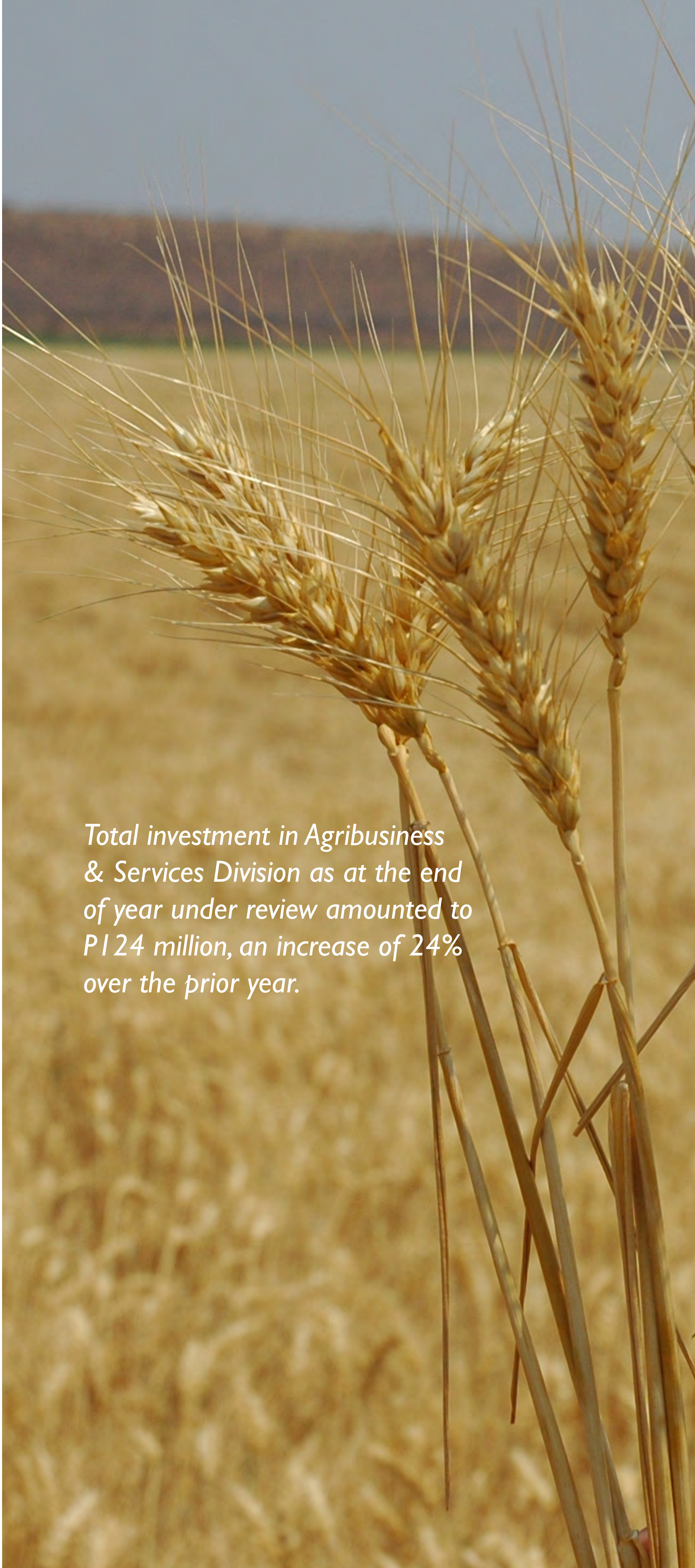
THE PREMIER INNOVATIVE INVESTMENT PARTNER

BOTSWANA DEVELOPMENT CORPORATION
ANNUAL REPORT 2008

Botswana Development Corporation Limited
"Your Investment Partner"

Contents



Total investment in Agribusiness & Services Division as at the end of year under review amounted to P124 million, an increase of 24% over the prior year.

BDC Value Created 1999 - 2008

	1999 P 000	2000 P 000	2001 P 000	2002 P 000	2003 P 000	Re-stated 2004 P 000	Re-stated 2005 P 000	2006 P 000	2007 P 000	2008 P 000
Income from trade:										
Interest income	69,967	57,273	43,206	45,042	49,105	50,205	73,991	84,628	62,866	56,143
Dividend	26,908	35,461	32,834	43,029	98,281	68,506	95,363	92,593	117,865	106,953
Sundry income	2,247	7,536	5,986	4,703	7,026	14,966	2,474	5,282	11,227	8,527
(Loss)/Profit on sale of investment/Assets	(15,229)	—	1,958	—	—	—	27	—	8,065	—
	83,893	100,270	83,984	92,774	154,412	133,677	171,855	182,503	200,023	171,623
Less: Cost of supplies and services	(12,106)	(11,577)	(17,892)	(17,985)	(19,979)	(15,187)	(16,613)	(19,905)	(17,440)	(21,022)
Total Value Added	**71,787**	**88,693**	**66,092**	**74,789**	**134,433**	**118,490**	**155,242**	**162,598**	**182,583**	**150,601**
Distributed as follows:										
To employees payroll cost	10,127	9,283	10,286	11,171	10,949	12,282	16,058	18,387	22,512	25,570
To providers of finance interest on loans	31,252	34,440	22,033	21,578	20,917	20,324	39,616	37,987	38,911	34,689
To Government Company taxation	—	—	(4,183)	(7,725)	—	9,459	12,151	15,866	23,772	15,426
To providers of permanent capital Dividend to shareholder	—	—	—	11,273	—	15,000	20,000	17,126	18,050	20,000
To maintain and expand the corporation Depreciation and provisions against investments	175,504	25,379	10,862	12,400	42,230	10,893	10,617	18,160	31,830	26,220
(Loss)/Profit retained	(145,096)	19,591	27,094	26,092	60,337	50,532	56,800	55,072	47,508	28,696
Totals	**71,787**	**88,693**	**66,092**	**74,789**	**134,433**	**118,490**	**155,242**	**162,598**	**182,583**	**150,601**

Corporate Profile

STRUCTURE

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

OBJECTIVE

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

MISSION

The Premier Innovative Investment Partner delivering flexible financial solutions.

VISION

"To be the Leading Development and Investment Financier."

BDC's role is to:

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

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

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

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

BDC's Product/Services :

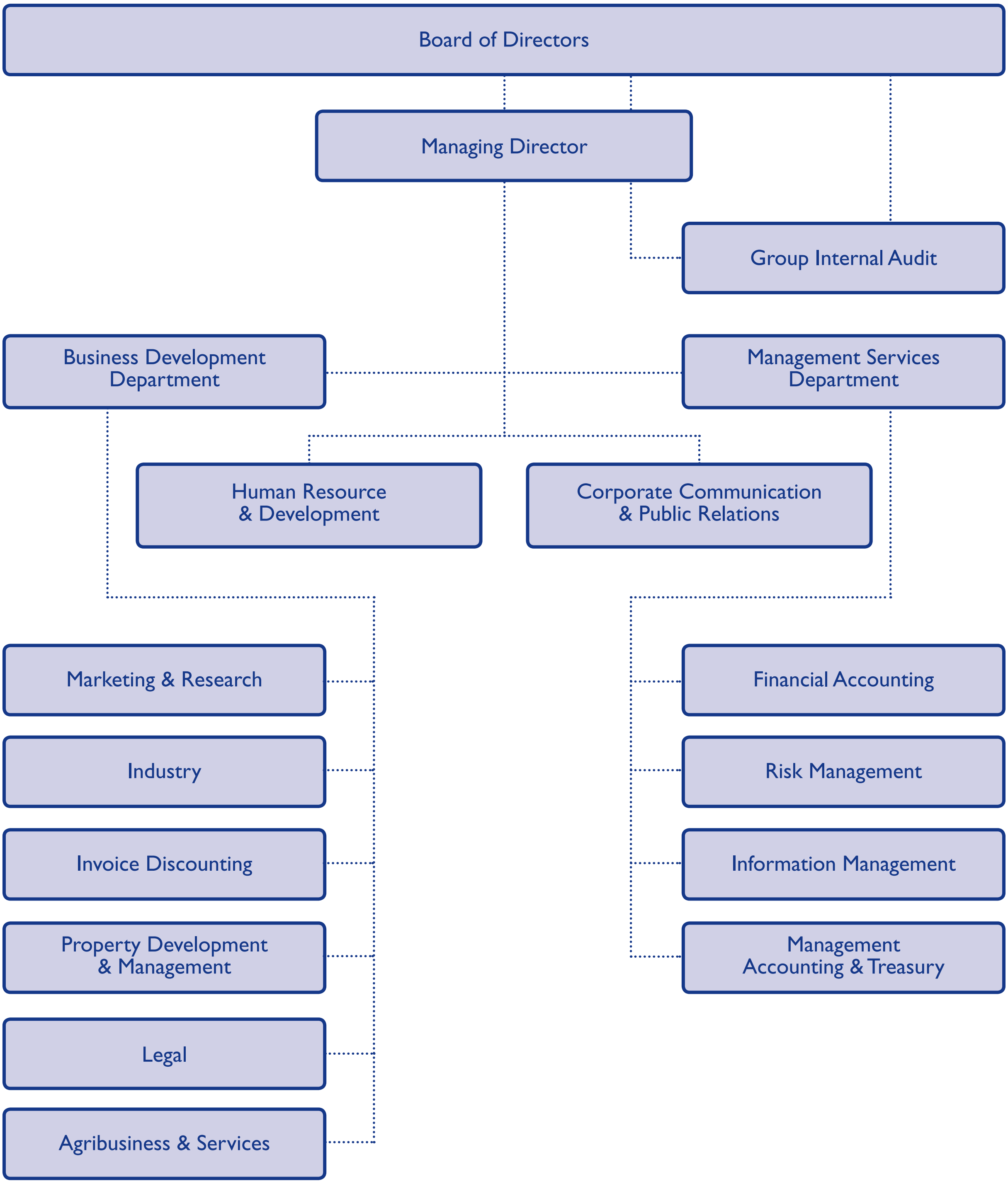
BDC provides the following services:

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

For further information, contact:

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

Organisational Structure

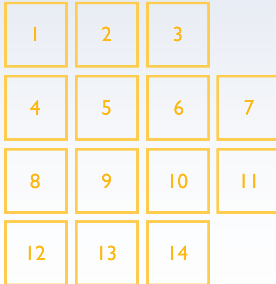


Board of Directors

1. Mr S S G Tumelo (Chairman)
2. Mr O K Matambo (Managing)
3. Mrs I K Kandjii
4. Mr NK Kwele
5. Mr O Merafhe
6. Mrs B K Molosiwa
7. Dr S E Ndzinge

Management













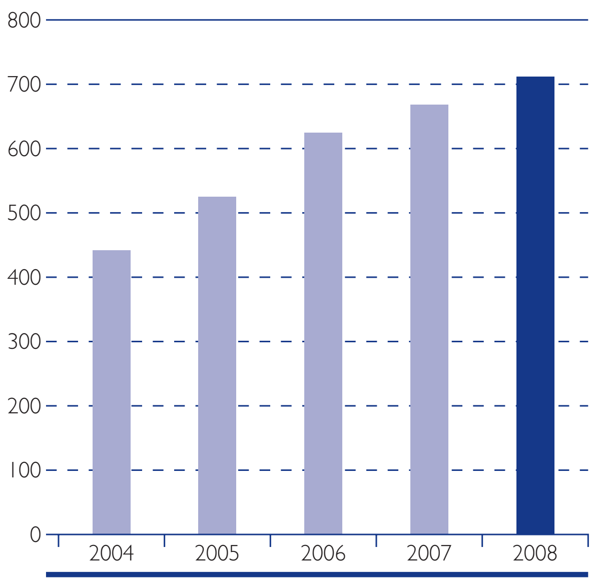
1. Mr O K Matambo *(Managing)*
2. Ms M M Nthebolan *(General Manager, Business Development)*
3. Mr J N Kamyuka *(General Manager, Management Services)*
4. Mr S T Meti *(Manager, Human Resources & Development)*
5. Ms R D Mogorosi *(Chief Financial Accountant)*
6. Mr J P Sono *(Manager, Agribusiness & Services)*
7. Mr B G Mmualefe *(Manager, Risk Management & Research)*
8. Mrs W Baipidi-Maje *(Manager, Industry)*
9. Mr R M Phole *(Group Internal Auditor)*
10. Mr M M Tau *(Management Accountant)*
11. Mr M M Sikalesele *(Chief Information Officer)*
12. Mr L M Ramokate *(Manager, Property Development & Management)*
13. Mr R Boyd *(Manager Invoice Discounting)*
14. Mr G Zimona *(Corporate Communications & Public Relations Manager)*

Chairman's Statement

Mr S S G Tumelo
Chairman

I am very pleased indeed to present the results of the Corporation's performance for the year ended 30th June 2008. The Corporation continues to grow from strength to strength while its Group Companies also continue to mature and yield the much needed results expected of them.

LISTED INVESTMENTS (Pmillions)



Financial Performance

Whilst the Corporation's revenue for the year marginally declined, the Group Companies revenue raced ahead impressively to top P394.3 million. This performance translates into a healthy growth of 41.8% and is evidence of the much increased activity at group level. Group gross profit in turn grew by 76.27% from P103.1 million to P181.6 million.

The phenomenal revenue growth has, as would be expected, come with increased costs. Operating and administrative expenses have increased by 61.9% and much of it can be attributable to the fact that new processes and procedures in the various Group Companies still need to be streamlined as those companies move out of the infancy stage of their life cycle.

Profit before tax amounted to P113.0 million for the group down from P226.1 million. This performance however, cannot be accurately compared to the previous year's performance which was greatly improved by P137.1 million arising from the fair value revaluation of investment properties. Adjusting for the fair value revaluation, we get a very healthy result and a pleasing growth in net profit before tax of 19.5%. Such growth has also resulted into higher corporate tax payment to Government amounting to P35.4 million as opposed to P14.2 million in the previous year. This translates to a remarkable 149.3% growth in tax payment over the previous year.

Once again the Corporation has made substantial equity investments into subsidiary and associate companies, during the year. These include amongst others:-

- Lobatse Tile (Pty) Ltd - a tile making entity intended to supply the Southern African market with quality tiles. An amount of P82.0 million was invested to expand the company's production volumes by installing a second production line.

At this juncture I wish to announce that one of our investments, Lobatse Clay Works, which was having difficulty in previous years has now stabilised and has this year yielded a net profit of P4.13 million. This is indeed good news and shows the result of the unwavering commitment of the Corporation towards the performance of its investments.

- Can Manufacturing Company (Pty) Ltd - a food can manufacturing company. Additional P18 million in equity was disbursed to finalise the plant expansion.
- Kwena Concrete Products (Pty) Ltd - a company manufacturing concrete stock bricks. The amount went towards the acquisition by the Corporation of the 49% foreign owned shareholding.
- Golden Fruit P9.0 million; Botswana Hotel Development Company P3.9 million; Residential Holdings P5.4 million and L.P. Amusement (Pty) Ltd P5.1 million amongst others.

Group Companies have once again performed well. Companies that made a profit include Kwena Concrete Products P2.8 million; Lobatse Clay Works P4.1 million; Cresta Marakanelo P19.2 million; Global Resorts P36.9 million; DBN P3.9 million; Western Industrial estates P10.7 million; Malutu P10.9 million and various others.

At this juncture I wish to announce that one of our investments, Lobatse Clay Works, which was having difficulty in previous years has now stabilised and has this year yielded a net profit of P4.1 million. This is indeed good news and shows the result of the unwavering commitment of the Corporation towards the performance of its investments.

Lobatse Tile (Pty) Ltd, one of our previously underperforming investments, is still receiving the Corporation's intense attention with a view to getting it back to profitability. Measures taken so far include the introduction of a second production line which when complete will cost P108.0 million. This is expected to be commissioned in the first half of the following financial year. By the end of the financial year the corporation's investment in Lobatse Tile amounted to P275.0 million while the net asset value rose to P126.6 million. The Corporation has set aside provisions, in respect of the investment in Lobatse Tile, amounting to P139.0 million.

PERFORMANCE OF GROUP COMPANIES

KWENA CONCRETE PRODUCTS
P2.8million

LOBATSE CLAY WORKS
P4.1million

CRESTA MARAKANELO
P19.2million

GLOBAL RESORTS
P36.9million

DBN
P3.9million

WESTERN INDUSTRIAL ESTATES
P10.7million

MALUTU
P10.9million

Chairman's Statement *(continued)*

Effectively the Corporation has covered its exposure to the extent of 83% of its investment. Lobatse Tile made a loss of P31.0 million for the year ended 30th June 2008. The company is not expected to make a profit in the coming year. It must however be pointed out that this project is of a long term developmental nature and is supported by the Board of Directors and the Shareholder who believe that it has potential to turn to profitability.

Furthermore, the Corporation and the Directors of Lobatse Tile (Pty) Ltd are confident that the company remains a going concern into the next financial year and beyond. The Corporation and Board of Lobatse Tile (Pty) Ltd have noted that:-

- The global economic down turn has affected the housing construction industry in the Republic of South Africa and thus somehow affected demand for floor and wall tiles. Nevertheless, in general the demand for construction inputs, particularly those utilised for finishing remains buoyant. This demand is fuelled by requirements for projects which are nearing completion. In Botswana these projects include upgrading of airports and medical facilities, while in South Africa it is the upgrading of the country's airports as well as hotel and tourism industry developments. Resulting from the bullish demand for the company's products, several off take arrangements were finalised in the latter quarter of 2008 surpassing our expectation, such as the distribution contract by the South African based Illiad Group. However, this has not resulted in complacency and Lobatse Tile is spreading its marketing efforts across the rest of Southern Africa. Strong trade leads have been established in both Zambia and Namibia where there is a considerable demand for ceramic tiles. The Democratic Republic of Congo and Angola also remain potential markets for tapping.

- With the commissioning of the second line of production and the recently completed refurbishment of the existing line the plant will now be able to produce well above breakeven volumes with a much higher percentage of grade A tiles. With the above mentioned off take arrangements, the plant shows a 72% capacity utilisation. The Corporation is confident that these levels are sustainable into the future.

Operating Environment

The economic environment in the year ended June 2008 has been characterised by a sense of apprehension. The major world economies are experiencing an economic slowdown that's next to a recession. Such a situation is bound to impact on the economic performance of the lesser developed economics. The BDC Subsidiaries so far have not yet suffered any adverse impact resulting from such an environment. We are cognisant however that the export based subsidiaries and associates may feel the impact in the coming year and have already started on initiatives to counter such an occurrence.

Corporate Social Responsibility

The Corporation continues to assist deserving communities through its Corporate Social Responsibility Fund. The assistance is intended to contribute to the welfare and empowerment of these communities. During the period under the review the Corporation participated in a number of activities significant ones being the Botswana Athletics Association cross country tournament that the Corporation sponsored at a tune of P65 000, the construction of a three classroom block for the Botswana Society for the Deaf in Francistown at a cost of P830 000 and a project for the Central Association for the Blind and Disabled in Serowe at a cost of P32 000. The two major projects have been completed and are in the process of being handed over. Other activities that the Corporation participated in through the fund are in the categories of cultural promotion, conservation and environment, education, historic sites, skills development, and recreational and sports.

The total amount disbursed for the year under review is P1,077,000. The beneficiaries of the fund represent a cross section of our nation from communities, people with disabilities, learners, youth and society at large.

Governance Principles

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

In its day to day functioning the Corporation ensures that it is compliant with the provisions of the Companies Act of Botswana (Companies Act, 2003); its Memorandum and Articles of Association and the requirements of ISO 9001:2000.

Conclusion

I would like to pay tribute to all the Board Members who have unwaveringly supported the Corporation and directed it to success once again over the past year. I also thank the management for the relentless work they have performed to get the Corporation to where it is today and to continue maintaining such high service standards.

Mr. S S G Tumelo
Chairman


Soudronic

Managing Director's Report

During the year further enhancements were made to the ICT infrastructure and services. These include the upgrading of operating systems and application software. A key focus during the year was the design and implementation of a network architecture providing for safe and secure remote PC and mobile access to information by the Corporation's Marketing and Business Divisions over the internet.

PERFORMANCE OF THE CORPORATION

PROFIT BEFORE TAX

P64.0million

ADMINISTRATIVE EXPENDITURE

P30.9million

TOTAL ADMINISTRATIVE AND OPERATING EXPENDITURE

P64.0million

PROFIT ON SALE OF INVESTMENT

P8.1million

The Corporation has recorded satisfactory results for the year under review. This has been achieved despite the increasingly challenging investment environment.

Performance of the Corporation

The financial results of the Corporation for the year ended 30 June 2008 show a healthy profit before tax of P64.0 million. This achievement is made against major increases in administrative and operating expenditure totaling P64.0 million compared to the previous year where the Corporation's total expenditure amounted to P57.0 million. This 12.3% increase in expenditure is a result of the incremental expenses the Corporation has had to incur in the implementation of the requirements of the new 2007 - 2011 Strategic Plan. Much of these expenses relate to the establishment of an entire new division, the Marketing and Research Division and the beefing up of other divisions to enhance service delivery.

Coupled with the increased expenditure is the fact that the Corporation, in this initial year of the Strategic Plan period, did not dispose off any of its investments. Instead, the Corporation undertook a review of its total portfolio with a view to coming up with a comprehensive divestment proposal going forward. Such a divestment drive is in line with the Corporation's divestment policy and the Government privatisation policy. In the previous year the Corporation made P8.1 million in profit on sale of investment.

Income has remained more or less the same as the previous year with a slight 6% difference. This difference is informed by the slightly lower returns derived from the Corporation's 100% property subsidiaries. For most of the year, much of the residential property portfolio was undergoing refurbishments. Much of these refurbishments are complete and the Corporation is once again set to realise the expected amount of income from them.

Dividend income continues to be the main source of revenue for the Corporation. Amounting to P106.9 million, it constitutes approximately 81% of the Corporations' total revenue with the remaining 19% (being P25.6 million) comprising of interest income from loans. It is nevertheless of note that the income from loans has started to grow once again (11.5% growth on previous year) following the previous conversion of loans to equity in previous years as then reported.

The Corporation continues to work tirelessly to turn around certain of its subsidiaries that were previously performing at less than desired levels. I am pleased to report that Lobatse Clay Works (LCW), a major investment of the Corporation, has now been fully turned around. LCW has reported a turnover of P51.67 million and a profit of P4.13 million. Such good performance is expected to continue in the future. In the meantime, Lobatse Tile Limited is due to finalise the installation of its second production line. Once this is in place, we expect the company to perform at levels way above its current one.

Strategic Review

The year under review is the initial year of the four (4) year Strategic Plan (2007 - 2011) and it has been characterised by the implementation of those actions pre requisite to the attainment of Strategic Plan goals. Such actions have included the following amongst others:

- The establishment of a new Marketing and Research Division
- The implementation of cross functional teams approach to all processes.
- A skills audit and a culture climate audit.
- Enhanced Information Management resources.
- A review of the entire Corporation's investment portfolio to identify investments for remedial action and/or divestment.

I am happy to report that all these initiatives have been implemented. I am even happier to report that the Corporation having attained a profit before tax of P64.0 million performed better than the set Strategic Plan target of P61.8 million, translating to a 3.6% above target achievement.

Information Management

During the year further enhancements were made to the ICT infrastructure and services. These include the upgrading of operating systems and application software. A key focus during the year was the design and implementation of a network architecture providing for safe and secure remote PC and mobile access to information by the Corporation's Marketing and Business Divisions over the internet.

Further to the above, a successful comprehensive test of the disaster recovery and business continuity plans was also performed during the year in line with the Corporation's governance objectives.

Risk Management

Risk is inherent in any business, the challenge is to identify, measure and control its impact on intended corporate objectives. In 2008 the Botswana Development Corporation Limited continued to apply stringent risk management measures and to advise the Board about pertinent risk issues affecting the business of the Corporation. As a major financial institution involved in lending out money to investors, a bias in focus towards key risks such as credit risk and operational risk was unavoidable. Arrears as a measure of credit risk reduced significantly and there were no major business interruptions.

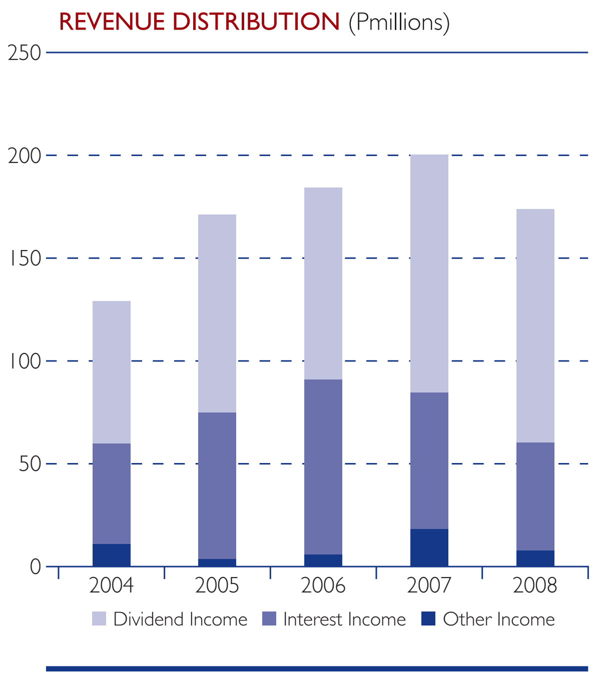
The Corporation ensured that the necessary mitigating actions were promptly taken where risk was identified. As a result, the quality of the Corporation's investment portfolio improved significantly, resulting in the general achievement of the set corporate objectives. As at 30 June 2008 the Corporation's

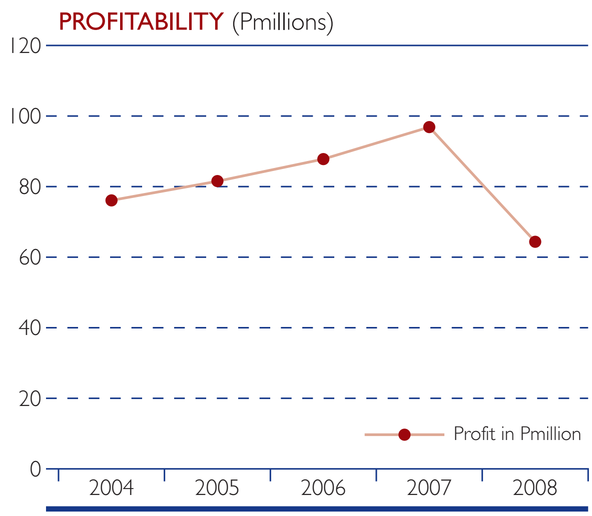
Managing Director's Report *(continued)*

investments graded as in good performing grades was 91.0%.
The Corporation is currently reviewing its risk management framework for even greater effectiveness and the review recommendations will be implemented in the new year as improvement initiatives.

Human Resource

The new Strategic Plan mentioned herein recognises the major role of human capital as an integral factor necessary for success. The Corporation continues to ensure that it attracts and retains motivated and high caliber staff. In order to achieve this, the Corporation's conditions of service, remuneration structure and human resource development are regularly reviewed to ensure that they are highly competitive and up to date.





The staff complement for the year under review was seventy-six (76) compared to seventy-three (73) for the same period last year. There were five (5) terminations and the Corporation recruited eight (8) new staff.

HIV/AIDS

The Corporation continued with its multiple education campaigns in terms of its HIV/AIDS Program. This was mainly achieved through the utilisation of the Wellness Room which is a feature of disseminating information on HIV/AIDS in a raw form. Participation in the activities of the World AIDS Day was a success in December 2007. Collaboration with other relevant organisations such as Botswana Business Coalition on AIDS (BBCA) and Botswana Network of AIDS Service Organisation (BONASO) also continued during the year.

Corporate Social Responsibility Program (SRC)

Qualifying organisations in terms of the Corporation's Social Responsibility policy continue to benefit from the fund. The total amount of donations utilised by deserving organisations was approximately P1,077,000. We are confident that the purpose for which the fund was set up is being achieved.

Conclusion

In conclusion I wish to congratulate the entire staff of the Corporation for a job well done. A lot of work was put in to kick start the initial year of the four (4) year strategy and the success is well deserved. I do also wish to thank the Board of Directors for all the guidance and support over the year.

Mr. O K Matambo
Managing Director

Corporate Governance Statement

Once again the Board is proud to publish its Corporate Governance Statement to demonstrate the Corporation's governance initiatives, challenges, as well as opportunities that the Board, Management and the Auditors of the Corporation discharged or experienced as part of the overall Corporate Governance framework of the Corporation.

Introduction

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

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

Once again the Board is proud to publish its Corporate Governance Statement to demonstrate the Corporation's governance initiatives, challenges, as well as opportunities that the Board, Management and the Auditors of the Corporation discharged or experienced as part of the overall Corporate Governance framework of the Corporation.

Set out below is a brief of the Corporation's Corporate Governance performance and activities that were undertaken during the financial year in pursuit of good corporate governance principles, best practice as well as business imperatives, and as outlined by the Board of Directors.

Statement of Compliance

Botswana Development Corporation subscribes to the principles of Corporate Governance as set out in internationally recognised codes of best practice including the OECD principles and the King II Report on Corporate Governance.

The Board is satisfied that the Corporation has in all material respects complied with all principles of good governance that can reasonably be expected of the Board of a development finance institution.

The Corporation periodically reviews its systems and procedures in an endeavor to adhere to best business practice.

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

The Corporation's compliance is further verified by the various assurance providers including the Internal and External Auditors as well as the ISO9001:2000 Quality Auditors.

The Corporations Governance Methodology

Corporate governance follows a business process approach wherein internal control systems, measurement and disclosure are built into the inputs, the process and the output of all activities undertaken at all levels of the Corporation. Where assurance in the implementation of best practice is material, necessary guidance is designed and implemented. To that extent guidance has been developed in the form of: The Board Charter, Board Evaluation System, Credit and Investment guidelines, Divestment Strategy, Tender Rules and Regulations. Similarly the Corporation believes in empowering its people through carefully selected training that ensures that business principles as well as best practice are inculcated in the way of doing business at BDC, hence minimising the need for regulating all business processes.

At the end of it the standards and procedures that define the way we do business and the codes that desire the values we subscribe to in doing business are all electronically captured in an on-line Business Quality Management System that for the last six years has been independently verified and accredited against the International Standards Organisation's ISO9001:2000 standards.

Corporate Governance Statement *(continued)*

The BDC's Approach to Governance

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

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

Special Governance Initiatives undertaken during the year

The Corporation initiated the following activities during the year. The Corporation started the implementation of the 2008-11 strategic plan, which included the following changes in both the organisation structure and the way we do business:

- **New Marketing Division:** The Corporation introduced a dedicated marketing function that will focus on business leads and new business identification. This development also means that the existing business units shall hence forth focus their attention on customer interface thereby ensuring greater customer service and a greater focus on developing customer business ideas into dream realisation.

- **New Legal & Debt Collection Division:** Due to the growth of the loan book, the Corporation's need for in-house legal support to deal with all legal matters both at business generation level, including registration of securities and the release thereof, at closure.

- **Board Instruments:** The Board completed the development and formulation of Board Evaluation Instruments. A formal Board evaluation exercise was undertaken early in the new year.

BDC Governance Framework and Operation

Board of Directors

The appointment of the BDC Board of Directors is done by the shareholder with the Board operating within a unitary structure that provides for interaction among all Board members in the decision-making process on strategy; planning; performance; allocation of resources; business ethics and communication with stakeholders. During the year two Directors retired from the Board: Mr. D Inger retired after many years of serving in the Board whilst Mr. A Tafa was appointed as a high court Judge. Their replacements were not appointed as at year end.

Board Charter

The Board continued to follow the principles and guidance set out in the Board Charter developed in the previous financial year.

The Board is confident that it has performed up to the standard expected of it as set out in the Board Charter, and has undertaken to evaluate its performance early in the new year.

Delegation of Authority

There were no variations of existing authority of the Board or Management effected during the year. The existing delegated limits are as follows:

Managing Director /Executive Management Committee - this committee is authorised to approve the financing applications of up to P5 million.

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

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

Corporate Social Responsibility

Botswana Development Corporation's social responsibility program is fully mainstreamed in the Corporation's business activities. For that reason the Corporation integrates its social and environmental concerns in its business operations and in its interaction with the Corporation's key stakeholders.

The Corporation's Corporate Social Responsibility has evolved into three main components, which are, donations, sponsorships and Corporate Social Investment.

The Corporation supported a number of multi-stakeholder initiatives during the year.

Internal Control Systems

The Board 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 delivery of service to the customers as well as protecting the assets and interests of the Corporation.

Board Composition

Throughout the year the Corporation's affairs have been managed under the direction of a balanced Board of Directors that is composed of Directors with diverse skills and experience. There were no new Board appointments during the year.

During the year the Board composition included six independent Directors appointed from the private sector and two from two key ministries, namely the Ministry of Finance and Development Planning and the Ministry of Trade and Industry. Two of the six independent Directors retired during the year and were not replaced by year end.

The Board is confident that all decisions that were brought before it for deliberation and decision making were sufficiently discussed and all Directors views deliberated upon until a consensus was reached leading to a logical decision.

Board Meetings and Fees

The Board met six times during the year, made up of four scheduled meetings and two special Board meetings.

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

The record of Directors' attendance for the main board is as set out below:

Board Members	Total	9th July 2007	6th Sept 2007	13th Sept 2007	15th Dec 2007	13th March 2008	9th June 2008
Tumelo S S G *(Board Chairman)*	5	*	×	*	*	*	*
Matambo O K *(Managing Director)*	6	*	*	*	*	*	*
Inger D	2	*	*	×	n/a	n/a	n/a
Kandjii I K	2	*	×	*	×	×	×
Ndzinge S E	6	*	*	*	*	*	*
Tafa A B	1	*	n/a	n/a	n/a	n/a	n/a
Kwele N K	6	*	*	*	*	*	*
Merafhe O	5	×	*	*	*	*	*
Molosiwa B K	4	*	*	×	*	×	*

* = Present, X = Apology
na = No longer a Director.
Mr. Tafa and Mr. Inger ceased to be Directors on 3rd August and 30th September, respectively

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

	Main Board	Audit Committee	HR Committee	Board Tender Committee	Total Meetings Attended	Total Fees Paid (BWP)
Tumelo S S G *(Board Chairman)*	5	—	—	—	5	**5,250**
Matambo O K *(Managing Director)*	6	2	2	2	12	—
Inger D *(retired)*	2	—	—	—	2	**1,680**
Kandjii I K *(HR Com. Chair)*	2		2	—	4	**3,780**
Ndzinge S E *(Audit Com. Chair)*	6	2	—	—	8	**7,350**
Tafa A B *(retired)*	1	—	—	—	1	**840**
Kwele N K *(Tender Com. Chair)*	6	2	2	2	12	**10,500**
Merafhe O	5	1	—	2	8	**6,720**
Molosiwa B K	4	—	1	—	5	**4,200**
Lesolle M *(Independent Audit Com. Member)*	—	1	—	—	1	**840**

Corporate Governance Statement *(continued)*

With respect to operational matters the Board monitors and pays particular attention on the acquisitions, disposals, material agreements and capital expenditures outside predetermined limits set by the Board. The Board has in place a Board Tender Committee that considers tenders above specified limits set by the Board.

Board Meetings and Fees *(continued)*

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

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

Board Fees for the Chairman Mr. S.S.G Tumelo and Board Member Ms. B.K. Molosiwa were paid to Botswana Government as per government policy. No fees were paid to the Managing Director.

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

Major Decisions taken by the Board during the Year

The prime objective of the BDC Board is to ensure a balanced and sustainable Corporation's performance in terms of both the qualitative and quantitative performance indicators, all aimed at ultimately adding value to the national economic and social priorities and challenges.

In pursuit of the above the Board took the following major decisions during the year.

Personnel:

- The introduction of new bonus system that recognises different inputs of personnel.
- Introduction of a new performance management system that provide an improved performance measurement framework and that drives personnel to aim for greater performance and reward.

Investments:

- An additional P108.6 million further investment was injected into Lobatse Tile to finance the expansion of an additional production line.
- A Corporation approved a total of P37.5 million to be invested to finance the refurbishment of three of the Cresta Hotels properties,

Board processes:

- The Board approved a Board Evaluation System that will be used to review performance of the Full Board, the Individual Directors and the performance of the Chairman.

With respect to operational matters the Board monitors and pays particular attention on the acquisitions, disposals, material agreements and capital expenditures outside predetermined limits set by the Board. The Board has in place a Board Tender Committee that considers tenders above specified limits set by the Board.

Strategic Planning

The Corporation started the implementation of the 2008-11 Strategic Plan. To ensure that strategic plan implementation is properly managed, the Corporation appointed a Strategy implementation Monitoring Committee. The Strategy implementation Monitoring Committee meets on a monthly basis to review action plans for each business unit. The Committee Chairman in turn briefs the Board on a quarterly basis on progress made in the strategy implementation. All major action plans that were targeted to be completed during the financial year were substantially complete.

The strategic plan will be reviewed at the end of the next financial year.

Corporate Governance Statement *(continued)*

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

The Board has in place the Board Audit Committee, Board Human Resources Committee and the Board Tender Committee that assist it in ensuring a greater discharge of its mandate. Except for specifically delegated powers all Committees of the Board do not have executive powers, but instead recommend to the Board.

Board Audit Committee
The Board Audit Committee met twice during the financial year to review the appropriateness and effectiveness of the Corporation's accounting policies and financial procedures and oversight of the external auditor's work, including the scope and result of the audit. The Board Audit Committee also reviewed the effectiveness of the Corporation's internal control and risk management procedures and reports to the Board on these matters.

The Board Audit Committee placed reliance on assurance providers by reviewing reports submitted by Management, Group Internal Audit and External Auditors, including quality auditors.

The Board Audit Committee reviewed, discussed with management and approved for submission to the Board, the Corporation and the Group's consolidated financial statements.

The Human Resources Committee
The HR Committee met twice to review and make recommendations to the Board on matters within its terms of reference. There were no changes in the senior Management positions during the year.

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

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

An Annual General Meeting was held in December 2007 and was chaired by the Board Chairman. There was no extraordinary general meeting held during the year.

Information Technology
The utilisation of Information Technology for information management continues to play a critical role in the Corporation's day to day affairs.

During the year the Corporation introduced remote access by BDC staff to the Corporation's applications via internet, thereby enabling staff to attend to customers irrespective of whether they are at their offices or on business travel elsewhere in the country or abroad.

The Board has assurance and confidence on the Corporation's IT platform to provide continued connectivity and support to the Corporation's Processes at all times. The Corporation's Disaster Recovering Planning (DRP) is integrated into the overall Corporation's Business Continuity Management, which was successfully tested for its ability to recover in case of failure or non-availability of the main IT Platform.

Business Continuity Planning
The Corporation subscribes to a total business resumption solution that guarantees the Corporation's ability to resume its business, at a remote location, within a customer acceptable time. Towards the end of the year a live test was conducted to test the capability of such a solution and the readiness of BDC personnel in the event of a real disaster, and all data and processes of the Corporation were resumed within a matter of hours and business conducted at the site. The successful implementation and testing of the Business Continuity program has further enhanced the corporate governance framework of the Corporation.

Enterprise-Wide Risk Management
The Board is confident that all major business and operational risks have been identified and that appropriate mitigating controls are in place to both reduce their likelihood of occurrence and to mitigate their impact in the event that they do occur.

The Risk Manager and Group Internal Auditor both co-ordinate risk management information and processes by assessing the risk management and internal controls for the Corporation, ensuring that such processes satisfy the applicable standards in terms of both the Corporation's standards and the Group Members' standards and Board risk oversight performed through the Board Audit Committee. The External Auditors received copies of papers submitted to the Audit Committee.

Operational risk

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

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

Whistleblowing

The Corporation encourages whistle blowing to report any unacceptable or undesirable conduct.

The Corporation does not tolerate incidents of fraud, corrupt conduct, adverse behavior, legal or regulatory non-compliance, or questionable accounting and auditing practices by its employees. Employees are encouraged to report any suspected incident to Management or the Board.

Despite the lack of whistle blowing legislation, the Corporation undertakes to take all reasonable steps to protect a person who comes forward to disclose unacceptable or undesirable conduct, including disciplinary action, or potentially resulting in dismissal, of any person taking reprisals against them.

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 which is consistent with the Institute of Internal Auditors (IIA) definition of internal auditing. At the beginning of the financial year the Board Audit Committee sanctioned a work plan for the Group Internal Audit function.

During the year the Internal Audit function co-ordinated work on other Corporation's assurance processes including: ISO9001:2000 quality audits, Business Continuity Planning, Corporate Governance and Document Management System.

Fig 1 Audit Assurance Processes

ISO9001:2000

The Corporation has adopted the International Standard Organisation (ISO) standard 9001:2000 as its benchmark on the quality of its processes, the people who drive those processes and its performance on the customer satisfaction interface. For the last six years the Corporation has been accredited to ISO9001:2000 having continuously excelled against all set benchmarks.

Disclosure and transparency

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

Sustainability Report

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

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

Corporate Social Investment (CSI) remains an important pillar of the BDC's sustainability initiatives.

Corporate Governance Statement *(continued)*

The Board, Management and Staff are committed to the highest standards of integrity in all their dealings with stakeholders. Both the Corporation's personnel and clients are expected to observe ethical practices in carrying out of the Corporation's business activities.

Corporate Social Responsibility

Botswana Development Corporation considers corporate responsibility as a fundamental value of business success and therefore conducts its activities in a manner designed to protect the environment, as well as the health and safety of employees, contractors and the public by integrating best practice Environmental, Health and Safety (EHS) considerations into its projects from planning stage through to decommissioning, closure and aftercare.

The Corporation believes that no operational condition or urgency of service can ever justify endangering the environment or the health and safety of anyone.

Ethics, Environment and Society

The Board ensures that in conducting the Corporation's business and in interacting with stakeholders, due regard is given to conformance to the BDC's Corporate Values, and code of ethics in force from time to time. The Board considers customer primacy, employee development, teamwork, professionalism and integrity as critical values that all BDC personnel and agents subscribe to.

The Board, Management and Staff are committed to the highest standards of integrity in all their dealings with stakeholders. Both the Corporation's personnel and clients are expected to observe ethical practices in carrying out of the Corporation's business activities.

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

Health and safety

The Corporation is committed to upholding good social, ethical, safety, health and environment practices at the workplace, as well as organisational integrity. The Board has committed to periodically review policies, procedures and systems in place to ensure, monitor, communicate and verify its compliance to these practices including where there has been a departure thereon.

Audited Financial Statements

The audited financial statements, as set out, were prepared by Management in accordance with International Financial Reporting Standards. The financial statements were reviewed and recommended by the Audit Committee and have been approved by the Board of Directors for presentation at the Annual General Meeting of the shareholders for formal adoption. At the end of the financial year the Board recommended that a dividend of P13 million be paid to the Shareholder, Botswana Government, which represents 25% of the Corporation's profit after tax.

The Directors are responsible for the preparation, approval and reporting of the financial statements of the Corporation and consolidated financial statements of the Group. The external auditors have reviewed the financial statements as set out and their report is on page 31.

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

The Future

The Board has an ambitious program to drive and increase the fortunes of the Corporation, to build an even stronger brand and to play a bigger role in assisting Government and the private sector in facilitating citizen economic empowerment that will enrich a greater population of Botswana. To that end the Corporation has an ambitious disinvestment program whose implementation will begin in the next financial year, and which is expected to change the fortunes of our citizens.


Billabong

Business Development Report

Ms M M Nthebolan
General Manager, Business Development

Agribusiness & Services Division

Total investment by this Division as at the end of the year under review amounted to P124 million, an increase of some 24% over the prior year.

New projects initiated in the year were:
Marekisetso a Morogo wa Rona, the horticultural market set up in Gaborone as a joint venture between the Corporation (49%) and the Botswana Horticultural Council (51%). The market is intended to promote local production of fruit, vegetables and flowers in as much as the market will facilitate trading between growers and buyers.

Kwalape Safari and Tours, is a middle market tented lodge in the Kazangula area. A citizen owned business, the 14 tent lodge will open during the course of 2009.

Projects for which implementation commenced or continued during the year under review were:

Coast-to-Coast Inn, the lodge being developed at Mamuno in the east of the country. The project sponsors have been waiting for the requisite Archaeological and Environmental Impact Assessment report prior to the commencement of construction. This report was received post year end and construction has accordingly started.

The ICT upgrade in respect of the Botswana Export Credit Insurance Company (BECI) continues and is expected to be completed in the next financial year.

LP Amusement Centre, the entertainment and theme park being developed south of Gaborone was nearing completion as at year-end and is now operational.

The second phase sub-division of the Lion Park property was completed by Malutu Enterprises and all 29 smallholdings sold during the year.

Industry Division

As at year-end the Division's exposure amounted to P650 million, an increase of 19% over the prior year. Portfolio companies employ some 3,600 personnel, making the Division one of the larger employers in the country after Government and the mining sector.

New projects initiated in the year were:
Botswana Vaccine Institute, where the Corporation advanced some P50 million in the form of preference shares to finance the expansion of this regional centre of veterinary excellence.

The float glass manufacturing plant, a joint venture between the Corporation and the Fengyue Glass Manufacturing Company of China, which will be based in Palapye where the project will have ready access to silica deposits.

In order to extend the product range and hence facilitate market penetration, the Corporation approved additional funding in the year under review for a second production line at Can Manufacturing in Lobatse.

The Division continues to actively seek out investment opportunities and preliminary research was undertaken during the year into mining beneficiation projects and the pharmaceutical industry, while a situation analysis of citizen owned businesses and their needs was also initiated.

The float glass manufacturing plant, a joint venture between the Corporation and the Fengyue Glass Manufacturing Company of China, which will be based in Palapye where the project will have ready access to silica deposits.

Property

Overall, the demand for quality office space, residential and industrial properties in major cities was very good during the financial year. The division is therefore evaluating a number of commercial, hotel and industrial developments for possible investment in the coming financial year.

During the year under review, the division carried out a detailed property portfolio review in preparation for a major divestment programme as per Corporations 2007 – 2011 Strategic Plan. It is anticipated that the envisaged property divestiture programme would have the potential to unlock capital and create wealth through Special Purpose Investment Vehicle for possible listing in the Botswana Stock Exchange.

Residential Properties

In an effort to improve the quality of its stock the company refurbished two properties in Gaborone. These refurbishments saw the company achieving higher rentals and increase demand upon completion. RH plans to refurbish other properties which are in the highly sought locations of Gaborone. The portfolio continues to enjoy high occupancy levels due to good locations of and security in the properties.

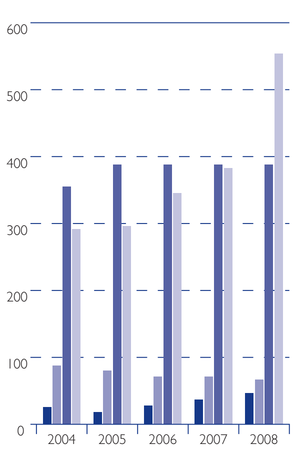
Hotel Properties

The Phase II refurbishment of Thapama Hotel was completed during the year. Plans for the refurbishment of Cresta Lodge in Gaborone and Riley's Hotel Maun are well underway and are expected to commence early in the next financial year. The Cresta hotels refurbishment programme is planned for completion end of 2009, well in time for the Cresta Group to take advantage of the spinoff from the June 2010 World Cup.

Botswana Innovation Hub

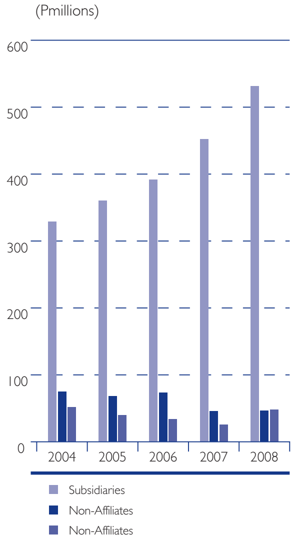
The BDC is negotiating with the MIST for BDC to facilitate the physical development of the Botswana Innovation Hub to be developed in Block 8 Gaborone. The property Division will spear head the BDC role. The Botswana Innovation Hub (BIH) is a project under the Ministry of Communications Science and Technology. The project has been approved by Cabinet as one of the "mega projects" government believes have a potential to improve economic diversification of the national economy. Negotiations are at an advanced stage.

INDUSTRY SECTORS (Pmillions)

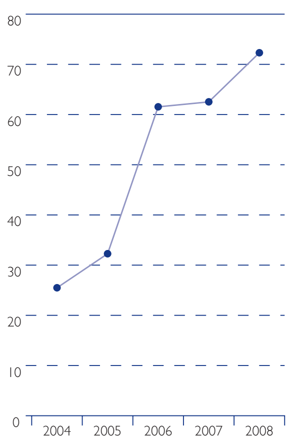


	2004	2005	2006	2007	2008
Agriculture	26	20	27	37	43
Services	89	84	72	66	67
Property	356	388	388	389	390
Industry	291	296	349	385	553

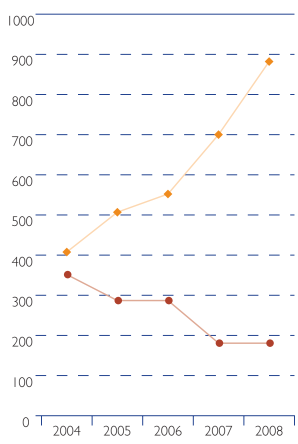
INVESTMENT DISTRIBUTION (Pmillions)



EXPENDITURE (Pmillions)



PRODUCT RANGE (Pmillions)



Management Services Report

Mr J N Kamyuka
General Manager, Management Services

The Corporation endeavors to provide an unwavering high standard of service excellence to its customers. This can only be achieved when the underlying systems and processes operate efficiently and effectively. The Management Services Department supplies the required systems and processes at the highest standards which translate into the desired high level of customer service and satisfaction.

Management Services Department covers the following key functions.

Financial Accounting

The primary objective of the Division is to provide an accurate record of the Corporations financial transactions. Furthermore a comprehensive record of all clients' financial interactions with the Corporation are kept readily available, up to date and accurate.

Management Accounting and Corporate Treasury

This Division provides team based performance management information. It is also charged with ensuring efficient management of the Corporations resources to facilitate the timely funding of all commitments.

Risk Management and Research

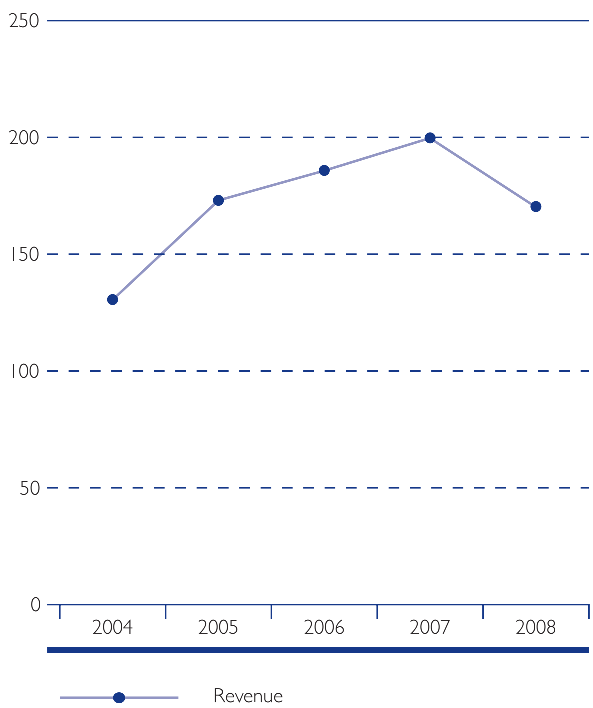
The Division ensures sustained risk monitoring of the entire investment portfolio and enterprise wide risk management. In addition, Research requirements necessary for the Corporations advancement as identified from time to time are carried out by the Division.

Risk Management continues to be one of the drivers of value within the Corporation. Events that could upset the achievement of the Corporation's objectives were identified, assessed and mitigated. Consequently, the risk profile of BDC related investments remained fairly stable with the majority of cases in good performing grades.

Information Technology

This Division provides Quality IT Support with an emphasis on up to date customer information and efficient work flow solutions.

REVENUE (Pmillions)




SOUCOAT
Kazakhmys

Annual Financial Statements

for the year ended 30 June 2008

Directors' Responsibilities and Approval

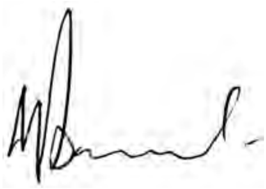
The Directors of the Group are responsible for the integrity and objectivity of the financial statements, as well as for all other information contained therein. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act of Botswana (Companies Act, 2003).

The Directors are also responsible for the systems of internal control. The Group maintains suitable internal control systems to provide reasonable assurance that all assets are safeguarded and that transactions are executed and recorded in accordance with the Group policies.

The Directors are satisfied that the controls, systems and procedures in place minimise the possibility of material loss or misstatement. 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 Directors believe that the Group has adequate resources to continue in operation for the foreseeable future and, accordingly, the financial statements appearing on pages 32 to 69 have been prepared on a going concern basis.

Against this background, the Directors accept responsibility for the financial statements and the information on pages 32 to 69, which were approved on 19 June 2009, and are signed on their behalf by:



Ms M M Nthebolan
Director

Mr N K Kwele
Director

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 2008 in accordance with the requirements of the Companies Act of Botswana (Companies Act, 2003).

Financial Results

1. The financial results for the Corporation and the group are set out on pages 32 to 69.

2. A dividend of P12 million was declared during the year in respect of the ordinary shares.

Directors

3. The following were directors of the Corporation at the date of approval of the annual financial statements:

S M Sekwakwa - Chaiman 1st Febraury 2009
B K Molosiwa
M N Nthebolan - Managing Director 11th February 2009
S E Ndzinge
I K Kandjii
A B Tafa - retired 3rd August 2007
N K Kwele
D Inger - retired 30th September 2007
O Merafhe
O K Matambo - retired 31st December 2008
T Dikgaka 1st February 2009
S S G Tumelo - retired 28th February 2009
M N Masisi 1st February 2009

Stated Capital

4. There are 238 199 462 issued and fully paid ordinary shares.

Investments

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

a) Wholly owned subsidiaries
- Lobatse Tile (Pty) Ltd - P82,382,263
- Lobatse Clayworks (Pty) Ltd - P1,449,664
- Botswana Export Credit Insurance (BECI) (Pty) Ltd - P4,000,000
- Golden Fruits (Pty) Ltd - P4,906,510
- Can Manufacuring (Pty) Ltd - P18,883,249
- Botswana Hotel Development Company (Pty) Ltd - P3,910,808
- Residential Holdings (Pty) Ltd - P5,430,307
- Kwena Concrete Products (Pty) Ltd - P8,000,000

b) Investment projects in progress
- L P Amusement (Pty) Ltd - P5,198,630

Disinvestments

6. The Corporation divested as follows:
- Ordinary shares in Thabana Investments of P1,444,000

Directors' Fees and Expenses

7. It is recommended that directors' fees and expenses of P32,775 and directors' emoluments of P989,000 for the year to 30 June 2008 be ratified.

By Order of the Board

M Leburu
Group Company Secretary

Independent Auditor's Report

To the members of Botswana Development Corporation Limited

Deloitte.

Report on the Financial Statements

We have audited the accompanying company and group financial statements of Botswana Development Corporation Limited, set out on pages 32 to 69, which comprise the balance sheets as at 30 June 2008, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Botswana (Companies Act, 2003).

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

Group

During the current financial year there was a material breakdown in the functioning of internal control and procedures at Lobatse Tile Limited, a wholly owned subsidiary, the impact of which on the results for the period cannot be accurately quantified. In a number of instances, where amounts could not be substantiated or could not be analysed, clearing entries were either charged or credited to the income statement. Accordingly, we were not able to determine whether any adjustments might be necessary to the income statement figures shown in the financial statements.

Lobatse Tile Limited also incurred losses for the year of P 31 million and P 19 million for the financial years ended 30 June 2008 and 2007, respectively. These losses, together with the continuing economic uncertainty in the subsidiary's main markets, indicate that the recoverable amounts of property, plant and equipment, capital work in progress and raw material inventory may not exceed the recorded cost of these assets at the financial year-end. In terms of the International Accounting Standard 36 an entity is required to determine the recoverable amount of an asset when an impairment indicator exists. The subsidiary's management has not determined these recoverable amounts and therefore we have not been able to perform adequate audit procedures regarding the valuation of these assets.

Company

Included in investments in subsidiaries is an amount of P 275 million which represents the investment in Lobatse Tile Limited. Management has recognised an impairment loss to the extent of P 139 million against the investment in Lobatse Tile Limited. Based on the losses made in Lobatse Tile Limited, an impairment loss of P 194 million should have been recognised. Had this been done, the Company's investment in Lobatse Tile Limited would have been stated in the balance sheet at P 81 million and the Company's profit for the year ended 30 June 2008 would have been reduced by P 55 million, from a profit of P 49 million to a loss of P 6 million.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs above, the Company's and the Group's financial statements present fairly, in all material respects, the financial position of Botswana Development Corporation Limited and its subsidiaries at 30 June 2008, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Botswana (Companies Act, 2003).

Emphasis of Matter

We draw attention to the comments in the Chairman's statement to the financial statements which indicates that Lobatse Tile Limited, a wholly owned subsidiary of Botswana Development incurred a net loss of P 31 million for the year ended 30 June 2008. The Chairman's statement also indicates that this project is a long term development project that is fully supported by the Board of Directors and the Shareholder.

Deloitte & Touche

Deloitte & Touche
Certified Public Accountants (Botswana)

19 June 2009
GABORONE

Income Statements
for the year ended 30 June 2008

	Notes	Group 2008 P 000	Group 2007 P 000	Company 2008 P 000	Company 2007 P 000
REVENUE	1	394,319	278,106	132,507	140,779
Cost of revenue		(212,709)	(175,025)	—	—
Gross profit		181,610	103,081	132,507	140,779
Other operating income	2	54,891	71,548	39,116	59,244
Fair value of investment properties	6	6,681	137,116	—	—
Share of profits of associates	10	49,993	43,041	—	—
Movement in fair value of borrowings	29	(3,223)	(2,712)	(3,223)	(2,712)
Distribution costs		(6,826)	(2,712)	—	—
Marketing expenses		(4,436)	(3,164)	(2,619)	(2,188)
Occupancy expenses		(2,167)	(1,455)	(6,185)	(5,045)
Administrative expenses		(77,132)	(56,861)	(30,887)	(31,268)
Other operating expenses		(49,450)	(21,311)	(33,141)	(25,700)
Finance costs	3	(36,910)	(40,452)	(31,525)	(36,199)
PROFIT BEFORE TAX	4	113,031	226,119	64,043	96,911
Income tax expense	5	(35,455)	(14,218)	(15,426)	(23,772)
PROFIT FOR THE YEAR		77,576	211,901	48,617	73,139
Attributable to:					
Equity holders of the parent		68,285	179,847	48,617	73,139
Minority interest	28	9,291	32,054	—	—
		77,576	211,901	48,617	73,139

Balance Sheets

At 30 June 2008

	Notes	Group 2008 P 000	Group 2007 P 000	Company 2008 P 000	Company 2007 P 000
ASSETS					
NON-CURRENT ASSETS					
Investment properties	6	676,200	653,509	—	—
Property, plant and equipment	7	369,418	215,367	1,396	1,590
Intangible assets	8	2,079	280	—	—
Subsidiaries	9	—	—	671,012	532,558
Associated companies/partnerships	10	153,293	123,760	66,011	58,060
Unquoted investments	11	88,502	33,428	75,083	22,537
Quoted investments	13	709,352	660,293	709,352	660,293
Due from group companies - net	14	—	—	24,750	24,287
Investment projects in progress	15	17,158	54,389	17,158	54,389
		2,016,002	1,741,026	1,564,762	1,353,714
CURRENT ASSETS					
Inventories	16	29,741	11,771	—	—
Trade and other receivables	17	104,590	94,563	55,904	38,391
Short-term loans and advances	18	11,226	8,103	48,065	27,219
Assets held for sale	19	12,172	1,715	—	—
Available for sale investments	20	68,236	305,386	38,532	262,371
Cash and cash equivalents	21	224,525	145,290	163,925	99,452
Taxation recoverable		52,479	39,160	8,464	3,847
		502,969	605,988	314,890	431,280
TOTAL ASSETS		2,518,971	2,347,014	1,879,652	1,784,994
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES					
Stated capital	22	535,199	238,199	535,199	238,199
Share premium	22	—	297,000	—	297,000
Contribution to factory premises	23	24,070	24,070	24,070	24,070
Fair value reserve	24	615,872	566,813	615,872	566,813
Other reserves	25	83,847	46,277	5,504	5,504
Dividend reserve	26	12,000	20,000	12,000	20,000
Claims equalisation reserve	27	1,107	971	—	—
Retained earnings		523,308	469,843	329,696	293,079
Equity attributable to equity holders of the parent		1,795,403	1,663,173	1,522,341	1,444,665
Minority interest	28	74,572	69,487	—	—
Total equity		1,869,975	1,732,660	1,522,341	1,444,665
NON-CURRENT LIABILITIES					
Borrowings	29	408,098	408,089	298,221	302,898
Government grants	30	32,217	32,994	—	—
Provision for restoration costs	31	6,430	6,500	—	—
Deferred taxation	32	74,481	61,179	—	—
		521,226	508,762	298,221	302,898
CURRENT LIABILITIES					
Borrowings	29	12,591	11,410	8,996	8,869
Trade and other payables	33	83,357	71,454	36,792	14,265
Bank overdrafts	34	14,120	4,115	—	—
Tax payable		4,400	4,316	—	—
Capital gains tax payable		161	1,156	161	1,156
Dividend payable		13,141	13,141	13,141	13,141
		127,770	105,592	59,090	37,431
TOTAL LIABILITIES		648,996	614,354	357,311	340,329
TOTAL EQUITY AND LIABILITIES		2,518,971	2,347,014	1,879,652	1,784,994

Statements of Changes in Equity

for the year ended 30 June 2008

	Notes	Stated capital P 000	Share premium P 000	Capital Redemption reserve P 000	Capitalisation of bonus shares P 000
Group					
Year ended 30 June 2008					
Balance at 1 July 2007		238,199	297,000	7,060	1,504
Transfers		297,000	(297,000)	—	—
Movement during the year		—	—	—	—
Fair value adjustment of quoted investments	24	—	—	—	—
Dividend declared	26	—	—	—	—
Dividend paid	26	—	—	—	—
Deferred tax on revaluation surplus	32	—	—	—	—
Profit for the year		—	—	—	—
Balance at 30 June 2008		**535,199**	**—**	**7,060**	**1,504**
Year ended 30 June 2007					
Balance at 1 July 2006		238,199	297,000	7,060	1,504
Fair value adjustment of quoted investments	24	—	—	—	—
Movement during the year		—	—	—	—
Transfers		—	—	—	—
Dividend declared	26	—	—	—	—
Dividend paid	26	—	—	—	—
Profit for the year		—	—	—	—
Balance at 30 June 2007		**238,199**	**297,000**	**7,060**	**1,504**
Company					
Year ended 30 June 2008					
Balance at 1 July 2006		238,199	297,000	4,000	1,504
Transfers	22	297,000	(297,000)	—	—
Fair value adjustment of quoted investments	24	—	—	—	—
Dividend declared	26	—	—	—	—
Dividend paid	26	—	—	—	—
Profit for the year		—	—	—	—
Balance at 30 June 2008		**535,199**	**—**	**4,000**	**1,504**
Year ended 30 June 2007					
Balance at 1 July 2006		238,199	297,000	4,000	1,504
Fair value adjustment of quoted investments	24	—	—	—	—
Dividend declared	26	—	—	—	—
Dividend paid	26	—	—	—	—
Profit for the year		—	—	—	—
Balance at 30 June 2007		**238,199**	**297,000**	**4,000**	**1,504**

Contribution to factory premises P 000	Fair value reserve P 000	Statutory capital/ solvency & other reserves P 000	Dividend reserve P 000	Claims equalisation reserve P 000	Retained earnings P 000	Total attributable to members P 000	Minority interest P 000	Total P 000
24,070	566,813	37,713	20,000	971	469,843	1,663,173	69,487	1,732,660
—	—	3,904	—	—	(2,820)	1,084	(1,084)	—
—	—	44,728	—	136	—	44,864	—	44,864
—	49,059	—	—	—	—	49,059	—	49,059
—	—	—	12,000	—	(12,000)	—	—	—
—	—	—	(20,000)	—	—	(20,000)	(3,122)	(23,122)
—	—	(11,062)	—	—	—	(11,062)	—	(11,062)
—	—	—	—	—	68,285	68,285	9,291	77,576
24,070	**615,872**	**75,283**	**12,000**	**1,107**	**523,308**	**1,795,403**	**74,572**	**1,869,975**
24,070	535,330	30,118	18,050	875	307,759	1,459,965	48,625	1,508,590
—	31,483	—	—	—	—	31,483	—	31,483
—	—	—	—	96	—	96	—	96
—	—	7,595	—	—	2,237	9,832	(9,832)	—
—	—	—	20,000	—	(20,000)	—	—	—
—	—	—	(18,050)	—	—	(18,050)	(1,360)	(19,410)
—	—	—	—	—	179,847	179,847	32,054	211,901
24,070	**566,813**	**37,713**	**20,000**	**971**	**469,843**	**1,663,173**	**69,487**	**1,732,660**
24,070	566,813	—	20,000	—	293,079	1,444,665	—	1,444,665
—	—	—	—	—	—	—	—	—
—	49,059	—	—	—	—	49,059	—	49,059
—	—	—	12,000	—	(12,000)	—	—	—
—	—	—	(20,000)	—	—	(20,000)	—	(20,000)
—	—	—	—	—	48,617	48,617	—	48,617
24,070	**615,872**	**—**	**12,000**	**—**	**329,696**	**1,522,341**	**—**	**1,522,341**
24,070	535,330	—	18,050	—	239,940	1,358,093	—	1,358,093
—	31,483	—	—	—	—	31,483	—	31,483
—	—	—	20,000	—	(20,000)	—	—	—
—	—	—	(18,050)	—	—	(18,050)	—	(18,050)
—	—	—	—	—	73,139	73,139	—	73,139
24,070	**566,813**	**—**	**20,000**	**—**	**293,079**	**1,444,665**	**—**	**1,444,665**

ANNUAL FINANCIAL STATEMENTS

Cash Flow Statements

for the year ended 30 June 2008

	Notes	Group 2008 P 000	Group 2007 P 000	Company 2008 P 000	Company 2007 P 000
Operating activities					
Cash generated from operations	40	87,864	51,632	67,527	98,252
Tax paid		(37,763)	31,504	(21,038)	(25,362)
Net cash generated by operating activities		50,101	83,136	46,489	72,890
Investing activities					
Purchase of investment properties	6	(25,429)	(42,114)	—	—
Purchase of property, plant and equipment	7	(149,517)	(26,448)	(349)	(1,193)
Purchase of intangible assets	8	(1,839)	—	—	—
Purchase of shares in subsidiaries		—	—	(151,032)	(62,411)
Purchase of shares in associates		(7,975)	(619)	(7,975)	(619)
Purchase of shares in non-affiliated companies		(52,528)	(5,595)	(50,000)	—
Loans disbursed to subsidiaries		—	—	(31,814)	(17,052)
Loans disbursed to associated companies		(67)	(3,169)	(67)	(3,169)
Loans disbursed to non-affiliated companies		(10,583)	(25)	(10,583)	(25)
Loans repaid by subsidiaries		—	—	6,490	10,235
Loans repaid by associated companies		1,495	6,864	1,495	6,864
Loans repaid by non-affiliated companies		5,323	9,388	5,323	9,388
Purchase of in shares in investment projects in progress		(5,198)	—	(5,198)	—
Loans disbursed to investment projects in progress		(2,694)	—	(2,694)	—
Net decrease (increase) in shares in investment projects in progress		20,625	(19,675)	20,625	(19,675)
Net decrease (increase) in loans in investment projects in progress		23,998	(17,320)	23,998	(17,320)
Proceeds from disposal of property, plant and equipment		1,781	10,505	—	8,135
Proceeds from disposal of investment properties		10,125	13,348	—	—
Net movement in the reserves of associates		(1,977)	(20,778)	—	—
Disposal of investments		—	—	24,635	7,074
Interest received	2	38,504	49,053	30,589	39,592
Net cash used in investing activities		(155,956)	(46,585)	(146,557)	(40,176)
Financing activities					
Decrease in long term borrowings		(2,033)	(11,016)	(7,773)	(7,888)
Dividend paid to group shareholder	26	(20,000)	(18,050)	(20,000)	(18,050)
Dividends paid to minority interests	28	(3,122)	(1,360)	—	—
Finance costs	3	(36,910)	(40,452)	(31,525)	(36,199)
Net cash used in financing activities		(62,065)	(70,878)	(59,298)	(62,137)
Decrease in cash and cash equivalents		(167,920)	(34,327)	(159,366)	(29,423)
Movement in cash and cash equivalents					
Start of year		446,561	480,888	361,823	391,246
Decrease during the year		(167,920)	(34,327)	(159,366)	(29,423)
End of year		278,641	446,561	202,457	361,823
Available for sale investments		68,236	305,386	38,532	262,371
Cash and cash equivalents		224,525	145,290	163,925	99,452
Bank overdraft		(14,120)	(4,115)	—	—
		278,641	446,561	202,457	361,823

Significant Accounting Policies

30 June 2008

Presentation of Financial Statements

These financial statements are presented in Pula, the currency of Botswana.

Adoption of new and revised standards

In the current year, the company has adopted all of the new and revised Standards and Interpretations of the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual reporting beginning on or after 1 January 2007. The adoption of these standards has not resulted in changes to the companies accounting policies.

The impact of the adoption of IFRS 7 'Financial Instruments: Disclosures' and IAS 1 'Presentation of Financial Statements' both with effective dates of 1 January 2007 has been to expand the disclosures provided in these financial statements regarding financial instruments and present information regarding the companies objectives, policies and processes for managing capital.

At the year end, the following Standards and Interpretations were issued but not yet effective:

- IAS 1 (revised 2008) Presentation of Financial Statements - Comprehensive revision including requiring a statement of comprehensive statement - Effective 1 January 2009.
- IAS 23 (revised 2007) Borrowing costs - Comprehensive revision to prohibit immediate expensing - Effective 1 January 2009.
- IAS 27 (revised 2008) Investment in Associates - Consequential amendments arising from the amendments to IFRS 3 - Effective 1 July 2009.
- IAS 28 (revised 2008) Investment in Associates - Consequential amendments arising from amendments to IFRS 3 - Effective 1 July 2009.
- IAS 31 (revised 2008) Interests in Joint Ventures - Consequential amendments arising from amendments to IFRS 3 - Effective 1 July 2009.
- IAS 39 (revised 2008) Financial Instruments: Recognition and Measurement - Amendments relating to puttable instruments and obligations arising on liquidation - Effective 1 January 2009.
- IFRS 8 Operating Segments - Effective 1 January 2009.
- IFRIC 13 Customer Loyalty Programme - Effective 1 July 2008.

On 22 May 2008, the IASB issued its latest Standard, titled Improvements to International Financial Reporting Standards 2008. The Standard included 35 amendments to various standards all effective for the annual periods beginning on or after 1 January 2009, except for IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations which is effective 1 July 2009.

The directors believe that the adoption of the above Standards will have no material impact on the financial results and financial position of the group, but will result in changes to the presentation and disclosures in the financial statements.

Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with International Financial Reporting Standards. 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 Companies Act of Botswana (Companies Act, 2003). The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities and properties.

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.

Significant Accounting Policies *(continued)*

30 June 2008

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

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

Depreciation is calculated on the straight-line method to write off the cost of property, plant and equipment 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 or loss in the period in which they arise. When revalued assets are sold, the amounts included in fair value and other reserves are transferred to retained earnings.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

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

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. Investment projects in progress

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

G. Impairment of assets

At each reporting date, the group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

Significant Accounting Policies *(continued)*

30 June 2008

G. Impairment of assets *(continued)*

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

H. 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 or fair value. 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.

I. Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the first-in first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Provision is made for obsolete, slow- moving and defective inventory.

J. Intangible assets

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

K. 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.

L. 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.

Significant Accounting Policies *(continued)*

30 June 2008

M. Stated 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.

N. 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.

O. 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.

P. 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.

Q. Taxation

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

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

R. 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.

S. 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.

Significant Accounting Policies *(continued)*

30 June 2008

S. Foreign currencies *(continued)*

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

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

W. Related party transactions

Related parties are defined as those parties:

(a) directly, or indirectly through one or more intermediaries, the party:
   - (i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
   - (ii) has an interest in the entity that gives it significant influence over the entity; or

(b) that are members of the key management personnel of the entity or its parent including close members of the family.

All dealings with related parties are transacted on an arms length basis and accordingly included in profit or loss for the year

X. Financial instruments

Financial assets

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

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial liabilities and equity instruments

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

Financial liabilities are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

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

Notes to the Financial Statements

30 June 2008

	Group		Company	
	2008 P 000	2007 P 000	2008 P 000	2007 P 000
1. REVENUE				
Income from trade	**317,320**	198,507	**—**	—
Interest on loans:				
- Subsidiaries	**—**	—	**18,217**	15,318
- Associated companies	**3,096**	3,167	**3,096**	3,167
- Unquoted investments	**4,241**	4,429	**4,241**	4,429
Dividends receivable:				
- Subsidiaries	**—**	—	**37,291**	45,862
- Associated companies	**20,527**	31,151	**20,527**	31,151
- Unquoted investments	**49,135**	40,852	**49,135**	40,852
	394,319	278,106	**132,507**	140,779
2. OTHER OPERATING INCOME				
Cost recoveries	**102**	1,189	**3,175**	3,927
Profit on disposal of property, plant and equipment	**143**	7,871	**—**	8,065
Directors' fees received	**149**	265	**257**	207
Loan negotiating fees	**655**	103	**655**	103
Invoice discounting service fees	**578**	3	**578**	3
Expense recovered	**813**	1,204	**—**	—
Bad debts recovered	**476**	4,729	**409**	3,886
Interest receivable	**38,504**	49,053	**30,589**	39,952
Sundry revenue	**13,471**	7,131	**3,453**	3,101
	54,891	71,548	**39,116**	59,244
3. FINANCE COSTS				
Interest expense:				
- bank borrowings	**(4,074)**	(3,035)	**—**	—
- bonds	**(21,575)**	(25,339)	**(21,491)**	(25,257)
- long-term borrowings	**(10,598)**	(12,001)	**(10,034)**	(10,942)
- finance leases	**(663)**	(77)	**—**	—
	(36,910)	(40,452)	**(31,525)**	(36,199)

Notes to the Financial Statements *(continued)*

30 June 2008

	Group		Company	
	2008	2007	2008	2007
	P 000	P 000	P 000	P 000
4. PROFIT BEFORE TAX				
The following items have been charged/(credited) in arriving at profit before tax, in addition to the amounts already disclosed in notes 1 and 2 above:				
Amortisation of government grant	**(777)**	(777)	—	—
Amortisation of intangible assets	**40**	40	—	—
Auditor's remuneration -current year	**1,399**	1,294	**293**	182
Auditor's remuneration -prior year underprovision	**321**	(94)	—	—
Operating lease payments	**1,173**	1,466	**6,185**	5,045
Depreciation				
- Property, plant and equipment	**24,514**	19,057	**543**	589
Directors' fees	**149**	265	**33**	77
Directors' emoluments	**1,050**	918	**989**	918
Key management's emoluments	**2,189**	1,523	**2,189**	1,523
Provision for losses:				
- Investments	**(21,238)**	(31,447)	**(7,238)**	(29,846)
Bad debts recovered	**(476)**	(4,729)	**(409)**	(3,886)
Net foreign excahnge gains	**3,285**	3,225	**3,220**	1,654
Transfers to claims equilisation reserve	**136**	96	—	—
Impairment of property, plant and equipment	**249**	(256)	—	—
Utilities	**813**	1,664	—	—
Repairs and maintenance	**3,725**	3,138	—	—
Staff costs (as below)	**79,852**	56,991	**25,570**	22,512
(Gain)/loss on:				
- disposal of property, plant and equipment	**(122)**	(7,871)	—	(8,065)
- disposal of investment properties	**2,085**	(117)	—	—
Staff costs:				
Salaries and wages	**78,201**	54,037	**24,188**	21,188
Terminal benefits	**1,651**	2,954	**1,382**	1,324
	79,852	56,991	**25,570**	22,512
Average number of employees	**1,366**	1,266	**76**	73

Notes to the Financial Statements *(continued)*

30 June 2008

	Group		Company	
	2008	2007	2008	2007
	P 000	P 000	P 000	P 000
5. INCOME TAX EXPENSE				
Botswana company taxation				
- basic tax at 15%/5%	**4,972**	17	**—**	—
- additional company tax at 10%	**2,137**	36	**—**	—
Normal taxation	**7,109**	53	**—**	—
Withholding tax paid on dividends received	**16,043**	17,680	**16,043**	17,680
Normal taxation - prior year	**381**	1,256	**—**	1,262
Capital gains tax	**—**	995	**—**	995
Group tax relief	**—**	—	**(617)**	3,835
Total normal taxation	**23,533**	19,984	**15,426**	23,772
Deferred taxation (note 32) - current year	**1,641**	(1,155)	**—**	—
- prior year	**599**	(11,986)	**—**	
Share of associated company taxation	**9,682**	7,375	**—**	—
Charge for the year	**35,455**	14,218	**15,426**	23,772
The total charge for the year can be reconciled to the accounting profit as follows:				
Profit before tax	**113,031**	226,119	**64,043**	96,911
Tax calculated at 25%/15%	**40,157**	68,807	**16,011**	24,228
Income not subject to tax	**(32,985)**	(30,007)	**(26,738)**	(29,466)
Normal taxation - prior year	**381**	1,256	**—**	1,262
Deferred taxation - prior year	**599**	(11,986)	**—**	—
Capital gains tax	**—**	995	**—**	995
Expenses not deductible for tax purposes	**12,092**	(3,126)	**10,727**	374
Utilisation of previously unrecognised losses	**—**	4,147	**—**	4,864
Net difference between depreciation and capital allowances	**433**	(37,688)	**—**	—
Share of associated company taxation	**9,682**	7,375	**—**	—
Withholding tax paid on dividends received	**16,043**	17,680	**16,043**	17,680
Expenses subject to double deduction	**(52)**	(5)	**—**	—
Unutilised losses carried forward	**(3,797)**	6,489	**—**	—
Losses utilised by subsidiaries	**(7,098)**	(9,719)	**(617)**	3,835
	35,455	14,218	**15,426**	23,772
Tax Losses				
Tax year				
2002/2003	**—**	2,833		
2003/2004	**18,993**	18,993	**—**	—
2004/2005	**25,142**	25,142	**—**	—
2005/2006	**26,960**	26,960	**—**	—
2006/2007	**30,779**	30,779	**—**	—
2007/2008	**32,734**	—	**—**	—
	134,608	104,707	**—**	—

Notes to the Financial Statements *(continued)*

30 June 2008

6. INVESTMENT PROPERTIES

	Group 2008 P 000	Group 2007 P 000	Company 2008 P 000	Company 2007 P 000
Opening net book value	**653,509**	473,075	—	—
Additions	**25,429**	42,114	—	—
Transfers from property, plant and equipment (note 7)	**13,291**	14,435	—	—
Transfer to assets held for sale (note 19)	**(10,500)**	—	—	—
Fair value adjustment	**6,681**	137,116	—	—
Disposals	**(12,210)**	(13,231)	—	—
Closing net book value	**676,200**	653,509	—	—

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

	Group 2008 P 000	Group 2007 P 000	Company 2008 P 000	Company 2007 P 000
Rental income	**35,623**	31,376	—	—
Repairs and maintenance	**1,066**	1,530	—	—

Notes to the Financial Statements *(continued)*

30 June 2008

7. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land and buildings P 000	Freehold land and buildings P 000	Computers P 000
Year ended 30 June 2008			
Opening net book value	116,017	5,113	1,723
Revaluation	12,902		—
Additions	8,469	—	1,919
Transfer	1,330		—
Depreciation (note 4)	(3,839)	—	(1,053)
Disposals	—	—	(50)
Impairment loss	—	—	—
Closing net book value	**134,879**	**5,113**	**2,539**
At 30 June 2008			
Cost	177,289	8,151	17,696
Accumulated depreciation	(42,410)	(3,038)	(15,157)
Net book value	**134,879**	**5,113**	**2,539**
Year ended 30 June 2007			
Opening net book value	122,533	5,669	1,999
Reversal of revaluation on consolidation	21,787	—	(291)
Additions	5,293	—	1,096
Transfers	(28,871)	—	—
Disposals	(1,061)	—	(499)
Depreciation (note 4)	(3,961)	(556)	(581)
Impairment gain	297	—	(1)
Closing net book value	**116,017**	**5,113**	**1,723**
At 30 June 2007			
Cost	146,095	8,151	15,853
Accumulated depreciation	(30,375)	(3,038)	(14,129)
Impairment gain (loss)	297	—	(1)
Net book value	**116,017**	**5,113**	**1,723**

The impairement loss of P0.2 million (2007- P0.3 million gain) represents the write-down of carrying value of plant and machinery of a subsidiary company. The recoverable amount was based on value in use and was determined by taking the net present value of future cash flows and the discounted residual value of the plant in the fifth year. In determining value in use, the net future cash flows were discounted at a nominal rate of 8% on a pre-tax basis.

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

Motor vehicles P 000	Plant and machinery P 000	Furniture, fittings and equipment P 000	Capital work in progress P 000	Total P 000
1,593	53,194	14,194	23,533	215,367
—	31,345	—	—	44,247
2,310	38,272	13,342	85,205	149,517
—	3,519	—	(18,140)	(13,291)
(928)	(13,713)	(4,981)	—	(24,514)
(137)	(1,454)	(18)	—	(1,659)
—	(12)	(237)	—	(249)
2,838	**111,151**	**22,300**	**90,598**	**369,418**
6,148	163,348	59,635	94,006	526,273
(3,310)	(52,197)	(37,335)	(3,408)	(156,855)
2,838	**111,151**	**22,300**	**90,598**	**369,418**
458	49,365	13,072	3,760	196,856
85	11,007	(4,644)	(11)	27,933
1,686	3,887	9,102	5,384	26,448
—	36	—	14,400	(14,435)
—	—	(1,074)	—	(2,634)
(625)	(11,073)	(2,261)	—	(19,057)
(11)	(28)	(1)	—	256
1,593	**53,194**	**14,194**	**23,533**	**215,367**
4,101	122,209	46,139	23,533	366,081
(2,497)	(68,987)	(31,944)	—	(150,970)
(11)	(28)	(1)	—	256
1,593	**53,194**	**14,194**	**23,533**	**215,367**

Notes to the Financial Statements *(continued)*

30 June 2008

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

Company	Leasehold land and buildings P 000	Computers P 000	Motor vehicles P 000	Furniture and fittings P 000	Total P 000
Year ended 30 June 2008					
Opening net book value	—	735	—	855	1,590
Additions	—	143	27	179	349
Depreciation (note 4)	—	(292)	(8)	(243)	(543)
Closing net book value	—	**586**	**19**	**791**	**1,396**
At 30 June 2008					
Cost	—	8,825	27	3,017	11,869
Accumulated depreciation	—	(8,239)	(8)	(2,226)	(10,473)
Net book value	—	**586**	**19**	**791**	**1,396**
Year ended 30 June 2007					
Opening net book value	75	489	—	492	1,056
Additions	—	665	—	528	1,193
Disposals at cost	(70)	—	—	—	(70)
Depreciation (note 4)	(5)	(419)	—	(165)	(589)
Closing net book value	—	**735**	—	**855**	**1,590**
At 30 June 2007					
Cost	220	8,682	—	2,839	11,741
Accumulated depreciation	(220)	(7,947)	—	(1,984)	(10,151)
Net book value	—	**735**	—	**855**	**1,590**

Notes to the Financial Statements *(continued)*

30 June 2008

8. INTANGIBLE ASSETS

Group	Trademarks P 000	Computer Software P 000	Total P 000
Year ended 30 June 2008			
Opening net book value	280	—	280
Additions	—	1,839	1,839
Amortisation charge (note 4)	(40)	—	(40)
Closing net book value	**240**	**1,839**	**2,079**
At 30 June 2008			
Cost	600	1,839	2,439
Accumulated amortisation	(360)	—	(360)
Net book value	**240**	**1,839**	**2,079**
Year ended 30 June 2007			
Opening net book value	320	—	320
Amortisation charge (note 4)	(40)	—	(40)
Closing net book value	**280**	**—**	**280**
At 30 June 2007			
Cost	600	—	600
Accumulated amortisation	(320)	—	(320)
Net book value	**280**	**—**	**280**

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

Notes to the Financial Statements *(continued)*

30 June 2008

9. SUBSIDIARIES

	Shares at cost P 000	Held to maturity Short term loan P 000	Long term loan P 000
Agriculture			
Farm Development Company (Pty) Ltd	2	—	—
Talana Farms (Pty) Ltd	3,032	—	—
Malutu Investments (Pty) Ltd	5,265	—	—
	8,299	—	—
Industry			
Kwena Concrete Products (Pty) Ltd	11,904	—	—
Lobatse Clay Works (Pty) Ltd	98,448	—	—
Lobatse Tile (Pty) Ltd	274,591	—	—
Golden Fruit 97 (Pty) Ltd	8,499	1,831	1,942
Can Manudacturers (Pty) Ltd	39,509	5,882	23,174
	432,951	**7,713**	**25,116**
Services			
Cresta Marakanelo (Pty) Ltd	11,100	—	—
Export Credit Insurance & Guarantee (Pty) Ltd	14,000	—	—
	25,100	—	—
Property Management			
Botswana Hotel Development Co. (Pty) Ltd	40,716	2,798	96,642
Coleraine Holdings (Pty) Ltd	1,250	5,355	—
Commercial Holdings (Pty) Ltd	29,516	6,705	13,431
Fairground Holdings (Pty) Ltd	8,615	—	—
NPC Investments (Pty) Ltd	1,321	—	—
Residential Holdings (Pty) Ltd	35,665	7,028	22,262
Western Industrial Estate (Pty) Ltd	167,455	6,341	15,833
	284,538	**28,227**	**148,168**
Total all sectors	**750,888**	**35,940**	**173,284**
Less: Current portion of loans included in short-term loans and advances (note 18)			
Less:			
Provision for losses (note 12)			
Fair value of loan provided at below market rate			

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

	2008 P 000	2007 P 000
Between 1 and 2 years	**36,839**	19,116
Between 2 and 5 years	**75,331**	60,175
Over 5 years	**97,054**	105,122
	209,224	**184,413**

Total loan P 000	2008 Total investment P 000	2007 Total investment P 000	% of shares held	Loan interest rate p.a %
—	2	2	100	17.5
—	3,032	3,032	100	
—	5,265	10,000	70	
—	8,299	13,034		
—	11,904	4,512	50	15
—	98,448	96,999	100	17.5
—	274,591	192,209	100	17.5
3,773	12,272	6,047	100	17.5
29,056	68,565	—	100	17.5
32,829	465,780	299,767		
—	11,100	11,100	60	
—	14,000	10,000	100	
—	25,100	21,100		
99,440	140,156	133,803	100	
5,355	6,605	5,828	65	16.25
20,136	49,652	55,466	100	11
—	8,615	8,615	51	
—	1,321	1,321	100	
29,290	64,955	61,585	100	11
22,174	189,629	189,930	100	Various
176,395	460,933	456,548		
209,224	960,112	790,449		
	(36,839)	(19,116)		
	923,273	771,333		
	(163,919)	(149,919)		
	(88,342)	(88,856)		
	671,012	532,558		

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Notes to the Financial Statements *(continued)*

30 June 2008

10. ASSOCIATED COMPANIES/PARTNERSHIPS

Group	Shares / capital accounts cost P000	Held to maturity Short term loan P000	Long term loan P000
Agriculture			
Golddiger Ventures (Pty) Ltd	3,835	942	191
Kwalape (Pty) Ltd	428	—	67
Marekisetso A Merogo (Pty) Ltd	3,636	—	—
	7,899	**942**	**258**
Industry			
Asphalt Botswana (Pty) Ltd	1,092	614	428
Fengue Glass Man (Pty) Ltd	473	—	—
Kwena Rocla (Pty) Ltd	2,695	—	—
Tannery Industries (Botswana) (Pty) Ltd	15,386	—	—
	19,646	**614**	**428**
Services			
Global Resorts (Pty) Ltd	4,819	—	—
Healthcare Holdings (Pty) Ltd	4,421	408	8,637
Investec Holdings Botswana Ltd	870	—	—
Information Trust Company Botswana (Pty) Ltd	147	—	—
Mashatu Nature Reserve (Pty) Ltd	10,287	—	—
Metropolitan Life of Botswana Ltd	5,000	—	—
	25,544	**408**	**8,637**
Property Management			
DBN Developments Partnership	1,500	—	—
The Liaison Partnership	1,763	—	—
NBC Developments	1,531	1,696	—
Riverwalk (Pty) Ltd	2,875	—	7,821
	7,669	**1,696**	**7,821**
Total all sectors	**60,758**	**3,660**	**17,144**
Less: Current portion of loans included in short-term loans and advances (note 18)			
Less: Provision for losses (note 12)			

Total loan/ debenture P000	Post acquisition reserves P000	2008 Total investment P000	2007 Total investment P000	% of shares held	Loan Interest rate p.a %
1,133	(148)	4,820	5,162	33	17.5
67	—	495	—	33	17.5
—	—	3,636	—	33	17.5
1,200	**(148)**	**8,951**	**5,162**		
1,042	9,863	11,997	11,419	48	12
—	—	473	—	37.21	Various
—	9,938	12,633	11,720	49	
—	(6,163)	9,223	11,948	32	
1,042	**13,638**	**34,326**	**35,087**		
—	31,470	36,289	25,961	40	
9,045	(2,408)	11,058	14,453	29.65	Various
—	(12,434)	(11,564)	(13,769)	24.24	
—	1,810	1,957	1,600	49	
—	(2,685)	7,602	6,990	30	5
—	31,447	36,447	25,664	25	
9,045	**47,200**	**81,789**	**60,899**		
—	13,732	15,232	13,301	33.33	11
—	(1,626)	137	141	40	
1,696	3,891	7,118	9,518	33.33	11.5
7,821	9,095	19,791	18,096	20	16
9,517	**25,092**	**42,278**	**41,056**		
20,804	**85,782**	**167,344**	**142,204**		
		(3,660)	(3,090)		
		163,684	139,114		
		(10,391)	(15,354)		
		153,293	**123,760**		

Notes to the Financial Statements *(continued)*

30 June 2008

10. ASSOCIATED COMPANIES/PARTNERSHIPS *(continued)*

Company	2008 Total investment P000	2007 Total investment P000
Shares/capital accounts at cost		
- group investment as given above	60,758	55,746
- amount invested in DBN Developments by NPC Investments (Pty) Ltd	(1,500)	(1,500)
	59,258	54,246
Loans	20,804	22,258
	80,062	76,504
Less: Current portion of loans included in short-term loans and advances (note 18)	(3,660)	(3,090)
	76,402	73,414
Less: Provision for losses (note 12)	(10,391)	(15,354)
	66,011	58,060

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

	2008 P000	2007 P000
Between 1 and 2 years	3,660	3,090
Between 2 and 5 years	1,910	7,924
Over 5 years	15,234	11,244
	20,804	22,258

Included in post acquisition reserves are the following:

	2008 P000	2007 P000
Current year share of associates profits	49,993	43,041
Current year share of associates tax charge (note 5)	(9,682)	(7,375)
Net profit after tax	40,311	35,666

Notes to the Financial Statements *(continued)*

30 June 2008

	Group		Company	
	2008	2007	2008	2007
	P 000	P 000	P 000	P 000
11. UNQUOTED INVESTMENTS				
Shares at cost	**58,182**	8,181	**58,182**	8,181
Other investments	**13,419**	10,891	**—**	—
Held to maturity loans	**25,141**	35,374	**25,141**	35,374
	96,742	54,446	**83,323**	43,555
Provision for losses (note 12)	**(674)**	(16,005)	**(674)**	(16,005)
	96,068	38,441	**82,649**	27,550
Less: Current portion of loans included in short-term loans and advances (note 18)	**(7,566)**	(5,013)	**(7,566)**	(5,013)
	88,502	33,428	**75,083**	22,537

Other investments represent school shares, loans and debentures

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

	Group 2008	Group 2007	Company 2008	Company 2007
Between 1 and 2 years	**7,566**	5,013	**7,566**	5,013
Between 2 and 5 years	**16,971**	11,599	**16,971**	11,599
Over 5 years	**604**	18,762	**604**	18,762
	25,141	35,374	**25,141**	35,374
Security pledged for the above loans	**68,953**	68,953	**68,953**	68,953

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

12. PROVISIONS FOR LOSSES ON INVESTMENTS	Group 2008	Group 2007	Company 2008	Company 2007
At 1 July	**32,303**	63,750	**182,222**	212,068
Movement during the year (note 4)	**(21,238)**	(31,447)	**(7,238)**	(29,846)
At 30 June	**11,065**	32,303	**174,984**	182,222
Represents provisions against:				
Subsidiaries (note 9)	**—**	—	**163,919**	149,919
Associated companies/partnerships (note 10)	**10,391**	15,354	**10,391**	15,354
Unquoted investments (note 11)	**674**	16,005	**674**	16,005
Investment projects in progress (note 15)	**—**	944	**—**	944
	11,065	32,303	**174,984**	182,222

Notes to the Financial Statements *(continued)*

30 June 2008

	Group and Company	
	2008	2007
	P 000	P 000
13. QUOTED INVESTMENTS		
Shares at cost	93,480	93,480
Net gain transferred to fair value reserve (note 24)	615,872	566,813
Shares at market value	709,352	660,293
Comprising:		
Sechaba Breweries Holdings Ltd.,	636,629	541,305
PPC South Africa Ltd.,	72,723	118,988
	709,352	660,293

The company holds 34,044,315 (2007: 34,044,315) and 287,187 (2007: 287,187) ordinary shares in Sechaba Breweries Holdings Ltd and PPC South Africa Ltd., respectively.

Although the company owns 25% (2006: 25%) of Sechaba Breweries Holdings Ltd issued capital, the equity method of accounting is not followed as the company does not exercise significant influence over Sechaba Breweries Holdings Ltd's financial and operating policies.

14. DUE FROM GROUP COMPANIES - NET

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

	Company	
	2008	2007
	P 000	P 000
Talana Farms (Pty) Ltd	(103)	(103)
Lobatse Clay Works (Pty) Ltd	(8,306)	(8,306)
Lobatse Tile (Pty) Ltd	(21,716)	(17,357)
Export Credit Insurance & Guarantee (Pty) Ltd	—	35
Botswana Hotel Development Co. (Pty) Ltd	14,184	12,864
Commercial Holdings (Pty) Ltd	4,812	3,611
NPC Investments (Pty) Ltd	4,318	3,860
Residential Holdings (Pty) Ltd	3,827	3,732
Western Industrial Estate (Pty) Ltd	27,734	25,951
	24,750	24,287

Notes to the Financial Statements *(continued)*

30 June 2008

15. INVESTMENT PROJECTS IN PROGRESS

	Group and Company 2008 P 000	Group and Company 2007 P 000
Equity		
Can Manufacturing (Pty) Ltd	—	20,625
L P Amusement (Pty) Ltd	13,954	8,756
Thabana Investments (Pty) Ltd	—	1,444
Phakalane Property Development (Pty) Ltd	510	510
	14,464	31,335
Loans		
Can Manufacturing (Pty) Ltd	—	23,998
LP Amusements (Pty) Ltd	2,694	—
Total equity and loans	17,158	55,333
Less: Provision for losses (note 12)	—	(944)
	17,158	54,389

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

16. INVENTORIES

	Group 2008 P 000	Group 2007 P 000	Company 2008 P 000	Company 2007 P 000
Raw materials	10,529	5,601	—	—
Work in progress	481	230	—	—
Finished goods	15,656	3,754	—	—
Moulds and patterns	708	779	—	—
Consumables	2,367	1,407	—	—
	29,741	11,771	—	—

17. TRADE AND OTHER RECEIVABLES

	Group 2008 P 000	Group 2007 P 000	Company 2008 P 000	Company 2007 P 000
Gross trade receivables	70,569	33,969	28,875	183
Allowance for doubtful debts	(11,569)	(8,247)	(243)	(183)
Net trade receivables	59,000	25,722	28,632	—
Prepayments	71	3,986	—	—
Loans to officers	16,577	21,604	16,577	21,604
Other	28,942	43,251	10,695	16,787
	104,590	94,563	55,904	38,391

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

Other receivables mainly comprise other amounts receivable.

Included in trade debtors are amounts past due at the reporting date for which the group has not provided as they are still considered recoverable.

Notes to the Financial Statements *(continued)*

30 June 2008

	Group		Company	
	2008	2007	2008	2007
	P 000	P 000	P 000	P 000
17. TRADE AND OTHER RECEIVABLES *(continued)*				
Ageing of past due but not impaired				
60 - 90 days	10,433	4,918	28	1
90 - 120 days	5,042	2,605	1,475	565
Total	15,475	7,523	1,503	566
Movement in the allowance for doubtful debts				
At 1 July	8,247	1,948	183	—
Allowance charged during the year	3,797	6,503	60	183
Amounts written off as uncollectible	(475)	(204)	—	—
At 30 June	11,569	8,247	243	183

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

	Group 2008 P 000	Group 2007 P 000	Company 2008 P 000	Company 2007 P 000
18. SHORT-TERM LOANS AND ADVANCES				
Short-term portion of loans to:				
Subsidiaries (note 9)	—	—	36,839	19,116
Associated companies (note 10)	3,660	3,090	3,660	3,090
Unqouted investments (note 11)	7,566	5,013	7,566	5,013
	11,226	8,103	48,065	27,219
19. ASSETS HELD FOR SALE				
Land for sale:				
At 1 July	1,715	1,715	—	—
Transfer from investment properties (note 6)	10,500	—	—	—
Net movement during the year	(43)	—	—	—
At 30 June	12,172	1,715	—	—

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

Notes to the Financial Statements *(continued)*

30 June 2008

	Group		Company	
	2008	2007	2008	2007
	P 000	P 000	P 000	P 000
20. AVAILABLE FOR SALE INVESTMENTS				
Money market funds	**68,236**	305,386	**38,532**	262,371

Money market funds

Surplus cash funds are invested by the parent company on behalf of the group in money market funds. The interest earned is at an effective rate of 12.78% (2007:11.8%). The proportionate amount of interest up to 30th June is added to the cost of investment approximating the fair value.

	Group		Company	
	2008	2007	2008	2007
	P 000	P 000	P 000	P 000
21. CASH AND CASH EQUIVALENTS				
Cash and bank deposits	**224,525**	145,290	**163,925**	99,452

22. STATED CAPITAL AND SHARE PREMIUM

	Group and Company	
	2008	2007
	P 000	P 000
Issued and fully paid		
At 1 July - 238,199, 462 ordinary shares	**238,199**	238,199
Transfer from share premium	**297,000**	—
At 30 June - 238,199, 462 ordinary shares	**535,199**	238,199
Share premium		
At 1 July	**297,000**	297,000
Transfer to stated capital	**(297,000)**	—
At 30 June	—	297,000

23. CONTRIBUTION TO FACTORY PREMISES

	Group		Company	
	2008	2007	2008	2007
	P 000	P 000	P 000	P 000
The balance comprises of non- refundable contributions received from the Government of Botswana in respect of funding for the construction of factories of the subsidiary companies:	**24,070**	24,070	**24,070**	24,070
24. FAIR VALUE RESERVE				
At 1 July	**566,813**	535,330	**566,813**	535,330
Movement during the year	**49,059**	31,483	**49,059**	31,483
At 30 June	**615,872**	566,813	**615,872**	566,813
Comprising:				
Quoted investments (note 13)	**615,872**	566,813	**615,872**	566,813

Notes to the Financial Statements *(continued)*

30 June 2008

	Group		Company	
	2008	2007	2008	2007
	P 000	P 000	P 000	P 000
25. 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
Revaluation reserve	33,185	—	—	—
Statutory capital, solvency and other reserves	42,098	37,713	—	—
	83,847	46,277	5,504	5,504

Stautory capital and sovency reserves

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

	Group and Company	
	2008	2007
	P 000	P 000
26. DIVIDEND RESERVE		
At 1 July	20,000	18,050
Dividends proposed	12,000	20,000
Dividends paid	(20,000)	(18,050)
At 30 June	12,000	20,000

	Group	
	2008	2007
	P 000	P 000
27. CLAIMS EQUALISATION RESERVE		
At 1 July	971	875
Transfers from other reserves	136	96
At 30 June	1,107	971

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

	Group	
	2008	2007
	P 000	P 000
28. MINORITY INTEREST		
At 1 July	69,487	48,625
Share of net profit of subsidiaries	9,291	32,054
Movement during the year	(1,084)	(9,832)
Dividends paid	(3,122)	(1,360)
At 30 June	74,572	69,487

Notes to the Financial Statements *(continued)*

30 June 2008

	Group		Company	
	2008 P 000	2007 P 000	2008 P 000	2007 P 000
29. BORROWINGS				
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	—	341	—	341
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P137,000 each over the period to 2008	—	255	—	255
Unsecured loan bearing interest at 2% per annum repayable in half-yearly instalments of P253,000 each over a period of 17 years	3,728	3,744	3,728	3,744
Unsecured loan bearing interest at 12.1% per annum repayable in half-yearly instalments of P564,000 each over the period to 2021	7,419	7,528	7,419	7,528
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P165,000 each over the period to 2011	836	1,065	836	1,065
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P145,000 each over the period to 2011	837	1,029	837	1,029
Unsecured loan bearing interest at 8.5% per annum repayable in half-yearly instalments of P231,000 each over the period to 2011	1,376	1,700	1,376	1,700
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P261,000 each over the period to 2012	1,918	2,256	1,918	2,256
Unsecured loan bearing interest at 7.5% per annum repayable in half-yearly instalments of P316,000 each over the period to 2014	3,004	3,386	3,004	3,386
Unsecured loan bearing interest at 7.5% per annum repayable in half-yearly instalments of P750,000 each over the period to 2014	7,608	8,488	7,608	8,488
Unsecured loan bearing interest at 8% per annum repayable in half-yearly instalments of P1,100,000 each over the period to 2015	11,617	12,815	11,617	12,815
Unsecured loan bearing interest at 8% per annum repayable in half-yearly instalments of P1,580,000 each over the period to 2016	19,219	20,748	19,219	20,748
Unsecured loan bearing interest at 9.5% per annum repayable in half-yearly instalments of P221,000 each over the period to 2006	2,816	2,979	2,816	2,979
Unsecured loan bearing interest at 9.5% per annum repayable in half-yearly instalments of P2,515,000 each over the period to 2017	32,022	33,877	32,022	33,877
Unsecured loan bearing interest at 12.1% per annum repayable in half-yearly instalments of P300,000 each over the period to 2017	3,510	3,670	3,510	3,670

Notes to the Financial Statements *(continued)*

30 June 2008

	Group		Company	
	2008 P 000	2007 P 000	2008 P 000	2007 P 000
29. BORROWINGS *(continued)*				
Unsecured loan bearing no interest repayable annually in instalments amounting to 50% of the total incremental free cash flow generated by Gaborone International Conference Centre, subject to a minimum of P200,000 for the first year, escalated thereafter at a rate equal to the increase in Consumer Price Index for urban areas	88,342	88,856	88,342	88,856
Unsecured loan bearing interest at 12.1% per annum repayable in half-yearly instalments of P834,000 each over the period to 2020	10,411	10,784	10,411	10,784
	194,663	203,521	194,663	203,521
European Investment Bank				
Loan bearing interest at 5% per annum, guaranteed by the Government of Botswana, repayable by 2008 (loan number 70699)	5,780	7,600	5,780	7,600
Loan bearing interest at 2% per annum, guaranteed by the Government of Botswana, repayable by 2017 (loan number 70893)	15,122	12,245	15,122	12,245
Unsecured loan bearing interest at 1% per annum repayable in 10 annual payments from 2000 (loan number 70948)	1,269	1,158	1,269	1,158
	22,171	21,003	22,171	21,003
Bonds				
Bond 2 Bearing interest at a rate linked to Consumer Index Price redeemable on 1 June 2011	75,000	75,000	75,000	75,000
Bond 3 Bearing interest at a rate linked to Consumer Index Price redeemable on 1 June 2011	125,000	125,000	125,000	125,000
Loans by subsidiaries owing to third parties Bearing interest at average rate of 15% per annum and repayable over varying periods	16,856	17,227	—	—
Mortgage loan and finance leases				
Liabilities under mortgage loans and finance leases held over three, four and five years at varying interest rates	8,274	2,163	—	—
Gross borrowings	441,964	443,914	416,834	424,524

Notes to the Financial Statements *(continued)*

30 June 2008

29. BORROWINGS *(continued)*

	Group 2008 P 000	Group 2007 P 000	Company 2008 P 000	Company 2007 P 000
Less:				
Portion of exchange loss borne by the Government of Botswana	**(5,512)**	(5,429)	**(5,512)**	(5,429)
Fair value adjustment arising from valuation of loans at below market interest rates	**(15,763)**	(18,986)	**(104,105)**	(107,328)
	420,689	419,499	**307,217**	311,767
Less: Current portion included under current liabilities	**(12,591)**	(11,410)	**(8,996)**	(8,869)
	408,098	408,089	**298,221**	302,898
Analysis of gross borrowings				
Not later than 1 year	**12,591**	11,410	**8,996**	8,869
Later than 1 year, but not later than 5 years	**244,047**	243,733	**243,624**	243,310
Later than 5 years	**185,326**	188,771	**164,214**	172,345
Gross borrowings	**441,964**	443,914	**416,834**	424,524

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 P40,120 (2007: P10,140) bearing interest at an average rate of 15.67% per annum and are secured by motor vehicles with a net book value as follows:

	Group 2008 P 000	Group 2007 P 000	Company 2008 P 000	Company 2007 P 000
Cost	**4,091**	413	—	—
Accumulated depreciation	**(1,272)**	(151)	—	—
Net book value	**2,819**	262	—	—

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 (2007: P764,000)

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

Notes to the Financial Statements *(continued)*

30 June 2008

29. BORROWINGS *(continued)*

The composition of foreign currencies of the balances at 30 June 2008 and each instalment are as follows:

Loan number	Currency	Foreign amount at 30 June 2008 Euro 000	Pula equivalent at 30 June 2008 P 000
70699	Euro	745	**5,780**
70893	Euro	893	**15,122**
70948	Euro	126	**1,269**
		1,764	**22,171**

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

	Group 2008 P 000	Group 2007 P 000
30. GOVERNMENT GRANTS		
At 1 July	**32,994**	33,771
Amortisation during the year (note 4)	**(777)**	(777)
At 30 June	**32,217**	32,994
Gross Government grants	**49,960**	49,960
Amortisation	**(6,643)**	(5,866)
Utilised as provision for impairment loss	**(10,000)**	(10,000)
Realised	**(1,100)**	(1,100)
	32,217	32,994

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

31. PROVISION FOR RESTORATION COSTS

	2008 P 000	2007 P 000
At 1 July	**6,500**	5,500
Charge to the income statement	**(70)**	1,000
At 30 June	**6,430**	6,500

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

32. DEFERRED TAXATION

	2008 P 000	2007 P 000
At 1 July	**61,179**	74,320
Charge to the revaluation reserve	**11,062**	—
Charge to the income statement (note 5) - current year	**1,585**	(1,155)
- prior year	**655**	(11,986)
At 30 June	**74,481**	61,179

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

Notes to the Financial Statements *(continued)*

30 June 2008

	Group		Company	
	2008 P 000	2007 P 000	2008 P 000	2007 P 000
33. TRADE AND OTHER PAYABLES				
Trade payables	**19,868**	15,015	**72**	13
Accruals	**14,714**	7,941	**11,956**	535
Other payables	**48,775**	48,498	**24,764**	13,717
	83,357	71,454	**36,792**	14,265

Trade and other payables comprise amounts owing for trade transactions and accruals of ongoing costs. The average credit period on purchases is 60 days. Although no interest is charged on overdue trade payables, the company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

34. BANK OVERDRAFTS

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

35. COMMITMENTS

	Group 2008 P 000	Group 2007 P 000	Company 2008 P 000	Company 2007 P 000
Operating lease receivables (payables):				
Not later than one year	**44,044**	33,461	**(6,145)**	(6,145)
Two to five years	**151,703**	111,363	**(30,724)**	(30,724)
Later than five years	**32,278**	50,769	**(7,681)**	(13826)
	228,025	195,593	**(44,550)**	(50,695)
Other commitments				
Approved capital expenditure	**6,439**	6,439	**—**	—
Approved equity and loan investments undisbursed	**201,106**	430,986	**201,106**	430,986
	207,545	437,425	**201,106**	430,986

Commitments will be financed from cash generated from group operations.

36. CONTINGENT LIABILITIES

	Group 2008 P 000	Group 2007 P 000	Company 2008 P 000	Company 2007 P 000
Guarantees in respect of facilities granted to certain subsidiaries and third parties	**19,852**	10,000	**18,852**	9,000
Withholding tax payable on management fees and interest thereon	**5,439**	4,939	**—**	—
	25,291	14,939	**18,852**	9,000

37. 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.

Notes to the Financial Statements *(continued)*

30 June 2008

38. FINANCIAL RISK MANAGEMENT

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

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

(i) Capital risk management

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

(ii) Credit risk

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

(iii) Interest rate risk

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

(iv) Foreign currency risk

In the normal course of business, the group enters into transactions denominated in foreign currencies. As a result, the group is subject to exposure to fluctuation in foreign currency exchange rates.

(v) Liquidity risk management

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

(vi) Fair value

At 30 June 2008 and 2007, the carrying value of cash and bank balances, trade receivables, trade payables and related party balances reported in the financial statements approximate their fair values due to their short-term maturity. These financial instruments are held in the ordinary course of business.

Notes to the Financial Statements *(continued)*

30 June 2008

39. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Group	
	2008	2007
	P 000	P 000
Transactions during the year		
Subsidiaries		
Cresta Marakanelo (Pty) Ltd		
Management fees paid Trans Industries (Pty) Ltd, minority shareholder	4,310	3,034
Profit bonus paid to Trans Industries (Pty) Ltd, minority shareholder	5,797	2,406
Other related parties		
Directors' fees	149	265
Directors' remuneration for executive services	1,050	918
Key management's remuneration	2,189	1,523
Associated companies		
Asphalt Botswana (Pty) Ltd		
Finance costs on borrowings from Botswana Development Corporation Limited	220	408
Metropolitan Life of Botswana Ltd		
Directors' fees	—	47
Directors' remuneration for executive services	—	522
Global Resorts (Pty) Ltd		
Management fees paid to Global SA (Pty) Limited, the holding company	13,597	10,727
ITC Botswana (Pty) Ltd		
Management fees paid to ITC SA (Pty) Ltd, the holding company	—	300
Kwena Rocla (Pty) Ltd		
Management fees paid to D and H Industrial Holdings (Pty) Ltd, immediate holding company	417	370
Purchases from D and H Industrial Holdings (Pty) Ltd, immediate holding company	1,353	651
Investec Holdings (Botswana) Ltd		
Directors' remuneration for executive services	873	1,017
Asset management fees paid to fellow subsidiaries	6,400	4,845
Finance income from fellow subsidiaries	(4,205)	(3,508)

Notes to the Financial Statements *(continued)*

30 June 2008

39. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

	Group	
	2008	2007
	P 000	P 000
Year end balances		
Subsidiaries		
Cresta Marakanelo (Pty) Ltd		
Due from Cresta Hospitality (Pvt) Zimbabwe-fellow subsidiary	2	2
Due from Trans Industries (Pty) Ltd-minority shareholder	297	276
Due to Trans Industries (Pty) Ltd-minority shareholder	(1,980)	(1,584)
Other related parties		
Amounts due by/(to) key management personnel	—	1,688
Associated companies		
Asphalt Botswana (Pty) Ltd		
Due to Botswana Development Corporation Limited	(1,263)	(1,467)
Global Resorts (Pty) Ltd		
Current account balance due to Global Resorts SA (Pty) Ltd, immediate holding company	(1,388)	(1,105)
ITC Botswana (Pty) Ltd		
Current account balance due to ITC SA (Pty) Limited, immediate holding company	(355)	(265)
Kwena Rocla (Pty) Ltd		
Current account balance due to Rocla SA (Pty) Limited, fellow subsidiary	—	(184)
Healthcare Holdings (Pty) Ltd		
Debentures-Debswana Pension Fund	(13,161)	(8,961)
Debentures-Botswana Insurance Fund Management Ltd	(8,760)	(8,760)

Notes to the Financial Statements *(continued)*

30 June 2008

	Notes	Group 2008 P 000	Group 2007 P 000	Company 2008 P 000	Company 2007 P 000
40. CASH GENERATED FROM OPERATIONS					
Profit before tax		**113,031**	226,119	**64,043**	96,911
Adjusted for:					
Amortisation of Governmnet grants	30	**(777)**	(777)	**—**	—
Amortisation of intangible asset	1	**40**	40	**—**	—
Depreciation					
- Property, plant and equipment	4	**24,514**	19,057	**543**	589
Impairment of property, plant and equipment	4	**249**	(256)	**—**	—
Revaluation of property, plant and equipment		**(44,247)**	(27,933)	**—**	—
Fair valuation of investment proprties		**(6,681)**	(137,116)	**—**	—
Movement in fair valuation of borrowings	29	**3,223**	2,712	**3,223**	2,712
Dividend received from associates		**20,706**	31,151	**—**	—
Loss (gain) on disposal of investment properties	4	**2,085**	(117)	**—**	—
Gain on disposal of property, plant and equipment	4	**(122)**	(7,871)	**—**	(8,065)
Loans written off - associates		**18,481**	46,036	**25**	46,036
Shares written off - investment projects in progress		**1,444**	—	**1,444**	—
Share of result before taxation of associates	10	**(49,993)**	(43,041)	**—**	—
Movement in other reserves		**44,728**	—	**—**	—
Transfer from claims equalisation	4	**136**	96	**—**	—
Movement in provisions for losses on investments	4	**(21,238)**	(31,447)	**(7,238)**	(29,846)
Interest received	2	**(38,504)**	(49,053)	**(30,589)**	(39,592)
Finance costs	3	**36,910**	40,452	**31,525**	36,199
Changes in working capital					
- due from group companies		**—**	—	**(463)**	7,523
- trade and other receivables		**(10,027)**	(44,813)	**(17,513)**	(16,059)
- inventories		**(17,970)**	3,681	**—**	—
- assets held for sale		**43**	(1,715)	**—**	—
- provision for restoration costs	31	**(70)**	1,000	**—**	—
- trade and other payables		**11,903**	25,427	**22,527**	1,844
		87,864	51,632	**67,527**	98,252

41. EVENTS AFTER THE BALANCE SHEET DATE

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

Comparative Group Results

	1999	2000	2001	2002	2003	Re-stated 2004	Re-stated 2005	2006	2007	2008
Revenue (Million Pula)	254.6	238.8	213.8	211.4	279.4	244.1	237.1	247.5	278.1	394.3
Profit before tax (Million Pula)	(97.7)	32.5	34.6	70.7	59.0	74.0	59.9	80.2	226.1	113.0
Interest paid (Million Pula)	31.4	34.8	22.3	22.0	21.0	25.0	44.0	47.2	40.4	36.9
Equity (Million Pula)	408.6	435.1	485.1	559.2	559.2	559.2	559.2	559.2	559.2	559.2
Capital employed (Million Pula)	786.7	900.4	1,099.1	1,219.3	1,335.6	1,204.0	1,355.7	1,508.6	1,732.6	1,870.0
Average Number of Employees	11,791	7,165	5,520	5,830	5,060	4,879	1,271	1,182	1,266	1,366
Return on capital employed	(12.4%)	3.6%	3.1%	5.8%	4.4%	6.1%	4.4%	5.3%	13.0%	6.0%
Net profit to revenue	(38.4%)	13.6%	16.2%	33.4%	21.1%	30.3%	25.3%	23.3%	76.2%	19.7%
Interest Paid to revenue	12.3%	14.6%	10.4%	10.4%	7.5%	10.2%	18.6%	19.1%	14.5%	9.4%
Long term debt to revenue ratio	0.8	0.4	1.1	0.9	0.9	1.8	1.9	1.9	1.5	1.0
Assets to liabilities ratio	1.9	2.7	3.6	3.3	3.3	3.0	3.5	3.7	3.8	3.9
BDC investment ratio	0.8	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.5	0.9

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