"The Corporation's achievements are the result of concerted effort and commitment of the management and staff who remain the most important asset of the Corporation. I commend them for a job well done."

Mr S S G Tumelo
Chairman

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Corporate Profile

"Botswana Development Corporation Limited (BDC) was established in 1970 to be the country's main agency for commercial and industrial development".

"The Botswana Government owns 100% of the issued share capital of the Corporation".

Structure

The control of the Corporation is vested in a Board of Directors. All the Directors are appointed (and removed) by the Minister of Finance and Development Planning.The Corporation is managed by the Managing Director, who is assisted by two General Managers.

Objective

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

Mission

The Service-Plus Investment Corporation for Botswana.

Vision

"To be the leading investment and development financier".

BDC's role is to:

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

Furthermore, BDC supports the development of viable businesses 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 resources and overall economy.

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

BDC's Products/Services

BDC provides the following services:

- Equity participation.
- Loan financing.
- Provision of commercial, industrial and residential premises.
- Subsidiary companies are independent and BDC's influence is exercised through the Directors it nominates to subsidiary boards (appointees do not have to be BDC employees).
- Directors are also nominated to the boards of associate and affiliate companies. Such appointees largely act in advisory and monitoring capacity.

For further information, contact:

The Manager
Corporate Communications
And Public Relations
Botswana Development Corporation Limited
Moedi House, Plot 50380,
Fairgrounds Office Park
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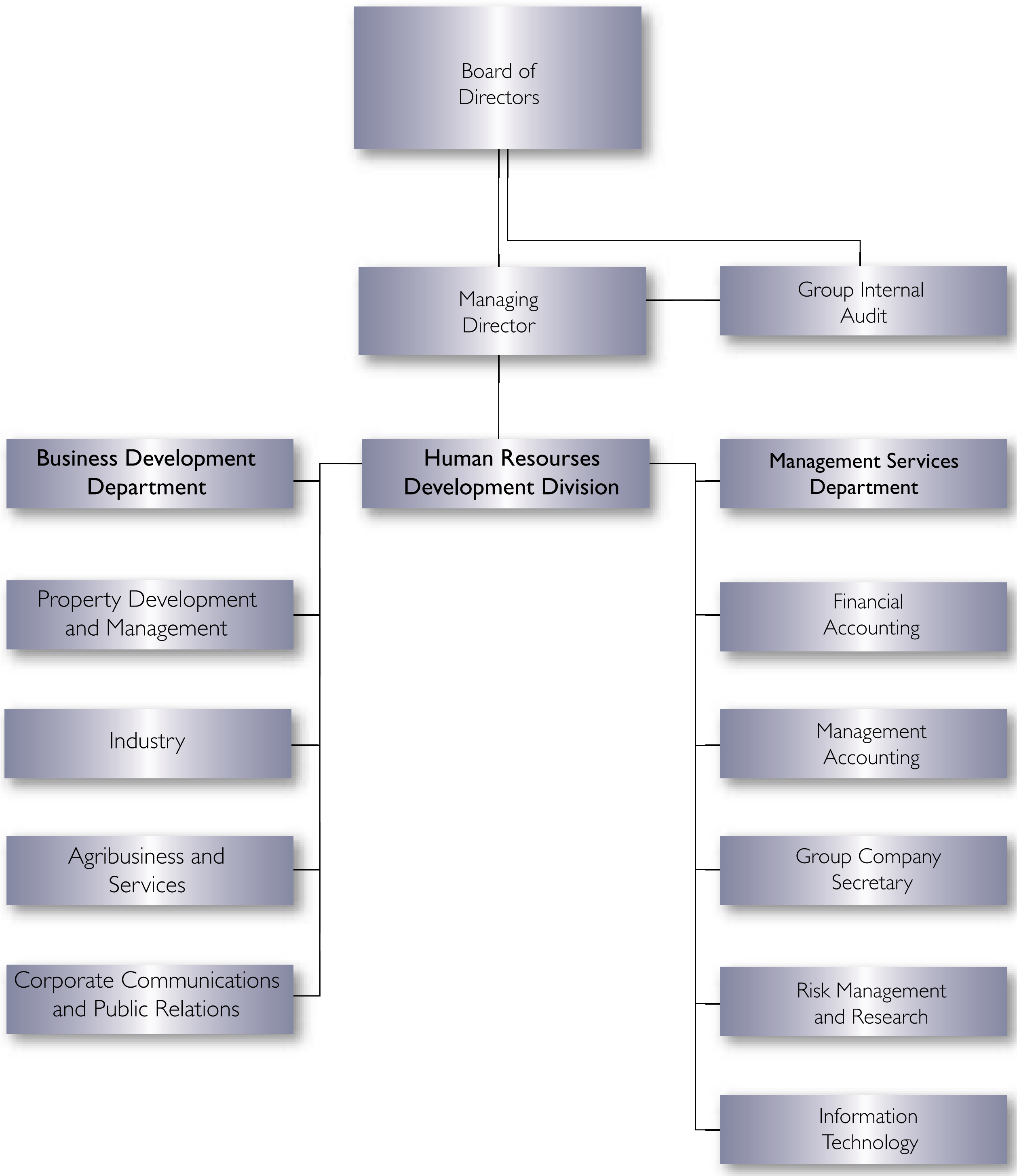
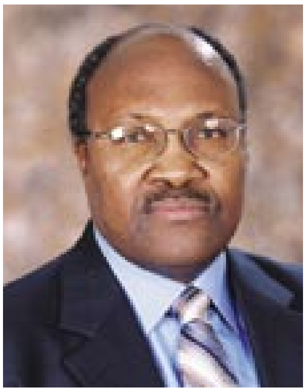
Fax: (267) 390 3114,390 4193,391 3567
E-mail: enquiries@bdc.bw
Website: www.bdc.bw

Organisational Structure



Board of Directors


Mr S S G Tumelo
Chairman


Mr O K Matambo
Managing Director


Mr D Inger


Mrs I K Kandjii


Mr N K Kwele


Mr O Merafhe


Mrs B K Molosiwa


Dr S E Ndzinge


Mr A B Tafa

Management

Mr O K Matambo
Managing Director

Mrs M M Nthebolan
General Manager, Business Development

Mr J N Kamyuka
General Manager, Management Services

Mr S T Meti
Manager, Human Resources

Ms R D Mogorosi
Chief Financial Accountant

Mr J P Sono
Manager, Agribusiness & Services

Mr B G Mmualefe
Manager, Risk & Research

Mrs G V Garekwe
Group Company Secretary

Mrs W Baipidi-Maje
Manager, Industry

Mr R M Phole
Manager, Group Internal Audit

Mr M Tau
Management Accountant

Mr M M Sikalesele
Chief Information Officer

Mrs S R Malikongwa
Manager, Corporate Communications & Public Relations

Mr L M Ramokate
Manager, Property Development & Management

Value Created 1995 - 2006

	1996	1997	1998	1999	2000	2001	2002	2003	Re-stated 2004	Re-stated 2005	**2006**
Income from trade											
Interest received	40,505	50,121	67,034	69,967	57,273	43,206	45,042	49,105	50,205	73,991	**84,628**
Dividend received	9,028	18,841	22,477	26,908	35,461	32,834	43,029	98,281	68,506	95,363	**92,593**
Sundry income	3,230	649	5,770	2,247	7,536	5,986	4,703	7,026	14,966	2,501	**5,282**
Profit/(Loss) on sale of investment	28,992	(1,194)	11,009	(15,229)	-	1,958	-	-	-	-	**-**
	81,755	68,417	106,290	83,893	100,270	83,984	92,774	154,412	133,677	171,855	**182,503**
Less:Cost of supplies and services	7,001	7,964	21,221	12,106	11,577	17,892	17,985	19,979	15,187	16,613	**19,905**
Total Value Added	**74,754**	**60,453**	**85,069**	**71,787**	**88,693**	**66,092**	**74,789**	**134,433**	**118,490**	**155,242**	**162,598**
Distributed as follows:											
To employees payroll cost	9,134	9,066	9,066	10,127	9,283	10,286	11,171	10,949	12,282	16,058	**18,387**
To providers of finance interest paid	20,046	23,923	31,505	31,252	34,440	22,033	21,578	20,917	20,324	39,616	**37,987**
To Government											
Company taxation on profits	1,857	(2,573)	-	-	-	(4,183)	(7,725)	-	9,459	12,151	**15,866**
To providers of permanent capital											
Dividends to shareholder	10,149	5,093	5	-	-	-	11,273	-	15,000	20,000	**17,126**
To maintain and expand the corporation											
Depreciation and provisions against investments	2,678	14,618	108,230	175,504	25,379	10,862	12,400	42,230	10,893	10,617	**18,160**
To retained earnings	30,890	10,326	(63,737)	(145,096)	19,591	27,094	26,092	60,337	50,532	56,800	**55,072**
Totals	**74,754**	**60,453**	**85,069**	**71,787**	**88,693**	**66,092**	**74,789**	**134,433**	**118,490**	**155,242**	**162,598**

Chairman's Statement

Mr S S G Tumelo
Chairman

The Corporation and its Group companies have continued to contribute significantly to the diversification of the nation's economy. The Corporation made a profit before taxation of P88.06 million, extending its revenues to P135.02 million and achieving a 9.47% growth in revenue. These results are above the targets set for the Corporation by the Board of Directors and this achievement is significant, particularly given the very challenging operating conditions within certain sectors of the economy.

Operating Environment

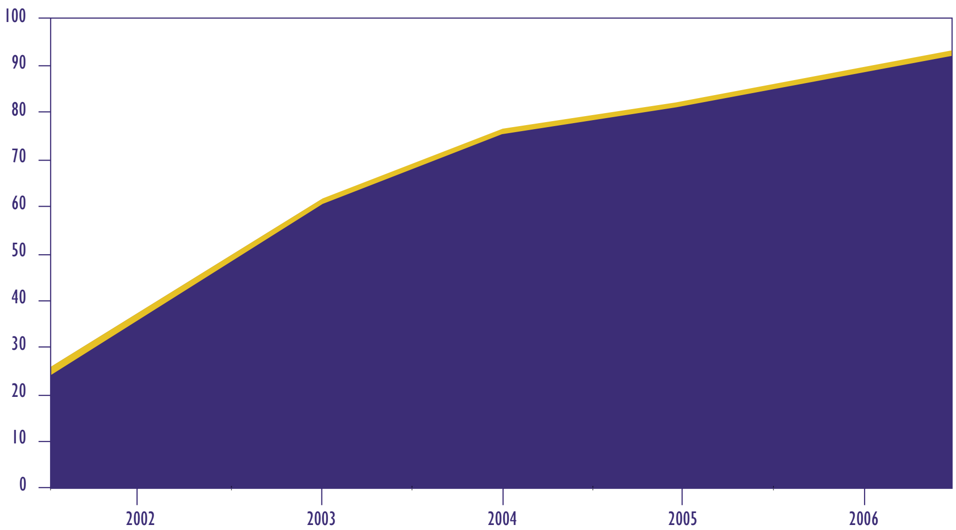
The Corporation continues to search for commercially viable projects in order to successfully pursue its mandate of sustainable development. During the year, the Board also approved investment guidelines in respect of developmental projects (as opposed to commercially viable projects), that the Corporation should follow in the pursuit of its mandate. Bankable projects are still scarce and the Corporation is continually increasing its efforts to identify and pursue such projects. In the past year the construction industry been characterised by low levels of activity and the Corporation's investments in this sector have shown due stress. Nevertheless the Corporation still holds an optimistic view of the future in this sector and has decided not to abandon it. In support of this sector the Corporation has restructured its brick making company, Lobatse Clay Works (Pty) Ltd. Having taken it out of provisional liquidation, the Corporation has even made an additional investment in the company. This is a further demonstration of the Corporation's determination to support economic diversification.

Financial Performance

The BDC Group of companies have performed commendably achieving revenues of P247.59 million. This represents revenue growth of 4.43% despite the very difficult operating conditions as mentioned earlier. Operating profit has grown by a comfortable 13.38% and profit before taxation has grown very impressively to P80.16 million translating to a 33.70% improvement over the previous year.

"The Corporation continues to search for commercially viable projects in order to successfully pursue its mandate of sustainable development"

Profitability (million Pula)



"Another year has gone by and the Corporation has remained unwavering in its perfomance."

In assessing the Corporation's performance it is important to note that the Corporation made provisions of P17.20 million to guard against loss on investment, resulting in the *Other Operating Expenses item* increasing by 35.13%. Had the Corporation not made these additional provisions the net profit before taxation would have been an unprecedented P105.26 million. Furthermore the administrative expenses of the Corporation show an increase of a mere 2.09%. With inflation reaching 14% in the year under review this cost containment is very impressive and I wish to commend management and staff on this performance. Cost control is at the centre of good management and this is an example that all Group companies should emulate.

The Corporation's balance sheet remains healthy, boasting Retained Earnings of P239.94 million (P184.29m in 2005). A dividend of P17.13 million was paid by the Corporation during the year and a further P18.05 million has been approved by the Board for the year ended 30th June 2006. The Group has paid taxation to an amount of P22.51 million, thus making a significant contribution to the nation's coffers.

Employee Welfare

The Corporation recognises the need for constant monitoring of the welfare of its human capital. The reviewing of its policies to assure compliance and best practice is an ongoing process. In addition to its core function, the health and Safety sub-committee is also charged with the responsibilities of peer education and educating group companies on HIV/AIDS. The Wellness Room provided by the Corporation is the main means of disseminating information on HIV/AIDS in its raw form. The Corporation also participates in various annual HIV/AIDS activities. Group companies continue to consult and get guidance from the Corporation on issues of employee welfare and most group companies now have fully fledged HIV/AIDS awareness programmes.

Governance Principles

The Corporation's Board of Directors endorses and is fully committed to complying with the applicable recommendations in the King II Report. In this regard the Board of Directors is constantly striving to develop and improve its corporate governance structures and practices to ensure that they are aligned with and continue to comply with national and international best practices in corporate governance standards. By supporting principles of good corporate governance, the Corporation demonstrates its commitment to the highest standards of integrity and ethical conduct in its dealings with all stakeholders. The Directors fully subscribe to the principles embodied in the appropriate international corporate governance codes, including compliance with sound accounting practices. They believe that in discharging their duties they have significantly adhered to these principles.

Conclusion

Over the years BDC has proved to be a formidable institution which continues to play its role effectively. The Corporation's achievements are the result of concerted effort and commitment on the part of management and staff, who remain the most important asset of the Corporation. I commend them for a job well done. The Board of Directors of the Corporation have continued to inspire performance and provide leadership. I would like to thank the Board for its role as we enter into yet another challenging year and ready ourselves to execute our mandate with renewed vigour.

Corporate Governance Statement

Having completed the financial statements and audit for the financial year 2005/6 the Board of Botswana Development Corporation Limited is proud to publish its Corporate Governance Statement, demonstrating the governance initiatives, challenges and opportunities that the Board, Management and the Auditors discharged or experienced as part of the Corparation's overall Corporate Governance framework, Corporate Governance implementation was particularly reinforced following the adoption of the Board Charter towards the end of the financial year. All Board activities were executed in cognisance of the requirements and spirit of the BDC Board Charter.

Board Composition

Throughout the year the Board consisted of nine Board members: the Chairman, the Managing Director and seven independent non-executive Directors, all appointed by the shareholder, The Botswana Government. The mix of skills and business experience of the Directors was considered to be appropriate for the proper and efficient functioning of the Board throughout the financial year. The Board acted homogenously and in no case did any one individual have unfettered powers of decision and no individual or grouping was in a position to unduly influence the Board's decision making. Similarly, in line with best practice, during the year the non-executive Directors met at least once without the executive Director and Management. The Board met once without the Chairman being present.

Board Meetings

The Board met four times during the year, including one special meeting. Only the December 2005 scheduled board meeting was cancelled as there were no significant issues warranting a Board meeting. All three sub committees of the Board each met at least twice during the financial year.

	Main Board	Audit Committee	HR Committee	Tender Board Committee	Total Meetings Attended
Tumelo S S G (Board Chairman) (G)	4	-	-	-	4
Matambo O K (MD)	4	2	2	-	8
Inger D	4	-	2	1	7
Kandjii I K	3	-	2	2	7
Ndzinge S E	3	2	-	1	6
Tafa A B	3	-	-	-	3
Kwele N K	3	2	2	-	7
Merafhe O	4	2	-	-	6
Molosiwa B K (G)	2	-	-	-	2
Lesolle M (Independent Audit Committee Member)	-	1	-	-	1

Key G = Paid to Botswana Government.

"The Board has reviewed the effectiveness of the Corporation and Group's system of internal controls including Financial, Operational, Compliance and Risk Management."

Board Fees and Remuneration

Except for the Managing Director, the Directors and Chairpersons were paid board fees after each board meeting and sub -committee meeting by applying the rates determined by the Shareholder, Botswana Government, as follows:

Chairperson:	Main Board or Board Sub-committees P1, 050
Directors:	Main Board or Board Sub-committees: P840

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

The Board Prime Objective

The Board has as its prime objective the sustainable enhancement of the Corporation's business performance and shareholder value. It carries the responsibility for determining all major policies, for ensuring that effective strategies and management are in place, for assessing the performance of the Group and its senior management and for reviewing the systems of internal control, including those relating to social, ethical and environmental considerations.

The Board also seeks to present to Shareholders, potential investors and other interested parties a balanced and coherent assessment of the Corporation's strategy, financial position and prospects. The Board retains responsibility for a range of specific matters including approval of the audited financial statements, annual report and other documents circulated to the shareholders by the Corporation.

With respect to operational matters, the Board monitors and pays particular attention to the acquisitions, disposals, material agreements and capital expenditures outside predetermined limits set by the Board.

Strategic Planning

The Corporation has a comprehensive three-year strategic planning process with an annual budget and strategic action plans approved by and periodically reported to the Board. During the year variances with strategic plan or budget estimates were closely examined by the Corporation's Management and discussed with the respective Group company Management and/or its Board, with action being taken where appropriate. A forecast of the full year's results was updated regularly, based on performance to date and any changes in business and economic outlook. The current strategic plan ends in June 2007.

Board Monitoring Process

Throughout the year the Board performed its oversight of the Corporation and Management's activities by reviewing reports from Management and the Auditors through its normal meetings and in detail through its sub-committees as set out below:

Board Audit Committee

The Board Audit Committee met twice during the year to review the appropriateness and effectiveness of the Group's accounting policies, financial procedures and the External Auditors' 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 reported to the Board on these matters. These reviews were based on reports submitted by Management, Group Internal Audit and External Auditors. Furthermore the Board Audit Committee received regular updates on Internal Audit activity throughout the year and reviewed reports submitted to the Board by the Group's External Auditors' and half - yearly risk management reports. 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 also met twice to review and make recommendations to the Board on matters within its terms of reference and to discuss a number of other human resources matters within its delegated authority. There were no changes in the senior Management positions during the year.

Board Tender Committee

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

Board Performance Evaluation

An informal Board performance evaluation is currently in place to ensure that the Board remains focused on its key responsibilities and to ensure the Corporation's success. A formal Board Performance Evaluation System to be implemented in the new financial year is being developed.

Relations with shareholders

The Board recognises the importance of maintaining good relations with the shareholders and hence, where necessary, it communicated with the shareholders especially regarding the Corporation's strategy, financial performance and prospects. Detailed communication with shareholders and other stakeholders was done through the Corporations website and the press, and included publication of results for the previous year.

The Annual General Meeting was held in December 2005 and was chaired by the Board Chairman. There were no extraordinary general meetings held during the year.

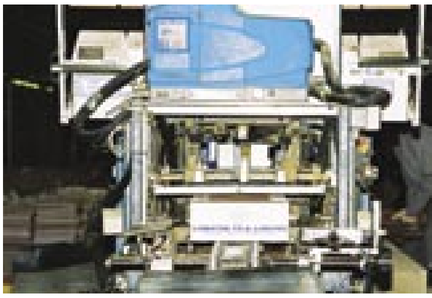
The BDC Management Team, carried out an extensive programme of meetings with potential and institutional investors. The Chairman and all other non-executive Directors were also available to meet with investors, as and where necessary. The Board was kept abreast of the investment market environment by receiving regular reports on investor relations and perceptions. There were no new Board appointments during the year other than the appointment of the Chairpersons of all Board sub-committees from amongst existing Directors.

Statement of Compliance

In accordance with the provisions of the BDC Board Charter the Corporation has committed itself to comply with Good Corporate Governance as pronounced by international best practice, including King II. It is the Board's considered view that it has, throughout the year, complied with all the material provisions of good corporate governance and best practice. Corporate Governance principles at BDC remain the same eight pillars of Transparency, Accountability, Responsibility, Fairness, Independence, Discipline, Quality and Social Responsibility as pronounced in internationally recognised best practice codes of Corporate Governance.

The Board has reviewed the effectiveness of the Corporation and Group's system of internal controls, including Financial, Operational, Compliance and Risk Management.
In addition to receiving summaries of the Risk Management reports, the Board annually reviewes the effectiveness of the internal controls system on the basis of reports from, and the recommendation of, the Board Audit Committee.

The Board exercises ultimate responsibility for the Corporation's system of internal controls


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

and for monitoring its effectiveness. Internal controls systems are therefore in existence to safeguard shareholders' investments and the Corporation's assets, both tangible and intangible, including the reputation of the Group with its various stakeholders. Procedures are in place to ensure the maintenance of proper accounting records, the reliability of the financial information used within the business or for publication the determination of disclosure obligations and of materiality.

Internal Control Systems

The Board of Directors is confident that the exiting policies, systems and procedures 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. These policies ensure consistency in delivery of service to the customers as well as protecting the assets and interests of the Corporation.

Risk Management

The identification of major business and operational risks was carried out by Management in conjunction with Risk Management, Internal Audit and the External Auditors. Where necessary appropriate steps were taken to monitor and mitigate identified risks. The Risk Manager and Group Internal Auditor co-ordinated risk management information and processes by assessing the risk management and internal controls for the Corporation, ensuring that such processes satisfy the applicable principles in terms of both the Corporation's 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.

Disclosure and Transparency

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

Corporate Values

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 in force from time to time, which include: Customer Primacy, Employee Development, Teamwork, Professionalism and Integrity.

Code of Ethics

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

Environment and Society

It is the policy of the Corporation to ensure that all new undertakings are both financially sound and in no way compromise social and environmental standards. It is also the policy of the Corporation to ensure that an environmental impact study is conducted where the Corporation is asked to finance or initiate projects that by their nature may have the potential to adversely affect the environment. During the year the Corporation sanctioned the undertaking of environmental impact studies in relation to the establishment of an amusement facility in Lion Park, near Gaborone, and the utilisation of mine tailings (by products) from BCL mine, in Selibi Phikwe.

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

Corporate Governance Statement *(continued)*

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

In addition, 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.

ISO9001:2000

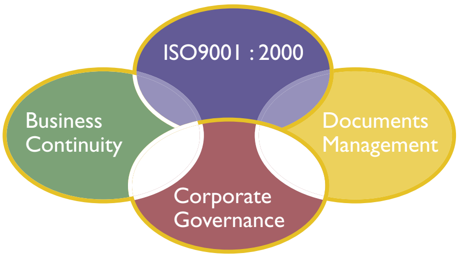
The Board of Directors, Management and Staff of the Corporation are committed to the implementation of quality in all the Corporation's activities. Following BDC's accreditation to ISO9001:2000 since 2001, the Corporation's processes, systems and staff were further re-certified and compliance reaffirmed against ISO9001:2000 following another certification audit conducted by Bureau Veritas Quality International (BVQI) in November 2005. The Corporation further successfully completed a surveillance audit that was conducted in May 2006.

Business Continuity Planning

During the year the Corporation has identified a strategic partner to provide Business Continuity standby site services to be available for use by the Corporation in the event of a disaster, that if not managed could disrupt the business and customers of the Corporation. The standby site is expected to go live during the first half of the new financial year.

Document Management

During the year the Corporation initiated a Document Management System project. The System which will be effective from the new financial year is expected to further increase the office automation capability of the Corporation's processes and procedures. It is the desire of the Corporation to further reduce the use and storage of paper, thereby further reducing risk and incidences of fraud and unauthorised access or use of the Corporation's and client's information.



Social, Ethical, Health and Safety Considerations

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 existing policies, procedures and systems to ensure, monitor, communicate and verify its compliance to these practices, including where there has been a departure from them.

Audited Financial Statements

The audited financial statements, as set out on pages 26 to 56, were prepared by man-

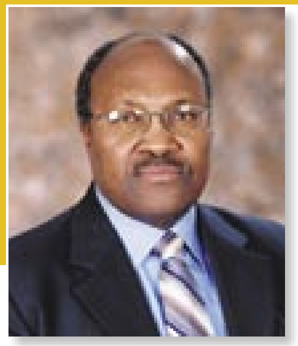
agement in accordance with International Financial Reporting Standards. The financial statements were reviewed and recommended by the Audit Committee and have been approved by the Board of Directors for presentation at the Annual General Meeting of the shareholders for formal adoption. At the end of the financial year the Board recommended that a dividend of P18.05 million be paid to the Shareholder, Botswana Government, which represented 25% of the Corporation's profit after taxation.

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

Going Concern Status

The Board of Directors and the Audited Financial Statements herein, confirm that the Corporation is a going concern.

Managing Director's Report



Mr K Matambo
Managing Director

The Botswana Development Corporation Limited continues to perform impressively despite the recent slowdown in the economy over the past two years. Having established a firm foundation after the 1998 restructure, the Corporation has since seen considerable growth in both its revenues and net profit figures. The financial results under review come from the second year of a three-year Strategic Plan (2004/5 – 2006/7) and compare very favorably with the targets set for the Corporation.

Performance of the Corporation

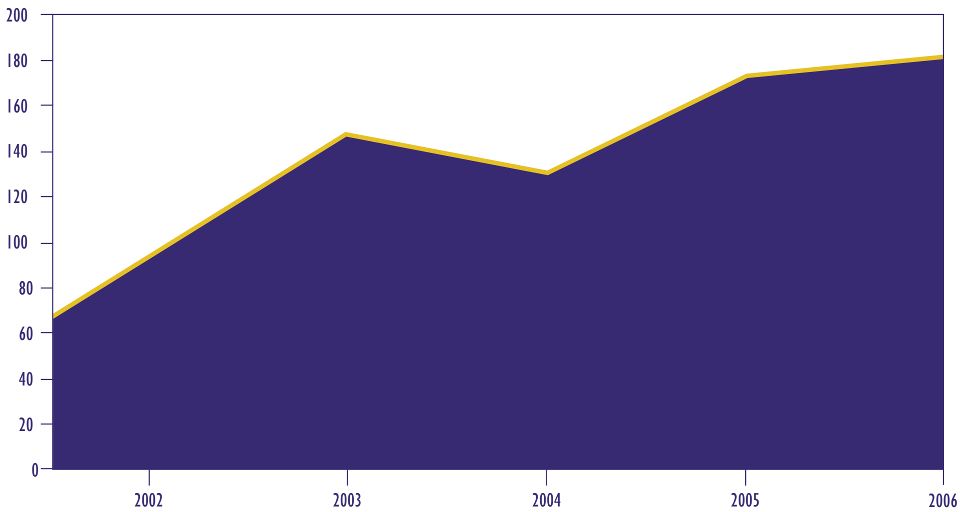
The Corporation has achieved a profit before taxation of P88.06 million against P80.76 million achieved in the previous year. This translates to a 9.03% improvement in performance at the bottom line. Revenues for the Corporation have improved from P123.33 million to P135.02 million translating to a healthy growth of 9.47% while administrative expenditure has remained virtually the same as that of the previous year. As is evident, the Corporation places great importance on cost control as it does on revenue generation in its endeavor to enhance performance.

In conjunction with the abovementioned performance it is important to mention that the profits of P88.06 million are arrived at after taking into account additional provisions of P17.02 million mainly in respect of Lobatse Tile (Pty) Ltd. This company has had a difficult year not only due to the decline in activity in the construction industry domestically, but also due to the shortage of technical expertise required to run this kind of operation. Many of these hurdles have, however, been addressed and the management of this company is optimistic that performance will drastically improve.

On the other hand, although no significant additional provisions were required to be made in respect of Lobatse Clay Works (Pty) Ltd, I wish to comment that this company which had been put into provisional liquidation by one of its creditors is no longer under liquidation. Furthermore, a complete restructuring - both financial and structural - has also been undertaken and key positions within the organisation filled. We are confident that this company will perform to satisfaction in the new financial year.

"The Corporation has achieved a profit before taxation of P88.06 million against P80.76 million achieved in the previous year."

Revenue growth (million Pula)



"The targets set for the second year have been well met with a profit of P88.06 million (P74.70 million target for the 2005/6 Strategic Plan period)."

Dividend income has once again proved to be the main income stream for the Corporation. A total of P92.59 million was received in dividends. Sechaba Brewery Holdings Ltd contributed P37.25 million, followed by the 100% subsidiary companies in the Property sector contributing a total of P29.87 million.

Interest Income from loans totaled P42.42 million representing a growth of 51.68% over the previous year's income of P27.97 million. This growth can be largely attributed to a number of the Corporation's loan investments which have now started paying interest on loans as the moratoria on interest payments lapse.

The Corporation investment portfolio has seen additional equity acquired of P54.57 million. Furthermore a total of P27.46 million was disbursed during the year in loans. The Corporation continues to closely scrutinise all potential investments to ensure viability and to prudently manage risk.

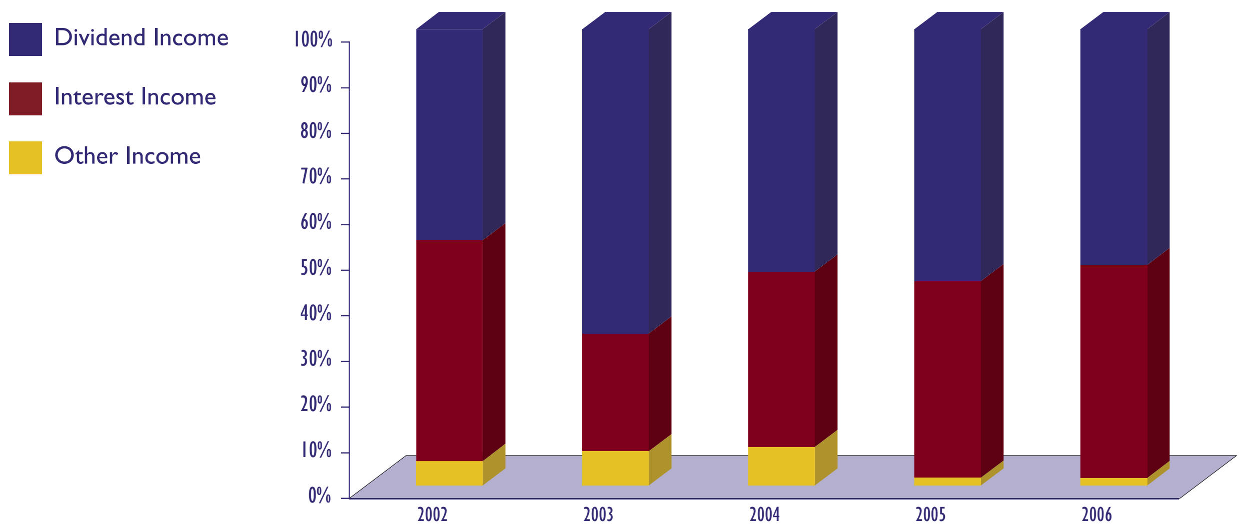
The Corporation's retained earnings now stand at P239.94 million after taking into consideration a P18.05 million dividend approved by the Board for the year under review. A dividend of P17.13 million was paid during the year.

The Corporation has achieved a 6.37% Return on Shareholders Fund (ROSF). This return compares favourably with the return set by the BDC Board of 6%. Of note, while reflecting on the ROSF return, is the fact that the Corporation does not put through its income statement the appreciation in value of its listed investments. On the other hand, the revaluation reserves in the balance sheet of the Corporation incorporate this appreciation. The effect of this is to continuously increase the Shareholders Funds which when used in the calculation of ROSF tend to depress the ROSF achieved.

Strategic Plan

The year under review represents the second year of the three-year Strategic Plan that started in 2004/5. The targets set for the second year have been well met with a profit of P88.06 million (P74.70 million target for the 2005/6 Strategic Plan period). These targets have been met despite some substantial challenges unforeseen at the time of finalising the Strategic Plan. Some of the challenges

Revenue growth



include the unprecedented rise in inflation which negatively impacted on the cost of the Corporation's borrowing through its CPI linked Paper. As mentioned before, another challenge was the unprecedented growth in the value of the Corporation's listed securities, which hugely expand the revaluation reserve and impact on the rate of ROSF.

Risk Management and Research

The underlying essence of risk management as applied in the Corporation is to provide reasonable assurance with regard to the achievement of Corporate objectives.Any identified event whose occurrence is deemed to potentially adversely affect the performance of the Corporation is closely monitored and managed, and controls are put in place to ensure its impact is minimised.

The key risks that are at the centre of the Corporation's business and receive close management attention include credit risk, market risk, legal risk as well as operational risks. The largely successful containment of these risks in the operations of the Group companies and the Corporation itself saw the Corporation achieve its strategic objectives for the year under review as set in the Strategy Action Plan 2004 – 2007.

On the new initiatives front, the feasibility study on the viability of invoice discounting as an additional product offering has been completed and approved by the Board for implementation in 2006/07.

Human Resources

Human capital investment continues to be regarded as an integral part of business development. During the year under review, human resource development was pursued through training programs designed to enhance productivity and to equip staff members with the necessary knowledge and skills to meet the challenges of a dynamic business environment. Furthermore, the Corporation benefited from its membership of the Development Finance Institutions (DFIs) Network of Southern African Development Community (SADC) through receipt of sponsorships in the areas of Risk Management and Corporate Finance.

The staff compliment at the end of the year was sixty one compared to fifty six for the same period last year. There was only one termination and the Corporation recruited six new staff members.

Corporate Social Responsibility (CSR)

The CSR fund continues to attract requests from the public. A number of deserving non-profit organisations benefited during the year to the tune of P327,270 compared to the P170,000 donated last year. The level of involvement by the Corporation in societal activities is ground for great satisfaction.

Quality initiatives – ISO 9001:2000

In May 2006 the Corporation was audited for purposes of ensuring that it still complied to the ISO 9001:2000 Standards and could therefore be re-certified. I am proud to record that the Corporation was re-certified ISO 9001:2000 compliant. This re-certification is testimony to the fact that our processes, procedures and quality management systems meet the stringent ISO 9001:2000 requirements. It is also testimony that the Corporation is comparable to other world class organisations wherever they are located.

In closing, I wish to thank all members of staff for the hard work that went into making the year under review the success it turned out to be. I must also thank the Corporation's Board of Directors for all their invaluable contributions and guidance through out the year.

Mrs M M Nthebolan
General Manager
Business Development

Business Development Report

"Residential Holdings (Pty) Ltd, a 100% BDC owned subsidiary, undertook the redevelopment of 3 residential properties in Gaborone."

The exercise to restructure and reorganise the Property Management and Development Division was completed during the year under review. The division consolidated its efforts in making its outlook more focused, innovative and efficient.

Amongst some of the initiatives within the Property Sector was the Botswana Hotel Development Company (Pty) Ltd refurbishment project for some of its hotel properties. The project is aimed at enhancing the value of the properties and giving the operator a product that is competitive in the market. The projects will involve a complete overhaul of some of the hotels, and construction of some new and additional facilities. .

Residential Holdings (Pty) Ltd, a 100% BDC owned subsidiary, undertook the redevelopment of 3 residential properties in Gaborone.

With regards to the industry sector, two large projects: one in the food can manufacturing business, with a total exposure of P28.00m, and the other in the leather tanning industry, for a total exposure of about P12.00m were in their initial implementation stages during the year under review. There were additional investments of about P22.40m for expansion at Lobatse Tile, Golden Fruit and Asphalt Botswana. This resulted in the Corporation's total exposure in the Industry Sector reaching about P361.60m. Diversification in the areas represented in the portfolio was increased due to the Corporation's entry into the food can and leather tanning industries.

The Department, through Agribusiness and Services division was engaged in activities ranging from marketing of corporate products, project appraisals and implementation of approved projects, to monitoring and troubleshooting problematic projects. On the marketing front, the division had representation at the World Travel Market in London in November 2005 and the Indaba in Durban in May 2006; both considered the must-attend tourism shows by the hospitality industry community. Through attendance at these shows some inquiries have been received and are being actively followed up.

Within the Services sector a reputable international hotel chain has expressed interest in partnering with BDC in the Mamuno Hotel project. Five projects involved in diversified activities passed the viability tests and were approved. These projects are as follows:

Mashatu Nature Reserve.

- Lavender Projects (Pty) Ltd – an academic initiative whose focus will be on providing bridging courses such as High International General Certificate of Secondary Education (HIGSE) and A Levels.

- Goldigger Ventures (Pty) Ltd – this transaction involved the purchase of a 33% equity stake and provision of additional equity and loan facility to a company that produces crops such as wheat, paprika, onions, potatoes, butternuts etc, under irrigated farming at Talana farm in the Tuli Block. The company, which complements crop production with ostrich farming, was in need of funds to expand the area under cultivation and to introduce new crops.

- Mashatu Nature Reserve – An additional capital injection was made to retain BDC's strategic equity shareholding of 30 percent. Both shareholders converted their existing loans into equity.

- LP Amusement Centre – A 100% BDC initiative, the company was assisted by BDC through the provision of equity and a loan for the establishment of an amusement centre at Lion Park.

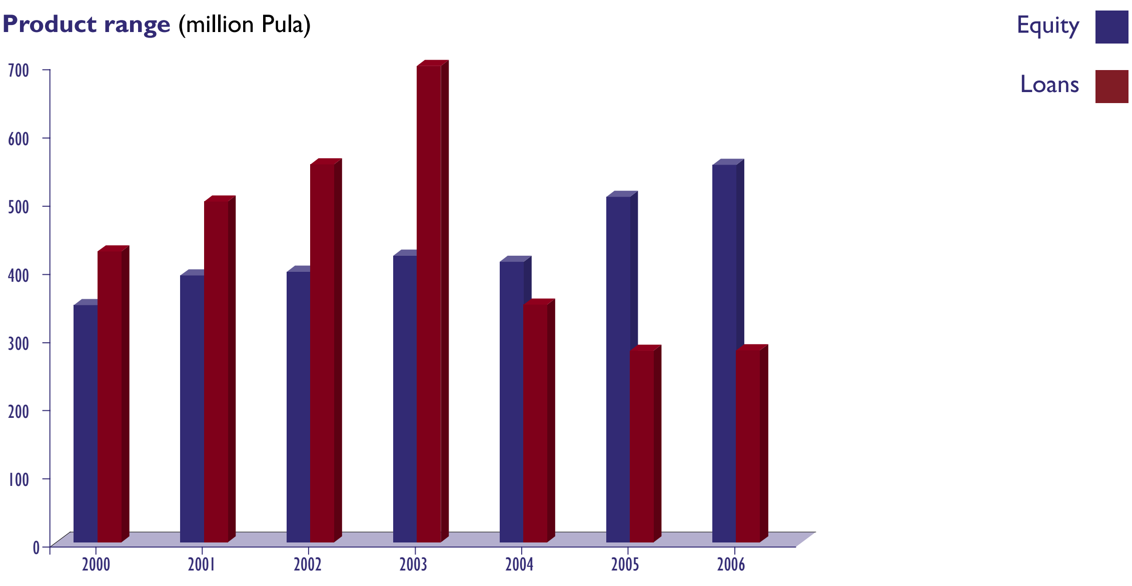
- DDAC (Pty) Ltd – BDC approved a loan to the company to buy Inpipe (Sweden) liner installation equipment, which would enable the company to repair and rehabilitate sewerage pipes without digging.

As at year-end, implementation of the first three projects was virtually complete while the remaining two were in the early stages.

To ensure a quality portfolio, regular monitoring visits were undertaken where divisional representatives interacted with respective company managers to address any issues that could affect the company's viability.

During the year under review the Business Development Department began implemen-

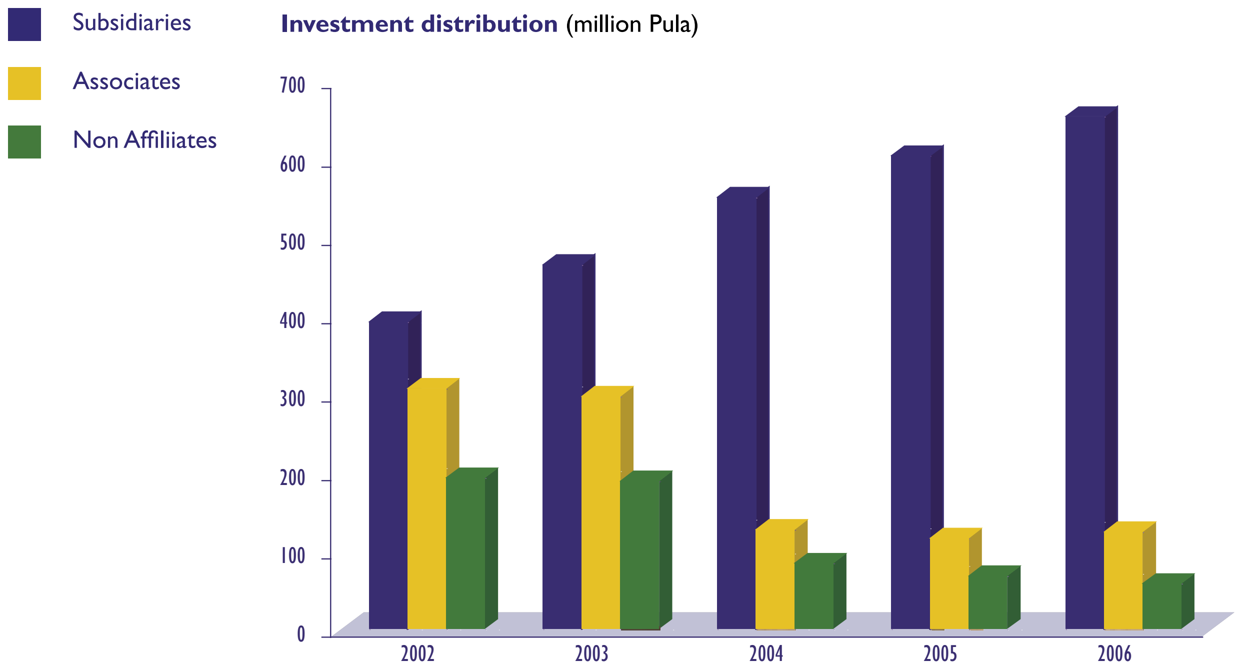
Product range (million Pula)



tation of the two-pronged Corporate Communication Strategy: This includes promoting the understanding of BDC, its products and value offering, as well as positioning and leveraging the image and brand of BDC. A series of events were also held in relation to the above.

In promoting the understanding of BDC, its products and value offering, new adverts for BDC products with the strap line "Growth through Viability" were flighted in the local print media and selected magazines, including the Air Botswana in-flight magazine.

Investment distribution (million Pula)



Potato packaging at Talana Farms.

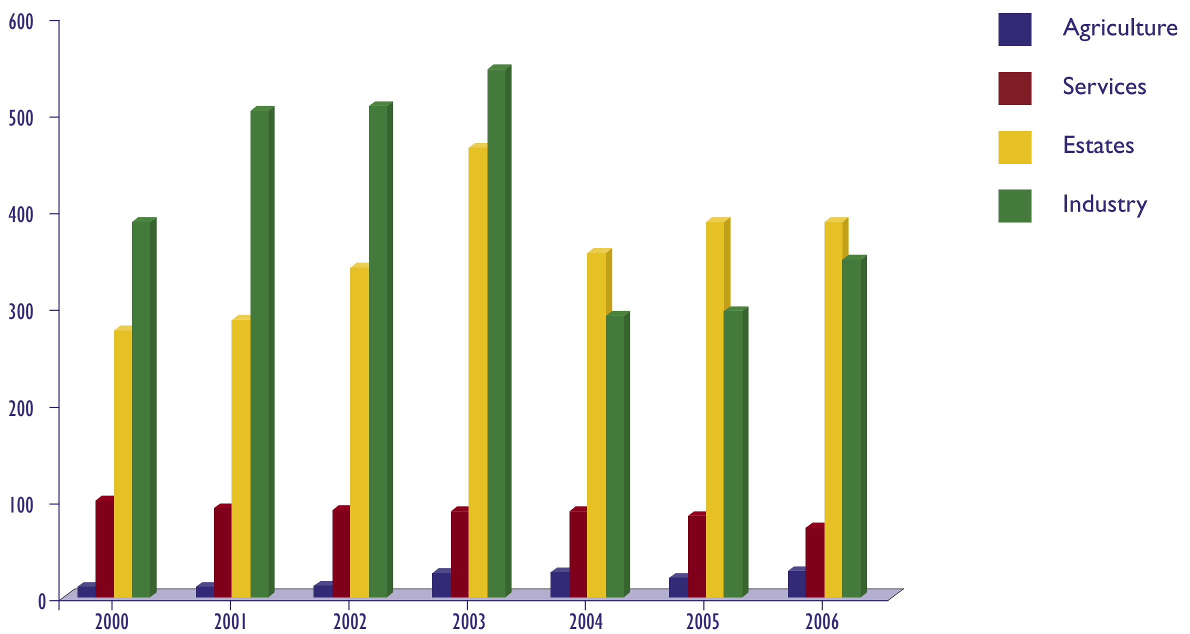
They were also flighted on rotating 'citillite' billboards. A 'fast facts' campaign was also carried out in the print media. In addition to product advertising, the Department facilitated the Industry Business Breakfast in Francistown, and participated in the BITF, IFSC and BSE fairs. All platforms involved information-sharing about BDC as an investment Corporation, its products and services.

In positioning and leveraging the image and brand of BDC, the Business Development Department facilitated the development of a corporate advert with the strap line "Possibilities Through Partnerships" which is flighted in the Airport light boxes, along the airport road, the Tlokweng border road and the Phakalane-Mochudi highway. The same advertising, flighted on pull-up banners, was extended to BDC's CSR events during the year.

Two projects, namely the Moedi house signage and the face-lift of the Moedi house training room and reception area were undertaken in line with the positioning and leveraging the image of BDC. A corporate event was held in November 2005 to celebrate BDC's 35 years of existence. The event received coverage in the local print media. Another corporate event was facilitated to celebrate the Corporation's ISO 2001 re-certification.

A new corporate brochure was developed and produced. Two newsletters, Mabogo Dinku, a Staff newsletter and Molaletsa, a Client newsletter, were developed and produced in the year under review.

Sector distribution (million Pula)



Mr J N Kamyuka
General Manager
Management Services

Management Services Report

"Risk management supports value creation by enabling management to identify potential events that may have negative impact on the organisation."

The Department has operational responsibility for management services support to the Corporation. Such support is directed at ensuring that the Corporation delivers the highest level of customer service to its client.

Management Services covers the following functions:

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

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

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

The Risk Management and Research Division recognises that the Corporation exists to realise value for its stakeholders, especially its shareholder, the Government of Botswana and the nation at large.

Risk management supports value creation by enabling management to identify potential events that may have negative impact on the organisation. This ensures that there are systems and controls in place to manage risk, thus providing reasonable assurance regarding the achievement of corporate objectives. The risks that are relevant to the Corporation's business, which are closely managed and controlled on an on-going basis, include credit risk, market risk and operational risk, among others.

As part of quality assurance, grading was performed on the Corporation's investment and loan portfolio. The portfolio was found to be generally sound save for a few cases, especially in construction related areas where some production and market problems are being addressed.

During the year, the corporation continued with several projects aimed at increasing efficiency and productivity. The voice infrastructure network that was over 15 years old was replaced with a modern digital PABX with advanced features incorporating a call management system and a voicemail system storage and retrieval system that are integrated with the Corporation's digital date network.

A new help desk and call management system was also implemented during the year, allowing the Information Technology Division to more closely monitor operational efficiencies and to accurately track key performance indicators.

The implementation of a budgeting and forecasting system as well as a document management system was initiated during the year and is due for completion in the coming financial year.

The feasibility study which sought to establish the viability of adding invoice discounting to the product range of the Corporation was completed during the year and a decision taken by the Board to proceed with implementation of the project. Plans for this implementation are well advanced with the recruitment of staff for the new division and the purchase of an appropriate operating system under way.

The role of the Division will be to provide working capital to businesses in Botswana whose access to conventional funding is restricted by the nature and extent of security available to be pledged. By providing ongoing funding against invoices as they are raised the Corporation will facilitate the growth of businesses that might otherwise be restricted through lack of working capital.

The product offering will include variants of Invoice Discounting: confidential and disclosed, bulk and open item, recourse and non-recourse or combinations of these.

The Division is expected to be operational during the second or third quarter of the next financial year.

Directors' Statement of Responsibility

for the year ended 30 June 2006

The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The external auditors are responsible to give an independent opinion on the fairness of the financial statement based on their audit of the affairs of the Company and the Group.

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and in a manner required by the Botswana Companies Act (CAP 42:01).

The Directors are also responsible for the Group's systems of international control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatements and losses.

Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on a going concern basis, since the Directors have every reason to believe that the group has adequate resources in place to continue in operation for the foreseeable future.

The financial statements set out on pages 26 to 56 and were approved by the Board of Directors on 9 November 2006 and are signed on their behalf by:

CHAIRMAN **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 2006 in accordance with the requirements of the Companies Act (CAP 42:01).

Financial results

1. The financial results for the Company and the Group are set out on pages 26 to 56.
2. A dividend of P17,126,000 was declared during the year in respect of the ordinary shares.

Directors

3. The following were Directors of the Company during the year under review:

S S G Tumelo - Chairman
O K Matambo - Managing Director
O Merafhe
B K Molosiwa
D Inger
S E Ndzinge
I K Kandjii
A B Tafa
N K Kwele

Authorised share capital

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

Issued share capital

5. The issued share capital is as follows:

Ordinary shares P 238,199,462 being 238,199,462 ordinary shares of P1 each and share premium P 297,000,000.

Investments

6. During the year the Company invested further equity into the following:

a) Wholly owned subsidiaries
- Lobatse Tile (Pty) Ltd - P18,322,531

b) Investment projects in progress
- L P Amusement (Pty) Ltd - P25,899
- Can Maufacurers (Pty) Ltd - P7,980,880
- Golden Fruits (Pty) Ltd - P3,093,000

Disinvestments

7. The Company divested as follows:

Ordinary Shares in Investec Holdings (Botswana) Ltd for P12,630,000 disinvested in 2005 but wrongly recorded as dividends received. The error was corrected as a prior year adjustment as per note 37 to the financial statements.

Directors' fees and expenses

8. It is recommended that directors' fees and expenses of P38,670 and directors' emoluments of P727,000 for the year to 30 June 2006 be ratified.

By Order of the Board

G V Garekwe
Group Company Secretary

Deloitte.

Report of the Independent Auditors

TO THE MEMBERS OF BOTSWANA DEVELOPMENT CORPORATION LIMITED

We have audited the accompanying company and group financial statements of Botswana Development Corporation Limited set out on pages 26 to 56 for the year ended 30 June 2006. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion:

- the company and group have kept proper books of account with which the financial statements are in agreement; and

- the financial statements give a true and fair view of the state of the company's and the group's affairs as of 30 June 2006 and of the results of its operations, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act (Chapter 42:01).

Deloitte & Touche

9 November 2006
Gaborone

Cetified Public Accountants

Income Statements

for the year ended 30 June 2006

	Notes	Group 2006 P'000	Group Re-stated 2005 P'000	Company 2006 P'000	Company Re-stated 2005 P'000
REVENUE	1	**247,590**	237,097	**135,016**	123,332
Cost of revenue		**(157,333)**	(125,584)	**-**	-
Gross profit		**90,257**	111,513	**135,016**	123,332
Other operating income	2	**10,886**	7,893	**5,282**	2,501
Distribution costs		**(1,834)**	(1,977)	**-**	-
Administrative expenses		**(44,819)**	(39,780)	**(28,717)**	(28,128)
Other operating expenses		**(29,698)**	(55,782)	**(33,170)**	(24,547)
OPERATING PROFIT	3	**24,792**	21,867	**78,411**	73,158
Net finance income	5	**11,183**	13,843	**9,653**	7,607
Share of associates profit	11	**44,190**	24,248	**-**	-
PROFIT BEFORE TAXATION		**80,165**	59,958	**88,064**	80,765
Taxation	6	**(22,510)**	(16,435)	**(15,866)**	(12,151)
NET PROFIT FOR THE YEAR		**57,655**	43,523	**72,198**	68,614
Attributable to:					
Equity holders of the parent		**57,528**	43,316	**72,198**	68,614
Minority interest	28	**127**	207	**-**	-
		57,655	43,523	**72,198**	68,614

Balance Sheets

At 30 June 2006

	Notes	Group 2006 P'000	Group Re-stated 2005 P'000	Company 2006 P'000	Company Re-stated 2005 P'000
ASSETS					
NON CURRENT ASSETS					
Investment properties	7	**473,075**	445,664	**-**	-
Property, plant and equipment	8	**196,856**	214,887	**1,056**	1,574
Intangible assets	9	**320**	360	**-**	-
Subsidiaries	10	**-**	-	**472,588**	471,276
Associated companies/partnerships	11	**110,157**	75,105	**69,750**	29,239
Unquoted investments	12	**36,840**	32,902	**36,737**	32,799
Quoted investments	14	**628,810**	529,332	**628,810**	529,332
Due from group companies	15	**-**	-	**31,810**	33,029
Investment projects in progress	16	**17,394**	1,699	**-**	-
		1,463,452	1,299,949	**1,240,751**	1,097,249
CURRENT ASSETS					
Inventories	17	**15,452**	15,346	**-**	-
Receivables and prepayments	18	**49,750**	51,401	**22,332**	19,324
Taxation recoverable		**29,635**	22,387	**1,262**	1,262
Short-term loans and advances	19	**14,434**	23,174	**45,168**	45,618
Available for sale of investments	20	**302,627**	415,666	**234,486**	346,714
Cash and cash equivalents	21	**193,120**	78,822	**156,760**	39,085
		605,018	606,796	**460,008**	452,003
TOTAL ASSETS		**2,068,470**	1,906,745	**1,700,759**	1,549,252
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES					
Share capital	22	**238,199**	238,199	**238,199**	238,199
Share premium	22	**297,000**	297,000	**297,000**	297,000
Contribution to factory premises	23	**24,070**	24,070	**24,070**	24,070
Fair value reserve	24	**535,330**	452,790	**535,330**	435,852
Other reserves	25	**38,682**	9,828	**5,504**	5,504
Dividend reserves	26	**18,050**	17,126	**18,050**	17,126
Claims equalisation reserve	27	**875**	846	**-**	-
Retained earnings		**307,759**	277,014	**239,940**	184,292
Equity attributable to equity holders of the parent		**1,459,965**	1,316,873	**1,358,093**	1,202,043
Minority interest	28	**48,625**	38,848	**-**	-
Total equity		**1,508,590**	1,355,721	**1,358,093**	1,202,043
NON-CURRENT LIABILITIES					
Borrowings	29	**418,663**	411,269	**308,527**	312,849
Government grants	30	**33,771**	34,548	**-**	-
Deferred taxation	31	**18,236**	13,891	**-**	-
		470,670	459,708	**308,527**	312,849
CURRENT LIABILITIES					
Borrowings	29	**9,140**	26,606	**8,416**	9,947
Tax payable		**382**	312	**-**	-
Capital gains tax		**161**	245	**161**	245
Dividend payable		**13,141**	13,141	**13,141**	13,141
Trade and other payables	32	**51,527**	41,474	**12,421**	11,027
Bank overdrafts	33	**14,859**	9,538	**-**	-
		89,210	91,316	**34,139**	34,360
TOTAL LIABILITIES		**559,880**	551,024	**342,666**	347,209
TOTAL EQUITY AND LIABILITIES		**2,068,470**	1,906,745	**1,700,759**	1,549,252

Statements of Changes in Equity

for the year ended 30 June 2006

Group	Notes	Share capital P'000	Share premium P'000	Capital redemption reserve P'000	Capitalisation of bonus shares P'000	Contribution to factory premises P'000	Fair value reserve P'000	Statutory capital/ solvency reserve P'000	Goodwill on consolidation 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
Year ended 30 June 2006															
Balance at 1 July 2005 as previously reported		238,199	297,000	7,060	1,504	24,070	452,790	1,264	-	-	846	294,650	1,317,383	38,848	1,356,231
Prior year adjustments	37	-	-	-	-	-	-	-	-	17,126	-	(17,636)	(510)	-	(510)
Balance at 1 July 2005 as re-stated		238,199	297,000	7,060	1,504	24,070	452,790	1,264	-	17,126	846	277,014	1,316,873	38,848	1,355,721
Fair value adjustment of quoted investments		-	-	-	-	-	82,540	-	-	-	-	-	82,540	-	82,540
Movement during the year		-	-	-	-	-	-	-	-	-	29	(9,650)	(9,621)	9,650	29
Transfers		-	-	-	-	-	-	28,854	-	-	-	917	29,771	-	29,771
Dividend declared		-	-	-	-	-	-	-	-	18,050	-	(18,050)	-	-	-
Dividend paid		-	-	-	-	-	-	-	-	(17,126)	-	-	(17,126)	-	(17,126)
Net profit for the year		-	-	-	-	-	-	-	-	-	-	57,528	57,528	127	57,655
Balance at 30 June 2006		**238,199**	**297,000**	**7,060**	**1,504**	**24,070**	**535,330**	**30,118**	**-**	**18,050**	**875**	**307,759**	**1,459,965**	**48,625**	**1,508,590**
Year ended 30 June 2005															
Balance at 1 July 2004 as previously reported		238,199	297,000	7,060	1,504	24,070	364,578	656	4,840	-	1,068	266,494	1,205,469	38,641	1,244,110
Prior year adjustments	37	-	-	-	-	-	-	-	(4,840)	-	-	4,840	-	-	-
Balance at 1 July 2004 as re-stated		238,199	297,000	7,060	1,504	24,070	364,578	656	-	-	1,068	271,334	1,205,469	38,641	1,244,110
Fair value adjustment of quoted investments		-	-	-	-	-	88,212	873	-	-	-	-	89,085	-	89,085
Movement during the year		-	-	-	-	-	-	-	-	-	(222)	-	(222)	-	(222)
Transfers		-	-	-	-	-	-	(265)	-	-	-	-	(265)	-	(265)
Dividend paid		-	-	-	-	-	-	-	-	-	-	(20,000)	(20,000)	-	(20,000)
Net profit for the year		-	-	-	-	-	-	-	-	-	-	43,316	43,316	207	43,523
Balance at 30 June 2005 as previously stated		238,199	297,000	7,060	1,504	24,070	452,790	1,264	-	-	846	294,650	1,317,383	38,848	1,356,231
Prior year adjustments	37	-	-	-	-	-	-	-	-	17,126		(17,636)	(510)	-	(510)
Balance at 30 June 2005 re-stated		**238,199**	**297,000**	**7,060**	**1,504**	**24,070**	**452,790**	**1,264**	**-**	**17,126**	**846**	**277,014**	**1,316,87**	**38,848**	**1,355,72**

Company	Notes	Share capital P'000	Share premium P'000	Capital redemption reserve P'000	Capitalisation of bonus shares P'000	Contribution to factory premises P'000	Fair value reserve P'000	Statutory capital/ solvency reserve P'000	Goodwill on consolidation 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
Year ended 30 June 2006															
Balance at 1 July 2005 as previously reported		238,199	297,000	4,000	1,504	24,070	435,852	-	-	17,126	-	214,048	1,214,673	-	1,214,673
Prior year adjustment	37	-	-	-	-	-	-	-	-	17,126	-	(29,756)	(12,630)	-	(12,630)
Balance at 1 July 2005 as re-stated		238,199	297,000	4,000	1,504	24,070	435,852	-	-	-	-	184,292	1,202,043	-	1,202,043
Fair value adjustment of quoted investments	24	-	-	-	-	-	99,478	-	-	-	-	-	99,478	-	99,478
Transfers		-	-	-	-	-	-	-	-	18,050	-	1,500	1,500	-	-
Dividend declared		-	-	-	-	-	-	-	-	-	-	(18,050)	-	-	-
Dividend paid		-	-	-	-	-	-	-	-	(17,126)	-	-	(17,126)	-	(17,126)
Net profit for the year		-	-	-	-	-	-	-	-	-	-	72,198	72,198	-	72,198
Balance at 30 June 2006		**238,199**	**297,000**	**4,000**	**1,504**	**24,070**	**535,330**	**-**	**-**	**18,050**	**-**	**239,940**	**1,358,093**	-	**1,356,593**
Year ended 30 June 2005															
Balance at 1 July 2004		238,199	297,000	4,000	1,504	24,070	347,640	-	-	-	-	165,434	1,077,847	-	1,077,847
Fair value adjustment of quoted investments	24	-	-	-	-	-	88,212	-	-	-	-	-	88,212	-	88,212
Dividend paid		-	-	-	-	-	-	-	-	-	-	(20,000)	(20,000)	-	(20,000)
Net profit for the year		-	-	-	-	-	-	-	-	-	-	68,614	68,614	-	68,614
Balance at 30 June 2005 as previously stated		238,199	297,000	4,000	1,504	24,070	435,852	-	-	-	-	214,048	1,214,673	-	1,214,673
Prior year adjustment	37	-	-	-	-	-	-	-	-	17,126	-	(29,756)	(12,630)	-	(12,630)
Balance at 30 June 2005 re-stated		**238,199**	**297,000**	**4,000**	**1,504**	**24,070**	**435,852**	**-**	**-**	**17,126**	**-**	**184,292**	**1,202,043**		**1,202,043**

Cash Flow Statements

for the year ended 30 June 2006

		Group		Company	
			Re-stated		Re-stated
		2006	2005	**2006**	2005
	Note	**P'000**	P'000	**P'000**	P'000
Operating activities					
Cash generated from operations	40	**66,636**	86,077	**94,645**	51,350
Interest received		**53,463**	56,335	**42,205**	44,821
Foreign exchange gains		**4,942**	765	**5,435**	1,201
Interest paid		**(47,222)**	(43,258)	**(37,987)**	(38,415)
Tax paid		**(19,690)**	(22,027)	**(15,950)**	(12,151)
Net cash from operating activities		**58,129**	77,892	**88,348**	46,806
Investing activities					
Additions to investment properties		**(47,362)**	(85,370)	**-**	-
Purchase of property, plant and equipment		**(16,740)**	(4,760)	**(447)**	(797)
Purchase of shares in subsidiaries		**-**	-	**(32,419)**	(32,602)
Purchase of shares in associates		**(19,555)**	-	**(21,055)**	-
Purchase of shares in non-affiliated companies		**(1,100)**	-	**(1,100)**	-
Loans disbursed to subsidiaries		**-**	-	**(14,263)**	(38,529)
Loans disbursed to associated companies		**(4,923)**	(10,768)	**(4,923)**	(10,768)
Loans disbursed to non-affiliated companies		**(8,272)**	(14,790)	**(8,272)**	(14,790)
Loans repaid by subsidiaries		**-**	-	**(11,890)**	14,608
Loans repaid by associated companies		**3,697**	7,828	**3,697**	7,828
Loans repaid by non-affiliated companies		**19,495**	46,965	**19,495**	23,696
Net increase investment projects in progress		**(15,695)**	(2,102)	**-**	-
Disposal of property, plant and equipment		**741**	-	**-**	-
Net movement in the reserves of associates		**7,388**	440	**-**	-
Disposal of investments		**14,275**	2,884	**9,724**	5,664
Proceeds from disposal of investments		**16,355**	4,808	**-**	-
Net cash used in investing activities		**(51,696)**	(54,865)	**(61,453)**	(45,690)
Financing activities					
Increase/(Decrease) in long term borrowings		**7,394**	(27,212)	**(4,322)**	(5,693)
Dividends paid to group shareholders		**(17,126)**	(20,000)	**(17,126)**	(20,000)
Dividends paid to minority interests		**(763)**	(606)	**-**	-
Net cash used in financing activities		**(10,495)**	(47,818)	**(21,448)**	(25,693)
(Decrease)/increase in cash and cash equivalents		**(4,062)**	(24,791)	**5,447**	(24,577)
Movement in cash and cash equivalents					
Start of the year		**484,950**	509,741	**385,799**	410,376
(Decrease)/increase		**(4,062)**	(24,791)	**5,447**	(24,577)
End of the year		**480,888**	484,950	**391,246**	385,799
Cash and cash equivalents		**193,120**	78,822	**156,760**	39,085
Available for sale investments		**302,627**	415,666	**234,486**	346,714
Bank overdraft		**(14,859)**	(9,538)	**-**	-
		480,888	484,950	**391,246**	385,799

Accounting Policies

30 June 2006

PRESENTATION OF FINANCIAL STATEMENTS

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

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 Botswana Companies Act Cap 42:01). The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities.

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

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

B. Group accounting

Subsidiaries

Subsidiaries, which are those entities in which the group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies are consolidated. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. Inter company transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the group.

Associates

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

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

Goodwill

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

C. Property, plant and equipment

Property, plant and equipment are 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 year
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. 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. 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. 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.

K. 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.

L. Share capital

Ordinary shares and non-redeemable preferred shares with discretionary dividends are classified as equity.

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

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

M. Government grants

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

N. 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.

O. 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.

P. 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.

Q. Provisions

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

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

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

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

R. Foreign currencies

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

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

S. 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.

T. 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.

U. 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.

V. Financial instruments

Financial assets

The company's principal financial assets are bank balances and cash, trade and other receivables.

Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of the contractual arrangement entered into.

Significant financial liabilities comprise interest bearing borrowings and trade and other payables.

Interest bearing borrowings and trade and other payables are stated at their nominal value.

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

	Group 2006 P'000	Group Re-stated 2005 P'000	Company 2006 P'000	Company Re-stated 2005 P'000
1. REVENUE				
Income from trade	**189,602**	176,165	**-**	-
Interest on loans:				
- Subsidiaries	**-**	-	**28,560**	18,664
- Associated companies	**9,005**	963	**9,005**	963
- Unquoted investments	**4,858**	8,342	**4,858**	8,342
Dividends received:				
- Subsidiaries	**-**	-	**29,871**	14,741
- Associated companies	**-**	-	**18,597**	28,995
- Unquoted investments	**44,125**	51,627	**44,125**	51,627
	247,590	237,097	**135,016**	123,332
2. OTHER OPERATING INCOME				
Cost Recoveries	**2,741**	2,048	**2,741**	2,048
Profit on sale of investments	**-**	27	**-**	27
Directors fees received	**188**	122	**188**	122
Loan negotiating fees	**176**	12	**82**	12
Expense Recovered	**439**	-	**-**	-
Bad debts recovered	**2,095**	136	**2,095**	136
Sundry revenue	**5,247**	5,548	**176**	156
	10,886	7,893	**5,282**	2,501

3. OPERATING PROFIT

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

	Group 2006 P'000	Group Re-stated 2005 P'000	Company 2006 P'000	Company Re-stated 2005 P'000
Amortisation of government grant	**(777)**	(777)	**-**	-
Auditors' remuneration -current year	**943**	762	**155**	153
Auditors' remuneration -prior year underprovision	**49**	-	**-**	-
Operating lease payments	**1,508**	1,255	**4,101**	-
Depreciation				
- Investment properties	**6,235**	5,892	**-**	-
- Property, plant and equipment	**21,505**	22,503	**965**	1,376
Directors' fees	**163**	229	**39**	28
Directors' emoluments	**727**	539	**727**	539
Provision for losses on investments	**(23,420)**	7,022	**17,195**	9,241
Bad debts recovered	**(2,095)**	136	**(2,095)**	136
Transfers (from)/to claims equilisation reserve	**29**	(222)	**-**	-
Impairment of property, plant and equipment	**12,862**	8,630	**-**	-
Rates and costs recovered	**2,378**	2,048	**-**	2,048
Repairs and maintenance	**4,587**	4,018	**-**	18
(Profit)/loss on:				
- Disposal of property, plant and equipment	**(337)**	6,201	**-**	(8)
- Disposal of investment properties	**(2,639)**	-	**-**	-

4. STAFF COSTS

	Group 2006 P'000	Group Re-stated 2005 P'000	Company 2006 P'000	Company Re-stated 2005 P'000
Salaries and wages	**54,037**	53,074	**17,281**	14,408
Terminal benefits	**2,954**	3,759	**1,106**	1,650
	56,991	56,833	**18,387**	16,058
Average number of employees	**1,182**	1,271	**61**	56

5. NET FINANCE INCOME

	Group 2006 P'000	Group Re-stated 2005 P'000	Company 2006 P'000	Company Re-stated 2005 P'000
Interest income				
- short term bank deposits	**2,819**	3,577	**-**	-
- Bank of Botswana Certificates	**50,644**	53,523	**42,205**	46,022
	53,463	57,100	**42,205**	46,022
Interest expense				
- bank borrowings	**(4,754)**	(4,406)	**-**	-
- bonds	**(23,332)**	(25,218)	**(23,243)**	(25,218)
- long-term borrowings	**(19,101)**	(14,398)	**(14,744)**	(14,398)
- finance leases	**(35)**	-	**-**	-
	(47,222)	(44,022)	**(37,987)**	(39,616)
Exchange gain	**4,942**	765	**5,435**	1,201
	11,183	13,843	**9,653**	7,607

6. TAXATION

Botswana company taxation:

	Group 2006 P'000	Group Re-stated 2005 P'000	Company 2006 P'000	Company Re-stated 2005 P'000
-basic tax at 15%/5%	**4,106**	4,244	**1,136**	-
-additional tax at 10%	**2,737**	2,701	**757**	-
	6,843	6,945	**1,893**	-
Withholding tax paid on dividends	**10,946**	12,151	**13,415**	12,151
Prior year over/(under) provision	**5**	(513)	**-**	-
Group tax relief	**(5,366)**	(6,203)	**558**	-
	12,428	12,380	**15,866**	12,151
Deferred taxation (note 31)	**4,345**	758	**-**	-
Share of associated company taxation	**5,737**	3,297	**-**	-
Charge for the year	**22,510**	16,435	**15,866**	12,151

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

	Group 2006 P'000	Group Re-stated 2005 P'000	Company 2006 P'000	Company Re-stated 2005 P'000
Profit before taxation	**80,165**	59,958	**88,064**	80,765
Tax calculated at 25%/15%	**20,042**	14,990	**22,016**	20,191
Income not subject to tax	**(25,894)**	(9,287)	**(23,148)**	(16,245)
Expenses not deductible for tax purposes	**(4,350)**	(789)	**-**	-
Utilisation of previously unrecognised losses	**13,062**	(3,750)	**3,025**	(3,750)
Net difference between depreciation and capital allowances	**2,226**	(795)	**-**	(56)
Share of associated company taxation	**5,737**	3,297	**-**	-
Withholding tax paid on dividends	**10,946**	12,151	**13,415**	12,151
Expenses subject to double deduction	**(2)**	(140)	**-**	(140)
Unutilised losses carried forward	**185**	-	**-**	-
Losses utilised by subsidiaries	**558**	758	**558**	-
	22,510	16,435	**15,866**	12,151

6. TAXATION (continued)

Tax losses:	Group		Company	
		Re-stated		Re-stated
	2006	2005	**2006**	2005
	P'000	P'000	**P'000**	P'000
Tax year				
2000/2001	**-**	26,784	**-**	-
2001/2002	**-**	30,206	**-**	-
2002/2003	**2,833**	26,344	**-**	-
2003/2004	**18,993**	18,993	**-**	-
2004/2005	**25,142**	25,142	**-**	-
2005/2006	**26,960**	-	**-**	-
	73,928	127,469	**-**	-

7. INVESTMENT PROPERTIES

Opening net book value	**445,664**	370,994	**-**	-
Additions	**46,886**	85,370	**-**	-
Transfer in (note 8)	**476**	-	**-**	-
Disposals	**(13,716)**	(4,808)	**-**	-
Depreciation (note 3)	**(6,235)**	(5,892)	**-**	-
Closing net book value	**473,075**	445,664	**-**	-
Cost	**519,332**	485,686	**-**	-
Accumulated depreciation	**(46,257)**	(40,022)	**-**	-
	473,075	445,664	**-**	-

The directors estimate the fair value of the group's investment properties at P706 million (2005:P661 million) Directors valuation is based on discounted future expected cash flows from the properties. Included in the income statement are the following in respect of investment properties:

Rental income	**(34,798)**	(28,308)	**-**	-
Repairs and maintenance	**1,273**	1,537	**-**	-

8. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings P'000	Freehold land and buildings P'000	Computers P'000	Motor vehicles P'000	Plant and machinery P'000	Furniture, fittings and equipment P'000	Capital work in progress P'000	Total P'000
Group								
Year ended 30 June 2005								
Opening net book value	119,567	7,243	3,259	645	96,761	14,693	484	242,652
Additions	252	71	1,735	394	970	505	834	4,761
Transfers	1,245	(1,245)	-	-	-	59	(59)	-
Disposals	-	-	(69)	(0)	(1,245)	(79)	-	(1,393)
Depreciation (note 3)	(927)	(202)	(2,210)	(450)	(15,517)	(3,197)	-	(22,504)
Impairment charge	-	-	-	-	(8,630)	-	-	(8,630)
Closing net book value	**120,137**	**5,867**	**2,715**	**589**	**72,339**	**11,980**	**1,259**	**214,887**
At 30 June 2005								
Cost	154,897	7,054	16,987	3,712	149,989	42,044	1,259	375,942
Accumulated depreciation	(34,760)	(1,187)	(14,272)	(3,123)	(54,451)	(30,063)	-	(137,856)
Impairment loss	-	-	-	-	(23,199)	-	-	(23,199)
Net book value	**120,137**	**5,867**	**2,715**	**589**	**72,339**	**11,981**	**1,259**	**214,887**
Year ended 30 June 2006								
Opening net book value	120,137	5,867	2,715	589	72,339	11,981	1,259	214,887
Additions	8,802	6	813	251	619	4,224	2,501	17,216
Transfer	-	-	-	-	-	(476)	-	(476)
Depreciation	(6,406)	(204)	(1,529)	(347)	(10,407)	(2,612)	-	(21,505)
Disposals	-	-	-	(35)	(324)	(45)	-	(404)
Impairment charge	-	-	-	-	(12,862)	-	-	(12,862)
Closing net book value	**122,533**	**5,669**	**1,999**	**458**	**49,365**	**13,072**	**3,760**	**196,856**
At 30 June 2006								
Cost	163,699	7,060	17,800	3,929	150,280	45,747	3,760	392,275
Impairment loss	-	-	-	-	(36,060)	-	-	(36,060)
Accumulated depreciation	(41,166)	(1,391)	(15,801)	(3,471)	(64,855)	(32,675)	-	(159,359)
Net book value	**122,533**	**5,669**	**1,999**	**458**	**49,365**	**13,072**	**3,760**	**196,856**

The impairement loss of P36,06 million (2005: P23.2million) 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.

Ceratin assets are secured as set out in notes 29 and 33.

8. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold land and buildings P'000	Computers P'000	Motor vehicles P'000	Furniture and fittings P'000	Total P'000
Company					
Year ended 30 June 2005					
Opening net book value	85	1,919	19	130	2,153
Additions	-	685	-	112	797
Depreciation (note 3)	(4)	(1,282)	(10)	(80)	(1,376)
Closing net book value	**81**	**1,322**	**9**	**162**	**1,574**
At 30 June 2005					
Cost	220	8,454	36	1,936	10,646
Accumulated depreciation	(139)	(7,132)	(27)	(1,774)	(9,072)
Net book value	**81**	**1,322**	**9**	**162**	**1,574**
Year ended 30 June 2006					
Opening net book value	79	1,323	5	166	1,573
Additions	-	31	-	417	448
Depreciation (note 3)	(4)	(865)	(5)	(91)	(965)
Closing net book value	**75**	**489**	**-**	**492**	**1,056**
At 30 June 2006					
Cost	220	8,036	36	2,333	10,625
Accumulated depreciation	(145)	(7,547)	(36)	(1,841)	(9,569)
Net book value	**75**	**489**	**-**	**492**	**1,056**

9. INTANGIBLE ASSETS

Group	Trademarks P'000
Year ended 30 June 2005	
Opening net book value	400
Amortisation charge	(40)
Closing net book value	**360**
At 30 June 2005	
Cost	600
Accumulated amortisation	(240)
Net book value	**360**
Year ended 30 June 2006	
Opening net book value	360
Amortisation charge	(40)
Closing net book value	**320**
At 30 June 2006	
Cost	600
Accumulated amortisation	(280)
Net book value	**320**

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

10. SUBSIDIARIES

10. SUBSIDIARIES	Shares at cost P'000	Held to maturity Short term loan P'000	Held to maturity Long term loan P'000	Total loan P'000	**Company 2006 Total investment P'000**	Company Re-stated 2005 Total investment P'000	% of shares held	Loan interest rate p.a %
Agriculture								
Farm Development Company (Pty) Ltd	2	-	-	-	**2**	4,800	100	17.5
Talana Farms (Pty) Ltd	3,033	-	-	-	**3,033**	3,033	100	
Malutu Investments (Pty) Ltd	10,000	-	-	-	**10,000**	10,000	70	
L P Amusement (Pty) Ltd	26	-	-	-	**26**		100	
	13,061	-	-	-	**13,061**	17,833		
Industry								
Kwena Concrete Products (Pty) Ltd	3,904	1,150	258	1,408	**5,312**	5,657	50	15.0
Lobatse Clay Works (Pty) Ltd	41,073	-	31,573	31,573	**72,646**	69,045	100	17.5
Lobatse Tile (Pty) Ltd	112,138	6,411	38,186	44,597	**156,735**	131,570	100	17.5
Can Manufacturing (Pty) Ltd	7,981	-	3,710	3,710	**11,691**	-	100	17.5
Golden Fruits (Pty) Ltd	3,093	-	2,074	2,074	**5,167**	-	100	17.5
	168,189	7,561	75,801	83,362	**251,551**	206,272		
Services								
Cresta Marakanelo (Pty) Ltd	11,100	-	-	-	**11,100**	11,100	60	
Export Credit Insurance & Guarantee (Pty) Ltd	10,000	-	-	-	**10,000**	10,000	100	
Gaborone Hotel (Pty) Ltd	-	-	-	-	**-**	-	100	
Tswana Project (Pty) Ltd	-	-	-	-	**-**	1,188	100	
	21,100				**21,100**	22,288		
Property management								
Apollo Holdings (Pty) Ltd	1,444	-	894	894	**2,338**	2,208	76	16.25
Botswana Hotel Development Co. (Pty) Ltd	36,806	200	88,656	88,856	**125,662**	140,984	100	
Coleraine Holdings (Pty) Ltd	1,250	544	3,429	3,973	**5,223**	4,785	65	16.25
Commercial Holdings (Pty) Ltd	29,516	8,970	27,938	36,908	**66,424**	52,648	100	11.0
Fairground Holdings (Pty) Ltd	8,615	-	-	-	**8,615**	8,615	51	
NPC Investments (Pty) Ltd	1,321	-	-	-	**1,321**	1,321	100	
Phakalane Property Developments (Pty) Ltd	510	-	-	-	**510**	510	100	
Residential Holdings (Pty) Ltd	30,234	4,759	24,832	29,591	**59,825**	48,748	100	11.0
Western Industrial Estate (Pty) Ltd	150,357	8,900	27,947	36,847	**187,204**	186,917	100	Various
	260,053	23,373	173,696	197,069	**457,122**	446,736		
Total all sectors	462,403	30,934	249,497	280,431	**742,834**	693,129		
Less: Current portion of loans included in short-term loans and advances (note 19)				(30,734)	**(30,734)**	(22,444)		
				249,697	**712,100**	670,685		
Less:								
Provision for losses (note 13)					**(150,656)**	(109,910)		
Fair value of loan provided at below market rate					**(88,856)**	(89,499)		
					472,588	471,276		

10. SUBSIDIARIES (continued)

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

	Company	
		Re-stated
	2006	2005
	P'000	P'000
Between 1 and 2 years	**30,734**	22,443
Between 2 and 5 years	**70,366**	55,680
Over 5 years	**179,331**	180,285
	280,431	258,408

11. ASSOCIATED COMPANIES/PARTNERSHIPS

Group	Shares / capital accounts cost P'000	Held to maturity Short term loan P'000	Long term loan P'000	Total loan/ debenture P'000	Post acquisition reserves P'000	Group and Company **2006 Total investment P'000**	Re-stated 2005 Total investment P'000	% of shares held	Loan Interest rate p.a. %
Agriculture									
Golddiger Ventures (Pty) ltd	3,835	-	-	-	-	**3,835**	-	33	17.5
	3,835	-	-	-	-	**3,835**	-		
Industry									
Asphalt Botswana (Pty) Ltd	1,092	682	1,218	1,900	5,307	**8,299**	6,922	48	12.0
Flowtite Botswana (Pty) Ltd	21,052	-	26,133	26,133	-	**47,185**	47,184	37.21	Various
H J Heinz (Botswana) (Pty) Ltd	2,101	-	-	-	1,011	**3,112**	3,374	20	
Kwena Rocla (Pty) Ltd	2,695	-	-	-	8,467	**11,162**	9,710	49	
Tannery	12,144	-	-	-	-	**12,144**	-	32	
	39,084	682	27,351	28,033	14,785	**81,902**	67,190		
Services									
Global Resorts (Pty) Ltd	4,819	-	-	-	14,330	**19,149**	14,189	40	
Healthcare Holdings (Pty) Ltd	7,384	1,755	9,171	10,926	623	**18,93**	18,700	29.65	Various
Investec Holdings Botswana Ltd	870	-	-	-	(11,319)	**(10,449)**	39	24.24	
Information Trust Company Botswana (Pty) Ltd	147	-	-	-	757	**904**	232	49	
Mashatu Nature Reserve (Pty) Ltd	9,474	-	-	-	(4,083)	**5,391**	2,425	30	5.0
Metropolitan Life of Botswana Ltd	5,000	-	-	-	18,571	**23,571**	16,889	25	
	27,694	1,755	9,171	10,926	18,879	**57,499**	52,474		
Property management									
DBN Developments Partnership	1,500	-	1,618	1,618	11,157	**14,275**	11,399	33.33	11.0
The Liaison Partnership	1,763	-	-	-	(1,409)	**354**	369	40	
NBC Developments	1,531	1,876	-	1,876	5,826	**9,233**	5,000	33.33	11.5
Riverwalk (Pty) Lt	4,125	1,324	2,307	3,631	5,444	**13,200**	12,768	20	16.0
	8,919	3,200	3,925	7,125	21,018	**37,062**	29,536		
Total all sectors	79,532	5,637	40,447	46,084	54,682	**180,298**	149,200		

11. ASSOCIATED COMPANIES/PARTNERSHIPS (continued)

	Group and Company	
	2006 Total investment P'000	2005 Total investment P'000
Less: Investment in DBN Development treated as a subsidiary	**(14,275)**	-
Less: Current portion of loans included in short-term loans and advances (note 19)	**(5,637)**	(5,083)
	160,386	144,117
Less: Provision for losses (note 13)	**(50,229)**	(69,012)
	110,157	75,105
Company		
Shares/capital accounts at cost		-
- group investment as given above	**79,532**	48,817
- amount invested in DBN Developments by NPC Investments (Pty) Ltd	**-**	(1,500)
	79,532	47,317
Loans	**46,084**	56,017
	125,616	103,334
Less: Current portion of loans included in short-term loans and advances (note 19)	**(5,637)**	(5,083)
	119,979	98,251
Less: Provision for losses (note 13)	**(50,229)**	(69,012)
	69,750	29,239

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

Between 1 and 2 years	**5,637**	5,083
Between 2 and 5 years	**12,696**	13,852
Over 5 years	**27,751**	37,082
	46,084	56,017

Included in post acquisition reserves are the following:

Current year share of associates profits	**44,190**	24,248
Current year share of associates taxation charge (note 6)	**(5,737)**	(3,297)
Net profit after taxation	**38,453**	20,951

	Group 2006 P'000	Group Re-stated 2005 P'000	Company 2006 P'000	Company Re-stated 2005 P'000

12. UNQUOTED INVESTMENTS

	Group 2006 P'000	Group Re-stated 2005 P'000	Company 2006 P'000	Company Re-stated 2005 P'000
Shares at cost	**13,375**	12,275	**13,375**	12,275
Other investments	**103**	103	**-**	-
Held to maturity loans	**44,737**	55,960	**44,737**	55,960
	58,215	68,338	**58,112**	68,235
Provision for losses (note 13)	**(12,578)**	(17,345)	**(12,578)**	(17,345)
	45,637	50,993	**45,534**	50,890
Less: Current portion of loans included in short-term loans and advances (note 19)	**(8,797)**	(18,091)	**(8,797)**	(18,091)
	36,840	32,902	**36,737**	32,799

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 2006 P'000	Group Re-stated 2005 P'000	Company 2006 P'000	Company Re-stated 2005 P'000
Between 1 and 2 years	**8,797**	18,091	**8,797**	18,091
Between 2 and 5 years	**32,933**	27,947	**32,933**	27,947
Over 5 years	**3,007**	9,922	**3,007**	9,922
	44,737	55,960	**44,737**	55,960

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.

13. PROVISIONS FOR LOSSES ON INVESTMENTS

	Group 2006 P'000	Group Re-stated 2005 P'000	Company 2006 P'000	Company Re-stated 2005 P'000
At 1 July	**88,565**	81,543	**196,268**	187,928
Movement during the year (note 3)	**(23,420)**	7,022	**17,195**	8,340
At 30 June	**65,145**	88,565	**213,463**	196,268
Represents provisions against:				
Subsidiaries	**-**	-	**148,318**	107,703
Investment projects in progress (note 16)	**2,338**	2,208	**2,338**	2,208
Total (note 10)	**2,338**	2,208	**150,656**	109,911
Associates (note 11)	**50,229**	69,012	**50,229**	69,012
Unquoted investments (note 12)	**12,578**	17,345	**12,578**	17,345
	65,145	88,565	**213,463**	196,268

14. QUOTED INVESTMENTS

	Group and Company 2006 P'000	Group and Company Re-stated 2005 P'000
Shares at cost	**93,480**	93,480
Net gain transferred to fair value reserve (note 24)	**535,330**	435,852
Shares at market value	**628,810**	529,332
Comprising:		
Sechaba Brewery Holdings Ltd	**541,305**	476,620
PPC South Africa Ltd	**87,505**	52,712
	628,810	529,332

14. QUOTED INVESTMENTS (continued)

The company holds 34,044,315 (2005: 34,044,315) and 287,187 (2005: 287,187) ordinary shares in Sechaba Breweries Holdings Ltd and PPC South Africa Ltd., respectively.

Although the company owns 25% (2005: 25%) of Sechaba Brewery Holdings Ltd issued capital, the equity method of accounting is not followed as the company does not exercise significant influence over Sechaba Brewery Holdings Ltd's financial and operating policies.

15. DUE FROM GROUP COMPANIES

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

	Company	
		Re-stated
	2006	2005
	P'000	P'000
Farm Development Company (Pty) Ltd	(547)	(461)
Talana Farms (Pty) Ltd	(196)	38
Lobatse Clay Works (Pty) Ltd	(8,306)	(4,229)
Lobatse Tile (Pty) Ltd	(6,636)	(8,610)
Export Credit Insurance & Guarantee (Pty) Ltd	35	739
Botswana Hotel Development Co. (Pty) Ltd	10,909	8,960
Commercial Holdings (Pty) Ltd	3,431	4,149
NPC Investments (Pty) Ltd	3,017	3,017
Residential Holdings (Pty) Ltd	7,159	7,573
Western Industrial Estate (Pty) Ltd	22,944	21,853
	31,810	33,029

16. INVESTMENT PROJECTS IN PROGRESS

	Group	
		Re-stated
	2006	2005
	P'000	P'000
Equity		
Golden Fruits (Pty) Ltd	3,093	-
Tswana Projects (Pty) Ltd	-	1,189
Can Manufacuring (Pty) Ltd	7,981	-
L P Amusement (Pty) Ltd	26	-
Apollo (Pty) Ltd	1,444	1,444
Phakalane Property Development (Pty) Ltd	510	510
	13,054	3,143
Loans		
Thabana Investments (Pty) Ltd	894	764
Can Manufturing (Pty) Ltd	3,710	-
Golden Fruits (Pty) Ltd	2,074	-
Less: Provision for losses (note 13)	(2,338)	(2,208)
	17,394	1,699

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

	Group 2006 P'000	Group Re-stated 2005 P'000	Company 2006 P'000	Company Re-stated 2005 P'000
17. INVENTORIES				
Raw materials	**4,366**	5,233	**-**	-
Work in progress	**298**	358	**-**	-
Finished goods	**9,004**	7,356	**-**	-
Livestock	**-**	129	**-**	-
Moulds and patterns	**500**	623	**-**	-
Consumables	**1,284**	1,647	**-**	-
	15,452	15,346	**-**	-

Inventories of subsidiaries amounting to P12.8 million (2005:P12.6 million) have been pledged as security for bank overdrafts (note 33).

18. RECEIVABLES AND PREPAYMENTS

	Group 2006 P'000	Group Re-stated 2005 P'000	Company 2006 P'000	Company Re-stated 2005 P'000
Gross trade receivables	**26,118**	31,717	**-**	-
Less provision for bad and doubtful debts	**(8,291)**	(5,599)	**-**	-
Net trade receivables	**17,827**	26,118	**-**	-
Prepayments	**408**	248	**-**	-
Loans to officers	**18,467**	16,387	**18,467**	16,387
Other	**13,048**	8,648	**3,865**	2,937
	49,750	51,401	**22,332**	19,324

Trade receivables of P4.5 million (2005: P4.8 million) in subsidiaries have been pledged as security for bank overdrafts (note 33).

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

	Group 2006 P'000	Group Re-stated 2005 P'000	Company 2006 P'000	Company Re-stated 2005 P'000
At 1 July	**5,599**	17,849	**-**	-
Net movement during the year	**2,692**	(12,250)	**-**	-
At 30 June	**8,291**	5,599	**-**	-

19. SHORT-TERM LOANS AND ADVANCES

	Group 2006 P'000	Group Re-stated 2005 P'000	Company 2006 P'000	Company Re-stated 2005 P'000
Short-term portion of loans to:				
Subsidiaries (note 10)	**-**	-	**30,734**	22,444
Associated companies (note 11)	**5,637**	5,083	**5,637**	5,083
Unqouted investments (note 12)	**8,797**	18,091	**8,797**	18,091
	14,434	23,174	**45,168**	45,618

20. AVAILABLE FOR SALE INVESTMENTS

	Group 2006 P'000	Group Re-stated 2005 P'000	Company 2006 P'000	Company Re-stated 2005 P'000
Bank of Botswana certificates/Money Market	**300,888**	413,927	**234,486**	346,714
Land for resale	**1,739**	1,739	**-**	-
	302,627	415,666	**234,486**	346,714

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

Land for resale
A subsidiary company of the group has approximately 19.9 hectares of land within the the Gaborone Showgrounds acquired from the Government of Botswana for development and resale.

21. CASH AND CASH EQUIVALENTS

	Group		Company	
		Re-stated		**Re-stated**
	2006	2005	**2006**	2005
	P'000	P'000	**P'000**	P'000
Cash and bank deposits	193,120	78,822	156,760	39,085

22. SHARE CAPITAL AND SHARE PREMIUM

	Group and Company	
		Re-stated
	2006	2005
	P'000	P'000
Authorised		
Ordinary shares of P1 each	**246,000**	246,000
Cumulative redeemable non-voting preference shares of P1 each		
Class A	**1,200**	1,200
Class B	**1,000**	1,000
Class C	**500**	500
Class D	**800**	800
Class E	**500**	500
	250,000	250,000
Issued and fully paid		
Ordinary shares of P1 each	**238,199**	238,199
Share premium	**297,000**	297,000

23. CONTRIBUTION TO FACTORY PREMISES

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

24. FAIR VALUE RESERVE

	Group		Company	
		Re-stated		**Re-stated**
	2006	2005	**2006**	2005
	P'000	P'000	**P'000**	P'000
At 1 July	**452,790**	364,578	**435,852**	347,640
Movement during the year	**82,540**	88,212	**99,478**	88,212
At 30 June	**535,330**	452,790	**535,330**	435,852
Comprising:				
Quoted investments (note 14)	**535,330**	435,852	**535,330**	435,852
Investment properties of associated companies	**-**	16,938	**-**	-
	535,330	452,790	**535,330**	435,852

25. OTHER RESERVES

	Group 2006	Group 2005	Company 2006	Company 2005
Capital redemption reserve	**7,060**	7,060	**4,000**	4,000
Capitalisation of bonus shares	**1,504**	1,504	**1,504**	1,504
Statutory capital, solvency and other reserves	**30,118**	1,264	**-**	-
	38,682	9,828	**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.

26. DIVIDEND RESERVE

	Group and Company 2006 P'000	Re-stated 2005 P'000
At 1 July	**17,126**	-
Dividends proposed	**18,050**	17,126
Dividends paid	**(17,126)**	-
At 30 June	**18,050**	17,126

27. CLAIMS EQUALISATION RESERVE

	Group 2006 P'000	Re-stated 2005 P'000
At 1 July	**846**	1,068
Transfers from/(to) other reserves	**29**	(222)
At 30 June	**875**	846

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

28. MINORITY INTEREST

	2006 P'000	2005 P'000
At 1 July	**38,848**	38,641
Share of net profit of subsidiaries	**127**	207
Share of non-distributable reserves	**9,650**	-
At 30 June	**48,625**	38,848

29. BORROWINGS

Debt Participation Capital Funding

	Group 2006 P'000	Group Re-stated 2005 P'000	Company 2006 P'000	Company Re-stated 2005 P'000
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P183,000 each over the period to 2008	**651**	931	**651**	931
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P137,000 each over the period to 2008	**486**	696	**486**	696
Unsecured loan bearing interest at 2% per annum repayable in half-yearly instalments of P253,000 each over a period of 17 years	**4,166**	5,179	**4,166**	5,179
Unsecured loan bearing interest at 12.1% per annum repayable in half-yearly instalments of P564,000 each over the period to 2021	**7,728**	7,905	**7,728**	7,905
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P165,000 each over the period to 2011	**1,386**	1,386	**1,145**	1,386
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P145,000 each over the period to 2011	**1,204**	1,363	**1,204**	1,363
Unsecured loan bearing interest at 8.5% per annum repayable in half-yearly instalments of P231,000 each over the period to 2011	**1,999**	2,274	**1,999**	2,274
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P261,000 each over the period to 2012	**2,566**	2,852	**2,566**	2,852
Unsecured loan bearing interest at 7.5% per annum repayable in half-yearly instalments of P316,000 each over the period to 2014	**3,743**	4,075	**3,743**	4,075
Unsecured loan bearing interest at 7.5% per annum repayable in half-yearly instalments of P750,000 each over the period to 2014	**9,306**	10,065	**9,306**	10,065
Unsecured loan bearing interest at 8% per annum repayable in half-yearly instalments of P1,100,000 each over the period to 2015	**13,923**	14,946	**13,923**	14,946
Unsecured loan bearing interest at 8% per annum repayable in half-yearly instalments of P1,580,000 each over the period to 2016	**22,163**	23,470	**22,163**	23,470
Unsecured loan bearing interest at 9.5% per annum repayable in half-yearly instalments of P221,000 each over the period to 2006	**3,127**	3,263	**3,127**	3,263
Unsecured loan bearing interest at 9.5% per annum repayable in half-yearly instalments of P2,515,000 each over the period to 2017	**35,568**	37,109	**35,568**	37,109
Unsecured loan bearing interest at 12.1% per annum repayable in half-yearly instalments of P300,000 each over the period to 2017	**3,939**	3,939	**3,939**	3,939
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	**88,856**	89,500	**88,856**	89,500
Unsecured loan bearing interest at 12.1% per annum repayable in half-yearly instalments of P834,000 each over the period to 2020	**11,119**	11,440	**11,119**	11,440
	211,930	220,393	**211,689**	220,393

29. BORROWINGS (continued)

	Group 2006 P'000	Group Re-stated 2005 P'000	Company 2006 P'000	Company Re-stated 2005 P'000
European Investment Bank				
Loan bearing interest at 3% per annum, guaranteed by the Government of Botswana, repayable by 2006 (loan number 17210)	**-**	2,336	**-**	2,336
Unsecured loan bearing interest at 1% per annum repayable in 10 annual payments from 2000 (loan number 70948)	**1,367**	1,181	**1,367**	1,181
Loan bearing interest at 2% per annum, guaranteed by the Government of Botswana, repayable by 2017 (loan number 70893)	**11,811**	10,204	**11,811**	10,204
Loan bearing interest at 3% per annum, guaranteed by the Government of Botswana, repayable by 2005 (loan number 1630)	**-**	52	**-**	52
Loan bearing interest at 5% per annum, guaranteed by the Government of Botswana, repayable by 2008 (loan number 70699)	**7,330**	6,333	**7,330**	6,333
	20,508	20,106	**20,508**	20,106
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	**24,549**	24,549	**-**	-
Mortgage loan and finance leases Liabilities under mortgage loans and finance leases held over three, four and five years at varying interest rates	**837**	1,030	**-**	-
Gross borrowings	**457,824**	466,078	**432,197**	440,499
Less:				
Portion of exchange loss borne by the Government of Botswana	**(6,060)**	(4,243)	**(5,182)**	(4,243)
Fair value adjustment arising from valuation of loans at below market interest rates	**(23,960)**	(23,960)	**(110,072)**	(113,460)
	427,804	437,875	**316,943**	322,796
Less: Current portion included under current liabilities	**(9,140)**	(26,606)	**(8,416)**	(9,947)
	418,664	411,269	**308,527**	312,849

29. BORROWINGS (continued)

	Group 2006 P'000	Group Re-stated 2005 P'000	Company 2006 P'000	Company Re-stated 2005 P'000
Analysis of gross borrowings				
Not later than 1 year	**9,140**	26,606	**8,416**	9,947
Later than 1 year, but not later than 5 years	**253,493**	30,262	**253,070**	29,839
Later than 5 years	**195,191**	409,210	**170,711**	400,713
Gross borrowings	**457,824**	466,078	**432,197**	440,499

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 P10,140 (2005: 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 2006 P'000	Group Re-stated 2005 P'000	Company 2006 P'000	Company Re-stated 2005 P'000
Cost	**413**	413	**-**	-
Accumulated depreciation	**(151)**	(51)	**-**	-
Net book value	**262**	362	**-**	-

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(2005: P764,000)

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

The composition of foreign currencies of the balances at 30 June 2006 and each instalment are as follows:

Loan number	Currency	Foreign amount at 30 June 2006 Euro'000	Pula equivalent at 30 June 2006 P'000 Re-stated
70699	Euro	**931**	7,330
70893	Euro	**1,500**	11,811
70948	Euro	**174**	1,367
		2,605	20,508

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

30. GOVERNMENT GRANTS

	Group 2006 P'000	Group Re-stated 2005 P'000
At 1 July	**34,548**	35,325
Amortisation during the year (note 3)	**(777)**	(777)
At 30 June	**33,771**	34,548
Gross Government grants	**49,960**	49,960
Amortisation	**(5,089)**	(4,312)
Utilised as provision for impairment loss	**(10,000)**	(10,000)
Realised	**(1,100)**	(1,100)
	33,771	34,548

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. DEFERRED TAXATION

	Group 2006 P'000	Group Re-stated 2005 P'000
At 1 July	**13,891**	13,928
Charge to the income statement (note 6)	**2,119**	758
Prior year under/(over) provision	**2,226**	(795)
At 30 June	**18,236**	13,891

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

32. TRADE AND OTHER PAYABLES

	Group 2006 P'000	Group Re-stated 2005 P'000	Company 2006 P'000	Company Re-stated 2005 P'000
Trade payables	**16,767**	32,760	**64**	48
Accruals	**3,724**	6,583	**1,330**	1,801
Other payables	**31,036**	2,131	**11,027**	9,178
	51,527	41,474	**12,421**	11,027

33. BANK OVERDRAFTS

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

34. COMMITMENTS

	Group 2006 P'000	Group Re-stated 2005 P'000	Company 2006 P'000	Company Re-stated 2005 P'000
Approved capital expenditure	**5,435**	-	**-**	-
Approved equity and loan investments undisbursed	**181,907**	113,000	**181,907**	113,000
	187,342	113,000	**181,907**	113,000

35. CONTINGENT LIABILITIES

	Group 2006 P'000	Group Re-stated 2005 P'000	Company 2006 P'000	Company Re-stated 2005 P'000
Guarantees in respect of facilities granted to certain subsidiaries and third parties	**17,500**	9,000	**16,000**	9,000
Withholding tax payable on management fees and interest thereon	**4,939**	4,939	**-**	-
Other	**-**	5,866	**-**	-
	22,439	19,805	**16,000**	9,000

36. 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.

37. CHANGES IN ACCOUNTING POLICY, ERRORS AND DISCLOSURES

The Group adopted the improved or new standards below in the current year. The financial statements have been prepared and presented as if they had always been prepared in accordance with the standards effective period of first time application.

IAS 16 - Property, Plant and Equipment
IAS 36 - Impairment of Assets
IAS 38 - Intangible Assets
IFRS 3 - Business Combinations
IFRS 4 - Insurance Contracts

Other than improved disclosure, the adoption of the above standards has no impact on the annual financial statements for the current year and prior years.

Rentals receivable under operating leases were incorrectly calculated by not taking fixed escalations when accounting for operating leases on the straight-line basis over the term of the relevant lease.

In the prior year, a disinvestment of equity in an associated company was incorrectly recorded as dividends received and also that dividends declared by the company subsequent to the year end in the prior year was not disclosed as a dividend reserve.

The financial statements to 30 June 2005 have been re-stated to correct these errors. The effect of these adjustments on investments in associate companies, dividend reserve, trade and other payables and retained earnings, are as follows:

	Group 2005 P'000	**Company** 2005 P'000
Investments in associate companies		
As previously stated	-	41,869
Disinvestment of share in Investec Holdings (Botswana) Ltd	-	(12,630)
As re-stated	-	29,239
Dividend reserve		
As previously stated	-	-
Dividends declared subsequent to the year end	17,126	17,126
As re-stated	17,126	17,126
Trade and other payables		
As previously stated	40,963	-
Adjustment in respect of restatement of operating leases	510	-
As re-stated	41,473	-
Retained earnings		
As previously stated	294,650	214,048
Disinvestment of share in Investec Holdings Botswana Ltd	-	(12,630)
Dividends declared subsequent to the year end	(17,126)	(17,126)
Adjustment in respect of restatement of operating leases	(510)	-
As re-stated	277,014	184,292

38. FINANCIAL INSTRUMENTS

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

(I) Credit risk

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

(ii) Foreign currency risk

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

(iii) Interest rate risk

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

(iv) Fair value

At 30 June 2006 and 2005, 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.

39. RELATED PARTY TRANSACTIONS

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

Transactions during the year

	Group	
		Re-stated
	2006	2005
Subsidiaries	**P'000**	P'000
Cresta Marakanelo (Pty) Ltd		
Directors fee	**-**	165
Management fees paid Trans Industries (Pty) Ltd, minority shareholder	**2,536**	2,606
Profit bonus paid to Trans Industries (Pty) Ltd, minority shareholder	**1,163**	1,902
Rent paid to Botswana Hotel Development Company	**8,530**	8,455

	Group 2006 P'000	Re-stated 2005 P'000
Associated companies		
HealthCare Holdings (Pty) Ltd		
Finance costs on borrowings from Bifm Limited and Debswana Pension Fund	**1,541**	3,123
Metropolitan Life of Botswana Ltd		
Directors fees	**47**	39
Directors remuneration for executive services	**602**	1,027
Global Resorts (Pty) Ltd		
Development fees paid to Global SA (Pty) Limited, the holding company	**198**	1,289
Management fees paid to Global SA (Pty) Limited, the holding company	**10,248**	6,956
ITC Botswana (Pty) Ltd		
Management fees paid to ITC SA (Pty) Ltd, the holding company	**263**	175
HJ Heinz Botswana (Pty) Ltd		
Directors fees	**20**	24
Directors remuneration for executive services	**1,087**	1,124
Royalties paid to Olivine Industries (Pvt) Zimbabwe	**35**	49
Kwena Rocla (Pty) Ltd		
Management fees paid to D and H Industrial Holdings (Pty) Ltd, immediate holding company	**333**	353
Purchases from D and H Industrial Holdings (Pty) Ltd, immediate holding company	**900**	740
Investec Holdings (Botswana) Ltd		
Directors fees for executive services	**1,746**	1,144
Finance income from fellow subsidiaries	**2,372**	1,626
Finance costs paid to fellow subsidiaries	**-**	(54)
Asset management income/(expenses) from fellow subsidiaries	**(3,498)**	(2,437)
Year end balances		
Subsidiaries		
Cresta Marakanelo (Pty) Ltd		
Due (from)/to Cresta Hospitality (Pvt) Zimbabwe-fellow subsidiary	**(1)**	6
Due from Trans Industries (Pty) Ltd-minority shareholder	**(218)**	(150)
Due to Trans Industries (Pty) Ltd-minority shareholder	**1,064**	2,001
Associated companies		
Global Resorts (Pty) Ltd		
Current account balance due to Global Resorts SA (Pty) Ltd, immediate holding company	**930**	660
ITC Botswana (Pty) Ltd		
Current account balance due to ITC SA (Pty) Limited, immediate holding company	**156**	36
HJ Heinz Botswana (Pty) Ltd		
Current account balance due from Olivine Industries (Pvt) Zimbabwe, fellow subsidiary	**444**	647
Kwena Rocla (Pty) Ltd		
Current account balance due to Rocla SA (Pty) Limited, fellow subsidiary	**147**	397
Mashatu Nature Reserves (Pty) Ltd		
Current account balance due to MalaMala Ranch (Pty) Ltd	**5,800**	4,662
Loan balance due to Mashatu Investments (Pty) Ltd	**7,355**	5,516
Investec Holdings (Botswana) Ltd		
Amounts held on behalf of related parties	**-**	29,533
Healthcare Holdings (Pty) Ltd		
Debentures-Debswana Pension Fund	**8,961**	8,961
Debentures-Botswana Insurance Fund Management Ltd	**8,760**	8,760

40. CASH GENERATED FROM OPERATIONS

	Notes	Group 2006 P'000	Group Re-stated 2005 P'000	Company 2006 P'000	Company Re-stated 2005 P'000
Porfit before taxation		**80,165**	59,958	**88,064**	80,765
Adjustments for:					
Amortisation of Govt grants	30	**(777)**	(777)	**-**	-
Amortisation of intangible asset	1	**40**	40	**-**	-
Depreciation					
- Investment properties	3	**6,235**	5,892		
- Property, plant and equipment	3	**21,505**	22,503	**965**	1,376
- Impairment of property, plant and equipment	3	**12,862**	8,630	**-**	-
Dividend received from associates		**18,597**	28,995	**-**	-
(Profit) loss on disposal of investment properties	3	**(2,639)**	-	**-**	-
(Profit) loss on disposal of property, plant and equipment	3	**(337)**	6,201	**-**	-
Loan investment written off		**15,747**	17,654	**-**	17,654
Share of result before taxation of associates		**(44,190)**	(24,248)	**-**	-
Transfer from (to) claims equalisation	3	**29**	(222)	**-**	-
Provision for losses on investments	3	**(23,550)**	7,022	**17,195**	9,241
Finance (income)/costs	13	**(11,183)**	(13,843)	**(9,653)**	(7,607)
Changes in working capital					
- Due from group companies		**-**	-	**1,219**	-
- Accounts receivable		**1,651**	(8,348)	**(3,008)**	(2,428)
- Inventories		**(106)**	7,586	**-**	-
- Short-term borrowings		**(17,466)**	(32,735)	**(1,531)**	(49,194)
- Accounts payable		**10,053**	1,769	**1,394**	1,543
		66,636	86,077	**94,645**	51,350

Comparative Group Results

	1997	1998	1999	2000	2001	2002	2003	Re-stated 2004	Re-stated 2005	Re-stated 2006
Revenue (million Pula)	182.8	237.3	254.6	238.8	213.8	211.4	279.4	244.1	237.1	247.6
Profit before taxation (million Pula)	33.2	(18.8)	(97.7)	32.5	34.6	70.7	59.0	74.0	60.0	80.2
Interest paid (million Pula)	27.1	33.8	31.4	34.8	22.3	22.0	21.0	25.0	44.0	47.2
Equity (million Pula)	470.5	511.5	408.6	435.1	485.1	559.2	559.2	559.2	559.2	559.2
Capital employed (million Pula)	794.4	889.6	786.7	900.4	1,099.1	1,219.3	1,335.6	1,204.0	1,355.7	1,508.6
Average number of employees	13,389	13,648	11,791	7,165	5,520	5,830	5,060	4,879	1,271	1,182
Return on capital employed	4.1%	(2.1%)	(12.4%)	3.6%	3.1%	5.8%	4.4%	6.1%	4.4%	5.3%
Net profit to revenue	18.2%	(7.9%)	(38.4%)	13.6%	16.2%	33.4%	21.1%	30.3%	25.3%	32.4%
Interest paid to revenue	14.8%	14.2%	12.3%	14.6%	10.4%	10.4%	7.5%	10.2%	18.6%	19.1%
Long term debt to revenue ratio	0.7	0.7	0.8	0.4	1.1	0.9	0.9	1.8	1.9	1.9
Assets to liabilities ratio	2.2	2.2	1.9	2.7	3.6	3.3	3.3	3.0	3.5	3.7
BDC investment ratio	0.8	0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.7	0.9