Economic growth prospects in sub-Saharan Africa continued to improve during the first half of 2010, in line with an increasingly positive global economic outlook. Prices for most raw materials increased significantly, buoying business activity in general. While recovery in the region’s banking industry remains fragile, the economic indicators are encouraging and it is our hope that recovery will be sustained for at least the near term.

Overview

<table>
<thead>
<tr>
<th>Net asset value (BWP)</th>
<th>Net asset value per share (BWP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td>BWP'000s</td>
<td>BWP'000s</td>
</tr>
<tr>
<td>4,201</td>
<td>3,748</td>
</tr>
</tbody>
</table>

Total Group net income in the first half of 2010 was BWP41 million, or BWP2.57 per share, compared to a net loss in the first half of 2009 of BWP12 million, or a loss of BWP0.76 per share. The turnaround strategy for BancABC Zambia proved successful, with this subsidiary contributing BWP13 million in profit, compared to a net loss of BWP22 million in the prior period.

Financial performance

**Net interest income**

Net interest income for the period to 30 June 2010 increased by BWP13 million (8.1%) from BWP154 million to BWP167 million due to a larger balance sheet and a general improvement in margins in the period. In line with global trends, commercial banks have reported an improvement in net interest margin, which together with the increase in the loan book, has resulted in profit growth from interest income.

**Interest and similar income**

Interest and similar income increased by 8.2% to BWP25 million during the period compared to BWP22 million in the prior period.

**Operating expenditure**

Operating expenditure increased by 22% primarily due to the continued normalisation of input costs in Zimbabwe. However, the Group’s overall cost to income ratio declined from 82% at year end to 77% for the period under review. Staff costs, which account for almost 58% of the Group’s total costs, increased by 31% in Zimbabwe as a result of the normalisation of input costs. Staff costs, in other subsidiaries, did not increase significantly for the period under review. As mentioned in the previous periods, BancABC Zambia has contributed the most to staff costs in Zimbabwe.

**Net interest margins and significant balance sheet growth, which together lifted net profit**

The Group’s subsidiaries performed well in their respective regions during the first half of 2010. BancABC Mozambique has continued to record strong recoveries, buoying business activity in general. While recovery in the region’s banking industry remains fragile, the economic indicators are encouraging and it is our hope that recovery will be sustained for at least the near term.

**TAXATION**

In the period under review the Group incurred a net tax charge of BWP13 million, compared to a tax credit of BWP7 million in 2009. This net tax credit in the previous period resulted from a reduction in tax losses in tax capital gains tax on the sale of property and marketable securities in that jurisdiction.

**BALANCE SHEET**

The Group’s balance sheet increased to BWP1,1 billion, from BWP850 million at 31 December 2009, and December 2009 respectively. Growth in deposits in all markets with the highest rate of increase being in BancABC Zambia, while improving, still dictate that a cautious approach to lending be adopted. Additionally, market conditions in Zambia, Botswana and Tanzania, have improved markedly and provides a solid base for our continuous drive for stronger foundation for future growth.

**Consolidated income statement**

<table>
<thead>
<tr>
<th>BWP’000s – presentation currency</th>
<th>2010</th>
<th>2009</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total income</td>
<td>251</td>
<td>194</td>
<td>29%</td>
</tr>
<tr>
<td>Total interest income</td>
<td>67</td>
<td>66</td>
<td>1%</td>
</tr>
<tr>
<td>Interest and similar income</td>
<td>25</td>
<td>22</td>
<td>13%</td>
</tr>
<tr>
<td>Profit on sale of property and equipment</td>
<td>883</td>
<td>845</td>
<td>4%</td>
</tr>
<tr>
<td>Total interest and similar income</td>
<td>95</td>
<td>88</td>
<td>8%</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>11,479</td>
<td>41,000</td>
<td>(72%)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>262,479</td>
<td>235,409</td>
<td>11%</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>74,531</td>
<td>60,343</td>
<td>24%</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>60,001</td>
<td>48,273</td>
<td>20%</td>
</tr>
<tr>
<td><strong>Profits after tax</strong></td>
<td>48,273</td>
<td>38,431</td>
<td>25%</td>
</tr>
</tbody>
</table>

**Total equity**

Total equity increased by 21% to BWP417 million during the period compared to BWP341 million in the prior period.

**TURBULENT Mozambican interest rates also presented a significant challenge to profitably continue to seek opportunities to grow its loan book in both its Wholesale and Retail divisions.**

**Consolidated balance sheet as at 30 June 2010**

<table>
<thead>
<tr>
<th>BWP’000s – presentation currency</th>
<th>2010</th>
<th>2009</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total assets</strong></td>
<td>4,201</td>
<td>3,748</td>
<td>12%</td>
</tr>
<tr>
<td>Current assets</td>
<td>4,113</td>
<td>3,748</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Loans and advances</strong></td>
<td>740</td>
<td>674</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Non-interest earning assets</strong></td>
<td>1,929</td>
<td>1,504</td>
<td>28%</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>417</td>
<td>341</td>
<td>22%</td>
</tr>
<tr>
<td><strong>Deferred tax assets</strong></td>
<td>161</td>
<td>162</td>
<td>-1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,201</td>
<td>3,748</td>
<td>12%</td>
</tr>
</tbody>
</table>

**Net cash and cash equivalents**

Net cash and cash equivalents increased from BWP317 million to BWP417 million, marking a stronger foundation for future growth.

**Consolidated cash flow statement**

<table>
<thead>
<tr>
<th>BWP’000s – presentation currency</th>
<th>2010</th>
<th>2009</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and cash equivalents</strong></td>
<td>417</td>
<td>317</td>
<td>31%</td>
</tr>
<tr>
<td><strong>Cash inflows and outflows</strong></td>
<td>417</td>
<td>317</td>
<td>31%</td>
</tr>
<tr>
<td><strong>Cash inflows</strong></td>
<td>1,929</td>
<td>1,504</td>
<td>28%</td>
</tr>
<tr>
<td><strong>Cash outflows</strong></td>
<td>1,512</td>
<td>1,187</td>
<td>27%</td>
</tr>
<tr>
<td><strong>Net cash inflows</strong></td>
<td>417</td>
<td>317</td>
<td>31%</td>
</tr>
</tbody>
</table>

**Net cash outflows from operating activities before changes in operating funds**

Net cash outflows from operating activities before changes in operating funds were BWP114 million in 2010 compared to BWP84 million in 2009. The Group has continued to fund its investments in growing its business from retained earnings, the Directors have recommended that no interim dividend be proposed in respect of the profits for the current period. historic reviews, the Group’s strong balance sheet and continued improvements in the quality of earnings, creates a solid foundation for future business growth.

**Net cash outflows from investing activities**

Net cash outflows from investing activities were BWP51 million in 2010 and BWP39 million in 2009. The Group has continued to fund its investments in growing its business from retained earnings, the Directors have recommended that no interim dividend be proposed in respect of the profits for the current period.

**Net cash inflows from financing activities**

Net cash inflows from financing activities were BWP206 million in 2010 compared to BWP148 million in 2009. The Group has continued to fund its investments in growing its business from retained earnings, the Directors have recommended that no interim dividend be proposed in respect of the profits for the current period.
Notes to the income statement and balance sheet table

1 BASIS OF PRESENTATION

1.1 Statement of compliance

The consolidated financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS"), and the requirements of the Botswana Companies Act Chapter 42.01. Significant accounting policies have been applied as at the year end.

1.2 Change of functional currency in Zimbabwe

Exchange control restrictions in Zimbabwe continue to discontinue the use of the Zimbabwe dollar, and introduced multiple international currencies, with the Botswana Pula, South African Rand and the US Dollar being the most prominent. Zimbabwean activities have adopted the US dollar as its functional and reporting currency. Consequently, the Zimbabwe activities have discontinued the preparation of financial statements in accordance with IFRS, instead preparing their financial information on an exchange control basis.

1.3 Functional and presentation currency

The financial statements are presented in Botswana Pula (BWP), which is the company's functional currency and the Group's presentation currency. Except as indicated, financial information presented in this report is in BWP unless otherwise stated.

2 STATEMENT OF CASH FLOWS

There has been no changes in the authorized or issued share capital of ABC Holdings Limited during the year ended 30 June 2010.

3 NON INTEREST INCOME

4 OPERATING EXPENSES

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6 CONTINGENT LIABILITIES

7 EXCHANGE RATES

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