



BDC Annual Report 2007

Delivering Flexible Financial Solutions



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Botswana Development Corporation Limited
"Your Investment Partner"
www.bdc.bw

“Management and the entire staff have performed well in the year under review and results have been very pleasing. On behalf of the Board, I wish to congratulate them all for the good work and thank all Stakeholders for the support the Corporation has received from them during the year.”

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 industrial development”.

STRUCTURE

The control of the Corporation is vested in the Board of Directors. All the Directors are appointed (and removed) by the Minister of Finance and Development Planning. The Corporation is managed by the Managing Director, who is assisted by two General Managers. Subsidiary Companies are independent and BDC’s influence is exercised through the Directors it nominates to subsidiary boards (appointees do not have to be BDC employees).

Directors are also nominated to the boards of associate and affiliate companies. Such appointees largely act in an advisory and monitoring capacity.

Objective:

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

Mission:

The Premier Innovative Investment Partner delivering flexible financial solutions.

Vision:

“To be the Leading Development and Investment Financier.”

BDC’s role is to:

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

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

- Use locally available resources.
- Produce products for export or to substitute imports.
- Foster linkages with the local industry.
- Contribute to the development of Botswana’s 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 a matter of national interest.

BDC’s Product/Services

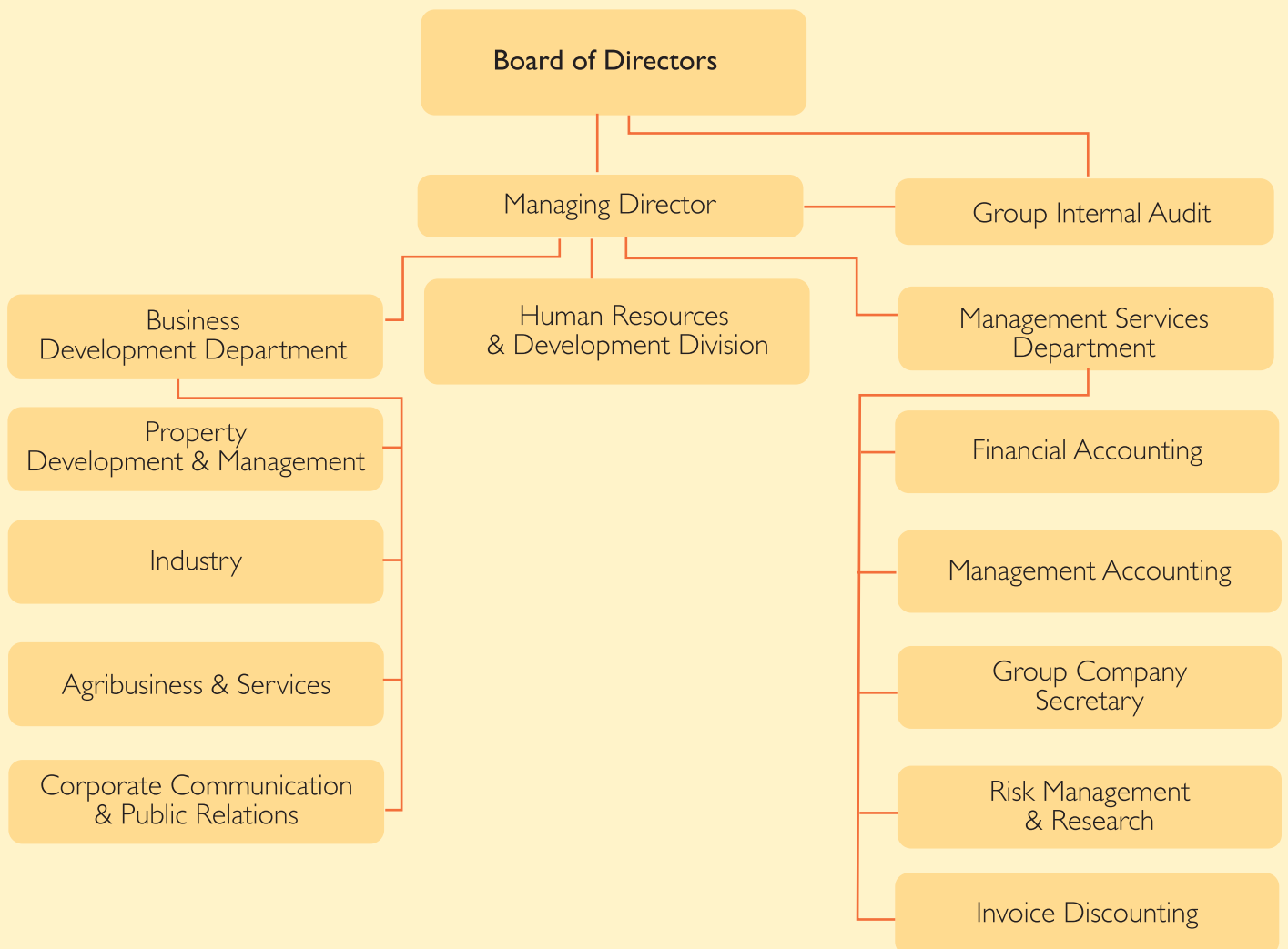
BDC provides the following services:

- Equity participation
- Loan financing
- Provision of commercial, industrial and residential premise.
- Invoice discounting

For further information, contact:

The Manager
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Organisational Structure



Board of Directors



Mr. S. S. G. Tumelo (*Chairman*)



Mr. O. K. Matambo (*Managing*)



Mr. D. Inger



Mrs. I. K. Kandjii



Mr. N. K. Kwele



Mr. O. Merafhe



Mrs. B. K. Molosiwa



Dr. S. E. Ndzinge



Mr. A. 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 & Development



Ms. R. D. Mogorosi
Chief Financial
Accountant



Mr. J. P. Sono
Manager;
Agribusiness & Services



Mr. B. G. Mmualefe
Manager;
Risk Management & Research



Mrs. V. G. Garekwe
Group
Company Secretary



Mrs. W. Baipidi-Maje
Manager; Industry



Mr. R. M. Phole
Group Internal Auditor



Mr. M. M. Tau
Management Accountant



Mr. M. M. Sikalesele
Chief Information
Officer



Mr. L. M. Ramokate
Manager;
Property Development
& Management



Mr. R. Boyd
Manager Invoice Discounting

Value Created 1997 - 2007



	1998	1999	2000	2001	2002	2003	Re-stated 2004	Re-stated 2005	2006	2007
	P 000	P 000	P 000	P 000	P 000	P 000	P 000	P 000	P 000	P 000
Income from trade:										
Interest received	67,034	69,967	57,273	43,206	45,042	49,105	50,205	73,991	84,628	62,506
Dividend received	22,477	26,908	35,461	32,834	43,029	98,281	68,506	95,363	92,593	117,865
Sundry income	5,770	2,247	7,536	5,986	4,703	7,026	14,966	2,474	5,282	16,344
Profit on sale of investments	11,009	(15,229)	-	1,958	-	-	-	27	-	8,065
	<u>106,290</u>	<u>83,893</u>	<u>100,270</u>	<u>83,984</u>	<u>92,774</u>	<u>154,412</u>	<u>133,677</u>	<u>171,855</u>	<u>182,503</u>	<u>204,780</u>
Less: Cost of supplies and services	(21,221)	(12,106)	(11,577)	(17,892)	(17,985)	(19,979)	(15,187)	(16,613)	(19,905)	(17,440)
Total Value Added	<u>85,069</u>	<u>71,787</u>	<u>88,693</u>	<u>66,092</u>	<u>74,789</u>	<u>134,433</u>	<u>118,490</u>	<u>155,242</u>	<u>162,598</u>	<u>187,340</u>
Distributed as follows:										
To employees payroll cost	9,066	10,127	9,283	10,286	11,171	10,949	12,282	16,058	18,387	22,512
To providers of finance interest paid	31,505	31,252	34,440	22,033	21,578	20,917	20,324	39,616	37,987	38,911
To Government										
Company taxation on profits	-	-	-	(4,183)	(7,725)	-	9,459	12,151	15,866	23,772
To providers of permanent capital										
Dividends to shareholder	5	-	-	-	11,273	-	15,000	20,000	17,126	18,050
To maintain and expand the corporation										
Depreciation and provisions against investments	108,230	175,504	25,379	10,862	12,400	42,230	10,893	10,617	18,160	31,830
To retained earnings	(63,737)	(145,096)	19,591	27,094	26,092	60,337	50,532	56,800	55,072	52,265
Totals	<u>85,069</u>	<u>71,787</u>	<u>88,693</u>	<u>66,092</u>	<u>74,789</u>	<u>134,433</u>	<u>118,490</u>	<u>155,242</u>	<u>162,598</u>	<u>187,340</u>

Chairman's Statement



Mr. S. S. G. Tumelo
Chairman



“An important area of interest which the Corporation will investigate is feasible opportunities from mining and other beneficiation.”

The Corporation and its Group Companies have come through the year with commendable results. The Corporation continues to contribute in a significant way to the diversification of the economy, promoting citizen participation in business ventures, thereby furthering the Vision 2016 pillar of creating a *prosperous, productive and innovative nation*.

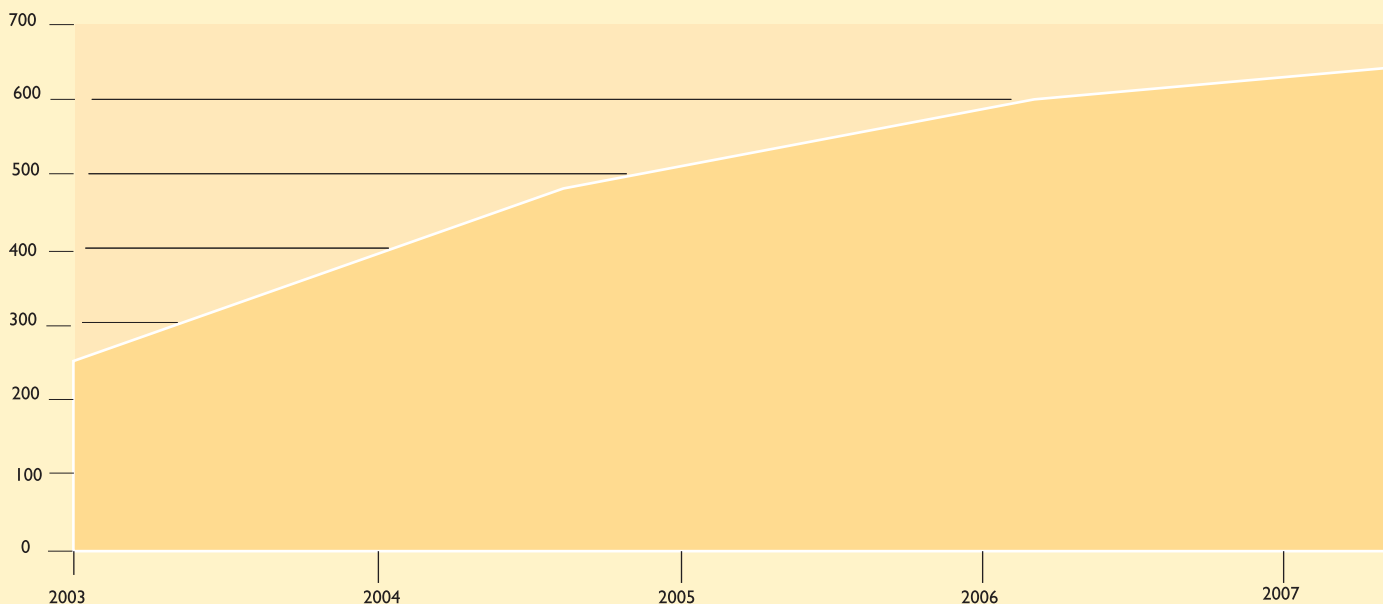
Financial Performance

During the year, the Group revenues grew by 12.3%, from P247.6 million in 2006 to P278.1 million in 2007. This growth has been accompanied by an unprecedented achievement in Group Net Profits after Tax of

P211.9 million, compared to P57.6 million of the previous year, and translating to a massive 267% movement.

Total project disbursement by the Corporation amounted to P125 million spread over Agribusiness and Services, Property Development and Industry/Manufacturing projects. The Corporation now boasts an asset base of P1.79 billion of which P1.35 billion is investments. On the other hand, the Group asset base has now reached P2.35 billion, an increase of 13% over the previous year.

Listed Investments in million Pula





“The Corporation will identify and participate in Infrastructure Development and Public Private Partnership business opportunities.”

Amongst the entities that were set up or benefited from the Corporation's investment activities in the year under review are:

- Can Manufacturers (Pty) Ltd., a company that produces food cans, received P43 million comprising P20.6 million equity and P22.4 million loan.
- Golden Fruit (Pty) Ltd., a fruit juice bottling and pet bottle blowing company, received P8.4 million for automation comprising P5.4 million equity and P3.0 million loan.
- Two hotels, one in Serowe and the other in Ghanzi District, to receive amounts totaling P15.2 million comprising equity of P9,2 million and loan of P6 million.
- Botswana Export Credit Insurance, received an additional equity injection of P4 million to strengthen its operational capacity in view of its catalytic role in the industrial development of the nation.
- L P Amusement Centre, a company set up to provide recreational facilities at lion park received close to P18 million comprising equity of P14 million and loan of P4 million respectively.
- Tannery Industries Botswana (Pty) Ltd, a company that is to process leather from wet blue stage to finished leather; also received P12.1 million as equity.
- The refurbishment of the Cresta Marakanelo hotels is ongoing and is expected to be completed in December 2008 at a total cost of P65 million.

Group companies continue to perform impressively. In terms of profitability, good performing subsidiaries included Commercial Holdings at P17.3 million profit, Malutu Investments at P14.6 million, Cresta Marakanelo at P7.1 million, Fairground Holdings at P18.5 million, Global Resorts at P30.6 million and Asphalt at P5.4 million. The P211.9 million group profit includes a P137.1 million resulting from the fair valuation of investment properties.

Two of our Group companies continue to receive close monitoring. The Board of Directors of the Corporation and the Shareholder are very aware of the performance of these entities and have given their unwavering commitment to seeing these entities turn around to profitability. I wish to dwell a bit more on these companies.

Lobatse Tile (Pty) Ltd. (LTL)

The investment in Lobatse Tile stands at P192 million. The Corporation has set aside provisions amounting to P108.8 million. The Net Asset Value of Lobatse Tile Ltd. is P53.7 million. With this taken into account, the Corporation has covered its exposure to the extent of 81% of its investment. The Corporation is confident that this provision is adequate based amongst others on the following:

- The company is a going concern and its audited financial statements for the year end June 2007 confirm this.
- Revenue increased by 49% over the previous year. Revenues have been projected to reach P15.54 million and P98.28 million in the years to end June 2008 and June 2009 respectively. The projected revenue for the year to June 2008 is subdued due to the fact that the plant is to close down for a period of approximately 3 months while a second production line is being installed. The revenue for the year to June 2009 takes into account additional production made possible by the newly installed second line.
- As the company moves towards better performance, the Corporation has noted the significant change in the bottom line. LTL made a loss of P42.63 million in 2005/6 which has now been reduced to P25.14 million for 2006/7. This trend is expected to continue and the estimated results for 2008 are a loss of P18 million, while the projected results for 2009 show a positive bottom line of P4 million.

Chairman's Statement (Continued)



- No revaluation of the assets of the Company has taken place so far. We are of the view that when such revaluation takes place, as is required by IAS 16, the Net Asset Value of the company will improve significantly and will further reduce the Corporation's exposure. We expect the revaluation to take place in the next 6 months.
- In March 2007, the Corporation approved an additional P108.63 million investment in LTL. The amount is to be used to acquire a second production line. This acquisition will do away with the production bottle neck faced by the Company in that it can then produce more than one type of tile and reduce down time which occurs every time a different type of tile has to be produced. The factory will also be able to produce volumes at above break even point.
- New senior management with specific experience in the tile manufacturing industry has been put in place. This should benefit the Company in many ways including ensuring efficient utilization of resources and the quality of the products produced.

Lobatse Clay Works (Pty) Ltd. (LCW)

The Corporation has to date P97 million invested in LCW. The performance of the Company over the past three years has not been as the Corporation would have wanted. An amount of P32.9 million has been set aside to date by the Corporation by way of provisions. With the Net Asset Value at P42.1 million the Corporation's exposure is covered up to 77% of its investment in LCW. The Corporation is confident that this is adequate provisioning based amongst others, on the following:

- LCW is a going concern as is evidenced by its audited financial statements for the year ended June 2007.
- Although revenue has remained more or less the same between 2005/6 and 2006/7, the cost of sales has gone down. In this respect the Corporation notes that an amount of P6 million was included

in this year's cost of sales though it was actually attributable to 2005/6. Had this not been the case, the loss for 2006/7 would have been in the region of P4 million compared to the previous years loss of P30.5 million. The recorded loss of P10.4 million is a 65% improvement over the previous years' loss of P30.5 million.

- Revenue is projected to increase to P58.6 million in 2007/8. This will be an increase of 182%. We have confidence in these projections given the fact that actual revenue for the past three months to September 2007 is P10.3 million. Projections for 2008/9 are for a turnover of P73.3 million.
- The Company's assets are reflected in the books at historic cost less depreciation. Work is underway to ensure that compliance with IAS 16 is achieved within the financial year. Should the assets be revalued, we expect the valuation to be much higher than what is reflected presently, and hence we should see an even bigger Net Asset Value and less amount of exposure for the Corporation. The valuation is expected to be carried out in the next 6 months.
- In September 2006, a financial restructuring of the company was made, resulting in the conversion of the existing loan of P31.5 million into Preference Non Redeemable and Non Cumulative Shares and a further P26 million in Preference Non Cumulative Redeemable Shares was issued. The restructuring has afforded the Company the much needed cash flow relief which would have otherwise been necessary had the loans not been converted to equity. The additional capital injection also went into refurbishments and upgrading of various aspects of the factory. The results of the Company are very promising.
- Further, senior management with industry specific experience has been recruited. This should ensure that the processes run efficiently and returns are maximised.

Chairman's Statement (Continued)



Operating Environment

One of the main challenges still facing the Corporation is to find bankable projects to finance. When a project has been identified and implemented, it is usually difficult to locate suitable technical partners or financial partners where syndicated financing is the most viable option. Notwithstanding, the Corporation has developed a four year Strategic Plan that covers the period 2007 to 2011 and the establishment of a higher profile marketing function, by way of a new division, has been identified as one of the Key Success Factors. An important area of interest which the new division will investigate is the feasible opportunities from mining and other beneficiation. Furthermore, the new strategy the Corporation will identify and participate in Infrastructure Development and Public Private Partnership business opportunities as well as assist Government in identifying large scale developmental projects where additional Government funding may be required.

Corporate Social Responsibility

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

The Corporation has developed a new Corporate Social Responsibility program that graduates from the traditional Corporate Social philanthropy to a planned and collective multi-stakeholder action that aims at promoting responsible economic growth and development, enhancing national competitiveness, promoting environmental issues, and assisting in the advancement of the community.

Governance Principles

The Corporation was established as a Public Limited Company. Its objectives and mandate, the power of its Board of Directors as well as the relationship with its Shareholders are set out in its Memorandum and Articles of Association. As a Company, the Corporation is subject to the provisions of the Companies Act.

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

Conclusion

I wish to thank my colleagues on the Board for their support in steering the Corporation in the right direction over the past 12 months. Management and the entire staff have performed well in the year under review and the results have been very pleasing. On behalf of the Board I wish to congratulate them all for the good work and to thank all Stakeholders for the support the Corporation has received from them in the year.

Corporate Governance Statement



“The Board continuously assesses the Corporation’s activities and processes to ensure that there is transparency, accountability, responsibility, fairness and discipline.”

Botswana Development Corporation Limited is proud to have year taken time annually to reflect on the Corporation’s Corporate Governance framework both in terms of its performance against the main pillars of Corporate Governance and in terms of Stakeholder Engagement. The Corporation continues to comply with market requirements especially in terms of disclosure obligations be it statutory or requirements that BDC as a committed corporate citizen entity owes to its Stakeholders. Once again, the Board is proud to publish its Corporate Governance Statement to demonstrate the Corporation’s governance initiatives, challenges and opportunities that the Board, Management and the Auditors of the Corporation discharged or experienced as part of the overall Corporate Governance framework of the Corporation.

About Botswana Development Corporation

Botswana Development Corporation Limited (BDC) is a development finance institution established as a public limited company in accordance with the Memorandum and Articles of Association of 1970 which was subsequently amended to keep pace with regulatory and business requirements. The objectives and mandate of the Corporation, powers of the Board as well as the relationship between BDC and its shareholder are set out in the Memorandum and Articles of Association. As a Company, BDC is also subject to the provisions of the Companies Act.

Statement of Compliance

BDC subscribes to the principles of Corporate Governance as set out in internationally recognized codes of best practice including the Organisation for Economic Co-operation Development (OECD) principles and the King II Report on Corporate Governance. The Corporation periodically reviews its systems and procedures in an endeavor to adhere to best business practices.

The Board continuously assesses the Corporation’s activities and processes to ensure that there is transparency, accountability, responsibility, fairness, discipline and that the Board and the individual Directors constantly maintain a high degree of independence in considering alternative business decisions about the Corporation’s activities and transactions.

The Board periodically reviews the effectiveness of the Corporation’s and Group’s systems of internal control in place, including financial, operational, compliance and risk management is designed to safeguard shareholders’ investments and the Corporation’s tangible and intangible assets, including its reputation and brand offering.

Policies, procedures and internal control systems are constantly reviewed to ensure the proper maintenance of accounting records and the reliability of the financial information used for publication as well as to ensure compliance with disclosure obligations.

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

Governance structures within BDC

Board of Directors

The appointment of the BDC Board of Directors is done by the Shareholder with the Board operating within a unitary structure that provides for interaction among all Board members in the decision-making process on strategy; planning; performance; allocation of resources; business ethics and communication with stakeholders. There were no changes in the Board composition during the year.

Corporate Governance Statement (Continued)



Board's Charter, Role, Terms of Reference and Attendance

The Board has adopted a Board Charter which clearly sets out and confirms its responsibilities as well as those of the Board Committees. Furthermore, the Board has put in place a Delegation of Authority Policy that redefines levels of materiality and has reserved specific powers to itself while having delegated other matters to management as follows:

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

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

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

Corporate Social Responsibility

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

The Corporation has developed a new Corporate Social Responsibility (CSR) program that graduates from the traditional corporate social philanthropy to a planned CSR that aims at promoting responsible economic growth and development to enhance national competitiveness.

BDC revised Corporate Social Responsibility has evolved into three main components, which are donations, sponsorships and Corporate Social Investment.

- Donations programme is more reactive and short term, where the Corporation responds to requests for funding or donations most of which are once off.

- Sponsorships programme is also more on short term and driven primarily at improving Corporate brand image.
- Corporate Social Investment programme is more pro-active and long term where the Corporation pro-actively identifies one or two community initiatives/projects within its current geographic area of operations. The committee will identify and work with charitable organisations through skills transfer, mentorship, voluntary work and financial assistance.

In light of the abovementioned programmes, the Corporation supports a number of multi-stakeholder initiatives including: The Directors Institute of Botswana set up to promote Corporate Governance in Botswana; Hotel and Tourism Association of Botswana set up to promote the growth of tourism, heritage conservation and wildlife conservation as well as a number of charitable organisations.

Internal Control Systems

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

Board Composition

Throughout the year the Corporation has been managed under the direction of a balanced Board of Directors that consisted of nine Board members including: the Chairman, the Managing Director and seven Independent non-executive Directors all with sufficient skills and business experience appropriate for the proper and efficient functioning of the Board. There were no new Board appointments during the year other than the appointment of the Chairpersons of all Board Sub Committees from existing Directors.

Corporate Governance Statement (Continued)



To guarantee credibility in its decision making process at all times, the Board ensured that no matter how diverse individual Directors views might be in discussing critical business issues, such diverse considerations are considered a positive aspect capable of leading to a logical and consensus Board decision. During the newly ended year, the Board was proud to have no record of any individual Director's recorded descent to any Board decisions. Additionally, there were no cases of any one individual having unfettered powers of decision and or being in a position to unduly influence the Board's decision making. Similarly, in line with best practice, non-executive Directors met at least once without the executive Director and Management being present. The Board met once without the substantive Chairman being present.

Board Meetings

The Board met a total of thirteen times during the year. This included four scheduled meetings, two special Board meetings to consider the Corporation's new four year strategic Plan, one special meeting to consider the Corporation's Performance Management System and the Board's Internal Process and six Special meetings to consider normal Corporation's business.

Board Fees and Remuneration

Board Fees for the Chairman Mr. S.S.G Tumelo and Board Member Ms. B.K Molosiwa were paid to Botswana

Government as per government policy. No fees were paid to the Managing Director.

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

Chairperson: Main Board or Board Sub committees P1 050 per meeting

Directors: Main Board or Board Sub committees: P 840 per meeting

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

	Main Board	Audit Committee	Human Resources Committee	Human Resources Committee	Tender Meeting Attended
Tumelo, S.S.G, (Board Chairman)	10	-	-	-	10
Matambo, O.K, (M.D)	12	2	3	-	17
Inger, D.	5	-	-	-	5
Kandjii, I.K.	8	-	3	1	12
Ndzinge, S.E.	11	2	-	-	13
Tafa, A. B.	9	-	3	1	13
Kwele, N. K.	13	-	2	-	15
Merafhe, O.	10	1	-	-	11
Molosiwa, B.K.	4	-	-	-	4
Lesolle, M. (member of Audit Com. Only)	N/A	2	-	-	2

Corporate Governance Statement (Continued)



Prime Objective of the Board

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

In pursuing its objectives, the Board formulates strategies to ensure implementation of appropriate policies aimed at ensuring that the Corporation has a clear strategy and that appropriate management and resources are in place at all times to implement Boards' directives. The Board periodically assesses the performance of the BDC Group of companies and its senior management and the systems of internal control necessary to achieve proper corporate control.

The Board pursues fairness and transparency in the execution of the Corporation's business, especially in ensuring that the Corporation presents to shareholders, potential investors and other interested parties a balanced and coherent assessment of the Corporation's strategy, financial position and prospects.

During the year, the Board put in place a Delegation of Authority Policy designed to ensure that whilst the Board remains in Control and reserves certain key decisions, there is clarity on which matters it can delegate to Management and which ones it can not.

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

Strategic Planning

The year ending 30th June 2007 marked the end of the Corporation's three year strategic plan. Towards the end of the year, the Board met

twice to review the strategic plan, as formulated by management, for the next four financial years, and to approve and give direction on implementation of the final agreed strategic plan. The Board consistently communicates the approved strategic plan to, and considers the views of, the Shareholder through the Ministry of Finance and Development Planning. The new four year strategic plan will be reviewed after two years. To ensure greater control and monitoring the Board has established a Strategy Monitoring Team to effectively implement and control the new strategic plan.

Board Monitoring Process

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

Board Audit Committee

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

The Board Audit Committee relied on assurance providers to review reports submitted by Management, Group Internal Audit and External Auditors, including quality auditors.

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

Corporate Governance Statement (Continued)



The Human Resources Committee

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

Board Tender Committee

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

Board Performance Evaluation

During the year, the Board designed and approved a formal Board performance evaluation system made up of the Full Board Evaluation System, the individual Director Evaluation System and the Chairperson's Evaluation System. The first Board evaluation using the approved system will be done during the next financial year.

Relations with the Shareholder

The Board recognised the importance of maintaining good relations with the Shareholder and hence, where necessary, it communicated information regarding the Corporation's strategy, financial performance and prospects. Detailed communication with the Shareholder and other Stakeholders was executed through the Corporation's website and press, including publication of results for the previous year.

An Annual General Meeting was held in December 2006 and was led by the Board Chairman. There was no further general meetings held during the year.

The BDC Management team met extensively with potential investors and institutional investors. The Chairman and all other non-executive Directors were also available to meet with

investors as necessary. The Board was kept apprised of the investment market environment by receiving regular reports on investor relations and perceptions.

Information Technology (IT)

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

Procedures and processes were also reviewed to improve response time and down time including the upgrading of the Help Desk. Similarly a number of new user applications were also identified and implemented during the financial year.

Progress is being made in terms of improvement of IT governance, in general terms. In that regard, during the financial year the Corporation upgraded its Disaster Recovering Planning (DRP) by integrating it into the Corporation's overall Business Continuity Management Platform.

Enterprise-Wide Risk Management

The Corporation uses an Enterprise-Wide Risk Management (EWRM) framework that is shareholder-value based, organisationally embedded, supported and assured, and reviewed on a continuous basis to ensure that an appropriate culture of risk management is applied throughout the Corporation and under the close monitoring of the assurance providers.

The Board is confident that all major business and operational risks were identified and that their probability and business impact analysed to ensure that greater focus was given to high risk areas. Following such risk identification and impact analysis, where necessary appropriate steps were taken to monitor and mitigate identified risks.

Corporate Governance Statement (Continued)



The Risk Manager and Group Internal Auditor both coordinated risk management information and processes by assessing the risk management and internal controls for the Corporation, seeing to it that such processes were applicable to both the Corporation's and the group member's standards. Additional Board risk oversight was performed through the Board Audit Committee. The External Auditors received copies of all papers submitted to the Audit Committee.

Operational Risk

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

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

Group Internal Audit

The Management and the Board rely on the Corporation's independent Group Internal Audit function to provide assurance on the BDC Group's activities. The purpose, authority and responsibility of the internal auditing function are formally defined in an Internal Audit Charter which is consistent with the Institute of Internal Auditors (IIA) definition of

internal auditing. At the beginning of the financial year, the Board Audit Committee sanctioned a work plan for the Group Internal Audit function.

During the year, the 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 coordinated work on the Corporation's other assurance processes including: ISO9001:2000 Quality Audits, Business Continuity Planning, Corporate Governance and Document Management System.

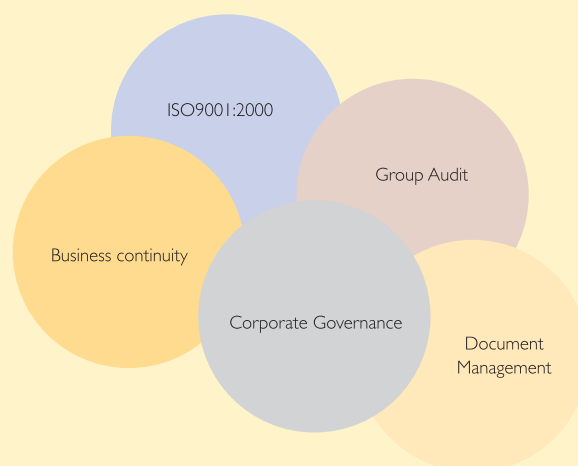


Fig. 1 Audit Assurance Processes

Corporate Governance Statement (Continued)



ISO9001:2000

The Corporation benchmarks its processes and activities and has been accredited since 2001 to ISO9001:2000, a globally recognised standard of corporate process excellence. The Board is committed to the continued certification to the standard. Since 2001, the Corporation's processes and systems have continuously passed the ISO9001/2000 audits as conducted by Bureau Veritas Certification (BVC), formally known as BVQI.

Business Continuity Planning (BCP)

During the year, the Corporation implemented a total Business Continuity Management solution setting up necessary processes and plans at the Corporation and subscribing to an alternative business continuity site managed by a reputable service provider. The Board and Management are confident that should there be interruptions to the normal business of the Corporation that are expected to last for a period more than a day, the Corporation will be able to resume its critical business processes within a reasonable period to ensure the least inconvenience to the Corporation's stakeholders.

Disclosure and transparency

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

Corporate Values

The Board ensures that in conducting the Corporation's business and 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 implements a Code of Ethics that identifies the ethical aspirations of the Corporation in dealing with the diverse Stakeholders.

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

Environment and Society

It is the policy of the Corporation to ensure that all new undertakings are financially sound and do not compromise social and environmental issues. It is also the policy of the Corporation to ensure that an environmental impact study is conducted where the Corporation is asked to finance or initiate projects that by their nature may have the potential to adversely affect the environment. During the year, the Corporation sanctioned the undertaking of environmental impact studies in relation to the establishment of a Lodge in Mamuno, in the Kgalagadi District and a second environment impact analyses in Lion Park, near Gaborone, for the development of further small holdings, for sale to members of the public.

Environmental, Social, Ethical, and Safety Considerations

The Corporation is committed to upholding good social, ethical, safety, health and environmental practices as well as organisational integrity in the workplace. The Board has committed to periodically reviewing policies, procedures and systems in place to monitoring communicating and verifying its compliance to these practices.

Corporate Governance Statement (Continued)



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

To ensure this, the Corporation:

- Promotes a healthy and safe working environment for its employees, contractors and the public.
- Provides its employees with the necessary training and resources to play an active role in ensuring superior EHS performance by the Corporation and its business partners.
- Identifies and assesses EHS risks associated with the BDC activities and its business partners prior to the provision of financing and regularly thereafter.
- Insists on full compliance with all relevant EHS regulations as a condition in providing financing to its business partners.
- Encourages its business partners to exceed legislative compliance by the application of internationally recognized EHS standards and best business practices.
- Undertakes training for employees about responsible EHS management.
- Promotes open communication on EHS issues amongst employees and stakeholders.
- Continuously assesses EHS performance, setting targets, embracing best practices and reporting enterprise-wide results.
- Periodically reviews and updates enterprise-wide objectives and targets in line with its commitment to sustainable development, continuous environmental performance improvement and the prevention of pollution, health and safety risks.

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

Audited Financial Statements

The audited financial statements, as set out, were prepared by Management in accordance with International Financial Reporting Standards. The financial statements were reviewed and recommended by the Audit Committee and have been approved by the Board of Directors for presentation at the Annual General Meeting of the shareholders for formal adoption. At the end of the financial year the Board recommended that a dividend of P19.8 million be paid to the Shareholder, Botswana Government, which represented 25% of the Corporation's Profit after tax.

The Directors are responsible for the preparation, approval and reporting of the financial statements of the Corporation and consolidated financial statements of the Group. The external auditors have reviewed the financial statements as set out and 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 expected to continue as a going concern in the foreseeable future.

Managing Director's Report



Mr. O. K. Matambo
Managing Director



“The Corporation has recorded a profit before tax of P96.9 million against last year's achievement of P88.1 million.”

It is with great pleasure that I report the Corporation's performance for the year ended June 2007. The Corporation has come through the year with flying colours. Indeed, the whole three year strategic plan period whose end coincides with this year end has been a tremendous success for the Corporation. The Corporation developed the strategy with the underlying objective of growth in its investment portfolio and profitability. As the numbers demonstrate, this was achieved.

Performance of the Corporation

The Corporation has recorded a profit before tax of P96.9 million against last year's achievement of P88.1 million. This is 10% better than the previous year. This commendable increase is achieved despite the modest growth in turnover of 4% which took the Corporation to P140.8 million. The Corporation, on the other hand, has overall expenses averaging at P62 million for the past two years despite the high inflation rate in these years. This, once again, demonstrates the importance the Corporation places on cost control and the efficient utilization of resources at its disposal.

A significant amount of the Corporation's income was generated from dividend income which amounts to P117.86 million. This is in contrast to the previous year when it was more evenly distributed between Dividend and Interest Income from loans. This change is a result of the Corporation undertaking major financial restructuring exercises of some

of its subsidiaries that were faced with operational difficulty. The result was that many of the loans and the accumulated interest in those companies were converted to equity. Income from the loans has thus amounted to P22.91 as opposed to the previous year when that income was P42.42 million. I wish to report that the restructuring took part in the first half of the financial year and to date we have seen some very encouraging results coming from the restructuring.

The Corporation continues to seek ways and means to address the problems facing some of its investments which are not performing to satisfaction. Lobatse Tile (Pty) Ltd. has been one of those investments. The Board of BDC has approved an additional investment of P108 million. This investment is mainly to be used for the purchase of a second production line which will allow the factory to run continuously without change over stoppages and also to be able to produce a wider variety of tiles. Both these factors are important for the factory as they ensure that the production capacity achieved is above break even point at all times.

Managing Director's Report (Continued)



The other investment with unsatisfactory performance in the previous years was Lobatse Clay Works. We are, however, very pleased to announce that this Company is well on its way to full recovery and we expect it to make a profit in the near future. This is one of those Companies that benefited from the financial restructuring exercise.

Overall, the Corporation's investment portfolio has grown from P1.20 billion to P1.32 billion, an improvement of 9% over the previous year. Additional equity acquired amounted to P71.7 million while the Corporation disbursed P30.5 million during the year in loans. Of the disbursements, P10.2 million went to Agribusiness and Services projects, P16.6 million to Property Development projects and the bulk of P75.4 million to Manufacturing projects. The Corporation also paid a dividend to its shareholder of P18.05 million in respect to the previous year while the Board has declared a Dividend of P19.80 million for the year ended June 2007.

Strategic Review

As I mentioned before, this year also marks the end of final year of the 3 year Strategic Plan initiated in July 2004. Looking back, we are proud of our achievements as we have successfully attained what we set out to accomplish at the outset. The Corporation has achieved a 6.04% return on Shareholder's funds. This is in line with the target of 6% set by the Board. Due to better performance over the past three years, the Corporation's retained earnings have accumulated at a faster pace. This, coupled with the more than anticipated growth in the Corporation's quoted investments, has resulted in the Return on Shareholders Funds being diluted to slightly lesser than the 6.8% expected as par the Corporation's Strategic Plan.

Revenues grew from P101.4 million in 2004 to P140.7 million in the year under review. This represents a handsome growth of 39% while on the other hand profit before tax grew from P74.9 million in 2004 to P96.9 million in the current year. This is a 29% growth over the past three years.

As part of the 2004-07 Strategy, the Corporation endeavored to establish Invoice Discounting as a short term financing product. I can report that this product was successfully introduced and the first customer was taken on in March 2007. Like any upstart product, much work remains to be done to entrench it in the market and reap the expected benefits. We are confident that as we iron out the teething challenges, the product will reap the benefits we envisaged.

Towards the end of the first half of the year, the Corporation embarked on the formulation of a new Strategic Plan to run from July 2007 to June 2011. This exercise was completed in April 2007 when the Board approved the Strategic Plan. The Shareholder has since been briefed on the new Strategy and his support of the Strategy obtained. In this Strategy, the Corporations' Leading Strategic Aim (LSA) is: "To proactively contribute to the diversification of the economy by continuing to invest in commercially viable and sustainable business ventures" This LSA is in line with the Corporations' mandate of establishing and developing viable businesses in Botswana.

Human Resources Development

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

The Corporation has also identified communication as a key factor in the attainment and achievement of good labour relations. Because of this, the Corporation has maintained harmonious labour relations over the period through periodic staff briefings on the Corporation's activities and achievements in addition to monthly divisional meetings.

Managing Director's Report (Continued)



Corporate Social Responsibility Programme

The Botswana Development Corporation continues to assist deserving communities through its Social Responsibility Fund. The assistance is intended to contribute to the welfare and empowerment of these communities. During the period under review, the Corporation participated in a number of activities which covered, among others, the following: business skills, recreation and sports, cultural promotion, vocational skills development and conservation and environment. The total amount donated during this review period is P120 200. It is noted that the Fund is known throughout the country and the beneficiaries represent a cross section of our nation from communities, people with disabilities, learners, youth and society-at-large.

Quality Issues

During the year under review, various initiatives were undertaken to enhance the Corporation's assurance processes. These included the ISO 9001:2000 Quality Audits, the Business Continuity Planning and the Document Management System. The Corporation now boasts of a fully fledged Business Continuity site. This site is capable of handling all of the Corporation's operational requirements in case of a disaster and is supported by a comprehensive Business Continuity Plan.

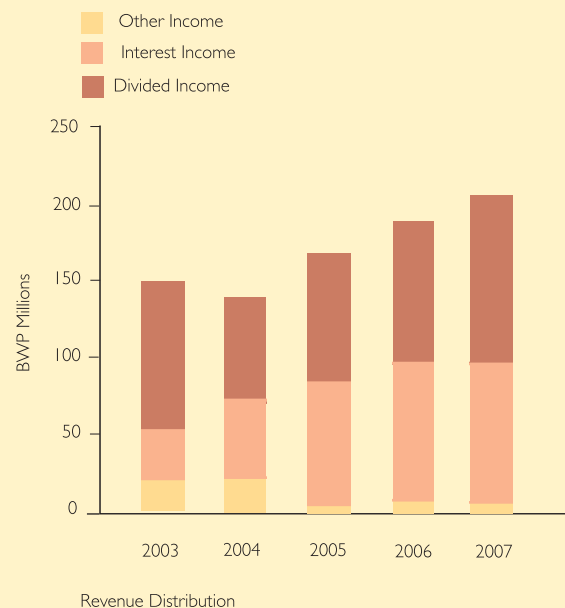
In addition to the above, BDC embarked upon a rigorous Internal and External branding exercise with a view to deliver and reaffirm BDC's mandate and credibility to investors and its stakeholders. A number of branding initiatives were undertaken using communication mediums such as radio, television, newspaper, magazine and billboard advertising. BDC also doubled its efforts towards target marketing in specific markets to promote its products and services more effectively.

A number of outreach programmes and stakeholder events were also held locally, such as a breakfast meeting for Members of Parliament, Media Cocktail and other Stakeholder events.

Internally, BDC intensified its internal branding to cultivate a cultural shift within the Corporation, create more awareness and produce willing and effective ambassadors for the Corporation's values and promises. A brand audit was conducted and BDC reorganized its internal change-communications and behaviour – driven processes to make them more customer and business focused.

Conclusion

The period under review has been a very busy year indeed. A great deal of effort was invested in the Corporation to make it as successful as it is today. I wish, once again, to thank the Board of Directors for their invaluable guidance. In addition, I say well done to the Management and Staff of the Corporation.







Mrs. M. M. Nthebolan
General Manager
Business Development



“The Corporation’s total exposure in the Industry Sector stood at P545, 517 million compared to P361, 560 million in the previous year, a growth of about 51 percent.”

Agribusiness & Services Report

1. New Investments

In line with its marketing strategy of growth, the Division added two new investments into their portfolio, namely:

1.1 Stella Seriti Hotel – BDC approved funding for a hotel project in Serowe in the form of loan and equity. The hotel is expected to provide much sought after luxury accommodation in Serowe and outlying areas. The Corporation partnered with local investors who own 60 percent shares in the project. Construction was expected to commence in December 2007.

1.2 Coast-to-Coast Inn – The Corporation approved equity and preference shares capital injection in the project to set up a lodge in Mamuno, Ghanzi District. BDC holds 60 percent of shares and the remaining 40 percent is held by a local entrepreneur. Tenders have been invited to carry out the Archaeological and Environmental Impact Assessment.

1.3 Additional equity injection was made into **BECI** to enable the company to purchase software and support services which were deemed critical for the operations of the company.

2. LP Amusement Centre (Pty) Ltd. – The company was formed to set up an amusement centre with fun rides at a place commonly known as Lion Park, about 20 kilometres south of Gaborone City. Construction was going on smoothly and the project was expected to be operational by December 2007.

3. Malutu Enterprises (Pty) Ltd. – All the 102 four hectare smallholdings in the Lion Park property were sold. An application for the second phase subdivision of another 29 smallholdings was submitted to South East District Council and a response was pending.

Property Development & Management Report

1. Botswana Hotel Development Company

The refurbishment of the Cresta operated Botswana Hotel Development Company (Pty) Ltd properties is on going. Work is expected to start during the second half of 2007 for Thapama (Phase II), Reileys Hotel and Cresta Lodge. To enhance the appeal of Cresta Lodge as a business hotel, and as part of the refurbishment, BHDC plans to develop a new modern conference centre with a sitting capacity of 300 people.

The refurbishment of the president hotel is complete. The New Look President Hotel was officially opened by former President of Botswana Mr. Festus G. Mogae on the 9 August 2007.



Former President Mr. Festus G. Mogae officially opening the refurbished President Hotel

Business Development Report (Continued)



2. Western Industrial Estates (WIE)

During the year under review, Western Industrial Estates (WIE) completed the second phase of the refurbishment of the former Hyundai factory. The factory was remodeled in an effort to change it from a vehicle assembly facility to a general purpose factory. The three factories arising from the remodeling are fully let.

WIE also completed the development of a 3038 m² turnkey dairy factory and ancillary buildings for leasing to Delta Dairies (Pty) Ltd. The development is located on a portion of lot 54233 (former Hyundai Plant) on a site measuring about 1.5 hectares.

Industry Report

For the year ended 30 June 2007, the Corporation's total exposure in the Industry Sector stood at P545,517 million compared to P361,560 million in the previous year; a growth of about 51 percent. The growth resulted from the full implementation of new projects and the expansion of Lobatse Tile Limited.

The Division continued to carry out research on the development of more viable projects in the manufacturing sector, especially with the intention to utilise local raw materials. In this respect, an investment of P409 million was approved for the production of float glass in Botswana, using the main raw material of local silica.

The Industry sector has made positive developmental and economic impact in terms of employment, thereby creating about 3 600 direct jobs for Botswana through its portfolio companies which are spread throughout the country.

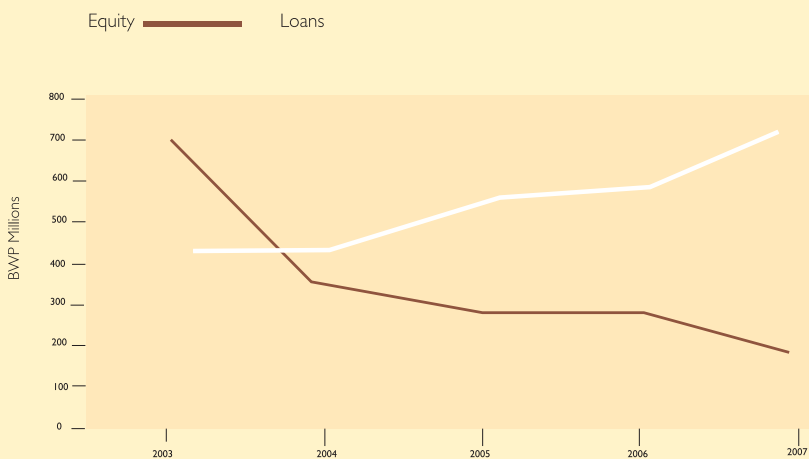


Delta Dairy

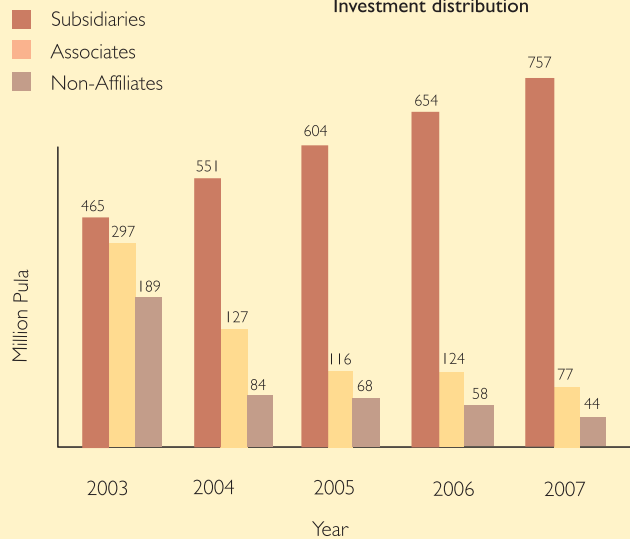
Business Development Report (Continued)



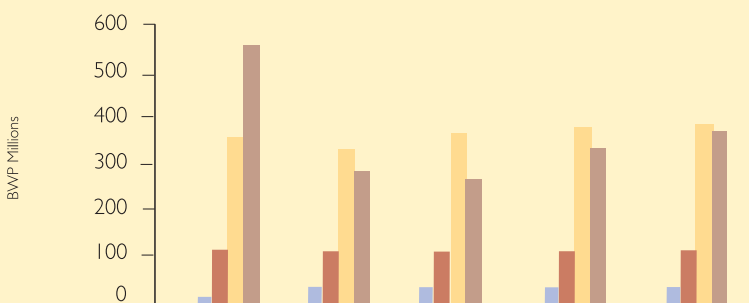
Product range (million pula)



Investment distribution



Sector distribution (million Pula)



	2003	2004	2005	2006	2007
Agriculture	25	26	20	27	37
Services	89	89	84	72	66
Estate	465	356	388	388	389
Industry	546	291	296	349	385

Year



Management Services Report



Mr. J. N. Kamyuka
General Manager
Management Services



“The Management Services Department supplies the required systems and processes at the highest standards.”

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

Management Services Department covers the following key functions.

Financial Accounting

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

Management Accounting and Corporate Treasury

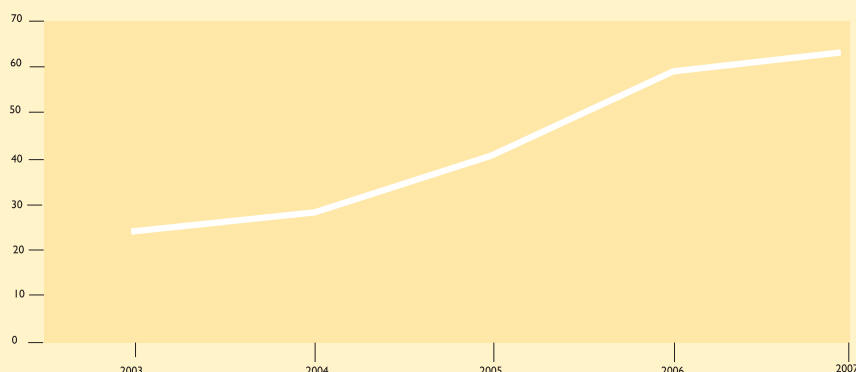
This Division provides team based performance management information. It is also charged with ensuring efficient management of the Corporation's resources to facilitate the timely funding of all commitments.

Risk Management and Research

The Division provides sustained risk monitoring of the entire investment portfolio and enterprise wide risk management. In addition, research requirements necessary for the Corporations advancement as identified from time to time are carried out by the Division. Risk Management continues to be one of the drivers of value within the Corporation. Events that could upset the achievement of the Corporation's objectives were identified, assessed and mitigated. Consequently, the risk profile of BDC related investments remained fairly stable with the majority of cases in good performing grades. However, a few investments, especially those in the manufacturing sector encountered some operational difficulties which were being addressed.

A credit recovery function was introduced during the year to contain the incidence of an unfavourable trend in arrears. This intervention has resulted with the introduction of a direct debit facility which is currently being tested. In 2007/08, the Corporation will review its risk management framework and introduce new improvement initiatives.

Revenue trend



Expenditure in million Pula

Management Services Report (Continued)



Company Secretariat and Legal

It is this Division's responsibility to ensure that Company Secretarial Services are provided to the Corporation and its Group Companies. Furthermore, the Division also provides professional in-house legal services to the Corporation.

Information Technology

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

During the year, the Division undertook several projects including the implementation of a new integrated Payroll/HR system which automates processes between HR and Finance (Payroll) Division, as well as the completion of the implementation of a Document Management System for the computerization of the Corporation's filing system. Furthermore, support for the new Invoice Discounting Division was provided through the implementation of a specialist invoice discounting application. The purpose of this application is to computerize processes and procedures in the Invoice Discounting Division.

An off-site disaster recovery facility was also successfully established. The facility is part of the Business Continuity Plan for BDC – which identifies and includes all components of the BDC recovery strategy.

The Division will continue to focus on providing value adding Corporate support services into the next year by implementing improved network management, new systems and data security initiatives.

Invoice Discounting

The Invoice Discounting Division was launched during the year under review, the culmination of an extensive market research and project implementation programme.

Invoice Discounting as a concept is new to Botswana and the launch of the Division was consistent with the Corporation's mission to be an innovative investment partner.

Five members of staff were recruited during the year and embarked on a comprehensive training programme which included distance learning qualifications from the Factors and Discounters Association in the UK.

Aquarius, the most up to date back office system for this product, was obtained from the leading international supplier HPD Software Ltd. in London. BDC's installation is the first in Africa and staff have been trained in the use of the system.

Market development in the form of media exposure and presentations to targeted businesses was undertaken.

Legal documentation for the product range was developed, resulting in a suite of legal agreements that are unique to the discounting industry within the Southern African legal framework.

The focus for the Division moving forward is the acquisition of clients and to date this is proving successful.

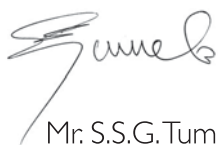
Annual Financial Statements

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Directors' Statement of Responsibility

For the year ended 30 June 2007

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 for reporting on the fair presentation of the financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Botswana Companies Act (CAP42:01). The Directors are also responsible for the Group's systems of internal financial control. These are designed to provide reasonable, but not absolute, assurance about the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets. Furthermore, they prevent and detect mis-statements and loss. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and statements occurred during the year under review. The financial statements have been prepared in the going concern basis, since the Directors are convinced that the Group has adequate resources in place to continue operations into the foreseeable future. The financial statements set out on pages 33 to 57 were approved by the Board of Directors on 5 December 2007 and are signed on their behalf by:



Mr. S.S.G. Tumelo
Chairman



Mr. O.K. Matambo
Director

Directors' Report

The Directors have the pleasure of submitting their annual report to the Shareholder together with the audited financial statements for the year ended 30 June 2007 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 33 to 57.
2. A dividend of P20 million was declared during the year in respect of the ordinary shares.

Directors

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

S. S. G. Tumelo-Chairman	O. Merafhe
O. K. Matambo-Managing Director	B. K. Molosiwa
D. Inger	S. E. Nzinge
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
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., - P35,473,302
 - Lobatse Clayworks (Pty) Ltd., - P24,331,064
 - LP Amusement (Pty) Ltd., - P8,729,924
 - Western Industrial Estates (Pty) Ltd., - P3,000,000
 - Golden Fruits (Pty) Ltd., - P500,000
- b) Investment projects in progress
 - L P Amusement (Pty) Ltd., - P8,729,924
 - Can Manufacturing (Pty) Ltd., - P12,644,669

Disinvestments

7. The company divested as follows:
 - Ordinary shares in H J Heinz (Pty) Ltd. for P1,499,789

Directors' Fees and Expenses

8. It is recommended that Directors' fees and expenses of P77,070 and directors' emoluments of P918,000 for the year to 30 June 2007 be ratified.

By Order of the Board



R. D. Letshabo
Group Company Secretary

Independent Auditors' Report

To the Members of Botswana Development Corporation Limited

Deloitte.

Report on the Financial Statements

We have audited the accompanying company and group financial statements of Botswana Development Corporation Limited, set out on pages 33 to 57, which comprise the balance sheets as at 30 June 2007, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the Companies Act in Botswana (Cap 42:01).

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of Botswana Development Corporation Limited and the group as of 30 June 2007, and of their financial performance and changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw your attention to the comments in the Chairman's statement regarding two wholly subsidiaries which have made losses and continue to receive very close monitoring. The Board of Directors of the Corporation and the Shareholder are very aware of the performance of these entities and have given their unwavering commitment to seeing these entities return to profitability. They believe that the Corporation's investment in both entities are fairly stated.

Report on Other Legal and Regulatory Requirements

In accordance with Section 124 of the Companies Act in Botswana (Cap 42:01), we confirm that:

- we have satisfied ourselves as to the existence of securities; and
- in our opinion, the company has kept proper books of account with which the financial statements are in agreement.

Deloitte & Touche
Certified Public Accountants (Botswana)



5 December 2007
GABORONE

Income Statements

For the year ended 30 June 2007

	Notes	Group		Company	
		2007 P 000	2006 P 000	2007 P 000	2006 P 000
REVENUE	1	278,106	247,590	140,779	135,016
Cost of revenue		<u>(175,025)</u>	<u>(157,333)</u>	<u>-</u>	<u>-</u>
Gross profit		103,081	90,257	140,779	135,016
Other operating income	2	36,013	10,886	16,344	5,282
Fair value of investment properties		137,116	-	-	-
Distribution costs		(2,712)	(1,834)	-	-
Administrative expenses		(63,246)	(44,819)	(36,847)	(28,717)
Other operating expenses		<u>(34,717)</u>	<u>(29,698)</u>	<u>(25,700)</u>	<u>(33,170)</u>
OPERATING PROFIT	3	175,535	24,792	94,576	78,411
Net finance income	5	7,543	11,183	2,335	9,653
Share of associates profit	11	<u>43,041</u>	<u>44,190</u>	<u>-</u>	<u>-</u>
PROFIT BEFORE TAXATION		226,119	80,165	96,911	88,064
Taxation	6	<u>(14,218)</u>	<u>(22,510)</u>	<u>(23,772)</u>	<u>(15,866)</u>
NET PROFIT FOR THE YEAR		<u>211,901</u>	<u>57,655</u>	<u>73,139</u>	<u>72,198</u>
Attributable to:					
Equity holders of the parent		179,847	57,528	73,139	72,198
Minority interest	28	<u>32,054</u>	<u>127</u>	<u>-</u>	<u>-</u>
NET PROFIT attributable		<u>211,901</u>	<u>57,655</u>	<u>73,139</u>	<u>72,198</u>

Balance Sheets

At 30 June 2007

	Notes	Group		Company	
		2007 P 000	2006 P 000	2007 P 000	2006 P 000
ASSETS					
NON CURRENT ASSETS					
Investment properties	7	653,509	473,075	-	-
Property, plant and equipment	8	215,367	196,856	1,590	1,056
Intangible assets	9	280	320	-	-
Subsidiaries	10	-	-	532,558	455,194
Associated companies/partnerships	11	123,760	110,157	58,060	69,750
Unquoted investments	12	33,428	36,840	22,537	36,737
Quoted investments	14	660,293	628,810	660,293	628,810
Due from group companies	15	-	-	24,287	31,810
Investment projects in progress	16	54,389	17,394	54,389	17,394
		<u>1,741,026</u>	<u>1,463,452</u>	<u>1,353,714</u>	<u>1,240,751</u>
CURRENT ASSETS					
Inventories	17	11,771	15,452	-	-
Receivables and prepayments	18	94,563	49,750	38,391	22,332
Taxation recoverable		39,160	29,635	3,847	1,262
Short-term loans and advances	19	8,103	14,434	27,219	45,168
Available for sale of investments	20	307,101	302,627	262,371	234,486
Cash and cash equivalents	21	145,290	193,120	99,452	156,760
		<u>605,988</u>	<u>605,018</u>	<u>431,280</u>	<u>460,008</u>
TOTAL ASSETS		<u>2,347,014</u>	<u>2,068,470</u>	<u>1,784,994</u>	<u>1,700,759</u>
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	566,813	535,330	566,813	535,330
Other reserves	25	46,277	38,682	5,504	5,504
Dividend reserve	26	20,000	18,050	20,000	18,050
Claims equalisation reserve	27	971	875	-	-
Retained earnings		469,843	307,759	293,079	239,940
Equity attributable to equity holders of the parent		<u>1,663,173</u>	<u>1,459,965</u>	<u>1,444,665</u>	<u>1,358,093</u>
Minority interest	28	69,487	48,625	-	-
Total equity		<u>1,732,660</u>	<u>1,508,590</u>	<u>1,444,665</u>	<u>1,358,093</u>
NON-CURRENT LIABILITIES					
Borrowings	29	408,089	418,663	302,898	308,527
Government grants	30	32,994	33,771	-	-
Deferred taxation	31	61,179	18,236	-	-
		<u>502,262</u>	<u>470,670</u>	<u>302,898</u>	<u>308,527</u>
CURRENT LIABILITIES					
Borrowings	29	11,410	9,140	8,869	8,416
Tax payable		4,316	382	-	-
Capital gains tax		1,156	161	1,156	161
Dividend payable		13,141	13,141	13,141	13,141
Trade and other payables	32	77,954	51,527	14,265	12,421
Bank overdrafts	33	4,115	14,859	-	-
		<u>112,092</u>	<u>89,210</u>	<u>37,431</u>	<u>34,139</u>
TOTAL LIABILITIES		<u>614,354</u>	<u>559,880</u>	<u>340,329</u>	<u>342,666</u>
TOTAL EQUITY AND LIABILITIES		<u>2,347,014</u>	<u>2,068,470</u>	<u>1,784,994</u>	<u>1,700,759</u>

Statements of Changes in Equity

For the year ended 30 June 2007

	Notes	Statutory capital/												
		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	solvency & other reserves P 000	Dividend reserve P 000	Claims equalisation reserve P 000	Retained earnings P 000	Total attributable to members P 000	Minority interest P 000	Total P 000
Group														
Year ended 30 June 2007														
Balance at 1 July 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
Fair value adjustment of quoted investments	24	-	-	-	-	-	31,483	-	-	96	-	31,483	-	31,483
Movement during the year		-	-	-	-	-	-	7,595	-	-	2,237	96	(9,832)	96
Transfers		-	-	-	-	-	-	-	-	-	(20,000)	-	-	-
Dividend declared		-	-	-	-	-	-	20,000	-	-	-	-	-	-
Dividend paid		-	-	-	-	-	-	(18,050)	-	-	-	(18,050)	(1,360)	(19,410)
Net profit for the year		-	-	-	-	-	-	-	-	-	179,847	179,847	32,054	211,901
Balance at 30 June 2007		238,199	297,000	7,060	1,504	24,070	566,813	37,713	20,000	971	469,843	1,663,173	69,487	1,732,660
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		-	-	-	-	-	-	-	17,126	-	(17,636)	(510)	-	(510)
Balance at 1 July 2005 as restated		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	24	-	-	-	-	-	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 re-stated		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
Company														
Year ended 30 June 2007														
Balance at 1 July 2006		238,199	297,000	4,000	1,504	24,070	535,330	-	18,050	-	239,940	1,358,093	-	1,358,093
Fair value adjustment of quoted investments	24	-	-	-	-	-	31,483	-	-	-	-	31,483	-	31,483
Dividend declared		-	-	-	-	-	-	-	20,000	-	(20,000)	-	-	-
Dividend paid		-	-	-	-	-	-	-	(18,050)	-	-	(18,050)	-	(18,050)
Net profit for the year		-	-	-	-	-	-	-	-	-	73,139	73,139	-	73,139
Balance at 30 June 2007		238,199	297,000	4,000	1,504	24,070	566,813	-	20,000	-	293,079	1,444,665	-	1,444,665
Year ended 30 June 2006														
Balance at 1 July 2006 as previously reported		238,199	297,000	4,000	1,504	24,070	435,852	-	-	-	214,048	1,214,673	-	1,214,673
Prior year adjustment		-	-	-	-	-	-	-	17,126	-	(29,756)	(12,630)	-	(12,630)
Balance at 1 July 2005 as restated		238,199	297,000	4,000	1,504	24,070	435,852	-	17,126	-	184,292	1,202,043	-	1,202,043
Fair value adjustment of quoted investments	24	-	-	-	-	-	99,478	-	-	-	-	99,478	-	99,478
Transfers		-	-	-	-	-	-	-	-	-	1,500	1,500	-	1,500
Dividend declared		-	-	-	-	-	-	-	18,050	-	(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 re-stated		238,199	297,000	4,000	1,504	24,070	535,330	-	18,050	-	239,940	1,358,093	-	1,358,093

Cash Flow Statements

for the year ended 30 June 2007

	Notes	Group		Company	
		2007 P 000	2006 P 000	2007 P 000	2006 P 000
Operating activities					
Cash generated from operations	39	51,693	84,232	96,598	96,176
Interest received		49,053	53,463	39,592	42,205
Foreign exchange gains		3,225	4,942	1,654	5,435
Interest paid		(44,735)	(47,222)	(38,911)	(37,987)
Tax paid		31,504	(19,690)	(25,362)	(15,950)
Net cash from operating activities		<u>90,740</u>	<u>75,725</u>	<u>73,571</u>	<u>89,879</u>
Investing activities					
Additions to investment properties		(42,114)	(46,886)	-	-
Purchase of property, plant and equipment		(26,448)	(17,216)	(1,193)	(447)
Purchase of shares in subsidiaries		-	-	(62,411)	(19,365)
Purchase of shares in associates		(619)	(19,555)	(619)	(21,055)
Purchase of shares in non-affiliated companies		(5,595)	(1,100)	-	(1,100)
Loans disbursed to subsidiaries		-	-	(17,052)	(11,622)
Loans disbursed to associated companies		(3,169)	(4,923)	(3,169)	(4,923)
Loans disbursed to non-affiliated companies		(25)	(8,272)	(25)	(8,272)
Loans repaid by subsidiaries		-	-	10,235	(11,890)
Loans repaid by associated companies		6,864	3,697	6,864	3,697
Loans repaid by non-affiliated companies		9,388	19,495	9,388	19,495
Net increase investment projects in progress		(36,995)	(15,695)	(36,995)	(15,695)
Disposal of investment properties, property, plant and equipment					
Proceeds from disposal of property, plant and equipment		10,505	741	8,135	-
Proceeds from disposal of investment properties		13,348	16,355	-	-
Net movement in the reserves of associates		(20,778)	7,258	-	-
Disposal of investments					
Proceeds from disposal of investments		-	14,275	7,074	9,724
Net cash used in investing activities		<u>(95,638)</u>	<u>(51,826)</u>	<u>(79,768)</u>	<u>(61,453)</u>
Financing activities					
Decrease in long term borrowings		(8,304)	(10,072)	(5,176)	(5,853)
Dividends paid to group shareholders		(18,050)	(17,126)	(18,050)	(17,126)
Dividends paid to minority interests		(1,360)	(763)	-	-
Net cash used in financing activities		<u>(27,714)</u>	<u>(27,961)</u>	<u>(23,226)</u>	<u>(22,979)</u>
(Decrease)/increase in cash and cash equivalents		<u>(32,612)</u>	<u>(4,062)</u>	<u>(29,423)</u>	<u>5,447</u>
Movement in cash and cash equivalents					
Start of year		480,888	484,950	391,246	385,799
(Decrease)/increase		<u>(32,612)</u>	<u>(4,062)</u>	<u>(29,423)</u>	<u>5,447</u>
End of year		<u>448,276</u>	<u>480,888</u>	<u>361,823</u>	<u>391,246</u>
Available for sale investments		307,101	302,627	262,371	234,486
Cash and cash equivalents		145,290	193,120	99,452	156,760
Bank overdraft		(4,115)	(14,859)	-	-
		<u>448,276</u>	<u>480,888</u>	<u>361,823</u>	<u>391,246</u>

Accounting Policies

30 June 2007

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

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

Depreciation is calculated on the straight-line method to write off the cost of property, plant and equipment to their residual values over their estimated useful lives as follows:

Buildings	25 - 50 years
Plant and machinery	14 - 25 years
Furniture and equipment	4 - 10 years
Computer equipment	3 - 5 years
Motor vehicles	3 - 5 years

Land is not depreciated as it is deemed to have an infinite life.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Accounting Policies (Continued)

30 June 2007

C. Property, plant and equipment (continued)

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 represent 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.

Accounting Policies (Continued)

30 June 2007

H. Investments (continued)

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 than 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.

Accounting Policies (Continued)

30 June 2007

P. Taxation (continued)

Deferred taxation is accounted for using the balance sheet liability method in respect to 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.

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 converted 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.

R. 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 employee 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 is included in operating results.

S. 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.

T. 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.

U. 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.

Notes to the Financial Statements

30 June 2007

	Group		Company	
	2007	2006	2007	2006
	P 000	P 000	P 000	P 000
I. REVENUE				
Income from trade	229,658	189,602	-	-
Interest on loans:				
• Subsidiaries	-	-	15,318	28,560
• Associated companies	3,167	9,005	3,167	9,005
• Unquoted investments	4,429	4,858	4,429	4,858
Dividends received:				
• Subsidiaries	-	-	45,862	29,871
• Associated companies	-	-	31,151	18,597
• Unquoted investments	40,852	44,125	40,852	44,125
	<u>278,106</u>	<u>247,590</u>	<u>140,779</u>	<u>135,016</u>
2. OTHER OPERATING INCOME				
Cost recoveries				
Profit on sale of investments	3,927	2,741	3,927	2,741
Directors fees received	7,871	-	8,065	-
Loan negotiating fees	265	188	207	188
Expense recovered	103	176	103	82
Bad debts recovered	1,204	439	-	-
Sundry revenue	4,729	2,095	3,886	2,095
	<u>17,914</u>	<u>5,247</u>	<u>156</u>	<u>176</u>
3. OPERATING PROFIT	<u>36,013</u>	<u>10,886</u>	<u>16,344</u>	<u>5,282</u>
<i>The following items have been charged/credited in arriving at operating profit: in arriving at operating profit in addition to the amounts already disclosed in notes 1 and 2 above:</i>				
Amortisation of government grant	(777)	(777)	-	-
Auditors' remuneration -current year	1,294	943	182	155
Auditors' remuneration -prior year underprovision	(94)	49	-	-
Operating lease payments	1,466	1,508	5,045	4,101
Depreciation				
• Investment properties	-	6,235	-	-
• Property, plant and equipment	19,057	21,505	589	965
Directors' fees	265	163	77	39
Directors' emoluments	918	727	918	727
Key management's emoluments	1,523	1,484	1,523	1,484
Provision for losses:				
• Investments	(32,842)	(23,420)	(31,241)	(17,195)
Bad debts recovered	(4,729)	(2,095)	(3,886)	(2,095)
Transfers to claims equilisation reserve	96	29	-	-
Impairment of property, plant and equipment	(256)	12,862	-	-
Rates and costs recovered	1,664	2,378	-	-
Repairs and maintenance	3,138	4,587	-	-
(Profit)/loss on:				
• disposal of property, plant and equipment	(7,871)	(337)	(8,065)	-
• disposal of investment properties	(117)	(2,639)	-	-
	<u>(7,988)</u>	<u>(3,016)</u>	<u>(8,220)</u>	<u>(17,195)</u>
4. STAFF COSTS				
Salaries and wages	72,676	54,037	21,188	17,281
Terminal benefits	2,955	2,954	1,324	1,106
	<u>75,631</u>	<u>56,991</u>	<u>22,512</u>	<u>18,387</u>
Average number of employees	<u>1,266</u>	<u>1,182</u>	<u>73</u>	<u>61</u>
5. NET FINANCE INCOME/(COST)				
Interest income				
• short term bank deposits	2,036	2,819	-	-
• Bank of Botswana Certificates	47,017	50,644	39,592	42,205
	<u>49,053</u>	<u>53,463</u>	<u>39,592</u>	<u>42,205</u>
Interest expense				
• bank borrowings	(4,606)	(4,754)	-	-
• bonds	(25,339)	(23,332)	(25,257)	(23,243)
• Long-term borrowings	(14,713)	(19,101)	(13,654)	(14,744)
• finance leases	(77)	(35)	-	-
	<u>(44,735)</u>	<u>(47,222)</u>	<u>(38,911)</u>	<u>(37,987)</u>
Exchange gain	3,225	4,942	1,654	5,435
	<u>7,543</u>	<u>11,183</u>	<u>2,335</u>	<u>9,653</u>

Notes to the Financial Statements (Continued)

30 June 2007

6. TAXATION	Group		Company	
	2007 P 000	2006 P 000	2007 P 000	2006 P 000
<i>Botswana company taxation</i>				
• basic tax at 15%/5%	5,896	4,106	-	1,136
• additional tax at 10%	3,956	2,737	-	757
Normal taxation	9,852	6,843	-	1,893
Withholding tax paid on dividends	16,621	10,946	17,680	13,415
Prior year under provision - normal taxation	1,256	5	1,262	-
Capital gains tax	995	-	995	-
Group tax relief	(8,740)	(5,366)	3,835	558
Total normal taxation	19,984	12,428	23,772	15,866
Deferred taxation (note 31) - current year	(1,155)	4,345	-	-
- prior year	(11,986)	-	-	-
Share of associated company taxation (Note 11)	7,375	5,737	-	-
Charge for the year	14,218	22,510	23,772	15,866

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

Profit before taxation	226,119	80,165	96,911	88,064
Tax calculated at 25%/15%	68,807	20,042	24,228	22,016
Income not subject to tax	(30,007)	(25,894)	(29,466)	(23,148)
Prior year under provision - normal taxation	1,256	-	1,262	-
Prior year over provision - deferred taxation	(11,986)	-	-	-
Capital gains tax	995	-	995	-
Expenses not deductible for tax purposes	(3,126)	(4,350)	374	-
Utilisation of previously unrecognised losses	4,147	13,062	4,864	3,025
Net difference between depreciation and capital allowances	(37,688)	2,226	-	-
Share of associated company taxation	7,375	5,737	-	-
Withholding tax paid on dividends	16,701	10,946	17,680	13,415
Expenses subject to double deduction	(5)	(2)	-	-
Unutilised losses carried forward	6,489	185	-	-
Losses utilised by subsidiaries	(8,740)	558	3,835	558
	14,218	22,510	23,772	15,866

Tax Losses

Tax year				
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	26,960	-	-
2006/2007	30,779	-	-	-
	104,707	127,645	-	-

7. INVESTMENT PROPERTIES

Opening net book value	473,075	445,664	-	-
Additions	42,114	46,886	-	-
Transfers (note 8)	14,435	476	-	-
Fair value	137,116	-	-	-
Disposals	(13,231)	(13,716)	-	-
Depreciation (note 3)	-	(6,235)	-	-
Closing net book value	653,509	473,075	-	-
Cost	699,766	519,332	-	-
Accumulated depreciation	(46,257)	(46,257)	-	-
	653,509	473,075	-	-

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

Rental income	36,421	34,798	-	-
Repairs and maintenance	1,530	1,273	-	-

Notes to Financial Statements (Continued)

30 June 2007

8 . PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land and buildings P 000	Freehold land and buildings P 000	Computers P 000	Motor vehicles P 000	Plant and machinery P 000	Furniture, fittings and equipment P 000	Capital work in progress P 000	Total P 000
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
Transfers (note 7)	-	-	-	-	-	(476)	-	(476)
Disposals	-	-	-	(35)	(324)	(45)	-	(404)
Depreciation (note 3)	(6,406)	(204)	(1,529)	(347)	(10,407)	(2,612)	-	(21,505)
Impairment charge (note 3)	-	-	-	-	(12,862)	-	-	(12,862)
Closing net book value	<u>122,533</u>	<u>5,669</u>	<u>1,999</u>	<u>458</u>	<u>49,365</u>	<u>13,072</u>	<u>3,760</u>	<u>196,856</u>
At 30 June 2006								
Cost	163,699	7,060	17,800	3,929	150,280	45,747	3,760	392,275
Accumulated depreciation	(41,166)	(1,391)	(15,801)	(3,471)	(64,855)	(32,675)	-	(159,359)
Impairment loss	-	-	-	-	(36,060)	-	-	(36,060)
Net book value	<u>122,533</u>	<u>5,669</u>	<u>1,999</u>	<u>458</u>	<u>49,365</u>	<u>13,072</u>	<u>3,760</u>	<u>196,856</u>
Year ended 30 June 2007								
Opening net book value	122,533	5,669	1,999	458	49,365	13,072	3,760	196,856
Revaluation	21,787	-	(291)	85	11,007	(4,644)	(11)	27,933
Additions	5,293	-	1,096	1,686	3,887	9,102	5,384	26,448
Transfers (note 7)	(28,872)	-	-	-	36	-	14,400	(14,435)
Disposals	(1,060)	-	(499)	-	-	(1,074)	-	(2,634)
Depreciation (note 3)	(3,961)	(556)	(581)	(625)	(11,073)	(2,261)	-	(19,057)
Impairment credit/(charge) (note 3)	297	-	(1)	(11)	(28)	(1)	-	256
Closing net book value	<u>116,017</u>	<u>5,113</u>	<u>1,723</u>	<u>1,593</u>	<u>53,194</u>	<u>14,194</u>	<u>23,533</u>	<u>215,367</u>
At 30 June 2007								
Cost	146,095	8,151	15,853	4,101	122,209	46,139	23,533	366,081
Accumulated depreciation	(30,375)	(3,038)	(14,129)	(2,497)	(32,927)	(31,944)	-	(114,910)
Impairment loss	297	-	(1)	(11)	(36,088)	(1)	-	(35,804)
Net book value	<u>116,017</u>	<u>5,113</u>	<u>1,723</u>	<u>1,593</u>	<u>53,194</u>	<u>14,194</u>	<u>23,533</u>	<u>215,367</u>

The impairment loss of P35.8 million (2006-P36.1 million) 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 note 29.

Notes to Financial Statements (Continued)

30 June 2007

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 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	<u>75</u>	<u>489</u>	<u>-</u>	<u>492</u>	<u>1,056</u>
At 30 June 2006					
Cost	220	8,036	37	2,333	10,626
Accumulated depreciation	(145)	(7,547)	(37)	(1,841)	(9,570)
Net book value	<u>75</u>	<u>489</u>	<u>-</u>	<u>492</u>	<u>1,056</u>
Year ended 30 June 2007					
Opening net book value	75	489	-	492	1,056
Additions	-	665	-	528	1,193
Disposals	(70)	-	-	-	(70)
Depreciation (note 3)	(5)	(419)	-	(165)	(589)
Closing net book value	<u>-</u>	<u>735</u>	<u>-</u>	<u>855</u>	<u>1,590</u>
At 30 June 2007					
Cost	220	8,682	-	2,839	11,741
Accumulated depreciation	(220)	(7,947)	-	(1,984)	(10,151)
Net book value	<u>-</u>	<u>735</u>	<u>-</u>	<u>855</u>	<u>1,590</u>
9. INTANGIBLE ASSETS					
Group					
	Trademarks P 000				
Year ended 30 June 2006					
Opening net book value	360				
Amortisation charge	(40)				
Closing net book value	<u>320</u>				
At 30 June 2006					
Cost	600				
Accumulated amortisation	(280)				
Net book value	<u>320</u>				
Year ended 30 June 2007					
Opening net book value	320				
Amortisation charge	(40)				
Closing net book value	<u>280</u>				
At 30 June 2007					
Cost	600				
Accumulated amortisation	(320)				
Net book value	<u>280</u>				

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

Notes to Financial Statements (Continued)

30 June 2007

10. SUBSIDIARIES	Shares at cost P 000	Held to maturity Short term loan P 000	Long term loan P 000	Total loan P 000	2007 Total investment P 000	2006 Total investment P 000	% of shares held	Loan interest rate p.a %
Agriculture								
Farm Development Company (Pty) Ltd.	2	-	-	-	2	2	100	17.5
Talana Farms (Pty) Ltd.	3,032	-	-	-	3,032	3,033	100	
Malutu Investments (Pty) Ltd.	10,000	-	-	-	10,000	10,000	70	
	13,034	-	-	-	13,034	13,035		
Industry								
Kwena Concrete Products (Pty) Ltd.	3,904	608	-	608	4,512	5,312	50	15
Lobatse Clay Works (Pty) Ltd.	96,999	-	-	-	96,999	72,646	100	17.5
Lobatse Tile (Pty) Ltd.	192,209	-	-	-	192,209	156,735	100	17.5
Golden Fruits (Pty) Ltd.	3,593	146	2,308	2,454	6,047	-	100	17.5
	296,705	754	2,308	3,062	299,767	234,693		
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	
	21,100	-	-	-	21,100	21,100		
Property management								
Botswana Hotel Development Co. (Pty) Ltd.	36,806	200	96,797	96,997	133,803	125,662	100	16.25
Coleraine Holdings (Pty) Ltd.	1,250	65	4,513	4,578	5,828	5,223	65	11
Commercial Holdings (Pty) Ltd.	29,516	8,970	16,980	25,950	55,466	66,424	100	
Fairground Holdings (Pty) Ltd.	8,615	-	-	-	8,615	8,615	51	
NPC Investments (Pty) Ltd.	1,321	-	-	-	1,321	1,321	100	11
Residential Holdings (Pty) Ltd.	30,234	2,972	28,379	31,351	61,585	59,825	100	Various
Western Industrial Estate (Pty) Ltd.	167,455	6,155	16,320	22,476	189,930	187,204	100	
	275,197	18,362	162,989	181,351	456,548	454,274		
Total all sectors	606,036	19,116	165,297	184,413	790,449	723,102		
Less: Current portion of loans included in short-term loans and advances (note 19)					(19,116)	(30,734)		
					771,333	692,368		
Less:								
Provision for losses (note 13)					(149,919)	(148,318)		
Fair value of loan provided at below market rate					(88,856)	(88,856)		
					532,558	455,194		

All the subsidiaries are registered in Botswana.

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

	2007 P 000	2006 P 000
Between 1 and 2 years	19,116	30,734
Between 2 and 5 years	60,175	70,366
Over 5 years	105,122	179,331
	184,413	280,431

Notes to Financial Statements (Continued)

30 June 2007

Group	Shares / capital accounts cost P 000	Short term loan P 000	Long term loan P 000	Total loan/ debenture P 000	Post acquisition reserves P 000	2007 Total investment P 000	2006 Total investment P 000	% of shares held	Loan Interest rate p.a %
11. Associated Companies/Partnerships									
Agriculture									
Golddigger Ventures (Pty) Ltd.	3,835	191	1,281	1,472	(145)	5,162	3,835	33	17.5
	3,835	191	1,281	1,472	(145)	5,162	3,835		
Industry									
Asphalt Botswana (Pty) Ltd.	1,092	614	853	1,467	8,860	11,419	8,299	48	12
Flowtite Botswana (Pty) Ltd.	-	-	-	-	-	-	47,185	37.21	Various
H J Heinz (Botswana) (Pty) Ltd.	-	-	-	-	-	-	3,112	20	
Kwena Rocla (Pty) Ltd.	2,695	-	-	-	-	11,720	11,162	49	
Tannery	11,948	-	-	-	9,025	11,948	12,144	32	
	15,735	614	853	1,467	17,885	35,087	81,902		
Services									
Global Resorts (Pty) Ltd.	4,819	-	-	-	21,142	25,961	19,149	40	
Healthcare Holdings (Pty) Ltd.	7,384	700	8,472	9,172	(2,103)	14,453	18,933	29.65	Various
Investec Holdings Botswana Ltd.	870	-	-	-	(14,639)	(13,769)	(10,449)	24.24	
Information Trust Company Botswana (Pty) Ltd.	147	-	-	-	1,453	1,600	904	49	
Mashatu Nature Reserve (Pty) Ltd.	10,287	-	-	-	(3,297)	6,990	5,391	30	5
Metropolitan Life of Botswana Ltd.	5,000	-	-	-	20,664	25,664	23,571	25	
	28,507	700	8,472	9,172	23,220	60,899	57,499		
Property management									
DBN Developments Partnership	1,500	541	561	1,102	10,699	13,301	14,275	33.33	11
The Liaison Partnership	1,763	-	-	-	(1,622)	141	354	40	
NBC Developments	1,531	368	1,791	2,159	5,828	9,518	9,233	33.33	11.5
Riverwalk (Pty) Ltd.	2,875	676	6,210	6,886	8,335	18,096	13,200	20	16
	7,669	1,585	8,562	10,147	23,240	41,056	37,062		
Total all sectors	55,746	3,090	19,168	22,258	64,200	142,204	180,298		
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)						(3,090)	(5,637)		
						139,114	160,386		
Less: Provision for losses (note 13)						(15,354)	(50,229)		
						123,760	110,157		
Company									
Shares/capital accounts at cost:									
-group investment as given above						55,746	81,032		
-amount invested in DBN Developments by NPC Investments (Pty) Ltd.						(1,500)	(1,500)		
						54,246	79,532		
Loans						22,258	46,084		
						76,504	125,616		
Less: Current portion of loans included in short-term loans and advances (note 19)						(3,090)	(5,637)		
						73,414	119,979		
Less: Provision for losses (note 13)						(15,354)	(50,229)		
						58,060	69,750		
Long-term loans are repayable over periods varying from 2 to 10 years and analysed as follows:									
Between 1 and 2 years						3,090	5,637		
Between 2 and 5 years						7,924	12,696		
Over 5 years						11,244	27,751		
						22,258	46,084		
Included in post acquisition reserves are the following:									
Current year share of associates profits						43,041	44,190		
Current year share of associates tax charge (note 6)						(7,375)	(5,737)		
Net profit after taxation						35,666	38,453		

Notes to Financial Statements (Continued)

30 June 2007

	Group		Company	
	2007 P 000	2006 P 000	2007 P 000	2006 P 000
12. UNQUOTED INVESTMENTS				
Shares at cost	8,181	13,375	8,181	13,375
Other investments	10,891	103	-	-
Held to maturity loans	<u>35,374</u>	<u>44,737</u>	<u>35,374</u>	<u>44,737</u>
Provision for losses (note 13)	54,446	58,215	43,555	58,112
	<u>(16,005)</u>	<u>(12,578)</u>	<u>(16,005)</u>	<u>(12,578)</u>
	<u>38,441</u>	<u>45,637</u>	<u>27,550</u>	<u>45,534</u>
Less: Current portion of loans included in short-term loans and advances (note 19)	(5,013)	(8,797)	(5,013)	(8,797)
	<u>33,428</u>	<u>36,840</u>	<u>22,537</u>	<u>36,737</u>

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:

Between 1 and 2 years	5,013	8,797	5,013	8,797
Between 2 and 5 years	11,599	32,933	11,599	32,933
Over 5 years	18,762	3,007	18,762	3,007
	<u>35,374</u>	<u>44,737</u>	<u>35,374</u>	<u>44,737</u>

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

At 1 July	65,145	88,565	213,463	196,268
Movement during the year (note 3)	<u>(32,842)</u>	<u>(23,420)</u>	<u>(31,241)</u>	<u>17,195</u>
At 30 June	<u>32,303</u>	<u>65,145</u>	<u>182,222</u>	<u>213,463</u>
<i>Represents provisions against:</i>				
Subsidiaries (Note 10)	-	-	149,919	148,318
Investment projects in progress (note 16)	944	2,338	944	2,338
Associates (note 11)	15,354	50,229	15,354	50,229
Unquoted investments (note 12)	16,005	12,578	16,005	12,578
	<u>32,303</u>	<u>65,145</u>	<u>182,222</u>	<u>213,463</u>

14. QUOTED INVESTMENTS

	Group and Company	
	2007 P 000	2006 P 000
Shares at cost	93,480	93,480
Net gain transferred to fair value reserve (note 24)	566,813	535,330
Shares at market value	<u>660,293</u>	<u>628,810</u>
Comprising:		
Sechaba Breweries Holdings Ltd.,	541,305	541,305
PPC South Africa Ltd.,	118,988	87,505
	<u>660,293</u>	<u>628,810</u>

The company holds 34,044,315 (2006: 34,044,315) and 287,187 (2006: 287,187) ordinary shares in Sechaba Breweries Holdings Ltd and PPC South Africa Ltd., respectively.

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

Notes to Financial Statements (Continued)

30 June 2007

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	
	2007	2006
	P 000	P 000
Farm Development Company (Pty) Ltd.	-	(547)
Talana Farms (Pty) Ltd.	(103)	(196)
Lobatse Clay Works (Pty) Ltd.	(8,306)	(8,306)
Lobatse Tile (Pty) Ltd.	(17,357)	(6,636)
Export Credit Insurance & Guarantee (Pty) Ltd.	35	35
Botswana Hotel Development Co. (Pty) Ltd.	12,864	10,909
Commercial Holdings (Pty) Ltd.	3,611	3,431
NPC Investments (Pty) Ltd.	3,860	3,017
Residential Holdings (Pty) Ltd.	3,732	7,159
Western Industrial Estate (Pty) Ltd.	25,951	22,944
	<u>24,287</u>	<u>31,810</u>

16. INVESTMENT PROJECTS IN PROGRESS

Equity

	Group and Company	
	2007	2006
	P 000	P 000
Golden Fruits (Pty) Ltd.	-	3,093
Can Manufacturing (Pty) Ltd.	20,625	7,981
L P Amusement (Pty) Ltd.	8,756	26
Thabana Investments (Pty) Ltd.	1,444	1,444
Phakalane Property Development (Pty) Ltd.	510	510
	<u>31,335</u>	<u>13,054</u>

Loans

Thabana Investments (Pty) Ltd.	-	894
Can Manufacturing (Pty) Ltd.	23,998	3,710
Golden Fruits (Pty) Ltd.	-	2,074
Total equity and loans.	55,333	19,732
Less: Provision for losses (note 13)	(944)	(2,338)
	<u>54,389</u>	<u>17,394</u>

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

Notes to Financial Statements (Continued)

30 June 2007

17. INVENTORIES	Group		Company	
	2007 P 000	2006 P 000	2007 P 000	2006 P 000
Raw materials	5,601	4,366	-	-
Work in progress	230	298	-	-
Finished goods	3,754	9,004	-	-
Moulds and patterns	779	500	-	-
Consumables	1,407	1,284	-	-
	<u>11,771</u>	<u>15,452</u>	<u>-</u>	<u>-</u>

Inventories of subsidiaries amounting to P Nil (2006:P12.8 million) have been pledged as security for bank overdrafts (note 33).

18. RECEIVABLES AND PREPAYMENTS

Gross trade receivables	36,705	26,118	-	-
Less provision for bad and doubtful debts	(10,983)	(8,291)	-	-
Net trade receivables	<u>25,722</u>	<u>17,827</u>	<u>-</u>	<u>-</u>
Prepayments	3,986	408	-	-
Loans to officers	21,604	18,467	21,604	18,467
Other	43,251	13,048	16,787	3,865
	<u>94,563</u>	<u>49,750</u>	<u>38,391</u>	<u>22,332</u>

Trade receivables of P Nil (2006: P4.5 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:

At 1 July	8,291	5,599	-	-
Net movement during the year	2,692	2,692	-	-
At 30 June	<u>10,983</u>	<u>8,291</u>	<u>-</u>	<u>-</u>

19. SHORT-TERM LOANS AND ADVANCES

Short-term portion of loans to:				
Subsidiaries (note 10)	-	-	19,116	30,734
Associated companies (note 11)	3,090	5,637	3,090	5,637
Unquoted investments (note 12)	5,013	8,797	5,013	8,797
	<u>8,103</u>	<u>14,434</u>	<u>27,219</u>	<u>45,168</u>

20. AVAILABLE FOR SALE INVESTMENTS

Money market funds	305,386	300,888	262,371	234,486
Land for resale	1,715	1,739	-	-
	<u>307,101</u>	<u>302,627</u>	<u>262,371</u>	<u>234,486</u>

Money market funds

Surplus cash funds are invested by the parent company on behalf of the group in money market funds

The interest earned is at an effective rate of 11.8% (2006:12.8%).

The proportionate amount of interest up to 30th June is added to the cost of investment approximating the fair value.

Land for resale

A subsidiary company of the group had 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

Cash and bank deposits	<u>145,290</u>	<u>193,120</u>	<u>99,452</u>	<u>156,760</u>
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Notes to Financial Statements (Continued)

30 June 2007

	Group and Company	
	2007	2006
	P 000	P 000
22. SHARE CAPITAL AND SHARE PREMIUM		
Authorised		
Ordinary shares of P1 each	246,000	246,000
Cumulative redeemable non-voting preference shares of P1 each		
Class A	1,200	1,200
Class B	1,000	1,000
Class C	500	500
Class D	800	800
Class E	500	500
	<u>250,000</u>	<u>250,000</u>
Issued and fully paid		
Ordinary shares of P1 each	<u>238,199</u>	<u>238,199</u>
Share premium	<u>297,000</u>	<u>297,000</u>

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.

	Group		Company	
	2007	2006	2007	2006
	P 000	P 000	P 000	P 000
24. FAIR VALUE RESERVE				
At 1 July	535,330	452,790	535,330	435,852
Movement during the year	31,483	82,540	31,483	99,478
At 30 June	<u>566,813</u>	<u>535,330</u>	<u>566,813</u>	<u>535,330</u>
Comprising:				
Quoted investments (note 14)	<u>566,813</u>	535,330	<u>566,813</u>	<u>535,330</u>
25. OTHER RESERVES				
Capital redemption reserve	7,060	7,060	4,000	4,000
Capitalisation of bonus shares	1,504	1,504	1,504	1,504
Statutory capital, solvency and other reserves	37,713	30,118	-	-
	<u>46,277</u>	<u>38,682</u>	<u>5,504</u>	<u>5,504</u>

Statutory capital and solvency reserves

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

	Group and Company	
	2007	2006
	P 000	P 000
26. DIVIDEND RESERVE		
At 1 July	18,050	17,126
Dividends proposed	20,000	18,050
Dividends paid	(18,050)	(17,126)
At 30 June	<u>20,000</u>	<u>18,050</u>

	Group	
	2007	2006
	P 000	P 000
27. CLAIMS EQUALISATION RESERVE		
At 1 July	875	846
Transfers from other reserves	96	29
At 30 June	<u>971</u>	<u>875</u>

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

	Group	
	2007	2006
	P 000	P 000
At 1 July	48,625	38,848
Share of net profit of subsidiaries	32,054	127
Dividends paid and share of non distributable reserves	(11,192)	9,650
At 30 June	<u>69,487</u>	<u>48,625</u>

Notes to Financial Statements (Continued)

30 June 2007

29. BORROWINGS	Group		Company	
	2007 P 000	2006 P 000	2007 P 000	2006 P 000
Debt Participation Capital Funding				
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P183,000 each over the period to 2008	341	651	341	651
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P137,000 each over the period to 2008	255	486	255	486
Unsecured loan bearing interest at 2% per annum repayable in half-yearly instalments of P253,000 each over a period of 17 years	3,744	4,166	3,744	4,166
Unsecured loan bearing interest at 12.1% per annum repayable in half-yearly instalments of P564,000 each over the period to 2021	7,528	7,728	7,528	7,728
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P165,000 each over the period to 2011	1,065	1,513	1,065	1,272
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P145,000 each over the period to 2011	1,029	1,204	1,029	1,204
Unsecured loan bearing interest at 8.5% per annum repayable in half-yearly instalments of P231,000 each over the period to 2011	1,700	1,999	1,700	1,999
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P261,000 each over the period to 2012	2,256	2,566	2,256	2,566
Unsecured loan bearing interest at 7.5% per annum repayable in half-yearly instalments of P316,000 each over the period to 2014	3,386	3,743	3,386	3,743
Unsecured loan bearing interest at 7.5% per annum repayable in half-yearly instalments of P750,000 each over the period to 2014	8,488	9,306	8,488	9,306
Unsecured loan bearing interest at 8% per annum repayable in half-yearly instalments of P1,100,000 each over the period to 2015	12,815	13,923	12,815	13,923
Unsecured loan bearing interest at 8% per annum repayable in half-yearly instalments of P1,580,000 each over the period to 2016	20,748	22,163	20,748	22,163
Unsecured loan bearing interest at 9.5% per annum repayable in half-yearly instalments of P221,000 each over the period to 2006	2,979	3,127	2,979	3,127
Unsecured loan bearing interest at 9.5% per annum repayable in half-yearly instalments of P2,515,000 each over the period to 2017	33,877	35,568	33,877	35,568
Unsecured loan bearing interest at 12.1% per annum repayable in half-yearly instalments of P300,000 each over the period to 2017	3,670	3,812	3,670	3,812
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	88,856	88,856	88,856
Unsecured loan bearing interest at 12.1% per annum repayable in half-yearly instalments of P834,000 each over the period to 2020	10,784	11,119	10,784	11,119
	<u>203,521</u>	<u>211,930</u>	<u>203,521</u>	<u>211,689</u>
European Investment Bank				
Unsecured loan bearing interest at 1% per annum repayable in 10 annual payments from 2000 (loan number 70948)	1,158	1,367	1,158	1,367
Loan bearing interest at 2% per annum, guaranteed by the Government of Botswana, repayable by 2017 (loan number 70893)	12,245	11,811	12,245	11,811
Loan bearing interest at 5% per annum, guaranteed by the Government of Botswana, repayable by 2008 (loan number 70699)	7,600	7,330	7,600	7,330
	<u>21,003</u>	<u>20,508</u>	<u>21,003</u>	<u>20,508</u>

Notes to Financial Statements (Continued)

30 June 2007

	Group		Company	
	2007 P 000	2006 P 000	2007 P 000	2006 P 000
29. BORROWINGS (continued)				
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	22,201	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	2,163	836	-	-
Gross borrowings	<u>448,888</u>	<u>457,823</u>	<u>424,524</u>	<u>432,197</u>
Less:				
Portion of exchange loss borne by the Government of Botswana	(5,429)	(6,060)	(5,429)	(5,182)
Fair value adjustment arising from valuation of loans at below market interest rates	<u>(23,960)</u>	<u>(23,960)</u>	<u>(107,328)</u>	<u>(110,072)</u>
	419,499	427,803	311,767	316,943
Less: Current portion included under current liabilities	<u>(11,410)</u>	<u>(9,140)</u>	<u>(8,869)</u>	<u>(8,416)</u>
	<u>408,089</u>	<u>418,663</u>	<u>302,898</u>	<u>308,527</u>
<i>Analysis of gross borrowings</i>				
Not later than 1 year	11,410	9,140	8,869	8,416
Later than 1 year, but not later than 5 years	243,733	253,493	243,310	253,070
Later than 5 years	193,745	195,190	172,345	170,711
Gross borrowings	<u>448,888</u>	<u>457,823</u>	<u>424,524</u>	<u>432,197</u>

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 (2006: 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:

Cost	413	413	-	-
Accumulated depreciation	(151)	(51)	-	-
Net book value	<u>262</u>	<u>362</u>	<u>-</u>	<u>-</u>

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 (2006: P764,000).

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

Loan number	Currency	Foreign amount at	Pula equivalent at
		30 June 2007	30 June 2007
		Euro 000	P 000
70699	Euro	931	7,600
70893	Euro	1,500	12,245
70948	Euro	142	1,158
		<u>2,573</u>	<u>21,003</u>

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.

Notes to Financial Statements (Continued)

30 June 2007

	Group	
	2007	2006
	P 000	P 000
30. GOVERNMENT GRANTS		
At 1 July	33,771	34,548
Amortisation during the year (note 3)	(777)	(777)
At 30 June	<u>32,994</u>	<u>33,771</u>
Gross Government grants	49,960	49,960
Amortisation	(5,866)	(5,089)
Utilised as provision for impairment loss	(10,000)	(10,000)
Realised	<u>(1,100)</u>	<u>(1,100)</u>
	<u>32,994</u>	<u>33,771</u>

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

At 1 July	18,236	13,891
(Credit)/charge to the income statement (note 6)	(13,141)	4,345
Prior years under provision	56,084	-
At 30 June	<u>61,179</u>	<u>18,236</u>

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

	Group		Company	
	2007	2006	2007	2006
	P 000	P 000	P 000	P 000
32. TRADE AND OTHER PAYABLES				
Trade payables	15,015	16,767	13	64
Accruals	7,941	3,724	535	1,330
Other payables	54,998	31,036	13,717	11,027
	<u>77,954</u>	<u>51,527</u>	<u>14,265</u>	<u>12,421</u>

33. BANK OVERDRAFTS

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

34. COMMITMENTS

Approved capital expenditure	6,439	5,435	-	-
Approved equity and loan investments undisbursed	430,986	181,907	430,986	181,907
	<u>437,425</u>	<u>187,342</u>	<u>430,986</u>	<u>181,907</u>

35. CONTINGENT LIABILITIES

Guarantees in respect of facilities granted to certain subsidiaries and third parties	10,000	17,500	9,000	16,000
Withholding tax payable on management fees and interest thereon	4,939	4,939	-	-
	<u>14,939</u>	<u>22,439</u>	<u>9000</u>	<u>16,000</u>

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.

Notes to Financial Statements (Continued)

30 June 2007

37. 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 2007 and in 2006, 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.

38. Related party transactions and balances

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

	Group	
	2007	2006
	P 000	P 000
Transactions during the year		
Subsidiaries		
<i>Cresta Marakanelo (Pty) Ltd.</i>		
Management fees paid Trans Industries (Pty) Ltd. minority shareholder	3,034	2,511
Profit bonus paid to Trans Industries (Pty) Ltd. minority shareholder	<u>2,406</u>	<u>1,234</u>
Other related parties		
Directors' fees	265	163
Directors' remuneration for executive services	918	727
Key management's remuneration	<u>1,523</u>	<u>1,484</u>
Associated companies		
<i>Asphalt Botswana (Pty) Ltd.</i>		
Finance costs on borrowings from Botswana Development Corporation Limited	408	266
<i>HealthCare Holdings (Pty) Ltd.</i>		
Finance costs on borrowings from Bifm Limited and Debswana Pension Fund	-	1,541
<i>Metropolitan Life of Botswana Ltd.</i>		
Directors' fees	47	47
Directors' remuneration for executive services	522	602
<i>Global Resorts (Pty) Ltd.</i>		
Development fees paid to Global SA (Pty) Ltd., the holding company	-	198
Management fees paid to Global SA (Pty) Ltd., the holding company	<u>10,727</u>	<u>10,248</u>
<i>ITC Botswana (Pty) Ltd.</i>		
Management fees paid to ITC SA (Pty) Ltd., the holding company	300	263

Notes to Financial Statements (Continued)

30 June 2007

38. Related party transactions and balances (continued)

ITC Botswana (Pty) Ltd.

Management fees paid to ITC SA (Pty) Ltd., the holding company

HJ Heinz Botswana (Pty) Ltd.

Directors' fees	-	20
Directors' remuneration for executive services	-	1,087
Royalties paid to Olivine Industries (Pvt) Zimbabwe	-	35

Kwena Rocla (Pty) Ltd.

Management fees paid to D and H Industrial Holdings (Pty) Ltd., immediate holding company	370	333
Purchases from D and H Industrial Holdings (Pty) Ltd., immediate holding company	651	900

Investec Holdings (Botswana) Ltd.

Directors' remuneration for executive services	1,017	1,746
Asset management fees paid to fellow subsidiaries	4,845	3,498
Finance income from fellow subsidiaries	<u>(3,508)</u>	<u>(2,372)</u>

Year end balances

Subsidiaries

Cresta Marakanelo (Pty) Ltd.

Due from Cresta Hospitality (Pvt) Zimbabwe-fellow subsidiary	2	1
Due from Trans Industries (Pty) Ltd., minority shareholder	276	218
Due to Trans Industries (Pty) Ltd., minority shareholder	<u>(1,584)</u>	<u>(1,064)</u>

Other related parties

Amounts due by/(to) directors	-	-
Amounts due by/(to) key management personnel	<u>1,688</u>	<u>1,973</u>

Associated companies

Asphalt Botswana (Pty) Ltd.

Due to Botswana Development Corporation Limited	(1,467)	(2,347)
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Global Resorts (Pty) Ltd.

Current account balance due to Global Resorts SA (Pty) Ltd., immediate holding company	(1,105)	(930)
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ITC Botswana (Pty) Ltd

Current account balance due to ITC SA (Pty) Limited, immediate holding company	(265)	(156)
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HJ Heinz Botswana (Pty) Ltd.

Current account balance due from Olivine Industries (Pvt) Zimbabwe, fellow subsidiary	-	444
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Kwena Rocla (Pty) Ltd.

Current account balance due to Rocla SA (Pty) Limited, fellow subsidiary	(184)	(147)
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Mashatu Nature Reserves (Pty) Ltd.

Current account balance due to MalaMala Ranch (Pty) Ltd.	-	(5,800)
Loan balance due to Mashatu Investments (Pty) Ltd.	-	(7,355)

Investec Holdings (Botswana) Ltd.

Amounts held on behalf of related parties	-	(29,533)
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Healthcare Holdings (Pty) Ltd.

Debentures-Debswana Pension Fund	(8,961)	(8,961)
Debentures-Botswana Insurance Fund Management Ltd	<u>(8,760)</u>	<u>(8,760)</u>

Notes to Financial Statements (Continued)

30 June 2007

		Group		Company	
	Notes	2007 P 000	2006 P 000	2007 P 000	2006 P 000
39. CASH GENERATED FROM OPERATIONS					
Profit before taxation		226,119	80,165	96,911	88,064
Adjustments for:					
Amortisation of Government grants	30	(777)	(777)	-	-
Amortisation of intangible assets	9	40	40	-	-
Depreciation					
- Investment properties	3	-	6,235	-	-
- Property, plant and equipment	3	19,057	21,505	589	965
Fair valuation of investment properties	7	(137,116)	-	-	-
Impairment of property, plant and equipment	3	(256)	12,862	-	-
Revaluation of property, plant and equipment		(27,933)	-	-	-
Dividend received from associates	3	31,151	18,597	-	-
Profit on disposal of property, plant and equipment	3	(7,871)	(337)	(8,065)	-
Profit on disposal of investment properties		(117)	(2,639)	-	-
Loans written off - associates	11	46,036	15,747	46,036	-
Share of result before taxation of associates	3	(43,041)	(44,190)	-	-
Transfer from claims equalisation	3	96	29	-	-
Provision for losses on investments	5	(31,447)	(23,420)	(29,846)	17,195
Net finance income/costs		(7,543)	(11,183)	(2,335)	(9,653)
Changes in working capital					
-due from group companies		-	-	7,523	1,219
-accounts receivable		(44,813)	1,651	(16,059)	(3,008)
-inventories		3,681	(106)	-	-
-accounts payable		26,427	10,053	1,844	1,394
		<u>51,693</u>	<u>84,232</u>	<u>96,598</u>	<u>96,176</u>

Comparative Group Results

	1998	1999	2000	2001	2002	2003	Re-stated 2004	Re-stated 2005	2006	2007
Revenue (million Pula)	237.3	254.6	238.8	213.8	211.4	279.4	244.1	237.1	247.6	278.1
Profit before taxation (million Pula)	(18.8)	(97.7)	32.5	34.6	70.7	59.0	74.0	60.0	80.2	226.1
Interest paid (million Pula)	33.8	31.4	34.8	22.3	22.0	21.0	25.0	44.0	47.2	44.7
Equity (million Pula)	511.5	408.6	435.1	485.1	559.2	559.2	559.2	559.2	559.2	559.2
Capital employed (million Pula)	889.6	786.7	900.4	1,099.1	1,219.3	1,335.6	1,204.0	1,355.7	1,508.6	1,732.7
Average number of employees	13,648	11,791	7,165	5,520	5,830	5,060	4,879	1,271	1,182	1,266
Return on capital employed	(2.1%)	(12.4%)	3.6%	3.1%	5.8%	4.4%	6.1%	4.4%	2.9%	9.7%
Net profit to revenue	(7.9%)	(38.4%)	13.6%	16.2%	33.4%	21.1%	30.3%	25.3%	23.3%	76.2%
Interest paid to revenue	14.2%	12.3%	14.6%	10.4%	10.4%	7.5%	10.2%	18.6%	19.1%	16.1%
Long term debt to revenue ratio	0.7	0.8	0.4	1.1	0.9	0.9	1.8	1.9	1.9	1.5
Assets to liabilities ratio	2.2	1.9	2.7	3.6	3.3	3.3	3.0	3.5	3.7	3.8
BDC investment ratio	0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.5

