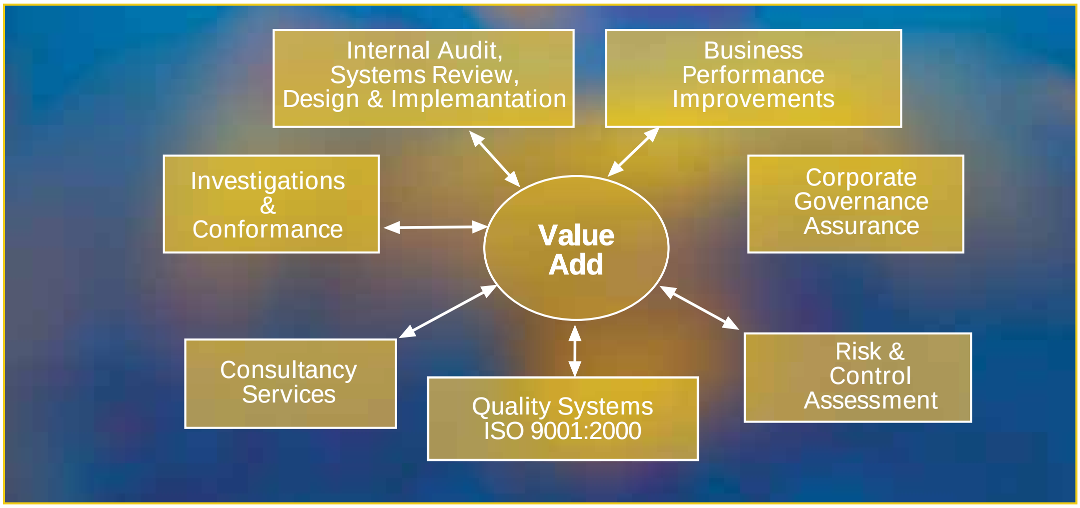


Fig 7 Internal Audit Value Add Services

Financial Statements

The financial statements, as set out, were prepared by management in accordance with International Accounting 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 where they were formally adopted. A dividend of P20 Million, as set out in the financial statements, has been recommended by the Board to the Annual General Meeting.

The Directors are responsible for the preparation and approval and reporting of the financial statements of the Corporation and consolidated financial statements of the Group. The external auditors express an opinion on the fairness of those statements.

Non-Financial Matters

The Corporation is committed to social, ethical, safety, health and environment practices, as well as organizational integrity. To demonstrate this Management regularly reports to the Board of Directors on the policies, procedures and systems in place to ensure, monitor, communicate and verify its compliance to these practices including where there has been a departure thereon.

ISO9001:2000

The Board of Directors, Management and Staff of the Corporation are committed to the implementation of quality in all the Corporation's activities. Following BDC's accreditation to ISO9001:2000 in the previous year, during the year the Corporation underwent two surveillance ISO9001:2000 external audits, conducted by Bureau Veritas Quality International (BVQI) and was certified to be still in compliance, in both cases.

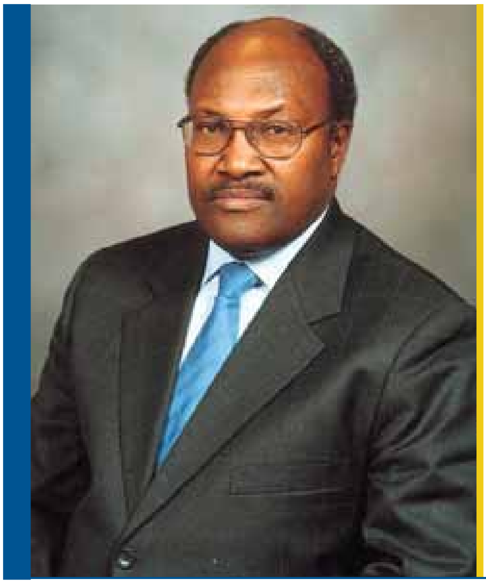
Going Concern Status

The Board of Directors and Management of the Corporation, and the financial statements herein, confirm that the Corporation is a going concern.

Stakeholders in Corporate Governance

The Corporation recognises and respects the rights of stakeholders as established by law and encourages active co-operation between the Corporation and

Managing Directors Report



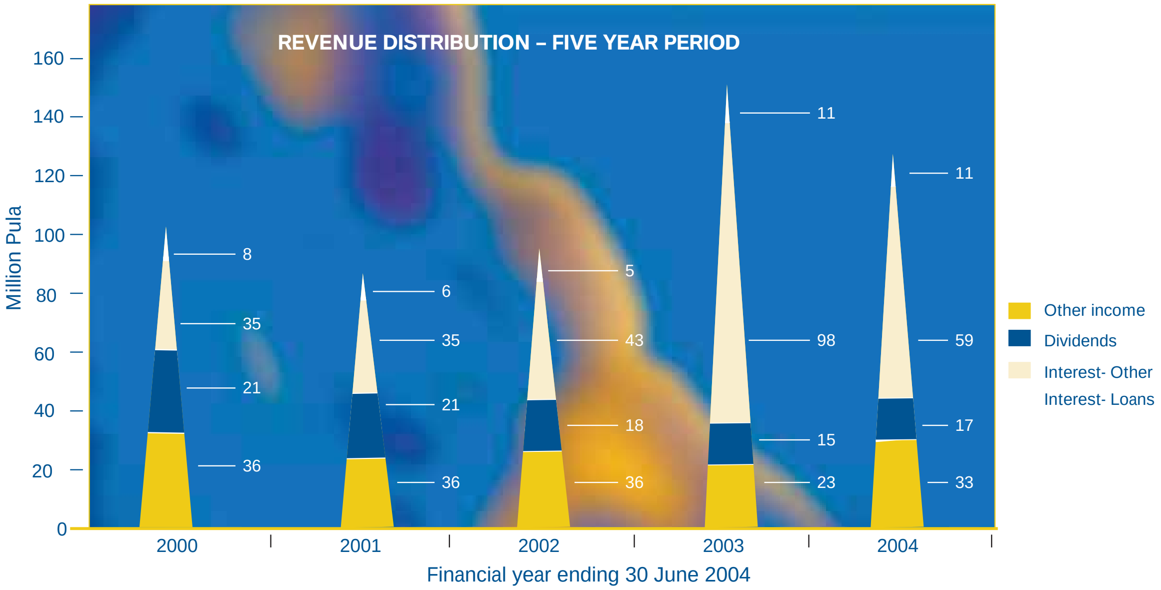
I take pleasure in reporting on the performance of the Corporation. It has been another successful year in which the Corporation continued to increase its profitability. As is expected the business environment has continued to change and grow in sophistication. New entrants into the market have further intensified competition for business, calling for even greater vigilance on the Corporation's part.

Mr Kenneth Matambo • *Managing Director*

Performance of the Corporation

The overall performance of the Corporation has continued to improve. Profit before tax of P65.548 million was achieved this year as opposed to P60.337 million in the previous year. This represent a healthy 8.7% growth in the bottom line. Turn over has declined mainly as a result of lower dividend income from our 100% subsidiaries. Unlike previous years, these subsidiaries had to retain much of their income in order to finance developments they are about to undertake.

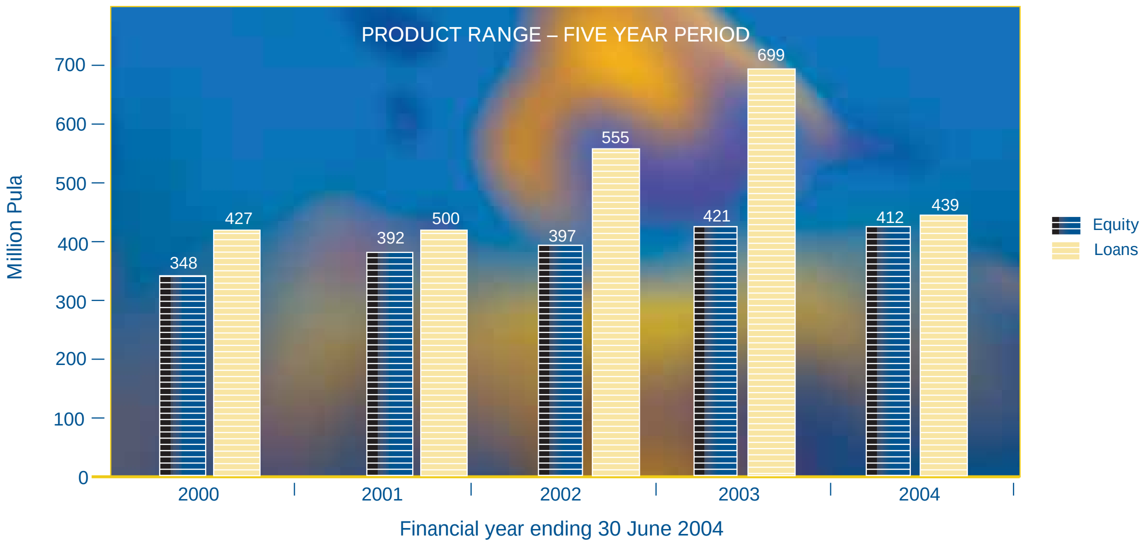
Main drivers of revenue continue to be Dividend Income and Interest Income from loans. Dividend Income of P59.0 million was less than in the previous year mainly because , as already indicated, the 100% subsidiaries did not pay special dividends in the year under review. Interest income has remained fairly stable at P32.9 million (P33.9m in 2003).



Managing Directors Report
(continued)

The target Return on Shareholders Funds, as set by the Board of directors, of 6% was met with an actual ROSF of 6.24% being achieved.

The Corporation has now decided to write off investments for which full provision had been made in the past and remove them from its books entirely. These include City Steel Industries (Pty) Ltd., Haltek (Pty) Ltd., Motor Company of Botswana (Pty) Ltd., Cisco Spinning and Weaving (Pty) Ltd., Algo Spinning and Weaving (Pty) Ltd. *and a few other investments.*



The Corporation's net worth is P1 077 million up from P866 million (restated) in 2003. Total capital employed is P1 478 million up from P1 188 million (restated) in the previous year. Equity invested to total capital employed is in the ratio. 51:1. Furthermore the gearing ratio is at 47:1 and well within the requirements of the Corporation's Memorandum and Articles of Association.

Towards the end of June 2004, the Corporation issued two Bonds totaling P200 million. This was necessitated by the Corporation no longer relying on government funding both in terms of equity injections and loans. The funds raised are to be used to fund the various projects in the pipeline.

Subsequent to the year ended 2002/03, the Corporation resolved to pay a dividend to the shareholder in the amount of P15 million.

Strategic Review

The Strategic Plan adopted in 1998 came to conclusion at the end of 2003. The Corporation undertook a new Strategy Planning exercise in February 2004. The Corporation re affirmed that it will continue to perform a very important role in the development of industrial and commercial development in Botswana by being the primary agency involved in the establishment of manufacturing, services and tourism projects. A new three year Strategy Action Plan was thus adopted in April 2004 for implementation from July 2004 to June 2007.

Human Resources

The staff development and the remuneration policies constitute the cornerstone of the Corporate Human Resources Strategy. In order for the Corporation to retain its skilled human resource in our highly competitive labour market, it has to ensure a holistic approach to its Retention Policy. This is achieved through a generous Corporate Training budget, periodic review of staff benefits and timely review of the remuneration policy.

Business Development Department

Mrs. Maria M. Nthebolan • *General Manager - Business Development*

The focus of the department for the year was mainly in new business development, portfolio growth and improving the quality of the total portfolio on hand, as well as developing the new communications strategy.

The portfolio

The total BDC exposure as at 30 June 2004, in value terms was P667,1 million, compared to P510,1 million for the same period last year, a 30 percent growth in the overall exposure and business of the Corporation. Out of this exposure, 46 percent was held in the property sector, 45 percent in Industry sector, and about 9 percent in the Agribusiness and Services sector.

A lot of positive restructures were implemented, with most of the portfolio in the good performing grades. Major sectors of interest to the economy of Botswana continue to be developed, with an emphasis on sectors that are aimed at utilising the rich local raw materials and resources. Examples are the Lobatse tile and Lobatse Clay Works, which utilises local clay deposits.

New projects financed during the year included Bela-bela Quarries, Molapo Safaris, Infrastructure Development of Fairground Holdings phase 2 plots, re-development and upgrading of residential clusters in the prime areas of Gaborone central, and Gaborone Village. In addition, there was approval of an environmentally friendly plastic recycling project.

New developments

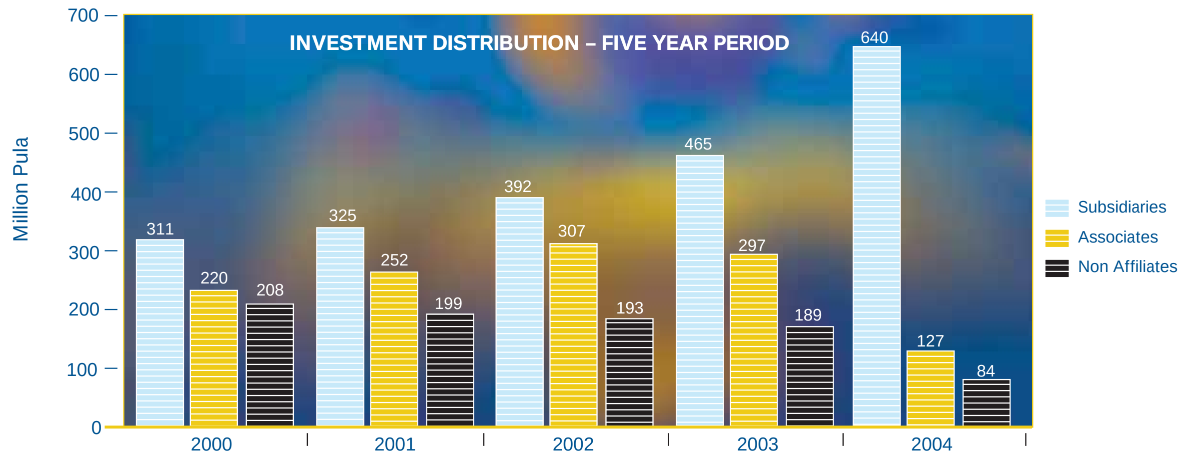
During the year, the department reviewed and streamlined its public relations function. The former Public Relations and Research Division was renamed Corporate Communications and Public Relations Division, indicating a forward emphasis on the intentions of the Corporation to improve itscommunications, and the desire to appropriately remain in touch with all stakeholders of BDC. In this regard, this Division is expected to elevate BDC image, and leverage the Corporation's brand, in support of the marketing strategy.

Aggressive marketing efforts have seen the year ending with quite a good pipeline on our books, which, if translated in to actual projects would see the Corporation's book experiencing record growth. Further research was carried out in the areas of leather tannery, food-can manufacturing, and lead recycling, as well as research in the area of Re-insurance business.

Business Development Department
(continued)

Divestments:

The department continued to review its portfolio to identify projects for divestment in line with the Corporation's Divestment Policy. As such, a number of properties in our property subsidiaries were advertised for sale to the public.



Below are divisionl highlights for the year:

Agribusiness and Services Division

The Division had a quiet year, and focused on restructuring its existing portfolio and marketing. Gaborone Hotel (Pty) Ltd, which had been identified for divestment in the previous year was sold to SNB Investments (Pty) Ltd, a wholly citizen owned company.

During the year, Investec Holdings Botswana, a company in which BDC is a partner divested from its banking arm; the Investec Bank Botswana.

Drought continued to depress the agricultural sector. Irvine's Botswana, a chicken hatchery outfit in Francistown continues to perform very well. The ostrich abattoir was formally handed over to Government.

Hotels and Tourism

Overall performance in this sector was satisfactory. Tourism attraction hotels such as Mowana Safari Lodge and Mashatu continued to feel the impact of the slow performance within the industry.

The sector employment stood at 1311.

Services

This sector had seven companies; Metropolitan Life (Botswana), Export Credit Insurance and Guarantee Company (BECI), Investec Holdings Botswana Limited, Trans Union Infromation Trust Company (ITC), Malutu Enterprises (Pty) Ltd, and Health Care Management Services. Employment stood at 290.

Left: St. Clair Lion Park

Business Development Department
(continued)

Industry Division

In the year under review, the Division's main focus was on new business development, together with improving the quality of the existing portfolio.

As at year end the Corporation's exposure in the Industry Sector was P298,9 million of which 66 percent was in the construction sector, 30 percent in the food and beverages sector, and 4 percent in the textile, furniture and other sub sectors.

Employment increased marginally from 3506 last year to 3520 direct jobs.

The Corporations' investment in the Industry Sector performed marginally well. Companies in the construction and furniture sector continued to be affected by reduced Government expenditure. The challenge for most of our subsidiaries, like Lobatse Tile Limited and Lobatse Clay Works (Pty) Ltd remains to explore and find external markets for their products.

Sechaba Brewery Holdings Limited continued to boost performance of the Corporations' investments in the food and beverage sector.

The Division continues to explore niche industries that have potential to contribute to the diversification of the economy.

Above: Kwena Rocla (Pty) Ltd

Business Development Department
(continued)

Property Division

The property market continued to stabilise with few new property developments taking place. Low construction and manufacturing activities indirectly contributed to slow growth in the property market. More effort was put on improving the quality of our properties and service delivery in order to attract new and retain existing clients.

Maintenance of our old properties continued to be a challenge as we sought to strike a balance between maintenance costs, quality and revenue stream. The commercial property portfolio experienced steady growth relative to residential, hotels and industrial portfolio. This was due to increased supply of office and shop space.

To stimulate growth, our property division embarked on infrastructure development at Fairground Phase 2. On completion of this infrastructure development, commercial plots will be available for sale and development.

In Francistown, a new shopping centre, Galo Centre which the Corporation partly financed, was completed and opened.

There were no new investments in the sector during the Year. However, the Division embarked on major refurbishment of hotels properties let to Cresta in Gaborone, Francistown, Selebi-Phikwe and Maun. The work is expected to be completed in the next financial year.

Due to the high cost of maintaining some of our old properties in Gaborone, two properties, plots 2989 and 226 were demolished and are being redeveloped into high-end residential units.

Industrial Portfolio Sector

There were no major developments during the year under review. Selebi-Phikwe properties continued to experience the most depressed property market. Preference of owner occupation is a major challenge that continues to affect market rentals of our properties.

Above: A Suntide Property

Business Development Department
(continued)

Corporate Communications and Public Relation Division

Following the Corporate Strategic exercise that was undertaken at the beginning of 2004, the corporation decided to rename the division in order to reflect its revised function. Its primary role and value offering will be to enable BDC to optimize its image and citizenship efforts in order to leverage its brand in support of the Corporations marketing strategy.

In the year under review the Corporation continued to maintain its presence in local publications. The Corporation participated in supplements run in newspapers and trade magazines. BEDIA, and embassies abroad continue to be good channels in circulating the Corporation's publications such as BDC's corporate brochures, newsletters as well as the corporation's annual reports.

In positioning the Corporation as the financier of choice and in support of the Corporation's Marketing initiative, the Division facilitated various advertising and marketing communication placements. –The Corporation participated in the "Botswana Focus" programme, which was produced for Fox 5, a member of Fox TV in New York City. There was continued presence in Commonwealth and SADC publications, as well as support of the Business Development Department on investment endeavors, particularly within the SADC region.

The Division continues to facilitate corporate functions, including the Corporate Luncheons which seek to bring together all stakeholders, with an emphasis on current and potential clients. The events continued to attract prominent players within the business sector, and it is hoped that the lines of communications and interaction are kept open through these events. In the year under review, the Corporation hosted its first ever Golf Day, which was a huge success with clients.

As a key marketing and communication platform, the Corporation's Website, which was revamped in the year under review, continues to attract interest at all levels, locally, regionally and internationally. This is evidenced by the number of hits and enquiries received via the website.

It will be key in the coming year, for the Division to aggressively market the Corporation, as it seeks to develop and introduce new projects to the market. The streamlining of the division to focus solely on communications and corporate affairs is vital in presenting the Corporation as a high-end brand.

Management Services Department

Mr. J.N. Kamyuka • *General Manager - Management Services*

The department has operational responsibility for Management Services support to the Corporation. Such support is directed at ensuring that the Corporation delivers the highest level of customer service to its clients.

Management Services covers the following functions:

- Financial Accounting
- Management Accounting and Corporate Treasury
- Risk Management and Research
- Company Secretariat and Legal
- Information Technology

Management Services Department is responsible for ensuring that BDC honours its Service-Plus promise to its customers. To this end, agreed service standards are in place to address the Business Development needs for:

- Efficient management of the Corporation's resources ensuring timely funding of all commitments
- Quality IT support, providing up to date customer information and efficient workflow solutions
- Timely and accurate portfolio management information
- Team-based performance management information
- Sustained risk monitoring of the entire investment portfolio and enterprise-wide risk management
- Accurate and timely research on new and innovative products and markets
- Readily available professional in-house legal and company secretarial services

Management Services Department

(continued)

Risk Management and Research

The Risk Management and Research Division continued to be pro-active during the year to ensure that all risks were identified and managed effectively. Major risks that BDC is exposed to are credit, market, liquidity and operational risks. The Division recommended appropriate mitigating strategies to management and staff where major risk exposures were identified. During the 2003/4 financial year, the research function was transferred to the Division. The objective of this function is, amongst others, to provide research information to Business Development teams and Management to enhance the quality of decision making.

Credit Risk:

Credit risk in BDC arises mainly from the Corporation's lending activities. During the financial year, the Risk and Research Division focused mainly on monitoring credit risk in the BDC loan portfolio. Great emphasis was placed on tracking credit risk symptoms in new proposals and the existing loan book and ensuring that any risk symptoms were treated immediately.

The Corporation's robust Credit and Investment Policy, which is augmented by a strong credit culture, continued to support improvement in the quality of the BDC loan book. The Risk and Research Division played a key role by monitoring adherence and relevance of the credit policies and procedures as the Corporation's business environment changed.

Market Risk:

Interest rates were stable during the second half of the 2003/04 financial year. During the first half of the financial year, the bank rate was on two occasions adjusted downwards, and as such the prime lending rate was reduced to 15.75 percent. This resulted in very tight margins in the lending business. The Risk and Research Division closely monitored trends in interest rates movements to ensure that the Corporation's pricing remained competitive.

The Pula was devalued against the Rand and major currencies during the financial year. Whilst this aimed to promote Botswana's competitiveness, some of our portfolio companies which transact regularly in foreign currencies were exposed to currency risks. However, some currency hedging mechanisms were employed particularly where large exposures were involved.

Liquidity Risk:

Liquidity risks in BDC could arise as a result of unexpected expansion in business volumes or limited access to sources of funding with appropriate maturity and interest characteristics. Management continued to proactively manage the Corporation balance sheet to ensure that assets and liabilities were properly matched. Since the Corporation deals mainly in long term credit and investments, appropriate sources of funding such as bonds were used whenever a need for funding aroused. In June 2004, BDC issued two bonds with an aggregate value of P200 million.

Operational Risk:

The Corporation continues to be vigilant in ensuring that its business is run in line with the set policies, procedures and standards. The Corporation is committed to the principles of good governance and enterprise wide risk management. In this regard, operational risks are mitigated through strict compliance to policies and controls, the ISO quality standard and best practices in the industry.

Management Services Department

(continued)

Information Technology

Several initiatives were undertaken during the year to further enhance delivery on the key objective of supporting the corporation's business processes.

During the year, the IT Division started a project to replace the company's ageing loans management system with an up-to-date application that will not only take advantage of current and future technology, but will also provide enhanced functionality to the Finance and Business Development divisions. A solution using Microsoft's SQL and Navision technologies is being implemented.

The process of upgrading the corporation's IT facilities was also started. The first phase, which included upgrading the network, is complete. Preliminary work was started on the second phase to be carried out in the next financial year, which will include the upgrading of the corporation's personal computers and servers.

Human Resources Division

The Corporation continues to pursue its policy of human resources management and development as a strategy to enhance its competitiveness. This is in keeping with its commitment to be the "Service – Plus Investment Corporation". The acquisition of knowledge and skills to meet the challenges of a dynamic business environment is critical in enabling employees to perform to the best of their abilities. Therefore, the Corporation's human resources interventions are key to ensure the fulfillment of our Vision "To Be The Leading Development and Investment Financier". These can only be achieved through and by a motivated, professional and skilled workforce.

During the past year a staff rationalization at the management level was undertaken to correctly utilize certain skills in the appropriate areas of the Organizational structure.

The review of the Corporate Policy and Procedure Manual with a view to improve staff conditions of service and the Remuneration policy were also undertaken and implemented.

Staff Compliment

The Corporation's staff compliment at the end of the year was fifty-eight (58) compared to fifty-nine (59) for the same period last year. During the year, three (3) members of staff left the Corporation whilst three (3) new members were recruited.

Training

During the year under review, staff successfully completed at least twenty-four (24) various short courses in such diverse fields as marketing, project management, credit risk, contract law, the law and practice of guarantees, negotiation techniques, senior management programmes, risk management and information technology leadership just to mention a few. One staff member also left to pursue a Master of Commerce in Applied Finance at Adelaide University, in Australia.

During the same year, two (2) staff members completed their postgraduate programmes in Property Management and Risk Management respectively.

HIV/AIDS

Continuous implementation of the Corporate HIV/AIDS Programme bore fruits this year. The Corporation is in a position to assert that multiple HIV/AIDS education campaigns have been a more than a one time effort during the year.

The HIV/AIDS/Wellness room continues to be a successful means of disseminating HIV/AIDS/Wellness information in its factual or "raw" form. Educative posters, relevant videos and books are available in this special room for utilization by staff under the guidance of the BDC Peer Educators. The room is also an excellent place to provide counseling to staff on issues of HIV/AIDS. We are confident to say that staff response has been excellent with respect to usage of this room, especially that the information is disseminated in its "raw" form.

Collaboration with other HIV/AIDS organizations will continue. The Corporation is a subscriber to Botswana Business Coalition on AIDS (BBCA) and Botswana Network of AIDS Service Organisations (BONASO). Our participation in the World AIDS Day 2003 National Commemoration was a success.

Directors' Statement of Responsibility

For the year ended 30 June 2004

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The external auditors are responsible to report on the fair presentation of the financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Botswana Companies Act (CAP 42:01).

The directors are also responsible for the Group's systems of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect mis-statements and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared in the going concern basis, since the directors have every reason to believe that the Group has adequate resources in place to continue in operation for the forseeable future.

The financial statements set out on pages 29 to 62 were approved by the board of Directors on 21 October 2004, and are signed on their behalf by:

CHAIRMAN

DIRECTOR

Report of the Independent Auditors to the members of Botswana Development Corporation Limited

We have audited the accompanying group financial statements of Botswana Development Corporation Limited as set out on pages 29 to 62 for the year ended 30 June 2004. These financial statements are the responsibility of the group's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Botswana Companies Act (CAP 42:01) and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We have examined the books, accounts and vouchers of the company and its subsidiaries to the extent we considered necessary and have obtained all the information and explanations which we required. We have satisfied ourselves as to the existence of the securities. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- The company and the group have kept proper books of accounts with which the financial statements are in agreement, and

- The financial statements give a true and fair view of the state of the affairs of the company and the group at 30 June 2004 and the results of their operations, changes in equity and cash flows for the year then ended in conformity with International Financial Reporting Standards and in the manner required by the Botswana Companies Act (CAP 42:01).

PricewaterhouseCoopers

21 October 2004
Gaborone

Certified Public Accountants

Directors' Report

The directors have pleasure in submitting their annual report to the shareholders together with the audited financial statements for the year ended 30 June 2004 in accordance with the requirements of the Companies Act (CAP 42:01).

FINANCIAL RESULTS

1. The financial results for the company and the group are set out on pages 29 to 62

2. A dividend of P15m was declared during the year in respect of the ordinary shares.

DIRECTORS

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

M Chiepe	P L Steenkamp (resigned 23 March 2004
D Inger	E K Mwila
I K Kandjii	S E Ndzinge
O K Matambo - Managing	S S G Tumelo - Chairman
M T L Maine	T C Moremi (resigned 4 December 2003

AUTHORISED SHARE CAPITAL

4. The authorised share capital of the company is P250 000 000 divided into 246 000 000 ordinary shares of P1 each and 4 000 000 cumulative redeemable non-voting preference shares of P1 each.

ISSUED SHARE CAPITAL

5. The issued share capital is as follows:

Ordinary shares P 238 199 000 being 238 199 000 ordinary shares of P1 each
Share premium P 297 000 000

INVESTMENTS

6. During the year the company invested further equity into the following wholly owned subsidiaries:

a) Western Industrial Estates	- P3 951 798
b) Residential Holdings (Pty) Ltd,	- P3 038 258
c) Lobatse Tile (Pty) Ltd	- P5 946 482

DISINVESTMENTS

7. The company divested as follows:

a) Preference Shares in Northern Textiles Mills Botswana (Pty) Ltd for P260 000.
b) Ordinary Shares in Hortulus (Pty) Ltd for P73 765.
c) Ordinary Shares in Diplomatic Services (Pty) Ltd for P1 127 500.

DIRECTORS' FEES AND EXPENSES

8. It is recommended that directors' fees and expenses of P29 788 and directors' emoluments of P561 646 for the year to 30 June 2004 be ratified.

By Order of the Board

G V Garekwe
Group Company Secretary

INCOME STATEMENT

For the year ended 30 June 2004

		Group		Company	
		2004	2003	**2004**	2003
	Notes	**P 000**	P 000	**P 000**	P 000
REVENUE	1	**237,111**	281,341	**92,010**	132,158
Cost of revenue		**(122,482)**	(154,850)	**-**	-
Gross profit		**114,629**	126,491	**92,010**	132,158
Other operating income	2	**18,507**	11,492	**14,966**	7,026
Distribution costs		**(3,639)**	(2,865)	**-**	-
Administrative expenses		**(33,011)**	(33,326)	**(20,451)**	(19,979)
Other operating expenses		**(60,022)**	(76,669)	**(19,293)**	(45,610)
OPERATING PROFIT	3	**36,464**	25,123	**67,232**	73,595
Net finance income/(cost)	5	**6,534**	3,571	**(1,684)**	(13,258)
Share of associates profit	10	**24,061**	30,385	**-**	-
PROFIT BEFORE TAXATION		**67,059**	59,079	**65,548**	60,337
Taxation	6	**(10,236)**	(3,660)	**(16)**	2,416
NET PROFIT before outside shareholders		**56,823**	55,419	**65,532**	62,753
Minority interest in(profits)/losses	25	**(4,254)**	17,790	**-**	-
NET PROFIT attributable to ordinary shareholders		**52,569**	73,209	**65,532**	62,753

BALANCE SHEET

At 30 June 2004

	Notes	Group 2004 P 000	Group Restated 2003 P 000	Company 2004 P 000	Company Restated 2003 P 000
ASSETS					
NON CURRENT ASSETS					
Investment properties	7	**370,994**	350,446	**-**	-
Property, plant and equipment	8	**242,652**	264,068	**2,153**	3,281
Subsidiaries	9	**-**	-	**434,731**	496,456
Associated companies/partnerships	10	**104,551**	107,221	**49,269**	65,446
Unquoted investments	11	**69,821**	69,217	**46,088**	69,217
Quoted investments	13	**441,120**	280,726	**441,120**	280,726
Due from group companies	14	**-**	-	**27,346**	27,362
Subsidiaries not consolidated	15	**3,801**	13,072	**-**	-
		1,232,939	1,084,750	**1,000,707**	942,488
CURRENT ASSETS					
Inventories	16	**22,932**	14,116	**-**	-
Receivables and prepayments	17	**43,053**	69,199	**22,579**	40,704
Taxation recoverable		**16,806**	11,784	**1,262**	1,262
Short-term loans and advances	18	**22,914**	20,200	**43,476**	37,982
Available for sale of investments	19	**444,345**	148,360	**372,434**	114,161
Cash and cash equivalents	20	**71,731**	110,576	**37,942**	51,904
		621,781	374,235	**477,693**	246,013
TOTAL ASSETS		**1,854,720**	1,458,985	**1,478,400**	1,188,501
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES					
Share capital	21	**238,199**	238,199	**238,199**	238,199
Share premium	21	**297,000**	297,000	**297,000**	297,000
Contribution to factory premises	22	**24,070**	24,070	**24,070**	24,070
Fair value reserve	23	**364,578**	202,593	**347,640**	187,246
Revaluation reserve		**-**	323	**-**	-
Other reserves	24	**14,060**	13,927	**5,504**	5,504
Retained earnings		**266,494**	229,173	**165,434**	114,902
		1,204,401	1,005,285	**1,077,847**	866,921
Minority interest	25	**38,641**	34,288	**-**	-
NON-CURRENT LIABILITIES					
Borrowings	26	**438,481**	264,169	**318,542**	263,154
Government grants	27	**35,326**	36,103	**-**	-
Claims equalisation reserve	28	**1,068**	998	**-**	-
Deferred taxation	29	**16,635**	13,659	**-**	-
		491,510	314,929	**318,542**	263,154
CURRENT LIABILITIES					
Borrowings	26	**59,341**	11,394	**59,141**	11,101
Taxation payable		**1,281**	-	**-**	-
Capital gains tax		**245**	245	**245**	245
Dividend payable		**13,141**	13,141	**13,141**	13,141
Trade and other payables	30	**39,825**	76,042	**9,484**	33,939
Bank overdrafts	31	**6,335**	3,661	**-**	-
		120,168	104,483	**82,011**	58,426
TOTAL LIABILITIES		**611,678**	419,412	**400,553**	321,580
TOTAL EQUITY AND LIABILITIES		**1,854,720**	1,458,985	**1,478,400**	1,188,501

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2004

	Notes	Share capital P 000	Share premium P 000	Share redemption reserve P 000	Donated capital P 000	Capitalisation of bonus shares P 000	Contribution to factory premises P 000	Fair value reserve P 000	Revaluation reserve P 000	Contigency reserve P 000	Statutory capital/ solvency reserve P 000	Goodwill on consolidation P 000	Retained earnings P 000	Proposed dividends P 000	Total P 000
Group															
Year ended 30 June 2003															
Balance at 1 July 2002															
-As previously reported		238,199	313,570	4,060	4	1,829	24,070	198,567	12,384	107	241	-	148,366	11,273	952,670
-Prior year adjustments	32	-	(16,570)	-	-	-	-	-	(4,598)	-	-	-	(19,107)		(40,275)
-As restated		238,199	297,000	4,060	4	1,829	24,070	198,567	7,786	107	241	-	129,259	11,273	912,395
-Adjustment for fair value of loans received at below market rates		-	-	-	-	-	-	-	-	-	-	-	24,921	-	24,921
-As restated		238,199	297,000	4,060	4	1,829	24,070	198,567	7,786	107	241	-	154,180	11,273	937,316
Goodwill acquired during the year		-	-	-	-	-	-	-	-	-	-	4,955	-	-	4,955
Fair value adjustment of quoted investments		-	-	-	-	-	-	(11,321)	-	-	-	-	-	-	(11,321)
Movement during the year		-	-	-	-	-	-	-	205	-	167	-	(167)	-	205
Arising from fair value a djustment in an associate		-	-	-	-	-	-	9,258	-	-	-	-	-	-	9,258
Transfers		-	-	3,000	(4)	(325)		6,089	(7,668)	(107)			1,951		2,936
Dividend paid		-	-	-	-	-	-	-	-	-	-	-	-	(11,273)	(11,273)
Net profit for the year		-	-	-		-	-	-	-	-	-	-	73,209	-	73,209
Balance at 30 June 2003		**238,199**	**297,000**	**7,060**	**-**	**1,504**	**24,070**	**202,593**	**323**	**-**	**408**	**4,955**	**229,173**	**-**	**1,005,285**
Year ended 30 June 2004															
Balance at 1 July 2003		238,199	297,000	7,060	-	1,504	24,070	202,593	323	-	408	4,955	229,173	-	1,005,285
Reversals during the year		-	-	-	-	-	-	-	(18)	-	-	(115)	-	-	(133)
Fair value adjustment of quoted investments		-	-	-	-	-	-	160,394	-	-	-	-	-	-	160,394
Movement during the year		-	-	-	-	-	-	-	(305)	-	-	-	-	-	(305)
Arising from fair value adjustment in an associate		-	-	-	-	-	-	1,591	-	-	-	-	-	-	1,591
Transfers		-	-	-	-	-		-	-	-	248		(248)	-	-
Dividend paid		-	-	-	-	-	-	-	-	-	-	-	(15,000)	-	(15,000)
Net profit for the year		-	-	-	-	-	-	-	-	-	-	-	52,569	-	52,569
Balance at 30 June 2004		**238,199**	**297,000**	**7,060**	**-**	**1,504**	**24,070**	**364,578**	**-**	**-**	**656**	**4,840**	**266,494**	**-**	**1,204,401**

STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 30 June 2004

	Notes	Share capital P 000	Share premium P 000	Share redemption reserve P 000	Donated capital P 000	Capitalisation of bonus shares P 000	Contribution to factory premises P 000	Fair value reserve P 000	Revaluation reserve P 000	Contigency reserve P 000	Statutory capital/ solvency reserve P 000	Goodwill on consolidation P 000	Retained earnings P 000	Proposed dividends P 000	Total P 000
Company															
Year ended 30 June 2003															
Balance at 1 July 2002 as previously reported		238,199	297,000	4,000	-	1,504	24,070	198,567	-	-	-	-	27,228	11,273	801,841
-Adjustment for fair value of loans received at below market rates		-	-	-	-	-	-	-	-	-	-	-	24,921	-	24,921
-As restated		238,199	297,000	4,000	-	1,504	24,070	198,567	-	-	-	-	52,149	11,273	826,762
Dividend paid		-	-	-	-	-	-	-	-	-	-	-	-	(11,273)	(11,273)
Fair value adjustment of quoted investments		-	-	-	-	-	-	(11,321)	-	-	-	-	-	-	(11,321)
Net profit for the year		-	-	-	-	-	-	-	-	-	-	-	62,753	-	62,753
Balance at 30 June 2003		**238,199**	**297,000**	**4,00**	**-**	**1,504**	**24,070**	**187,246**	**-**	**-**	**-**	**-**	**114,902**	**-**	**866,921**
Year ended 30 June 2004															
Balance at 1 July 2003		238,199	297,000	4,000	-	1,504	24,070	187,246	-	-	-	-	114,902	-	866,921
Dividend paid		-	-	-	-	-	-	-	-	-	-	-	(15,000)	-	(15,000)
Fair value adjustment of quoted investments	23	-	-	-	-	-	-	160,394	-	-	-	-	-	-	160,394
Net profit for the year		-	-	-	-	-	-	-	-	-	-		65,532	-	65,532
Balance at 30 June 2004		**238,199**	**297,000**	**4,000**	**-**	**1,504**	**24,070**	**347,640**	**-**	**-**	**-**	**-**	**165,434**	**-**	**1,077,847**

CASH FLOW STATEMENTS

for the year ended 30 June 2004

	Notes	Consolidated 2004 P'000	Consolidated Restated 2003 P'000	Company 2004 P'000	Company 2003 P'000
Operating activities					
Cash generated from operations	38	**106,935**	3,020	**109,014**	44,158
Interest received	5	**30,192**	29,427	**17,258**	15,228
Interest paid and exchange loss	5	**(23,658)**	(25,856)	**(18,942)**	(28,486)
Tax paid		**(10,892)**	(13,969)	**-**	-
Net cash from operating activities		**102,577**	(7,378)	**107,330**	30,900
Investing activities					
Acquisition of subsidiaries, net of cash acquired		**-**	(64,857)	**-**	-
Additions to investment properties	7	**(22,400)**	(111,710)	**-**	-
Disposal of investments		**1,334**	300	**1,334**	300
Proceeds from disposal of property, plant and equipment		**687**	355	**-**	-
Proceeds from disposal of investment properties		**5,440**			
Investments in subsidiaries not consolidated		**(9,920)**	72,191	**-**	-
Loans disbursed to associated companies		**(3,568)**	(1,965)	**(3,568)**	(1,965)
Loans disbursed to non-affiliated companies		**(15,257)**	(31,121)	**(15,257)**	(31,121)
Loans disbursed to subsidiaries		**-**	-	**(25,902)**	(115,934)
Loans repaid by associated companies		**18,284**	5,391	**18,284**	5,391
Loans repaid by non-affiliated companies		**41,236**	2,881	**41,236**	2,881
Loans repaid by subsidiaries		**-**	-	**6,983**	2,786
Purchase of property, plant and equipment	8	**(20,371)**	(12,886)	**(119)**	(533)
Purchase of shares in associated companies		**-**	(192)	-	(192)
Purchase of shares in subsidiaries		**-**	-	**(12,937)**	(29,975)
Real estate development		**-**	1,739	**-**	-
Net cash used in investing activities		**(4,536)**	(139,874)	**10,054**	(168,362)
Financing activities					
Dividends paid to group shareholders		**(15,000)**	(11,273)	**(15,000)**	(11,273)
Dividends paid to minority interests	25	**(1,094)**	(3,656)	**-**	-
Increase/(decrease) in long term borrowings		**173,141**	79,565	**141,927**	79,209
Net cash used in financing activities		**157,047**	64,636	**126,927**	67,936
(Decrease)/increase in cash and cash equivalents		**255,088**	(82,616)	**244,311**	(69,526)
Movement in cash and cash equivalents					
Start of year		**254,653**	337,269	**166,065**	235,591
Increase / (decrease)		**255,088**	(82,616)	**244,311**	(69,526)
End of year		**509,741**	254,653	**410,376**	166,065
Cash and cash equivalents	20	**71,731**	110,576	**37,942**	51,904
Available for sale investments	19	**444,345**	147,738	**372,434**	114,161
Bank overdraft	31	**(6,335)**	(3,661)	**-**	-
		509,741	254,653	**410,376**	166,065

ACCOUNTING POLICIES

for the year ended 30 June 2004

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

A. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and the Botswana Companies Act Cap 42:01. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of 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 revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

The following are the more important accounting policies used by the group which are consistent with those of the previous year.

B. 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 to recognise further losses, unless the group has incurred obligations or made payments on behalf of the associates.

Good ill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net assets of the acquired subsidiary at the date of acquisition. Such goodwill is recognised as an asset and amortised using the straight-line method over a period not exceeding five years. Management determines the estimated useful life of goodwill based on its evaluation of the respective companies at the time of the acquisition, considering factors such as existing market share, potential growth and other factors inherent in

ACCOUNTING POLICIES (continued)

For the year ended 30 June 2004

B. Group accounting continued

the acquired companies. At each balance sheet date the group assesses whether there is any indication of impairment. If such indications exist an analysis is performed to assess whether the carrying amount of goodwill is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

Excess of the group's interest in the fair values of the identifiable assets and liabilities acquired over the cost of acquisition is recognised as negative goodwill. Negative goodwill is recognised in the income statement when the future losses and expenses identified at the time of the acquisition are recognised.

C. Property, plant and equipment
Property, plant and equipment are included at historical cost less depreciation. Cost includes all costs directly attributable to bringing the assets to working conditions for their intended use.

Depreciation is calculated on the straight-line method to write off the cost of each asset to their residual values over their estimated useful lives 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. When revalued assets are sold, the amounts included in fair value and other reserves are transferred to retained earnings.

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.

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.

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 carried at cost less accumulated depreciation as allowed under International Accounting Standard 40:

ACCOUNTING POLICIES (continued)

for the year ended 30 June 2004

E. Investment properties (continued)

Investment property.
Depreciation is calculated on the straight-line method to write off the cost of investment properties to their residual values over their estimated useful lives of 25 to 50 years.

F. Impairment of long lived assets

Property, plant and equipment and other non-current assets, including goodwill and intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

G. Investments

The group classifies its investments in debt and equity securities into the following categories: trading, held-to-maturity and available-for-sale. The classification is dependent on the purpose for which the investments were acquired. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

rading
Investments 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.

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.

ACCOUNTING POLICIES (continued)

For the year ended 30 June 2004

H. 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.

I. 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.

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. Share capital

Ordinary shares and non-redeemable preferred shares with discretionary dividends 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.

L. 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.

M. Borrowings

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

Preferred shares, which are redeemable on a specific date or at the option of the shareholder or which carry non-discretionary dividend obligations, are classified as long-term liabilities. The dividends on these preferred shares are recognised in the income statement as interest expense.

N. 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-

ACCOUNTING POLICIES (continued)

For the year ended 30 June 2004

N. Leases (continued)

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 ofthe 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.

O. Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.
Deferred income tax is provided on temporary differences arising on depreciation on property, plant and equipment, investment properties and government grants, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

P. Taxation

Taxation is provided at current rates on the taxable income for the year after taking account of income and expenditure which is not subject to taxation and the tax effects of charges and credits, including depreciation, attributable to periods other than the current year.

Q. 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.

R. 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.

ACCOUNTING POLICIES (continued)

For the year ended 30 June 2004

R. Foreign currencies (continued)

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.

S. Financial instruments

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than a forced sale. Investment in financial assets are initially recognised at cost. Subsequently, financial assets are remeasured at fair value, except for held to maturity investments such as debt and loans which are carried at amortised cost. Financial liabilities are recognised at the original debt less principal repayments and amortisation.

Disclosure about financial instruments as to their fair value are provided in note 36.

T. 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.

U. 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.

V. Dividends

Dividends are recorded in the group's financial statements in the period in which they are approved by the group's shareholders.

NOTES TO T E FINANCIAL STATEMENTS

30 une 2004

1. REVENUE

	Group		Company	
	2004	2003	**2004**	2003
	P 000	P 000	**P 000**	P 000
Income from trade	**184,821**	201,121	**-**	-
Interest on loans:				
- Subsidiaries	**-**	-	**20,080**	17,002
- Associated companies	**2,399**	6,228	**2,399**	6,228
- Unquoted investments	**10,468**	10,647	**10,468**	10,647
Dividends received:				
- Subsidiaries	**-**	-	**14,397**	28,318
- Associated companies	**-**	-	**5,243**	6,618
- Unquoted investments	**39,423**	63,345	**39,423**	63,345
	237,111	281,341	**92,010**	132,158

2. OT ER OPERATING INCOME

Cost recoveries	**1,989**	2,738	**1,989**	2,738
Profit on sale of investments	**128**	-	**136**	-
Directors fees received	**153**	183	**153**	183
Loan negotiating fees	**66**	86	**66**	86
Work out management fees	**7,593**	3,371	**7,593**	3,371
Work out bad debts recovered	**4512**	-	**4512**	-
Sundry revenue	**4066**	5,114	**517**	648
	18,507	11,492	**14,966**	7,026

3. OPERATING PROFIT

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

Amortisation of Government grant (note 27)	**777**	(777)	**-**	-
Auditors' remuneration				
- current year	**705**	772	**-**	120
- prior year underprovision	**28**	-	**28**	-
Depreciation				
-Investment properties (note 7)	**7,430**	5,477	**-**	-
-Property, plant and equipment (note 8)	**20,804**	26,253	**1,239**	1,436
Directors' fees	**34**	30	**34**	30
Directors' emoluments	**561**	311	**561**	311
Provision for losses - net				
-Investments (note 12)	**261,959**	20,041	**262,405**	33,424
(Profit)/loss on disposal of plant and equipment	**483**	441	**7**	-
Impairment of plant and equipment (note 8)	**4,379**	10,190	**-**	-
Work out bad debts written off	**3,125**	-	**3,125**	-
Transfer to claims equalisation reserve (note 28)	**70**	76	**-**	-
De-recognition of financial liability(refer below)	**963**	(2,986)	**-**	-
Repairs and maintenance	**4,432**	5,243	**18**	13
Cost recoveries	**6,109**	(4,301)	**8,097**	(4,301)
Operating lease rentals	**1,575**	2,229	**-**	-
Reduction in value of loan given to subsidiary				
at below market rate (note 9)	**-**	-	**89,500**	-
Reduction in value of loan received at below market rate	**-**	-	**89,500**	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 une 2004

3. OPERATING PROFIT continued

The derecognition of financial liability relates to balances owed to Henshall and Associates for certification of plant and machinery in Lobatse Tile (Pty) Limited. As the machinery had not performed to certified standards, it was agreed with Henshall and Associates to reverse unpaid fees.

4. STAFF COSTS

	Group		Company	
	2004	2003	**2004**	2003
	P 000	P 000	**P 000**	P 000
Salaries and wages	**47,627**	47,083	**10,965**	9,873
Terminal benefits	**3,198**	3,048	**1,317**	1,076
	50,825	50,131	**12,282**	10,949
Average number of employees	**5,045**	5,060	**58**	56

5. NET FINANCE INCOME/(COST)

	Group 2004	Group 2003	Company 2004	Company 2003
Interest income				
- short term bank deposits	**9,471**	12,090	**4,485**	4,937
- Bank of Botswana certificates	**20,721**	17,337	**12,773**	10,291
	30,192	29,427	**17,258**	15,228
Interest expense				
- bank borrowings	**(4,725)**	(3,372)	**-**	-
- bonds	**(7,000)**	(7,038)	**(7,000)**	(7,038)
- long-term borrowings	**(13,324)**	(13,879)	**(13,324)**	(13,879)
- finance leases	**-**	(9)	**-**	-
	(25,049)	(24,298)	**(20,324)**	(20,917)
Exchange gain/(losses)	**1,391**	(1,558)	**1,382**	(7,569)
	6,534	3,571	**(1,684)**	(13,258)

6. TAXATION

Botswana company taxation

	Group 2004	Group 2003	Company 2004	Company 2003
-basic tax at 15%/5%	**(4,600)**	(6,595)	**-**	-
-additional tax at 10%	**(3,075)**	(3,796)	**-**	-
	(7,675)	(10,391)	**-**	-
Prior year over/(under) provision	**1,102**	(381)	**-**	-
Group tax relief	**6,682**	12,816	**(16)**	2,416
	109	2,044	**(16)**	2,416
Transfer (to)/from deferred taxation (note 29)	**(2,976)**	(3,865)	**-**	-
Share of associated company taxation	**(7,369)**	(1,839)	**-**	-
Charge for the year	**(10,236)**	(3,660)	**(16)**	2,416

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

	Group 2004	Group 2003	Company 2004	Company 2003
Profit before taxation	**67,059**	59,079	**65,548**	60,337
Tax calculated at 25%/15%	**16,765**	14,770	**16,387**	15,084
Income not subject to tax	**(14,766)**	(24,570)	**(14,766)**	(24,570)
Expenses not deductible for tax purposes	**8,295**	7,440	**7,860**	7,287
Utilisation of previously unrecognised losses	**(151,978)**	(80,366)	**(135,893)**	(75,155)

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2004

6. TAXATION (continued)	Group **2004** **P 000**	Group 2003 P 000	Company **2004** **P 000**	Company 2003 P 000
Net difference between depreciation and capital allowances	**(10,668)**	(9,826)	**(363)**	(82)
Expenses subject to double deduction	**(263)**	(143)	**(120)**	(135)
Unutilised losses carried forward	**73,402**	93,882	**54,409**	72,530
Losses fallen away	**72,486**	2,721	**72,486**	2,625
Losses utilised by subsidiaries	**6,727**	6,483	**-**	2,416
	-	10,391	**-**	-

Tax Losses

There is no company taxation charge for the company in view of the tax losses available for carry forward of approximately P218 million (2003:P290 million), which will expire five years after the tax year in which they arose:

Tax year	Group **2004**	Group 2003	Company **2004**	Company 2003
1998/1999	**-**	72,486	**-**	72,486
1999/2000	**219,709**	219,709	**217,636**	217,636
2000/2001	**26,784**	26,784	**-**	-
2001/2002	**30,206**	30,206	**-**	-
2002/2003	**26,344**	26,344	**-**	-
2003/2004	**18,993**	-	**-**	-
	322,036	375,529	**217,636**	290,122

7. INVESTMENT PROPERTIES

	Group **2004**	Group 2003	Company **2004**	Company 2003
Opening net book value	**350,446**	234,413	**-**	-
Additions	**22,400**	111,709	**-**	-
Transfer in (note 8)	**14,884**	12,589		
Transfer out (note 8)	**-**	(2,790)	**-**	-
Disposals	**(9,306)**	-		
Depreciation (note 3)	**(7,430)**	(5,477)	**-**	-
Closing net book value	**370,994**	350,446	**-**	-
Cost	**405,124**	377,145	**-**	-
Accumulated depreciation	**(34,130)**	(26,700)	**-**	-
	370,994	350,446	**-**	-

The directors estimate the fair value of the group's investment properties at P622 million (2003:P519 million) Directors valuation is based on discounted future expected cash flows from the properties. Included in the income statement are the following in respect of investment properties:

	Group 2004	Group 2003	Company 2004	Company 2003
Rental income	26,856	20,034	-	-
Repairs and maintenance	1,746	1,489	-	-

8. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land and buildings	Freehold land and buildings	Computers	Motor vehicles	Plant and machinery	Furniture, fittings and equipment	Capital work in progress	Total
	P 000	P 000	P 000	P 000	P 000	P 000	P 000	P 000
Year ended 30 June 2004								
Opening net book value	127,198	7,794	4,117	764	111,512	12,494	189	264,068
Subsidiaries not consolidated	(65)	-	(23)	-	(316)	(103)	-	(507)
Reversal of revaluation on consolidation	(66)	(305)						(371)
Additions	11,894	-	1,735	373	987	4,957	473	20,419
Transfers	178	-	-	-	-	-	(178)	-
Transfer to investments properties (note 7)	(14,884)	-	-	-	-	-	-	(14,884)
Disposals	(639)	-	(1)	(24)	(46)	(180)	-	(890)
Depreciation (note 3)	(4,049)	(246)	(2,568)	(468)	(10,998)	(2,475)	-	(20,804)
Impairment charge	-	-	-	-	(4,379)	-	-	(4,379)
Closing net book value	119,567	7,243	3,260	645	96,760	14,693	484	242,652
At 30 June 2004								
Cost	153,400	8,228	15,322	3,319	149,935	41,559	483	372,247
Accumulated depreciation	(33,833)	(985)	(12,062)	(2,674)	(38,605)	(26,866)	-	(115,026)
Impairment loss	-	-	-	-	(14,569)	-	-	(14,569)
Net book value	119,567	7,243	3,260	645	96,761	14,693	483	242,652
Year ended 30 June 2003								
Opening net book value	122,187	6,878	5,190	842	9,942	12,805	29,821	187,665
Additions	1,136	73	1,137	255	6,702	3,068	515	12,886
Acquisition of subsidiaries	20,228	-	-	916	88,441	665	-	110,250
Transfer to investment proprty (note 7)	(12,589)	-	-	-	-	-	-	(12,589)
Transfer from investment property (note 7)	2,791	-	-	-	-	-	-	2,791
Revaluation	-	305	-	-	-	-	-	305
Transfer	-	784	-	-	29,363	-	(30,147)	-
Disposals at cost	(5)	-	(13)	(2,360)	(178)	(790)	-	(3,346)
Depreciation on disposals	5	-	-	1,938	-	607	-	2,550
Depreciation (note 3)	(6,556)	(246)	(2,197)	(827)	(12,568)	(3,861)	-	(26,254)
Impairment charge	-	-	-	-	(10,190)	-	-	(10,190)
Closing net book value	127,197	7,794	4,117	764	111,513	12,494	188	264,068

8. PROPERTY, PLANT AND EQUIPMENT continued

At June 2003 Group	Leasehold land and buildings P 000	Freehold 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
Cost	156,982	8,533	13,611	2,970	149,310	36,885	188	368,480
Impairment loss	-	-	-	-	(10,190)		-	(10,190)
Accumulated depreciation	(29,784)	(739)	(9,494)	(2,206)	(27,607)	(24,391)	-	(94,222)
Net book value	127,198	7,794	4,117	764	111,513	12,494	188	264,068

The impairement loss of P14.6m (2003 P10,19m) represents the write -down of carrying value of plant and machinery of a subsidiary company. The recoverable amount was based on value in use and was determined by taking the net present value of future cash flows and thediscounted residual value of the plant in the fifth year. In determining value in use, the net future cash flows were discounted at a nominal rate of 8% on a pre-tax basis.

Ceratin need value of assets are secured as set out in note 31

8. PROPERTY, PLANT AND EQUIPMENT

Company	Leasehold land and buildings P 000	Computers P 000	Motor vehicles P 000	Furniture and fittings P 000	Total P 000
Year ended 30 June 2004					
Opening net book value	89	2,938	28	226	3,281
Additions	-	111	-	8	119
Disposals at cost	-	(21)	-	(205)	(226)
Depreciation on disposals	-	20	-	198	218
Depreciation (note 3)	(4)	(1,129)	(9)	(97)	(1,239)
Closing net book value	**85**	**1,919**	**19**	**130**	**2,153**
At 30 June 2004					
Cost	220	7,769	36	1,824	9,849
Accumulated depreciation	(135)	(5,850)	(17)	(1,694)	(7,696)
Net book value	**85**	**1,919**	**19**	**130**	**2,153**
Year ended 30 June 2003					
pening net book value	93	1,919	19	130	2,161
Additions	-	485	-	48	533
Depreciation (note 3)	(4)	(1,315)	(4)	(112)	(1,436)
Closing net book value	**89**	**1,089**	**15**	**66**	**1,259**
At 30 June 2003					
Cost	220	7,679	36	2,021	9,956
Accumulated depreciation	(131)	(4,741)	(8)	(1,795)	(6,675)
Net book value	**89**	**2,938**	**28**	**226**	**3,281**

NOTES TO THE FINANCIAL STATEMENTS (continued)

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9. SUBSIDIARIES

	Shares at cost P000	Held to maturity Short term loan P000	Long term loan P000	Total loan P000	**2004 Total investment P000**	2003 Total investment P000	% of shares held p.a	Loan interest rate
Agriculture								
Farm Development Company (Pty) Ltd	3,552	138	1,894	2,032	**5,584**	5,584	100	17.5
Malutu Investments (Pty) Ltd	10,000	-	-	-	**10,000**	10,000	70	
Talana Farms (Pty) Ltd	3,033	-	-	-	**3,033**	3,033	100	
	16,585	138	1,894	2,032	**18,617**	18,617		
Industry								
Kwena Concrete Products (Pty) Ltd	6,529	-	-	-	**6,529**	6,529	50	
Lobatse Clay Works (Pty) Ltd	23,719	9,750	37,926	47,676	**71,395**	68,955	100	17.5
Lobatse Tile (Pty) Ltd	66,602	3,148	51,252	54,400	**121,002**	104,673	100	17.5
	96,850	12,898	89,178	102,076	**198,926**	180,157		
Services								
Cresta Marakanelo (Pty) Ltd	11,100	-	-	-	**11,100**	11,100	60	
Export Credit Insurance & Guarantee (Pty) Ltd	10,000	-	-	-	**10,000**	10,000	100	
Gaborone Hotel (Pty) Ltd	1,532	-	-	-	**1,532**	1,532	100	
Tswana Project (Pty) Ltd	1,188	-	-	-	**1,188**	1,188	100	
	23,820	-	-	-	**23,820**	23,820		
Property management								
Apollo Holdings (Pty) Ltd	1,443	-	440	659	**2,102**	1,883	76	16.25
Botswana Hotel Development Co. (Pty) Ltd	36,806	200	89,100	89,300	**126,106**	126,306	100	Nil
Broadhurst Industrial Estate (Pty) Ltd	-	-	-	-	**-**	-	100	
Coleraine Holdings (Pty) Ltd	1,250	544	2,826	3,370	**4,620**	4,434	65	16.25
Commercial Holdings (Pty) Ltd	9,516	540	27,439	27,979	**37,495**	37,440	100	11
Fairground Holdings (Pty) Ltd	8,615	-	-	-	**8,615**	8,615	51	
Holding Company 2574 (Pty) Ltd	-	-	-	-	**-**	-	100	
Holding Company 2680 (Pty) Ltd	-	3,773	11,287	15,060	**15,060**	-	100	16.5
Hotel Development Company (Pty) Ltd	-	-	-	-	**-**	-	100	
Lobatse Industrial Estate (Pty) Ltd	-	-	-	-	**-**	-	100	
Madirelo (Pty) Ltd	-	-	38,112	38,112	**38,112**	-	100	
NPC Investments (Pty) Ltd	1,321	-	-	-	**1,321**	1,321	100	
Phakalane Property Developments (Pty) Ltd	510	-	-	-	**510**	510	100	
Residential Holdings (Pty) Ltd	18,691	378	9,998	10,376	**29,067**	25,232	100	11
SP Factory No.1 (Pty) Ltd	-	-	-	-	**-**	-	100	
SP Factory No.2 (Pty) Ltd	-	-	-	-	**-**	-	100	
Town House Development (Pty) Ltd	-	-	-	-	**-**	-	100	

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2004

9. SUBSIDIARIES continued

			Held to maturity		2004	2003		
	Shares at cost P000	Short term loan P000	Long term loan P000	Total loan P000	**Total investment P000**	Total investment P000	% of shares held p.a	Loan interest rate
Property management (continued)								
Waterloo (Pty) Ltd	-	2,091	17,896	19,987	**19,987**	-	100	14
Western Industrial Estate (Pty) Ltd	112,158		-	3,769	**115,927**	180,234	100	14
	190,310	7,526	197,097	208,612	**398,922**	385,975		
Total all sectors	327,565	20,562	288,169	312,720	**640,285**	608,569		
Less: Current portion of loans included in short-term loans and advances (note 18)				(20,562)	**(20,562)**	(17,782)		
				292,158	**619,723**	590,787		
Less:								
Provision for losses (note 12)					**(95,492)**	(94,331)		
Fair value of loan provided at below market rate (note 3)					**(89,500)**	-		
					434,731	496,456		

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

	2004 P000	2003 P000
Between 1 and 2 years	**20,562**	17,644
Between 2 and 5 years	**75,277**	11,096
Over 5 years	**216,881**	265,201
	312,720	293,941

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 une 2004

10. ASSOCIATED COMPANIES/PARTNERSHIPS

Group	Shares/ capital accounts cost P000	Short term loan P000	Held maturity Long term loan P000	Total loan/ debenture P000	Post acquisition reserves P000	**2004 Total investment P000**	2003 Total investment P000	% of shares held	Loan Interest rate p.a %
Agriculture									
Hortulus (Pty) Ltd	-	-	-	-	-	**-**	-	48	
Legola (Pty) Ltd	498	-	1,607	1,607	(498)	**1,607**	1,607	40	17.5
	498	-	1,607	1,607	(498)	**1,607**	1,607		
Industry									
Algo Spinning and Weaving (Pty) Ltd	-	-	-	-	-	**-**	6,402	22.73	
Asphalt Botswana (Pty) Ltd	1,092	1,099	681	1,780	5,156	8,028	7,393	48	12
Cisco (Pty) Ltd	-	-	-	-	-	-	44,624		
Flowtite Botswana (Pty) Ltd	21,052	-	26,133	26,133	-	**47,185**	47,185	37.21	Various
H J Heinz (Botswana) (Pty) Ltd	2,101	-	-	-	1,292	**3,393**	3,357	20	
Haltek (Pty) Ltd	-	-	-	-	-	**-**	99,680	22.5	17.5
Kwena Rocla (Pty) Ltd	4,900	-	-	-	5,722	**10,622**	6,834	49	
	29,145	1,099	26,814	27,913	12,170	**69,228**	215,475		
Services									
Global Resorts (Pty) Ltd	4,819	-	-	-	6,003	**10,822**	9,495	40	
Healthcare Holdings (Pty) Ltd	7,384	2,338	14,189	16,527	(1,485)	**22,426**	22,418	29.65	Various
Investec Holdings Botswana Ltd	13,500	-	-	-	7,165	**20,665**	16,783	24.24	
Information Trust Company Botswana (Pty) Ltd	147	-	-	-	199	**346**	157	49	
Mashatu Nature Reserve (Pty) Ltd	4,543	213	932	1,145	(3,257)	**2,431**	2,863	30	5
Metropolitan Life of Botswana Ltd	5,000	-	-	-	7,990	**12,990**	9,278	25	
	35,393	2,551	15,121	17,672	16,615	**69,680**	60,994		
Property management									
DBN Developments Partnership	1,500	701	1,247	2,294	6,821	**10,615**	9,989	33.33	11
The Liaison Partnership	1,763	-	-	-	(847)	**916**	859	40	
NBC Developments	1,531	1,379	3,230	2,343	1,653	**5,527**	6,853	33.33	11.5
Diplomatic Services (Pty) Ltd	-	-	-	-	-	**-**	1,337	40	
Riverwalk (Pty) Ltd	4,125	1,324	1,533	2,857	5,444	**12,426**	25,799	20	16
	8,919	3,404	6,010	7,494	13,071	**29,484**	44,837		
Total all sectors	73,955	7,054	49,552	54,686	41,358	**169,999**	322,913		

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2004

10. ASSOCIATED COMPANIES PARTNERS IPS continued

Group	Shares/ capital accounts cost P000	Short term loan P000	Held maturity Long term loan P000	Total loan/ debenture P000	Post acquisition reserves P000	**2004 Total investment P000**	2003 Total investment P000	% of shares held	Loan Interest rate p.a %
Less: Current portion of loans included in short-term loans and advances (note 18)						**(7,054)**	(7,013)		
						162,945	315,900		
						(58,394)	(208,679)		
						104,551	107,221		

Company		
Shares/capital accounts at cost		
-group investment as given above	**73,955**	94,834
-amount invested in DBN Developments by NPC Investments (Pty) Ltd	**(1,500)**	(1,500)
	72,455	93,334
Loans	**54,686**	200,303
	127,141	293,637
Less: Current portion of loans included in short-term loans and advances (note 18)	**(7,054)**	(7,013)
	120,087	286,624
Less: Provision for losses (note 12)	**(70,818)**	(221,178)
	49,269	65,446

Long-term loans are repayable over periods varying from 2 to 10 years and analysed as follows:

	2004 P000	2003 P000
Between 1 and 2 years	**7,054**	7,013
Between 2 and 5 years	**14,975**	5,751
Over 5 years	**32,657**	187,539
	54,686	200,303

Included in post acquisition reserves are the following:

Current year share of associates profits	**24,061**	30,385
Current year share of associates tax charge (note 6)	**(7,369)**	(18,39)
Net profit after taxation	**16,692**	28,546

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2004

	Group		Company	
	2004	2003	2004	2003
			P 000	P 000
11. UNQUOTED INVESTMENTS				
Shares at cost	**36,191**	12,718	**12,458**	12,718
Held to maturity loans	**71,108**	204,510	**71,108**	204,510
	107,299	217,228	**83,566**	217,228
Provision for losses (note 12)	**(21,618)**	(134,824)	**(21,618**	(134,824)
	85,681	82,404	**61,948**	82,404
Less: Current portion of loans included in short-term loans and advances (note 18)	**(15,860)**	(13,187)	**(15,860)**	(13,187)
	69,821	69,217	**46,088**	69,217

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:

Between 1 and 2 years	**15,860**	13,187	**15,860**	13,187
Between 2 and 5 years	**20,846**	16,840	**20,846**	16,840
Over 5 years	**34,402**	174,483	**34,402**	174,483
	71,108	204,510	**71,108**	204,510

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

	Group		Company	
	2004	2003	**2004**	2003
	P 000	P 000	P 000	P 000
12. PROVISIONS FOR LOSSES ON INVESTMENTS				
At 1 July	**343,503**	323,462	**450,333**	416,909
Movement during the year (note 3)	**(261,959)**	20,041	**(262,405)**	33,424
At 30 June	**81,544**	343,503	**187,928**	450,333
Represents provisions against:				
Subsidiaries	**-**	-	93,960	94,331
Subsidiaries not consolidated (note 15)	**1,532**	-	**1,532**	-
Total (note 9)	**1,532**	-	95,492	94,331
Associates (note 10)	**58,394**	208,679	**70,818**	221,178
Unquoted investments (note 11)	**21,618**	134,824	21,618	134,824
	81,544	343,503	**187,928**	450,333

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2004

	Group and Company	
	2004	2003
	P 000	P 000
13 . QUOTED INVESTMENTS		
Shares at cost	**93,480**	93,480
Net gain transferred to fair value reserve (note 23)	**347,640**	187,246
Shares at market value	**441,120**	280,726
Comprising:		
Sechaba Breweries Holdings Ltd.,	**408,532**	262,141
PPC South Africa Ltd.,	**32,588**	18,585
	441,120	280,726

The company holds 34,044,315 (2003: 34,044,315) and 287,187 (2003: 287,187) ordinary shares in Sechaba Breweries Holdings Ltd and PPC South Africa Ltd., respectively.

Although the company owns 25% (2003: 25%) of Sechaba Breweries Holdings Ltd's issued capital, the equity method of accounting is not followed as the company does not exercise significant influence over Sechaba Breweries Holdings Ltd's financial and operating policies.

14. DUE FROM GROUP COMPANIES

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

	Group	
	2004	2003
	P 000	P 000
15. SUBSIDIARIES NOT CONSOLIDATED		
Equity		
Tswana Project (Pty) Ltd	**1,189**	1,189
Gaborone Hotel (Py) Ltd	**1,532**	-
Malutu (Pty) Ltd	**-**	10,000
Thabana Investments (Pty) Ltd	**1,444**	1,444
Phakalane Property Development (Pty) Ltd	**510**	-
	4,675	12,633
Loans		
Thabana Investments (Pty) Ltd	**658**	439
Less: Provision for losses (note 12)	**(1,532)**	-
	3,801	13,072

The above subsidiaries have not been consolidated due to their being either non-operational or audited financial statements are not available. Non consolidation of these subsidiaries has no material effect on the group's results or financial position.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 une 2004

	Group		Company	
	2004	2003	**2004**	2003
	P 000	P 000	**P 000**	P 000
16. INVENTORIES				
Raw materials	**6,130**	5,943	**-**	-
Work in progress	**239**	307	**-**	-
Finished goods	**14,166**	5,884	**-**	-
Livestock	**158**	81	**-**	-
Moulds and patterns	**788**	533	**-**	-
Consumables	**1,451**	1,368	**-**	-
	22,932	14,116	**-**	-

Inventories of subsidiaries amounting to P8.9million (2003:P11.9 million) have been pledged as security for bank overdrafts.(note 31)

17. RECEIVABLES AND PREPAYMENTS				
Gross trade receivables	**37,098**	37,131	**-**	-
Less provision for bad and doubtful debts	**(17,849)**	(17,882)	**-**	-
Net trade receivables	**19,249**	19,249	**-**	-
Prepayments	**179**	179		
Other	**23,625**	49,771	**22,579**	40,704
	43,053	69,199	**22,579**	40,704

Trade receivables of P1.12 million (2003:P0.5 million) in subsidiaries have been pledged as security for bank overdrafts.(note 31)

Movement for the provision for bad and doubtful debts is as follows:

At 1 July	**17,882**	16,017	**-**	-
Net movement during the year	**(33)**	1,865		
At 30 June	**17,849**	17,882	**-**	-

18. SHORT-TERM LOANS AND ADVANCES				
Short-term portion of loans to:				
Subsidiaries (note 9)	**-**	-	**20,562**	17,782
Associated companies (note 10)	**7,054**	7,013	**7,054**	7,013
Unqouted investments (note11)	**15,860**	13,187	**15,860**	13,187
	22,914	20,200	**43,476**	37,982

19. AVAILABLE FOR SALE INVESTMENTS				
Bank of Botswana certificates	**444,345**	147,738	**372,434**	114,161
Land for resale	**-**	622	**-**	-
	444,345	148,360	**372,434**	114,161

Bank of Botswana certificates
Bank of Botswana certificates are held for a maximum period of 90 days. Interest is earned at an effective rate of 12.5% (2003:12.5%). The proportionate amount of interest up to 30th June added to the cost of investment approximate the fair value.

Land for resale
A subsidiary company of the group has approximately 19.9 hectares of land within the Gaborone Showgrounds acquired from the Government of Botswana for development and resale.
The subsidiary was not consolidated during the year.(note 15)

NOTES TO THE FINANCIAL STATEMENTS (continued)

	Group		Company	
	2004	2003	**2004**	2003
	P 000	P 000	**P 000**	P 000
20. CASH AND CASH EQUIVALENTS				
Cash and bank deposits	**71,731**	110,576	**37,942**	51,904

	Group and Company	
	2004	2003
	P 000	P 000
21. SHARE CAPITAL AND SHARE PREMIUM		
Authorised		
Ordinary shares of P1 each	**246,000**	246,000
Cumulative redeemable non-voting preference shares of P1 each		
Class A	**1,200**	1,200
Class B	**1,000**	1,000
Class C	**500**	500
Class D	**800**	800
Class E	**500**	500
	250,000	250,000
Issued and fully paid		
Ordinary shares of P1 each	**238,199**	238,199
Share premium	**297,000**	297,000

22. CONTRIBUTION TO FACTORY PREMISES

The balance comprises of non -refundable contributions received from the Government of Botswana in respect of funding for the construction of factories of the subsidiary companies.

	Group		Company	
	2004	2003	**2004**	2003
	P 000	P 000	**P 000**	P 000
23. FAIR VALUE RESERVE				
At 1 July	**202,593**	198,567	**187,246**	198,567
Movement during the year	**161,985**	4,026	**160,394**	(11,321)
At 30 June	**364,578**	202,593	**347,640**	187,246
Comprising:				
Quoted investments (note 13)	**347,640**	187,246	**347,640**	187,246
Investment properties of associated companies	**16,938**	15,347	**-**	-
	364,578	202,593	**347,640**	187,246
24. OTHER RESERVES				
Capital redemption reserve	**7,060**	7,060	**4,000**	4,000
Capitalisation of bonus shares	**1,504**	1,504	**1,504**	1,504
Statutory capital and solvency reserves	**656**	408	**-**	-
Goodwill on consolidation	**4,840**	4,955	**-**	-
	14,060	13,927	**5,504**	5,504

Stautory capital and sovency 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 reserves respectively.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 une 2004

25. MINORITY INTEREST

	Group	
	2004	2003
	P 000	P 000
At 1 July	**34,288**	34,798
Share of net profit/(losses) of subsidiaries	**4,254**	(17,790)
Reversal of subsidiaries not consolidated this year	**(490)**	-
Share of reserves	**1,679**	34,990
Dividend paid	**(1,094)**	(3,656)
Acquired during the year	**4**	(14,054)
At 30 June	**38,641**	34,288

26. BORROWINGS

	Group		Company	
	2004	**2003**	2004	2004
	P 000	P 000	**P 000**	P 000
Debt Participation Capital Funding				
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P183,000 each over the period to 2008	**1,186**	1,417	**1,186**	1,417
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P137,000 each over the period to 2008	**886**	1,059	**886**	1,059
Unsecured loan bearing interest at 2% per annum repayable in half-yearly instalments of P253,000 each over a period of 17 years	**5,381**	5,774	**5,381**	5,774
Unsecured loan bearing interest at 12.1% per annum repayable in half-yearly instalments of P564,000 each over the period to 2021	**8,063**	8,204	**8,063**	8,204
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P165,000 each over the period to 2011	**1,579**	1,733	**1,579**	1,733
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P145,000 each over the period to 2011	**1,504**	1,634	**1,504**	1,634
Unsecured loan bearing interest at 8.5% per annum repayable in half-yearly instalments of P231,000 each over the period to 2011	**2,527**	2,760	**2,527**	2,760
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P261,000 each over the period to 2012	**3,114**	3,356	**3,114**	3,356
Unsecured loan bearing interest at 7.5% per annum repayable in half-yearly instalments of P316,000 each over the period to 2014	**4,383**	4,669	**4,383**	4,669
Unsecured loan bearing interest at 7.5% per annum repayable in half-yearly instalments of P750,000 each over the period to 2014	**10,771**	11,426	**10,771**	11,426
Unsecured loan bearing interest at 8% per annum repayable in half-yearly instalments of P1,100,000 each over the period to 2015	**15,893**	17,140	**15,893**	17,140
Unsecured loan bearing interest at 8% per annum repayable in half-yearly instalments of P1,580,000 each over the period to 2016	**24,679**	25,797	**24,679**	25,797
Unsecured loan bearing interest at 9.5% per annum repayable in				

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2004

	Group		Company	
	2004	2003	2004	2003
	P 000	P 000	**P 000**	P 000
26. BORROWINGS (continued)				
Unsecured loan bearing interest at 9.5% per annum repayable in half-yearly instalments of P2,515,000 each over the period to 2017	**38,513**	39,793	**38,513**	39,793
Unsecured loan bearing interest at 12.1% per annum repayable in half-yearly instalments of P300,000 each over the period to 2017	**4,051**	4,151	**4,051**	4,151
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	**89,500**	89,500	**89,500**	89,500
Unsecured loan bearing interest at 12.1% per annum repayable in half-yearly instalments of P834,000 each over the period to 2020	**11,676**	11,909	**11,676**	11,909
	227,093	233,821	**227,093**	233,821
European Investment Bank				
Loan bearing interest at 3% per annum, guaranteed by the Government of Botswana, repayable by 2006 (loan number 17210)	**3,884**	5,702	**3,884**	5,702
Unsecured loan bearing interest at 1% per annum repayable in 10 annual payments from 2000 (loan number 70948)	**1,089**	1,172	**1,089**	1,172
Loan bearing interest at 2% per annum, guaranteed by the Government of Botswana, repayable by 2017 (loan number 70893)	**8,621**	8,557	**8,621**	8,557
Loan bearing interest at 3% per annum, guaranteed by the Government of Botswana, repayable by 2005 (loan number 1630)	**1,192**	3,370	**1,192**	3,370
Loan bearing interest at 5% per annum, guaranteed by the Government of Botswana, repayable by 2008 (loan number 70699)	**5,350**	5,311	**5,350**	5,311
	20,136	24,112	**20,136**	24,112

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 une 2004

	Group		Company	
	2004	2003	**2004**	2003
	P 000	P 000	**P 000**	P 000
26. BORROWINGS (continued)				
Bonds				
Bond 1				
Bearing interest at 14% per annum redeemable on 30 November 2004	**50,000**	50,000	**50,000**	50,000
Bond 2				
Bearing interest at a rate linked to Consumer Index Price redeemable on 1 June 2011	**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**	-
Loans by subsidiaries owing to third parties				
Bearing interest at average rate of 15% per annum and repayable over varying periods	**31,720**	-	**-**	-
Mortgage loan and finance leases				
Liabilities under martgage loans and finance leases held over three, four and five years at varying interest rates	**709**	1,308	**-**	-
Gross borrowings	**529,658**	309,241	**497,229**	307,933
Less:				
Portion of exchange loss borne by the Government of Botswana	**(3,365)**	(4,036)	**(3,365)**	(4,036)
-Fair value adjustment arising from valuation of loans at below market interest rates	**(28,471)**	(29,642)	**(116,181)**	(29,642)
	497,822	275,563	**377,683**	274,255
Less: Current portion included under current liabilities	**(59,341)**	(11,394)	**(59,141)**	(11,101)
	438,481	264,169	**318,542**	263,154
Analysis of gross borrowings				
Not later than 1 year	**59,341**	11,394	**59,141**	11,101
Later than 1 year, but not later than 5 years	**30,262**	174,273	**29,839**	96,111
Later than 5 years	**440,055**	123,574	**408,249**	200,721
	529,658	309,241	**497,229**	307,933

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. As 30 June 2004, the total outstanding balance on the Government of Botswana loans that were subsequently transferred to DPCFL was P137,593m.

Finance leases are repayable over a period of four years in monthly instalments of P3,112 each bearing interest at a rate of 18.52% per annum and are secured by motor vehicles with a net book value as follows:

Cost	**766**	766	**-**	-
Accumulated depreciation	**(372)**	(344)	**-**	-
Net book value	**394**	422		

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 une 2004

26. BORROWINGS (continued)

The mortgage loan is repayable over a period of ten years in monthly instalments of P10 650 each, bearing interest at 16.75% per annum and is secured by land building at Plot 115, Unit 6, Kgale Mews, Millennium Park, Gaborone with a book value of P764,000 (2003: P777,000)

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

The composition of foreign currencies of the balances at 30 June 2004 and each instalment are as follows:

Loan number	Currency	Foreign amount of each instalment 000	Foreign at amount 30 June 2004 000	Pula equivalent at 30 June 2004 000
1630	Euro	39	39	
	Pounds Sterling	113	113	1,192
17210	Pounds Sterling	11	44	
	United States Dollar	7	25	
	Euro	55	589	3,884
70699	Euro	19	931	5,350
70893	Euro	30	190	8,620
70948	Euro	17	**205**	1,089
				20,135

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 .

27. GOVERNMENT GRANTS

	Group 2004 P 000	2003 P 000
At 1 July	**36,103**	37,980
Realised during the year	**-**	(1,100)
Amortisation during the year (note 3)	**(777)**	(777)
At 30 June	**35,326**	36,103
Gross Government grants	**49,960**	49,960
Amortisation	**(3,534)**	(2,757)
Utilised as provision for impairment loss	**(10,000)**	(10,000)
Realised	**(1,100)**	(1,100)
	35,326	36,103

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.

28. CLAIMS EQUALISATION RESERVE

	2004	2003
At 1 July	998	922
Transfer from income statement (note 3)	70	76
At 30 June	1,068	998

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 une 2004

28. CLAIMS EQUALISATION RESERVE (continued)

The balance represents provision for possible future insurance claims. 10% of commercial and domestic premium income is transferred annually to this reserve.

29. DEFERRED TAXATION

	Group 2004	Group 2003
At 1 July	**13,659**	9,794
Transfer (to)/from income statement (note 6)	**2,976**	3,865
At 30 June	16,635	13,659

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

30. TRADE AND OTHER PAYABLES

	Group 2004 P 000	Group 2003 P 000	Company 2004 P 000	Company 2003 P 000
Trade payables	**14,419**	13,821	**140**	208
Accruals	**9,134**	15,420	**3,369**	2,225
Other payables	**16,272**	46,801	**5,975**	31,506
	39,825	76,042	**9,484**	33,939

31. BANK OVERDRAFTS

The bank overdrafts of subsidiaries are secured by deeds of hypothecation over fixed and moveable assets and other charges on trade receivables and inventories in the normal course of business.

32. PRIOR YEAR ADJUSTMENTS

	Group 2004	Group 2003	Company 2004	Company 2003
Correction of fundamental errors				
Share premium overstated	**-**	(16,570)	**-**	-
Overstated post acquisition capital reserves of an associated company	**-**	(4,598)	**-**	-
Excess post acquisition profits of an associated company	**-**	(19,107)	**-**	-
	-	(40,275)	**-**	-

33. COMMITMENTS

	Group 2004	Group 2003	Company 2004	Company 2003
Approved capital expenditure	**607**	4,135	**-**	-
Approved equity and loan investments undisbursed	**108,727**	88,794	**108,727**	88,794
	109,334	92,929	**108,727**	88,794

34. CONTINGENT LIABILITIES

	Group 2004	Group 2003	Company 2004	Company 2003
Guarantees in respect of facilities granted to certain subsidiaries and third parties	**9,000**	176	**9,000**	176
Withholding tax payable on management fees and interest thereon	**8,088**	8,088	**-**	
	-			
Other	**5,439**	500	**-**	-
	22,527	8,764	**9,000**	176

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 une 2004

	Group and Company	
	2004	2003
	P 000	P 000
35. PENSION SCHEME ARRANGEMENTS		
The Corporation operates a contributory pension scheme for its eligible employees.The defined contribution scheme was effected in March 2001.		
The cost of providing retirement benefits was:	**1,316,630**	1,075,928

36. FINANCIAL INSTRUMENTS

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.

(I) Credit risk

Financial assets of the group which are subject to credit risk consist mainly of cash resources, loans and investments. Cash resources are placed with financial institutions. These institutions are of high standing. Provisions have been made for loans and investments where necessary.

(ii) 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.

(iii) Interest rate risk

Fluctuations in interest rates impact on the value of short-term cash investment and financing activities, giving rise to interest rate risk. The cash is managed to ensure surplus funds are invested in a manner to achieve maximum returns while minimising risks.

(iv) Fair value

At 30 June 2004 and 2003, 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.

37. RELATED PARTY TRANSACTIONS

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 une 2004

	Group	
	2004	2003
	P'000	P'000
Transactions during the year		
Subsidiaries		
Cresta Marakanelo (Pty) Ltd		
Directors fees	**165**	12
Management fees paid TA Botswana (Pty) Ltd, minority shareholder	**3,654**	3,305
Profit bonus paid to TA Botswana (Pty) Ltd, minority shareholder	**1,388**	1,341
Purchases from Cresta Hospitality (Pvt) Zimbabwe	**125**	394
Kwena Concrete Products (Pty) Litd		
Directors fees	**-**	50
Associated companies		
HealthCare Holdings (Pty) Ltd		
Directors fees	**64**	170
Finance costs on borrowings from Bifm Limited and Debswana Pension Fund	**2,187**	1,450
Metropolitan Life of Botswana Ltd		
Directors fees	**39**	39
Directors remuneration for executive services	**502**	503
Asphalt Botswana (Pty) Ltd		
Directors remuneration for executive services	**432**	275
Global Resorts (Pty) Ltd		
Management fees paid to Global SA (Pty) Limited, the holding company	**6,212**	5,148
ITC Botswana (Pty) Ltd		
Directors remuneration for executive services	**-**	272
Management fees paid to ITC SA (Pty) Ltd, the holding company	**241**	153
HJ Heinz Botswana (Pty) Ltd		
Directors fees	**24**	(1)
Directors remuneration for executive services	**1,119**	952
Royalties paid to Olivine Industries (Pvt) Zimbabwe	**47**	104
Kwena Rocla (Pty) Ltd		
Management fees paid to D and H Industrial Holdings (Pty) Ltd, immediate holding company	**306**	280
Purchases from D and H Industrial Holdings (Pty) Ltd, immediate holding company	**6,271**	1,059
Investec Holdings (Botswana) Ltd		
Directors fees	**-**	49
Directors fees for executive services	**1,326**	2,131
Finance income from fellow subsidiaries	**1,219**	1,529
Finance costs paid to fellow subsidiaries	**526**	2,422
Commission income from fellow subsidiaries	**4**	4
Asset management income/(expenses) from fellow subsidiaries	**895**	415

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 une 2004

	Group 2004 P'000	Group 2003 P'000
37. RELATED PARTY TRANSACTIONS (continued)		
Year end balances		
Subsidiaries		
Cresta Marakanelo (Pty) Ltd		
Due to Cresta Hospitality (Pvt) Zimbabwe-fellow subsidiary	**22**	244
Due to TA Botswana (Pty) Ltd-minority shareholder	**769**	668
Coleraine Holdings (Pty) Ltd		
Due to Raven Investments (Pty) Limited- minority shareholder	**54**	62
Associated companies		
Global Resorts (Pty) Ltd		
Current account balance due to Global Resorts SA (Pty) Ltd, immediate holding company	**543**	368
ITC Botswana (Pty) Ltd		
Current account balance due to ITC SA (Pty) Limited, immediate holding company	**136**	353
HJ Heinz Botswana (Pty) Ltd		
Current account balance due to Olivine Industries (Pvt) Zimbabwe, fellow subsidiary	684	637
Mashatu Nature Reserves (Pty) Ltd		
Current account balance due to MalaMala Ranch (Pty) Ltd	**4,121**	2,557
Loan balance due to Mashatu Investments (Pty) Ltd	**4,630**	4,504
Investec Holdings (Botswana) Ltd		
Deposits due from fellow subsidiaries	**-**	23,687
Deposits received from fellow subsidiaries		647
Investment in Floating Rate Note by fellow subsidiaries	**-**	6,326
Demand and Savings deposits from fellow subsidiaries	**-**	32
Deposits from directors		335
Loans to directors	**-**	342
Opening balance	**342**	32
Loans issued during the year	**-**	754
Interest charged	**58**	161
Loan repayments	**(400)**	(624)
Prior year capital balance	**-**	(772)
Balance at end of the year	**-**	342
Healthcare Holdings (Pty) Ltd		
Debentures-Debswana Pension Fund	**8,961**	9,306
Debentures-Botswana Insurance Fund Management Ltd	**8,760**	9,331

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 une 2004

38. CASH GENERATED FROM OPERATIONS

	Note	Group 2004 P 000	Group 2003 P 000	Company 2004 P 000	Company 2003 P 000
Porfit before taxation		**67,059**	59,079	**65,548**	60,337
Adjustments for:					
Amortisation of Government grants	27	**(777)**	(777)	**-**	
Depreciation			-		
- Investment properties	7	**7,430**	5,477	**-**	-
- Property, plant and equipment	8	**20,804**	26,255	**1,239**	1,436
Dividend received from associates		**3,642**	6,618	**-**	-
Finance (income)/costs		**(6,534)**	(3,571)	**1,684**	13,258
Depreciation relating to assest acquired from the subsidiaries	-	**(14,299)**	-	**-**	
Loss/(profit) on sale of plant and equipment	3	**-**	441	**8**	-
Loss on disposal of investment properties		**3,865**			
Provision for losses on investments	3	**(266,229)**	20,041	**(262,406)**	33,425
Transfer to claims equalisation reserve	28	**70**	76	**-**	-
Transfer of revenue to share of associates profits		**1,061**	1,034	**-**	-
Equity investments written off		**19,805**		**19,805**	-
Loan investments written off		**238,145**		**238,145**	-
Share of result before tax of associates		**(24,061)**	(30,385)	**-**	-
Changes in working capital		**-**		**-**	-
-accounts receivable		**22,107**	(10,369)	**21,225**	1,324
-inventories		**8,818**	(1,714)	**-**	-
-short-term borrowings		**47,947**	617	**48,040**	361
-accounts payable		**(36,217)**	(55,503)	**(24,274)**	(65,983)
				-	
		106,935	3,020	**109,014**	44,158

COMPARATIVE GROUP RESULTS

pula million

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Sales	181.4	152.7	182.8	237.3	254.6	238.8	213.8	211.4	279.4	237.1
Net profit (before tax)	78.6	41	33.2	-18.8	-97.7	32.5	34.6	70.7	59.0	67.0
Interest paid	33.3	26.3	27.1	33.8	31.4	34.8	22.3	22.0	21.0	25.0
Equity	327.2	384.3	470.5	511.5	408.6	435.1	485.1	559.2	559.2	559.2
Capital employed	644.5	664.8	794.4	889.6	786.7	900.4	1,099.1	1,219.3	1,335.6	1,858.6
Employees	12614	11855	13389	13648	11791	7165	5520	5830	5060	-
Return on capital employed	12.20%	6.20%	4.10%	-2.10%	-12.40%	3.60%	3.14%	5.79%	4.41%	3.60%
Net profit to sales	43.40%	26.80%	18.20%	-7.90%	-38.40%	13.60%	16.20%	33.44%	21.11%	28.20%
Interest to sales	18.40%	17.20%	14.80%	14.20%	12.30%	14.60%	10.40%	10.40%	7.51%	10.50%
Debt to sales	1	0.7	0.7	0.7	0.8	0.4	1.1	0.9	0.9	1.9
Assets to liabilities	1.8	2.1	2.2	2.2	1.9	2.7	3.6	3.3	3.3	2.9
BDC investment ratio	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.7	0.7	0.7

Notes

Notes