DELIVERING FLEXIBLE FINANCIAL SOLUTIONS

Botswana Development Corporation ANNUAL REPORT 2011

EQUITY PARTICIPATION | LOAN FINANCING | PROPERTY DEVELOPMENT | INVOICE DISCOUNTING

Botswana Development Corporation Limited

"Your Investment Partner"

BDC THEME RATIONALE 2011

BDC's CORE MANDATE

The BDC's core mandate is to:

1. Provide financial assistance to investors with commercially viable projects.
2 Support projects that generate sustainable employment for Batswana and add to the skills of the local workforce.
3. Encourage citizen participation in business ventures.
4. Support the development of viable businesses, which perform one or more of the following functions:
   - Use locally available resources.
   - Produce products for export or to substitute imports.
   - Foster linkages with the local industry.
   - Contribute to the development of Botswana's resources and overall economy.
5. Limit its involvement in new projects to a minority interest but bear the major burden of development where this is in the national interest.

SOME BDC 2011 HIGHLIGHTS

1. The launch of Letlole La Rona and its subsequent listing on the Botswana Stock Exchange.
2. Handing over of newly constructed offices to the women's organization, Letsatsi Le Etla.
3. Golden Fruit 97, a BDC subsidiary, puts plans in motion to expand into the regional market.
4. The acquisition of the Kazungula based two-star Toro Lodge for further development.
5. 70% completion on Palapye Glass Project.
6. Increased business loan financing and support.
7. The hosting of the Fairscape Precinct ground breaking ceremony in conjunction with Commercial Holdings.

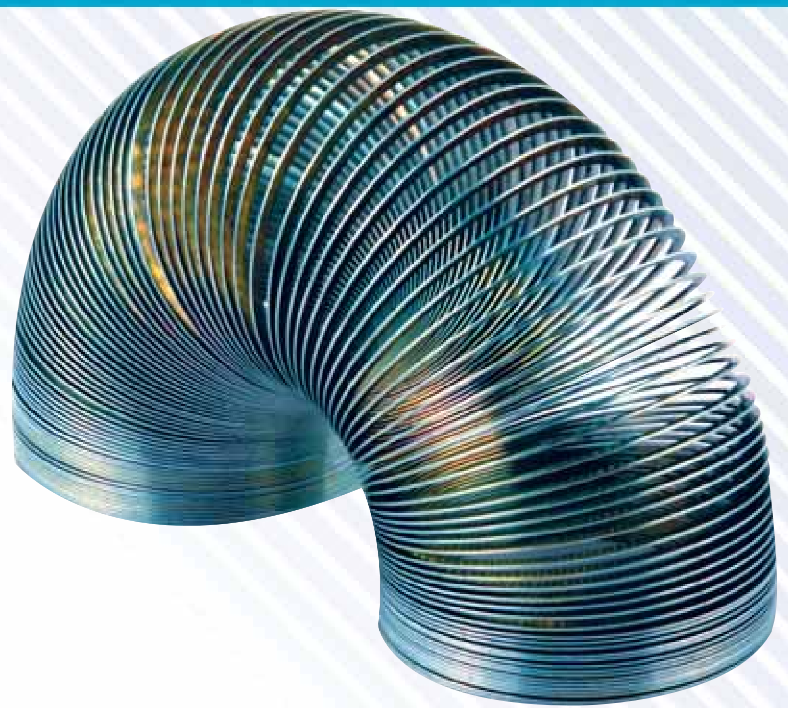
The BDC, throughout the review period, saw numerous developments that spanned across various platforms. One of the standout achievements for the corporation in the year under review was the establishment of the property fund, Letlole La Rona, allowing for private citizens to acquire shares in the BDC's property sector.

Through social responsibility as a corporation, the BDC managed to also deliver a newly constructed office to a woman - based organization in Motlhabaneng. With a number of its subsidiaries looking to either expand locally and/or regionally, the corporation continues to achieve its core mandate which focuses on citizen empowerment through financially backed business ventures which succeed, going up to regional level. The continual financing of loans that meet the full requirements of a business, at competitive and flexible interest rates, has allowed the BDC to set itself apart with more rentals coming in from property owned by the corporation: through factory units, commercial properties and residential properties.

OBJECTIVES FOR STAKEHOLDER RESPONSE:

We want our stakeholders to say:

- The BDC safeguards businesses financially and encourages Batswana to start up ventures that are beneficial to the country as a whole.
- The BDC is a multi-financing corporation that is flexible enough to provide for various financing needs in a diverse and varying economy.
- The BDC focuses on national development through the financing of businesses that reduce imports and therefore uplift the national economy.
- The BDC is people orientated and contributes largely on a social level, due to its Social Responsibility mandate.
- The BDC is the solution for business financial support in Botswana.



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The Corporation has recorded a profit before tax of P229.7 million for the year ended June 2011, compared to P227.6 million in the previous year.

CORPORATE PROFILE

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 nominated to the boards of associate and affiliate companies. Such appointees act largely 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 Offering Diverse Financial Products to promote Development and Economic Diversification."

VISION

"To be the Leading Investment and Development Financier."

BDC's role is to:

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

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

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

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

BDC'S PRODUCT/SERVICES

BDC provides the following services:

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

For further information contact:
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Botswana Development Corporation Limited
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P/Bag 160, Gaborone
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Email: enquiries@bdc.bw
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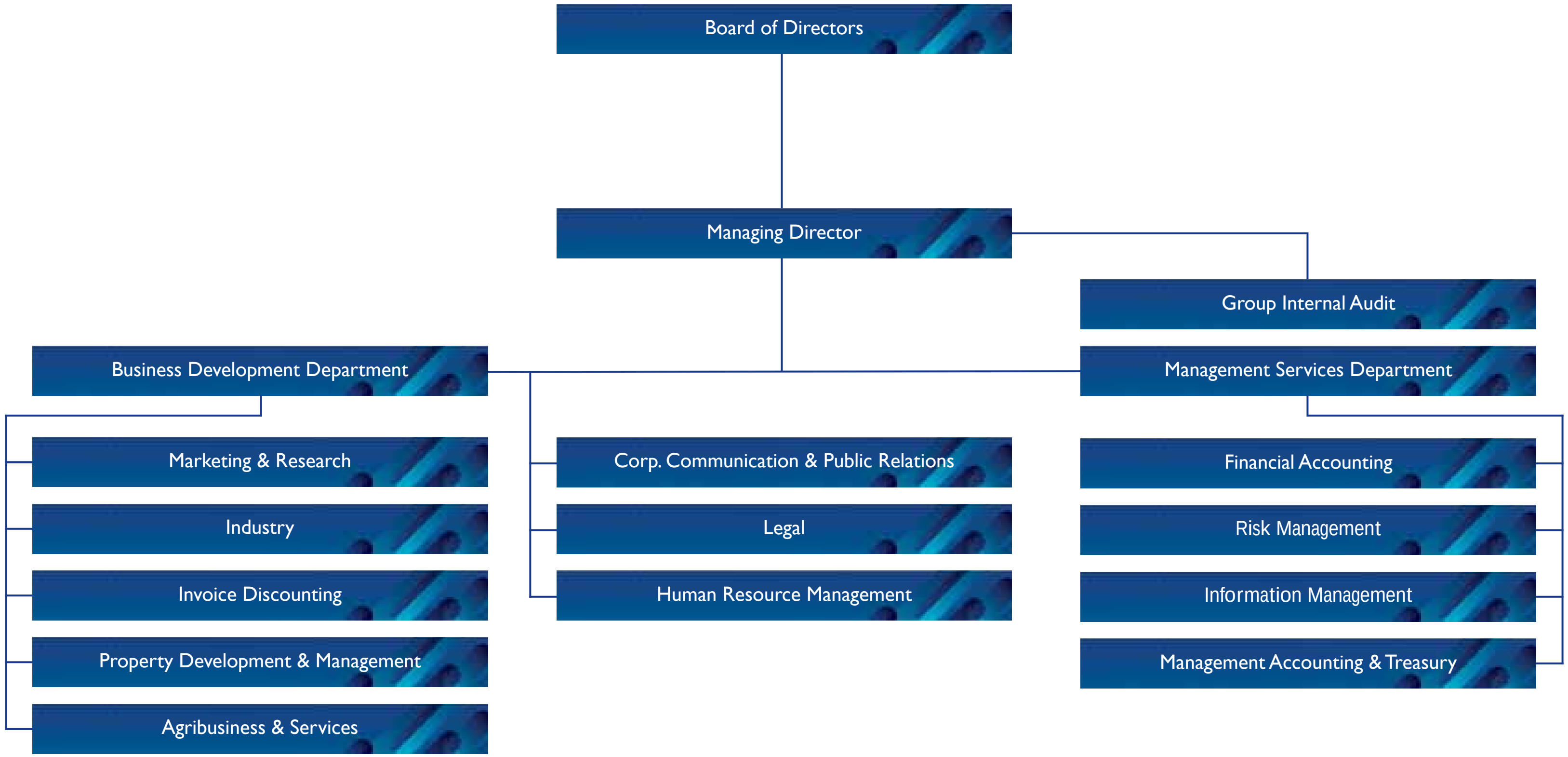
ORGANISATIONAL STRUCTURE



BOARD OF DIRECTORS


Mr. Solomon M. Sekwakwa
Board Chairman


Dr. Shabani E. Ndzinge
Deputy Board Chairman


Ms. Maria M. Nthebolan
Managing Director


Mr. Thuso C. Dikgaka


Mrs. Ina K. Kandjii


Mrs. Banny K. Molosiwa


Mr. Odirile Merafhe


Mrs. Ntletleng M. Masisi


Mr. Nightingale K. Kwele

MANAGEMENT


Ms. Maria M. Nthebolan
Managing Director


Mrs. Sametsi Ditshupo
General Manager, Business Development


Mr. James N. Kamyuka
General Manager, Management Services


Mr. Martin M. Sikalesele
Chief Information Officer


Mr. Batlang G. Mmualefe
Manager, Marketing and Research


Ms. Rosemary D. Mogorosi
Manager, Industry


Ms. Magdeline Tsiane
Chief Financial Accountant


Mr. Khalala Mokefane
Manager, Invoice Discounting


Mrs. Wilhelminah Baipidi - Maje
Manager, Risk Management


Ms. Jennifer Dube
Manager, Legal Division


Mr. Rod Boyd
Manager, Special Projects


Mr. Letsweletse M. Ramokate
Manager, Property Development & Management


Mr. Ronald M. Phole
Group Internal Auditor


Mr. Gomolemo Zimona
Manager, Corporate Communications & Public Relations


Mr. Simon T. Meti
Manager, Human Resources & Development


Ms. Diketso Rantshabeng
Manager, Agribusiness

CHAIRMAN'S REPORT

Mr. Solomon M. Sekwakwa

The Corporation and its Group Companies have performed satisfactorily despite another year characterised by subdued economic activity not only in Botswana, but globally.

FINANCIAL PERFORMANCE

The Group has achieved a Profit Before Tax of P154.7 million compared to the previous year's P200.7 million. This performance is despite certain group companies performing below expectation. Group turnover of P267.1 million compares well with the previous year's performance with a reduction of 7% due to the challenges associated with the global economic slow down. Good performing Group Companies in the year under review include Botswana Hotel Development Company; P63.7 million, Fairgrounds Holdings; P64.8 million, Residential Holdings; P24.4 million, Peermont Global (Botswana) (Pty) Ltd; P64.7 million (with BDC share amounting to P25.9 million), Metropolitan; P50.9 million (with BDC share amounting to P12.3 million), Investec; P20.6 million (with BDC share amounting to P4.99 million), Sechaba; P155.6 million (with BDC share amounting to P41.2 million) and Kwena Rocla; P16.5 million (with BDC share amounting to P8.0 million).

The Corporation's investment in subsidiaries increased by 52.7% to P902.8 million in the year under review. Key beneficiaries of these funds were Lobatse Clay Works; P28.1 million, Commercial Holdings; P26.8 million which is in the business of developing commercial properties and LP Amusement Park; P15.1 million, Botswana Hotel Development Company; P33.3 million and Letlole La Rona; P334.1 million.

The associates have increased by 168.0% from P138.7 million in 2010 to P371.7 million in the year under review. The key increases are attributable to Asphalt; P5.7 million, Kwalape Tours; P4.4 million, Peermont Global (Botswana); P31.6 million and Fengyue Glass Manufacturing (Botswana) (Pty) Ltd; P173.6 million.

GROUP COMPANIES ACTIVITIES

A number of major projects are still being implemented. These include:

FENGYUE GLASS MANUFACTURING (BOTSWANA) PTY LTD

The project is being implemented on an Engineering Procurement Construction (EPC) basis. The warehouse and silica sand storage facility are nearly completed, and the major process buildings of melting, forming, annealing and cutting are about 80% complete and are the key construction components of the project. The major machinery and equipment has been delivered to the project site and installation has yet to commence. Equipment installation is scheduled to start soon and is estimated to take 6 months. Funds have been secured for the reticulation of services to the site as it is not serviced.

In light of implementation progress made and cost escalations of the project, the Board decided to approve additional funding amounting to P332 million for completion of the project and work is ongoing at the project site. In addition, the Board wishes to point out that the project is still worthwhile and stands to serve the national objectives for which it was initially intended, such as; economic diversification, job creation, skills transfer, linkages with other industries and beneficiation of local raw materials such as silica and soda ash which the country has in abundance.

This project has experienced difficulties in the past six months and has been the subject of numerous newspaper articles. The Board noted with concern that the project has experienced substantial cost over-runs. These over-runs are a result of:

- Initial start up delays in that although the project was approved in June, 2007, the financing package for the project was only concluded in November 2009, and civil works commenced in July, 2010. This exposed the project to adverse foreign exchange costs and major price escalations.
- Unforeseen project component costs such as additional civil works and geological work.

In order to obtain additional assurances and due to the complexity of the project at the final stages of implementation, the Corporation has brought in the services of float glass experts. These experts will give the assurance to the Corporation that work is progressing according to plan, on time, within specifications and within the revised budget. Additionally, the Corporation is reviewing all agreements pertaining to the project to ensure that they fully safeguard its interests.

CHAIRMAN'S REPORT {CONTINUED}

Since the project was approved in 2007, various glass market fundamentals must be revisited and re-appraised. This has been done on an ongoing basis and continues to be done. The next six months are crucial in firming up the market. It should however also be noted that there exists an off take agreement for 70% of the finished product with Shanghai Fengyue.

Funds to be used to finance the cost over-runs are to be sourced by the Corporation from the usual channels used by the Corporation. These include retained earnings, debt from the capital markets and shareholder equity injection into the Corporation.

You may observe from the forgone that the project has now taken longer than initially planned, and various initiatives are now being embarked upon to get it to completion. Due to this, it is not possible to determine with definite certainty the carrying value of the investment at this juncture and hence the qualification of the accounts. When the project implementation moves closer to completion a full evaluation of the carrying value will be done.

As it is well known, the Board commissioned a forensic audit on this project. The scope of the forensic investigation addressed inter alia:

- Funding and project costs to date and to completion of the project.
- Procurement procedures followed.
- The joint venture relationship between BDC, Fengyue Glass (Botswana), Shanghai Fengyue (BVI) and Shanghai Fengyue (China).
- Governance procedures relating to:
  - Project management - including execution and monitoring,
  - Financial management encompassing perfection of securities and disbursements procedures,
  - Adequacy and level of reporting to those charged with governance.

The investigation was concluded and the report issued after the year end. The Board is yet to make its pronouncement on the findings.

BLOCK 5 NORTH

BDC is developing a 67 hectare piece of land in Block 5 North, through Residential Holdings, a 100% BDC subsidiary. The engineering designs have been approved including the Environmental Impact Assessment. Construction will commence in early 2012 with completion scheduled for December 2012. The development will generate a mix of single-family residential plots, multi-family residential plots, a commercial centre, civic and community plots for sale to citizens and citizen owned companies.

LETLOLE-LA-RONA LIMITED

The Corporation recently created a special purpose vehicle (SPV) - Letlole la Rona and listed it on the Botswana Stock Exchange. This SPV acquired the majority of the properties disposed off by the Corporation's 100% owned property companies. The Corporation holds 78% of this entity and intends to reduce this to 30% over time.

COMMERCIAL HOLDINGS

As already mentioned, the company deals in commercial properties and is developing an up market mixed use facility in Fairgrounds Office Park comprising of offices, retail and hotel space. This building will comprise of 15 storeys and project completion is expected in December 2013. The building will cost in the region of P460 million.

GOVERNANCE

The BDC Board re-affirms its commitment to the principles of sound Corporate Governance as called for by the universally recognized international best practice and quality standards, including King III, OECD principles and ISO9001:2008. The Corporation issues a fully fledged Corporate Governance statement setting out all governance practices and activities, to which the statement is contained in this annual report.

CONCLUSION

The year under review has been a difficult one. Economic recovery has continued to be elusive and there is a threat of double dip recession. The Corporation and its Group Companies continue to perform as well as they can under the circumstances. I wish to thank the Board and staff of the Corporation for their resilience in continuing to drive the Corporation in the right direction and achieving success.

Mr. Solomon M. Sekwakwa
Chairman of the Board

The Corporation turnover has been impressive at P400.0 million. Profit before tax of P229.7 million has been achieved and is well above what the Corporation had forecasted.

MANAGING DIRECTOR'S REPORT

Ms. Maria M. Nthebolan

I am delighted to report on the Corporation's performance which once again has exceeded expectations, despite the very difficult operating environment occasioned with the shadow of a double dip recession. A profit before tax of P229.7 million has been achieved and is well above what the Corporation had forecasted at the beginning of the year, compared with the achievement of the previous year.

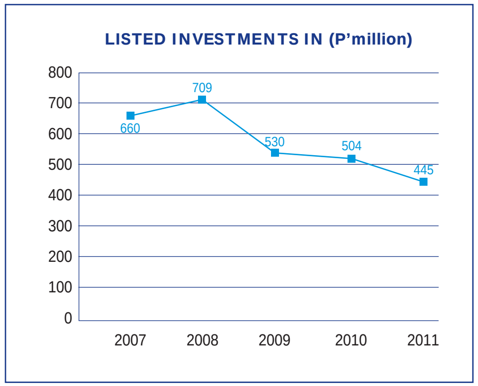
FINANCIAL PERFORMANCE

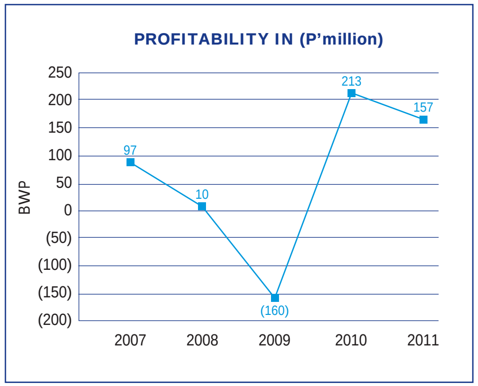
Turnover has been impressive at P400.0 million, far exceeding what has ever been achieved by the Corporation at any one time. The Corporation has enjoyed a healthy growth in the Dividend Income from both its subsidiaries and associate companies. Dividends from subsidiaries grew to P240.7 million from a trickle of P27.9 million (2010) mainly on the back of dividends declared by the Corporation's 100% property investment companies which unbundled much of their property assets into a special purpose vehicle later listed on the Botswana Stock Exchange. Dividend Income from associate companies grew by 55% to P86.9 million (P55.9 million in 2010) on the back of good performance by several of the Corporation associate companies. These included Global resorts at P49.6 million, Metropolitan at P23.2 million and Kwena Rocla at P8.3m.

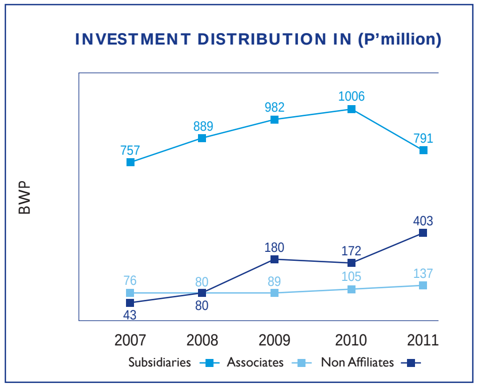
Revenue from interest on loans grew in the year under review by 21.7% to P34.2 million (P28.1 million in 2010). This revenue is expected to keep growing as new loans start to fall due to repayment.

Administrative expenses grew as a result of an increase in the number of employees. Other operating expenses showed a significant growth as the Corporation resolved to make additional provisions on its investments as a matter of prudence. These provisions relate mainly to the Lobatse Clay Works (Pty) Ltd and Can Manufacturers (Pty) Ltd. Lobatse Clay Works has experienced a severe reduction in its operations mainly due to the economic recession with the Government shelving most of the planned developmental projects. Can Manufacturers on the other hand is still in the process of concluding client deals for the uptake of its products which has been slower than previously anticipated.

The Corporation has seen a sizeable increase in its investments in subsidiaries. This is mostly a result of the investment holding in Letlole La Rona Ltd amounting to P334.1 million at year end. Investments in associate companies grew by 168% to P365.4 million mainly on the strength of the investment into the Fengyue Glass Manufacturing Company. On the other hand, quoted investment declined in line with the fall in the share price of Sechaba on the BSE, whilst cash and cash equivalents also declined in line with the disbursements into new investments. In all, the Corporation's assets have grown from P2.1 billion to P2.3 billion this being a healthy 8.9% increase.

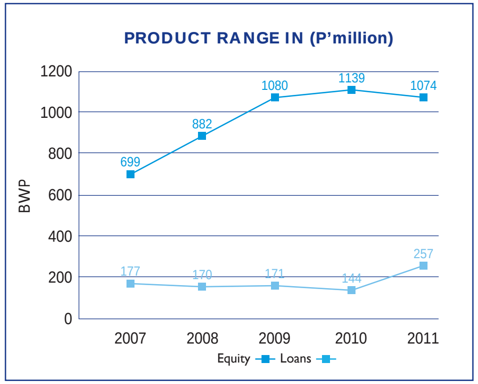


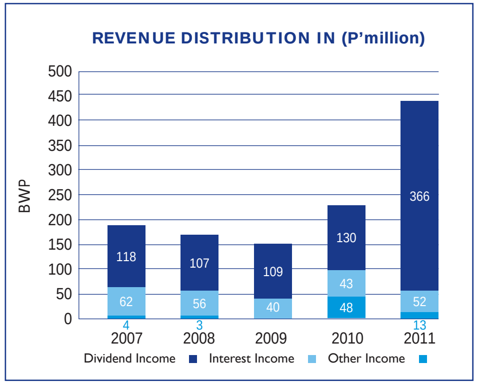




MANAGING DIRECTOR'S REPORT {CONTINUED}

FINANCIAL PERFORMANCE (continued)





STRATEGIC PLAN 2007 - 2011

The Corporation has completed the four year Strategic Plan period with the satisfaction that comes with a job well done. Whilst the Strategic Plan envisioned turnover of P214.3 million and a net profit before tax of P113.3 million for the final year of the strategic plan period, the actual performance of a turnover of P400.0 million and profit before tax of P229.7 million respectively is indeed exceptional. Over the past four years, the following milestones achieved by the Corporation are worth noting:

- The establishment of a fully fledged Marketing and Research Division to propel the Corporation into new ventures.
- Skills and Culture Audits were undertaken to further enhance human capital utilization.
- Enhanced Information Management systems were put in place.
- The Corporation developed a new Enterprise Wide Risk Management Framework.
- The Corporation's entire investment portfolio was reviewed to identify investments for divestment or remedial action.
- Notable outcomes of this review included:
  - The listing of Cresta Marakanelo on the BSE.
  - The unbundling of the Corporation's 100% property company's assets into a new investment vehicle - Letlole La Rona and listing the same on the BSE.
- The Invoice Discounting product was introduced and is prospering well.

NEW STRATEGIC PLAN 2011 - 2015

In March 2011 the Corporation undertook the formulation of a new four year Strategic Plan to take it to 2015. The new strategy has amongst others, the following areas of focus:

- The Corporation's commitment to establishing itself as a major contributor to Government's Economic Diversification Drive programme. Investment in viable mega projects aimed at enhancing economic diversification and generating employment.
- Focus on reducing the national import substitution bill.
- The Corporation having considered its current investment portfolio, decided that it should take a well considered "leap of faith" and venture into more innovative and large scale projects aimed at establishing Botswana as an icon within the region. Thus, the Corporation has derived strategic objectives that will ensure optimization of its employee base and internal processes in order to meet potential challenges related to mega project initiatives.
- In addition, the Corporation has set itself a target of trebling the balance sheet by critically assessing the current portfolio, but more importantly considering new (mega) investments that are expected to significantly enhance the value of the Corporation's financial position.

Emanating from the above, the Corporation has defined its strategic intent as:
"To invest in mega projects, primarily in the areas of Communication, Transportation, Infrastructure Development, Energy and Agriculture, that will enhance its contribution to development, economic diversification and citizen empowerment and treble the BDC Balance Sheet by 2015."

We are confident that the Corporation will deliver on the new strategy. The year ahead will see the Corporation execute these strategic actions which will set it in motion to attain its strategic goal.

MANAGING DIRECTOR'S REPORT {CONTINUED}

HUMAN RESOURCES

Substantial input has gone into Human Resource Development in the year under review. These include the already mentioned Skills and Culture Audits as well as various activities intended to foster good working relationships within the organization. The Corporation has also continued to review the conditions of service of its employees and has been successful in achieving the desired low staff turnover.

TRAINING

During the year under review, human resource training and development became an integral part for the corporate strategy initiative since human capital forms the back-bone of the Corporation's existence. Senior management attended relevant management and leadership programs. Staff members, including service-cadre, participated in various training and development programs covering the relevant areas in business and administration with a view to enhance performance. Furthermore, the Corporation continued to benefit from its membership of the Development Finance Institutions (DFIs) through SADC-DFRC, which offered sponsorship for programs in Risk Management, Finance and Corporate Governance.

STAFF COMPLIMENT

The staff compliment for the year under review was eighty five (85) compared to seventy eight (78) for the same period last year.

HIV/AIDS

The Corporation continued with its multiple education campaigns in terms of its AIDS Program. This was mainly achieved through the utilization of the Wellness Room which is a feature of disseminating information on HIV/AIDS in a raw form. Participation in the activities of the World AIDS Day was a success in December 2010. The Corporation continued to network with other relevant organizations which are geared at helping the community to effectively deal with the HIV/AIDS pandemic. We are currently reviewing our HIV/AIDS Policy with a view to aligning it with the National HIV/AIDS Policy.

CORPORATE SOCIAL RESPONSIBILITY (CSR) PROGRAM

Qualifying organizations in terms of the Corporation's Social Responsibility policy continue to benefit from the Fund. The total amount of donations utilized by deserving organizations was P825,000. Our activity has spread in most parts of the country. Amongst others, the following communities were assisted: a women's group called Letsatsi-le-etla in the Bobonong Sub District, construction of ten households in Ramotlabaki in the Kgatleng District, Kisa and Maraleleng Customary Courts in the Kgalagadi District, Central Association of the Blind in the Central District, a block of three classrooms for the Botswana Society for the Deaf in the city of Francistown, sponsorship of the Etsha 6 Primary School prize giving day in the Okavango Sub District, donation to the National Team Zebras in Gaborone City and Thapong Visual Arts also in Gaborone City. This is just to mention but a few.

I wish to thank all stakeholders for supporting the Corporation in the achievement of its goals, more importantly the Board for its guidance and BDC staff for the hard work over the year.

Ms. Maria M. Nthebolan
Managing Director

INTEGRATED REPORT

INTRODUCTION

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

As a company, BDC is subject to, and complies with the provisions of the Companies Act. The objectives and mandate of the Corporation, powers of the Board as well as the relationship between BDC and its shareholders, are set out in the Memorandum and Articles of Association. The Memorandum and Articles of Association were revised in the new financial year and consolidated into and superseded by a Constitution.

This Integrated Report sets out the detailed key Corporate Governance perspectives on a triple bottom line approach, encompassing social, economic and environmental challenges and progress made during the financial year; in order for readers to have a better understanding of the governance systems and processes that the Board of Directors deployed to both control and manage the affairs of the Corporation and the BDC Group.

QUALITY GOVERNANCE

Quality Governance, involving the honest application of the Corporation's issues guides the Board and all its substructures in ensuring sustainable performance in all key indicators that are critical to every global entity in today's world. All structures of the Corporation are expected to make decisions that are first and foremost in the best interest of the Corporation but taking into consideration the needs, interests and expectations of the identified key stakeholders.

The BDC Board reaffirms its commitment to the application of best practice and sound corporate governance as called for by universally recognised international best practices and quality standards, including King III, OECD principles and ISO9001:2008.

The implementation of these principles and best practices has enhanced the realization of BDC's Corporate and ethical values as well as continued value creation for Botswana.

INTEGRATED REPORT {CONTINUED}

QUALITY GOVERNANCE (continued)

The Board, the Management and our business partners all uphold the Corporate Values detailed below, deliberately picked by the Board to pursue a vision of being the "Leading Investment and Development Financier", namely:

- **Professionalism** - We will display the highest levels of ethics and adhere to standards that guide our behaviour as investment and development financiers.
- **Integrity** - We will act in a fair and honest manner in our dealings with internal and external stakeholders.
- **Teamwork** - We will utilise the competencies of our team members in order to provide value added services to our clients and stakeholders.
- **Delivery** - We commit to ensuring that we deliver on our promises.
- **Innovative** - Through innovative thinking and continuous improvement we will enhance our operations to continuously remain abreast of the industries we choose to operate in.
- **Customer Centric** - We will be excited and committed when dealing with our customers, stakeholders and colleagues.

OUR GOVERNANCE BENCHMARK

We view the application and monitoring of global best practices as critical business imperatives that requires the Board to constantly review and act accordingly to stay true to its commitment to have nothing but the highest standards guiding its operations at all times.

The Corporation, however, recognises the importance of taking into consideration the application of business judgement rules and qualitative governance over and above quantitative governance or mindless compliance. Similarly the Board is aware that in exercising business judgment and decision making, including taking into consideration key stakeholder concerns, and whereas its decisions shall at all times be in the interest of the Corporation first, such decisions may not always please every single stakeholder.

The Corporation has a comprehensive customer complaints and customer feedback handling mechanism in place that contains an escalation proviso to ensure that all customer concerns are dealt with expediently, which also incorporates an elaborate whistleblowing program.

As part of the new strategic plan initiatives, the Corporation is in the processes of streamlining its processes to reflect the major global corporate governance evolutions, in particular, the greater changes or emphasis on Internal Audit, IT governance, triple bottom line reporting, sustainability and the responsibility of directors therein.

NON FINANCIAL ASPECTS OF GOVERNANCE REPORT

The Board and Management of the Corporation recognise that they have a duty to make an informed assessment of the sustainability of the Corporation's business before investing the Corporation's ultimate beneficiaries' equity. The Board is also aware that the ultimate beneficiaries of the Corporation are the over two million citizens of Botswana, and the intended reader of this report. This report therefore forms part of the non-financial information essential for integrated reporting, to assist the ultimate beneficiaries regarding who runs the Corporation's operations, how it is run, how it makes its money, how it deals with its customers and how it creates value addition to society, the environment and the economy.

The Board recognizes that whilst the separate outcomes on financial and non-financial performance measures are important, equally important is the relationship between them and similarly just how non-financial performance contributes to financial performance and vice versa.

Environment

As a financial institution, the Corporation does not by itself participate in the operations of projects which may have a negative impact on the scarce natural resources, in particular: air, water and environment. The Board recognises that it is important to ensure that entities it finances pay particular attention to the sustainability issues, including climate change.

A thorough appraisal of all investment requests is performed throughout the different BDC structures taking into consideration all sustainability considerations, at each stage.

To-date, the Corporation has interests in entities that by nature of their business would be so characterised. Based on the assurance and the facts available, the BDC Board confirms that such investments pose no negative impact on the environment in the short term or long term. Sustainability strategies implemented by some of the BDC related companies includes:

- Producing final products with less water by following staged processes to protect limited water supply, reduce wastage, reuse and recycling, as comprehensive risk-based approaches to manage water in the businesses value chain. Where water is also used for other processes such as cooling, cleaning and pasteurization, a continuous evaluation is done and efforts made to use new processes to reduce water consumption, including recycling it for use in secondary processes such as cooling and cleaning.

INTEGRATED REPORT {CONTINUED}

Environment (continued)

- Our group companies are also encouraged and are making good efforts to conserve energy use, especially in production. As an example; one of the BDC related company's beverage plant recently automated its boilers and corrected the power factors of all major equipment at manufacturing sites. This has reduced the electricity used during periods of peak demand.
- Similarly, efforts are made to ensure that much of the waste becomes a valuable resource for food producers and farmers as well as being a potential energy source, hence saving money on transportation to landfills as well as reducing impact on the environment. Where possible waste generated from operations is either resold or recycled.
- In plants where considerable dust is produced, such as in brick molding, the dust generated in the process is collected by dust collectors and re-used in the process, thereby reducing dust emissions to the environment and the effects on health for the employees and surrounding environment. Where appropriate the Department of Waste Management is also engaged to monitor such emissions to ensure that they fall within safe limits for the environment.
- In the large scale commercial agricultural entities, where substantial electricity and water are used for irrigation systems, processes are put in place to monitor the moisture and thereby minimize the possibility of over irrigation and water and electricity waste. One of the strategies used is drip irrigation which is believed to use up to 40% less water than overhead irrigation.

Health and Safety and Green Initiatives

Climate change is now the biggest challenge of the 21st century, which the Corporation as a financial institution can no longer afford to ignore. As a Development Financial Institution (DFI), the Corporation has already started to encourage green initiatives, especially green building initiatives in its new projects including our new iconic buildings and the Botswana Innovation Hub's new developments.

The Corporation plans to develop and implement a comprehensive green initiatives framework for new buildings and for manufacturing processes.

Societal

The Corporation recognises the need to play a part in the upliftment of economically challenged communities, the physically and mentally challenged, as well as playing a role in the empowerment of the youth. This is done through financial assistance, community engagement as well as through targeting new investments to areas that may not be attractive on the basis of short term economic indicators alone.

Corporate social investment has a pivotal role to play in bringing about meaningful transformation to the benefit of many including the less fortunate citizenry. The Corporation recognises that the social needs and challenges facing our continent and our country are substantial and therefore it is a moral duty for the Corporation to make a difference by supporting projects that benefit historically disadvantaged sectors of our society as well as facilitating youth development programmes.

With corporate social investment becoming ever more strategically focused, the Corporation ensures that in investing in the social good, it also seeks to align its corporate social investment spending with the core business objectives and imperatives of the Corporation in which true partnerships with beneficiaries, government and NGOs bring about long-term sustainable development to the benefit of all.

Ethics and responsible Corporate Social Investments

The Board upholds the principles of good ethical conduct in the leadership of the Corporation and its major investments. It therefore continuously inculcates a culture of integrity and good work ethics, observing directors' fiduciary duties and responsibilities, avoiding conflicts of interest and acting in the best interest of the Corporation; encouraging whistle-blowing; and promoting the values and principles set out in the BDC's code of business conduct.

The Board ensures that in conducting the Corporation's business and in interacting with stakeholders, due regard is given to conformance to the BDC's Corporate Values, and code of ethics in force from time to time.

It is the policy of the Corporation that all entities that it does business with shall ensure compliance to responsible corporate conduct, respect for the rule of law, human rights and good ethical behaviour.

The Corporation will therefore not invest in or do business with entities that do not comply with the above principles.

INTEGRATED REPORT {CONTINUED}

Ethics and responsible Corporate Social Investments (continued)

Our Corporate Social Investment seeks to align its programs to the Corporation's objectives and national development imperatives of job creation, education as well as poverty alleviation, by focusing on the following critical areas:

- Economic development: BDC aims to support unemployment alleviation and income generating projects that are aimed at creating sustainability income for our citizens;
- Education and skills development: BDC supports skills and capacity development interventions especially in science and technology at primary and secondary school levels and at community level at rural areas;
- Health: the Corporation's efforts also target initiatives aimed at encouraging responsible social activities that provide a safer and conducive environment for youth, which will hopefully assist in preventing, managing and treating HIV and AIDS in communities, as well as special interventions in support of natural disasters that may bring about national crises and community displacement.

FINANCIAL PERFORMANCE

During the Financial year, the Corporation:

- Commenced with the implementation of the new four year strategic plan that envisages a substantial growth in the Corporation's investment portfolio and resultant enhancement of shareholder value.
- Continued to implement and monitor its risk profile through the Enterprise Risk Management framework.
- Made impressive returns in the deliberate divestment in a number of matured investments, therefore also contributing to both citizen empowerment and increase in shareholder value as well as facilitating the growth of the local stock market. Notably, the Corporation divested 29% of its shareholding in Cresta Marakanelo through listing to the public, and it consolidated its high value properties into a special purpose vehicle, Letlole La Rona, that was then listed in the stock market through an initial price offering of P1.50. The Corporation also disposed off all its investment in PPC Ltd, a dual listed company.
- Continuously pursued customer-centricity to ensure that BDC's clients remain central to its business strategy.
- Similarly whilst the Corporation has also been pursuing non financial aspects of governance, a balance was also made by ensuring that pursuit for good financial performance is also achieved. To that end, BDC made a profit after tax of P156.6 million and proposed dividend of P38.7 million to be paid to the shareholder, the Botswana Government.
- Financial Performance of the Corporation for the past three financial years can be summarised as follows, in tabular format:

Measurement	2009	2010	2011
Portfolio Growth	18.23%	5.25%	18%
ROI	(18.60)%	15.10%	9.20%
Return on Capital Employed	(12.38)%	14.44%	14.36%
Return on Assets	(12.00)%	12.60%	11.20%
Gearing Ratio	25.75%	18.96%	7.20%

THE STAKEHOLDERS' EXPECTATIONS

As the challenges of managing an enterprise in a virtually borderless, globally competitive, even more uncertain yet less forgiving market, the Corporation has initiated a number of programs to ensure that the Corporation remains both a globally competitive enterprise as well as a socially responsible global corporate citizen, taking into consideration the stakeholders needs.

In developing the new strategic plan, the Corporation obtained input from its key stakeholders who have expectations on the Corporation, including, but not limited to, the calls for the Corporation to:

- Contribute meaningfully to the government's diversification efforts, including export diversification drive and targeting service industries such as technology, media, tourism and education.
- Invest in mega-projects that are innovative and are able to provide viable alternatives to the diamond industry.
- Focus on import substitution related projects, thereby assisting Botswana to reduce its import bill, whilst stimulating economic growth.
- Diversify its Portfolio, in particular to rebalance its asset base.
- Use its strong balance sheet as a good foundation on which to participate in economic development and diversification.
- Contribute meaningfully in developing the private sector, specifically concentrating on supporting citizen owned enterprises.
- Enhance linkages with institutions that enable entrepreneurship development, for example with the Local Enterprise Authority who are responsible for developing the Small, Medium and Micro Enterprise sector.

INTEGRATED REPORT {CONTINUED}

THE STAKEHOLDERS EXPECTATIONS (continued)

The Corporation has taken these challenges and translated them into a four year strategic plan and believes that it will be able to live up to these stakeholder expectations.

BOARD STRUCTURE

The Corporation has a Unitary Board structure appointed by the Minister of Finance & Development Planning, including the Chairperson and the Managing Director. The unitary structure enables the Board to obtain the desired level of objectivity and independence in Board deliberations and decision-making. The Board is assisted by Board Committees.

The size of the Board is dictated by the Memorandum of Association of BDC, which permits a minimum of seven and a maximum of thirteen Directors appointed by the Shareholder. In line with best practise the positions of Chairperson and Managing Director are separately held, with a clear division of duties.

As at 30 June 2011 there were nine directors of which eight were non-executive directors.

INDUCTION AND TRAINING

Notwithstanding that there were no new Directors appointed during the year, the BDC Directors individually and collectively continued to undergo continuous professional development and training necessary to ensure that they remain fully abreast with current practices as well as new methodologies, as and when opportunities arose.

BOARD GOVERNANCE

The Corporation has a Board Charter which clearly sets out how it has committed to govern the Board processes over and above the minimum requirements set out in the Legal requirements.

The Charter seeks to ensure that BDC's business remains central to the Board's activities and to ensure that the Directors individually and collectively remain focused on the Corporation's agenda and that the Board process is conducted in line with high standards of corporate governance, within the predetermined parameters of risk management and internal controls, and in accordance with locally and internationally accepted corporate best practices.

COMMITTEES OF THE BOARD

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

BOARD AUDIT COMMITTEE

The overall objectives of the Board Audit Committee are to monitor the adequacy of financial controls and reporting, review audit plans and adherence to these by external and internal auditors, ascertain the reliability of accounting records, ensure that financial statements comply with International Financial Reporting Standards (IFRS) and the Companies Act, review and make recommendations on all financial matters and to recommend the appointment of external auditors to the Board.

In the absence of a separate Risk Management Committee, the Board Audit committee's role also includes setting out the nature, role, responsibility and authority of the risk management function within the BDC; outlining the scope of risk management; reviewing and assessing the integrity of the risk control systems; ensuring that the risk policies and strategies are effectively managed; providing independent and objective oversight; reviewing the information presented by management; as well as taking into account reports by management and Auditors on financial, business and strategic risk issues. The Committee also monitors the BDC's appetite for risk and mitigating controls.

BOARD HUMAN RESOURCES COMMITTEE

The Committee assists the Board in the development of Human Resource strategies, plans and performance goals, as well as specific compensation levels for BDC. The Committee annually manages the Board's evaluation of the performance of the Managing Director and also assists the Board in fulfilling its oversight responsibilities relating to succession planning as well as overall compensation and human resource policies for all BDC employees.

BOARD TENDER COMMITTEE

The Committee ensures that the procurement process of the Corporation upholds the principles of transparency, objectivity and fairness in procurement of goods and services for the Corporation.

Similarly, central to the Committee's key consideration in procurement is a continued effort to promote citizen economic empowerment, both through development of policies to guide the bigger picture as well as the taking of deliberate decisions that promote citizen economic empowerment in awarding contracts.

INTEGRATED REPORT {CONTINUED}

BOARD EMOLUMENTS

Whilst the Corporation recognises the need and importance of both attracting and retaining competent directors to drive the Corporation's mandate, and efforts are underway to establish a compensation mechanism that will achieve the same, as a 100% government owned entity the Corporation complies with the government directives that govern the payment of fees to Directors.

Currently Directors are paid a seating allowance at prevailing rates issued by the shareholder from time to time. During the financial year seating allowances were paid at P840 for Directors and P1050 for Chairman of the Board and Chair of each Board Committee. Board members are also paid the equivalent of seating allowance for any other official engagements that they are involved in.

In accordance with government policies, fees for civil servants who also serve in the Board are payable directly to Botswana Government. Consequently all fees for both S. M Sekwakwa and B. K Molosiwa were paid to Botswana Government.

DISCLOSURE OF DIRECTORS ATTENDANCE AND REMUNERATION PAID

In accordance with the Corporation's Board Charter, Directors made efforts to attend all meetings of the Board and its Committees. 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, wherein the meeting was chaired by the Deputy Chairman.

A summary of the total Directors Fees and Attendance Record for Board and Committee meetings is set out below:

Table 1: Total Meetings Convened	Main Board	Main Board Special	Board Audit Committee	Board HR Committee	Board Tender Committee	Special Events
Total Meetings Convened by 30 June 2011	3	7	7	6	5	9

Table 2: Schedule of attendance record and Board Fees	Main Board	Main Board Special	Board Audit Committee	Board HR Committee	Board Tender Committee	Special Events	Total Meetings Attended	Total Fees Due BWP
Sekwakwa, S. M (Chairman)	3	6				6	15	15,750
Ndzinge, S. E (Deputy Chair & Audit Com Chair)	3	6	7			9	25	23,100
Nthebolan, M. M (Managing Director)	3	6	7	6	5		27	-
Kandjii, I. K (Chair HR Com)	1	1		6		3	11	10,500
Kwele, N. K (Chair Tender to Dec 09)	3	6	6	6	1	3	25	21,000
Merafhe, O (Chair Tender from Dec 09)	3	6	5		5	3	22	19,530
Molosiwa, B. K	3	6					9	7,770
Dikgaka, T. C (Appointed to Tender Com Dec 09)	3	7			4	6	20	16,800
Masisi, M. N	3	4		5		3	15	12,600
Lesolle, M (Independent Audit Com Member)			6				6	5,040
TOTAL BOARD FEES PAID								132,090

* There were three outside town Board engagements for three days each including the formulation of the new strategic plan. Main Board Special also includes attendance of Annual General Meeting.

INTEGRATED REPORT {CONTINUED}

DELEGATION OF AUTHORITY

In the interest of promoting efficiency and effective management the Board has delegated some of its authority limits as follows:

Managing Director: The Managing Director is authorised to approve financing of projects up to P5 million cumulative value per project, as well as the day to day management of the Corporation's affairs.

Whilst the Board has delegated some of its authority, the Board understands that it still retains the accountability and liability concerning the exercise of its delegated authority, and hence has put in place internal control and internal audit to ensure the proper discharge of the delegated authority.

Board Chairperson: The Chairperson has authority to approve investment financing decisions of between P5 million and P7.5 million.

Board Tender Committee: The Board Tender Committee has the full authority to approve and oversee the tender processes without having to recommend to the Board.

INTERNAL CONTROL SYSTEMS

The Board is confident that there are robust policies, systems and procedures that provide reasonable assurance in safeguarding assets, prevention and detection of errors, accuracy and completeness of information management, accounting records and reliability of financial statements.

The internal checks serve Management and the Board by performing independent evaluations of the adequacy and effectiveness of financial reporting mechanisms, records, and operations as well as protecting the interests of the Corporation.

FRAUD PREVENTION

The Board is fully committed to combating fraud and corruption wherever it is found. To that extent the Board has:

- Allocated resources and responsibilities for the overall management of fraud.
- Has a formal whistleblowing policy to assist in detecting and combating fraud.

Personnel are periodically given clear guidance on the acceptance of gifts and hospitality and on how to handle conflict of interests. Further work has been initiated by the Board to further develop a policy that will specifically deal with the management of conflict of interest to address any possible grey areas.

Systems and processes in place allow appropriate personnel within the Corporation to take appropriate actions as and when the need arises. Such systems include:

- A general review of robustness of existing systems, procedures and controls in preventing fraud.
- A means for regular testing of such controls.
- The identification of assets, including corporate and customer propriety information and plans, most at risk.
- An appraisal of the threat of fraud on those assets and how it might manifest itself.
- The means of damage limitation and recovery of funds if fraud occurs.
- An unequivocal statement that all fraud offenders will be prosecuted.

The Board is committed to ensuring that there is continuous fraud prevention staff awareness and that response fraud plans are devised to deal with and minimise the damage caused by any fraudulent attack. All staff, including part-time and contract staff, are made aware of the organisation's policy in respect of fraud and the need for vigilance.

Whilst the Board understands that Fraud is a problem that must be dealt with, it also subscribes to the principle of natural justice in particular, both the legal foundation of innocence until proven guilty as well as the right of allegations to be investigated thoroughly and the right to make representation, in defense or mitigation, by any person implicated by any finding.

In pursuit of the above foundation, during the year the Board initiated a forensic audit with regard to one of its investments, the results of which were only finalized in the subsequent financial year.

The Board Audit Committee continues to perform an oversight role to ensure that there is effective fraud prevention culture as well as a robust system for dealing with suspected and/or reported fraud.

INTEGRATED REPORT {CONTINUED}

GOVERNANCE AT SUBSIDIARIES

In line with good business practice the Board of the holding company has vested the control and direction of its subsidiaries, set up as separate legal entities, in the Boards that it appoints directly or through management.

Whilst effort is being made to ensure that there is a clear separation of roles and to avoid any inherent conflict of interest, the Corporation appoints its personnel to participate in the Boards of those Companies.

In the governance and direction of subsidiaries the Boards of those subsidiaries are expected to follow the same principles of good corporate governance and best practice as that of the Corporation.

IT GOVERNANCE

In today's world the information systems of enterprises is now pervasive, no longer only used to enable a company to work more efficiently but are now the very fabric of the enterprise of today. It is with this in mind that at Botswana Development Corporation information systems are being aligned with the long-term strategy of the Corporation, to ensure achievement of the latter.

Similarly, over and above the information Systems, critical to IT Governance is Information Management, especially as it relates to Information Security. The Corporation continuously reviews its information and Data security to insure that critical information of both the Corporation and its clients is fully secured, in particular from external threats.

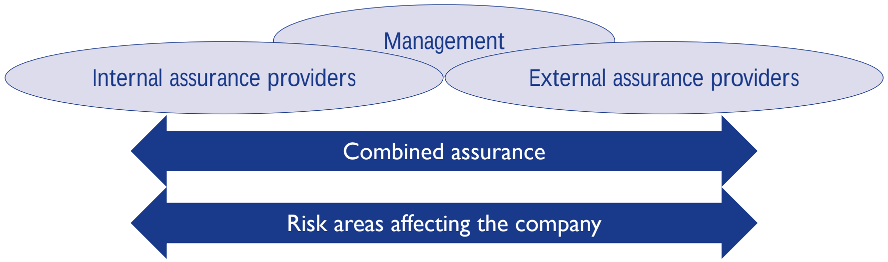
BUSINESS CONTINUITY

The Corporation subscribes to a total business resumption solution, Business Continuity Management also known as Business Continuity Planning, that guarantees the Corporation's customers and stakeholders that in the event normal operations or offices of the Corporation are interrupted or unavailable to conduct business from, the Corporation has the ability to resume its critical business process processes at a remote location within customer acceptable times.The Board has set three days as the maximum duration that the Corporation's operations can be unavailable to customers, even in worst case scenarios.

COMBINED ASSURANCE AND INTERNAL AUDIT

Because of the fast moving electronic based and pervasive nature of today's business environment the Board relies on the combined assurance from management, internal auditor and external auditors, as illustrated below, in the management and balancing of both risks affecting the Corporation as well as pursuing the returns associated therewith.

In particular the Board at all times seeks to ensure promotion of an effective internal audit function. To that end, the Corporation's group Internal Auditor is central to the strategy planning, execution and monitoring assurance, is a key contributor to achieving strategy and an objective provider of assurance on the strategy achievement.



The Board therefore recognises that internal audit of today is central to the combined assurance of management, internal audit and external audit, being the three defences for non executive Directors.

As both a loan financier and a venture capitalist, the Corporation faces governance challenges as it operates in the global village. Similarly, we recognise that our partners also depend on the Corporation's combined assurance to ensure that the efforts they make, the strategic and operational decisions they make, are supported by a robust partner who will also seek to ensure that their interests are protected, even if they are in the minority.

INTEGRATED REPORT {CONTINUED}

COMBINED ASSURANCE AND INTERNAL AUDIT (continued)

Therefore the internal audit function provides helicopter view and provides audit assurance to the holding company as well as to the minority interests, to the extent that they may not have their own internal audit assurance. The Board, through the Board Audit Committee, ensure that swift and decisive action is taken, especially on significant issues reported by Internal Audit.

The Corporation promotes the philosophy that each entity that it invests in should within reasonable time develop their own capabilities and resources to both manage the entities as separate legal entities and to have their own internal audit capability. To that end during the year, following the listing of Cresta, BDC group internal audit handed over the provision of internal audit assurance to Cresta's own recently developed internal audit function.

CUSTOMER FOCUS AND QUALITY

Customer satisfaction is central to the Corporation's way of doing business. It is for this reason that the Corporation has adopted the International Standard Organisation (ISO) standard 9001:2008 to benchmark its quality management system, its total approach to customer happiness programs and its handling of customer complaints and feedback processes.

Audited for the last ten years, three times annually by independent internal quality auditors and annually by external quality auditors, and in all cases compliance to the international quality standard confirmed by the auditors, the Corporation has a track record of being truly customer centric.

STATEMENT OF COMPLIANCE

The Board is satisfied that every effort is being made to comply in all material respects to all principles of good governance, as pronounced in King III Corporate Governance Code and the Companies Act 2003, as well as the principles as set out in the proposed Corporate Governance Code for Botswana, as issued by the Directors Institute of Botswana.

The Corporation's compliance is further verified by the various assurance providers including the Internal and External Auditors as well as the ISO9001:2008 Quality Auditors.

AUDITED FINANCIAL STATEMENTS

As set out in the Statement of Comprehensive Income, the Statement of Financial Affairs and the notes thereto, the financial statements were prepared in accordance with International Financial Reporting Standards. The financial statements were reviewed and recommended by the Board 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 P38.7 million be paid to the Shareholder, representing 25% of the after tax profits of the Corporation.

The Directors confirm their responsibility 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.

The Board reaffirms their commitment to ensure that corrective action is taken on any issues that may have been raised by the external assurance providers, irrespective of how immaterial they may appear to be.

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

BUSINESS DEVELOPMENT

During the year under review, the local economy experienced improved performance driven by recovery in the mining sector which continues to be a major source of government revenue. Though the mining sector showed signs of recovery in the year under review, most Government development projects were not implemented. Due to this turn of events, the construction sector and allied services were hard hit. In relation to BDC's investment in this sector, some companies were in distress and as part of their survival strategy, they right sized their operations in order to weather the storm. However, prolonged deferral of government projects will continue to have a detrimental impact on the sector. Furthermore, the companies are also embarking on strategies of reducing their dependence on government projects.

BUSINESS DEVELOPMENT {CONTINUED}

Mrs. Sametsi Ditshupo

Government continues to be a dominant player in the domestic market and any belt tightening on the part of Government has implications for the performance of the economy. It is against this reality that some of the investments within the Corporation's portfolio have not performed as expected. Those companies within the portfolio which were affected by the recessionary period have embarked on turnaround strategies in order to improve performance. The sector which was most affected is the construction and allied sector. The continued dominance of the mining sector in the economy poses a challenge for future sustainability. This state of affairs has heightened the need for continued efforts towards economic diversification. The performance of the domestic economy is largely dependent on new engines of growth being sought and pursued vigorously in order to improve the economy's resilience through a well diversified revenue source and new industries which will sustain the economy when the non-renewable minerals get depleted. In this vein, BDC continues to play a pivotal role in contributing towards the growth and diversification of the economy of Botswana. The Corporation has taken calculated risk through greenfield investments which by nature have a high risk profile.

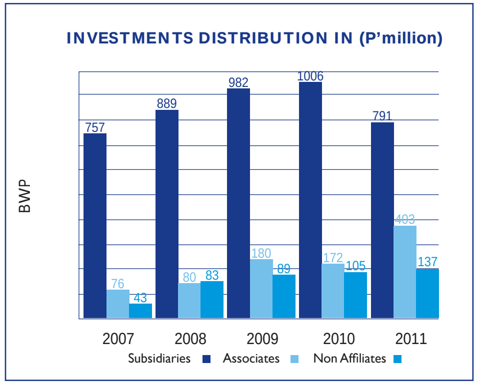
BDC continues to support government policies in terms of enhancing the country's productive capacity through provision of financial resources to drive both commercial and industrial development. The Corporation is on its last year of its 4 year strategic plan covering 2007/08 - 2010/11. The process for formulating the new strategic plan has commenced. The new strategy is expected to further propel the growth of the Corporation as it continues to contribute to economic diversification. The thrust of the strategy will be underpinned by the quest for the Corporation to invest in mega projects which will result in greater impact in the economy. Furthermore, one of the key pillars of the strategy will be for the Corporation to further grow its agricultural portfolio and further contribute to import substitution.

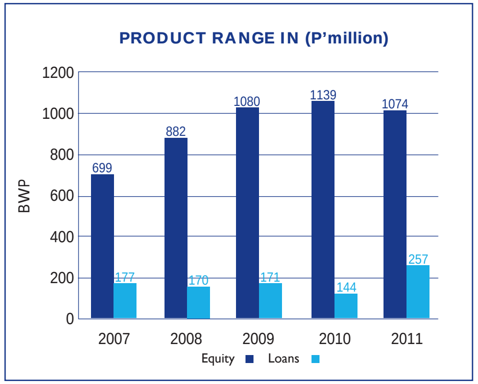
The Corporation has embarked on a divestment process for the past two years which saw the Corporation shedding off some of its investments aimed at citizen economic empowerment. The proceeds of the divestment process will be utilized in financing new projects to further grow the Corporation's portfolio.

Economic Diversification Drive and the use of government purchasing power to drive economic growth and diversification is of paramount importance. The Corporation has committed itself to be a significant player in the EDD programme and in playing an important role in reducing the import bill by investing in business opportunities which will not only substitute for imported products but also those that will increase exports.

Amid the challenging trading environment, most of the projects in the Corporation's portfolio have performed satisfactorily during the past financial year save for those that experienced subdued performance due to the effects of the economic down turn. The affected companies embarked on turn around strategies in order for them to keep afloat against the economic tide propelled by the recession. As part of the turnaround strategies implemented, some companies especially those in the construction and allied services realigned their operations to the trading environment and this resulted in some jobs being shed.

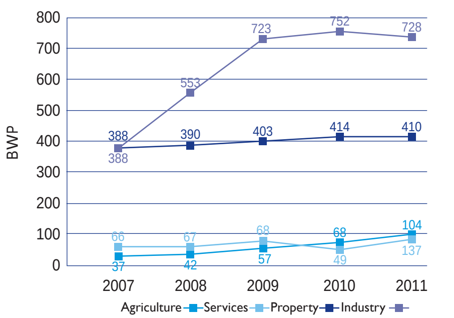
Below is the performance of the Business Development Divisions during the year under review:



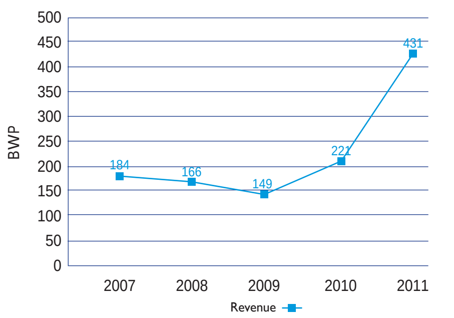


BUSINESS DEVELOPMENT {CONTINUED}

BUSINESS SECTOR DISTRIBUTION IN (P'million)



REVENUE IN (P'million)



MARKETING AND RESEARCH

During the financial year 2010/2011, the Marketing and Research Division continued with its efforts to market the products and services of the Corporation coupled with research on specific industries of interest offering potential for investment by the Corporation or private investors.

In the year under review, the Division aggressively forged strong working links with other organisations that contribute directly and indirectly to the Corporation's mandate such as National Food Technology Research Centre, Botswana Export Development and Investment Authority (BEDIA), Ministry of Trade and Industry, Botswana Confederation of Commerce Industry and Manpower (BOCCIM), Department of Energy, Transport Hub, Education Hub and Local Enterprise Authority (LEA). Presentations on the Corporation's product offerings were conducted to inward investor missions that visited Botswana and leads are being generated as a result of participation in the missions.

The Division also continued to market the Corporation's products and services at various fora locally such as the Global Expo, Property Expo, BOCCIM Trade Fair, LEA Trade Fair and at breakfast seminars. Direct Marketing was also an integral part of the marketing effort yielding positive results.

The year 2010/2011 also saw the Division launch a search for partners to exploit opportunities identified from in-house researches. Technical partners were aggressively searched for in the areas of Food Processing and Canning as well as Dairy, with promising prospects. These potential projects were viewed as important in the import substitution drive as well as in diversifying the domestic economy. Going forward, Marketing and Research will focus on bringing in mega projects from identified strategy priority sectors such as energy, agriculture, communications, transportation and infrastructure development.

AGRIBUSINESS & SERVICES DIVISION

The Agribusiness and Services Division handles all projects in the Agribusiness and Services sectors, which involves appraisal and evaluation of project proposals and implementation of approved projects. The Division is also responsible for monitoring performance of operational projects to ensure that they meet the intended objectives and if the project fails to realise its objectives, remedial measures are devised and implemented.

The Agribusiness sector comprises companies or projects involved in commercial crop and livestock production. Notwithstanding the broadness of the sector, the Division had four operational companies in this sector, being Talana Farms (Pty) Ltd, Botalana Ventures (Pty) Ltd trading as Talana Farm Products and Marekisetso A Morogo Wa Rona trading as Botswana Horticultural Market and AOB-Agri B. Talana Farms owns the farm in Tuli Block on which Botalana carries out irrigated vegetable production and ostrich farming whilst Marekisetso provides a platform or market for the sale of fresh produce including horticultural produce to traders and the general public. AOB-Agri B manufactures cattle feed from acarcia bushes.

In an effort to increase the number of companies and investment in the sector, several proposals in this sector, such as commercial vegetable production, dairy farming and feedlotting, were being evaluated. In addition, approvals were obtained to expand Talana Farms and Botalana Ventures. An equity investment of P24.9 million was approved for injection into Talana Farms for purposes of, amongst other things, providing the requisite infrastructure such as fixed irrigation equipment to facilitate the increase of cultivatable area from the current 380 hectares to 650 hectares, construction of staff houses capable of accommodating three hundred people, erection of a packaging house and extension of the office. An investment of P11 million comprising P7.5 million preference share capital and P3.5 million revolving loan was approved for Botalana Ventures for purchase of movable irrigation equipment to be used in the new cultivatable area and purchase of inputs respectively. Chicken Zone (Pty) Ltd, which is engaged in broiler production, had its broiler production project implemented and as at 30 June 2011, the project was partly operational while the chicken production side was fully operational whereas the abattoir had not been fully completed.

BUSINESS DEVELOPMENT {CONTINUED}

AGRIBUSINESS & SERVICES DIVISION (continued)

The Services sector is composed of companies or projects that provide a service. Compared to the Agribusiness sector, this sector has a relatively higher number of companies which are involved in diverse activities ranging from financial services, hospitality, credit bureau, amusement/ entertainment and educational services. There are currently 12 operational companies in this sector and most of them are based in Gaborone.

During the year BDC approved an additional investment of P11 million into Coast to Coast Inn (Pty) Ltd bringing the total exposure to P18.2 million for purposes of building a lodge together with ancillary facilities such as conference centre and curio shop. The lodge will be built at Mamuno along the Trans Kalahari Highway. The additional funding was primarily necessitated by the increase in the scope of the project. The construction of the lodge is expected to commence during the coming financial year.

During the year, the following projects in this sector were under implementation with some almost at the operational phase:

L P Amusement

The company operates an amusement facility which comprises an amusement centre, entertainment area and animal enclosures. The expansion component of the company which comprises, inter alia, procurement of a roller coaster, construction of a conference centre and restaurant upgrade which started during the past financial year was ongoing with the installation of the roller coaster, an expected crowd puller, nearing completion by year end.

Kwalape Tours and Safaris

The construction of the lodge and ancillary facilities such as conference centre and restaurant was nearing completion and the management company was already in place ready to manage the lodge as its opening for customers was imminent.

Gloryland Guest Lodge (Pty) Ltd

This is a wholly owned citizen company which is setting up a 59 room lodge with a conference centre having a capacity of 600 people, bar and restaurant in Palapye. BDC approved a loan to the company in December 2010 and as at the end of the year the project was on course for completion during the first half of 2012.

PROPERTY

The property portfolio comprises properties owned by various property investment companies. Some of these companies are 100% owned by BDC, for example Botswana Hotel Development Company (BHDC), Western Industrial Estate (Pty) Ltd (WIE), Residential Holdings (Pty) Ltd and Commercial Holding (Pty) Ltd. The other property investments are held in partnership companies like DBN Partnership, NBC Partnership and Phakalane Property Development.

Within the last financial year, the 100% BDC subsidiaries sold the P407 million worth of properties to our newly listed company called Letlole La Rona Limited (LLR). The sale was part of a divestment exercise approved by the BDC Board of Directors. After acquiring the properties, LLR listed on the Botswana Stock Exchange with a view to empowering citizens through acquisition of shares in the company. The listing was concluded on the 15 June 2011.

Hotel Properties

Botswana Hotel Development Company (Pty) Ltd (BHDC) recently acquired hotels in Kazungula and Ghanzi as part of its strategy to rebuild its hotel portfolio following the divestment referred to above. The company plans to redevelop and expand these properties in the coming financial year. Plans to build a hotel in Fairgrounds area of Gaborone are also at an advanced stage. The company will continue to seek opportunities to further grow its portfolio.

Industrial Properties

Industrial properties in Gaborone continue to trade well with minimal vacancies. Selibe Phikwe continues to be a challenge, but there has been a marked increase in uptake of existing factories mainly from small citizen players funded by CEDA. To accommodate this increase in demand, the company plans to undertake a major refurbishment of some of its Selibe Phikwe factories. The company is currently developing the former Hyundai factory in Gaborone into an up market industrial park to cater for the increased demand of modern light industrial space in Gaborone. To this end, the company has started projects on the site which include the construction of 10 medium sized factory shells and 4 large showrooms. Once completed, the old Hyundai factory site will be a major hub of light industrial activity in Gaborone.

Residential Properties

The residential properties portfolio continues to trade well mainly due to continued demand for secure and up market accommodation in Gaborone. Three new up market residential properties in central Gaborone are expected to be completed mid 2012. Plans to service land in Block 5 Gaborone for residential development are also at an advanced stage. The development, comprising infrastructure works (water, sewerage, roads, telecommunication and power reticulation) for approximately 700 plots, the bulk of which are residential, is planned to start mid 2012. The plots will be sold to citizens to privately develop.

BUSINESS DEVELOPMENT {CONTINUED}

Commercial Properties

This is another area where BDC has adopted an aggressive growth strategy following the listing of Letlole La Rona Limited. The company through its subsidiary Commercial Holding (Pty) Ltd, is currently developing a P500 million up market mixed use commercial development in the Fairgrounds area of Gaborone. The development is to be done in 3 phases, with the construction of the first phase consisting of a 15 storey office tower and 3 smaller office buildings already underway. The construction of the first phase is expected to be completed 24 months from the start date of February 2012. The second phase shall be the construction of a 120 room hotel, which is expected to commence during the coming financial year, with completion planned for the same time as phase 1. The third phase shall be a future office development.

Botswana Innovation Hub

This project, undertaken on behalf of the Ministry of Information, Science and Technology, involved three major deliverables - the preparation of a master plan on a site in Block 8 Gaborone; infrastructure design and construction on the same site, as well as the design and construction of the Botswana Innovation Hub main buildings. The master planning exercise is complete, infrastructure design and construction is also complete and only awaits the connection of the new site electricity infrastructure to the national grid. The design of the main buildings is at an advanced stage.

INDUSTRY

For the year ended June 2011, the Corporation experienced significant growth in the manufacturing sector due to the ongoing implementation of new projects. The overall exposure stood at P639.8 million representing an increase of 45.4% from the previous year. This exposure is made up of investments in a portfolio of companies which are involved in a wide spectrum of activities that include construction, food and beverage, furniture, leather, food cans, steel pipe and glass manufacturing. These companies continue to create sustainable employment and as at the end of the financial year the aggregate employment attributable to the Corporation's manufacturing companies stood at 1388.

Notwithstanding the notable success for the year, a few of the Corporation's investments were affected by the global economic turmoil. As a consequence of the foregoing, major focus was placed on the restructuring and stabilisation of affected investments. Furthermore, the level of new approvals remained depressed due to low inflow of Foreign Direct Investment into the country.

Companies which supply products to the construction industry were adversely affected by the reduction in construction spending owing to the deferral of government projects. An expansion project which will result in the company manufacturing clay stock bricks is intended for the turnaround of Lobatse Clay Works, is under implementation and commissioning of the plant is planned during 2012. This project is expected to contribute towards diversification of the company's product range and will result in increased revenue stream.

Future growth prospects for the Division lie in export oriented projects, particularly those that will substitute imports such as manufacturing of pharmaceuticals, food processing and production of value added glass products. The Division has recently completed the successful implementation of the large diameter steel pipe project in Palapye. All the plant and machinery has been commissioned and the production of pipes has commenced. The company has secured a contract to supply 18,000 tonnes of steel pipes to the contractors of the Dikgatlhong Pipeline Project which is the feeder pipeline into the second phase of the North South Carrier Pipeline Project. The company is also targeting to supply other projects domestically requiring steel pipes as well as regional projects.

INVOICE DISCOUNTING DIVISION

Invoice Discounting Division has provided cash flow assistance to virtually all the sectors of the economy which include; Manufacturing, Construction, Agricultural (horticulture & poultry), Services (labour brokers to the mining sector) and Medical (biomedical engineering & pharmaceutical).

The clients are mostly Small Medium Enterprises that are majority citizen owned meaning BDC through Invoice Discounting Division contributes to Citizen Economic Empowerment. The debtors are from a wide spectrum, ranging from private companies to government institutions which notably add positively to the economic diversification drive.

Invoice Discounting Division continues to do research into the development of new products in response to market demands and in order to grow its portfolio size. The Division will continuously provide innovative solutions to meet working capital requirements within the context of Invoice Finance.

In line with the Corporation's strategy to improve its product offering the Division will introduce new products into the coming strategy which include Purchase Order Finance, Single Invoice Discounting and Wholesale Invoice Funding.

For the year ended 30 June 2011, the Division has purchased invoices for P186 million and advanced P135 million to customers ranging across the SME spectrum, with total receipts from debtors totalling P124 million. To date at least 29 local businesses have benefited from the facility during the reporting period.

MANAGEMENT SERVICES REPORT

Mr. James N. Kamyuka

The Corporation endeavors to provide an unwavering high standard of service excellence to its customers. This can only be achieved when 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 Financial Accounting Division supports the Corporate Strategic Plan and delivers its objectives by providing sound financial information which includes the financial results of the Corporation and its 100% Property Subsidiary Companies.

The Group Annual Financial Statements are prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS's) and the requirements of the Companies Act of Botswana (Companies Act 2003). In doing this, accounting policies that comply with the IFRS's must be consistent with those applied in the prior year's Financial Statements.

In the current year the Group has adopted all the new and revised standards and the interpretations of the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretation Committee (IFRC) of IASB that are relevant to its operations and effective for the annual periods beginning in July 2009. The adoption of these has not resulted in changes to the Group's Accounting Policies.

RISK MANAGEMENT

The Division ensures sustained risk monitoring of the entire investment portfolio and enterprise wide risk management.

The Division continued with implementation of the Enterprise Risk Management Framework, resulting in a Board approved strategic risk register, as well as the development of a well defined Corporate Risk Appetite for different Risk Positions. This will assist in facilitating and guiding Management's independent activities, while meeting Board limits.

By way of total Risk Management, both operational and Core Business risk registers were developed and are closely monitored, including the Invoice Discounting Division. Risk Management continues to be one of the major drivers of value within the Corporation and of recent has permeated into all areas of the Corporation's activities.

INFORMATION TECHNOLOGY

The Information Management Division provides information and communications technology services to the Corporation. The Division continued to support the business with the management of electronic information security, data networks, user support services, telephone network infrastructure, software applications support and office equipment.

During the year, the Corporation's office equipment, including printers, fax machines and photocopiers, was upgraded. The uptime for the Corporation's network and systems was 99.71% against a stated target of 99% availability.

A successful test of the Business Continuity Plan was carried out during the year in order to test all aspects of the Corporation's readiness to continue with its mandate in the event of a disaster.

With respect to business applications, several of the Corporation's systems were upgraded to the latest versions and a new workflow system for managing the project appraisal cycle was implemented.

MANAGEMENT ACCOUNTING AND TREASURY

The Division is currently in the process of putting in place a One Billion Note Issue Programme for the Corporation as a way of meeting the expected high disbursement schedule which came as a result of the strategic plan to invest in mega projects. In addition the Division continues to engage with other regional and international financial institutions like African Development Bank and European Investment Bank to exploit possibilities of getting funding for specific projects.

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FINANCIAL STATEMENTS

For the year ended 30 June 2011

DIRECTORS' REPORT

For the year ended 30 June 2011

The Botswana Development Corporation Limited (the Company) is a public entity set up by the Government of the Republic of Botswana (GRB) to promote development through equity and loan investment finance. The Company is registered under the Companies Act of Botswana (Companies Act, 2003).

The Directors have pleasure in submitting their annual report to the Shareholder together with the consolidated audited financial statements for the year ended 30 June 2011 in accordance with the requirements of the Companies Act of Botswana (Companies Act, 2003).

FINANCIAL RESULTS

The financial results for the Company and the Group are set out on pages 31 to 120.
A dividend of P38,700,000 (2010: P33,000,000) has been proposed for the year.

DIRECTORS

At the date of authorisation of these financial statements the following were directors of the Company:

- B Marole	(Chairman - Appointed 14 November 2011)
- S M Sekwakwa	(Chairman - Resigned 14 November 2011)
- M M Nthebolan	(Managing Director)
- S E Ndzinge	(Resigned 31 January 2012)
- I K Kandjii	(Resigned 31 January 2012)
- B K Molosiwa	
- M N Masisi	
- V Molatedi	(Appointed 31 January 2012)
- A V Lionjanga	(Appointed 31 January 2012)
- R Vaka	(Appointed 31 January 2012)
- S Tumelo	(Appointed 14 November 2011)
- M Modise	(Appointed 14 November 2011)
- N K Kwele	(Resigned 14 November 2011)
- O Merafhe	(Resigned 14 November 2011)
- T C Dikgaka	(Resigned 14 November 2011)

STATED CAPITAL

The total number of ordinary shares issued and fully paid is 517,699,462 (2010: 517,699,462).

INVESTMENTS

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

	P
- Asphalt Botswana (Pty) Ltd	5,712,000
- Botswana Hotel Development Company (Pty) Ltd	29,997,422
- Can Manufacturers (Pty) Ltd	13,764,890
- Coast-to-Coast Inn (Pty) Ltd	737,484
- Commercial Holdings (Pty) Ltd	26,794,450
- Fengyue Glass Manufacturing (Pty) Ltd	32,705,902
- Golden Fruit 97 (Pty) Ltd	16,353,884
- Kwalape (Pty) Ltd	3,266,854
- Lobatse Clay Works (Pty) Ltd	28,075,712
- LP Amusements (Pty) Ltd	13,999,645
- Metropolitan Life of Botswana Ltd	15,000,000
- Peermont Global Botswana (Pty) Ltd	31,960,000
- Residential Holdings (Pty) Ltd	2,394,462
- Western Industrial Estates (Pty) Ltd	2,798,706

DIRECTORS' FEES AND EXPENSES

It is recommended that directors' fees and expenses of P177,662 (2010: P114,602) and directors' emoluments of P1,511,825 (2010: P1,073,277) for the year to 30 June 2011 be ratified.

By Order of the Board

Ms. J. Dube
Group Company Secretary
19 April 2012

DIRECTORS' RESPONSIBILITY STATEMENT

For the year ended 30 June 2011

The Directors are responsible for the preparation and fair presentation of the Company and Group annual financial statements of Botswana Development Corporation Limited (the Company), comprising the statements of financial position as at 30 June 2011 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act of Botswana (Companies Act, 2003).

The Directors are required by the Companies Act of Botswana (Companies Act, 2003) to maintain adequate accounting records and are responsible for the content and integrity of and related financial information included in this report. It is their responsibility to ensure that the Company and Group annual financial statements fairly present the state of affairs of the Company and Group as at the end of the financial year and the results of their operations and cash flows for the year then ended, in conformity with IFRSs. The external auditors are engaged to express an independent opinion on the Company and Group annual financial statements.

The Directors' are responsible for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Company and Group annual financial statements are prepared in accordance with IFRSs and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates. The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in the annual financial statements.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors have made an assessment of the Company's ability to continue as a going concern and there is no reason to believe the business will not be a going concern in the year ahead. The directors are of the opinion, based on the information and explanations given by Management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The external auditors are responsible for independently reviewing and reporting on the Company's and Group's annual financial statements, which were examined by the external auditors and their report is presented on page 30.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The Company and Group annual financial statements set out on pages 31 to 120 which have been prepared on the going concern basis, were approved by the Board on 19 April 2012 and are signed on its behalf by:

Mr. Solomon M. Sekwakwa	Ms. Maria M. Nthebolan
Chairman of the Board	Managing Director

QUALIFIED INDEPENDENT AUDITOR'S REPORT

For the year ended 30 June 2011

TO THE MEMBERS OF BOTSWANA DEVELOPMENT CORPORATION LIMITED

We have audited the group annual financial statements and annual financial statements of Botswana Development Corporation Limited, which comprise the consolidated and separate statements of financial position as at 30 June 2011, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 59 to 120.

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 of Botswana (Companies Act, 2003), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

BASIS FOR QUALIFIED OPINION

The investment in Fengyue Glass Manufacturing (Botswana) (Proprietary) Limited, an associate accounted for by the equity method, is reflected at P271 million. This balance comprises both equity and debt instruments, accounted for at cost and amortised cost respectively, as at 30 June 2011. Subsequent to the year end, the Board has also approved additional funding to Fengyue Glass Manufacturing (Botswana) (Proprietary) Limited of P332 million to cover additional costs on the project. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the investment in Fengyue Glass Manufacturing (Botswana) (Proprietary) Limited because the financial information to make a full evaluation of the carrying value of the investment was not available. Consequently, we were unable to determine whether any adjustment to the carrying value of the investment was necessary.

QUALIFIED OPINION

In our opinion, except for the effect on these financial statements of the matters described in the Basis for Qualified Opinion paragraph, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Botswana Development Corporation Limited as at 30 June 2011, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Botswana (Companies Act, 2003).

EMPHASIS OF MATTER

We draw attention to the comments in the Chairman's Statement and Note 45 to the financial statements that the Board commissioned a forensic audit on Fengyue Glass Manufacturing (Botswana) (Proprietary) Limited.

Deloitte Touche

Deloitte & Touche
Certified Auditors
Practicing Member: P. Naik (19900296.14)

19 April 2012
Gaborone

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

		Group		Company	
			Re-stated		
		2011	2010	2011	2010
Continuing operations	Notes	P 000	P 000	P 000	P 000
REVENUE	1	267,105	287,302	400,056	158,149
Cost of revenue		(105,392)	(117,994)	-	-
Gross profit		161,713	169,308	400,056	158,149
Finance income	2	27,599	32,042	18,489	19,051
Other operating income	3	33,899	43,425	12,617	21,797
Fair value of investment properties		140,646	(35,666)	-	-
As per valuation	6	139,034	(35,248)	-	-
Straight-line rental adjustment	6	1,612	(418)	-	-
Share of profits of associates	10	54,893	104,289	-	-
Fair value of borrowings	28	(2,405)	(2,875)	(2,405)	(2,875)
Disposal/fair value of investment retained in a subsidiary	41	-	95,741	-	152,582
Distribution costs		(9,224)	(7,043)	-	-
Marketing expenses		(5,246)	(4,492)	(2,260)	(2,580)
Occupancy expenses		(2,235)	(1,169)	(7,398)	(7,445)
Administrative expenses		(131,779)	(119,275)	(60,580)	(44,919)
Other operating expenses		(80,729)	(36,873)	(97,706)	(32,468)
Finance costs	2	(32,408)	(36,714)	(31,108)	(33,670)

STATEMENTS OF COMPREHENSIVE INCOME {CONTINUED}

For the year ended 30 June 2011

		Group		Company	
			Re-stated		
		2011	2010	2011	2010
	Notes	P 000	P 000	P 000	P 000
PROFIT BEFORE TAX	4	154,724	200,698	229,705	227,622
Income tax expense	5	(100,613)	(45,617)	(73,140)	(14,494)
Profit for the year from continuing operations		54,111	155,081	156,565	213,128
Discontinued operations					
Profit for the year from discontinued operations	36	10,589	29,657	-	-
PROFIT FOR THE YEAR		64,700	184,738	156,565	213,128
OTHER COMPREHENSIVE INCOME/(LOSS)					
Net gain/(loss) on investments designated as at fair value through other comprehensive income	23	28,517	(103,100)	28,517	(103,100)
Net gain on revaluation of property, plant and equipment		4,522	9,259	-	-
Share of other comprehensive loss of associates	10	(10,976)	(7,101)	-	-
Other comprehensive income/(loss) for the year, net of tax		22,063	(100,942)	28,517	(103,100)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		86,763	83,796	185,082	110,028
Profit attributable to:					
Owners of the company		39,772	170,666	156,565	213,128
Non-controlling interests	27	24,928	14,072	-	-
		64,700	184,738	156,565	213,128
Total other comprehensive income/(loss) attributable to:					
Owners of the company		22,063	(100,942)	28,517	(103,100)
Non-controlling interests		-	-	-	-
		22,063	(100,942)	28,517	(103,100)

STATEMENTS OF FINANCIAL POSITION

For the year ended 30 June 2011

		Group			Company	
			Re-stated	Re-stated		
		2011	2010	2009	2011	2010
	Notes	P 000	P 000	P 000	P 000	P 000
ASSETS						
NON CURRENT ASSETS						
Investment properties	6	1,068,847	491,928	884,393	-	-
Property, plant and equipment	7	201,760	227,743	341,746	1,892	1,331
Intangible assets	8	2,622	2,934	2,726	-	-
Subsidiaries	9	-	-	-	894,683	560,529
Associated companies/partnerships	10	481,022	307,352	273,183	365,433	136,325
Unquoted investments	11	119,657	97,661	81,050	119,657	97,661
Quoted investments	13	445,198	504,157	529,777	445,198	504,157
Due from group companies-net	14	-	-	-	54,964	60,340
Rental straight-line adjustment		18,797	1,419	19,991	-	-
		2,337,903	1,633,194	2,132,866	1,881,827	1,360,343
CURRENT ASSETS						
Inventories	15	36,066	27,860	22,931	-	-
Trade and other receivables	16	118,393	187,221	101,604	175,696	163,933
Short-term loans and advances	17	24,724	9,325	11,085	32,851	39,893
Available for sale investments	18	307	307	370	-	-
Cash and cash equivalents	19	402,833	650,744	246,287	231,739	559,655
Taxation recoverable		10,794	50,386	32,711	2,435	9,162
		593,117	925,843	414,988	442,721	772,643

STATEMENTS OF FINANCIAL POSITION {CONTINUED}

For the year ended 30 June 2011

	Notes	Group 2011 P 000	Group Re-stated 2010 P 000	Group Re-stated 2009 P 000	Company 2011 P 000	Company 2010 P 000
Assets classified as held for sale	20	-	459,907	35,573	-	-
		593,117	1,385,750	450,561	442,721	772,643
TOTAL ASSETS		2,931,020	3,018,944	2,583,427	2,324,548	2,132,986
EQUITY AND LIABILITIES						
CAPITAL AND RESERVES						
Stated capital	21	864,199	864,199	585,199	864,199	864,199
Contribution to factory premises	22	24,070	24,070	24,070	24,070	24,070
Fair value reserve	23	294,646	333,197	436,297	294,646	333,197
Other reserves	24	75,832	97,768	97,467	-	-
Dividend reserve	25	38,700	32,279	-	38,700	32,279
Claims equalisation reserve	26	3,375	2,468	1,344	-	-
Retained earnings		834,634	752,442	612,764	472,314	288,102
Equity attributable to owners of the company		2,135,456	2,106,423	1,757,141	1,693,929	1,541,847
Non-controlling interests	27	159,211	50,922	86,216	-	-
Total equity		2,294,667	2,157,345	1,843,357	1,693,929	1,541,847

STATEMENTS OF FINANCIAL POSITION {CONTINUED}

For the year ended 30 June 2011

	Notes	Group 2011 P 000	Group Re-stated 2010 P 000	Group Re-stated 2009 P 000	Company 2011 P 000	Company 2010 P 000
NON-CURRENT LIABILITIES						
Borrowings	28	212,382	164,863	379,975	121,921	75,258
Government grants	29	13,482	14,259	31,440	-	-
Provision for restoration costs	30	6,404	5,758	8,787	-	-
Deferred tax liability	31	81,734	42,180	85,925	-	-
		314,002	227,060	506,127	121,921	75,258
CURRENT LIABILITIES						
Current portion of borrowings	28	46,180	217,538	15,953	44,711	210,901
Trade and other payables	32	266,508	282,334	155,488	463,987	304,819
Bank overdrafts	33	2,862	6,358	10,032	-	-
Taxation payable		6,801	659	2,073	-	-
Capital gains tax		-	161	161	-	161
		322,351	507,050	183,707	508,698	515,881
Liabilities directly associated with assets Classified as held for sale	20	-	127,489	50,236	-	-
		322,351	634,539	233,943	508,698	515,881
TOTAL LIABILITIES		636,353	861,599	740,070	630,619	591,139
TOTAL EQUITY AND LIABILITIES		2,931,020	3,018,944	2,583,427	2,324,548	2,132,986

STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2011

	Notes	Stated capital	Contribution to factory premises	Fair value reserve	Other reserves	Dividend reserve	Claims equalisation reserve	Retained earnings	Total attributable to members	Non-controlling interests	Total
		P 000	P 000	P 000	P 000	P 000	P 000	P 000	P 000	P 000	P 000
Group											
Year ended 30 June 2011											
Balance at 1 July 2010 - As re-stated		864,199	24,070	333,197	97,768	32,279	2,468	752,442	2,106,423	50,922	2,157,345
Profit for the year		-	-	-	-	-	-	39,772	39,772	24,928	64,700
Other comprehensive income for the year		-	-	28,517	(6,454)	-	-	-	22,063	-	22,063
Total comprehensive income for the year		-	-	28,517	(6,454)	-	-	39,772	61,835	24,928	86,763
Transfers		-	-	(67,068)	(15,594)	-	821	81,841	-	-	-
Movement during the year		-	-	-	112	-	86	-	198		198
Issue of shares to minority interests		-	-	-	-	-	-	-	-	83,361	83,361
Dividend proposed	25	-	-	-	-	38,700	-	(38,700)	-	-	-
Dividend paid	25	-	-	-	-	(32,279)	-	(721)	(33,000)	-	(33,000)
Balance at 30 June 2011		**864,199**	**24,070**	**294,646**	**75,832**	**38,700**	**3,375**	**834,634**	**2,135,456**	**159,211**	**2,294,667**
Year ended 30 June 2010											
Balance at 1 July 2009 - As previously stated		585,199	24,070	436,297	99,998	-	1,344	608,776	1,755,684	86,216	1,841,900
Prior year adjustments	42	-	-	-	(2,531)	-	-	3,988	1,457	-	1,457

STATEMENTS OF CHANGES IN EQUITY {CONTINUED}

For the year ended 30 June 2011

	Notes	Stated capital	Contribution to factory premises	Fair value reserve	Other reserves	Dividend reserve	Claims equalisation reserve	Retained earnings	Total attributable to members	Non-controlling interests	Total
		P 000	P 000	P 000	P 000	P 000	P 000	P 000	P 000	P 000	P 000
Balance at 1 July 2009 - As re-stated		585,199	24,070	436,297	97,467	-	1,344	612,764	1,757,141	86,216	1,843,357
Profit for the year - As re-stated		-	-	-	-	-	-	170,666	170,666	14,072	184,738
Other comprehensive income for the year		-	-	(103,100)	2,158	-	-	-	(100,942)	-	(100,942)
Total comprehensive income for the year		**-**	**-**	**(103,100)**	**2,158**	**-**	**-**	**170,666**	**69,724**	**14,072**	**83,796**
Ordinary shares issued during the year	21	279,000	-	-	-	-	-	-	279,000	-	279,000
Transfers		-	-	-	(2,058)	-	767	1,291	-	-	-
Movement during the year		-	-	-	201	-	357	-	558	(46,679)	(46,121)
Dividend proposed	25	-	-	-	-	32,279	-	(32,279)	-	-	-
Dividend paid	27	-	-	-	-	-	-	-	-	(2,687)	(2,687)
Year ended 30 June 2010		**864,199**	**24,070**	**333,197**	**97,768**	**32,279**	**2,468**	**752,442**	**2,106,423**	**50,922**	**2,157,345**
Company											
Year ended 30 June 2011											
Balance at 1 July 2010		864,199	24,070	333,197	-	32,279	-	288,102	1,541,847	-	1,541,847
Profit for the year		-	-	-	-	-	-	156,565	156,565	-	156,565
Other comprehensive income for the year		**-**	**-**	**28,517**	**-**	**-**	**-**	**-**	**28,517**	**-**	**28,517**

STATEMENTS OF CHANGES IN EQUITY {CONTINUED}

For the year ended 30 June 2011

	Notes	Stated capital P 000	Contribution to factory premises P 000	Fair value reserve P 000	Other reserves P 000	Dividend reserve P 000	Claims equalisation reserve P 000	Retained earnings P 000	Total attributable to members P 000	Non-controlling interests P 000	Total P 000
Total comprehensive income for the year		-	-	28,517	-	-	-	156,565	185,082	-	185,082
Transfers		-	-	(67,068)	-	-	-	67,068	-	-	-
Dividend proposed	25	-	-	-	-	38,700	-	(38,700)	-	-	-
Dividend paid	25	-	-	-	-	(32,279)	-	(721)	(33,000)	-	(33,000)
Balance at 30 June 2011		864,199	24,070	294,646	-	38,700	-	472,314	1,693,929	-	1,693,929
Year ended 30 June 2010											
Balance at 1 July 2009		585,199	24,070	436,297	-	-	-	107,253	1,152,819	-	1,152,819
Profit for the year		-	-	-	-	-	-	213,128	213,128	-	213,128
Other comprehensive income for the year		-	-	(103,100)	-	-	-	-	(103,100)	-	(103,100)
Total comprehensive income for the year		-	-	(103,100)	-	-	-	213,128	110,028	-	110,028
Ordinary shares issued during the year		279,000	-	-	-	-	-	-	279,000	-	279,000
Dividend proposed	25	-	-	-	-	32,279	-	(32,279)	-	-	-
Balance at 30 June 2010		864,199	24,070	333,197	-	32,279	-	288,102	1,541,847	-	1,541,847

STATEMENTS OF CASH FLOWS

For the year ended 30 June 2011

	Notes	Group 2011 P 000	Group 2010 P 000	Company 2011 P 000	Company 2010 P 000
Cash flows from operating activities					
Cash generated from operations	40	50,948	90,019	482,984	200,581
Tax paid		(3,830)	(46,503)	(61,198)	(30,120)
Net cash from operating activities		47,118	43,516	421,786	170,461
Cash flows (to)/from investing activities					
Purchase of investment properties	6	(76,058)	(40,196)	-	-
Purchase of property, plant and equipment	7	(46,583)	(45,121)	(800)	(250)
Purchase of intangible assets	8	(30)	(724)	-	-
Purchase of shares in subsidiaries		-	-	(463,841)	(35,575)
Purchase of shares in associates		(88,283)	(8,943)	(88,283)	(8,943)
Purchase of shares in non-affiliated companies		-	(2,096)	-	(2,096)
Loans disbursed to subsidiaries		-	-	(22,912)	(10,565)
Loans disbursed to associated companies		(150,470)	(2,751)	(150,470)	(2,751)
Loans disbursed to unquoted investment companies		(47,311)	(17,532)	(47,311)	(17,532)
Loans repaid by subsidiaries		-	-	85,008	8,539
Loans repaid by associated companies		5,617	15,383	5,617	15,383
Loans repaid by unquoted investment companies		7,471	2,445	7,471	2,445
Net cash inflow on disposal of partial interest in subsidiary		-	151,100	-	79,830
Proceeds from disposal of property, plant and equipment		45	3,050	2	-
Proceeds from disposal of investment properties		26,763	4,847	-	-

STATEMENTS OF CASH FLOWS {CONTINUED}

For the year ended 30 June 2011

	Notes	Group 2011 P 000	Group 2010 P 000	Company 2011 P 000	Company 2010 P 000
Proceeds from disposal of quoted investments		85,121	-	85,121	-
Net movement in the reserves of associates		(21,844)	(21,704)	-	-
Write off/disposal of investments		8,502	15,768	9,752	14,189
Dividends received from associates		86,903	55,950	-	-
Interest received	2	27,599	32,042	18,489	19,051
Net cash (used in)/from investing activities		(182,558)	141,518	(562,157)	61,725
Cash flows (to)/from financing activities					
Long term borrowings raised		88,855	-	88,855	-
Long term borrowings repaid		(216,604)	(13,527)	(212,292)	(15,566)
Dividend paid to group shareholder	25	(33,000)	-	(33,000)	-
Dividends paid to minority interests	27	-	(2,687)	-	-
Issue of shares to minority interests		83,361	-	-	-
Issue of shares to group shareholders	21	-	279,000	-	279,000
Finance costs	2	(32,408)	(38,998)	(31,108)	(33,670)
Net cash (used in)/from financing activities		(109,796)	223,788	(187,545)	229,764
(Decrease)/increase in cash and cash equivalents		(245,236)	408,822	(327,916)	461,950

STATEMENTS OF CASH FLOWS {CONTINUED}

For the year ended 30 June 2011

	Notes	Group 2011 P 000	Group 2010 P 000	Company 2011 P 000	Company 2010 P 000
Movement in cash and cash equivalents					
Beginning of the year		645,207	236,385	559,655	97,705
(Decrease)/increase during the year		(245,236)	408,822	(327,916)	461,950
End of the year		399,971	645,207	231,739	559,655
Cash and cash equivalents comprise:					
Cash and cash equivalents	19	402,833	650,744	231,739	559,655
Bank overdrafts	33	(2,862)	(6,358)	-	-
Assets held for sale		-	821	-	-
		399,971	645,207	231,739	559,655

SIGNIFICANT ACCOUNTING POLICIES

For the year ended 30 June 2011

GENERAL INFORMATION

Botswana Development Corporation Limited (the Company) is a public entity set up by the Government of the Republic of Botswana (GRB) to promote development through equity and loan investment finance. The Company is registered under the Companies Act of Botswana (Companies Act, 2003) and holds investments in companies involved in various business categories, for example, agriculture, manufacturing, properties and services provision. The Company's address, registered office and principal place of business are disclosed in the introduction to the annual report.

APPLICATION OF NEW AND REVISED IFRSs

In the current year, the Group has adopted all the new and revised Standards and Interpretations of the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2010.

NEW AND REVISED IFRSs AFFECTING AMOUNTS REPORTED IN THE CURRENT YEAR

The following revised Standard has been applied in the current period and has affected the amounts reported in these consolidated financial statements:

IAS 12: Income taxes - Limited scope amendment (recovery of underlying assets).

IAS 12 (Amended) is effective for periods beginning on or after 1 January 2012. The Group has early adopted and applied the Standard in the current year. The early adoption of IAS 12 has affected the accounting for deferred tax in the current year and the impact of the application is as follows:

- The amended IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale.
- In addition the amendments introduce a rebuttable presumption that the carrying amount of fair valued investment property will be recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time, rather than through sale.

NEW AND REVISED IFRSs APPLIED WITH NO MATERIAL EFFECT ON THE CONSOLIDATED FINANCIAL STATEMENTS

The following new and revised IFRSs have also been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

IFRS 2 Share-based Payment - Group Cash-settled Share-based Payment Transactions

The amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to IFRSs issued in 2008).

The amendments clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Group is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items.

The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

IFRIC 17 Distributions of Non-cash Assets to Owners.

The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

SIGNIFICANT ACCOUNTING POLICIES {CONTINUED}

For the year ended 30 June 2011

NEW AND REVISED IFRSs APPLIED WITH NO MATERIAL EFFECT ON THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

IFRIC 18 Transfers of Assets from Customers.

The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit being recognised as revenue in accordance with IAS 18 Revenue.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

The Interpretation provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, IFRIC 19 will affect the required accounting. In particular, under IFRIC 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

Improvements to IFRSs issued in 2010

Except for the amendments to IFRS 5, IAS 1 and IAS 7 Statement of Cash Flows, the application of Improvements to IFRSs issued in 2010 has not had any material effect on amounts reported in these consolidated financial statements.

NEW AND REVISED STANDARDS AND INTERPRETATIONS IN ISSUE BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following Standards and Interpretations which are applicable to the Group were issued but were not yet effective:

	New/Revised International Financial Reporting Standards	Effective Date
IFRS 1	First-time Adoption of International Financial Reporting Standards - Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2011
IFRS 1	First-time Adoption of International Financial Reporting Standards - Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs	Annual periods beginning on or after 1 July 2011
IFRS 1	First-time Adoption of International Financial Reporting Standards - Additional exemption for entities ceasing to suffer from severe hyperinflation	Annual periods beginning on or after 1 July 2011
IFRS 7	Financial Instruments: Disclosures - Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2011
IFRS 7	Financial Instruments: Disclosures - Amendments enhancing disclosures about transfers of financial assets	Annual periods beginning on or after 1 July 2011
IFRS 9	Financial Instruments: Classification and Measurement	Annual periods beginning on or after 1 January 2013
IFRS 10	Consolidated Financial Statements	Annual periods beginning on or after 1 January 2013
IFRS 11	Joint Arrangements	Annual periods beginning on or after 1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	Annual periods beginning on or after 1 January 2013
IFRS 13	Fair Value Measurement	Annual periods beginning on or after 1 January 2013
IAS 1	Presentation of Financial Statements - Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2011
IAS 1	Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	Annual periods beginning on or after 1 July 2012

SIGNIFICANT ACCOUNTING POLICIES {CONTINUED}

For the year ended 30 June 2011

NEW AND REVISED STANDARDS AND INTERPRETATIONS IN ISSUE BUT NOT YET EFFECTIVE (continued)

	New/Revised International Financial Reporting Standards	Effective Date
IAS 19	Employee Benefits - Amended Standard resulting from the Post - Employment Benefits and Termination Benefits projects	Annual periods beginning on or after 1 January 2013
IAS 24	Related Party Disclosures - Revised definition of related parties	Annual periods beginning on or after 1 January 2011
IAS 34	Interim Financial Reporting - Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2011

The Directors have not yet had the opportunity to consider the potential impact of the adoption of these amendments.

STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with IFRSs. The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below:

BASIS OF PREPARATION

The consolidated financial statements, which are presented in Botswana Pula (the functional currency), have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

(i) The aggregate of the fair value of the consideration received and the fair value of any retained interest and

(ii) The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs).

SIGNIFICANT ACCOUNTING POLICIES {CONTINUED}

For the year ended 30 June 2011

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity. Any fair value gain or loss on initial recognition is recognised in the statement of comprehensive income.

BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

SIGNIFICANT ACCOUNTING POLICIES {CONTINUED}

For the year ended 30 June 2011

BUSINESS COMBINATIONS (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Business combinations that took place prior to 1 July 2010 were accounted for in accordance with the previous version of IFRS 3 Business Combinations.

GOODWILL

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under investments in associates.

INVESTMENTS IN ASSOCIATES

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held-for-sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets or the associates, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identification assets, liabilities and contingent liabilities of the associate recognised as the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

INTERESTS IN JOINT VENTURES

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

SIGNIFICANT ACCOUNTING POLICIES {CONTINUED}

For the year ended 30 June 2011

INTERESTS IN JOINT VENTURES (continued)

When a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venture has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current assets Held for Sale and Discontinued Operations. The Group's share of interests, liabilities, income and expenses of jointly controlled entities is combined with the equivalent items in the consolidated financial statements on a line-by-line basis. Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising in a business combination as described above.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group' consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a complete sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale measured at the lower of their previous carrying amount and fair value less costs to sell.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognised when goods are delivered and legal title is passed.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Installation fees from a recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- Servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- Revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

SIGNIFICANT ACCOUNTING POLICIES {CONTINUED}

For the year ended 30 June 2011

Rendering of services (continued)
The Group's policy for recognition of revenue from construction contracts is described separately below.

Dividend and interest revenue
Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Premium income
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 the end of the financial year. Salvage income is recognised as and when realised.

Rental income
The Group's policy for recognition of revenue from operating leases is described under leasing below.

CONSTRUCTION CONTRACTS
Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable.

Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

LEASING
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor
Amounts due from lessees under the finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finances lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee
Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

SIGNIFICANT ACCOUNTING POLICIES {CONTINUED}

For the year ended 30 June 2011

The Group as lessee (continued)
Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

GOVERNMENT GRANTS

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

SIGNIFICANT ACCOUNTING POLICIES {CONTINUED}

For the year ended 30 June 2011

GOVERNMENT GRANTS (continued)

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

RETIREMENT BENEFIT COSTS

Pension obligations

Group companies have various defined contribution pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds. A defined contribution plan is a pension plan under which the group pays fixed regular contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Severance pay and gratuity

Citizen employees are entitled to statutory severance benefits and gratuities at end of every five years. Non-citizen employees receive gratuities at end of every two-year contract. Provision is made in respect of these benefits on an annual basis and included in operating results.

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

SIGNIFICANT ACCOUNTING POLICIES {CONTINUED}

For the year ended 30 June 2011

Current and deferred tax for the period
Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (when in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

BIOLOGICAL ASSETS AND AGRICULTURAL PRODUCE

The Group recognises a biological asset or agricultural produce only when:

- a group entity controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the group entity; and
- the cost or fair value of the asset can be measured reliably.

Biological assets or agricultural produce are measured at their fair values less estimated costs to sell. A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less estimated costs to sell is included in profit or loss for the period in which it arises. Where market-determined prices or values are not available, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

PROPERTY, PLANT AND EQUIPMENT

Properties held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such property is recognised in other comprehensive income and accumulated under the heading of revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such property is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The estimated useful lives of property, plant and equipment are 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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

SIGNIFICANT ACCOUNTING POLICIES {CONTINUED}

For the year ended 30 June 2011

PROPERTY, PLANT AND EQUIPMENT (continued)

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.

INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally - generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to reliably measure the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

SIGNIFICANT ACCOUNTING POLICIES {CONTINUED}

For the year ended 30 June 2011

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL

At the end of each reporting period, the Group reviews the carrying amounts 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the statement of cash flows, 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 statement of financial position.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

SIGNIFICANT ACCOUNTING POLICIES {CONTINUED}

For the year ended 30 June 2011

Restructurings

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18 Revenue.

DIVIDEND RESERVE

Dividends proposed or declared after the statement of financial position date are shown as a component of capital and reserves as required by the Standard, and not as a liability.

RELATED PARTY TRANSACTIONS

Related parties are defined as those parties:

(a) directly, or indirectly through one or more intermediaries, the party:

(i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);

(ii) has an interest in the entity that gives it significant influence over the entity; or

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

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

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

FINANCIAL ASSETS

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

SIGNIFICANT ACCOUNTING POLICIES {CONTINUED}

For the year ended 30 June 2011

Financial assets at FVTPL (continued)
A financial asset is classified as held for trading if:
- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "net gains and losses on investments in other comprehensive income. Fair value is determined in the manner described in note 43.

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Available-for-sale financial assets (AFS financial assets)
AFS financial assets are non-derivatives that are either designated as AFS or are not classified as
(a) loans and receivables,
(b) held-to-maturity investments or
(c) financial assets at fair value through profit or loss.

Listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because the directors consider that fair value can be reliably measured). Fair value is determined in the manner described in note 43. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and related party balances) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

SIGNIFICANT ACCOUNTING POLICIES {CONTINUED}

For the year ended 30 June 2011

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

SIGNIFICANT ACCOUNTING POLICIES {CONTINUED}

For the year ended 30 June 2011

Derecognition of financial assets (continued)

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Compound instruments

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to stated capital. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to stated capital. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

SIGNIFICANT ACCOUNTING POLICIES {CONTINUED}

For the year ended 30 June 2011

Financial liabilities (continued)
Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the consolidated statement of comprehensive income.

Other financial liabilities
Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method.

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

Financial guarantee contracts
A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:
- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Critical accounting estimates and judgements in applying accounting policies
In the application of the Group's accounting policies, the Directors and Management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty
The following are assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:
- the recognition of revenue and contract incentives;
- the recognition of penalties and claims on contracts;
- the calculation of the provision for doubtful debts;
- the calculation of the provision for obsolete inventories;
- the determination of income tax and deferred taxation liabilities;
- the calculation of any provision for claims, litigation and other legal matters;
- the assessment of impairments and calculation of the recoverable amount of assets;
- the calculation of any other provisions including warrantees, guarantees and bonuses; and
- the determination of useful lives and residual values of items of property, plant and equipment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2011

1. REVENUE

	Group 2011 P 000	Group 2010 P 000	Company 2011 P 000	Company 2010 P 000
Continuing operations				
Income from trade	134,522	173,727	-	-
Rental income	72,674	54,865	-	-
- Contract rental	74,286	54,666	-	-
- Straight line lease rental adjustment	(1,612)	199	-	-
Interest on loans:				
- Subsidiaries	-	-	11,104	15,519
- Associated companies	6,362	2,646	6,362	2,646
- Unquoted investments	9,496	5,460	9,496	5,460
- Invoice discounting	6,059	4,697	7,478	4,697
Dividends received:				
- Subsidiaries	-	-	240,721	27,970
- Associated companies	-	-	86,903	55,950
- Unquoted investments	-	7,336	-	7,336
- Quoted investments	37,992	38,571	37,992	38,571
	267,105	287,302	400,056	158,149
Discontinued operations				
Income from trade (note 36)	-	171,477	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

2. FINANCE INCOME AND FINANCE COSTS

	Group		Company	
	2011	2010	2011	2010
	P 000	P 000	P 000	P 000
Interest income:				
- Bank	25,852	21,835	15,520	11,945
- Unwinding of discount on restoration costs (note 30)	-	3,101	-	-
- Other	1,747	7,106	2,969	7,106
	27,599	32,042	18,489	19,051
Interest expense:				
- Bank borrowings	(1,078)	(4,368)	(796)	(441)
- Bonds	(22,188)	(21,588)	(22,188)	(21,588)
- Long-term borrowings	(8,257)	(12,943)	(8,124)	(11,641)
- Finance leases	(280)	(99)	-	
- Unwinding of discount on restoration costs (note 30)	(605)	-	-	-
	(32,408)	(38,998)	(31,108)	(33,670)
Attributable to:				
Continuing operations	(32,408)	(36,714)	(31,108)	(33,670)
Discontinued operations (note 36)	-	(2,284)	-	-
	(32,408)	(38,998)	(31,108)	(33,670)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

3. OTHER OPERATING INCOME

	Group		Company	
	2011	2010	2011	2010
	P 000	P 000	P 000	P 000
Continuing operations				
Cost recoveries	3,176	1,355	7,708	5,532
Directors' fees received	193	159	350	115
Loan negotiating fees	544	452	544	452
Invoice discounting service fees	2,845	2,075	2,845	2,075
Expense recovered	-	939	-	-
Bad debts recovered	79	708	-	708
Other income	27,062	37,737	1,170	12,915
	33,899	43,425	12,617	21,797
Discontinued operations				
Other income (note 36)	-	222	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

4. PROFIT BEFORE TAX

	Group		Company	
		Re-stated		
	2011	2010	2011	2010
	P 000	P 000	P 000	P 000
The following items have been (credited)/charged in arriving at profit before tax, in addition to the amounts already disclosed in notes 1, 2 and 3 above:				
Amortisation of Government grant	(17,181)	(777)	-	-
Amortisation of intangible assets	342	201	-	-
Auditor's remuneration - current year	1,669	1,796	350	250
- prior year	113	814	-	-
- other	80	-	80	-
Operating lease payments	616	1,221	7,398	7,445
Amortisation of intangible assets	342	356	-	-
Depreciation (note 7) - Property, plant and equipment	16,649	23,000	235	727
Impairment of property, plant and equipment (note 7)	61,506	22,024	-	-
Directors' fees	178	159	178	115
Directors' emoluments	1,512	1,073	1,512	1,073
Key management emoluments	2,841	2,736	2,841	2,736
Net foreign exchange losses	1,707	2,013	1,703	2,013
Provision for losses - Investments (note 12)	29,389	12,580	86,753	21,986
- other	2,601	-	2,601	-
Bad and doubtful debts (note 16)	7,808	2,881	3,225	4,560

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

4. PROFIT BEFORE TAX (continued)

	Group 2011 P 000	Group Re-stated 2010 P 000	Company 2011 P 000	Company 2010 P 000
Transfer to claims equalisation reserve (note 26)	86	357	-	-
Rates	1,737	1,782	-	-
Utilities	5,214	3,191	-	-
Repairs and maintenance	4,661	1,789	137	166
Staff costs (as below)	82,464	97,044	45,703	35,089
Loss on disposal of investments	2,355	-	2,355	-
(Profit)/loss on: - disposal of property, plant and equipment	(10)	4,745	2	-
- disposal of investment properties	5,317	(887)	-	-
Staff costs				
Salaries and wages	78,988	94,939	43,419	33,355
Terminal benefits	3,476	2,105	2,284	1,734
	82,464	97,044	45,703	35,089

5. INCOME TAX EXPENSE

	Group 2011 P 000	Group Re-stated 2010 P 000	Company 2011 P 000	Company 2010 P 000
Botswana company taxation				
- basic tax at 15%/5%	18,661	3,757	-	-
- additional company tax at 10%	12,442	2,701	-	-
Normal taxation	31,103	6,458	-	-
Normal taxation - prior year	(880)	(2)	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

5. INCOME TAX EXPENSE (continued)

	Group 2011 P 000	Group Re-stated 2010 P 000	Company 2011 P 000	Company 2010 P 000
Withholding tax paid on dividends	55,790	18,133	55,790	18,133
Capital gains tax	11,974	2,825	11,974	2,825
Group tax relief	-	-	5,376	(6,464)
Total normal taxation	97,987	27,414	73,140	14,494
Deferred taxation (note 31) - current year	(4,227)	6,671	-	-
- rate change from 25% to 22%	(5,848)	-	-	-
- prior year	238	424	-	
Share of associate company taxation (note 10)	12,462	16,017	-	-
Charge for the year	100,613	50,526	73,140	14,494
Attributable to:				
Continuing operations	100,613	45,617	73,140	14,494
Discontinued operations (note 36)	-	4,909	-	-
	100,613	50,526	73,140	14,494

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

5. INCOME TAX EXPENSE (continued)

	Group	Group	Company	Company
		Re-stated		
	2011	2010	2011	2010
	P 000	P 000	P 000	P 000
The tax on the profit before tax differs from the theoretical amount as follows:				
Profit before tax	154,724	200,698	229,705	227,622
Tax calculated at 25%/15%	38,680	51,747	57,426	56,906
Income not subject to tax	(13,938)	(15,279)	(91,404)	(32,457)
Normal taxation	(880)	(2)	-	-
Deferred taxation	238	424	-	-
Capital gains tax	26,697	2,825	11,974	2,825
Expenses/(income) not deductible for tax purposes	17,016	1,185	33,978	(24,449)
Effect on deferred tax balances due to the change in income tax rate	(5,848)	-	-	-
Fair value adjustments subject to capital gains tax	(29,604)	(24,524)	-	-
Share of associated company taxation	12,462	16,017	-	-
Withholding tax paid on dividends	55,790	18,133	55,790	18,133
Profits/(losses) utilised by subsidiaries	-	-	5,376	(6,464)
	100,613	50,526	73,140	14,494

Tax losses:

In accordance with the Income Tax Act (Chapter 52:01), Section 46, assessed tax losses in relation to any tax year are deductible in ascertaining the relevant chargeable income for the subsequent tax year. No assessed tax losses shall be carried forward as a deduction for a period more than the five years succeeding the tax year in which such losses arose.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

5. INCOME TAX EXPENSE (continued)

	Group	Group	Company	Company
		Re-stated		
	2011	2010	2011	2010
	P 000	P 000	P 000	P 000
At the end of the year, the assessed and estimated tax losses available for deduction are as follows:				
Tax year				
2005/2006	-	9,070	-	9,070
2006/2007	23,089	23,089	19,029	19,029
2007/2008	52,735	52,735	31,593	31,593
2008/2009	115,541	115,541	98,608	98,608
2009/2010	15,377	15,377	15,058	15,058
2010/2011	-	-	-	-
	206,742	215,812	164,288	173,358

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

6. INVESTMENT PROPERTIES

	Group		
	2011	2010	2009
	P 000	P 000	P 000
Land and buildings at fair value	1,087,644	904,632	904,384
Straight line lease rental adjustment	(18,797)	(20,409)	(19,991)
Balance at end of year	1,068,847	884,223	884,393
Comprising:			
Continuing operations			
Land and buildings at fair value	1,087,644	493,347	904,384
Straight line lease rental adjustment	(18,797)	(1,419)	(19,991)
Balance at end of year	1,068,847	491,928	884,393
Classified as held for sale			
Land and buildings at fair value	-	411,285	-
Straight line lease rental adjustment	-	(18,990)	-
Balance at end of year	-	392,295	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

6. INVESTMENT PROPERTIES (continued)

	Group		
	2011	2010	2009
	P 000	P 000	P 000
Reconciliation of fair value			
Balance at beginning of the year	884,223	884,393	667,222
At valuation	904,632	904,384	673,806
Straight line lease rental adjustment	(20,409)	(19,991)	(6,584)
Additions during the year	76,058	40,196	28,238
Transfers to property, plant and equipment (note 7)	-	(740)	(18,500)
Disposals during the year	(32,080)	(3,960)	(6,207)
Fair value of investment properties	140,646	(35,666)	213,640
Increase/(decrease) in fair value during the year	139,034	(35,248)	227,047
Straight line lease rental adjustment	1,612	(418)	(13,407)
Balance at end of the year	1,068,847	884,223	884,393

The fair value of the investment property has been arrived at on the basis of valuations carried out at 30 June 2011 by professional internal and external valuers. Both the internal and external valuers are members of the Real Estate Institute of Botswana and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

The valuations were done in conformity with and are subject to the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the appraisal organisations with which the valuers are affiliated. The market value was determined by the valuers using an investment valuation model for industrial and commercial properties. The effective date of valuation was 30 June 2011.

All of the Company's investment property is held under freehold interests.

Rental income	72,674	54,865	55,445
Repairs and maintenance	1,538	1,623	1,650

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

7. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings P 000	Computers P 000	Motor vehicles P 000	Plant and machinery P 000	Furniture, fittings and equipment P 000	Capital work in progress P 000	Total P 000
Group							
Year ended 30 June 2011							
Balance at beginning of the year - As re-stated	92,359	1,191	2,138	126,941	5,114	-	227,743
Additions	299	693	436	4,834	1,386	38,935	46,583
Depreciation (note 4)	(2,249)	(328)	(651)	(11,889)	(1,532)	-	(16,649)
Disposals	-	(10)	-	(13)	(12)	-	(35)
Adjustment for revaluation on plant and machinery (note 24)	-	-	-	5,624	-	-	5,624
Impairment loss through profit and loss (note 4)	-	-	-	(61,506)	-	-	(61,506)
Balance at end of the year	90,409	1,546	1,923	63,991	4,956	38,935	201,760
At 30 June 2011							
Cost	94,382	11,408	4,122	97,756	15,446	38,935	262,049
Accumulated depreciation	(3,973)	(9,862)	(2,199)	(33,765)	(10,490)	-	(60,289)
Net book value	90,409	1,546	1,923	63,991	4,956	38,935	201,760

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

7. PROPERTY, PLANT AND EQUIPMENT (continued)

	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 2010							
Balance at beginning of the year - As previously stated	155,074	3,086	1,381	134,570	28,963	67,084	390,158
Prior year adjustment (note 42)	(6,833)	-	-	(41,579)	-	-	(48,412)
Balance at beginning of the year - As re-stated	148,241	3,086	1,381	92,991	28,963	67,084	341,746
Revaluation during the year	2,591	-	-	10,633	-	-	13,224
Additions	3,040	3,755	1,457	13,172	16,564	7,133	45,121
Transfers from investment properties (note 16)	740	-	-	-	-	-	740
Transfers	-	(86)	-	58,361	8,236	(66,511)	-
Transfers to assets classified as held for sale	(58,469)	(3,515)	(52)	(7,174)	(37,149)	(7,706)	(114,065)
Depreciation (note 4)	(3,743)	(1,055)	(270)	(10,619)	(7,313)	-	(23,000)
Disposals	(41)	(994)	(378)	(2,195)	(4,187)	-	(7,795)
Adjustment for revaluation on plant and machinery (note 24)	-	-	-	(6,204)	-	-	(6,204)
Impairment loss through profit and loss (note 4)	-	-	-	(22,024)	-	-	(22,024)
Balance at end of the year - As re-stated	92,359	1,191	2,138	126,941	5,114	-	227,743
At 30 June 2010							
Cost	94,920	10,733	3,686	145,993	32,217	-	287,549
Accumulated depreciation	(2,561)	(9,542)	(1,548)	(19,052)	(27,103)	-	(59,806)
Net book value	92,359	1,191	2,138	126,941	5,114	-	227,743

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

The impairment loss of P61.51 million (2010: P22.02 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.

Certain assets are secured as set out in notes 28 and 33.

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Computers P 000	Motor vehicles P 000	Furniture and fittings P 000	Total P 000
Year ended 30 June 2011				
Balance at beginning of the year	635	5	691	1,331
Additions	338	273	189	800
Depreciation (note 4)	7	(61)	(181)	(235)
Disposals	-	-	(4)	(4)
Balance at end of the year	980	217	695	1,892
At 30 June 2011				
Cost	9,108	337	3,241	12,686
Accumulated depreciation	(8,128)	(120)	(2,546)	(10,794)
Net book value	980	217	695	1,892
Year ended 30 June 2010				
Balance at beginning of the year	1,006	12	790	1,808
Additions	46	-	204	250
Depreciation (note 4)	(417)	(7)	(303)	(727)
Balance at end of the year	635	5	691	1,331

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Computers P 000	Motor vehicles P 000	Furniture and fittings P 000	Total P 000
At 30 June 2010				
Cost	8,770	64	3,057	11,891
Accumulated depreciation	(8,135)	(59)	(2,366)	(10,560)
Net book value	635	5	691	1,331

8. INTANGIBLE ASSETS

Group	Computer software P 000	Trademarks P 000	Total P 000
Year ended 30 June 2011			
Balance at beginning of the year	2,934	-	2,934
Additions	30	-	30
Amortisation charge (note 4)	(342)	-	(342)
Balance at end of the year	**2,622**	-	**2,622**
At 30 June 2011			
Cost	3,441	-	3,441
Accumulated amortisation	(819)	-	(819)
Net book value	**2,622**	-	**2,622**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

8. INTANGIBLE ASSETS (continued)

Group	Computer software P 000	Trademarks P 000	Total P 000
Year ended 30 June 2010			
Balance at beginning of the year	2,526	200	2,726
Additions	724	-	724
Amortisation charge (note 4)	(316)	(40)	(356)
Transfer on part disposal of a subsidiary	-	(160)	(160)
Balance at end of the year	2,934	-	2,934
At 30 June 2010			
Cost	3,411	597	4,008
Accumulated amortisation	(477)	(437)	(914)
Transfer on part disposal of a subsidiary	-	(160)	(160)
Net book value	2,934	-	2,934

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

9. SUBSIDIARIES

	Ordinary shares at cost P 000	Preference shares at cost P 000	Held to maturity Short term loan P 000	Long term loan P 000	Total loan P 000	2011 Total investment P 000	2010 Total investment P 000	% of shares held	Loan interest rate p.a %
Agriculture									
Farm Development Company (Pty) Ltd	2	-	-	-	-	2	2	100	-
Talana Farms (Pty) Ltd	3,004	-	-	-	-	3,004	3,032	100	-
LP Amusements (Pty) Ltd	24,000	6,000	2,434	5,676	8,110	38,110	22,004	100	17.50
Malutu Investments (Pty) Ltd	16,196	-	-	-	-	16,196	16,196	100	-
	43,202	6,000	2,434	5,676	8,110	57,312	41,234		
Industry									
Kwena Concrete Products (Pty) Ltd	11,880	-	-	-	-	11,880	11,904	100	-
Lobatse Clay Works (Pty) Ltd	67,170	61,573	-	-	-	128,743	100,668	100	-
Lobatse Tile (Pty) Ltd	-	-	-	-	-	-	280,827	100	-
Golden Fruit 97 (Pty) Ltd	24,853	-	-	-	-	24,853	14,689	100	-
Can Manufacturers (Pty) Ltd	110,306	35,671	-	-	-	145,977	132,212	100	-
	214,209	97,244	-	-	-	311,453	540,300		
Services									
Export Credit Insurance & Guarantee (Pty) Ltd	12,469	-	-	-	-	12,469	12,000	100	-
Coast-to-Coast Inn (Pty) Ltd	1,436	-	-	-	-	1,436	699	100	-
	13,905	-	-	-	-	13,905	12,699		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

9. SUBSIDIARIES (continued)

	Ordinary shares at cost P 000	Preference shares at cost P 000	Held to maturity Short term loan P 000	Held to maturity Long term loan P 000	Total loan P 000	2011 Total investment P 000	2010 Total investment P 000	% of shares held	Loan interest rate p.a %
Property management									
Botswana Hotel Development Co. (Pty) Ltd	104,098	-	344	87,032	87,376	191,474	179,337	100	11.00
Coleraine Holdings (Pty) Ltd	-	-	-	-	-	-	7,328	65	-
Commercial Holdings (Pty) Ltd	56,310	-	-	-	-	56,310	43,516	100	-
Fairground Holdings (Pty) Ltd	8,615	-	-	-	-	8,615	8,615	51	-
NPC Investments (Pty) Ltd	1,321	-	-	-	-	1,321	1,321	100	-
Residential Holdings (Pty) Ltd	32,787	6,347	5,349	6,634	11,983	51,117	58,027	100	11.00
Western Industrial Estate (Pty) Ltd	186,307	-	-	-	-	186,307	200,919	100	-
Phakalane Property Development (Pty) Ltd	510	-	-	-	-	510	510	51	-
Letlole la Rona Ltd	334,137	-	-	-	-	334,137	-	80	-
	724,085	6,347	5,693	93,666	99,359	829,791	499,573		
Total all sectors	995,401	109,591	8,127	99,342	107,469	1,212,461	1,093,806		
Less:									
Provision for losses (note 12)						(222,275)	(414,987)		
Fair value adjustment of loan provided at below market rate						(87,376)	(87,722)		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

9. SUBSIDIARIES (continued)

	2011 Total investment P 000	2010 Total investment P 000
Less:		
Current portion of loans included in short-term loans and advances (note 17)	(8,127)	(30,568)
	894,683	560,529

All the subsidiaries are registered in Botswana.

The loans and advances are repayable over periods varying from 2 to 10 years and analysed as follows:

	2011	2010
Maturity of short and long term loans		
Up to 1 year	8,127	30,568
Between 2 and 5 years	13,686	48,353
Over 5 years	85,656	99,251
	107,469	178,172

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

10. ASSOCIATED COMPANIES/ PARTNERSHIPS

Group	Ordinary shares at cost P 000	Preference shares at cost P 000	Held to maturity Short term loan P 000	Held to maturity Long term loan P 000	Total loan/ debenture P 000	Post acquisition reserves P 000	2011 Total investment P 000	Re-stated 2010 Total investment P 000	Re-stated 2009 Total investment P 000	% of shares held	Loan interest rate p.a %
Agriculture											
Botalana Ventures (Pty) Ltd	3,835	-	4,023	850	4,873	(471)	8,237	6,515	3,933	33	17.50
Kwalape (Pty) Ltd	4,267	-	700	2,181	2,881	-	7,148	2,427	1,648	40	17.50
Marekisetso A Merogo (Pty) Ltd	4,236	-	-	-	-	(3,109)	1,127	1,740	2,232	33	-
	12,338	-	4,723	3,031	7,754	(3,580)	16,512	10,682	7,813		
Industry											
Asphalt Botswana (Pty) Ltd	6,804	-	1,066	1,082	2,148	12,928	21,880	27,088	28,830	48	12.00
Fengyue Glass Manufacturing (Botswana) (Pty) Ltd	100,000	30,000	-	140,909	140,909	-	270,909	97,294	96,470	43	11.75
Kwena Rocla (Pty) Ltd	2,695	-	-	-	-	19,996	22,691	23,679	19,020	49	-
Tannery Industries (Botswana) (Pty) Ltd	22,262	-	-	-	-	(15,634)	6,628	6,671	3,328	32	-
	131,761	30,000	1,066	141,991	143,057	17,290	322,108	154,732	147,648		
Services											
Peermont Global (Botswana) (Pty) Ltd	3,000	31,960	-	-	-	18,492	53,452	55,834	27,874	40	-
Healthcare Holdings (Pty) Ltd	4,421	-	508	5,727	6,235	7,642	18,298	20,358	10,734	30	Various
Investec Holdings Botswana Ltd	870	-	-	-	-	3,147	4,017	3,906	5,964	24	-
TransUnion (Pty) Ltd	147	-	-	-	-	819	966	1,309	2,809	49	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

10. ASSOCIATED COMPANIES/ PARTNERSHIPS (continued)

Group	Ordinary shares at cost P 000	Preference shares at cost P 000	Held to maturity Short term loan P 000	Held to maturity Long term loan P 000	Total loan/ debenture P 000	Post acquisition reserves P 000	2011 Total investment P 000	2010 Total investment P 000	2009 Total investment P 000
Mashatu Nature Reserve (Pty) Ltd	10,287	-	-	-	-	14,706	24,993	24,951	16,193
Metropolitan Life of Botswana Ltd	20,000	-	-	-	-	15,765	35,765	32,525	26,599
	38,725	31,960	508	5,727	6,235	60,571	137,491	138,883	90,173
Property management									
DBN Developments Partnership	1,500	-	-	-	-	21,118	22,618	20,409	16,207
The Liaison Partnership	-	-	-	-	-	-	-	-	2,090
NBC Developments	1,531	-	-	-	-	18,690	20,221	18,046	13,422
Riverwalk (Pty) Ltd	-	-	-	-	-	-	-	-	19,699
	3,031	-	-	-	-	39,808	42,839	38,455	51,418
Total all sectors	185,855	61,960	6,297	150,749	157,046	114,089	518,950	342,752	297,052
Less: Provision for losses (note 12)							(31,631)	(32,986)	(20,406)
							487,319	309,766	276,646
Less: Current portion of loans included in short-term loans and advances (note 17)							(6,297)	(2,414)	(3,463)
							481,022	307,352	273,183

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

10. ASSOCIATED COMPANIES/PARTNERSHIPS (continued)

	2011 P 000	2010 P 000	2009 P 000
Company			
Ordinary and preference shares at cost			
- group investment as disclosed above	247,815	161,032	156,726
- amount invested in DBN Developments by NPC Investments (Pty) Ltd	(1,500)	(1,500)	(1,500)
	246,315	159,532	155,226
Loans	157,046	12,193	24,825
	403,361	171,725	180,051
Less: Provision for losses (note 12)	(31,631)	(32,986)	(20,406)
	371,730	138,739	159,645
Less: Current portion of loans included in short-term loans and advances (note 17)	(6,297)	(2,414)	(3,463)
	365,433	136,325	156,182

All associated companies/partnerships are registered in Botswana.

The loans and advances are repayable over periods varying from 2 to 10 years and analysed as follows:

	2011 P 000	2010 P 000	2009 P 000
Maturity of short and long term			
Up to 1 year	6,297	2,414	3,463
Between 2 and 5 years	150,749	9,779	21,362
Over 5 years	-	-	-
	157,046	12,193	24,825

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

10. ASSOCIATED COMPANIES/PARTNERSHIPS (continued)

	2011 P 000	2010 P 000	2009 P 000
Included in post acquisition reserves are the following:			
Current year share of associates profits	54,893	104,289	67,306
Current year share of associates tax charge (note 5)	(12,462)	(16,017)	(15,386)
Net profit after tax	42,431	88,272	51,920
Share of other comprehensive (loss)/income of associates, net of tax	(10,976)	(7,101)	8,470
	31,455	81,171	60,390

11. UNQUOTED INVESTMENTS

	Preference shares at cost P 000	Held to maturity Short term loan P 000	Long term loan P 000	Total loan P 000	2011 Total investment P 000	2010 Total investment P 000	2009 Total investment P 000	Loan interest rate p.a %
Agriculture								
AOB-AGRIB (Pty) Ltd	2,096	1,149	3,351	4,500	6,596	5,766	-	13.00
Chicken Zone (Pty) Ltd	-	1,219	7,070	8,289	8,289	-	-	13.00
	2,096	2,368	10,421	12,789	14,885	5,766	-	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

11. UNQUOTED INVESTMENTS (continued)

	Preference shares at cost P 000	Held to maturity Short term loan P 000	Long term loan P 000	Total loan P 000	2011 Total investment P 000	2010 Total investment P 000	2009 Total investment P 000	Loan interest rate p.a %
Industry								
Matsiloje Portland Cement (Pty) Ltd	1,985	-	-	-	1,985	1,985	1,985	-
Botswana Vaccine Institute (Pty) Ltd	50,000	-	-	-	50,000	50,000	50,000	-
Terry Cooney (Pty) Ltd	-	-	-	-	-	2,109	2,490	16.25
Hypen Holdings (Pty) Ltd	-	536	1,156	1,692	1,692	1,636	1,868	17.25
Crates & Pallets Botswana (Pty) Ltd	3,191	631	2,674	3,305	6,496	6,170	6,614	13.75
Belabela Quaries (Pty) Ltd	-	-	-	-	-	-	313	13.75
Prima Foods (Pty) Ltd	-	2,186	5,027	7,213	7,213	8,054	9,742	12.75
Seven Star Steel Pipe Group (Pty) Ltd	-	9,777	34,505	44,282	44,282	15,545	-	13.25
	55,176	13,130	43,362	56,492	111,668	85,499	73,012	
Services								
Commonwealth Africa Investment Fund Ltd	-	-	-	-	-	7,002	7,082	-
Collins Newman & Co.	-	110	-	110	110	459	745	11.75
Lavender Projects (Pty) Ltd	-	1,821	3,629	5,450	5,450	6,520	8,404	12.50
Afri-Media (Pty) Limited	-	219	529	748	748	-	-	14.00
Gloryland Guest Lodge (Pty) Ltd	-	779	4,444	5,223	5,223	-	-	13.25
	-	2,929	8,602	11,531	11,531	13,981	16,231	
Total all sectors	57,272	18,427	62,385	80,812	138,084	105,246	89,243	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

11. UNQUOTED INVESTMENTS (continued)

	Group & Company		
	2011	2010	2009
	P 000	P 000	P 000
Total all sectors	138,084	105,246	89,243
Other investments	-	-	103
Provision for losses (note 12)	-	(674)	(674)
	138,084	104,572	88,672
Less: Current portion of loans included in short-term loans and advances (note 17)	(18,427)	(6,911)	(7,622)
	119,657	97,661	81,050

All unquoted investments are registered in Botswana.

The loans and advances are repayable over periods varying from 2 to 10 years and analysed as follows:

Maturity of short and long term loans	2011	2010	2009
Up to 1 year	18,427	6,911	7,622
Between 2 and 5 years	62,385	34,061	18,263
Over 5 years	-	-	-
	80,812	40,972	25,885
Securities pledged for the above loans	236,577	68,953	68,953

Securities pledged comprise immovable assets and Deeds of Hypothecation over movable assets.
At the financial year end the value of security obtained on individual loans was greater than the carrying amounts of the respective loans.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

12. PROVISION FOR LOSSES ON INVESTMENTS

	Group			Company	
	2011	2010	2009	2011	2010
	P 000	P 000	P 000	P 000	P 000
Balance at beginning of the year	33,660	21,080	11,065	448,647	426,661
Provision written off during the year	(31,418)	-	-	(281,494)	-
Increase in provision during the year (note 4)	29,389	12,580	10,015	86,753	21,986
Balance at end of the year	31,631	33,660	21,080	253,906	448,647
Represents provision against:					
Subsidiaries (note 9)	-	-	-	222,275	414,987
Associated companies/partnerships (note 10)	31,631	32,986	20,406	31,631	32,986
Unquoted investments (note 11)	-	674	674	-	674
	31,631	33,660	21,080	253,906	448,647

13. QUOTED INVESTMENTS

Shares at cost	150,552	170,960	93,480	150,552	170,960
Net gain transferred to fair value reserve (note 23)	294,646	333,197	436,297	294,646	333,197
Shares at market value	445,198	504,157	529,777	445,198	504,157
At cost comprising:					
Sechaba Breweries Holdings Ltd	72,612	72,612	72,612	72,612	72,612
PPC South Africa Ltd	-	14,497	20,868	-	14,497
Cresta Marakanelo Ltd	77,940	83,851	-	77,940	83,851
	150,552	170,960	93,480	150,552	170,960

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

The Company holds 34,044,315 (2010: 34,044,315) and 50,283,975 (2010: 54,336,391) ordinary shares in Sechaba Breweries Holdings Ltd and Cresta Marakanelo Ltd, respectively. During the year 4,052,416 ordinary shares in Cresta Marakanelo Ltd and 2,825,283 ordinary shares in PPC South Africa Ltd were sold at a consideration of P5,903,000 and P79,218,000 respectively.

Although the Company owns 25% (2010: 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.

Although the Company owns 27% (2010: 29%) of Cresta Marakanelo Ltd's issued capital, the equity method of accounting is not followed as the company does not exercise significant influence over Cresta Marakanelo Ltd's financial and operating policies.

14. DUE FROM GROUP COMPANIES - NET

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

	2011 P 000	2010 P 000
Group company name		
Talana Farms (Pty) Ltd	236	166
Can Manufacturers (Pty) Ltd	(6,423)	(3,395)
Lobatse Clay Works (Pty) Ltd	(10,724)	(8,306)
Malutu (Pty) Ltd	1,229	1,229
Export Credit Insurance & Guarantee (Pty) Ltd	1,868	1,868
Botswana Hotel Development Co. (Pty) Ltd	15,612	15,612
Commercial Holdings (Pty) Ltd	7,717	7,717
NPC Investments (Pty) Ltd	5,328	5,328
Residential Holdings (Pty) Ltd	5,957	5,957
Western Industrial Estate (Pty) Ltd	34,164	34,164
	54,964	60,340

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

15. INVENTORIES

	Group		
	2011	2010	2009
	P 000	P 000	P 000
Raw materials	8,410	6,672	5,900
Work in progress	341	887	498
Finished goods	23,408	16,704	12,098
Moulds and patterns	1,622	1,053	669
Consumables	2,285	2,544	3,766
	36,066	27,860	22,931

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

16. TRADE AND OTHER RECEIVABLES

	Group			Company	
	2011	2010	2009	2011	2010
	P 000	P 000	P 000	P 000	P 000
Gross trade receivables	95,545	40,463	57,888	67,140	45,175
Allowance for doubtful debts	(22,912)	(17,306)	(14,425)	(14,262)	(11,037)
Net trade receivables	72,633	23,157	43,463	52,878	34,138
Prepayments	2,331	616	642	-	-
Loans to officers	9,159	14,541	13,246	9,159	14,541
Due from related parties	-	-	-	106,312	12,072
Other	34,270	151,960	44,253	7,347	103,182
Less: Re-classified as held for sale (note 20)	-	(3,053)	-	-	-
	118,393	187,221	101,604	175,696	163,933

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

Other receivables mainly comprise other amounts receivable.

Included in trade debtors are amounts past due at the reporting date for which the Group has not provided as they are still considered recoverable.There are no other impaired receivables.

Ageing of past due but not impaired					
60 - 90 days	3,821	4,918	3,305	-	1
90 - 120 days and above	6,736	2,605	710	566	565
Total	10,557	7,523	4,015	566	566

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

16. TRADE AND OTHER RECEIVABLES (continued)

	Group			Company	
	2011	2010	2009	2011	2010
	P 000	P 000	P 000	P 000	P 000
Movement in the allowance for doubtful debts					
Balance at beginning of the year	17,306	14,425	11,569	11,037	6,477
Allowance charged during the year	7,808	2,881	9,027	3,225	4,560
Amounts written off as uncollectable	(2,202)	-	(6,171)	-	-
Balance at end of the year	22,912	17,306	14,425	14,262	11,037

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

17. SHORT-TERM LOANS AND ADVANCES

	Group			Company	
Short-term portion of loans and advances to:					
Subsidiaries (note 9)	-	-	-	8,127	30,568
Associated companies (note 10)	6,297	2,414	3,463	6,297	2,414
Unquoted investments (note 11)	18,427	6,911	7,622	18,427	6,911
	24,724	9,325	11,085	32,851	39,893

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

18. AVAILABLE FOR SALE INVESTMENTS

	Group			Company	
	2011	2010	2009	2011	2010
	P 000	P 000	P 000	P 000	P 000
Land held for sale:					
Balance at beginning of the year	307	370	12,172	-	-
Net movement during the year	-	(63)	11,802	-	-
Balance at end of the year	307	307	370	-	-

Land held for sale

In the opinion of the directors, based on the market conditions, the amount realisable through an arm's length sale will exceed its carrying value.

19. CASH AND CASH EQUIVALENTS

	Group 2011	Group 2010	Group 2009	Company 2011	Company 2010
Money market funds	53,724	137,843	81,016	-	-
Cash and bank deposits	349,109	512,901	165,271	231,739	559,655
	402,833	650,744	246,287	231,739	559,655

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 an effective rate of 9.79% (2010: 9.79%). The proportionate amount of interest up to 30th June is added to the cost of investment approximating the fair value.

Cash and bank deposits

Cash and bank deposits comprise cash and funds held in bank accounts and includes a balance held in a call account amounting to P88,855,000 which is not available for use as it is pledged as security as detailed in note 28.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

20. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

		Group	Company
	2011	2010	2009
	P 000	P 000	P 000
Land for sale	-	-	1,739
Assets related to discontinued operations (see 20.1)	-	67,612	33,834
Investment properties (see 20.2)	-	392,295	-
	-	459,907	35,573
Liabilities associated with assets held for sale (see 20.1)	-	127,489	50,236

20.1. The business activities of two of the Company's investments in subsidiaries ceased trading in the financial year 2009 due to lack of profitable business. One business activity related to rental of an investment property which ceased operations due to a poor tenant base and the other related to the manufacturing of various types of tiles. Both business activities were wound up during the current year.

20.2. During the year ended 30 June 2010, the Group designated certain properties to create a variable Loan Stock company, Letlole la Rona Limited (LLR), which was listed on the Botswana Stock Exchange on 15 June 2011. The intention of the Group was to hold a 30.00% stake in LLR. Following the Initial Public Offer (IPO), the Group has a 79.56% stake in LLR at year end. The properties were classified as held for sale as at the reporting period ended 30 June 2010. The disposal was completed on 15 June 2011, on which date the properties were transferred to LLR. The carrying amounts of assets and liabilities classified as held for sale as at the prior year end and retained in the Group as at 30 June 2011, are as follows:

	2011
	P 000
Investment properties (note 6)	392,295
Government grants (note 29)	(16,404)
Deferred tax (note 31)	(48,400)
Liabilities directly associated with assets previously classified as held for sale	(64,804)
Net amount of assets previously classified as held for sale	327,491

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

21. STATED CAPITAL

	Group			Company	
	2011	2010	2009	2011	2010
	P 000	P 000	P 000	P 000	P 000
Issued and fully paid					
Balance at beginning of the year - 517,699, 462 (2010: 238,699, 462) ordinary shares	864,199	585,199	535,199	864,199	585,199
Issued during the year	-	279,000	50,000	-	279,000
Balance at end of the year - 517,699, 462 (2010: 517,699, 462) ordinary shares	864,199	864,199	585,199	864,199	864,199

22. CONTRIBUTION TO FACTORY PREMISES

The amount relates to non-refundable contributions received from the Government of the Republic of Botswana in respect of funding for the construction of factories of the subsidiary companies:	24,070	24,070	24,070	24,070	24,070

23. FAIR VALUE RESERVE

Balance at beginning of the year	333,197	436,297	615,872	333,197	436,297
Fair value during the year	28,517	(103,100)	(179,575)	28,517	(103,100)
Disposals during the year	(67,068)	-	-	(67,068)	-
Balance at end of the year	294,646	333,197	436,297	294,646	333,197
Comprising:					
Sechaba Breweries Holdings Ltd	322,302	266,129	378,475	322,302	266,129
PPC South Africa Ltd	-	67,068	57,822	-	67,068
Cresta Marakanelo Ltd	(27,656)	-	-	(27,656)	-
	294,646	333,197	436,297	294,646	333,197

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

24. OTHER RESERVES

	"Repairs & maintenance reserve" P 000	Capital redemption reserve P 000	Group "Statutory capital & solvency reserves" P 000	Revaluation reserve P 000	Total P 000
Balance at 1 July 2009 - As previously stated	276	8,772	3,538	87,412	99,998
Prior year adjustments (note 42)	-	-	-	(2,531)	(2,531)
Balance at 1 July 2009 - As re-stated	276	8,772	3,538	84,881	97,467
Movement in associated companies' reserves	-	-	-	(7,101)	(7,101)
Transfers from/(to) retained earnings	42	1,993	1,028	(5,121)	(2,058)
Adjustment on revaluation of plant and machinery (note 7)	-	-	-	(6,204)	(6,204)
Revaluation during the year (note 7)	-	-	-	13,224	13,224
Deferred tax adjustments during the year (note 31)	-	-	201	2,239	2,440
Balance at 30 June 2010 - As re-stated	318	10,765	4,767	81,918	97,768
Movement in associated companies' reserves	-	-	-	(10,976)	(10,976)
Transfers from/(to) retained earnings	46	(10,765)	787	(5,662)	(15,594)
Adjustment on revaluation of plant and machinery (note 7)	-	-	-	5,624	5,624
Deferred tax adjustments during the year (note 31)	-	-	112	(1,102)	(990)
Balance at 30 June 2011	364	-	5,666	69,802	75,832

Statutory capital and solvency reserves

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

25. DIVIDEND RESERVE

	Group and Company		
	2011	2010	2009
	P 000	P 000	P 000
Dividend reserve:			
Balance at beginning of the year	32,279	-	12,000
Dividend declared - 2010	721	-	-
Dividend proposed	38,700	32,279	-
Dividend paid	(33,000)	-	(12,000)
Balance at end of the year	38,700	32,279	-
Dividend payable:			
Balance at beginning of the year	-	-	13,141
Dividends paid during the year	-	-	(13,141)
Balance at end of the year	-	-	-

26. CLAIMS EQUALISATION RESERVE

	2011	2010	2009
Balance at beginning of the year	2,468	1,344	1,107
Charge to the statement of comprehensive income	86	357	237
Transfers from other reserves	821	767	-
Balance at end of the year	3,375	2,468	1,344

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

27. NON-CONTROLLING INTERESTS

	Group and Company		
	2011	2010	2009
	P 000	P 000	P 000
Balance at beginning of the year	**50,922**	86,216	74,572
Share of net profit of subsidiaries	**24,928**	14,072	20,594
Reversal on partial disposal of interest in subsidiary	-	(46,679)	(6,550)
Dividends paid	-	(2,687)	(2,400)
Issue of shares during the year	**83,361**	-	-
Balance at end of the year	**159,211**	50,922	86,216

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

28. BORROWINGS

	Group			Company	
	2011	2010	2009	2011	2010
	P 000	P 000	P 000	P 000	P 000
Debt Participation Capital Funding					
Unsecured loan bearing interest at 2% per annum repayable in half-yearly instalments of P253,000 each over a period of 17 years	2,399	2,851	3,294	2,399	2,851
Unsecured loan bearing interest at 12.1% per annum repayable in half-yearly instalments of P564,000 each over the period to 2021	6,612	6,836	7,113	6,612	6,836
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P165,000 each over the period to 2011	-	306	584	-	306
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P145,000 each over the period to 2011	138	393	626	138	393
Unsecured loan bearing interest at 8.5% per annum repayable in half-yearly instalments of P231,000 each over the period to 2011	222	639	1,022	222	639
Unsecured loan bearing interest at 10% per annum repayable in half-yearly instalments of P261,000 each over the period to 2012	721	1,154	1,552	721	1,154
Unsecured loan bearing interest at 7.5% per annum repayable in half-yearly instalments of P316,000 each over the period to 2014	1,669	2,143	2,588	1,669	2,143
Unsecured loan bearing interest at 7.5% per annum repayable in half-yearly instalments of P750,000 each over the period to 2014	4,544	5,642	6,661	4,544	5,642
Unsecured loan bearing interest at 8% per annum repayable in half-yearly instalments of P1,100,000 each over the period to 2015	7,405	8,920	10,322	7,405	8,920
Unsecured loan bearing interest at 8% per annum repayable in half-yearly instalments of P1,580,000 each over the period to 2016	13,839	15,775	17,564	13,839	15,775
Unsecured loan bearing interest at 9.5% per annum repayable in half-yearly instalments of P221,000 each over the period to 2006	2,225	2,440	2,637	2,225	2,440
Unsecured loan bearing interest at 9.5% per annum repayable in half-yearly instalments of P2,515,000 each over the period to 2017	25,301	27,752	29,986	25,301	27,752
Unsecured loan bearing interest at 12.1% per annum repayable in half-yearly instalments of P300,000 each over the period to 2017	2,901	3,128	3,330	2,901	3,128
Unsecured loan bearing interest at 12.1% per annum repayable in half-yearly instalments of P834,000 each over the period to 2020	8,992	9,520	9,992	8,992	9,520
	76,968	87,499	97,271	76,968	87,499

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

28. BORROWINGS (continued)

	Group 2011 P 000	Group 2010 P 000	Group 2009 P 000	Company 2011 P 000	Company 2010 P 000
European Investment Bank (EIB)					
Loan bearing interest at 5% per annum, guaranteed by the Government of the Republic of Botswana, repayable by 2013 (loan number 70699)	1,423	3,156	5,245	1,423	3,156
Loan bearing interest at 2% per annum, guaranteed by the Government of the Republic of Botswana, repayable by 2017 (loan number 70893)	13,889	12,712	14,085	13,889	12,712
	15,312	15,868	19,330	15,312	15,868
Total Debt Participation Capital Funding and EIB loans	92,280	103,367	116,601	92,280	103,367
Bonds					
Bond 2					
Bearing interest at a rate linked to Consumer Index Price redeemable on 1 June 2011	-	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
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	87,376	87,722	88,041	87,376	87,722
Discounted Letters of Credit (LC's) drawn by a Group entity bearing no interest and repayable after 720 days following each draw down. The LC's are secured as per note 19.	88,855	-	-	88,855	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

28. BORROWINGS (continued)

	Group 2011 P 000	Group 2010 P 000	Group 2009 P 000	Company 2011 P 000	Company 2010 P 000
Loans taken out by subsidiaries owing to third parties					
Bearing interest at average rate of 15% per annum and repayable over varying periods	-	5,754	9,963	-	-
Mortgage loans and finance leases					
Liabilities under mortgage loans and finance leases held over three to five years at varying interest rates	4,554	2,146	786	-	-
Gross borrowings	273,065	398,989	415,391	268,511	391,089
Less:					
Portion of exchange loss borne by the Government of the Republic of Botswana	(6,353)	(6,655)	(6,655)	(6,353)	(6,655)
Fair value adjustment arising from valuation of loans at below market interest rates	(8,150)	(9,933)	(12,808)	(95,526)	(98,275)
	258,562	382,401	395,928	166,632	286,159
Less: Current portion included under current liabilities	(46,180)	(217,538)	(15,953)	(44,711)	(210,901)
	212,382	164,863	379,975	121,921	75,258
Analysis of gross borrowings					
Not later than 1 year	46,180	217,538	15,953	44,711	210,901
Later than 1 year, but not later than 5 years	103,605	146,906	247,329	100,520	146,906
Later than 5 years	123,280	34,545	152,109	123,280	33,282
Gross borrowings	273,065	398,989	415,391	268,511	391,089

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

On 1 April 2004 the Government of the Republic 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 had issued bonds to finance the acquisition of these loans from the Government of Botswana. The bonds which were listed on the Botswana Stock Exchange, were repaid during the year.

28. BORROWINGS (continued)

	Group			Company	
	2011	2010	2009	2011	2010
	P 000	P 000	P 000	P 000	P 000
Fair value of borrowings:					
Balance at beginning of the year	(9,933)	(12,808)	(15,763)	(98,275)	(101,150)
Transfer (from)/to provisions arising on repayments	(622)	-	-	344	-
Fair value adjustment arising from valuation of loans at below market interest rates	2,405	2,875	2,955	2,405	2,875
Balance at end of the year	(8,150)	(9,933)	(12,808)	(95,526)	(98,275)

Mortgage loans

The mortgage loan is repayable over a period of ten years in monthly instalments of P30,615 (2010: P40,948) each, bearing interest at 11.00% (2010: 14.00%) per annum and is secured by land and buildings at Plot 115, Unit 6, Kgale Mews, Millennium Park, Gaborone. The loan for Plot 140 Ramotswa was settled in full during the year.

Finance leases

Finance leases are repayable over a period of four years in monthly instalments of P70,936 (2010: P22,587) bearing interest at an average rate of 11.50% (2010: 14.25%) per annum and are secured by motor vehicles with a net book value as follows:

	2011	2010	2009	2011	2010
Cost	3,883	2,614	1,426	-	-
Accumulated depreciation	(1,058)	(737)	(658)	-	-
Net book value	2,825	1,877	768	-	-

European Investment Bank (EIB) loans

The borrowings from the European Investment Bank (EIB) are repayable in half-yearly instalments. The composition of the foreign currency of the balances at 30 June 2011 are as follows:

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

28. BORROWINGS (continued)

		Group and Company				
		Foreign amount at 2011 Euro 000	Pula equivalent at 2011 P 000	Foreign amount at 2010 Euro 000	Pula equivalent at 2010 P 000	Pula equivalent at 2009 P 000
Loan number	Currency					
70699	Euro	186	1,423	372	3,156	5,245
70893	Euro	1,500	13,889	1,500	12,712	14,085
		1,686	15,312	1,872	15,868	19,330

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

29. GOVERNMENT GRANTS

	Group		
	2011 P 000	Re-stated 2010 P 000	Re-stated 2009 P 000
Balance at beginning of the year	14,259	31,440	32,217
Amortisation during the year (note 4)	(17,181)	(777)	(777)
Re-classified as directly associated with assets held for sale (note 20)	16,404	(16,404)	-
Balance at beginning of the year	13,482	14,259	31,440

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

29. GOVERNMENT GRANTS (continued)

	Group		
		Re-stated	Re-stated
	2011	2010	2009
	P 000	P 000	P 000
Gross Government grants	49,960	49,960	49,960
Amortisation	(25,378)	(8,197)	(7,420)
Utilised as provision for impairment loss	(10,000)	(10,000)	(10,000)
Realised	(1,100)	(1,100)	(1,100)
Re-classified as directly associated with assets held for sale (note 20)	-	(16,404)	-
	13,482	14,259	31,440

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.

30. PROVISION FOR RESTORATION COSTS

	2011	2010	2009
Balance at beginning of the year	5,758	8,787	6,207
Charge/(credit) to the statement of comprehensive income (note 2)	605	(3,101)	509
Charge due to increase in mining area	41	72	2,071
Balance at beginning of the year	6,404	5,758	8,787

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

31. DEFERRED TAXATION

	Group		
		Re-stated	Re-stated
	2011	2010	2009
	P 000	P 000	P 000
Balance at the beginning of the year	42,180	85,925	93,771
Charge/(credit) to the statement of other comprehensive income (note 24)	990	(2,440)	(4,601)
Charge/(credit) to the income statement (note 5) - current year	(4,227)	6,671	46,154
- rate change from 25% to 22%	(5,848)	-	-
- prior year	238	424	(5,767)
Prior year adjustments (note 42)	-	-	(43,632)
Re-classified as directly associated with assets held for sale (note 20)	48,400	(48,400)	-
Balance at end of the year	81,734	42,180	85,925
Comprising:			
Temporary differences on investment properties, property, plant and equipment and Government grants	74,070	42,180	85,925
Capital gains tax deferred on acquisition of properties by a subsidiary	7,664	-	-
	81,734	42,180	85,925

Capital gains tax deferred on acquisition of properties by a subsidiary

On the creation of a Variable Loan Stock Company LLR as disclosed in note 20.2, exemption was obtained from Botswana Unified Revenue Services (BURS) for the payment of capital gains tax on transfer of properties from the subsidiaries of the Company (the Vendors), until such time as the properties are disposed of by LLR.

This amount represents the potential deferred capital gains tax liability at 30 June 2011. The actual liability arising on the disposal of any of the properties will be settled by the Vendors on disposal of the properties by LLR.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

32. TRADE AND OTHER PAYABLES

	Group			Company	
	2011	2010	2009	2011	2010
	P 000	P 000	P 000	P 000	P 000
Trade payables	13,098	14,407	22,059	633	672
Accruals	24,455	7,534	5,046	16,804	1,335
Amounts due to related parties	-	-	-	276,732	80,638
Other payables	228,955	260,393	128,383	169,818	222,174
	266,508	282,334	155,488	463,987	304,819

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

33. BANK OVERDRAFTS

	Group 2011	Group 2010	Group 2009	Company 2011	Company 2010
The bank overdrafts of subsidiaries are secured by deeds of hypothecation over fixed and moveable assets and suretyship signed by the Company.	2,862	6,358	10,032	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

34. COMMITMENTS

	Group			Company	
	2011	2010	2009	2011	2010
	P 000	P 000	P 000	P 000	P 000
Operating lease receivables (payables):					
Not later than one year	109,671	58,966	47,114	(7,896)	(4,182)
Later than one year to five years	389,286	126,907	108,779	(30,218)	(20,353)
Later than five years	274,203	32,647	70,315	-	(7,710)
	773,160	218,520	226,208	(38,114)	(32,245)
Other commitments:					
Not later than one year	455,270	449,448	77,462	445,779	438,680
Later than one year to five years	786,367	454,657	166,567	786,367	454,657
Later than five years	-	-	-	-	-
	1,241,637	904,105	244,029	1,232,146	893,337
Other commitments are analysed as:					
Approved equity and loan investments undisbursed	1,232,146	893,337	233,261	1,232,146	893,337
Approved but not contracted capital expenditure	7,100	10,768	10,768	-	-
Approved and contracted capital expenditure	2,391	-	-	-	-
	1,241,637	904,105	244,029	1,232,146	893,337

Other commitments will be financed by funds to be raised from shareholder equity injections, capital markets, bank borrowings and internal resources within the BDC Group.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

35. CONTINGENT ASSETS/(LIABILITIES)

	Group			Company	
	2011	2010	2009	2011	2010
	P 000	P 000	P 000	P 000	P 000
Legal matters in favour of certain subsidiaries	92	-	-	-	-
Legal matters against certain subsidiaries	(1,251)	-	-	-	-
Guarantees in respect of facilities granted to certain subsidiaries and third parties	(195,249)	(267,315)	(253,101)	(144,646)	(267,315)
Withholding tax payable on management fees and interest thereon	-	(500)	(3,500)	-	-
	(196,408)	(267,815)	(256,601)	(144,646)	(267,315)

Included in guarantees in respect of facilities granted to certain subsidiaries and third parties, is the Company's guarantee for Letters of Credit (LC's) granted by a financial institution to a Group's investment project in progress, Fengyue Glass Manufacturing (Botswana) (Pty) Ltd, as follows:

	Group and Company			
	Foreign amount at 2011	Pula equivalent at 2011	Foreign amount at 2010	Pula equivalent at 2010
	US$ 000	P 000	US$ 000	P 000
Total Letters of Credit (LC's)	38,343	-	38,343	-
Less: Drawn and settled	(5,531)	-	-	-
Less: Discounted and committed	(13,337)	-	(4,868)	-
Net balance	19,475	128,146	33,475	223,948

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

35. CONTINGENT ASSETS/(LIABILITIES)

	Group and Company			
	Foreign amount at 2011 US$ 000	Pula equivalent at 2011 P 000	Foreign amount at 2010 US$ 000	Pula equivalent at 2010 P 000
Analysed as:				
Undrawn Letters of Credit - secured by cash holding	3,282	21,596	17,282	115,617
Corporate Guarantee for Letters of Credit	16,193	106,550	16,193	108,331
	19,475	128,146	33,475	223,948

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

36. DISCONTINUED OPERATIONS

As disclosed in note 13 the Group disposed of part of its interest in a subsidiary, Cresta Marakanelo Ltd, during the year ended 30 June 2010. The results of the subsidiary to the disposal date were classified as discontinued operations as at 30 June 2010. The gain on re-measure of fair value less costs to sell, relates to the discontinued operation of the business activity of manufacturing various types of tiles as detailed in Note 20.1.

	Notes	Group 2011 P 000	Group 2010 P 000
Revenue		-	171,477
Cost of sales		-	(114,945)
Gross loss		-	56,532
Other income		-	222
		-	56,754
Expenses		-	(31,573)
Finance costs	2	-	(2,284)
Profit before tax		-	22,897
Attributable income tax expense	5	-	(4,909)
		-	17,988
Gain on re-measure to fair value less costs to sell		10,589	11,669
Profit for the year from discontinued operations		10,589	29,657
Cash flows from discontinued operations			
Net cash flows from operating activities		-	27,134
Net cash flows from investing activities		-	(26,418)
Net cash flows from financing activities		-	(8,599)
Net cash flows		-	(7,883)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

37. PENSION SCHEME ARRANGEMENTS

The Company 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.

38. FINANCIAL RISK MANAGEMENT

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

		Group		Company
	2011	2010	2011	2010
	P 000	P 000	P 000	P 000
Financial assets				
Receivables from related parties	-	-	54,964	60,340
Loans and receivables	254,146	291,177	313,780	268,505
Quoted investments	445,198	504,157	445,198	504,157
Cash and bank balances	402,833	650,744	231,739	559,655
	1,102,177	1,446,078	1,045,681	1,392,657
Financial liabilities				
Long term borrowings	258,562	633,713	166,632	585,663
Trade and other payables	44,233	93,657	463,987	5,315
Bank overdrafts	2,862	6,358	-	-
	305,657	733,728	630,619	590,978

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

In the normal course of business the Group is exposed to capital, credit, interest rate, currency and liquidity risk. The Group manages its exposure by meeting on a regular basis to ensure the treasury activities are carried out in an orderly and efficient manner adhering to Management procedures and policies.

(i) Capital risk management
The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 28, cash and cash equivalents and equity attributable to equity holders of the parent, comprising stated capital, reserves and retained earnings as disclosed in notes 21 to 26. The Group's risk management committee reviews the capital structure of the Group. The committee considers the cost of capital and the risks associated with each class of capital.

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

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

(iv) Foreign currency risk
In the normal course of business, the Group enters into transactions denominated in foreign currencies. As a result, the Group is subject to exposure to fluctuation in foreign currency exchange rates.

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

(vi) Fair value
At 30 June 2011 and 2010, the carrying value of cash and bank balances, trade receivables, quoted and unquoted investments, trade payables and related party balances reported in the financial statements approximate their fair values due to their short-term maturity. These financial instruments are held in the ordinary course of business.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

39. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Group 2011 P 000	Group 2010 P 000
Transactions during the year		
Other related parties		
Botswana Development Corporation (BDC)		
Directors' fees	178	115
Directors' remuneration for executive services	1,512	1,073
Key management remuneration	2,841	2,736
Export Credit Insurance & Guarantee (Pty) Ltd		
Directors' fees	18	-
Lobatse Clay Works (Pty) Ltd		
Directors' fees	22	-
Fairground Holdings (Pty) Ltd		
Directors' fees	16	-
Letlole la Rona Ltd		
Directors' fees	304	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

39. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	Group 2011 P 000	2010 P 000
Associated companies		
Asphalt Botswana (Pty) Ltd		
Finance costs on borrowings from BDC	401	626
Peermont Global (Botswana) Ltd		
Directors' fees paid to BDC	23	30
Management fees paid to Global SA (Pty) Limited, the holding company	22,320	20,077
Kwena Rocla (Pty) Ltd		
Management fees paid to D and H Industrial Holdings (Pty) Ltd, immediate holding company	885	543
Purchases from D and H Industrial Holdings (Pty) Ltd, immediate holding company	23,648	57,670
Investec Holdings (Botswana) Ltd		
Asset management fees paid to fellow subsidiaries	4,595	4,608
Directors' remuneration for executive services	1,542	1,436
Finance income from fellow subsidiaries	5,012	4,231
Year end balances		
Associated companies		
Peermont Global (Botswana) Ltd		
Current account balance due to Global Resorts SA (Pty) Ltd, immediate holding company	(2,112)	(2,445)
TransUnion (Pty) Ltd		
Current account balance due to ITC SA (Pty) Limited, immediate holding company	-	(431)
Kwena Rocla (Pty) Ltd		
Current account balance due to Rocla SA (Pty) Ltd	(1,467)	(7,925)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

40. CASH GENERATED FROM OPERATIONS

	Notes	Group 2011 P 000	Group Re-stated 2010 P 000	Company 2011 P 000	Company 2010 P 000
Profit before tax		154,724	200,698	229,705	227,622
Adjustments for:					
Fair value of investment retained in a subsidiary	41	-	(95,741)	-	(152,582)
Amortisation of Government grants	29	(17,181)	(777)	-	-
Amortisation of intangible assets	4	342	356	-	-
Depreciation of property, plant and equipment	4	16,649	23,000	235	727
Impairment of property, plant and equipment	4	61,506	22,024	-	-
Revaluation of property, plant and equipment	7	-	(13,224)	-	-
Fair value adjustment of investment properties	6	(140,646)	35,666	-	-
Fair value adjustment of long term borrowings	28	2,405	2,875	2,405	2,875
Foreign exchange losses on long term borrowings		1,505	2,013	1,505	2,013
Movement in provision for restoration costs	30	646	(2,979)	-	-
Loss/(profit) on disposal of investment properties	4	5,317	(887)	-	-
(Profit)/loss on disposal of property, plant and equipment	4	(10)	4,745	2	-
Net loss on disposal of quoted investments		2,355	-	2,355	-
Share of profits of associates before tax		(54,893)	(104,289)	-	-
Movement in other reserves		821	(37,538)	-	-
Transfer to claims equalisation reserve	26	86	357	-	-
Movement in provisions for losses on investments	12	29,389	12,580	86,753	21,986

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

40. CASH GENERATED FROM OPERATIONS (continued)

	Notes	Group 2011 P 000	Group Re-stated 2010 P 000	Company 2011 P 000	Company 2010 P 000
Interest received	2	(27,599)	(32,042)	(18,489)	(19,051)
Finance costs	2	32,408	38,998	31,108	33,670
Changes in working capital					
- rental straight-line adjustment		1,612	(418)	-	-
- trade and other receivables		68,828	(85,393)	(11,763)	(108,570)
- inventories		(8,206)	(4,732)	-	-
- assets held for sale		(63,284)	(9,497)	-	-
- trade and other payables		(15,826)	134,224	159,168	191,891
		50,948	90,019	482,984	200,581

41. DISPOSAL OF INTEREST IN SUBSIDIARY

As disclosed in note 13 the Group disposed of its controlling interest in Cresta Marakanelo (Pty) Ltd during the year ended 30 June 2010 and retained an interest which was classified as a quoted investment.

	Company 2011 P 000	Company 2010 P 000
Consideration received		
Consideration received in cash and cash equivalents	-	152,582
Analysis of assets and liabilities over which control lost		
Current assets	-	18,080
Non current assets	-	114,902
Current liabilities	-	(20,932)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

41. DISPOSAL OF INTEREST IN SUBSIDIARY (continued)

	Group 2011 P 000	Group 2010 P 000
Non-current liabilities	-	(17,316)
Net assets disposed of	-	94,734
Gain on disposal of subsidiary		
Consideration received	-	152,582
Net assets disposed of	-	(94,734)
Non-controlling interest	-	37,893
Gain on disposal	-	95,741
The gain on disposal was included in the statement of comprehensive income.		
Net cash inflow on disposal of subsidiary		
Consideration received in cash and cash equivalents	-	152,582
Less: Cash and cash equivalent balances disposed of	-	(1,482)
	-	151,100

42. PRIOR YEAR ADJUSTMENTS

42.1 IAS 12: Income taxes - Limited scope amendment (recovery of underlying assets) - early adoption

The Group has early adopted the amendments to IAS 12: Income taxes - Limited scope amendment (recovery of underlying assets) which is effective for periods beginning on or after 1 January 2012. The early adoption has affected the accounting for deferred tax. As required by the amended Standard, the amendments have been adopted retrospectively.

42.2 Owner-occupied Investment Property

In previous years an owner occupied property was re-classified from investment properties to property, plant and equipment. The revaluation gains and related deferred tax had been accounted for in terms of IAS 40: Investment Property instead of as required by IAS 16: Property, plant and equipment. The related adjustments have been processed retrospectively.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

42. PRIOR YEAR ADJUSTMENTS (continued)

42.3 Revaluation of plant and equipment

In accordance with the Group accounting policy plant and equipment is stated at cost. One of the subsidiaries revalues its plant and equipment on a yearly basis. This revaluation and related deferred tax have been reversed at Group level. The adjustments have been processed retrospectively.

The effect of the re-statement on the comparative information with respect to the three above adjustments is shown below.

		Group
	Re-stated June 2010 P 000	Re-stated June 2009 P 000
Retained earnings		
As previously stated	749,121	608,776
Prior year adjustments - cumulative to 2009	3,988	3,988
Deferred tax adjustment (42.1)	43,632	43,632
Reversal of revaluation surplus on owner-occupied property to other reserves (42.2)	(34,931)	(34,931)
Deferred tax adjustment relating to owner-occupied property to other reserves (42.2)	1,799	1,799
Depeciation charge on owner-occupied property (42.2)	(6,833)	(6,833)
Depreciation on revalued portion transferred to other reserves (42.2)	321	321
Prior year adjustments - 2010	(667)	-
Deferred tax adjustment (42.1)	812	-
Deferred tax adjustment relating to owner-occupied property to other reserves (42.2)	507	-
Reversal of revaluation surplus on owner-occupied property to other reserves (42.2)	(1,500)	-
Depeciation charge on owner-occupied property (42.2)	(717)	-
Depreciation on revalued portion transferred to other reserves (42.2)	231	-
As re-stated	752,442	612,764

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

42. PRIOR YEAR ADJUSTMENTS (continued)

		Group
	Re-stated June 2010 P 000	Re-stated June 2009 P 000
Deferred tax liabilities/(assets)		
As previously stated	93,792	135,794
Prior year adjustments	(51,612)	(49,869)
Deferred tax adjustment - cumulative to 2009 (42.1)	(43,632)	(43,632)
Deferred tax adjustment - cumulative to 2009 (42.3)	(6,237)	(6,237)
Deferred tax adjustment - 2010 (42.1)	(812)	-
Deferred tax adjustment - 2010 (42.3)	(931)	-
As re-stated	42,180	85,925
Property, plant and equipment		
As previously stated	283,076	390,158
Prior year adjustments	(55,333)	(48,412)
Depeciation charge - cumulative to 2009 (42.2)	(6,833)	(6,833)
Revaluation adjustment - cumulative to 2009 (42.3)	(41,579)	(41,579)
Depeciation charge - 2010 (42.2)	(717)	-
Revaluation adjustment - 2010 (42.3)	(6,204)	-
As re-stated	227,743	341,746

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

42. PRIOR YEAR ADJUSTMENTS (continued)

	Group 2010 P 000	Group 2009 P 000
Other reserves		
As previously stated	104,810	99,998
Prior year adjustments - cumulative to 2009	(2,531)	(2,531)
Revaluation surplus on owner - occupied property (42.2)	34,931	34,931
Depreciation on revalued portion of owner - occupied property (42.2)	(321)	(321)
Deferred tax adjustment on revalued portion of owner - occupied property (42.2)	(1,799)	(1,799)
Revaluation surplus - cumulative to 2009 (42.3)	(35,342)	(35,342)
Prior year adjustments - 2010	(4,511)	
Revaluation surplus on owner - occupied property (42.2)	1,500	-
Depreciation on revalued portion of owner - occupied property (42.2)	(231)	-
Deferred tax adjustment on revalued portion of owner - occupied property (42.2)	(507)	-
Revaluation surplus - 2010 (42.3)	(5,273)	-
As re-stated	97,768	97,467
Statement of comprehensive loss for the year, net of tax		
As previously stated	97,169	
Reversal of revaluation surplus on reclassification to property, plant and equipment (42.2)	(1,500)	
Reversal of revaluation surplus and related deferred tax on plant and equipment (42.3)	5,273	
As re-stated	100,942	
Statement of comprehensive income - Income tax expense		
As previously stated	46,429	
Deferred tax adjustments (42.1)	(812)	
As re-stated	45,617	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

43. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of financial instruments approximates their carrying values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 P 000	Level 2 P 000	Level 3 P 000	Level 4 P 000
Group and Company				
Financial assets				
Quoted investments	445,198	-	-	445,198

There were no transfers between levels during the period.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

44. SEGMENT INFORMATION

44.1. Application of IFRS 8 Operating Segments

The Group complies with IFRS 8 Operating Segments, which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

44.2. Products and services from which reportable segments derive their revenues

The Group's reportable segments under IFRS 8 are as follows:

- Agribusiness and Services
- Industry
- Property
- Holding Company

Information regarding the Group's reportable segments is presented below.

44.3. Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Segment revenue		Segment profit/(loss) before tax	
	2011	2010	2011	2010
	P 000	P 000	P 000	P 000
Agribusiness and Services	20,103	190,058	90	27,613
Industry	94,166	136,280	(35,944)	(24,058)
Property	93,225	83,599	191,961	12,609
Holding Company	400,056	158,149	229,705	227,622
	607,550	568,086	385,812	243,786

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

44. SEGMENT INFORMATION (continued)

44.4. Segment assets and liabilities

	Total assets		Total liabilities	
	2011	2010	2011	2010
	P 000	P 000	P 000	P 000
Agribusiness and Services	115,660	235,190	37,086	81,788
Industry	298,635	322,644	54,378	180,534
Property	1,484,512	1,037,808	351,180	338,866
Holding Company	2,324,548	2,132,986	630,619	591,139
	4,223,355	3,728,628	1,073,263	1,192,327

For the purposes of monitoring segment performance and allocating resources between segments:
- all assets are allocated to reportable segments other than investments in associates, 'other financial assets' and tax assets.
- all assets are allocated to reportable segments other than investments in associates, 'other financial assets' and tax assets.

44.5. Other segment information

	Depreciation		Additions to no-current assets	
	2011	2010	2011	2010
	P 000	P 000	P 000	P 000
Agribusiness and Services	1,420	12,548	13,625	32,503
Industry	13,223	8,370	31,247	10,902
Property	1,771	1,355	911	1,466
Holding Company	235	727	800	250
	16,649	23,000	46,583	45,121

An impairment loss of P61.51 million (2010: P22.02 million) was recognised in respect of the carrying value of plant and machinery of a subsidiary company.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

45. EVENTS AFTER THE REPORTING PERIOD

Investment in Fengyue Glass Manufacturing (Botswana) (Proprietary) Limited

The Company has invested in Fengyue Glass Manufacturing (Botswana) (Proprietary) Limited (associate), a company established to build a float glass production line. The project is a venture between the Company and Shanghai Fengyue Glass Co. Limited (Shanghai Fengyue), a company incorporated in the British Virgin Islands. The total investment comprises:

Initial funding	Company P 000	Shanghai Fengyue P 000	Total P 000
Stated capital (43% Company and 57% Shanghai Fengyue)	100,000	130,000	230,000
Preference shares (cumulative)	30,000	-	30,000
Long term loan	140,909	-	140,909
Disbursed at 30 June 2011	270,909	130,000	400,909
Approved and undisbursed	38,091	-	38,091
	309,000	130,000	439,000
Additional funding			
Stated capital (43% Company and 57% Shanghai Fengyue)	35,517	47,056	82,573
Preference shares (cumulative)	106,283	-	106,283
Long term loan	189,944	-	189,944
	331,744	47,056	378,800
Total project costs	640,744	177,056	817,800

The project experienced substantial cost over-runs and, subsequent to the year end, the Board has approved the above additional funding to complete the project. Further, the Board approved the procurement by the Company of the services of a specialist in glass manufacturing to oversee the installation and commissioning of the plant and to advise on any other matters relating to the plant. The Board has also engaged local legal experts to review and align all existing agreements to the new funding structure and to the terms of the revised Engineering, Procurement and Construction Contract.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS {CONTINUED}

For the year ended 30 June 2011

45. EVENTS AFTER THE REPORTING PERIOD (continued)

Guarantees by the Company for the project (Note 35)	P 000
Undrawn Letters of Credit - secured by cash holding	21,596
Guarantees for Letters of Credit	106,550
	128,146

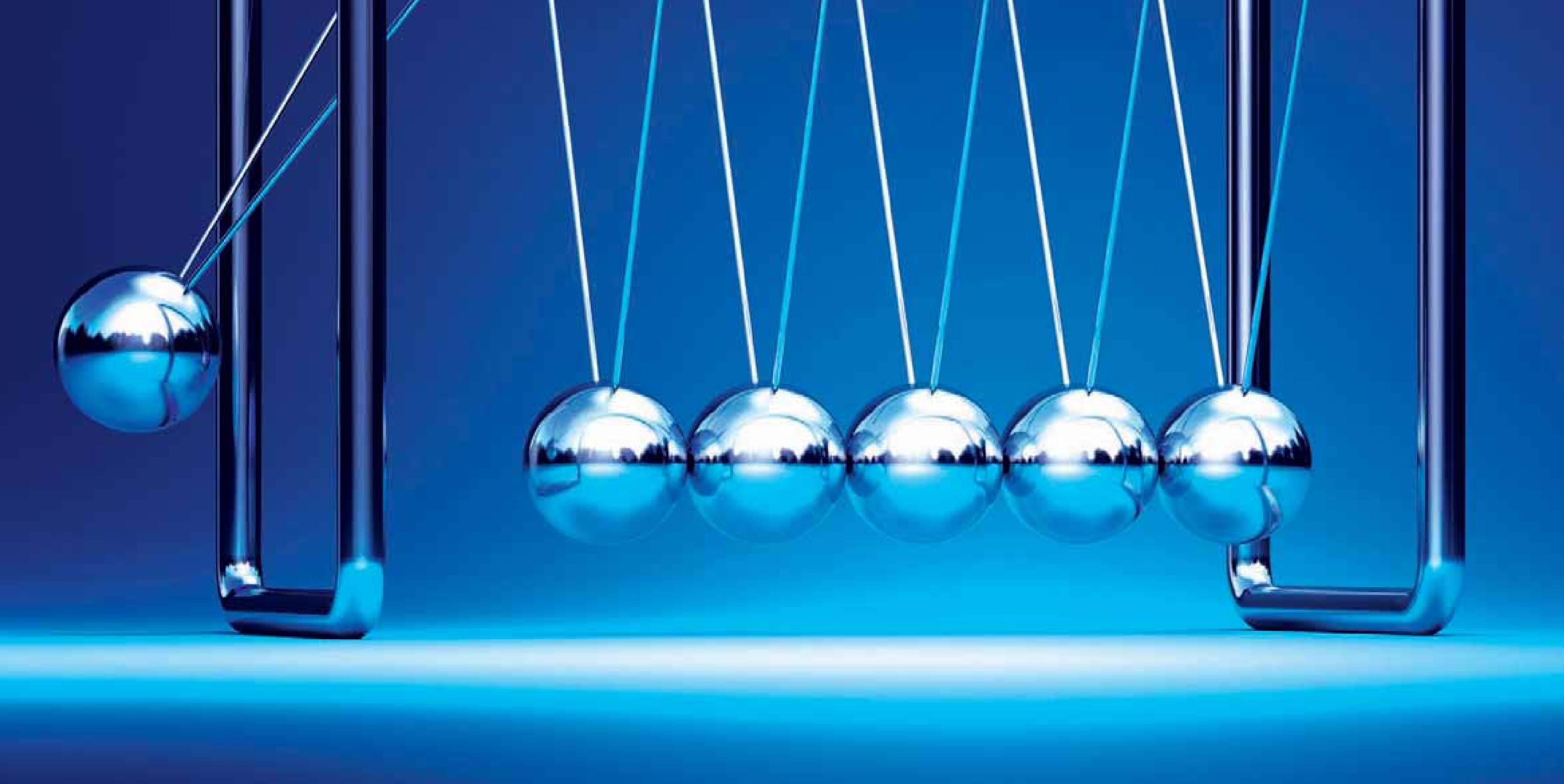
Forensic audit

A forensic audit was commissioned by the Board of Directors to evaluate the status of the project. The Board is currently studying the contents of the report and will make its pronouncements in due course.

Appointment of Parliamentary Committee

A parliamentary special select committee has been established to investigate all matters pertaining to this project. At the date of approval of these financial statements, the investigation has not been concluded.

Other than any adjustments arising from the matter noted above, no adjusting events have occurred between the reporting date and the date of approval of the financial statements.



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