Botswana Development Corporation Limited

"Your Investment Partner"

Annual Report 2005

A self-reliant approach to development

Living the strategy

Mission:
The Service-Plus Investment Corporation for Botswana

Vision:
"To be the leading Investment and Development Financier"

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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% 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

"The Service-Plus Investment Corporation for Botswana"

Vision

To be the leading Investment and Development Financier.

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.

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

BDC's Products/Services

BDC provides the following services:

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

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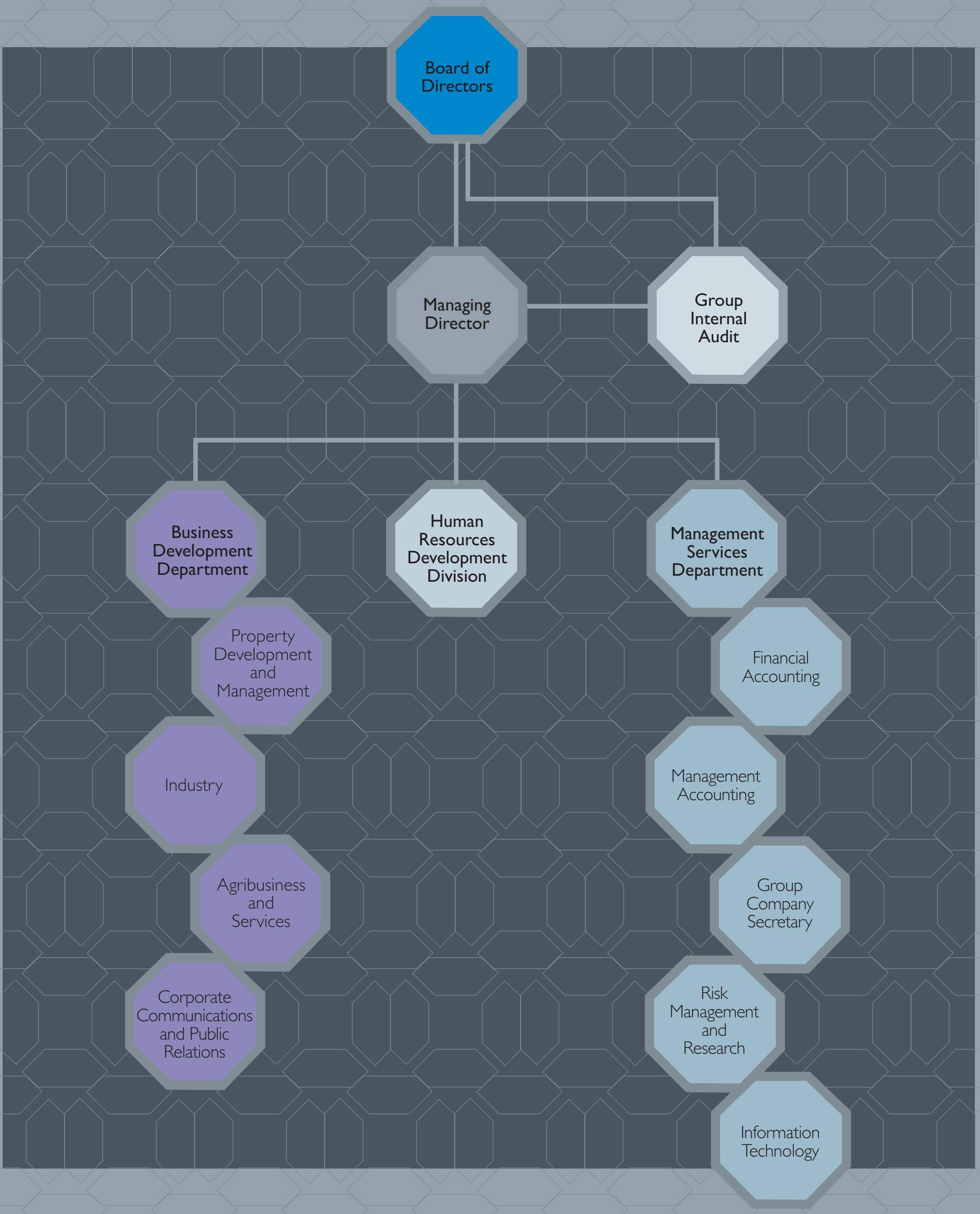
Organisational Structure



Board of Directors

Mr S S G Tumelo
Chairman

Mr K Matambo
Managing Director

Mr D Inger

Mrs I K Kandjii

Mr N K Kwele

Mr O Merafhe

Mrs B K Molosiwa

Dr S E Ndzinge

Mr A B Tafa

Management


Mr K Matambo
Managing Director


Mrs M M Nthebolan
General Manager,
Business Development


Mr J N Kamyuka
General Manager,
Management Services


Mrs W Baipidi-Maje
Manager,
Industry


Mrs G V Garekwe
Group
Company Secretary


Mrs S R Malikongwa
Manager, Corporate
Communications & Public Relations


Mr S T Meti
Manager,
Human Resources


Mr B G Mmualefe
Manager,
Risk & 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 1995-2005

	1995	1996	1997	1998	1999	2000	2001	2002	2003 Restated	2004	2005
Interest on loan	36,295	40,505	50,121	67,034	69,967	57,273	43,206	45,042	49,105	50,205	73,991
Dividend	13,748	9,028	18,841	22,477	26,908	35,461	32,834	43,029	98,281	68,506	95,363
Sundry income	264	3,230	649	5,770	2,247	7,536	5,986	4,703	7,026	14,966	2,501
Profit on sale of investment	208,171	28,992	(1,194)	11,009	(15,229)	0	1,958	0	0	0	0
	260,810	81,755	68,417	106,290	83,893	100,270	83,984	92,774	154,412	133,677	171,855
Less:											
Cost of supplies and services	5,529	7,001	7,964	21,221	12,106	11,577	17,892	17,985	19,979	15,187	16,613
Total Value Added	**255,281**	**74,754**	**60,453**	**85,069**	**71,787**	**88,693**	**66,092**	**74,789**	**134,433**	**118,490**	**155,242**
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	16,058
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	39,616
To Government											
Company taxation on profits	(1,395)	1,857	(2,573)	0	0	0	(4,183)	(7,725)	0	9,459	12,151
To providers of permanent capital											
Dividends to shareholder	36,677	10,149	5,093	5	0	0	0	11,273	0	15,000	20,000
To maintain and expand the Corporation											
Depreciation and provisions against investments	113,193	2,678	14,618	108,230	175,504	25,379	10,862	12,400	42,230	10,893	18,803
Profit retained	80,463	30,890	10,326	(63,737)	(145,096)	19,591	27,094	26,092	60,337	50,532	48,614
Totals	**255,281**	**74,754**	**60,453**	**85,069**	**71,787**	**88,693**	**66,092**	**74,789**	**134,433**	**118,490**	**155,242**

Chairman's Statement

Mr S S G Tumelo
Chairman

The Corporation has started the three year Strategic Plan period on a very positive note indeed. A handsome profit before tax of P80,765 million was achieved as opposed to the Strategy Plan target of P71,730 million, this being 12.60% better than the plan. Furthermore a Return on Shareholder's Funds of 6.51% has been attained against a Strategic Plan target of 6.4% and a minimum requirement of 6.0%.

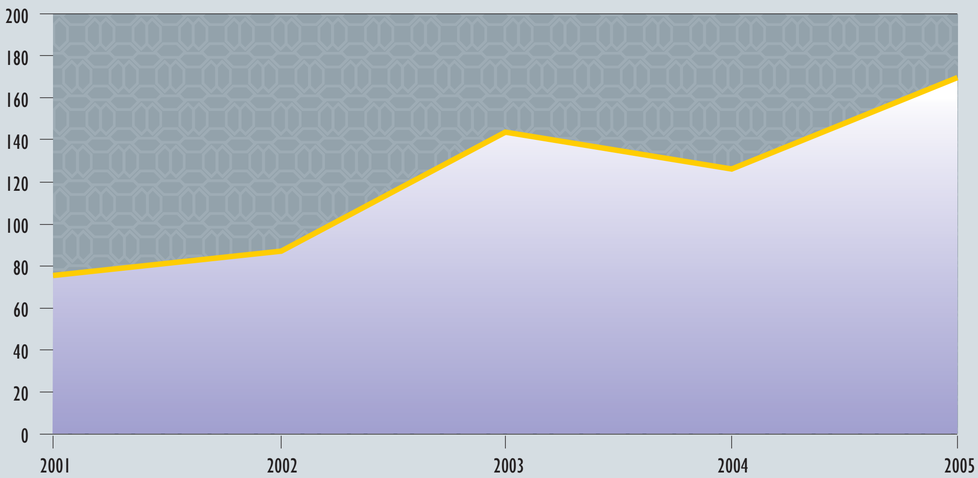
Financial Performance

The Holding Company's turnover continues to grow with an increase of 22% from P101,5 million in 2004 to P123,3 million in the year under review. Furthermore its investment activities have expanded with the Investment Portfolio growing by P58 million.

At Group level, the BDC Group of Companies recorded a Profit Before Tax of P59,9 million against P74,0 million in the previous year. The decline in profitability is attributable to less than desired performance of some of the subsidiary companies due partly to production hiccups and unfavourable market conditions. Nevertheless some companies such as Western Industrial Estates, Kwena Rocla, Metropolitan Life, DBN and NBC have recorded impressive results and picked Group performance.

The Group has also seen an increase in the Property Portfolio to P445,7 million (P370,9 million in 2004) as Group Companies increased investment in industrial, commercial and residential properties. This translates to a healthy 20% growth.

Revenue growth *(million Pula)*



Capital and Reserves for the Group have increased to P1,316 billion from P1,204 billion in the previous year and equating to an 8.7% growth while the Group's Retained Earnings have increased and now stand at P295 million up from P266 million. In all, the Group's performance shows a positive trend as well as a strong position.

Corporate Governance

The Corporation continues to make tremendous strides in its endeavour to comply with best corporate practices including the King 2 report on Corporate Governance. In the past year the Board of Directors adopted a Board Charter intended to guide the Directors activities and relationship with the Corporation. Group companies are also constantly encouraged to emulate the holding company as much as they can.

Conclusion

With yet another successful year, I wish to express my appreciation to management and staff for a job well done. Thanks also go to my colleagues on the Board for their valuable contribution over the past year.

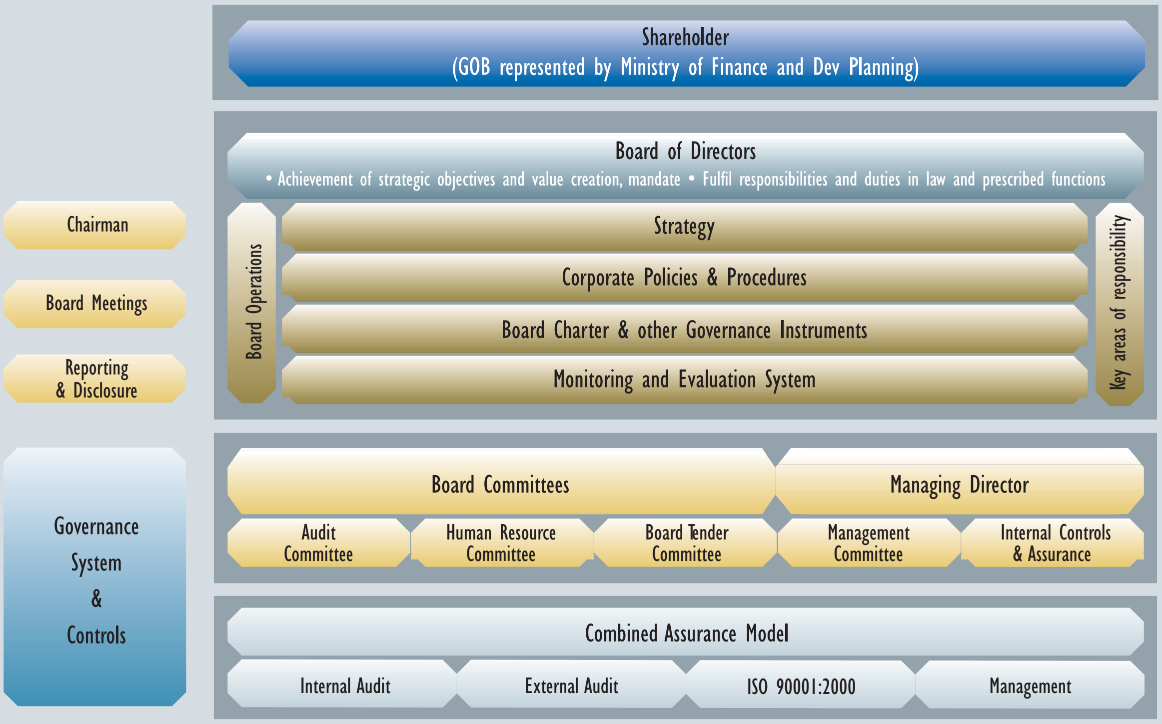
Corporate Governance Statement

The year just gone by has been a particularly notable one for Botswana Development Corporation Limited, in terms of strategic and operational initiatives, as well as setting up a solid governance framework that will ensure that there is clarity. Such clarity is important in respect of both the duties and responsibilities of the Board; the expectations between the Corporation and the Board on the one hand, and the Board and Management on the other.

The Board and Management of the Corporation is proud to have developed and adopted a Board Charter, that will not only be instrumental in guiding the Board in executing its duties but also serve as a catalyst in the development of similar initiatives countrywide. The Board and Management of the Corporation can only be too proud to have set such a pace and to demonstrate their commitment to the Corporation's vision "to be the Leading Development and Investment Financier".

The overall Corporation's Governance model is as illustrated below:

BDC Governance Model



Statement of Compliance

The Corporation remains committed to, and has endeavoured to comply with good corporate governance and best practice. The Board views the implementation of good governance as an integral part of and a necessity for doing business in today's complex economies. Governance principles at BDC remain the same eight pillars of good governance, namely: Transparancy, Accountability, Responsibility, Fairness, Independence, Discipline, Quality and Social Responsibility as pronounced in internationally recognised best practice codes of Corporate Governance.

Corporate Values

The Board ensures that in conducting the Corporation's business and in interacting with stakeholders, due regard is given to conformance to BDC's Corporate Values in force from time to time, which include: Customer Primacy, Employee Development, Teamwork, Professionalism and Integrity:

Shareholder Rights and Expectations

The Corporation's Investment and Divestment Policies, its Code of Ethics, the Board Charter and the Corporation's processes are streamlined to deliver on one objective: To consider stakeholder rights and take into consideration stakeholder's expectations of the Corporation in all its activities. To that end, in addition to stakeholders being given prominence in the Board Charter, the Corporation has as part of its quality framework, developed a Customer Satisfaction and Customer Complaints/Feedback Process that not only ensures that there is an acceptable process to deal with customer concerns but to also ensure that the Corporation's personnel take proactive steps to ensure delivery on customer expectations.

Furthermore the stakeholder framework at BDC is designed to ensure equitable treatment of all shareholders, including minority and foreign shareholders. The Corporation ensures that all shareholders of the same class are treated equally.

Disclosure and transparency

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

Internal Control Systems

The Board of Directors is confident that the policies, systems and procedures in place are sufficient to ensure that the affairs of the Corporation are conducted in such a manner that ensures control, internal check, accountability and necessary reporting to ensure consistency in the delivery of service to customers as well as protecting the assets and interests of the Corporation.

Risk Management

In an endeavour to ensure greater control and accountability the Corporation has in place an enterprise-wide risk management framework that ensures that every organ and processes of the Corporation consider material risks that could negatively impair on the attainment of the Corporation's Corporate Objectives. To ensure that risk management remains a priority on all the Corporations endeavors the Corporation has a dedicated risk management function which is complimented by a Group Internal Audit function to serve as an internal check and continuous reminder of risk management issues as well as keeping management and staff informed on developments in the market that have or may have a bearing on the Corporation's risk profile.

Business Continuity Planning

During the year the Corporation initiated and commenced the implementation of a Business Continuity Planning project. It is the desire of the Board and Management of the Corporation to put processes in place to ensure that there is adequate reintegration of procedures, applications, operations, systems, people, networks and facilities that are critical for resumption of the BDC business in case of a disaster. The program is implemented based on good practice guidelines as defined by the Business Continuity Institute UK. The overall objective of the project is to ensure that no matter how severe a disaster may affect BDC, the Corporation's delivery systems to the most important aspects of its business, the customer, remain undisrupted.

The Board and its Role

The Board plays a pivotal role in the strategic functioning of the Corporation and in setting the direction and pattern of governance in mobilising resources and implementing change. The Board seeks to exploit opportunities to enhance shareholder value through the collective wisdom of a balanced Board membership.

The Corporation's Board of Directors comprises nine non-executive Directors and one executive Director being the Managing Director.

Meetings of the Board are scheduled for 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 the holding company level and at group level.

The Board seeks to effectively represent, and promote the best interests of shareholders with a view to maintaining and adding long-term value to the Corporation to enable it to achieve the corporate objectives.

Ultimately the Board is responsible for and takes necessary steps to ensure perpetuity of the Corporation's going concern status and protection of all its assets, wherever located.

Board Sub-Committees

To deal with issues that require the Board's greater attention to detail the Board has in place an Audit Committee, a Human Resource Committee and a Tender Committee. These committees meet regularly between Board meetings to attend to the normal business of the Corporation and other exigencies as and when necessary.

Directors' Fees

During the year the Corporation authorised payment of the following Board fees to its Directors. Fees for some of the members were paid to their respective employers.

BDC Board and its Sub-Committees

	Main Board	Audit Committee	HR Committee Board	Tender Committee	Total Meetings Attended	Total Fees
1. Tumelo S.S.G (Board Chairman) - (√)	4,350	–	–	–	5	4,350
2. Maine M.T.L (AC Chair) * R	870	–	–	–	2	870
3. Matambo O.K (M.D)	–	–	–	–	11	-
4. Inger D	3,015	–	1,305	–	9	4,320
5. Kandjii I.K (TC +HR Chair)	3,015	–	2,610	870	10	6,495
6. Ndzinge S.E (AC Chair) **	3,225	1,050	-	–	7	4,275
7. Tafa A B	2,580	–	-	435	6	3,015
8. Kwele N K	2,580	–	870	–	7	3,450
9. Merafhe O	3,015	1,275	-	–	8	4,290
10. Molosiwa B.K – (√)	870	–	-	–	2	870
11. E K Mwila	–	–	435	–	1	435
12. Lamdin S (Independent Member)	–	870	-	–	1	870
Total	23,520	3,195	5,220	1,305		33,240

Key: *= Chair for part of the year, **=Subsequent Chair, R=resigned during the year, (√)=Paid to Government

Code of Ethics

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

Environment

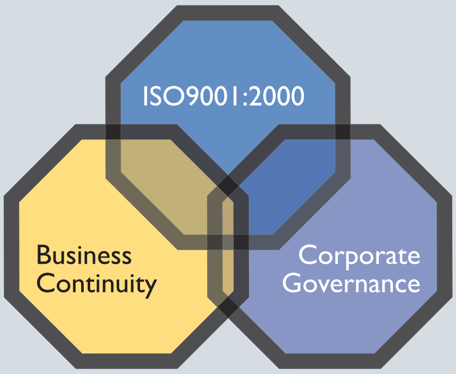
It is the policy of the Corporation to ensure that all new undertakings are both financially sound and in no way compromise environmental issues. It is also the policy of the Corporation to ensure that an environmental impact study is conducted where the Corporation is asked to finance or initiate projects that by their nature may have the potential to adversely affect the environment. During the year the Corporation sponsored environmental impact studies in relation to cans and plastics manufacturing.

Group Internal Audit

The Management and the Board rely on the Corporation's independent Group Internal Audit function to provide assurance on the BDC Group's activities. 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.

During the year, the audit function performed field audits on 50% of the Corporation's subsidiaries. In all cases the Internal Audit function was reasonably satisfied with both the quality of information produced by these companies as well as the improvement in governance systems demonstrated by the subsidiaries. Similarly in cases where non-conformities were discovered and reported, Management and the Boards of the respective subsidiaries initiated and in most cases implemented corrective action.

During the year, Internal Audit function co-ordinated work on other assurance processes including ISO9001:2000 quality audits, development of Corporation's Board Charter as well as initiation of Business Continuity Planning.



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. At the end of the financial year the Board recommended that a dividend of P17,126 Million be paid to the Shareholder, Botswana Government, which represented 25% of the Corporation's Profit before tax.

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 have reviewed the financial statements as set out and have expressed an unqualified audit 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 organisational 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 since 2002, the Corporation's processes, systems and staff underwent two surveillance ISO9001:2000 external audits during the year, conducted by Bureau Veritas Quality International (BVQI) and was consistently certified ISO 9001:2000 compliant, 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.

Managing Director's Report

Mr K Matambo
Managing Director

Performance of the Corporation

The performance of the Corporation has once again been commendable as has been the case in the past. We remain determined to keep up the momentum into the future.

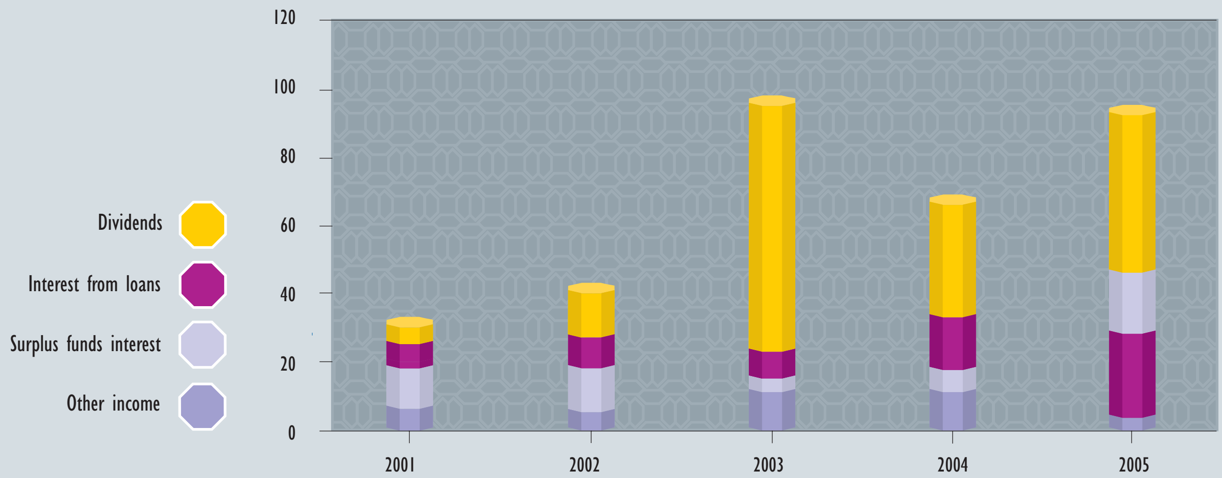
The financial results for the year ended June 2005 show continuing growth in the bottom line performance. A profit before tax of P80,765 million has been recorded. This performance is 14.74% above the set budget and 7.7% better than the previous years results. It is also notable that this performance exceeds the forecast results as per the 3 year strategic plan by 12.60%.

Both dividend income and interest income have continued to grow substantially with dividend income for the year totalling P83,2 million and representing a growth of 41% over the previous year while total interest income grew by 47%. Interest income from loans however, did decline as a result of management taking deliberate decisions to carry out financial restructuring of certain of its entities in which the Corporation has a 100% shareholding and deemed the restructure to be commercially prudent.

The recent slump in the the construction industry has seen the operating capacity of one of our major subsidiaries – Lobatse Clay Works – perform at lower than desired levels. This was exacerbated by the recent unfortunate fire that damaged part of the plant. Also requiring attention are the operations of Lobatse Tile Limited which are less than the planned levels. For both of these subsidiaries the Corporation is actively pursuing measures which will see them get back to the required levels of efficiency.

There still persists a situation of scarcity of bankable projects as many of the projects evaluated fail to stand up to the Corporation's requirements. This has tended to result in less than anticipated disbursements. Notwithstanding the foregoing, the Corporation

Revenue distribution *(million Pula)*



invested P32,5 million (P12,9million in 2004) in equity and P25,8 million (P11,6 million in 2004) in loans during the year.

During the year, the Corporation also paid a dividend of P20 million to its shareholder.

Strategic Review

The Corporation has now completed the first year of the three year Strategic Plan period embarked on in July 2004. Actual performance for the year under review shows profits exceeding the Strategic Plan forecast by 12.60%.

As part of the above mentioned strategy the Corporation is currently considering the introduction of short term financing products i.e. Invoice Discounting and Factoring. Of even greater significance is the Corporation's decision to consider, on an exceptional basis, developmental projects whose rate of return may be lower than the normally accepted rate of return.

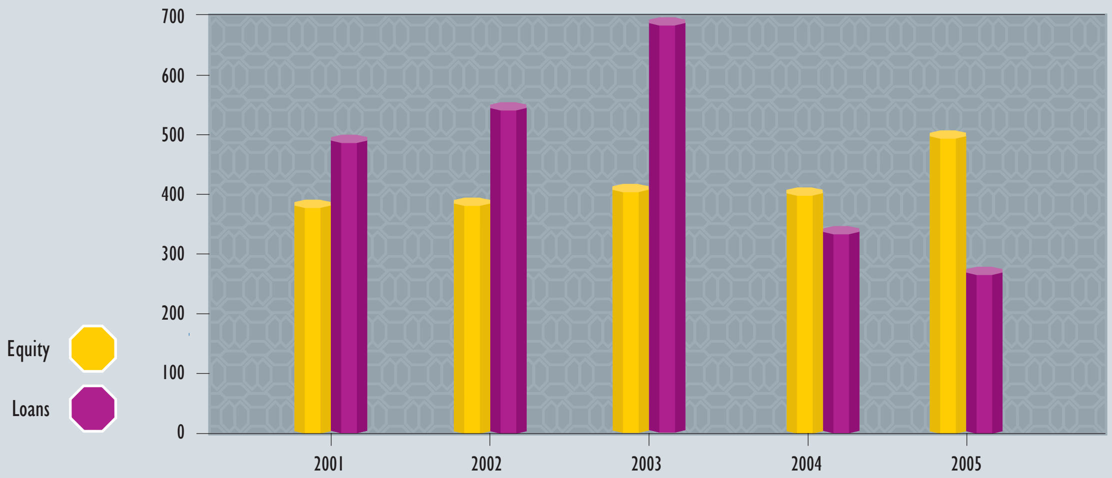
Risk Management

The Corporation's investment portfolio, both equity and loans, was graded twice during the year to establish its credit quality which was found to be sound with only a few cases of arrears which are being closely monitored. Further, the Corporation's portfolio mix is well diverisified and therefore represents a fair spread of risk.

Human Resources

The Corporation continues to actively develop and manage its human resources, in order to effectively contribute to achieving the objectives of the current Corporate Strategy for the period 2004-7. The Corporation also succeeded in retaining well trained, experienced and motivated staff, which was achieved through a continuous review of its conditions of service and the remuneration

Product range *(million Pula)*



structure. Indeed the Corporation can be viewed as employer of choice as indicative of a low staff turnover. The Annual Remuneration Survey conducted by Tsa Badiri Consultancy company revealed that the Corporation is very competitive in terms of its total remuneration package compared to other companies within the financial sector. In view of all these as well as the envisaged outcome of the recently approved Corporate Communication Strategy, which also includes the Employee Loyalty Programme, the staff contribution to the mission of the Corporation, "The Service-Plus Investment Corporation for Botswana" is expected to be enhanced.

Corporate Social Responsibility Programme (CSR)

Qualifying organisations in terms of the Corporation's Social Responsibility policy continue to benefit from the fund. Out of the total budget of P200,000 for the year, the total amount of donations utilised by deserving organisations was almost P170,000. We are confident that the purpose for which the fund was set up for is being achieved.

Corporate Governance

During the year the Corporation initiated the implementation of a Business Continuity Planning project. This is intended to put in place processes that would ensure adequate reintegration of procedures, applications, operation, systems, people and facilities that are critical for the resumption of the BDC business in case of a disaster.

In addition, the Management of the Corporation together with the Board have developed and adopted a Board Charter that not only will be instrumental in guiding the Board in executing its role but will also act as a catalyst in the development of similar initiatives country wide.

The Corporation remains committed to complying with Good Corporate Governance and Best Practice in conducting the Corporation's business.

Business Development Report

Mrs M M Nthebolan
General Manager
Business Development

In the year under review, the Department continued to focus on new business development, and improving the quality of the Corporation's existing portfolio. Portfolio companies in the construction sector, especially Lobatse Clay Works (Pty) Ltd, and Lobatse Tile Limited experienced general decline in performance due to reduced government expenditure and high costs of production. However, other portfolio companies which traditionally had focused on the private market remained in stable condition. Infrastructure development for Fairground Phase 2 plots was completed during the year. All plots are demarcated for commercial developments. Tenders for the sale of plots will be carried out in the financial year ending 2006

The Corporation adopted a Corporate Communications strategy, whose primary objective is to build the image and profile of BDC, to position BDC as a relevant and quality organisation and to create awareness of BDC products and service offering so that they are clearly understood.

The Corporate Communications Strategy is intended to offer the Corporation's Business Development initiatives unparalleled support in business marketing initiatives, by leveraging the corporate brand and products to its various audiences.

Implementation of the strategy began in the year under review, with the development of programmes that will facilitate the implementation of the strategy. The programmes include stakeholder engagement at

Syringa Hotel, the new Peermont Global Botswana acquisition

Corporate and Business Development Level, Employee loyalty, Customer loyalty, Media engagement, Media placement and public awareness.

A BDC Brand Standards Manual was also adopted in the year under review. The Manual provides internal and external stakeholders the necessary tools to project BDC's visual personality in a consistent manner. It also provides them with tools to effectively and efficiently communicate the principles and values of the Corporation when implementing its brand across all mediums and environments.

The Corporation continues to host corporate visits from organisations looking to work and partner with BDC. In the past year, BDC hosted two institutions from the Limpopo Province, the Limpopo Development Corporation and the Limpopo Economic and Investment Authority. In addition to these visits, the Chinese business fraternity based in Johannesburg, South Africa visited BDC through an initiative of the Botswana Johannesburg-based Consulate.

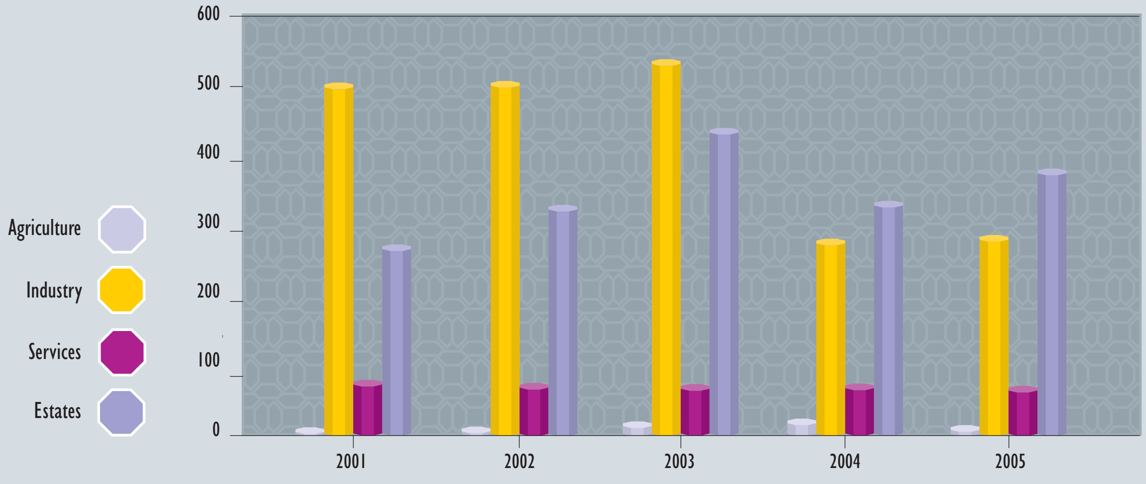
With regards to International Media placement, BDC participated in a supplement published by the China Business Press. The presence in foreign strategic media is an important marketing platform, particularly in China, a country which continues to experience tremendous economic growth.

Corporate Events were facilitated for the launches of the Corporation's Loans Management System and the BDC Board Charter.

To further assist Business Development Divisions in their marketing efforts, Project Profiles were developed and completed in the following sectors; food processing, semi processing, bulk breaking and packaging, printing and publishing, and non-wildlife and cultural tourism.

In cognisance of the increased competition in the property sector, the Department focused

Sector distribution *(million Pula)*



on improving the quality of the portfolio and service provision. In this regard, the Property Development and Management division was restructured and re-organised to be more focused, innovative and efficient. New staff members were recruited to the division.

Industry added two new expansion projects to its portfolio. The Corporation further approved funding for Food Can Manufacturing, at around P28 million.

The food and beverage sector continues to be the highest dividend earner for the Corporation, with Sechaba Breweries Holdings Limited maintaining its good performance.

During the year, Peermont Global (Botswana) (Pty) Ltd, a partnership between Peermont Global Limited and BDC, expanded its operations. The company opened a select services hotel, the Metcourt Inn, next to Grand Palm Hotel. The 149 roomed budget hotel is proving to be popular with guests who are attracted by the lower cost and excellent services. The company also acquired Syringa Lodges in Gaborone and Francistown, together with franchise restaurants operating in the premises.

The Corporation acquired a plot designated for a tourism lodge at Mamuno in the Ghanzi District, along the border with Namibia.

Malutu Enterprises (Pty) Ltd submitted plans for the development of the St Clair Lion's Park. The plans which include zoning and other commercial developments are at an advanced stage.

Water bottling plant at Kgalagadi Breweries Limited

Management Services Report

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 client.

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, service standards are in place to address the Corporation's 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.

During the year under review, the Corporation's investment and loan portfolio was graded twice to establish its credit quality, which was found to be sound. The few cases of arrears which were identified are being monitored closely. Further, the Corporation's portfolio mix was determined to be well diversified and therefore representing a fair spread of risk. In early June 2005, one of the Corporation's 100% subsidiary companies, Lobatse Clay Works (Pty) Ltd was affected by fire which destroyed a section of the factory building, causing damage to electrical instrumentation cabling and the roof. Factory operations were restored within reasonable time, resulting in minimal business interruption.

In order to improve on the existing integrated risk management framework and enhance the Corporation's capacity to build value, preparations are underway to undertake a consultancy to review the overall framework of risk management.

Following the Corporate Strategy Action Plan of March 2004, the Corporation undertook a consultancy to establish the feasibility of introducing Invoice Discounting and Factoring as new products to the Corporation's product range. The consultants have now submitted the final report and the Corporation is considering the recommendations.

After the upgrade of the IT network in the previous financial year, the second phase of the facilities upgrade project was completed in the year under review. The process involved upgrading the corporation's PCs and servers. This has resulted in much faster workstation response times and also enhanced the reliability of the infrastructure.

Furthermore, a major review of the Corporation's IT policies was undertaken during the year to ensure that all aspects of IT security management are adequately covered in light of the technological advancements that have taken place since the last major review. The revised policies have been approved by the Board for implementation.

The Loans Management System implementation was also completed and the system went live in December 2004. The advanced functionality built into the system has resulted in efficiency improvements in the loans management cycle through enhanced reporting capabilities and real-time processing.

Human Resources Report

There were notable changes in human resources development and management, as well as improvements in staff welfare during the review period. On the development side, the Corporation benefited from its membership of the Development Finance Institutions (DFIs) of SADC through sponsorships in the areas of Risk Management and Corporate Finance.

The BDC Board approved the introduction of fixed term contracts for Divisional Managers as a condition of service. In addition, changes were made to the conditions of service regarding staff benefits, with a housing allowance introduced alongside the current Residential Loan scheme. The existing car allowance benefit was also reviewed. The review of the corporate policy on staff benefits is aimed at improving staff welfare, motivation and reinforcing the corporate retention strategy.

Staff Complement

The staff complement at the end of the year was 52 compared to 58 for the same period last year. Eight staff members left the Corporation, and four new members were recruited.

Training

Human capital is the backbone of the Corporation's existence; therefore continuous staff training and development are key elements in its Corporate Strategy. During the year, over 100 man days were invested in seminars, workshops and conferences internally and externally.

Some members of staff continue to be sponsored and supported by the Corporation in their part-time studies, in the areas of Association of Chartered Certified Accountants (ACCA), corporate governance, human resources management and strategic management.

During the year, 40 staff members participated in various training and development short-term programmes covering the areas of finance, auditing corporate governance, law, human resources, credit control, risk management, information technology, corporate strategic management, project management, corporate communications, media relations and branding. One staff member is pursuing a Master of Commerce in Applied Finance at Adelaide University in Australia.

HIV/AIDS

The Aids Committee, made up of BDC Aids Peer Educators, was renamed the Health & Safety Sub-Committee. This is in line with the recently formed Health and Safety Committee, which is responsible for spearheading health and safety issues within the Corporation.

The Corporation continued to successfully implement its HIV/Aids programme using multiple education campaigns, including the use of the Wellness Room. Collaboration with other HIV/Aids organisations such as Botswana Business Coalition on Aids (BBCA) and Botswana Network of Aids Service Organisations (BONASO) continued during the year.

Directors' Statement of Responsibility

for the year ended 30 June 2005

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 (IFRS) 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 26 to 56 were approved by the board of Directors on 20 October 2005 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 and company balance sheets of Botswana Development Corporation Limited as of 30 June 2005 and the related statements of income, cash flows and changes in shareholders' equity as set out on pages 26 to 56 for the year then ended . 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 (ISA). 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 accompanying financial statements give a true and fair view of the state of the financial position of the company and the group as of 30 June 2005 and the results of their operations, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Botswana Companies Act (CAP 42:01).

PricewaterhouseCoopers

20 October 2005

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 2005 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 26 to 56.
2. A dividend of P20,0m 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:
   S S G Tumelo – Chairman
   O Merafhe – From 9th September 2004
   O K Matambo – Managing
   B K Molosiwa – From 9th September 2004
   D Inger
   S E Nzinge
   I K Kandjii
   A B Tafa
   N K Kwele
   M T L Maine – Resigned 17th March 2005

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 P238,199,462 being 238 199 462 ordinary shares of P1 each
   Share premium P297,000,000

Investments

6. During the year the company invested further equity into the following wholly owned subsidiaries:
   a) Commercial Holdings – P20,182,671
   b) Residential Holdings (Pty) Ltd, – P11,543,742
   c) Western Industrial Estates (Pty) Ltd – P88,240
   d) Preference Shares in Kwena Concrete Products (Pty) Ltd for P2,625,000 were converted to loan

Disinvestments

7. The company divested as follows:
   a) Ordinary Shares in Gaborone Hotel (Pty) Ltd for P411,000.
   b) Preference Shares in Northen Textiles (Pty) Ltd for P181,066.

Directors' fees and expenses

8. It is recommended that directors' fees and expenses of P33, 240 and directors' emoluments of P539,000 for the year to 30 June 2005 be ratified.

By Order of the Board

G V Garekwe
Group Company Secretary

Income Statement

For the year ended 30 June 2005

	Notes	Group 2005 P000	Group Restated 2004 P000	Company 2005 P000	Company Restated 2004 P000
REVENUE	1	**237,097**	244,068	**123,332**	101,453
Cost of revenue		**(125,584)**	(122,482)	**–**	
Gross profit		**111,513**	121,586	**123,332**	101,453
Other operating income	2	**7,893**	18,507	**2,501**	14,966
Distribution costs		**(1,977)**	(3,639)	**–**	–
Administrative expenses		**(39,780)**	(33,011)	**(28,128)**	(20,451)
Other operating expenses		**(55,782)**	(60,022)	**(24,547)**	(19,293)
OPERATING PROFIT	3	**21,867**	43,421	**73,158**	76,675
Net finance income/(cost)	5	**13,843**	6,534	**7,607**	(1,684)
Share of associates profit	10	**24,248**	24,061	**–**	–
PROFIT BEFORE TAXATION		**59,958**	74,016	**80,765**	74,991
Taxation	6	**(16,435)**	(17,193)	**(12,151)**	(9,459)
NET PROFIT before outside shareholders		**43,523**	56,823	**68,614**	65,532
Minority interest in (profits)/losses	25	**(207)**	(4,254)	**–**	–
NET PROFIT attributable to ordinary shareholders		**43,316**	52,569	**68,614**	65,532

Balance Sheet

At 30 June 2005

	Notes	Group 2005 P000	Group Restated 2004 P000	Company 2005 P000	Company Restated 2004 P000
ASSETS					
Non-current assets					
Investment properties	7	**445,664**	370,994	**–**	–
Property, plant and equipment	8	**214,886**	242,652	**1,574**	2,153
Subsidiaries	9	**–**	–	**471,276**	434,731
Associated companies/partnerships	10	**75,105**	104,551	**41,869**	49,269
Unquoted investments	11	**33,262**	69,821	**32,799**	46,088
Quoted investments	13	**529,332**	441,120	**529,332**	441,120
Due from group companies	14	**–**	–	**33,029**	27,346
Subsidiaries not consolidated	15	**1,699**	3,801	**–**	–
		1,299,948	1,232,939	**1,109,879**	1,000,707
Current assets					
Inventories	16	**15,346**	22,932	**–**	–
Receivables and prepayments	17	**51,401**	43,053	**19,324**	22,579
Taxation recoverable		**22,387**	16,806	**1,262**	1,262
Short-term loans and advances	18	**23,175**	22,914	**45,618**	43,476
Available for sale of investments	19	**415,666**	444,345	**346,714**	372,434
Cash and cash equivalents	20	**78,822**	71,731	**39,085**	37,942
		606,797	621,781	**452,003**	477,693
TOTAL ASSETS		**1,906,745**	1,854,720	**1,561,882**	1,478,400
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	**452,790**	364,578	**435,852**	347,640
Other reserves	24	**9,828**	14,060	**5,504**	5,504
Retained earnings		**294,650**	266,494	**214,048**	165,434
		1,316,537	1,204,401	**1,214,673**	1,077,847
Minority interest	25	**38,848**	38,641	**–**	–
Non-current liabilities					
Borrowings	26	**411,269**	438,481	**312,849**	318,542
Government grants	27	**34,549**	35,326	**–**	–
Claims equalisation reserve	28	**846**	1,068	**–**	–
Deferred tax	29	**13,891**	16,635	**–**	–
		460,555	491,510	**312,849**	318,542
Current liabilities					
Borrowings	26	**26,606**	59,341	**9,947**	59,141
Tax payable		**312**	1,281	**–**	–
Capital gains tax		**245**	245	**245**	245
Dividend payable		**13,141**	13,141	**13,141**	13,141
Trade and other payables	30	**40,963**	39,825	**11,027**	9,484
Bank overdrafts	31	**9,538**	6,335	**–**	–
		90,805	120,168	**34,360**	82,011
TOTAL LIABILITIES		**551,360**	611,678	**347,209**	400,553
TOTAL EQUITY AND LIABILITIES		**1,906,745**	1,854,720	**1,561,882**	1,478,400

Statements of Changes in Equity

for the year ended 30 June 2005

	Share capital P000	Share premium P000	Capital redemption reserve P000	Donated capital P000	Capitalisation of bonus shares P000	Contri- bution to factory premises P000	Fair value reserve P000	Revaluation reserve P000	Contingency reserve P000	Statutory capital/ solvency reserve P000	Goodwill on consoli- dation P000	Retained earnings P000	Proposed dividends P000	Total P000
Group														
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**
Year ended 30 June 2005							71,565							
Balance at 1 July 2004 as previously reported	238,199	297,000	7,060	–	1,504	24,070	364,578	–		656	4,840	266,494	–	1,204,401
Negative goodwill written back											(4,840)	4,840		
Balance at 1 July 2004 as restated	238,199	297,000	7,060	–	1,504	24,070	364,578	–		656	–	271,334	–	1,204,401
Fair value adjustment of quoted investments							88,212			873				89,085
Movement during the year	–													
Transfers										(265)				(265)
Dividend paid												(20,000)		(20,000)
Net profit for the year												43,316		43,316
Balance at 30 June 2005	**238,199**	**297,000**	**7,060**	**–**	**1,504**	**24,070**	**452,790**	**–**		**1 264**	**–**	**294,650**	**–**	**1,316,537**
Company														
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	–	–	–	–	–	–	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**
Year ended 30 June 2005														
Balance at 1 July 2003	238,199	297,000	4,000	–	1,504	24,070	347,640	–		–	–	165,434	–	1,077,847
Dividend paid	–	–	–	–	–	–	–	–		–	–	(20,000)	–	(20,000)
Fair value adjustment of quoted investments	–	–	–	–	–	–	88,212	–		–	–	–	–	88,212
Net profit for the year	–	–	–	–	–	–	–	–		–		– 68,614	–	68,614
Balance at 30 June 2005	**238,199**	**297,000**	**4,000**	**–**	**1,504**	**24,070**	**435,852**	**–**		**–**	**–**	**214,048**	**–**	**1,214,673**

Cash Flow Statements

for the year ended 30 June 2005

	Notes	Consolidated 2005 P000	Consolidated Restated 2004 P000	Company 2005 P000	Company 2004 P000
Operating activities					
Cash generated from operations	37	**86,516**	113,892	**51,350**	118,457
Interest received	5	**57,100**	30,192	**46,022**	17,258
Interest paid and exchange loss	5	**(43,258)**	(23,658)	**(38,415)**	(18,942)
Tax paid		**(22,027)**	(17,849)	**(12,151)**	(9,443)
Net cash from operating activities		**78,331**	102,577	**46,806**	107,330
Investing activities					
Acquisition of subsidiaries, net of cash acquired		**–**	–	**–**	–
Additions to investment properties	7	**(85,370)**	(22,400)	**–**	–
Disposal of investments		**2,884**	1,334	**5,664**	1,334
Proceeds from disposal of property, plant and equipment		**–**	687	**–**	–
Proceeds from disposal of investment properties		**4,808**	5,440		
Investments in subsidiaries not consolidated		**(2,102)**	(9,920)	**–**	–
Loans disbursed to associated companies		**(10,767)**	(3,568)	**(10,768)**	(3,568)
Loans disbursed to non-affiliated companies		**(14,790)**	(15,257)	**(14,790)**	(15,257)
Loans disbursed to subsidiaries		**–**	–	**(38,529)**	(25,902)
Loans repaid by associated companies		**7,828**	18,284	**7,828**	18,284
Loans repaid by non-affiliated companies		**46,965**	41,236	**23,696**	41,236
Loans repaid by subsidiaries		**–**	–	**14,608**	6,983
Purchase of property, plant and equipment	8	**(4,760)**	(20,371)	**(797)**	(119)
Purchase of shares in associated companies		**–**	–	**–**	–
Purchase of shares in subsidiaries		**–**	–	**(32,602)**	(12,937)
Real estate development		**–**	–	**–**	–
Net cash used in investing activities		**(55,304)**	(4,536)	**(45,690)**	10,054
Financing activities					
Dividends paid to group shareholders		**(20,000)**	(15,000)	**(20,000)**	(15,000)
Dividends paid to minority interests	25	**(606)**	(1,094)	**–**	–
(Decrease)/increase in long term borrowings		**(27,212)**	173,141	**(5,693)**	141,927
Net cash used in financing activities		**(47,818)**	157,047	**(25,693)**	126,927
(Decrease)/increase in cash and cash equivalents		**(24,791)**	255,088	**(24,577)**	244,311
Movement in cash and cash equivalents					
Start of year		**509,741**	254,653	**410,376**	166,065
Increase/(decrease)		**(24,791)**	255,088	**(24,577)**	244,311
End of year		**484,950**	509,741	**385,799**	410,376
Cash and cash equivalents	20	**78,822**	71,731	**39,085**	37,942
Available for sale investments	19	**415,666**	444,345	**346,714**	372,434
Bank overdraft	31	**(9,538)**	(6,335)	**–**	–
		484,950	509,741	**385,799**	410,376

Accounting Policies

for the year ended 30 June 2005

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.

Goodwill

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

Goodwill is allocated to cash generating units for the purpose of impairment testing.

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: 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.

Trading

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.

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-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

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

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.

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 35.

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 the Financial Statements

30 June 2005

	Group 2005 P000	Group 2004 P000	Company 2005 P000	Company 2004 P000
1. REVENUE				
Income from trade	**176,165**	184,821	**–**	–
Interest on loans:				
– Subsidiaries	**–**	–	**18,664**	20,080
– Associated companies	**963**	2,399	**963**	2,399
– Unquoted investments	**8,342**	10,468	**8,342**	10,468
Dividends received:				
– Subsidiaries	**–**	–	**16,950**	18,291
– Associated companies	**–**	–	**26,786**	3,835
– Unquoted investments	**51,627**	46,380	**51,627**	46,380
	237,097	244,068	**123,332**	101,453
2. OTHER OPERATING INCOME				
Cost Recoveries	**2,048**	1,989	**2,048**	1,989
Profit on sale of investments	**27**	128	**27**	136
Directors fees received	**122**	153	**122**	153
Loan negotiating fees	**12**	66	**12**	66
Work out management fees	**–**	7,593	**–**	7,593
Work out bad debts recovered	**136**	4,512	**136**	4,512
Sundry revenue	**5,548**	4,066	**156**	517
	7,893	18,507	**2,501**	14,966
3. OPERATING PROFIT				
The following items have been charged/(credited) in arriving at operating profit: in addition to the amounts already disclosed in notes 1 and 2 above:				
Amortisation of government grant	**(777)**	(777)	**–**	–
Auditors' remuneration – current year	**762**	705	**153**	–
Auditors' remuneration – prior year underprovision	**–**	28	**–**	28
– prior year underprovision	**–**	28	**–**	28
Operating lease payments	**1,255**	1,575	**–**	–
Depreciation				
Investment properties	**5,892**	7,430	**–**	–
Property, plant and equipment	**22,503**	20,804	**–**	1,239
Directors' fees	**229**	34	**28**	34
Directors' emoluments	**539**	561	**539**	561
Reduction in value of loan given to subsidiary at below market rate	**–**	–	**–**	(89,500)
Reduction in value of loan received at below market rate	**–**	–	**–**	89,500
Provision for losses:				
– investments (note 12)	**7,022**	(261,959)	**8,340**	(262,405)
Derecognition of financial liability	**–**	(963)	**–**	–
Work out bad debts recovered	**136**	3,125	**136**	3,125
Transfers to claims equilisation reserves	**222**	70	**–**	–
Impairment of property, plant and equipment	**8,630**	4,379	**–**	–
Costs recoveries	**2,048**	(6,109)	**2,048**	(8,097)
Repairs and maintenance	**4,018**	4,432	**18**	18
(Profit)/loss on:				
– disposal of property, plant and equipment	**285**	483	**(27)**	(7)

	Group		Company	
	2005	2004	**2005**	2004
	P000	P000	**P000**	P000
4. STAFF COSTS				
Salaries and wages	**53,074**	47,627	**14,408**	10,965
Terminal benefits	**3,759**	3,198	**1,650**	1,317
	56,833	50,825	**16,058**	12,282
Average number of employees	**4,879**	5,045	**56**	58
5. NET FINANCE INCOME/(COST)				
Interest income				
– short term bank deposits	**3,577**	9,471	**–**	4,485
– Bank of Botswana certificates	**53,523**	20,721	**46,022**	12,773
	57,100	30,192	**46,022**	17,258
Interest expense				
– bank borrowings	**(4,406)**	(4,725)	**–**	–
– bonds	**(25,218)**	(7,000)	**(25,218)**	(7,000)
– long-term borrowings	**(14,398)**	(13,324)	**(14,398)**	(13,324)
– finance leases	**–**	–	**–**	–
	(44,022)	(25,049)	**(39,616)**	(20,324)
Exchange gain/(losses)	**765**	1,391	**1,201**	1,382
	13,843	6,534	**7,607**	(1,684)
6. TAXATION				
Botswana company taxation				
– basic tax at 15%/5%	**(4,244)**	(4,600)	**–**	–
– additional tax at 10%	**(2,701)**	(3,075)	**–**	–
	(6,945)	(7,675)	**–**	–
Withholding tax paid on dividends	**(12,151)**	(6,957)	**(12,151)**	(9,443)
Prior year over/(under) provision	**513**	1,102	**–**	–
Group tax relief	**6,203**	6,682	**–**	(16)
	(12,380)	(6,848)	**(12,151)**	(9,459)
Transfer (to)/from deferred taxation (note 29)	**(758)**	(2,976)	**–**	–
Share of associated company taxation	**(3,297)**	(7,369)	**–**	–
Charge for the year	**(16,435)**	(17,193)	**(12,151)**	(9,459)
The tax on the profit before taxation differs from the theoretical amount as follows:				
Profit before taxation	**59,958**	74,016	**80,765**	74,991
Tax calculated at 25%/15%	**14,990**	18,504	**20,191**	18,748
Income not subject to tax	**(9,287)**	(16,505)	**(16,245)**	(17,127)
Expenses not deductible for tax purposes	**(789)**	8,295	**–**	7,860
Utilisation of previously unrecognised losses	**(3,750)**	(151,978)	**(3,750)**	(135,893)
Net difference between depreciation and capital allowances	**(795)**	(10,668)	**(56)**	(363)
Expenses subject to double deduction	**(140)**	(263)	**(140)**	(120)
Unutilised losses carried forward	**–**	73,402	**–**	54,409
Losses fallen away	**–**	72,486	**–**	72,486
Losses utilised by subsidiaries	**6,203**	6,727	**–**	–
	6,432	–	**–**	–

	Group 2005 P000	Group 2004 P000	Company 2005 P000	Company 2004 P000
6. TAXATION (continued)				
Tax Losses				
There is no company taxation charge in view of the tax losses available which has been set off against the profit for the year. There are no carry forward losses in the current year as the loss falls away (2004: P218,0 million).				
Tax year				
2000/2001	**26,784**	26,784	**–**	–
2001/2002	**30,206**	30,206	**–**	–
2002/2003	**26,344**	26,344	**–**	–
2003/2004	**18,993**	18,993	**–**	–
2004/2005	**25,142**	–		
	127,469	102,327	**–**	–
7. INVESTMENT PROPERTIES				
Opening net book value	**370,994**	350,446	**–**	–
Additions	**85,370**	22,400	**–**	–
Transfer in (note 8)	**–**	14,884		
Transfer out (note 8)	**–**	–	**–**	–
Disposals	**(4,808)**	(9,306)		
Depreciation (note 3)	**(5,892)**	(7,430)	**–**	–
Closing net book value	**445,664**	370,994	**–**	–
Cost	**485,686**	405,124	**–**	–
Accumulated depreciation	**40,022**	(34,130)	**–**	–
	445,664	370,994	**–**	–
The directors estimate the fair value of the group's investment properties at P734,0 million (2004: P622,0 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:				
Rental income	**28,308**	26,856	**–**	–
Repairs and maintenance	**1,537**	1,746	**–**	–

8. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land and buildings P000	Freehold land and buildings P000	Com– puters P000	Motor vehicles P000	Plant and machinery P000	Furniture, fittings and equipment P000	Capital work in progress P000	Total P000
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	988	4,956	473	20,419
Transfers	178	–	–	–	–	–	(178)	–
Transfer to investments properties	(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**	**96,761**	**14,692**	**484**	**242,652**
At 30 June 2004								
Cost	153,400	8,228	15,322	3,319	149,935	41,559	484	372,247
Accumulated depreciation	(33,833)	(985)	(12,062)	(2,674)	(38,605)	(26,867)	–	(115,026)
Impairment loss	–	–	–	–	(14,569)	–	–	(14,569)
Net book value	**119,567**	**7,243**	**3,260**	**645**	**96,761**	**14,692**	**484**	**242,652**
Year ended 30 June 2005								
Opening net book value	119,567	7,243	3,260	645	96,761	14,692	484	242,652
Additions	252	71	1,734	394	970	505	834	4,760
Transfer	1,245	(1,245)	–	–	–	59	(59)	–
Depreciation	(927)	(202)	(2,210)	(450)	(15,517)	(3,197)	–	(22,503)
Disposals	–	–	(69)	(1)	(1,245)	(78)	–	(1,393)
Impairment charge	–	–	–	–	(8,630)	–	–	(8,630)
Closing net book value	**120,137**	**5,867**	**2,715**	**588**	**72,339**	**11,981**	**1,259**	**214,886**
At 30 June 2005								
Cost	154,897	7,054	16,987	3,712	149,988	42,044	1,259	375,942
Impairment loss	–	–	–	–	(23,198)	–	–	(23,198)
Accumulated depreciation	(34,760)	(1,187)	(14,272)	(3,124)	(54,451)	(30,063)	–	(137,858)
Net book value	**120,137**	**5,867**	**2,715**	**588**	**72,339**	**11,981**	**1,259**	**214,886**

The impairement loss of P23,2 million (2004: P14.6million) represents the write-down of carrying value of plant and machinery of a subsidiary company. The recoverable amount was based on value in use and was determined by taking the Net Present Value of future cash flows and the discounted residual value of the plant in the fifth year. In determining value in use, the net future cash flows were discounted at a nominal rate of 8% on a pre–tax basis

8. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold land and buildings	Com–puters	Motor vehicles	Furniture and fittings	Total
Company	P000	P000	P000	P000	P000
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 2005					
Opening net book value	85	1,919	19	130	2,153
Additions	–	685	–	112	797
Depreciation (note 3)	(4)	(1,282)	(10)	(80)	(1,376)
Closing net book value	**81**	**1,322**	**9**	**162**	**1,574**
At 30 June 2005					
Cost	220	8,454	36	1,936	10,646
Accumulated depreciation	(139)	(7,132)	(27)	(1,774)	(9,072)
Net book value	**81**	**1,322**	**9**	**162**	**1,574**

9. SUBSIDIARIES

	Shares at cost P000	Held to maturity Short-term loan P000	Long-term loan P000	Total loan P000	**2005 Total investment P000**	2004 Total investment P000	% of shares held	Loan interest rate p.a %
Agriculture								
Farm Development Company (Pty) Ltd	3,552	1,248	–	1,248	**4,800**	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	1,248	–	1,248	**17,833**	18,617		
Industry								
Kwena Concrete Products (Pty) Ltd	3,904	350	1,403	1,753	**5,657**	6,529	50	
Lobatse Clay Works (Pty) Ltd	41,073	8,210	19,762	27,972	**69,045**	71,395	100	17.5
Lobatse Tile (Pty) Ltd	90,636	6,411	34,523	40,934	**131,570**	121,002	100	17.5
	135,613	14,971	55,688	70,659	**206,272**	198,926		
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	100	
Tswana Project (Pty) Ltd	1,188	–	–	–	**1,188**	1,188	100	
	22,288	–	–	–	**22,288**	23,820		
Property management								
Apollo Holdings (Pty) Ltd	1,444	–	764	764	**2,208**	2,102	76	16.25
Botswana Hotel Development Co. (Pty) Ltd	36,806	200	89,300	89,500	**126,306**	126,106	100	
Coleraine Holdings (Pty) Ltd	1,250	544	2,991	3,535	**4,785**	4,620	65	16.25
Commercial Holdings (Pty) Ltd	29,698	540	22,410	22,950	**52,648**	37,495	100	11
Fairground Holdings (Pty) Ltd	8,615	–	–	–	**8,615**	8,615	51	
Holding Company 2680 (Pty) Ltd	–	2,151	12,527	14,678	**14,678**	15,060	100	16.5
Madirelo (Pty) Ltd	–	–	–	–	**–**	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	30,234	498	18,016	18,514	**48,748**	29,067	100	11
Western Industrial Estate (Pty) Ltd	150,357	2,291	34,269	36,560	**186,917**	115,927	100	
	260,235	6,224	180,277	186,501	**446,736**	398,922		
Total all sectors	434,721	22,443	235,965	258,408	**693,129**	640,285		
Less: Current portion of loans included in short-term loans and advances (note 18)				(22,443)	**(22,443)**	(20,562)		
				235,965	**670,686**	619,723		
Less:								
Provision for losses (note 12)					**(109,910)**	(95,492)		
Fair value of loan provided at below market rate					**(89,500)**	(89,500)		
					471,276	434,731		

9. SUBSIDIARIES (continued)

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

	2005 P000	2004 P000
Between 1 and 2 years	**22,443**	17,644
Between 2 and 5 years	**55,680**	11,096
Over 5 years	**180,285**	265,201
	258,408	293,941

10. ASSOCIATED COMPANIES/PARTNERSHIPS

Group	Shares/ capital accounts cost P000	Held to maturity Short-term loan P000	Long-term loan P000	Total loan/ debenture P000	Post acquisition reserves P000	**2005 Total investment P000**	2004 Total investment P000	% of shares held	Loa Interest rate p.a %
Agriculture									
Legola (Pty) Ltd	–	–	–	–	–	**–**	1,607	40	17.5
	–	–	–	–	–	**–**	1,607		
Industry									
Asphalt Botswana (Pty) Ltd	1,092	550	131	681	5,149	**6,922**	8,028	48	12
Flowtite Botswana (Pty) Ltd	11,247	–	35,937	35,937	–	**47,184**	47,185	37.21	Various
H J Heinz (Botswana) (Pty) Ltd	2,101	–	–	–	1,273	**3,374**	3,393	20	
Kwena Rocla (Pty) Ltd	2,695	–	–	–	7,015	**9,710**	10,622	49	
	17,135	550	36,068	36,618	13,437	**67,190**	69,228		
Services									
Global Resorts (Pty) Ltd	4,819	–	–	–	9,370	**14,189**	10,822	40	
Healthcare Holdings (Pty) Ltd	7,384	1,761	10,704	12,465	(1,149)	**18,700**	22,426	29.65	Various
Investec Holdings Botswana Ltd	13,500	–	–	–	(13,461)	**39**	20,665	24.24	
Information Trust Company Botswana (Pty) Ltd	147	–	–	–	85	**232**	346	49	
Mashatu Nature Reserve (Pty) Ltd	4,543	–	1,145	1,145	(3,263)	**2,425**	2,431	30	5
Metropolitan Life of Botswana Ltd	5,000	–	–	–	11,889	**16,889**	12,990	25	
	35,393	1,761	11,849	13,610	3,471	**52,474**	69,680		
Property management									
DBN Developments Partnership	1,500	701	1,144	1,845	8,054	**11,399**	10,615	33.33	11
The Liaison Partnership	1,763	–	–	–	(1,394)	**369**	916	40	
NBC Developments	1,531	747	–	747	2,722	**5,000**	5,527	33.33	11.5
Riverwalk (Pty) Ltd	4,125	1,324	1,875	3,199	5,444	**12,768**	12,426	20	16
	8,919	2,772	3,019	5,791	14,826	**29,536**	29,484		
Total all sectors	61,447	5,083	50,936	56,019	31,734	**149,200**	169,999		
Less: Current portion of loans included in short-term loans and advances (note 18)						**(5,083)**	(7,054)		
						144,117	162,945		
Less: Provision for losses (note 12)						**(69,012)**	(58,394)		
						75,105	104,551		

10. ASSOCIATED COMPANIES/PARTNERSHIPS (continued)

Company	Shares/ capital accounts cost P000	Held to maturity Short-term loan P000	Long-term loan P000	Total loan/ debenture P000	Post acquisition reserves P000	**2005 Total investment P000**	2004 Total investment P000
Shares/capital accounts at cost							
– group investment as given above						**61,447**	73,955
– amount invested in DBN Developments by NPC Investments (Pty) Ltd						**(1,500)**	(1,500)
						59,947	72,455
Loans						**56,019**	54,686
						115,966	127,141
Less: Current portion of loans included in short-term loans and advances (note 18)						**(5,084)**	(7,054)
						110,882	120,087
Less: Provision for losses (note 12)						**(69,013)**	(70,818)
						41,869	49,269
Long-term loans are repayable over periods varying from 2 to 10 years and analysed as follows:							
Between 1 and 2 years						**5,084**	7,054
Between 2 and 5 years						**13,852**	14,975
Over 5 years						**37,083**	32,657
						56,019	54,686
Included in post acquisition reserves are the following:							
Current year share of associates profits						**24,248**	24,061
Current year share of associates tax charge (note 6)						**(3297)**	(7369)
Net profit after tax						**20,951**	16,692

	Group 2005 P000	Group 2004 P000	Company 2005 P000	Company 2004 P000
11. UNQUOTED INVESTMENTS				
Shares at cost	**12,738**	36,191	**12,275**	12,458
Held to maturity loans	**55,960**	71,108	**55,960**	71,108
	68,698	107,299	**68,235**	83,566
Provision for losses (note 12)	**(17,345)**	(21,618)	**(17,345)**	(21,618)
	51,353	85,681	**50,890**	61,948
Less: Current portion of loans included in short-term loans and advances (note 18)	**(18,091)**	(15,860)	**(18,091)**	(15,860)
	33,262	69,821	**32,799**	46,088
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	**18,091**	15,860	**18,091**	15,860
Between 2 and 5 years	**27,947**	20,846	**27,947**	20,846
Over 5 years	**9,922**	34,402	**9,922**	34,402
	55,960	71,108	**55,960**	71,108
At the financial year end the value of security obtained on individual loans was greater than the carrying amounts of the respective loans. Security compromised moveable and immovable assets.				
12. PROVISIONS FOR LOSSES ON INVESTMENTS				
At 1 July	**81,544**	343,503	**187,928**	450,333
Movement during the year (note 3)	**7,022**	(261,959)	**8,340**	(262,405)
At 30 June	**88,566**	81,544	**196,268**	187,928
Represents provisions against:				
Subsidiaries	**–**	–	**107,702**	93,960
Subsidiaries not consolidated (note 15)	**2,208**	1,532	**2,208**	1,532
Total (note 9)	**2,208**	1,532	**109,910**	95,492
Associates (note 10)	**69,013**	58,394	**69,013**	70,818
Unquoted investments (note 11)	**17,345**	21,618	**17,345**	21,618
	88,566	81,544	**196,268**	187,928

	Group and Company	
	2005	2004
	P000	P000
13. QUOTED INVESTMENTS		
Shares at cost	**93,480**	93,480
Net gain transferred to fair value reserve (note 22)	**435,852**	347,640
Shares at market value	**529,332**	441,120
Comprising:		
Sechaba Breweries Holdings Ltd.,	**476,620**	408,532
PPC South Africa Ltd.,	**52,712**	32,588
	529,332	441,120

The company holds 34,044,315 (2004: 34,044,315) and 287,187 (2004: 287,187) ordinary shares in Sechaba Breweries Holdings Ltd and PPC South Africa Ltd., respectively.
Although the company owns 25% (2004: 25%) of Sechaba Breweries Holdings Ltd issued capital, the equity method of accounting is not followed as the company does not exercise significant influence over Sechaba Breweries Holdings Ltd's financial and operating policies.

14. DUE FROM GROUP COMPANIES

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	
	2005	2004
	P000	P000
15. SUBSIDIARIES NOT CONSOLIDATED		
Equity		
Tswana Project (Pty) Ltd	**1,189**	1,189
Gaborone Hotel (Pty) Ltd	**–**	1,532
Thabana Investments (Pty) Ltd	**1,444**	1,444
Phakalane Property Development (Pty) Ltd	**510**	510
	3,143	4,675
Loans		
Thabana Investments (Pty) Ltd	**764**	658
Total	**3,907**	5,333
Less: Provision for losses (note 12)	**(2,208)**	(1,532)
	1,699	3,801

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.

	Group 2005 P000	Group 2004 P000	Company 2005 P000	Company 2004 P000
16. INVENTORIES				
Raw materials	**5,233**	6,130	**–**	–
Work in progress	**358**	239	**–**	–
Finished goods	**7,356**	14,166	**–**	–
Livestock	**129**	158	**–**	–
Moulds and patterns	**623**	788	**–**	–
Consumables	**1,647**	1,451	**–**	–
	15,346	22,932	**–**	–
Inventories of subsidiaries amounting to P12,60 million (2004: P8,9 million) have been pledged as security for bank overdrafts.(note 31)				
17. RECEIVABLES AND PREPAYMENTS				
Gross trade receivables	**31,717**	37,098	**–**	–
Less provision for bad and doubtful debts	**(5,599)**	(17,849)	**–**	–
Net trade receivables	**26,118**	19,249	**–**	–
Prepayments	**248**	179		
Other	**25,035**	23,625	**19,324**	22,579
	51,401	43,053	**19,324**	22,579
Trade receivables of P4,8 million (2004: P1,12 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	**17,849**	17,882	**–**	–
Net movement during the year	**(12,250)**	(33)	**–**	–
At 30 June	**5,599**	17,849	**–**	–
18. SHORT–TERM LOANS AND ADVANCES				
Short-term portion of loans to:				
Subsidiaries (note 9)	**–**	–	**22,443**	20,562
Associated companies (note 10)	**5,084**	7,054	**5,084**	7,054
Unqouted investments (note11)	**18,091**	15,860	**18,091**	15,860
	23,175	22,914	**45,618**	43,476
19. AVAILABLE FOR SALE INVESTMENTS				
Bank of Botswana certificates	**413,927**	442,606	**346,714**	372,434
Land for resale	**1,739**	1,739	**–**	–
	415,666	444,345	**346,714**	372,434

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 11.42% (2004:12.5%). 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.

	Group 2005 P000	Group 2004 P000	Company 2005 P000	Company 2004 P000
20. CASH AND CASH EQUIVALENTS				
Cash and bank deposits	**78,822**	71,731	**39,085**	37,942

	Group and Company 2005 P000	Group and Company 2004 P000
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 2005 P000	Group 2004 P000	Company 2005 P000	Company 2004 P000
23. FAIR VALUE RESERVE				
At 1 July	**364,578**	202,593	**347,640**	187,246
Movement during the year	**88,212**	161,985	**88,212**	160,394
At 30 June	**452,790**	364,578	**435,852**	347,640
Comprising:				
Quoted investments (note 13)	**435,852**	347,640	**435,852**	347,640
Investment properties of associated companies	**16,938**	16,938	**–**	–
	452,790	364,578	**435,852**	347,640
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, solvency and other reserves	**1,264**	656	**–**	–
Goodwill on consolidation	**–**	4,840	**–**	–
	9,828	14,060	**5,504**	5,504

Stautory capital and solvency reserves

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

25. MINORITY INTEREST

	Group 2005 P000	Group 2004 P000
At 1 July	**38,641**	34,288
Share of net profit of subsidiaries	**207**	4,254
Reversal of subsidiaries not consolidated this year	**–**	(490)
Share of non distributable reserves	**–**	1,679
Dividend paid	**–**	(1,094)
Acquired during the year	**–**	4
At 30 June	**38,848**	38,641

26. BORROWINGS

	Group 2005 P000	Group 2004 P000	Company 2005 P000	Company 2004 P000
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	**931**	1,186	**931**	1,186
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P137,000 each over the period to 2008	**696**	886	**696**	886
Unsecured loan bearing interest at 2% per annum repayable in half-yearly instalments of P253,000 each over a period of 17 years	**5,179**	5,381	**5,179**	5,381
Unsecured loan bearing interest at 12.1% per annum repayable in half-yearly instalments of P564,000 each over the period to 2021	**7,905**	8,063	**7,905**	8,063
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P165,000 each over the period to 2011	**1,386**	1,579	**1,386**	1,579
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P145,000 each over the period to 2011	**1,363**	1,504	**1,363**	1,504
Unsecured loan bearing interest at 8.5% per annum repayable in half-yearly instalments of P231,000 each over the period to 2011	**2,274**	2,527	**2,274**	2,527
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P261,000 each over the period to 2012	**2,852**	3,114	**2,852**	3,114
Unsecured loan bearing interest at 7.5% per annum repayable in half-yearly instalments of P316,000 each over the period to 2014	**4,075**	4,383	**4,075**	4,383
Unsecured loan bearing interest at 7.5% per annum repayable in half-yearly instalments of P750,000 each over the period to 2014	**10,065**	10,771	**10,065**	10,771
Unsecured loan bearing interest at 8% per annum repayable in half-yearly instalments of P1,100,000 each over the period to 2015	**14,946**	15,893	**14,946**	15,893
Unsecured loan bearing interest at 8% per annum repayable in half-yearly instalments of P1,580,000 each over the period to 2016	**23,470**	24,679	**23,470**	24,679
Unsecured loan bearing interest at 9.5% per annum repayable in half-yearly instalments of P221,000 each over the period to 2006	**3,263**	3,387	**3,263**	3,387

	Group		Company	
	2005 P000	2004 P000	**2005 P000**	2004 P000
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	**37,109**	38,513	**37,109**	38,513
Unsecured loan bearing interest at 12.1% per annum repayable in half-yearly instalments of P300,000 each over the period to 2017	**3,939**	4,051	**3,939**	4,051
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	**11,440**	11,676	**11,440**	11,676
	220,393	227,093	**220,393**	227,093
European Investment Bank				
Loan bearing interest at 3% per annum, guaranteed by the Government of Botswana, repayable by 2006 (loan number 17210)	**2,336**	3,884	**2,336**	3,884
Unsecured loan bearing interest at 1% per annum repayable in 10 annual payments from 2000 (loan number 70948)	**1,181**	1,089	**1,181**	1,089
Loan bearing interest at 2% per annum, guaranteed by the Government of Botswana, repayable by 2017 (loan number 70893)	**10,204**	8,621	**10,204**	8,621
Loan bearing interest at 3% per annum, guaranteed by the Government of Botswana, repayable by 2005 (loan number 1630)	**52**	1,192	**52**	1,192
Loan bearing interest at 5% per annum, guaranteed by the Government of Botswana, repayable by 2008 (loan number 70699)	**6,333**	5,350	**6,333**	5,350
	20,106	20,136	**20,106**	20,136

	Group		Company	
	2005 P000	2004 P000	**2005 P000**	2004 P000
26. BORROWINGS (continued)				
Bonds				
Bond 1 Bearing interest at 14% per annum redeemable on 30 November 2004	**–**	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	**75,000**	75,000
Bond 3 Bearing interest at a rate linked to Consumer Index Price redeemable on 1 June 2011	**125,000**	125,000	**125,000**	125,000
Loans by subsidiaries owing to third parties Bearing interest at average rate of 15% per annum and repayable over varying periods	**24,549**	31,720	**–**	–
Mortgage loan and finance leases Liabilities under mortgage loans and finance leases held over , three, four and five years at varying interest rates	**1,030**	709	**–**	–
Gross borrowings	**466,078**	529,658	**440,499**	497,229
Less: Portion of exchange loss borne by the Government of Botswana	**(4,243)**	(3,365)	**(4,243)**	(3,365)
– Fair value adjustment arising from valuation of loans at below market interest rates	**(23,960)**	(28,471)	**(113,460)**	(116,181)
	437,875	497,822	**322,796**	377,683
Less: Current portion included under current liabilities	**(26,606)**	(59,341)	**(9,947)**	(59,141)
	411,269	438,481	**312,849**	318,542
Analysis of gross borrowings				
Not later than 1 year	**26,606**	59,341	**9,947**	59,141
Later than 1 year, but not later than 5 years	**30,262**	30,262	**29,839**	29,839
Later than 5 years	**409,210**	440,055	**400,713**	408,249
	466,078	529,658	**440,499**	497,229

	Group		Company	
	2005 **P000**	2004 P000	**2005** **P000**	2004 P000

26. BORROWINGS (continued)

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.

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:

	Group 2005 P000	Group 2004 P000	Company 2005 P000	Company 2004 P000
Cost	**413**		**–**	–
Accumulated depreciation	**(51)**		**–**	–
Net book value	**362**	0		

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 P746,000 (2004: P764,000)

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

The composition of foreign currencies of the balances at 30 June 2005 and each instalment are as follows:

Loan number	**Currency**	**Foreign amount of each instalment 000**	**Foreign amount at 30 June 2005 000**	**Pula equivalent at 30 June 2005 000**
1630	Euro	**39**	39	
	Pounds Sterling	**113**	113	**3,370**
17210	Pounds Sterling	**11**	44	
	United States Dollar	**7**	25	
	Euro	**55**	589	**5,702**
70699	Euro	**19**	931	**5,311**
70893	Euro	**30**	190	**8,557**
70948	Euro	**17**	205	**1,172**
				24,112

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 .

	Group 2005 P000	Group 2004 P000
27. GOVERNMENT GRANTS		
At 1 July	**35,326**	36,103
Realised during the year	**–**	–
Amortisation during the year (note 2)	**(777)**	(777)
At 30 June	**34,549**	35,326
Gross Government grants	**49,960**	49,960
Amortisation	**(4,311)**	(3,534)
Utilised as provision for impairment loss	**(10,000)**	(10,000)
Realised	**(1,100)**	(1,100)
	34,549	35,326

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.

	Group 2005 P000	Group 2004 P000
28. CLAIMS EQUALISATION RESERVE		
At 1 July	**1,068**	998
Transfers	**(222)**	70
At 30 June	**846**	1,068

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

	Group 2005 P000	Group 2004 P000
29. DEFERRED TAXATION		
At 1 July	**16,635**	13,659
Transfer (to)/from income statement (note 6)	**758**	2,976
Prior year (over)/under provision	**(3,502)**	–
At 30 June	**13,891**	16,635

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

	Group 2005 P000	Group 2004 P000	Company 2005 P000	Company 2004 P000
30. TRADE AND OTHER PAYABLES				
Trade payables	**32,760**	14,419	**48**	140
Accruals	**6,583**	9,134	**1,801**	3,369
Other payables	**1,620**	16,272	**9,178**	5,975
	40,963	39,825	**11,027**	9,484

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.

	Group		Company	
	2005	2004	**2005**	2004
	P000	P000	**P000**	P000
32. COMMITMENTS				
Approved capital expenditure	**–**	607	**–**	–
Approved equity and loan investments undisbursed	**113,000**	108,727	**113,000**	108,727
	113,000	109,334	**113,000**	108,727
33. CONTINGENT LIABILITIES				
Guarantees in respect of facilities granted to certain subsidiaries and third parties	**9,000**	9,000	**9,000**	9,000
Withholding tax payable on management fees and interest thereon	**4,939**	8,088	**–**	–
Other	**5,866**	5,439	**–**	–
	19,805	22,527	**9,000**	9,000

34. PENSION SCHEME ARRANGEMENTS

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

35. 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 2005 and 2004, 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.

36. 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.

Transactions during the year

	Group 2005 P000	Group 2004 P000
Subsidiaries		
Cresta Marakanelo (Pty) Ltd		
Directors fees	**165**	165
Management fees paid TA Botswana (Pty) Ltd, minority shareholder	**2,606**	3,654
Profit bonus paid to TA Botswana (Pty) Ltd, minority shareholder	**1,401**	1,388
Purchases from Cresta Hospitality (Pvt) Zimbabwe	**–**	125
Associated companies		
HealthCare Holdings (Pty) Ltd		
Directors fees	**–**	64
Finance costs on borrowings from Bifm Limited and Debswana Pension Fund	**3,123**	2,187
Metropolitan Life of Botswana Ltd		
Directors fees	**39**	39
Directors remuneration for executive services	**1,027**	502
Asphalt Botswana (Pty) Ltd		
Directors remuneration for executive services	**–**	432
Global Resorts (Pty) Ltd		
Management fees paid to Global SA (Pty) Limited, the holding company	**8,245**	6,212
ITC Botswana (Pty) Ltd		
Management fees paid to ITC SA (Pty) Ltd, the holding company	**181**	241
HJ Heinz Botswana (Pty) Ltd		
Directors fees	**24**	24
Directors remuneration for executive services	**1,124**	1,119
Royalties paid to Olivine Industries (Pvt) Zimbabwe	**49**	47
Kwena Rocla (Pty) Ltd		
Management fees paid to D and H Industrial Holdings (Pty) Ltd, immediate holding company	**353**	306
Purchases from D and H Industrial Holdings (Pty) Ltd, immediate holding company	**740**	6,271
Investec Holdings (Botswana) Ltd		
Directors fees for executive services	**1,144**	1,326
Finance income from fellow subsidiaries	**1,626**	1,219
Finance costs paid to fellow subsidiaries	**54**	526
Commission income from fellow subsidiaries	**–**	4
Asset management income/(expenses) from fellow subsidiaries	**2,437**	895

	Group 2005 P000	Group 2004 P000
36. RELATED PARTY TRANSACTIONS (continued)		
Year end balances		
Subsidiaries		
Cresta Marakanelo (Pty) Ltd		
Due to Cresta Hospitality (Pvt) Zimbabwe – fellow subsidiary	**6**	22
Due to TA Botswana (Pty) Ltd – minority shareholder	**1,048**	769
Coleraine Holdings (Pty) Ltd		
Due to Raven Investments (Pty) Limited – minority shareholder	**–**	54
Associated companies		
Global Resorts (Pty) Ltd		
Current account balance due to Global Resorts SA (Pty) Ltd, immediate holding company	**660**	543
ITC Botswana (Pty) Ltd		
Current account balance due to ITC SA (Pty) Limited, immediate holding company	**36**	136
HJ Heinz Botswana (Pty) Ltd		
Current account balance due to Olivine Industries (Pvt) Zimbabwe, fellow subsidiary	**965**	684
Mashatu Nature Reserves (Pty) Ltd		
Current account balance due to MalaMala Ranch (Pty) Ltd	**4,662**	4,121
Loan balance due to Mashatu Investments (Pty) Ltd	**5,516**	4,630
Investec Holdings (Botswana) Ltd		
Amounts held on behalf of related parties	**29,533**	–
Healthcare Holdings (Pty) Ltd		
Debentures – Debswana Pension Fund	**8,961**	8,961
Debentures – Botswana Insurance Fund Management Ltd	**8,760**	8,760

		Group		Company	
		2005 P000	2004 P000	**2005 P000**	2004 P000
37. CASH GENERATED FROM OPERATIONS					
Profit before taxation		**59,958**	74,016	**80,765**	74,991
Adjustments for:					
Amortisation of Government grants	27	**(777)**	(777)	**–**	–
Depreciation		**–**			
– Investment properties	7	**5,892**	7,430	**–**	
– Property, plant and equipment	8	**31,133**	20,804	**1,376**	1,239
Dividend received from associates		**28,995**	3,642	**–**	–
Finance (income)/costs		**(13,843)**	(6,534)	**(7,607)**	1,684
Loss on sale of plant and equipment	3	**6,201**	–	**–**	8
Loss on disposal of investment properties		**440**	3,865		
Provision for losses on investments	3	**6,349**	(266,229)	**9241**	(262,406)
Transfer to claims equalisation reserve	28	**(222)**	70	**–**	–
Transfer of revenue to share of associates profits		**1,342**	1,061	**–**	–
Equity investments written off		**17,654**	19,805	**–**	19,805
Loan investments written off		**–**	238,145	**17,654**	238,145
Share of result before tax of associates		**(24,248)**	(24,061)	**–**	–
Changes in working capital					
– accounts receivable		**(8,348)**	22,107	**(2,428)**	21,225
– inventories		**7,586**	8,818	**–**	–
– short-term borrowings		**(32,735)**	47,947	**(49,194)**	48,040
– accounts payable		**1,139**	(36,217)	**1,543**	(24,274)
		86,516	113,892	**51,350**	118,457

Comparative Group Results

	1996	1997	1998	1999	2000	2001	2002	2003	2004 Restated	2005
Sales	152.7	182.8	237.3	254.6	238.8	213.8	211.4	279.4	244.1	237.1
Net profit (before tax)	41	33.2	(18.8)	(97.7)	32.5	34.6	70.7	59.0	74.0	60.1
Interest paid	26.3	27.1	33.8	31.4	34.8	22.3	22.0	21.0	25.0	44.0
Equity	384.3	470.5	511.5	408.6	435.1	485.1	559.2	559.2	559.2	559.2
Capital employed	664.8	794.4	889.6	786.7	900.4	1 099.1	1 219.3	1,335.6	1 204.0	1,309.0
Employees	11 855	13 389	13 648	11 791	7 165	5 520	5 830	5 060	4 879	5 045
Return on capital employed	6.2%	4.1%	(2.1%)	(12.4%)	3.6%	3.1%	5.8%	4.4%	6.1%	4.6%
Net profit to sales	26.8%	18.2%	(7.9%)	(38.4%)	13.6%	16.2%	33.4%	21.1%	30.3%	25.3%
Interest paid to sales	17.2%	14.8%	14.2%	12.3%	14.6%	10.4%	10.4%	7.5%	10.2%	18.6%
Debt to sales	0.7	0.7	0.7	0.8	0.4	1.1	0.9	0.9	1.8	1.7
Assets to liabilities	2.1	2.2	2.2	1.9	2.7	3.6	3.3	3.3	3.0	3.4
BDC investment ratio	0.8	0.8	0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.7