BOTSWANA • STOCK • EXCHANGE •

BSE

BSE INVESTOR HANDBOOK

Contents

Introduction

It is impossible to think that we can live without money. We all have financial plans for the future irrespective of our income, jobs, background or financial status. Financial planning begets financial independence. Your financial goals may be short term such as savings to make an immediate purchase and may be long term such as saving and investing to augment your pension during retirement. In the process of making a long term financial plan to achieve your financial goals and ultimately your financial independence, investment products or securities are vital as a conduit through which your plan can be executed. The Botswana Stock Exchange is a platform through which investing in long term securities can be realised.

What is Botswana Stock Exchange?

The Botswana Stock Exchange (BSE) is a statutory body established by an Act of Parliament in November 1994. It has been given the task of operating the national securities exchange in Botswana, where companies can issue securities to raise capital and investors can invest and trade in those securities. The BSE, which is regulated by the Non-Bank Financial Institutions Regulatory Authority (NBFIRA), sets the rules which provide the requirements that must be fulfilled for the securities listed and traded on the Exchange. The BSE further has pre- and post-listing requirements to be observed by the issuers of listed securities. The securities listed and traded on BSE markets are stocks, bonds and exchange traded funds.

Creating Wealth for Batswana

On an everyday basis, there are Batswana who use the goods and services produced by one or more of the companies listed on the BSE. For instance, when someone banks at any of the listed commercial banks, that person is using the services of a BSE listed company and is in the process contributing to their business success. As a means of participating in the financial benefit of such businesses one can do so by buying shares in these companies.

WHAT IS A SHARE?

What is a Share?

The most common definition of shares is that shares are financial assets that represent part ownership of a company. A share represents a financial claim to residual profits of a company. When you buy shares in a company you become a shareholder or one of the owners of that particular company. Companies issue shares to raise funds or capital from the public in order to support or expand their business operations.

Benefits of Investing in Shares

- Diversify your portfolio
- Receive part of the company's profits in the form of dividends
- Have a voice in the running of the company
- Easy to buy and/or sell
- Exposure to long-term returns

Diversify your portfolio

As an investor it is wise that you diversify by spreading your investments across various securities and asset classes that behave differently in terms of risk and return. In other words, you should not put all your eggs in one basket. A well-diversified portfolio can help ensure that the bad performance by some securities at particular times is offset by good performance of other securities which have different characteristics to the bad performing securities. Overall, this provides stability to the portfolio's risk and return profile.

Receive part of company's profits in the form of dividends

When a BSE listed company has made a profit, it may choose to distribute the profits by either paying out dividends or retaining the profits to fund the expansion of the company. Shareholders have the right to receive the dividends when they are paid out. If, however, the company chooses to retain the profits without paying dividends, these will be useful in funding the company's expansion which can, in the long run, contribute towards growing the company's assets and the shareholder's residual claims on the company's assets. Shares provide a regular income since many companies pay quarterly and annual dividends.

Have a voice in the running of the company

Shareholders are involved in the running of the company by way of appointing Directors responsible for the day to day operations of the company. They do this by exercising their right to vote on resolutions requiring their consent.

Easy to buy and/or sell

Shares are liquid in the sense that there is relative ease in purchasing or selling of shares compared to other assets. However this, to some extent, depends on the type of stock and the timing of the transaction.

Exposure to long term returns

History demonstrates that shares, as long term investment, have the potential to provide better returns than any other asset class. However, past performance is not a guarantee of future returns. Although share values have historically risen over the long-term, this has been punctuated with periods of short term volatility where prices go up or down very quickly. For this reason, it is usually important to adopt a medium to long-term share investment view of several years thus minimising the impact of short-term volatility.

Benefits of Investing in the BSE

Listed companies in the BSE constitute the cream of Botswana's private sector and in aggregate, listed companies have shown sustained profitability. BSE has a very good record of being reliable, efficient and competitive and a record of integrity and fairness in trading, clearing and settlement of transactions. Investors are offered a chance for diversity of investments under one roof be it in terms of products or industries invested in.

The BSE has qualified and experienced brokers offering professional advice on investment and making recommendations at your service who will not hesitate to tailor make an investment plan to suit your profile.

Stock market performance is reported regularly in Botswana's newspapers allowing for careful monitoring of stocks' value. You can invest in a wide variety of companies, sectors and countries to spread your risk and maximise your returns. The brokers research on domestic and international trends to provide information to aid your investments.

Risks of Investing in Shares

Don't let risk frighten you. Just make sure that you understand the different kinds of risk before you start investing. Find out about the effects of the identified risks on your investments and personal financial goals. Smart investment involves risk management as there are always ways through which you can alleviate the risks.

The following are some of the factors to consider when evaluating risk:

- Past performance is not a guarantee of future returns
- Liquidity can vary from time to time
- Interest rates can change periodically
- Inflation can affect the value of your returns
- Exchange rates also change from time to time
- Performance of a company can affect share price performance

It is important to remember that the best defense against risk is to diversify by investing in different companies or different instruments such as shares, bonds and exchange traded funds.

Below are some of the risks elaborated:

Market Risk

Supply and demand is the nature of market risk. Investors buying and selling shares each trading day affect the share price. In the short term, it becomes difficult to predict which way your stock will move. To counteract this risk, one may adopt a medium to long term investment view over which period short term volatility can be expected to normalise and result in possible long term gains.

Personal Risks

Sometimes, the risk involved with investing in the stock market may not be directly linked to the investment or factors directly related to the investment but may rather be linked to the investor's personal circumstances. Suppose that Lesego invests P100 in shares of company X. Imagine that the company experiences a drop in share price that week and Lesego's shares drop to a market value of P90.

Because stocks are regarded as long term investments, this type of a decrease in the value of share prices is usually not an alarming incident. Odds are that this dip is temporary, especially if Lesego carefully chooses high-quality companies. Incidentally, if a portfolio of high-quality shares does experience a temporary drop in price, it can be a great opportunity to get more shares at a relatively low price.

Over the long term, Lesego would probably see the value of his investment grow substantially. But, what if during a period when his stocks are declining Lesego experiences financial difficulty and needs quick cash? He may have to sell his shares to get some money and curb further losses.

This problem occurs frequently for investors who do not put money aside for a "rainy day" in order to handle large, sudden expenses. So the best defense is to invest money you do not need right now and take a long term view. It is usually not advisable to borrow money to invest in the stock market because this can increase your risks in the event of your investment not performing in line with your expectations.

Inflation Risk

This term just means that your money may not buy as much as it used to due to inflation eroding your money's purchasing power. For example, a Pula that bought you a bag of sugar in 1980 can barely buy you the same bag of sugar a few years later. This therefore means that the cash flows received from your investment (such as interest payments received from an investment in a bond) may not keep up with inflation.

Tax Risk

Taxes (such as income taxes or capital gains taxes) do affect your investment directly. Taxes can affect the amount of money you get to keep as they can take away a portion of the wealth that you're trying to build. Because tax laws change so frequently, it pays to gain knowledge about how taxes can impact your wealth-building program before and as you make your investment decisions.

Political Risk

Of course, if you own stock in a company exposed to political risk, you need to be aware of these risks. For some companies, a new regulation or law is enough to send them into bankruptcy. For other companies, a new law could help them increase sales and profits. What if you invest in companies or industries that become political targets? As an investor, you have to ask yourself, "How do politics affect the market value and the current and future prospects of my chosen investment?"

As mentioned, the best defense is to diversify your risk by investing in different companies or different instruments such as shares, bonds and exchange traded funds.

WHAT IS A BOND?

What is a Bond?

A bond is a financial instrument that is similar to a loan agreement between a borrower and a lender. The borrower promises to pay the lender some interest after a certain period of time at varied dates in the future. The borrower also promises to repay the initial or principal amount of money from the lender or creditor. The lender is known as a bondholder while the borrower is known as an issuer of the bond. An issuer can be any entity such as government, a private company or a parastatal.

Who Borrows Money through Bonds?

In Botswana it is the government, private companies and parastatals. In other stock markets, different entities such as councils, hospitals, universities, schools, as well as governments and other entities can borrow money from the public through issuing bonds. For an issuing company to borrow, it must comply with the listing requirements of the BSE.

In its application to list or issue a bond, the main documents that the issuer must submit are the programme memorandum and the bond pricing supplement. These documents contain all the required details about the issuer, the issuer's business operations, financial conditions, the bond to be issued, prospects, risk factors and other information. The documents are very important for investors as they include information with sufficient details to enable investors to have an understanding of the issuer and the issuer's ability to effect scheduled interest payments and repay the principal amount.

What are the benefits of investing in bonds?

A bond pays interest either annually or semi-annually to the bondholder. Therefore the benefits of investing in a bond are:

- The bondholder receives regular cash flow through interest payments made by the issuer during the life of the bond.

- Compared to stocks or shares, bonds can be said to be a safer investment option because the principal amount will be repaid when the bond matures and interest payments are normally paid as per schedule.

- As a bondholder you have a higher claim on the issuer's assets such that in the case of bank ruptcy, a bondholder will get paid before any shareholder. Hence bonds are considered less risky than shares.

- The low risk nature of bonds implies that bonds may be used by investors to preserve their capital.

- Bonds may also be used to diversify your investment portfolio in order to reduce losses in your investments. Therefore, it is possible to own bonds and shares at the same time.

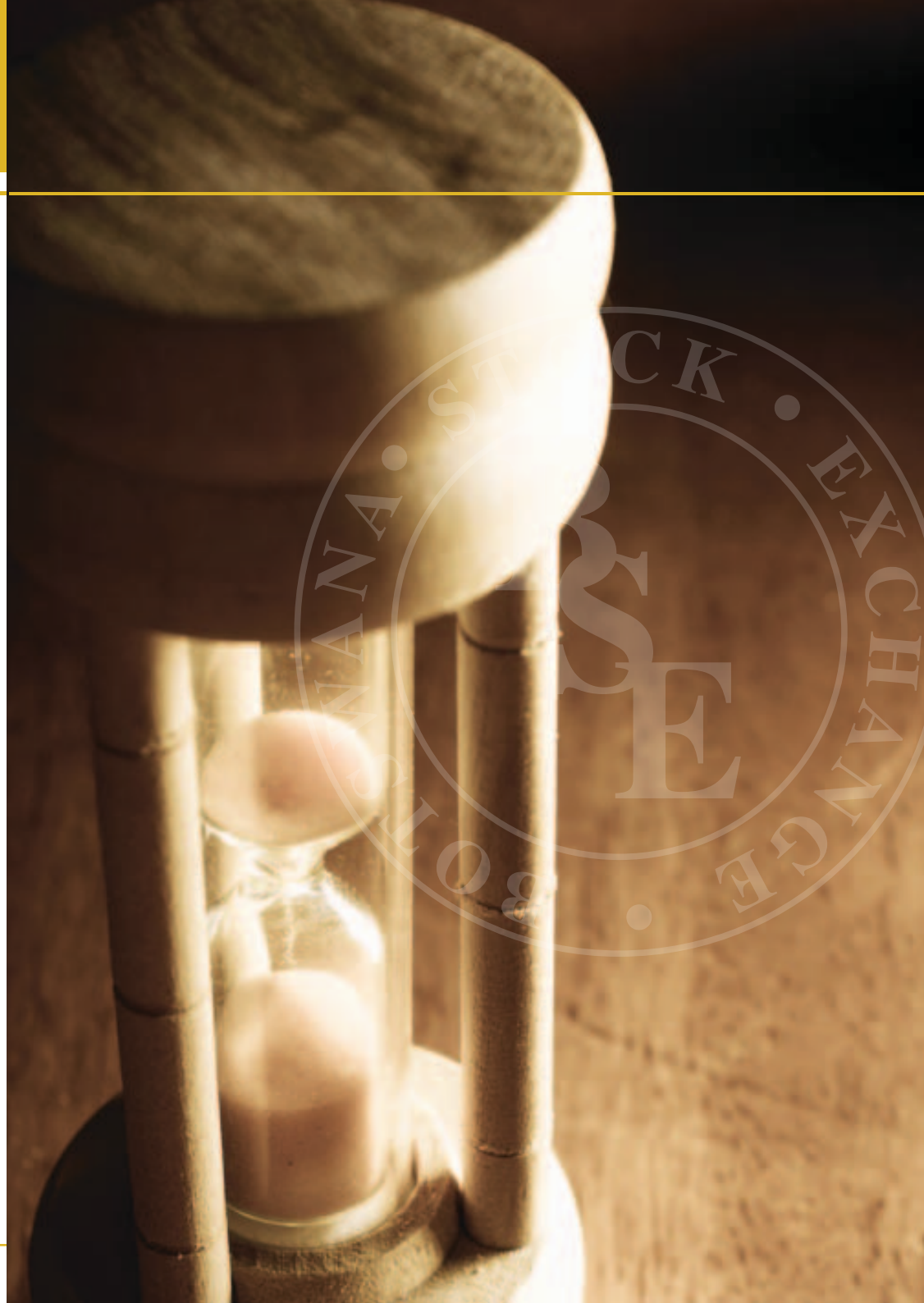
What are the risks of investing in bonds?

The disadvantages or risks of investing in bonds are:

- Unlike investing in shares, if a company does well and realises increased profits the bond holder does not get an increased amount of interest payment because interest payments are fixed.

- The bondholder does not enjoy any voting rights and therefore does not have a say in the decisions of the Board and management in running the company.

- Inflation may erode the purchasing power of coupon payments if it rises above the rate at which the interest is paid (coupon rate).



What is the difference between a bond and a share?

Bond	Share
Pays interest (coupon payment)	Pays dividends
Gains are limited up to the amount of interest paid	Gains are unlimited and losses are up to the original amount invested in the shares
Has a fixed life up to a specified maturity date	Has a perpetual life
Bondholder has no voting rights	Shareholder has voting rights
Low risk investment with known returns	Higher risk investment with potential for higher or lower returns
Paid interest before shareholders receive dividends	Paid interest before shareholders receive dividends
Paid dividends after bondholders receive interest	Entitles the shareholder to ownership of company assets
Bondholder receives principal amount at date of maturity	Shareholder can benefit from gains in the share price when selling the shares

WHAT IS AN EXCHANGE TRADED FUND?

What is an Exchange Traded Fund?

An Exchange Traded Fund (ETF) is a security that tracks stock market indices or the prices of shares or commodities. ETFs are a group of shares designed to trade as one single security. The indices that ETFs track may be a basket of securities listed on a stock exchange or a commodity traded in a commodities market. ETFs enable investors to buy or sell securities that constitute the baskets of underlying securities as if they were purchasing a single security.

What are the types of ETFs listed on the Botswana Stock Exchange?

The ETFs listed on the Botswana Stock Exchange (BSE) are the NewGold ETF and the BettaBeta Top 40 Equally weighted ETF. The NewGold ETF was listed in July 2010 and the BettaBeta ETF was listed in May 2011. The NewGold ETF tracks the price of the Gold Bullion or Gold Metal. The BettaBeta ETF tracks an index of the 40 top companies listed on the Johannesburg Stock Exchange (JSE) in South Africa. More ETFs are planned in the coming years.

How do ETFs work?

ETFs are bought in the secondary market through the stock exchange. The investor purchases the ETFs from other investors who already hold the ETF as with shares. In addition, ETFs have market makers who, in the absence of sellers and buyers, are ready to buy and sell ETFs. This ensures that there is constant and high liquidity in ETFs making it easy for investors to buy and sell ETFs. An ETF is pegged to a benchmark or an index (the standard that measures the performance of the ETF). ETFs track market indices or certain market sectors. ETFs that hold stocks hold stocks in the same proportion to the market index, as a result the ETF does well if the sector does well and its price drops if the sector drops. Stock-only ETFs earn dividend income.

What is the difference between investing in ETFs and investing in Shares?

An ETF can be designed in many ways. For instance, the BettaBeta ETF has been designed to give investors exposure to shares of the 40 top companies listed on the JSE by simply buying the shares of 40 companies structured as a single security. Moreover, this exposure is achieved at comparatively lower costs than if the investor was to buy the same shares of the 40 individual companies. However, unlike investing in shares, an investor in an ETF does not necessarily own the underlying shares of that ETF and therefore does not have all of the rights that a shareholder has.

What are the benefits of investing in BSE listed ETFs?

- ETFs aim to reflect the returns and price behaviour of the securities they track. For example, when the price of Gold increases, investors who hold units of the NewGold ETF may enjoy an increase in the value of their holdings. They are then able to sell their ETF units at a higher price.

- ETFs are very liquid because there is a market maker who stands to always buy when there are sellers and sell when they are buyers.

- An equity ETF such the BettaBeta ETF enables investors to receive dividends when they are paid by the underlying companies as well as to benefit from the appreciation in the price of the ETF.

- ETFs are considered to be less risky than buying a single listed company due to the diversification and spread of investments.

- ETFs are cost effective due to the fact that brokerage is only paid once for exposure to a basket of shares.

- When added to a portfolio of other asset classes, ETFs can help to diversify investments across different asset classes to minimise the risk of loss while maximising the potential for higher returns.

- In an equity ETF such as the BettaBeta ETF, poor performance of some underlying companies may be offset by stronger performance of other companies thereby reducing the risk in the investment.

- An ETF that tracks securities priced in foreign currencies can act as a hedge of the currency movements of Botswana Pula and the foreign currency in which the ETF's underlying security is priced. This means that when the Pula depreciates against the US Dollar, but the price of Gold rises in US Dollar terms, it will result in the NewGold ETF listed on the Botswana Stock Exchange also rising in Pula terms. Therefore, foreign exchange losses attributable to the weakness of the Pula against the US Dollar can be offset, to some extent, by gains in the price of the New Gold ETF listed on the stock exchange.

- ETFs are flexible because they trade like equity throughout the market hours, ETFs can be bought like shares and their prices are updated continuously throughout the trading day.

- ETFs are transparent; this means that the assets held by an ETF are disclosed daily and this allows investors to know the stocks or underlying assets they hold and thus make informed decisions.

What are the risks of investing in BSE listed ETFs?

- Just like all other investments that trade on the stock exchange, the return received on ETFs may be less than expected due to changes in the condition of the market.

- With equity ETFs such as the BettaBeta ETF, the drivers of its risks are similar to those of the underlying equities, however, the ETF is considered as to be a more diversified portfolio.

- With commodity ETFs such as the NewGold ETF, the risks are related to the risk factors affecting the Gold metal.

How to buy and sell ETFs on the BSE

- The process is similar to that of buying and selling other financial instruments in the BSE (shares and bonds).

- Investors may approach one of the BSE brokers to inform them of their willingness to buy or sell ETFs.

WHAT IS A STOCKBROKER?

What is a stockbroker?

Stockbrokers, also referred to as brokers, are agents licensed by the BSE to buy and sell shares on your behalf. They have exclusive access to BSE markets to execute trades. Brokers provide other services and products and may offer professional advice on which shares to buy or sell. All brokers are required to meet certain standards such as acquiring appropriate qualification (such as Registered Persons Examinations or RPEs), experience and proven business integrity and must comply with BSE rules.

Process of buying and selling BSE listed securities (Shares, Bonds, ETFs)

Buying Shares

- Approach a Broker
- Fill in a Client Application Form
- Open a CSD Account
- Place an Order
- Broker Executes Order
- Broker confirms with Client
- Settlement T+3 days

Selling Shares

- Approach a Broker
- Place a Sell Order
- Broker Executes Order
- Broker Confirms with Client
- Payment

Fees and Costs

Be aware that once you have engaged a stockbroker to act on your behalf and you make an initial investment with them, there are fees and costs involved. Brokerage fees are levied on any purchase or sale of shares. When buying and/or selling in different companies, it is considered two separate transactions. There is no fee charged on providing professional advice, but please note there is a sliding scale of commission fees to brokers. The following are the fees and charges for shares:

Commission

Negotiable up to 1.85%

Handling fees

Buying	***P 15.00***
Selling	***P 10.00***

VAT applies in all transactions of buying and selling. Brokerage fees are standard with all broking firms.

Transaction costs for ETFs and Bonds are slightly different from those of shares.

UNDERSTANDING BSE INDICES

What are Indices?

Indices are statistical tools that measure the state of the stock market or the economy, based on the performance of stocks, bonds or other securities. Indices are also indicators that measure the overall performance of a group of selected securities. Essentially, they provide an image of the performance of the overall market and are also a tool that describes the market at a point in time.

The importance of Indices

Indices can be used for the following reasons:

- To create and track index funds
- To estimate market rates of return
- As a benchmark to measure portfolio performance
- In technical analysis to predict future share price movements

The BSE's 2 main indices are the Domestic Company Index (DCI) and the Foreign Company Index (FCI). These indices are computed using market capitalisation as the basis for weighting the component securities in the index and are designed to track and measure capital gains or losses.

Bond Indices

Botswana Bond Index Series - 230714

Code	Issue Date	Expiry Date	Coupon(%)	Tenure(years)	TTM	AmntIssue (BWP M)	Yiels	Close (Dirty)	Weight	Mod DUR	DUR	Convexity
Bw003	6-May-03	31-Oct-15	10.25%	12.5	1.3	1,642.00	4.12%	109.86	8.32%	1.178711	1.202992	2.655068
BW010	9-Sep-11	14-Mar-17	7.75%	5.5	2.6	618.00	4.52%	110.71	8.33%	2.337930	2.390767	8.343742
BW005	12-Mar-08	12-Sep-18	10.00%	10.5	4.1	1,233.00	4.77%	123.03	8.33%	3.369642	3.450008	16.592187
BW008	8-Sep-10	8-Sep-20	7.75%	10.0	6.1	858.00	5.33%	115.38	8.33%	4.814597	4.942906	32.200012
BW007	10-Mar-10	10-Mar-25	8.00%	15.0	10.6	1,295.00	5.81%	120.11	8.33%	7.236939	7.447172	74.295685

Date	BBI	GovI	CorpI
21-Jul-14	146.70	145.07	148.33
22-Jul-14	146.72	145.08	148.35
23-Jul-14	146.74	145.10	148.37

The BSE also has 3 bond indices. These are; GovI – a government bond index, CorpI – a corporate bond index and the BBI which is a composite index comprising both government and corporate bonds. The bond indices provide benchmarks for portfolio managers to evaluate the performance of their bond portfolios.

KEEPING TRACK OF YOUR INVESTMENT

Keeping Track of Your Investment

You can keep track of your investments through annual reports, newspaper share tables on local newspapers, specialist radio and television programmes and the BSE website.

BSE Daily Market Report

This is the short form of the name of the listed companies

This is the price in Thebes that the seller is willing to accept for the security

This is the price in Thebes at which the security was traded

Value of securities that were traded during the day

Volume weigheted average price for the security using last five traded prices on rolling basis

Total value of the company that occures to holders

This is the price in Thebes that the buyers are willing to pay for the security

Number of securities that were traded during the day

Total number of securities issued by the firm and available for public training

Counter Domestic Equity Main Board	Bid t	Offer t	Last t	Sales t	Daily Volume	Turnover Pula	Weighted Price (t)	Securities Issued	Market Cap Pmillion
ABCH	-	470	475	475	1,109	5,267.75	470	232,805,464	1,094.19
BARCLAYS (XD)	675	695	695	695	324	2,251.80	696	852,161,252	5,931.04
BIHL (CA)	1030	1055	1050	1050	1000	10,500.00	1050	281,070,652	2,951.24
CHOBE (CA)	280	-	280	-	-	-	280	89,405,139	250.33
CHOPPIES (CA)	300	-	300	300	100,319	300,957.00	300	1,174,207,583	3,522.62
CRESTA (CD)	100	106	106	-	-	-	100	184,634,944	184.634

Domestic Company index - incorporates all companies' domestic board

DCI	8745.43
Last	8739.56
Net Change	5.00
% Change	0.07

DCI	1584.49
Last	1584.49
Net Change	0.00
% Change	-0.00

Foreign Company index - incorporates all companies that are dual listed on the BSE

Column 1 – short form name of the listed company
Column 2 – **'Bid'** – the price in thebe that the buyer is willing to pay for the security
Column 3 – **'Offer'** – the price in thebe that the seller is willing to accept for the security
Column 4- **'Last'** the last price at which the security was traded
Column 5 – **'Sales'** – the price (or range) at which the security was traded during the week
Column 6 – **'Volume'** – the number of securities that were traded during the week
Column 7 – **Securities Issued'** – the total number of securities issued by the firm or available to the public for trading
Column 8 – **'Market Capitalisation'** – the total value of the company that accrues to the holders/owners of the particular security
DCI: Domestic Company Index – incorporates any company which is primary listed on the BSE
FCI: Foreign Company Index - incorporates companies that are dual listed on the BSE

COMPANY FINANCIAL STATEMENTS

Company Financial Statements

Companies often produce annual reports to inform investors about their performance for the particular year. These annual reports comprise the company's financial statements. Below are examples and explanations of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME FOR ABCD LIMITED

	P'000
Sales	23 000
Cost of sales	(13 500)
Gross Profit	9 500
Administrative and Operating Expenses	(3 500)
Operating Profit	6 000
Finance cost	(1 200)
Profit before income tax	4 800
Income tax	(1 056)
Net profit after income tax	3 744

Sales - This is the revenue generated by the company on its day to day operations, e.g. if a company manufactures and sells furniture its sales will be the value of furniture it has sold.

Cost of sales - this will be the cost incurred by the company in producing the goods/ services that it sells, e.g. raw materials (wood) used in the manufacturing the furniture.

Gross Profit - this is the profit after deducting the cost of sales.

Administrative and Operating Expenses - These are all other costs incurred by the company in order to be able to operate, e.g. salaries, utilities, IT expenses.

Operating Profit - this is the profit after deducting operating expenses incurred by the company.

Finance costs - This is the cost of borrowing money from a third party or financial institution. It is the interest charged on the amount borrowed.

Profit before tax - Profit before tax is the operating profit after deducting finance costs. An increase in profit shows that the company is doing well because it can finance its production and operational costs and meet its liabilities with third parties.

Net Profit after tax - Net profit after taxes is the profit before tax less income taxes. This is the profit that will be distributable to shareholders if the company declares a dividend. An increase in profits will mean that the shareholders may receive a higher dividend if the company declares a dividend.

A reduction in profits will mean that the shareholders may receive a lower dividend or the company may decide not to declare any dividend if the company is not performing well.

STATEMENT OF FINANCIAL POSITION OF ABCD LIMITED

ASSETS	P'000
Non-current Assets	
Property, Plant and Equipment	20 000
Intangible assets	3 000
Investments in Subsidiaries	5 000
	28 000
Current Assets	
Inventories	7 000
Trade and other receivables	5 000
Cash and cash equivalents	15 000
	27 000
Total assets	55 000
Equity	
Share capital	20 000
Retained earnings	16 500
Total Equity	36 500
Liabilities	
Long term liabilities	10 000
Current Liabilities	
Trade and other Payables	8 500
	18 500
Total equity and liabilities	55 000

The statement of financial position shows the position of the company in terms of its assets and its liabilities. The assets of the company should at all times exceed its liabilities for the company to continue as a going concern. Current assets should be able to cover the current liabilities of the company otherwise the company may experience cash flow problems.

Non-current assets - are the fixed immovable assets that the company uses in the production of its products, e.g. for furniture company these are machinery used in making the furniture.

Current assets - are assets which can be easily turned into cash. For a furniture company, an inventory of furniture in the warehouse is a current asset as well as receivables which are amounts due from customers for furniture sold to them on credit. Ideally, current assets should always exceed current liabilities.

Stated Capital - Funds raised by issuing shares in return for cash or other considerations.

Retained earnings - these are the profits from previous years accumulated by retaining a portion of profits after taxes after paying dividends.

Long term liabilities - are debts that will be settled in more than one year. They are usually loans that are used to finance the capital expenditure (expenditure on non-current assets) of the company or to finance acquisitions or other businesses by the company or expansion of the company.

Current liabilities - are debts that have to be settled in less than a year. These liabilities represent the value of goods attained from suppliers on credit. If not settled on time the company can experience problems with suppliers who may begin to insist on cash on delivery and this can affect the day to day operations of the company as it reduces its ability to obtain goods on credit from suppliers.

STATEMENT OF CASH FLOWS FOR ABCD LIMITED

	P'000
Cash Flows from operating activities	550 000
Interest paid	(3 000)
Income tax paid	(2 000)
Net cash generated from operating activities	545 000
Cash flow from investing activities	
Purchases of property, plant and equipment	(245 000)
Proceeds from sale of property and equipment	125 000
Interest received	10 0000
Net cash generated from investing activities	(110 000)
Cash flows from financing activities	
Dividends paid to shareholders	(100 000)
Repayment of borrowings	(250 000)
Net cash used in financing activities	(350 000)
Movement in cash and cash equivalents	
At the beginning of the year	(70 000)
Changes in cash and cash equivalents	85 000
At end of the year	15 000

The statement of cash flows shows how the cash of the company has been generated and used in the financial year.

Cash flow from operations

This is the cash generated or used in the operations of the company; these include buying materials for production and payments made to suppliers. Interest paid and taxes paid by the company are also shown here.

Cash flow from investing activities

This section of the cash flow statement shows the cash generated by the company from its investment activities and disposal of assets or used by the company to invest in property, plant and equipment. Interest received from funds invested by the company is also shown here.

Cash flow from financing activities

This section of the cash flow shows how the company was financed. This can either be by issue of shares or by borrowings from the bank. This area also includes the payments of dividends to shareholders and the repayment of outstanding debt to lenders.

What is the CSD?

CSD stands for the Central Securities Depository, which is a computer system that facilitates holding of securities in electronic accounts in contrast to paper certificates. The CSD is very similar to a bank and an account in the CSD operates in a similar manner to a bank account.

Bank	Depository
Holds funds in accounts	Holds securities in accounts
Transfers funds between accounts on the instruction of the account holder	Transfers securities between accounts on the instruction of the account holder
Facilitates transfers without having to handle money	Facilitates transfer of securities without having to handle paper certificates
Facilitates the safekeeping of money	Facilitates the safekeeping of securities
Gives monthly statement of funds in accounts	Gives monthly statement of securities in the CSD

The Central Securities Depository monthly statement of accounts

Statement of Accounts 1 **12/09/2008** **02:03 PM** 2

For the period of 01/08/2008 to 31/08/2008 **CDSREP10A**

Oratile Nonofo 3
P.O. Box 000000
Gaborone
Botswana

7 transactions

Client ID 0000000000000/LI-0 4 5 & 6 **Email:** oratilen@yahoo.com

Member CENT-B CENTURY SECURITIES
Address PRIVATE BAG XX00
GABORONE
BOTSWANA 7

ABCH-O-0000 10 **ABCH [Ordinary]** 11 13 14

Date	Description	Credit(Qty)	Debits(Qty)	Balance(Qty)
01/08/2008	Opening Balance			0
21/08/2008	TRAN SCT DEPOSIT	197		197
31/08/2008	Closing Balance			197

BIHL-O-0000 BIHL [Ordinary]

Date	Description	Credit(Qty)	Debits(Qty)	Balance(Qty)
01/08/2008	Opening Balance			0
20/08/2008	TRAN SCT DEPOSIT 12	1000		1000
25/08/2008	PURCHASE (@ 10.00-ID 2158)	500		1500
29/08/2008	PRIVATE TRANSFER	(200)		1300
31/08/2008	Closing Balance			1300

FNBB-O-0000 **FNB [Ordinary]**

Date	Description	Credits(Qty)	Debits(Qty)	Balance(Qty)
01/08/2008	Opening Balance			3000
10/08/2008	SALE (@ 2.20-ID 5847)		(1000)	2000
29/08/2008	PRIVATE TRANSFER	200		2200
31/08/2008	Closing Balance			2200

8 9

SEFA-O-0000 **SEFALANA [Ordinary]**

Date	Description	Credits(Qty)	Debits(Qty)	Balance(Qty)
01/08/2008	Opening Balance			10000
21/08/2008	WITHDRAWAL 15		(5357)	4643
31/08/2008	Closing Balance			4643

The CSD statement of accounts' sole intent is for investors to keep track of their investment. This is done by reflecting activities that were undertaken by the investor.
There are many activities that can be done on one's CSD account and reflect on the monthly statement of accounts, these include:

Sale, Purchase, Deposit, Transfer, Withdrawal and others

The CSD statement also reflects the balance of accounts as at the end and beginning of each month. The CSD statement of accounts has the following features:

1. Period for which the statement was generated
2. Date and time which the statement was generated
3. Client Name and Address
4. Client ID
5. Member Broker
6. Member Address
7. Counter/Security Name
8. Date of Opening Balance
9. Transaction date
10. Transaction description
11. Credit
12. Price and transaction ID
13. Debit
14. Balance
15. Closing Balance

Explanation of the features of the CSD statement of accounts

1 Period for which the statement was generated
This is a 30 day period from the beginning of each month to its end.

2. Date and time which the statement was generated
This shows the date and time which the statement was generated. The date is, in normal circumstances, the first 5 days of each month.

3. Client Name and Address
Shows the client's name and address which the statement is being sent to.

4. Client ID
This is the identification that is generated by the CSD system and is unique to each and every investor. It starts with many zeros (0) and a number at the end. This identification number is in ascending order with the last digit of the client ID being a reference number.

To the client ID, a client suffix is added showing whether a client is Local individual (LI), Local Company (LC), Foreign Resident (FR), Foreign Individual (FI), Foreign Junior (FJ), Foreign Company (FC) or a Junior Resident (JR).

i.e. 0000000002548/ LI

Also with the client ID, either a Zero (0) or one (1) is attached indicating whether the account is a joint account or not. For a joint account the end of the client ID would either be 1 or 2 indicating the number of joint persons there are on that particular account.

i.e. 0000000002548/LI-0, for a single account and
0000000002548/LI-1, for a joint account.

5 & 6. Member Broker and member address
This shows the investor's choice of broker and their address. This is the broker which the client uses to transact in the stock market.

7. Counter
This shows the counter/company which the investor has shares in.

8. Date of Opening Balance
This is the date the balance from the previous month is brought forward to the month of the statement covers, normally the first day of the month.

9. Transaction date (TRX Date)
Date which transaction was actioned.

10. Transaction Description
This describes the type of transaction that took place. It could either be a:

Sale is when an investor sells shares that they already have in the system, when this occurs, the account is debited with the number of shares sold. Also shown is the price at which the security was sold and the transaction number.

Purchase is when an investor buys shares, when this occurs, the account is credited with the number of shares bought. Also shown is the price at which the security was bought and the transaction number.
Deposit is when a client dematerialises their paper certificates i.e. changes their shares to scripless form. When a deposit occurs, the account is credited with the amount of shares that were deposited.

Transfer is when shares are moved from one account to the other that is already in the system. When a transfer occurs, the account transferred from is debited with the amount of shares transferred and the account transferred to is credited with the number of shares transferred.

Withdrawal is when a client wants their shares in paper certificates and as a result withdraws them from the system. When this happens, the client's account is debited with the number of withdrawn shares.

Opening Balance this is the balance carried over from the previous month.

Closing Balance this is the balance carried over to the following month, this adds up to any other transactions that have taken place during the course of the period from which the statement runs.

11. Credit
This shows that there has been an increase in the balance of your account. This increase is brought up by a purchase, transfer to your account or split of shares.

12. Price and Transaction number
This appears after a purchase or a sale, the price figure appears first showing the price at which the security was bought or sold. The transaction number is the identity of the transaction for reference purposes.

13. Debit
This shows a decrease in the balance of your account. This decrease is brought up by a sale, transfer from your account or a withdrawal of shares from your account.

14. Balance
This shows the balance after the last transaction in your account.

15. Closing Balance
This is the balance carried over to the next month after all transactions have been accounted for in the subsequent month.

This is the balance carried over to the next month after all transactions have been accounted for in the subsequent month.

What is the Automated Trading System?

The Automated Trading System is the system employed by the Botswana Stock Exchange (BSE) to facilitate automated trading. The BSE introduced this system in August 2012 in line with global exchange endeavours to increase transparency and efficiency in the trading of securities. Previously, trading was conducted manually at the exchange, with brokers meeting daily at the Exchange House in order to execute trades for clients. With the introduction of the Automated Trading System however, trading now occurs on-site at the individual brokerages, with the BSE monitoring trading activity.

Delisting

This refers to the process by which a listed company no longer has the status of being "Listed" and is no longer governed by the rules and regulations of the Botswana Stock Exchange. There are two types of delisting that exist, Voluntary and Involuntary.

During the Voluntary delisting process, a listed company may make an application to the Listings and Trading Committee in which it enumerates the reasons it wishes to no longer be listed on the exchange. The application is then reviewed by the Committee and a decision passed on the validity of the rationale provided in the delisting application. The applicant shall then enter into the process of informing the market and market participants of its removal from the BSE, and the cessation of trade in its securities.

Involuntary delisting of a security is when the BSE, using its discretion, takes punitive action against a listed company for failure to comply with Listings Requirements. For the company to fall into this category, there would have been a failure to rectify infringement(s) of the Listings Requirements, and following an investigation, shall be deemed to no longer be able to meet these requirements. At this point, the company shall be removed from the BSE, and the market and market participants informed in due course.

Suspension

Suspension can be voluntary where a listed company requests for its securities to be suspended from trading for a specific period in order to allow for the completion of a specific price sensitive action.

The suspension of a listed security also refers to the ban on trading in a listed company's securities by the BSE based on a failure to meet its obligations as defined in the Listings Requirements. Involuntary suspension occurs when a company infringes on the listings requirements and the Listings and Trading Committee deems it fit to suspend trading of its securities, pending compliance or if the exchange believes that it is necessary to suspend trading until an information asymmetry has been removed. An example of an infringement would be the failure to submit company financial statements at the stipulated time.

Cautionary Statements

The BSE regulations require that listed companies often offer cautionary statements and Trading Statements. These forward-looking statements may be issued through the press, before the company engages in an action that may alter its current share price.

Whenever listed companies have issued Cautionary Announcements and/or Trading Statements, they are said to be trading under cautionary, and thus they are annotated with a "C" status in the Daily Market Report to indicate this to the public. During this period, Directors and senior management of the listed company, as well as any employee who has access to the information the subject of the announcement, are not allowed to trade on the company's shares. This period, for these people, is the closed period.

BSE GLOSSARY OF TERMS

Aa

Agent
A securities firm is classified as an agent when it acts on behalf of its clients as buyer or seller of a security. The agent does not own the security at any time during the transaction.

All-or-None Order
An order that must be filled completely or the trade will not take place.

Annual Report
A publication, including financial statements and a report on operations, issued by a company to its shareholders at the company's fiscal year-end.

Arbitrage
The simultaneous purchase of a security on one stock market and the sale of the same security on another stock market at prices which yield a profit.

Ask or Offer
The lowest price at which someone is willing to sell the security. When combined with the bid price information, it forms the basis of a stock price.

Ask Size
The number of securities that a seller wants to offload to the market.

Assets
Everything a company or person owns, including money, securities, equipment and real estate. Assets also include everything that is owed to the company or person. Assets are listed on a company's balance sheet or an individual's net worth statement.

Averaging Down
Buying more of a security at a price that is lower than the price paid for the initial purchase. The aim of averaging down is to reduce the average cost per unit of the investment.

Bb

Basis Point
One-hundredth of a percentage point. For example, the difference between 5.25% and 5.50% is 25 basis points or 0.25%.

Bear Market
A market in which stock prices are falling.

Bid
The highest price a buyer is willing to pay for a stock. When combined with the ask price information, it forms the basis of a stock price.

Bid-Ask Spread
The difference between the best bid and ask prices. It can be used to reflect the liquidity and cost of transacting in a security. Narrow bid-ask spreads reflect high liquidity and are cost effective.

Bid Size
The number of securities that a buyer wants to purchase from the market.

Blue Chip Stocks
Stocks of leading and nationally known companies that offer a record of continuous dividend payments and other strong investment qualities.

Bonds
Promissory notes issued by a corporation or government to its lenders, usually with a specified amount of interest for a specified length of time.

Book-Over
Orders for which the buyer and seller are from the same broker and the broker simply matches the buy and sell order. In a book-over, other investors on the order book are eligible to buy up to and sell into 10% of the book-over.

Broker or Brokerage Firm
A securities firm or a registered investment advisor affiliated with a firm. Brokers are the link between investors and the stock market. When acting as a broker for the purchase or sale of listed securities, the investment advisor does not own the securities but acts as an agent for the buyer and seller and charges a commission for these services.

Bull Market
A market in which stock prices are rising.

Business Day
Any day from Monday to Friday, excluding statutory holidays.

Buy-In
If a broker fails to deliver securities sold to another broker on the settlement date, the receiving broker may buy the securities at the current market price of the stock and charge the delivering broker the cost difference of such a purchase.

Cc

Call Option
An option which gives the holder the right, but not the obligation, to buy a fixed amount of a certain stock at a specified price within a specified time. Call options are purchased by investors who expect a price increase.

Central Order Book
An electronic record of all pending buy and sell orders for a particular stock.

Central Securities Depository Botswana (CSDB)
CSDB is the BSE's securities depository, clearing and settlement unit. CSD is accountable for the safe custody and movement of securities, accurate record keeping, the processing of post-trade transactions, and the collection and distribution of entitlements relating to the securities that have been deposited by participants.

Capital
To an economist, capital means machinery, factories and inventory required to produce other products. To investors, capital means their cash plus the financial assets owned by the company they have invested.

Capital Gain or Loss
Profit or loss resulting from the sale of assets classified under the income tax legislation as capital assets. This includes stocks and other investments such as investment property.

Capital Stock
All shares representing ownership of a company, including preferred and common shares.

Capitalisation Change
Any change in the issued and outstanding listed securities of an issuer. This change may involve the issuance, repurchase, or cancellation of listed securities or listed securities that are issuable upon conversion or exchange of other securities of an issuer.

Capitalisation or Capital Structure
Total Pula amount of all money invested in a company, such as debt, preferred and common stock, contributed surplus and retained earnings of a company.

Cash
A special term attached to an equity order that requires the trade to be settled either the same day or the following business day for cash.

Cash Dividend / Distribution
A dividend/distribution that is paid in cash.

Certificat
The physical document that shows ownership of a bond, stock or other security.
In respect of shares, a share certificate is paper certificate that represents the number of shares an investor owns.

Clearing Day
Any business day on which the CSD is open to effect trade clearing and settlement.

Client Order
An order from a client to buy or sell securities.

Close Price
The price of the last trade executed at the close of trading.

Closed-End Fund
An investment trust that issues a fixed number of securities that trade on a stock exchange or in the over-the-counter market. Assets of a closed-end fund are professionally managed in accordance with the fund's investment objective and policies and may be invested in a wide range of securities. Like other publicly traded securities, the market price of closed-end fund securities fluctuates and is determined by supply and demand in the marketplace.

Commission
The fee charged by an investment advisor or broker for buying or selling securities as an agent on behalf of a client.

Commodities
Products used for commerce that are traded on a separate, authorised commodities exchange. Commodities include agricultural products and natural resources such as timber, oil and metals. Commodities are the basis for futures contracts traded on futures exchanges.

Common Shares or Common Stock
Securities that represent part ownership in a company and generally carry voting privileges. Common shareholders may be paid dividends, but only after preferred shareholders are paid. Common shareholders are last in line after creditors, debt holders and preferred shareholders to claim any of a company's assets in the event of liquidation. Shares or stock are also referred to as equity.

Continuous Disclosure
A company's ongoing obligation to inform the public of significant corporate events, both favourable and unfavourable.

Corporation or Company
A form of business organisation created under country laws that has a legal identity separate from its owners. The shareholders are the corporation's owners and are liable for the debts of the corporation only up to the amount of their investment. This is known as limited liability.

Cyclical Stock
A stock of a company in an industry or sector that is particularly sensitive to swings in economic conditions.

Dd

Daily Price Limit
The maximum price advance or decline permitted for a security in one trading session relative to the previous day's closing price.

Defensive Stock

A stock purchased from a company that has maintained a record of stable earnings and continuous dividend payments through periods of economic downturn.

Delist
The removal of a security's listing on a stock exchange. This is done when the security no longer exists, the company is bankrupt, the public distribution of the security has dropped to an unacceptably low level, or the company has failed to comply with the terms of its listing agreement.

Delivery
The submission of the underlying commodity or the payment or receipt of cash in the settlement of the contract.

Demand
The combined desire, ability and willingness on the part of consumers to buy goods or services. Demand is determined by income and by price, which are, in part, determined by supply.

Diversification
Minimising investment risk by purchasing different types of securities across different companies and sectors of the economy, and/or by also purchasing bonds, commodities, derivatives or exchange traded funds in addition to shares.

Dividend
The portion of the company profits paid to shareholders. It is generally paid on common or preferred shares. The company or issuer provides the amount, frequency (monthly, quarterly, semi-annually, or annually), payable date, and record date. The exchange that the issue is listed on sets the ex-dividend/distribution (ex-d) date for entitlement. An issuer is under no legal obligation to pay either preferred or common dividends.

Dividend Yield
The annual dividend per share divided by the security's price. For example, if the indicated dividend per share is P1.00 and the closing price is P50.00, P1 divided by P50.00 equals a dividend yield of 2%.

Dividend Payable Date
The date set by the issuer on which the dividend will be paid.

Ee

Equity Value
The total value of shares traded. It is calculated as price per share multiplied by volume traded.

Equity Volume
The total number of shares traded.

Exchange-Traded Fund (ETF)
A special type of financial instrument that allows an investor to buy a basket of stocks through a single security, which tracks and matches the returns of such underlying securities. ETFs are considered to be a special type of index mutual fund, but they are listed on an exchange and trade like a stock. Examples on the BSE are the New Gold ETF and the BetaBetta ETF.

Expiration Date
The date at which an option contract expires. This means that the option can't be exercised after that date.

Ff

Face Value
The cash denomination of the individual debt instrument. It is the amount of money that the holder of a debt instrument receives back from the issuer at the debt instrument's maturity date. Face value is also referred to as par value, principal or nominal value.

Gg

Growth Stock
The shares of companies that have enjoyed better-than-average growth over the years and are expected to continue their climb.

Hh

Hedging
A strategy used to limit investment loss by making a transaction that offsets an existing position.

Ii

Income Stock
A share of a company with a solid record of dividend payments and which offers a dividend yield higher than that of an average share.

Indices
Statistical tools that measure the state of the stock market or the economy, based on the performance of stocks, bonds or other components. Examples on the BSE are the Domestic Company Index (DCI) and the Foreign Company Index (FCI), amongst others.

Index
A statistical measure of the state of the stock market, based on the performance of stocks. Examples are the Domestic Company Index (DCI), Foreign Company Index (FCI), Government Bond Index (GovI), Corporate Bond Index (CorpI) and the Botswana Bond Index (BBI).

Inflation
An overall increase in prices for goods and services, usually measured by the percentage change in the Consumer Price Index.

Initial Public Offering (IPO)
A company's first issue of shares to the general public.

Inside Information
Non-public information pertaining to the business affairs of a corporation that could affect the company's share price should the information be made public.

Insider
All directors and senior officers of a company, and those who are presumed to have access to inside information concerning the company. An insider is also anyone owning more than 10% of the voting shares of a company.

Insider Trading
There are two types of insider trading. The first type occurs when insiders trade in the stock of their company. Insiders must report these transactions to the Exchange and Regulators. The other type of insider trading is when anyone trades securities based on material, non-public information. This type of insider trading is illegal.

Investment
The purchase or ownership of a security in order to earn income, capital or both. Investments may also include artwork, antiques and real estate.

Investment Advisor
A person employed by an investment dealer who provides investment advice to clients and executes trades on their behalf in securities and other investment products.

Investment Capital
Initial investment capital necessary for starting a business. Investment capital usually consists of inventory, equipment, pre-opening expenses and leaseholds.

Investment Dealer
Securities firms that employ investment advisors to work with retail and institutional clients. Investment dealers have underwriting, trading and research departments.

Investment Fund
A fund that offers investors the ability to buy a security that represents a portfolio of investments with a specific investment strategy. The funds are pooled from the public and invested in securities which are actively managed to create income streams for investors, typically through a combination of dividends, capital gains, interest payments, and in some cases, income from derivative investment strategies. These funds are not directly related to an operating business. Unit trust funds are examples of investment funds.

Investor Relations
A corporate function, combining finance, marketing and communications, responsible for providing investors with accurate information about a company's performance and prospects.

Issue
Any of a company's securities or the act of distributing the securities. Issued shares refer to the portion of a company's shares that have been sold to the public. A company does not have to issue the total number of its authorised shares.

Jj

Junior Corporation
A young company in the early stages of operations and growth.

Ll

Last Sale Price
The price at which a security was last traded on the exchange. It is often the closing price.

Liabilities
The debts and obligations of a company or an individual. Current liabilities are debts due and payable within one year. Long-term liabilities are those payable after one year. Liabilities are found on a company's balance sheet or an individual's net worth statement.

Limit Order
An order to buy or sell stock at a specified price. The order can be executed only at the specified price or better. A limit order sets the maximum price the client is willing to pay as a buyer, and the minimum price they are willing to accept as a seller.

Liquidity
This refers to the ease with which securities can be bought or sold in the market. A security is liquid when there are enough units outstanding for large transactions to occur without a substantial change in price. Liquidity is one of the most important characteristics of a good market. Liquidity also refers to the ease with which investors can convert their securities into cash and also to a company's cash position, which is how much the value of the company's current assets exceeds current liabilities.

Listed Stock
Shares of an issuer that are traded on a stock exchange. Issuers pay fees to the exchange to be listed and must abide by the rules and regulations set out by the exchange to maintain a listing.

Listing Application
The document that an issuer completes and submits to an exchange when it applies to list its shares on the exchange. The issuer must disclose its activities, plans, management and finances, amongst other things, in the application.

Long
A term that refers to ownership of securities. For example, if you are long 100 shares of XYZ, this means that you own 100 shares of XYZ company.

Low Price
The lowest price at which a board lot trade was executed during a period of time. See also: Board Lot.

Mm

Market
The place, electronic or physical, where buyers and sellers meet to exchange goods and services. It also represents the actual or potential demand for a product or service.

Market Capitalisation
The number of issued and outstanding securities listed for trading for an individual issue multiplied by the share price. Should a trading price not be available, a bid price, a price on another market, or if applicable, the price for an issue of the same issuer which the first issue is convertible into, may be used. Total stock market capitalisation for a market is obtained by adding together all individual companies market capitalisations (warrants and rights excluded).

Market Maker
A trader employed by a securities firm who is required to maintain reasonable liquidity in securities markets by making firm bids or offers at which they are ready to buy and sell securities.

Market Order
An order to buy or sell securities immediately at the prevailing or current price.

Material Change
A change in an issuer's affairs that could have a significant effect on the market value of its securities, such as a change in the nature of the business or control of the issuer. Under the principle of continuous disclosure, a listed issuer must issue a news release and report to the Exchange or Regulator as soon as a material change occurs.

Member of the BSE
Brokers entitled to trade through the facilities of BSE. They are also permitted to act as sponsors for listed issuers or issuers proposing to be listed on the BSE.

Mutual Fund
A fund managed by an expert who invests in stocks, bonds, options, money market instruments or other securities. Mutual fund units can be purchased directly from the mutual fund company. They are also referred to as Unit Trust or Collective Undertakings.

Nn

Non-Bank Financial Institutions Regulatory Authority (NBFIRA)
The regulatory authority that oversees the BSE, brokers, investment managers and other financial institutions other than commercial banks.

Net Change
The difference between the previous day's closing price and the last traded price.

Net Worth
The difference between a company's or individual's total assets and its total liabilities. Also known as shareholders' equity for a company.

New Issue
A stock or bond issue sold by a company for the first time. Proceeds may be used to retire the company's outstanding securities, or be used for a new plant, equipment or additional working capital. New debt issues are also offered by governments.

New Issuer Listing
Occurs concurrently with the posting of the new issuer's securities for trading. The preconditions for listing include the acceptance by the Exchange that all listing requirements and conditions have been satisfied. The effective listing date is the date when the listed securities open for trading.

New Issuer Listing – Application
An issuer whose application for listing was based on the BSE listing application requirements. These applications in themselves provide prospectus-level disclosure; however, often the listing application is accompanied by an offering document or a prospectus.

New Listing
A security issue that is newly added to the list of tradable security issues of an exchange. It is accompanied with a new listing date.

Oo

Odd Lot
A number of shares that are less than a board lot, which is the regular trading unit decided upon by the particular stock exchange. An odd lot is also an amount that is less than the par value of one trading unit on the over-the-counter market. For example, if a board lot is 100 shares, an odd lot would be 99 or fewer shares.

Opening
The market opens at 1030 hours each business day.

Original Listing/Initial Listing
A listing is designated as an original listing on BSE, if it satisfies the following three conditions:

- It meets listing requirements
- It pays applicable listing fees
- It is described in the exchange bulletin as an original listing

Typical examples of original/initial listings include:

- An initial public offering (IPO)
- Transfer or secondary listing from another exchange
- A new entity created by a spin-off (such as a division, from an existing issuer, becoming its own publicly traded entity)

Over-The-Counter (OTC) Market
The market maintained by securities dealers for issues not listed on a stock exchange. An OTC market is also known as an unlisted market.

Pp

Par Value
A security's nominal face value.

Penny Stock
Low-priced speculative issues of stock selling at less than P1.00 a share.

Portfolio
Holdings of securities by an individual or institution. A portfolio may include various types of securities representing different companies and industry sectors.

Price-Earnings (P/E) Ratio
A common stock's last closing market price per share divided by the latest reported 12-month earnings per share. This ratio shows you how many times the actual or anticipated annual earnings a stock is trading at.

Private Placement
The private offering of a security to a small group of buyers. Resale of the security is limited.

Profit
What is left over for the owners of a business after all expenses have been deducted from revenues. Gross profit is the profit before corporate income taxes. Net profit is the final profit of the business after taxes have been paid.

Prospectus
A legal document describing securities being offered for sale to the public. It must be prepared in accordance with provincial securities commission regulations. Prospectus documents usually disclose pertinent information concerning the company's operations, securities, management and purpose of the offering.

Push-Out
A push-out occurs during a share split when new shares are forwarded to the registered holders of old share certificates, without the holders having to surrender the old shares. Both the old and new shares have equal value.

Put Option
A put option is a contract that gives the holder the right to sell a specified number of shares at a stated price within a fixed time period. Put options are purchased by those who think a stock may decline in price.

Rr

Rally
A brisk rise in the general price level of the market or price of a stock.

Registered Traders
A trader employed by a securities firm who is required to maintain reasonable liquidity in securities markets by making firm bids or offers for one or more designated securities up to a specified minimum guaranteed fill.

Rights
A temporary privilege that lets shareholders purchase additional shares directly from the issuer at a stated price. The price is usually less than the market price of the common shares on the day the rights are issued. The rights are only valid within a given time period.

Risk
The future chance or probability of loss.

Ss

Securities
Transferable certificates of ownership of investment products such as notes, bonds, stocks, futures contracts and options.

Systematic Risk
Systemic risk refers to risk that is beyond the investors control and cannot be mitigated to a larger extent. Such risk often affects the economy and cannot be reduced or diversified as a reduction measure. Examples include: Global security threats, changes in taxation clauses, investment policies and shifts in socio economic parameters.

Settlement
The process that follows a transaction when the seller delivers the security to the buyer and the buyer pays the seller for the security.

Settlement Date
The date when a securities buyer must pay for a purchase or a seller must deliver the securities sold. Settlement must be made on or before the third business day following the transaction date in most cases.

Settlement Price
The price used to determine the daily net gains or losses in the value of an open futures or options contract.

Speculator
Someone prepared to accept calculated risks in the marketplace for attractive potential returns.

Spread
The difference between the bid and the ask prices of a stock.

Share Split
A corporate action that increases the number of securities issued and outstanding, without the issuer receiving any consideration for the issue. Approval by security holders is required in many jurisdictions. Each security holder gets more securities, in direct proportion to the amount of securities they own on the record date; thus, their percentage ownership of the issuer does not change. For example, a two-for-one share split involves the issuance of two new shares for every one share already owned.

Stock Symbol
A one-character to three-character, alphabetic root symbol, which represents an issuer listed on BSE.

Structured Products
Financial instruments which provide innovative and flexible investment products designed to respond to modern investor needs, such as yield enhancement, risk reduction, or asset diversification.

Suspended Issuer
An issuer whose listed securities have been revoked by the BSE for violating its listing requirements and obligations.

Tt

Thin Market
A market that occurs when there are comparatively few bids to buy or offers to sell, or both. The phrase may apply to a single security or to the entire stock market. In a thin market, price fluctuations between transactions are usually larger than when the market is liquid. A thin market in a particular stock may reflect lack of interest in that issue, or a limited supply of the stock.

Tick
Refers to a minimum denomination or minimum spread for a security. Depending on the stock price it could be a half-thebe, one thebe or five thebe.

Timely Disclosure Policy
This policy requires all listed companies to publicly disclose material information in a timely manner.

Total Number of Shares
The total number of issued and outstanding shares for the security.

Trading Halt
A trading halt is imposed by the Exchange, usually due to the dissemination of news that might impact a stock's price.

Trading Session
The period during which the Exchange is open for trading.

Traded Value
The total value of shares traded during a trading session.

Transaction Date
The date when the purchase or sale of a security takes place.

Transfer Secretary
A trust company appointed by a listed company to keep a record of the names, addresses and number of shares held by its shareholders. Frequently, the transfer agent also distributes dividend cheques to the company's shareholders.

Transferable Security
A security that can be transferred from one party holder to another without restrictions provided that all proper documentation is included.

Uu

Underlying Interest
The specific security, commodity, index or financial instrument that an option or futures contract is traded.

Underwriting
The purchase for resale of a new issue of securities by an investment dealer or group of dealers who are also known as underwriters. The formal agreements for these transactions are called underwriting agreements.

Unlisted
A security not listed on a stock exchange, but traded on the over-the-counter market.

Uptick
A stock is said to be on an uptick when the last trade occurred at a higher price than the one before it.

Vv

Venture Capital
Money raised by start up companies to finance new business operations.

Venture Company
A classification of BSE-listed companies that are in the early stages of development and meet the minimum asset, market value and shareholder distribution requirements for listing on the Venture Capital Board.

Volatility
A statistical measure of changes in price over a period of time.

Volume Weighted Average Price (VWAP)
Volume-weighted average price of the listed securities, calculated by dividing the total value by the total volume of securities traded for the relevant period.

Ww

Warrant
A security giving the holder the right to purchase securities at a stipulated price within a specified time limit. Exercise of the warrant is solely at the discretion of the holder. Warrants are not exercisable after the expiry date. A warrant is often issued in conjunction with another security as part of a financing. A warrant may be traded as a listed security or it may be held privately.

World Federation of Exchanges (WFE)
The WFE is a global trade association for the exchange industry. The membership is comprised of more than 50 regulated exchanges from all regions of the world. Together, these exchanges account for over 95% of world stock market capitalisation, and most of its exchange-traded futures, options, listed investment funds, and bonds. BSE aspires to be a member of the WFE someday.

Yy

Yield
This is the measure of the return on an investment and is shown as a percentage. A stock yield is calculated by dividing the annual dividend by the stock's current market price. For example, a stock selling at P50 and with an annual dividend of P5 per share yields 10%. A bond yield is a more complicated calculation, involving annual interest payments, plus amortizing the difference between its current market price and par value over the life of the bond.

For more information, contact us at:

marketdev@bse.co.bw

Or

Botswana Stock Exchange
Plot 64511, Fairgrounds
Private Bag 00417
Gaborone
Tel: 3674400/3180201
Fax: 3180175
Website: www.bse.co.bw
Email: info@bse.co.bw

BSE Brokers

BSE licensed brokers are:

Imara Capital Securities
Telephone: 3188886
enquiriesbots@imara.com

Motswedi Securities
Telephone: 3188627
motswedi@motswedi.co.bw

Stockbrokers Botswana
Telephone: 3957900
info@sbb.bw

African Alliance Securities Botswana
Telephone: 3188958
leburuo@africanalliance.bw