



BSE

BOTSWANA STOCK EXCHANGE

Annual Report 2006

Table of Contents

2. Botswana Stock Exchange Overview
3. Members of the Main Committee
4. Members of Staff
5. Chairman's Statement
6. Chief Executive Officer's Review

- Annual Financial Statements
13. General Information on BSE Committees
16. Statement of Committee Members Responsibilities
17. Report of the Independent Auditors to the BSE
19. Income Statements
20. Balance Sheets
21. Notes to the Financial Statements
22. Cash Flow Statement
23. Accounting Policies
27. Notes to the Financial Statements
32. Detailed Income Statement

33. Market Statistics

BOTSWANA STOCK EXCHANGE OVERVIEW

The Botswana Stock Exchange is Botswana's national stock exchange given the responsibility to operate and regulate the equities and fixed interest securities market. Formally established in 1989, the BSE traces its humble beginnings to when it was known as the Botswana Share Market (BSM). Then there were only 5 listed entities, with a single broking firm in the market which was also charged with facilitating trading on the exchange via the matching of orders. The necessity to detach the running of the exchange from the broking business set in motion preparation for the establishment of an independent exchange. An Act of parliament in 1994 then created the exchange. In April 2003, in order to better execute the affairs of the exchange, better serve stakeholders, to be more responsive to global events and to remain competitive, the BSE severed ties with Ernst and Young Botswana to become a fully independent stand alone unit both in fact and appearance.

The BSE continues to be pivotal to the Botswana's financial system, and in particular the capital market, as an avenue on which government and the private sector can raise debt and equity capital. The BSE plays host to the most pre-eminent companies doing business in Botswana. These companies represent a spectrum of industries and commerce, from Banking and financial services to Wholesaling and Retailing, Tourism and Information Technology.

GOVERNANCE STRUCTURE

Botswana Stock Exchange is a corporate body established by an Act of Parliament to make provision for the operation of a formalised securities market in Botswana.

The Exchange is regulated and supervised by the Minister of Finance and Development Planning. The Minister has the powers conferred upon him under the Act to appoint the Registrar of the Stock Exchange, who is a public servant.

The day to day affairs of the exchange are run by the Committee established in terms of the Act. This Committee (The board) is made up of the following:

1. Three members appointed by the Ministry of Finance;
2. A maximum of six members elected by members (brokers)

of the exchange, with a maximum of two persons elected from any broking-partnership, or company, incorporated in Botswana. Members of the exchange are stockbrokers and stock broking firms. The Primary Dealers were recently admitted to Special Membership of the exchange to trade in government bonds and corporate bonds.

Out of the Main Committee, the following sub-Committees are elected

1. Disciplinary & Investigations Committee
2. Listings, Trading and Operations Committee
3. Audit & Remuneration Committee

The Chief Executive Officer of the BSE is an ex-officio member of all these Committees. The Corporate Affairs Manager of BSE is the Secretary to these Committees.

BOTSWANA STOCK EXCHANGE REGULATORY ENVIRONMENT

The main law which governs all the activities between the Exchange and its members, the proceedings of the main Committee and its composition; the relationship between the Minister and the Exchange together with the relations between the Registrar, the exchange and members of the exchange is the Botswana Stock Exchange Act No 11 of 1994.

The members have promulgated Rules (Members Rules) which provide for the requirements to be fulfilled for the securities listed and traded on the Exchange. Members Rules provide as the main objective thereof, *"to operate a Stock Exchange in Botswana with due regard to the public interest, and to maintain fair and efficient dealing in securities for the protection of investors and to regulate the affairs of members"*.

In addition, the Exchange has a set of Listing Requirements which provide the pre-listing requirements and post listing requirements to be observed by the issuers of listed securities. The emphasis is to make sure issuers disclose as much information to the public and investors so that the latter can make informed investment decisions.

MEMBERS OF THE MAIN COMMITTEE



MR. RIZWAN DESAI
- CHAIRMAN



MR. K. KGOMANYANE
- DEPUTY CHAIRMAN



MR. M. MAKGATLHE
- TREASURER



MR. R. MOTSWAISO



MRS. E. RICHARD-MADISA



MR. G. MATSAKE



DR. K. JEFFERIS



MR. G. BAKWENA

STAFF MEMBERS



SEATED (L-R) : Ms. J. White, Mr. H. MENDIS, Ms. B. MWENDAPOLE, Mr. T. TSHEOLE

STANDING (L-R) : Ms. L. MASIRE, Ms. A. KHUPE, Mr. T. MODISE, Ms. M. BATHULENG, Mr. M. MAKWAEBA, Ms. B. SOKO, Mr. J. BAKWADI



MR. RIZWAN DESAI

CHAIRMAN'S STATEMENT

It gives me great pleasure to introduce to you the first published Annual Report of the Botswana Stock Exchange.

As Chairman of the BSE, it has been my honour and privilege to oversee its progress on numerous fronts during 2006, ranging, as you will note in more detail when you read the Chief Executive Officer's Report, from increased market performance through to upgraded professional staffing levels. You will also see the new marketing initiatives that are now beginning to be put in place and the advances made in securing a depository and trading system which is commensurate with a modern stock exchange, all of which are necessary and timely. These give me and, I would hope, all of the stakeholders of the BSE, the confidence and assurance that the BSE will, in due course of time, fulfil its ambition of being among the best run exchanges in Africa or, indeed, worldwide.

Such lofty ambitions can however only be achieved if built upon a foundation of improved governance and accountability, both from the viewpoint of the composition of the BSE itself and the continued compliance with the BSE Listings Requirements by all of our listed counters. To that end, the regulatory review which has commenced in respect of the BSE Act and the Listings Requirements should, when completed and the recommendations arising from that process be implemented, result in improved efficiencies across the board. I would therefore take this opportunity to request all stakeholders to contribute to and participate in the review to the extent possible.

Of course, as in any organisation, challenges do (and must) remain. We cannot afford to be complacent. In the BSE's case, we are continuing to look at ways in which the ever present

illiquid trading issues can be alleviated as well as exploring methodologies pertaining to a self funding and self sustaining model of business development. We may only now be crawling out of our infancy, but, with your support, look forward to a new, revitalised exchange which is ready to meet your needs. Insofar as we remain a regulator after the review process, we hope very much to strike the right balance between the protection of investors and the encouragement of innovative listed instruments and products. In short, we are open for business.

In closing, I must also take this opportunity on behalf of the Main Committee of the BSE to thank the Chief Executive Officer and all of the other hardworking employees of the BSE, from clerical to managerial level, in doing so well both behind and in front of the scenes to assist in its growth and development. Thanks are also due to the Registrar and the officials of the Ministry of Finance and Development Planning, as well as the member stockbrokers of the BSE, for their continued support and goodwill. My personal thanks are further due to my fellow Main Committee members for their sterling contributions to the always informed debate and discussion in relation to BSE matters.

Please do enjoy the Annual Report.

With best wishes,

A handwritten signature in black ink, appearing to read 'Rizwan Desai'.

Rizwan Desai
Chairman



MR. HIRAN MENDIS

CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2006

1. Market Performance

The year 2006 turned out to be another spectacular year for the BSE. Market turnover increased from P238.6 Mn in 2005 to P414.7 Mn in 2006, growing by 74%. The average daily turnover was P1.7 Mn in 2006 compared to P1.0 Mn in 2005. Further analysis of market statistics reveals that the daily average turnover for 2006 increased from P0.9 Mn in the first quarter to P3.0 Mn in the fourth quarter. As per the information available at the BSE the turnover for 2006 is the highest recorded since 2003. The number of shares traded in 2006, which was 87.2 Mn, surpassed the 44.2 Mn shares traded in 2005 by 97%.

It is also noted that the DCI closed the year at 6 195.4 points appreciating by over 74% in 2006. This again is the highest growth recorded in the DCI for the past 3 years. A further analysis of the quarterly performance of the DCI shows that, subsequent to a 10.9% appreciation of the index in the first quarter of 2006, the DCI grew by 11.8% in the second quarter followed by a further growth of 20.4% and 16.7% in the third

and fourth quarters respectively. In contrast the FCI recorded a growth of 57.3% in the year under review in comparison to 78% in 2005.

One of the most significant gains made during 2006 was in respect of market capitalization. Domestic company market capitalization increased from P13.4 Bn in December 2005 to a record P23.8 Bn as at end of December 2006 while foreign company market capitalization increased from P301.1 Bn in 2005 to P510.4 Bn in December 2006.

Figure 1 also shows that BSE's domestic market capitalization relative to GDP was 28.4% at the close of 2006 and has registered a gradual increase over the past few years. It is of note that if the mining sector is discounted from the computation of both market capitalization and GDP, BSE's market capitalization as a percentage of GDP increases to 52%.

CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2006

(continued)

The comparative performance of the market for the past 4 years is detailed in Figure 1.

Figure 1: Market Performance - 2003 to 2006

	2003	2004	2005	2006
Index Performance				
DCI	2498.7	2888.7	3559.1	6195.4
% Change in DCI		11.9	23.2	74.1
FCI	567.3	634.7	1129.9	1777.3
% Change in FCI		11.9	78.0	57.3
ACI	618.4	693.6	1211.5	1914.5
% Change in ACI	12.2	74.7	58.0	
Liquidity				
Turnover (P' Mn)	401.3	211.4	238.6	414.7
Average Daily Turnover (P' Mn)	1.6	0.9	1.0	1.7
No of Shares Traded (Mn)	77.4	61.9	44.2	87.2
Market Capitalization				
Domestic Companies (P' Mn)	9,437.7	10,876.4	13,418.1	23,776.9
Foreign Companies (P' Mn)	142,484.9	162,088.0	301,144.6	510,407.8
Total (P' Mn)	151,922.6	172,964.4	314,562.7	534,184.7
Market Indicators				
P/E Ratio	10.3	12.3	11.0	16.3
Dividend Yield (%)	7.7	6.3	5.9	3.8
Price/Book value	5.4	6.2	7.8	9.8
Relative Performance				
Domestic Market Cap/GDP (%)	-	23.5	25.3	28.4
Turnover/Domestic Market Cap (%)	-	3.0	1.8	1.8
Turnover/All Co Market Cap (%)	-	0.2	0.1	0.1

Source: BSE and SBB

CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2006

(continued)

Figure 2 details the performance of the market for 2006 on a quarterly basis.

Figure 2: Quarterly Market Performance in 2006

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Index Performance				
DCI	3946.5	4411.1	5310.5	6195.4
% Change in DCI	10.9	11.8	20.4	16.7
FCI	1269.2	1600.4	1639.8	1777.3
% Change in FCI	12.3	26.1	2.6	8.4
ACI	1360.6	1707.4	1760.6	1914.5
% Change in ACI	12.3	25.5	3.1	8.7
Liquidity				
Turnover (P' Mn)	59.5	68.4	116.3	170.4
Average Daily Turnover (P' Mn)	0.9	1.1	1.9	3.0
No of Shares Traded (Mn)	11.1	8.8	34.2	23.1
Market Capitalization				
Domestic Companies (P'Mn)	15,015.8	16,806.7	20,317.0	23,776.9
Foreign Companies (P' Mn)	338,756.7	448,222.2	457,706.0	510,407.8
Total (P' Mn)	353,772.6	465,028.9	478,023.1	534,184.7
Market Indicators				
P/E Ratio	11.8	13.0	14.2	16.3
Dividend Yield	6.1	5.3	4.6	3.8
Price/Book value	8	7.9	9.4	9.8

Source: BSE and SBB

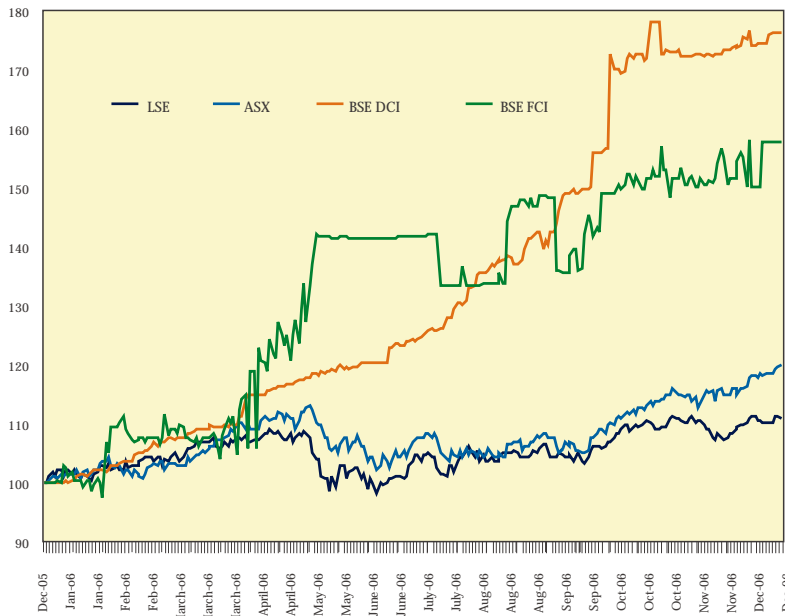
A comparison of how the BSE fared against ASX and LSE from which it attracts dual listings is detailed in Figure 3. The TSE and JSE, the other markets from which the BSE's dual listings originate appreciated by 11.2% and 37.7%, respectively. As the Committee will note the BSE has out performed these markets by far.

Even though this in fact is the case, it is important to note that price appreciations could be influenced by the low level of liquidity at the BSE. This is apparent from the turnover to market capitalization ratios for 2006, which was 1.8% for domestic companies and declined to 0.1% if all companies listed in the BSE are taken into account. Further, the lack of trading information on securities traded abroad could be another inefficiency influencing the price of dual listed securities traded in the BSE varying, sometimes significantly, with those of the home market. When liquidity is low there is a tendency for price discovery to be inefficient and consequently result in a deviation between the price and value of securities traded.

CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2006

(continued)

Figure 3: Standardised Performance of BSE DCI and FCI - Comparison with other Markets



Source: Yahoo Finance, BSE

Although, the Debt market remained inactive in comparison to previous years, the market capitalization of the bond market has risen from P3.8 Bn in 2005 to P4.1 Bn as at the end of 2006, this amount to approximately 9% of Botswana's GDP. The second quarter of 2006 saw more activity in the bond market both in terms of value and number of trades. However bond market activity declined in the last two quarters of 2006.

2. Primary Market Activity

Five companies were listed in the BSE in 2006 i.e. one on the Domestic Board and four on the Foreign Board. This was a welcome development in view of the fact that there were only two listings in 2004 whereas there were no listings in 2005. The companies listed in 2006 on the Foreign Board included IAMGOLD, CIC Energy Corporation, A-Cap Resources Limited and Discovery Metals Limited. This brought the number of dual listed companies on the BSE to twelve. Imara Holdings listed on the Domestic Board. However the number of companies listed on the domestic counter during 2006 remained unchanged due to the de-listing of Afritourism Limited.

It is noted that all the above listings were through introductions and no listings were forthcoming through IPOs. Hence the listing of the five companies did not result in a significant contribution to market liquidity. As the Committee would note from the information provided on dual listed company liquidity,

companies listed on the Foreign Board hardly ever trade. During the first quarter of 2006 three new bonds were listed. These bonds were SCBB 002 floating rate note, SCBB 003 and SCBB 004, which were fixed rate. These bonds all have denomination of P 10,000 and nominal values of P50 million each; with maturities on 20th December 2015, 20th December 2020 and 20th December 2012 respectively. There was also a new bond listed in quarter two of 2006, a floating rate note SBBL 006, with minimum denomination of P 1,000 and nominal value of P50 million, maturing 1st June 2016.

The Bond market performance is a cause for concern and the challenge facing the Exchange is how to accelerate bond market trading and listings. The Exchange intends to renew its efforts to create awareness amongst companies on the advantages of listing bonds by meeting key decision makers on a one to one basis.

CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2006

(continued)

The Exchange will also revamp the debt market by critically appraising the listing and trading rules for debt securities. This strategy will further be supplemented by continuous education provided to investors and brokers to create understanding of the debt market. Whilst immediate results cannot be expected, the Exchange is optimistic that the nurturing of these relationships over time would influence some of these companies to list debt instruments.

3. Regulation

The BSE has noted with concern that compliance by listed companies to the BSE Listing Rules has been slack. Although the BSE Listing Rules require companies to submit a compliance certificate annually, only one company of the twenty nine listed complied with the requirement. On the same note, companies are required to disclose the corporate governance code they subscribe to and indicate the extent of compliance with such code in the annual report. Even though the majority of listed companies complied with this requirement, sufficient information was not provided in the annual reports for investors to determine the degree of compliance by the company with the corporate governance code subscribed to.

In order to improve compliance the Exchange held workshops for listed companies to discuss the purpose and intent of the BSE's Listing Requirements. Other measures taken in this regard include issuing guidance notes on disclosure requirements to help companies better understand rules and the appointment of compliance officers who would be the liaison between the BSE and the company on listing issues. Given the importance of disclosure of information the Exchange also intends to enforce strict sanctions to ensure compliance by listed companies.

In order to encourage and improve corporate governance amongst listed companies, the BSE has proposed that a Corporate Governance Best Practice Code be drawn up in 2007.

The BSE has taken steps to tighten settlement procedure and shorten the settlement cycle to T+4 in a bid to reduce systemic risk. The implementation of the CSD in 2007 will further reduce settlement risk.

The lack of an ATS has greatly hampered the Exchange's efforts to monitor trading and ensure an even playing field for all investors. The importance of an ATS both from market monitoring and development perspectives cannot be over stressed.

4. Development Strategy

Even though the Botswana Stock Market has grown rapidly in the recent past it has failed to reach its potential as evident from the limited instruments traded and the lack of liquidity in the market. The BSE developed a strategic plan in 2004 with the objective of developing the Capital Market but it was largely unimplemented due to a lack of financial and other resources.

One of the main tasks of the CEO who joined the Exchange in July 2006 is to develop strategies to take the BSE forward. In a bid to reappraise itself and understand the dynamics that had inhibited market development the BSE revisited the strategic plan in October 2006.

The following factors were identified as impediments to growth at the strategy session held in October 2006.

- Imbalance in investor structure where pension funds dominated the market
- Lack of marketing initiatives by the Exchange
- Lack of infrastructure such as a CSD and ATS
- Lack of instruments to draw out liquidity
- Regulations not being based on an economically justifiable rationale
- Skills limitation of staff
- Governance structure where all stakeholders are not represented
- Lack of financial resources and capital which inhibited vision
- Members of the BSE are equity specialists & agency brokers, are totally dependent on brokerage commissions and lack the incentive to diversify activities

In a bid to counter the inertia, several strategies were recommended to the committee by the Exco. These included strategies to improve infrastructure & regulation, market & product development and organization & HR development. The strategy also envisaged changes to the governance structure of the Exchange and recommended the capitalization of the BSE to implement the vision.

CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2006

(continued)

Botswana is too small a market for the BSE to specialize in equity. Some of the products that are being considered to be introduced include the listing of third party depository receipts (which could be in the form of exchange traded funds or index funds) in order to inject liquidity into the market. Further the BSE intends to position Botswana as a destination for companies to raise capital. The thrust of the strategy is to leverage on Botswana's competitive advantages which include a peaceful political environment, a stable economy and a liberalized capital account.

It is noted that adequate infrastructure and risk management systems need to be in place prior to the BSE taking steps to introduce new products.

However time is not on BSE's side and any delays in implementation could make the strategy less effective. Further the timely implementation of the strategy requires support from many quarters - the government for funding and the Committee consisting of a majority of brokers for decisions. Government funding may not be sufficient and approvals could be late. It is further noted that the BSE being a mutual organization, and similar to many other such organizations, is not free to make decisions in the best interest of itself and the market. For instance decisions beneficial to the BSE may not be so to Member Firms. Hence the implementation of the strategies would depend partially on the response of the government and Member Firms.

The BSE Exco is confident that given the necessary support, Botswana's fledgling market can be developed for the benefit of all stakeholders.

5. Regulatory Review

The review of the Botswana Stock Exchange Act and the BSE Rules commenced in February 2006 and the process is being undertaken by Edward Nathan & Sonnenberg Inc of South Africa under the supervision of the MFDP. The purpose of the review is to rationalize the regulatory structures governing the capital market and recommend institutional reforms including changing the structure of the BSE from that of a statutory body to a company. This change would pave the way for changes to the BSE's Governance Structure and the demutualization of the Exchange at a future point in time.

As an interim measure, the Exco is of the view that the committee and sub committee structures and consequently governance can be improved by drawing up a Board Charter for adoption by the Committee. This initiative will be followed up in 2007.

The consultants are also expected to redraft the BSE's Listing Rules and Member Regulations to meet regional and international best practices and formulate legislation and rules for the operation of the CSD.

It is unfortunate that the Regulatory Review has slipped behind schedule. It is noted that the changes envisaged in the study are fundamental and would be the foundation on which Capital Market development would take place. Therefore a delay in the process would in turn hold back the much needed reforms that would be important to accelerate market development.

6. Marketing Initiatives

During 2006, the BSE continued to distribute its three educational booklets. These include the BSE Factbook, Guide to Listing on BSE and Introduction to Investing on the BSE. During the first quarter of the year under review, new updates and additions were made to the existing publications. The new additions to the Factbook included monthly trading volumes, highest & lowest prices of securities transacted and closing prices of listed securities. Historical data in the form of listing dates, opening share prices, volume and market capitalization were also included.

The BSE continued to actively participate in the local radio programs in the form of commenting on and educating the public about the importance of shares as a form of investment and the role that Capital Markets play in an economy. Several presentations were made to different audiences, however most presentations were concentrated in Gaborone. These include presentations to Legae Academy, Maru-a-Pula School, Junior Achievement Botswana (JAB) and the South African High Commission, among others.

The BSE Financial Trade Fair was not held in 2006. The Exchange expects to re-brand the fair taking into account the feedback received from participants at the 2005 fair and host an Investment Forum in 2007.

In keeping with the development strategy formulated in October 2006, the BSE is in the process of implementing a new marketing strategy to create awareness of the stock market amongst retail investors in Gaborone and the outstations. The effectiveness of this strategy will depend upon the ability of Brokers to service retail clients. Given the present trading and clearing systems this is not an easy task. The BSE's plan to implement a CSD and an ATS would effectively grow the market and expand the reach of the Exchange, through a network of branches.

CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2006

(continued)

7. Infrastructure

The strategic plan envisages the need for a depository and a trading system as minimum requirements to bring the Exchange on par with more developed markets. The question has been posed as to whether there is a need for automation given the current level of trading. If one were to look at the history of trading at the BSE automation cannot be justified. However if the BSE were to extend its reach to attract both local and foreign investors and take the Exchange beyond its offices at Kgale Mews, automating the trading system is a must. As noted above this much needed infrastructure would enhance transparency and create an even playing field for investors and enable the BSE to regulate the market more efficiently. Furthermore a CSD would help reduce systemic risk and help the Exchange conform to internationally accepted norms for clearing and settlement.

The need for a depository has been supported by all concerned with the Government promising financial resources to implement the depository, however not much progress was made over the past 2 years in this regard. The BSE has reignited this initiative and expect to implement the depository in 2007.

As of yet the BSE does not have the required funding to implement an ATS. The Exchange however expects to work towards acquiring a trading system as soon as possible. The government has recognized the need to automate trading and its commitment in this regard is noted from NDP9.

8. Staffing

The position of CEO was filled with the recruitment of the present incumbent in July 2006 after almost a year subsequent to the resignation of Dr. T.T. K. Matome.

Mr. G. Bakwena and Mrs J. White held the position of acting CEO during this period.

Given that the focus of the development strategy is on infrastructure, market and product development, the Exchange recruited Mr. M. Makwaeba as IT Manager in September 2006 and took steps to separate the positions of Market Development Manager and Product Development Manager. These two positions were filled by Ms Lame Masire (Market Development Manager) and Mr Thapelo Tsheole (Product Development Manager) in January and February 2007 respectively.

Ms Bopelokgale Soko joined the Exchange as Listings and Trading Manager in June 2006 succeeding Mr. Geoffrey Bakwena who resigned in April 2006.

Mr. Justice Bakwadi joined the BSE as Trading Officer in January 2007.

Mr. B. Mokgosi, Business Development Officer and Mr. L. Sephuma, Operations and Listings Officer, resigned during 2006.

The BSE had hitherto not had a formal performance appraisal system or a system for setting KPI's. Steps were taken to implement such systems with effect from 2007.

As noted at the strategy seminar held in October 2006, the staff of the Exchange lacks the required skills and exposure in the operation of the Exchange. In order to address this issue and noting that any organization is only as good as its human resource, steps have been taken to train staff through their attending seminars and workshops relating to capital markets. The BSE has also endeavoured to facilitate visits by staff to other Exchanges which will help accelerate the learning process.

9. Appreciation

I wish to thank the Registrar and officials of the MFDP, the Chairman and Committee Members, Stockbrokers, other stakeholders and the Staff of the BSE for their support to the Exchange over the past year.



Hiran Mendis

- Chief Executive Officer

GENERAL INFORMATION

PRINCIPAL ACTIVITIES:

Regulating and promoting the listing and dealing in shares and other stocks and securities listed on the Botswana Stock Exchange (BSE).

COMMITTEES OF THE STOCK EXCHANGE:

Main Committee

Ministerial appointees:

Keith Jefferis	(re-appointed 01 April 2006)
Reginald Motswaiso	(re-appointed 01 April 2006)
Ellen Richard-Madisa	(re-appointed 01 April 2006)

Elected Members:

Rizwan Desai (Chairman)	(re-appointed 21 April 2006, appointed as the Chairman 23 June 2006)
Wayne Osterberg	(re-appointed 21 April 2006, resigned 30 June 2006)
Kennedy Kgomanyane	(re-appointed 21 April 2006, appointed as Vice-Chairman 23 June 2006)
Martin Makgatlhe	(re-appointed 21 April 2006, appointed as Treasurer 23 June 2006)
Gregory Matsake	(re-appointed 21 April 2006)
Geoffrey Bakwena	(appointed 28 July 2006)

Membership of Sub-Committees:

(1) Listings, trading and operation committee

Rizwan Desai	(Chairman, re-appointed 23 June 2006)
Kennedy Kgomanyane	(re-appointed 23 June 2006)
Gregory Matsake	(re-appointed 23 June 2006)
Martin Makgatlhe	(re-appointed 23 June 2006)
Ellen Richard-Madisa	(re-appointed 23 June 2006)
Wayne Osterberg	(re-appointed 21 April 2006, resigned 30 June 2006)
Geoffrey Bakwena	(appointed 28 July 2006)

(2) Audit and remuneration committee

Reginald Motswaiso	(Chairman, re-appointed 23 June 2006)
Rizwan Desai	(resigned 24 March 2006)
Keith Jefferis	(reappointed 23 June 2006)
Wayne Osterberg	(re-appointed 23 June 2006, resigned 30 June 2006)
Geoffrey Bakwena	(appointed 28 September 2006)

GENERAL INFORMATION

PRINCIPAL ACTIVITIES: (Continued)

Membership of Sub-Committees: (continued)

(3) Investigations and disciplinary committee

Keith Jefferis	(Chairman, re-appointed 23 June 2006)
Rizwan Desai	(resigned 24 March 2006)
Reginald Motswaiso	(re-appointed 23 June 2006)
Ellen Richard-Madisa	(re-appointed 23 June 2006)

CHIEF EXECUTIVE OFFICER

Chief Executive Officer:

Hiran Mendis (appointed 01 July 2006)

Acting Chief Executive officer:

Juliana White (1 May 2006 to 30 June 2006)

Acting Chief Executive officer:

Geoffrey Bakwena (resigned 30 April 2006)

SECRETARY:

Board Committee:

Juliana White

REGISTRAR:

Wilfred Mandlebe
Ministry of Finance and Development Planning
Government Enclave, Gaborone

GENERAL INFORMATION

PRINCIPAL ACTIVITIES: (Continued)

POSTAL ADDRESS:

Private Bag 00417
Gaborone

INDEPENDENT AUDITORS:

PricewaterhouseCoopers

BANKERS:

Barclays Bank of Botswana Limited
Mall Branch
P O Box 4
Gaborone

(The financial statements are expressed in Pula, the currency of Botswana)

STATEMENT OF COMMITTEE MEMBER'S RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2006

The committee members of the Botswana Stock Exchange are responsible for the annual financial statements and all other information presented therewith. Their responsibility includes the maintenance of true and fair financial records and the preparation of annual financial statements in accordance with International Financial Reporting Standards and in the manner required by the Botswana Stock Exchange Act, 1994.

The Exchange maintains systems of internal control, which are designed to provide reasonable assurance that the records accurately reflect its transactions and to provide protection against serious misuse or loss of the Exchange's assets. The committee members are also responsible for the design, implementation, maintenance and monitoring of these systems of internal financial control. Nothing has come to the attention of the committee members to indicate that any significant breakdown in the functioning of these systems has occurred during the year under review.

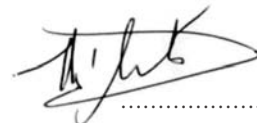
The going concern basis has been adopted in preparing the annual financial statements. The committee members have no reason to believe that the Exchange will not be a going concern in the foreseeable future based on forecasts, available cash resources and with continued support of the Botswana Government.

Our external auditors conduct an examination of the financial statements in conformity with International Standards on Auditing, which include tests of transactions and selective tests of internal accounting controls. Regular meetings are held between management and our external auditors to review matters relating to internal controls and financial reporting. The external auditors have unrestricted access to the committee members.

The financial statements set out on pages 19 to 31 and the supplementary information on page 32 were authorised for issue by the committee members on 30 March 2007 and are signed on their behalf by:



.....
Mr Rizwan Desai
CHAIRMAN



.....
Mr Reginald Motswaiso
MEMBER

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BOTSWANA STOCK EXCHANGE

FOR THE YEAR ENDED 31 DECEMBER 2006

Report on the Financial Statements

We have audited the accompanying financial statements of Botswana Stock Exchange, set out on pages 19 to 31, which comprise the balance sheet as at 31 December 2006 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Committee Members' Responsibility for the Financial Statements

The Committee Members are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the Stock Exchange Act; 1994.

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

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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BOTSWANA STOCK EXCHANGE (continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Botswana Stock Exchange as of December 31, 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In accordance with Section 42(1) of the Botswana Stock Exchange Act, 1994, we confirm that in our opinion, the Exchange has kept proper books of account with which the financial statements are in agreement.



PricewaterhouseCoopers

Gaborone

30 March 2007

Certified Public Accountants

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 P	2005 P
Revenue		4 697 457	5 161 679
Other income		2 157 251	1 388 948
Administrative expenses		<u>(4 597 482)</u>	<u>(3 587 623)</u>
Operating profit before interest	1	2 257 226	2 963 004
Interest received	3	242 907	78 080
Interest paid	3	-	(20 847)
Net profit for the year		<u>2 500 133</u>	<u>3 020 237</u>

BALANCE SHEET

AS AT 31 DECEMBER 2006

	Notes	2006 P	2005 P
ASSETS			
Non-Current assets			
Property, plant and equipment	4	<u>641 152</u>	<u>342 594</u>
Current assets			
Receivables and prepayments	5	246 255	131 152
Cash and cash equivalents	6	<u>2 464 044</u>	<u>1 251 788</u>
		<u>2 710 299</u>	<u>1 382 940</u>
Total Assets		<u><u>3 351 451</u></u>	<u><u>1 725 534</u></u>
EQUITY AND LIABILITIES			
Equity			
Proprietary rights capital	7	4 400	4 400
Rights premium		138 276	138 276
Accumulated profits		<u>2 604 105</u>	<u>347 789</u>
		<u>2 746 781</u>	<u>490 465</u>
Current liabilities			
Trade and other payables	8	360 853	394 424
Amounts due to the Botswana Stock Exchange Security Fund	9	<u>243 817</u>	<u>840 645</u>
Total liabilities		<u>604 670</u>	<u>1 235 069</u>
Total Equity and Liabilities		<u><u>3 351 451</u></u>	<u><u>1 725 534</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

	Proprietary Rights capital P	Rights Premium P	Accumulated Profit P	Total P
As at 31 December 2005				
Opening balance	4 400	138 276	(1 856 803)	(1 714 127)
Net profit for the year	-	-	3 020 23	3 020 237
Transfer to the Botswana Stock Exchange Security Fund	<u>-</u>	<u>-</u>	<u>(815 645)</u>	<u>(815 645)</u>
Closing Balance	<u>4 400</u>	<u>138 276</u>	<u>347 789</u>	<u>490 465</u>
As at 31 December 2006				
Opening Balance	4 400	138 276	347 789	490 465
Net profit for the year	-	-	2 500 133	2 500 133
Transfer to the Botswana Stock Exchange Security Fund	<u>-</u>	<u>-</u>	<u>(243 817)</u>	<u>(243 817)</u>
Closing Balance	<u>4 400</u>	<u>138 276</u>	<u>2 604 105</u>	<u>2 746 781</u>

In terms of the Botswana Stock Exchange Act, 1994, section 72(3) the Exchange is required to transfer to the Botswana Stock Exchange Security Fund half the annual profit from trading, or P 5 000 whichever is greater (note 9).

	Notes	2006 P	2005 P
Cash generated from operating activities			
Net cash flows from operating activities	10	1 478 451	2 755 760
Interest paid	3	<u>-</u>	<u>(20 847)</u>
		1 478 451	2 734 913
Investing activities			
Purchase of property, plant and equipment	4	(512 771)	(6 377)
Interest received	3	242 907	78 080
Proceeds from sale of property plant and equipment		<u>3 669</u>	<u>500</u>
Net cash flows (used)/generated in investing activities		<u>(266 195)</u>	<u>72 203</u>
Changes in cash and cash equivalents		1 212 256	2 807 116
Cash and cash equivalents at the beginning of the year		<u>1 251 788</u>	<u>(1 555 328)</u>
Cash and cash equivalents at the end of the year	6	<u><u>2 464 044</u></u>	<u><u>1 251 788</u></u>

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2006

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A. Basis of preparation

The financial statements of Botswana Stock Exchange have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Botswana Stock Exchange Act; 1994. The financial statements are prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Exchange's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Exchange's financial statements are disclosed under N, "Critical accounting estimates and assumptions".

Adoption of standards (in the current financial year)

In the 2006 financial year, the Exchange adopted the following new or revised IFRS, which are relevant to its operations.

IAS 1	(revised 2003) Presentation of financial statements
IAS 8	(revised 2003) Accounting policies, Changes in Accounting Estimates and Errors
IAS 10	(revised 2003) Events after the Balance Sheet Date
IAS 16	(revised 2003) Property, Plant and Equipment
IAS 17	(revised 2003) Leases
IAS 21	(revised 2003) The Effects of Changes in Foreign Exchange Rates
IAS 24	(revised 2003) Related Party Disclosures
IAS 32	(revised 2003) Financial Instruments: Disclosure and Presentation
IAS 36	(revised 2004) Impairment of Assets
IAS 39	(revised 2003) Financial Instruments: Recognition and Measurement

- IAS 1 (revised 2003) has affected the presentation and other disclosures in the financial statement.
- IAS 8, IAS 10, IAS 16, IAS 17, IAS 21, IAS 32, IAS 36 and IAS 39 (all revised 2003) had no material effect on the Exchange's policies.

A. Basis of preparation

Adoption of standards (in the current financial year) (continued)

- IAS 24 (revised 2003) has affected the identification of related parties and some other related party disclosures.

Adoption of standards (in the future financial years)

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Exchange's accounting periods beginning on or after 1 January 2007 or later periods as follows:

- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intra-group Transactions (effective from 1 January 2006)
- IAS 39 (Amendment), The Fair value Option (effective from 1 January 2006)
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts (effective from 1 January 2006)
- IFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to IAS 1, Presentation of Financial Statements- Capital Disclosures (effective from 1 January 2007)
- IFRIC 4, determining whether an Arrangement contains a lease (effective from 1 January 2006)

With the exception of significant additional disclosure requirements of IFRS 7, these amendments are not expected to have a significant impact on the Exchange.

ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

B. Foreign currency translation

(a) Items included in the financial statements of the Exchange are measured using the currency of the primary economic environment in which the Exchange operates ('the operational currency'). The financial statements are presented in 'Currency' ('C'), which is the Exchange's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated in to the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

B. Foreign currency translation

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available-for-sale reserve in equity.

C. Property, plant and equipment

All the property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Exchange and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives as follows:

Leasehold improvement	the lower of period of the lease and 10 years
Office equipment	4 - 10 years
Motor vehicles	3 - 5 years
Furniture and fittings	8 - 10 years

The residual values and useful lives of assets are reviewed, and adjusted if appropriate at each balance sheet date.

An assets' carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

D. Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits at call with bank.

Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

E. Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Exchange will be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the assets's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within selling and marketing cost. When trade receivable is uncollectible it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and marketing costs in the income statement.

F. Trade and other payables

Liabilities for amounts payable which are normally settled on 30-90 day terms are carried at cost which is the fair value of the consideration to be paid in the future for services received, whether or not billed to the Exchange.

G. Provisions

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

H. Employee benefits

A defined contribution plan is a pension plan under which the Exchange pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Exchange contributes to a privately administered pension insurance plan on voluntary basis for its staff which is managed by Glenrand MIB (Botswana) (Pty) Ltd. Once the contributions have been paid, the Exchange has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs.

Employee entitlements to annual leave, severance benefits and gratuity are recognised when they accrue to employees and a provision is made for the estimated liability as a result of services rendered by employees up to the balance sheet date. Contract staffs are paid terminal gratuities in accordance with their respective employment contract.

I. Proprietary rights capital

Proprietary rights capital is recognised at the fair value of the consideration received by the Exchange.

J. Income Tax

The Botswana Stock Exchange is exempt from income tax in accordance with the Income Tax Act (Chapter 52:01) Second Schedule – Part 1(xv).

ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

K. Security Fund

In terms of the Botswana Stock Exchange Act, 1994 (Section 77 (3)), the Exchange is required to transfer in cash or securities to the Botswana Stock Exchange Security Fund the greater of half of the Exchange's profits and P5 000 on annual basis.

For the purpose of this transfer, profits shall exclude any donations, grant or other financial support received from the Government of Botswana.

L. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Exchange's activities. Revenue is shown net of value added tax. The Exchange recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Exchange and specific criteria have been met for Exchange activities as described below.

The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Exchange bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

i) Commission

In terms of the Botswana Stock Exchange Members Rules, 1% of a member's commissions for trades on the Stock Exchange are due to the Exchange. Revenue is recognised on the trade date unless collectibility is in doubt.

ii) Interest

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Exchange reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective rate of the instrument, and continues unwinding the discount as interest income.

iii) Listing fees

Listing fees, documentation, inspection and review fees are invoiced as and when the services are provided. Revenue is recognised on invoicing or on listing of the relevant security.

iv) Annual sustaining and member fees

Annual sustaining is recognised in the period the services are provided on straight-line basis unless collectability is in doubt.

Annual member/dealer fees are invoiced in advance for the year. Revenue is recognised on a time proportion basis unless collection is in doubt.

M. Government grant

Grants are recognised at their fair value where there is reasonable assurance that the Exchange will comply with all attached conditions. Grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate.

Government subvention is recognised when the right to receive payment is established.

N. Critical accounting estimates and assumptions*Useful lives and residual values for property, plant and equipment*

The Exchange tests annually whether, the useful life and residual value estimates were appropriate and in accordance with its accounting policy. Residual values of computers, plant and equipment and motor vehicles are based on current estimates of the value of these assets at the end of their useful lives. The estimate residual values of motor vehicles have been determined based on knowledge of the industry.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

	2006	2005
	P	P
1. OPERATING PROFIT BEFORE NET INTEREST		
Operating profit before net interest is stated after charging:		
Audit fees -current	66 000	60 000
Previous year under provision	6 947	-
Depreciation (note 4)	206 493	212 796
Operating lease cost	222 103	180 648
Trade receivables - impairment charge	5 600	31 950
Remuneration paid to Senior Managers	1 459 407	1 171 823
Sitting allowances to committee members	80 850	67 812
Loss on disposal of property, plant and equipment	3 694	3 564
Government subvention	<u>(2 012 500)</u>	<u>(1 300 000)</u>
The properties are occupied under renewable one year leases commencing on 1 October 2005 and 1 April 2006 and ending on 30 September 2006 and 30 March 2007 respectively.		
2. STAFF COSTS		
Salaries and wages	2 088 643	1 536 783
Other benefits	69 330	74 941
Gratuities and other terminal benefits	<u>117 560</u>	<u>145 809</u>
	<u>2 275 532</u>	<u>1 757 533</u>
Number of persons employed at the end of year:		
-Full time	<u>9</u>	<u>7</u>
3. INTEREST RECEIVED/(PAID)		
Interest expense - Barclays Bank of Botswana Limited	<u>-</u>	<u>(20 847)</u>
Interest received - Barclays Bank of Botswana Limited	<u>242 907</u>	<u>78 080</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

4. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements P	Office Equipment P	Furniture & Fittings P	Motor Vehicles P	Total P
Year ended 31 December 2005					
Opening net book amount	47 351	288 517	156 800	60 409	553 077
Additions	-	-	6 377	-	6 377
Disposal	-	-	-	(5 480)	(5 480)
Depreciation	(37 881)	(114 452)	(18 859)	(41 604)	(212 796)
Depreciation on disposals	-	-	1 416	-	1 416
Closing net book amount	<u>9 470</u>	<u>174 065</u>	<u>140 254</u>	<u>18 805</u>	<u>342 594</u>
At 31 December 2005					
Cost	113 643	457 807	187 738	276 414	1 035 602
Accumulated depreciation	(104 173)	(283 742)	(47 484)	(257 609)	(693 008)
Net book amount	<u>9 470</u>	<u>174 065</u>	<u>140 254</u>	<u>18 805</u>	<u>342 594</u>
Year ended 31 December 2006					
Opening net book amount	9 470	174 065	140 254	18 805	342 594
Additions	47 747	21 815	57 621	385 588	512 771
Disposal	-	-	(10 783)	-	(10 783)
Depreciation	(11 861)	(116 196)	(19 418)	(59 380)	(206 855)
Depreciation on disposals	-	-	3 425	-	3 425
Closing net book amount	<u>45 356</u>	<u>79 684</u>	<u>171 099</u>	<u>345 013</u>	<u>641 153</u>
At 31 December 2006					
Cost	161 390	479 622	234 576	662 002	1 537 591
Accumulated depreciation	<u>(116 034)</u>	<u>(399 938)</u>	<u>(63 477)</u>	<u>(316 989)</u>	<u>(896 438)</u>
Net book amount	<u>45 356</u>	<u>79 684</u>	<u>171 099</u>	<u>345 013</u>	<u>641 152</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

	2006	2005
	P	P
5. RECEIVABLES & PREPAYMENTS		
Fee receivables	91 945	62 320
Provision for impairment	<u>(5 600)</u>	<u>(57 219)</u>
	86 345	5 101
Other receivables	94 750	86 977
Value added tax recoverable	<u>65 160</u>	<u>39 074</u>
	<u>246 255</u>	<u>131 152</u>
 Movements on the provision for impairment of receivables are as follows:		
At 1 January	57 219	25 269
Provision for impairment	5 600	31 950
Receivables written off during the year	(52 050)	-
Receivables recovered	<u>(5 169)</u>	<u> </u>
	<u>5 600</u>	<u>57 219</u>
 6. CASH & CASH EQUIVALENTS		
Cash at bank	2 463 541	1 251 151
Cash in hand	<u>503</u>	<u>637</u>
	<u>2 464 044</u>	<u>1 251 788</u>
 Cash at bank includes call accounts, which have an effective interest rate of 8.5% (2005- 8.6%) per annum		
 7. PROPRIETARY RIGHTS CAPITAL		
Issued proprietary rights capital of P100 each	<u>4 400</u>	<u>4 400</u>
 The holders of proprietary rights are entitled to receive interest at a rate fixed by the Exchange in the annual general meeting. Such interest may not exceed the balance available from the interest or dividends on invested. No such interest was paid during the current year.		
 8. TRADE AND OTHER PAYABLES		
Other payables	143 396	143 868
Accruals and provisions	<u>217 457</u>	<u>250 556</u>
	<u>360 853</u>	<u>394 424</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

	2006 P	2005 P
9. AMOUNTS DUE TO THE BOTSWANA STOCK EXCHANGE SECURITY FUND		
Opening balance	840 645	20 000
Donations received from Capital Securities	-	5 000
Paid during the year	(840 645)	-
Statutory transfer during the year	<u>243 817</u>	<u>815 645</u>
	<u>243 817</u>	<u>840 645</u>
Refer also to note 12.		
10. CASH GENERATED FROM OPERATIONS		
Operating activities:		
Operating profit before interest	2 257 226	2 963 004
Adjustment for:		
Depreciation (Note 4)	206 855	212 796
Loss on disposal of property, plant and equipment	<u>3 690</u>	<u>3 564</u>
	2 467 771	3 179 364
Working capital changes		
(Increase)/ decrease in receivables and prepayments	(115 104)	149 231
Decrease in trade and other payables	(33 571)	(577 835)
(Decrease)/Increase in payables to Botswana Stock Exchange Security Fund	<u>(840 645)</u>	<u>5 000</u>
	<u>1 478 451</u>	<u>2 755 760</u>

11. FINANCIAL INSTRUMENTS: Financial risk management objectives and policies

Financial instruments carried on the balance sheet include cash and bank balances, trade receivables and payables. The particular recognition methods adopted are disclosed in the individual accounting policies associated with them.

The Exchange has risk management policies and guidelines which set out its overall business strategies, its tolerance for risk and its general risk management philosophy and has established processes to monitor and control transactions in a timely and accurate manner. Such policies are reviewed annually by the Botswana Stock Exchange Committee.

i) Interest rate risk

Fluctuation in interest rates impact on the value of short-term cash investment and financing activities, giving rise to interest rate risk. Surplus cash is invested in a manner to achieve maximum return while minimising risk.

ii) Credit risk

The financial assets of the Exchange which are subject to credit risk consist mainly of cash resources and receivables. Cash resources are placed with reputable financial institutions.

The Exchange has a policy to deal only with approved registered brokers with a good credit standing. Therefore the Exchange has no significant concentration of credit risk.

iii) Foreign currency risk

The Exchange has no significant foreign currency assets or liabilities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

12. RELATED PARTY TRANSACTIONS

Related parties are entities under common control or ownership. The Exchange was set up by the Botswana Stock Exchange Act, 1994, and is therefore related to the Government of Botswana. All stockbrokers, who are members of the Botswana Stock Exchange are also related parties.

Transactions with related parties are in the normal course of business.

The following transactions were carried out with related parties

	2006 P	2005 P
<i>a) Sale of services</i>		
Membership fees		
-Stockbrokers Botswana (Pty) Ltd	4 750	4 750
-Capital securities (Pty) Ltd	3 750	3 750
-Motswedi Securities (Pty) Ltd	<u>4 250</u>	<u>4 250</u>
	<u>12 750</u>	<u>12 750</u>
Listing fees - Government bonds	<u>2 187 500</u>	<u>3 125 000</u>
<i>b) Grants received</i>		
Government of the Republic of Botswana	<u>2 012 500</u>	<u>1 300 000</u>
<i>c) Transfer to the Botswana Stock Exchange Security Fund</i>	<u>243 817</u>	<u>815 645</u>
<i>d) Year end balances arising from sales/purchases of services and in terms of Botswana Stock Exchange Act</i>		
Botswana Stock Exchange Security Fund	<u>243 817</u>	<u>840 645</u>

Sitting allowances paid to Committee members and earnings of Senior Managers are shown in note 1.

13. POST BALANCE SHEET EVENTS

The committee members confirm that there are no post balance sheet events affecting the Exchange which require disclosure in the financial statements.

DETAILED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

	2006	2005
	P	P
Revenue		
Commission	84 545	60 121
Listing and annual sustaining fees	4 600 662	5 063 808
Members fees	12 250	37 750
Government grant	2 012 500	1 300 000
Sundry income	<u>144 751</u>	<u>88 948</u>
Total revenue	<u>6 854 708</u>	<u>6 550 627</u>
Administrative expenses		
Administration and secretarial fees	197 998	12 625
Advertising	116 887	95 688
Audit fees	72 947	60 000
Bank charges	6 960	28 985
Cleaning	22 438	20 324
Communication expenses	152 900	133 420
Computer expenses	182 749	72 084
Depreciation	206 493	212 796
Donations	-	3 500
Doubtful debts- Impairment charge	5 600	31 950
Electricity	10 698	10 880
Financial trade fair cost	13 719	60 806
Insurance	121 315	132 729
Legal fees	9 090	1 340
Loss on disposal of property, plant and equipment	3 694	3 564
Committee members sitting allowances	80 850	67 812
Motor vehicle expenses	34 350	28 064
Office expenses	12 393	7 215
Printing and stationery	65 885	44 121
Recruitment expenses	315 152	193 306
Rental	222 103	180 648
Repairs and maintenance	58 584	57 551
Salaries and wages	2 275 532	1 757 533
Seminars and conferences	40 052	128 604
Staff training	139 382	64 675
Subscriptions	26 675	22 123
Security system	10 599	2 676
Travelling, accommodation and entertainment expenses	192 437	146 680
VAT penalties	-	5 924
	<u>4 597 482</u>	<u>3 587 623</u>
Net interest income		
Interest expense	-	(20 847)
Interest income	<u>242 907</u>	<u>78 080</u>
	<u>242 907</u>	<u>57 233</u>
Net profit for the year	<u>2 500 133</u>	<u>3 020 237</u>

The detailed income statement does not form a part of the audit opinion on pages 17 and 18.

BOTSWANA STOCK EXCHANGE MARKET STATISTICS

TABLE 1: NUMBER OF COMPANIES LISTED

	2001	2002	2003	2004	2005	2006
No of new Listings	1	2	1	2	3	4
Number of de-listings	1	1	1	2	0	1
Foreign Listings	8	7	6	7	9	12
Domestic Listings	16	18	19	18	19	19
TOTAL	24	25	25	25	28	31

Source: Botswana Stock Exchange

TABLE 2: MARKET CAPITALISATION AS AT YEAR ENDED DECEMBER (P'000, 000)

	2001	2002	2003	2004	2005	2006
Domestic Market Capitalisation	8,909.22	9,388.77	9,437.65	10,876.41	13,418.10	23,776.87
Foreign Market Capitalisation	173,217.38	126,407.30	142,484.90	162,088.00	301,144.60	510,407.79
Total Market Capitalisation	182,126.60	135,796.06	151,922.55	172,964.41	314,562.70	534,184.66

Source: Botswana Stock Exchange, Bank of Botswana

TABLE 3: MARKET CAPITALISATION AS AT QUARTER ENDED (P'000, 000)

	March 2005	June 2005	Sept 2005	Dec 2005	March 2006	June 2006	Sept 2006	Dec 2006
Domestic Market Capitalisation	11,388.72	12,3483.8	13,076.51	13,418.10	15,015.84	16,806.71	20,317.00	23,776.87
Foreign Market Capitalisation	178,884.58	225,352.92	260,267.15	301,144.60	338,756.73	448,222.21	457,706.04	510,407.79
Total Market Capitalisation	190,273.31	237,701.00	273,343.66	314,562.70	353,772.57	465,028.93	478,023.04	534,184.66

Source: Botswana Stock Exchange

BOTSWANA STOCK EXCHANGE MARKET STATISTICS

TABLE 4: MARKET CAPITALISATION BY SECTORAS AT YEAR ENDED DECEMBER (P'000, 000)

	2001	2002	2003	2004	2005	2006
Banking	6,379.72	6,278.04	6,143.88	7,135.90	8,377.90	15,941.57
Financial Services and Insurance	14,932.44	6,343.51	6,599.89	8,829.59	14,698.85	24,412.40
Retail, wholesaling and Consumer staples	2,834.78	2,950.33	2,935.53	4,878.18	9,017.20	11,855.78
Property and Property Trust	55.62	208.52	206.02	217.04	248.21	437.83
Mining and material	156,932.41	118,629.03	134,185.81	151,375.67	281,422.39	480,421.05
Health Care and Emergency Services	23.51	30.74	18.09	19.89	21.70	21.70
Security Services	30.40	36.00	46.80	72.00	122.4	136.00
Information Technology	34.63	37.78	20.46	22.04	12.91	21.41
Energy	127.78	255.56	257.15	335.42	535.07	758.68
Transport and Tourism	775.57	1,026.55	1,508.94	78.65	106.07	178.22

Source: Botswana Stock Exchange

TABLE 5: MARKET CAPITALISATION BY SECTOR AS AT QUARTER ENDED (P'000, 000)

	March 2005	June 2005	Sept 2005	Dec 2005	Mar 2006	Jun 2006	Sept 2006	Dec 2006
Banking	7,343.83	7,617.08	8,163.22	8,377.90	9,434.99	10,600.45	13,465.62	15,941.57
Financial services and insurance	8,832.65	11,498.33	13,040.82	14,698.85	16,204.05	18,948.28	19,786.02	24,412.40
Retail, wholesaling and consumer staples	4,710.98	5,305.10	6,244.04	9,017.20	12,017.94	11,849.33	11,867.20	11,855.78
Property and property trust	194.61	224.42	229.77	248.21	292.76	364.46	442.04	437.83
Mining and material	168,433.39	212,277.08	244,865.93	281,422.39	315,017.99	422,357.88	431,449.25	480,421.05
Health care and emergency services	19.89	20.80	18.99	21.70	21.70	19.89	20.80	21.70
Security services	80.80	100.00	120.80	122.4	123.20	124.00	124.00	136.00
Information technology	19.52	12.59	12.59	12.91	11.02	15.74	18.89	21.41
Energy	559.03	559.03	551.04	535.07	527.08	608.54	686.81	758.68
Transport and Tourism	78.65	86.88	96.48	106.07	121.84	140.35	162.46	178.22

Source: Botswana Stock Exchange

BOTSWANA STOCK EXCHANGE MARKET STATISTICS

TABLE 6: TRADING STATISTICS AS AT YEAR ENDED DECEMBER

	2001	2002	2003	2004	2005	2006
Volume traded (millions)	68.38	70.08	77.42	61.93	44.16	87.25
Value traded (P'000, 000)	400.00	351.00	401.00	211.00	239.00	415.00
No. of deals	2,715.00	3,348.00	2,366.00	1,906.00	2,693.00	4,172.00

Source: Botswana Stock Exchange

TABLE 7: TRADING STATISTICS AS AT QUARTER ENDED

	March 2005	June 2005	Sept 2005	Dec 2005	March 2006	June 2006	Sept 2006	Dec 2006
Volume traded (millions)	6.38	10.91	21.29	5.57	11.14	18.81	34.16	23.12
Value traded (P'000, 000)	23.00	67.80	120.70	26.90	59.50	68.40	116.30	170.40
No. of deals	567.00	723.00	705.00	698.00	876.00	932.00	1,088.00	1,276.00

Source: Botswana Stock Exchange

TABLE 8: INDEX PERFORMANCE AS AT YEAR ENDED DECEMBER

	2001	2002	2002	2004	2005	2006
DCI	2,455.38	2,493.03	2,498.71	2,888.68	3,559.14	6,195.45
FCI	648.72	492.12	567.34	634.71	1,129.94	1,777.30
ACI	701.59	541.28	618.40	693.63	1,211.49	1,914.18

Source: Botswana Stock Exchange

TABLE 9: BSE INDICES AS AT QUARTER ENDED

	March 2005	June 2005	Sept 2005	Dec 2005	March 2006	June 2006	Sept 2006	Dec 2006
DCI	3,021.40	3,275.60	3,468.74	3,559.14	3,946.46	4,411.10	5,310.53	6,195.45
FCI	679.23	853.28	984.83	1,129.94	1,269.24	1,600.40	1,639.77	1,777.30
ACI	741.56	923.46	1,061.25	1,211.49	1,360.62	1,707.42	1,760.58	1,914.48

Source: Botswana Stock Exchange

BOTSWANA STOCK EXCHANGE MARKET STATISTICS

TABLE 10: TOP TEN DOMESTIC COMPANIES BY VOLUME TRADED (THOUSANDS OF SHARES)

Year	2005	Year	2006
Company	Volume	Company	Volume
BIHL	8,155	Turnstar	33,404
Letshego	6,888	Letshego	15,674
Sechaba	4,520	BIHL	6,786
Turnstar	4,159	Engen	4,790
Engen	3,167	Sechaba	3,406
FNBB	3,011	ABCH	3,352
Stanchart	2,729	FNBB	2,485
Barclays	2,097	Stanchart	1,622
Chobe	1,287	Sefalana	1,067
MRIB	803	Barclays	864

Source: Botswana Stock Exchange

TABLE 11: TOP TEN FOREIGN COMPANIES BY VOLUME TRADED (MILLIONS)

Year	2005	Year	2006
Company	Volume	Company	Volume
Gallery Gold	2,097	Diamonex	6,031
Dimonex	1,869	Discovery	536
African Diamonds	360	African Diamonds	522
LionOre	133	African Copper	478
African Copper	45	A Cap	440
Anglo	4	Forbes	162
Investec	3	Lion Ore	137
Forbes	3	Iamgold	85
Ellerines	1	Anglo	34
		Investec	1

Source: Botswana Stock Exchange

TABLE 12: TOP TEN DOMESTIC COMPANIES BY VALUE TRADED (MILLIONS)

Year	2005	Year	2006
Company	Value Traded	Company	Value Traded
Sechaba	64,159	Letshego	94,791
Barclays	35,975	Sechaba	51,963
FNBB	29,480	BIHL	39,192
BIHL	25,082	FNBB	37,657
Letshego	22,247	Turnstar	37,458
Stanchart	19,902	Stanchart	24,164
Engen	11,117	Engen	19,439
Turnstar	4,287	Barclays	18,948
Sefalana	3,268	Sefalana	16,567
Metsef	1,553	ABCH	4,785

Source: Botswana Stock Exchange

BOTSWANA STOCK EXCHANGE MARKET STATISTICS

TABLE 13: TOP TEN FOREIGN COMPANIES BY VALUE TRADED (THOUSANDS)

Year	2005	Year	2006
Company	Value Traded	Company	Value Traded
Lion Ore	4,531	Anglo	8,478
Gallery Gold	2,981	African Diamonds	7,658
Diamonex	2,055	Diamonex	7,291
African Diamonds	1,845	Iamgold	4,693
Anglo	536	Lion Ore	4,418
Investec	258	African Copper	3838
African Copper	222	Forbes	1,961
Ellerine	48	A Cap	1,477
Forbes	28	Discovery	644
		Investec	115

Source: Botswana Stock Exchange

TABLE 14: TOP TEN DOMESTIC COMPANIES BY MARKET CAPITALISATION (P'000 000)

Year	2005	Year	2006
Company	Market Capitalisation	Company	Market Capitalisation
Barclays	3,118.91	Barclays	5,539.05
FNBB	2,697.01	FNBB	5,486.32
Stanchart	2,448.53	Stanchart	4,637.81
Sechaba	2,101.64	BIHL	2,343.32
BIHL	992.46	Sechaba	1,862.21
Engen	535.07	Letshego	1,200.00
Letshego	532.50	Engen	758.68
Turnstar	173.75	Turnstar	353.66
Sefalana	144.00	Sefalana	336.66
Securicor	122.40	ABCH	278.39

Source: Botswana Stock Exchange

TABLE 15: TOP TEN FOREIGN COMPANIES BY MARKET CAPITALISATION (P'000 000)

Year	2005	Year	2006
Company	Market Capitalisation	Company	Market Capitalisation
Anglo	274,599.43	Anglo	444,010.25
Investec	8,980.76	Iamgold	16,429.51
Ellerine	6,559.76	Investec	16,330.87
Lion Ore	5,420.12	Lion Ore	14,631.48
Forbes	41,903.13	Ellerine	9,211.68
Gallery Gold	748.83	Forbes	4,457.03
African Diamonds	328.45	CIC Energy	2,675.90
African Copper	254.94	African Diamonds	1,008.48
Diamonex	59.16	African Copper	921.28
		A Cap	392.65

Source: Botswana Stock Exchange

BOTSWANA STOCK EXCHANGE MARKET STATISTICS

TABLE 16: BONDS STATISTICS- 2006

Bonds	Issue Size	Value Traded (P)
BW 002	850 000 000	-
BW 003	900 000 000	-
DPCF 001	170 000 000	240 000
DPCF 002	195 000 000	20 000
DPCF 003	225 000 000	3 020 000
DPCF 004	220 000 000	20 000
DPCF 005	100 000 000	20 000
DPCF 006	55 000 000	8 760 000
DPCF 007	35 000 000	5 490 000
BBB 001	100 000 000	-
BBB 002	63 750 000	-
BBB 003	50 010 000	-
BBB 004	80 000	80 000
BBS 002	115 000 000	25 000 000
BDC 002	75 000 000	-
BDC 003	125 000 000	-
BTC 001	50 000 000	-
SBB 001	50 000 000	-
SBBL 00	100 000 000	300 000
SBBL 002	50 000 000	-
SBBL 003	100 000 000	14 000 000
SBBL 006	50 000 000	-
SCBB 002	50 000 000	24 720 000
SCBB 003	50 000 000	-
SCBB 004	50 000 000	120 000

Source: Botswana Stock Exchange



