



Botswana Stock Exchange



Annual Report 2007



Vision:

“To be the leading stock exchange in Africa”

Mission:

“To provide and operate a fair, transparent and efficient stock market for all stakeholders in order to optimise national economic development”

2007 at a Glance

- The Domestic Company Index (DCI) reached 8,421.6
- Average daily turnover doubled to P 3.4 Million
- The number of shares traded increased to 124.6 Million
- Market capitalisation rose to P 568,027.5 Million
- Domestic Market Capitalisation as ratio of GDP increased to 37.1%
- Turnover as a percentage of Domestic Market Cap. increased to 2.9 %
- P 253.9 Million raised in the BSE during 2007
- Aviva Corporation Ltd and PrimeTime Property Holdings listed
- Corporate Governance Best Practice Code drawn
- BSE’s Board Charter adopted
- BSE Investor Forum on *“Creating Wealth for Batswana”*
- Record crowd reached through marketing initiatives
- Exchange Traded Funds Paper discussed
- CSD implementation starts



"The marketing activities in 2007 were largely focused on expanding the investor base and creating awareness about the potential investment opportunities that exist in the stock market. Creating awareness also helps to make a vibrant market which in turn is expected to encourage more companies to seek listings and help grow size and liquidity."



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*Inaugural
Exchange
traded funds
conference*



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). At that time there was no formal stock exchange in Botswana and the BSM traded as an informal Market. There were only 5 listed entities, with a single broking firm i.e. Stockbrokers Botswana Ltd, 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.

In September 1994 the legislation to transform the BSM into a full stock exchange was passed by Parliament paving the way for the establishment of the Botswana Stock Exchange (BSE) where trading opened in November 1995. In March 1998, Ernst and Young took over the full administration of the BSE. With effect from July 2001, a full time Chief Executive Officer was appointed with the aim of making the BSE completely independent. In April 2003, in order to better execute the affairs of the Exchange, better serve stakeholders, be more responsive to global events and to remain competitive, the BSE discontinued the secretarial role of Ernst and Young Botswana to become a fully independent entity.

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 from Banking and financial services to Wholesaling and Retailing, Tourism and Information Technology.

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. Under the Act, the Minister of Finance and Development Planning is conferred with the powers to appoint the Registrar of the Stock Exchange, who is a public servant.

The members have promulgated Rules (Members Rules) which provide 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.

CORPORATE INFORMATION

BSE office:
Office Block 6
Plot 64511, Fairgrounds
Private Bag 00417
Gaborone

Independent auditors:
PricewaterhouseCoopers

Bankers:
Barclays Bank of Botswana Limited



Participants at the Inaugural Exchange traded funds conference



MAIN COMMITTEE MEMBERS



Mr. R. Desai
Chairman



Mr. K. Kgomanyane
Deputy Chairman



Mr. M. Makgathe
Treasurer



Mr. R. Motswaiso



Mrs. E. Richard-Madisa



Mr. G. Matsake



Dr. K. Jefferis



Mr. G. Bakwena



Heralding another development, and with a view to improving its governance structure, the BSE adopted a new Board Charter, which was implemented with effect from January 2008. The Main Committee of the BSE is of the view that the BSE should set an example to listed companies and improve its own governance procedures, particularly given that the BSE (as a member driven organisation) has the potential for conflicts of interest. The Board Charter will, hopefully, minimise such conflicts and better define the separate responsibilities of Management and Main Committee and therefore allow greater flexibility to Management in the decision making process.

MANAGEMENT TEAM



Mr. H. Mendis
Chief Executive Officer



Ms. L. Masire
Market Dev. Manager



Mr. T. Tsheole
Product Dev. Manager



Ms M. Pheto
CSD Manager



Ms B. Mwendapole
Finance & Admin. Manager



Ms. J. White
Corporate Affairs Manager



Ms. B. Soko
Trading & Listing Manager



Mr. M. Makwaeba
I.T. Manager

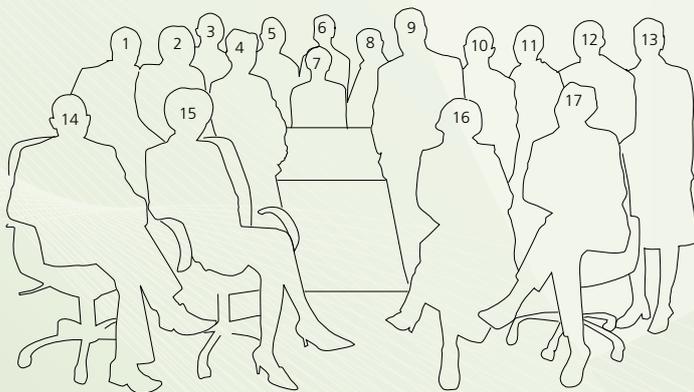
The BSE continues to be pivotal to the Botswana's financial system, and in particular the capital market, as an avenue on which government and the private sector can raise debt and equity capital. The BSE plays host to the most pre-eminent companies doing business in Botswana. These companies represent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



STAFF MEMBERS



STANDING 1. Ms J. Gabonewe, 2. Ms. M. Bathuleng, 3. Mr. M. Makwaeba, 4. Ms B. Mwendapole, 5. Mr. K. Mogorosi, 6. Mr. T. Modise, 7. Ms. T. Tamocho, 8. Mr. J. Bakwadi, 9. Mr. H. Mendis, 10. Mr. T. Tsheole, 11. Ms A. Khupe, 12. Mr. O. Leburu, 13. Ms M. Pheto
SEATED 14. Mr. N. Phalatse, 15. Ms. L. Masire, 16. Ms J. White, 17. Ms B. Soko



The BSE has continued with its plans to train staff through various means such as workshops, conferences and visits to other stock exchanges to better equip staff with the skills required to manage the Exchange.





In order to increase the breadth of instruments traded and provide investors with diverse risk-return options, the BSE continued to research the possibility of listing products identified in the strategic plan. During 2007, the BSE drafted concept papers on the introduction of Exchange Traded Funds (ETFs), Securitised Products and Contracts for Difference (CFDs).



CHAIRMAN'S STATEMENT



It has been a great honour to continue to serve as Chairman of the BSE during the past year and to oversee its progress on numerous fronts during 2007.

Let me start my report this year by commending the Management of the BSE on their collective hard work, leadership and strong commitment to move the BSE to the next level and beyond.

This year has marked the beginning of the transformation of the BSE – whilst we remain resolute in our desire to improve the skills, regulation and infrastructure required to develop and grow Botswana's capital markets, we intend simultaneously to implement our strategy to create wealth for Botswana against the backdrop of a "knowledge based", internationally aligned framework capable of stimulating the requisite growth of the BSE.

As part of this transformation (or even what may be called a metamorphosis), a number of initiatives were implemented by the BSE in 2007.

As part of its infrastructure transformation, the implementation of the Central Securities Depository (CSD) System commenced in October 2007 and is envisaged to be fully operational in May 2008.

There have been notable developments following the implementation of the BSE's marketing initiatives, which have resulted in more and more retail investors participating on the stock market and a lot more people realising that the stock market is an alternative to the more established forms of saving. In other words, the BSE has begun to deliver on its pay off line "Creating Wealth for Botswana".

As noted in our strategic plan, the BSE has been concerned by its limited product range which has restricted the ambit of risk – return options available to investors. I am pleased to note that another positive development during the year in review was the Product Development Department exploring the



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CHAIRMAN'S STATEMENT

(continued)

possibility of the listing of innovative products such as exchange traded funds and securitised products. The BSE has conducted seminars and workshops to impart knowledge and create awareness of these instruments.

Heralding another development, and with a view to improving its governance structure, the BSE adopted a new Board Charter, which was implemented with effect from January 2008. The Main Committee of the BSE is of the view that the BSE should set an example to listed companies and improve its own governance procedures, particularly given that the BSE (as a member driven organisation) has the potential for conflicts of interest. The Board Charter will, hopefully, minimise such conflicts and better define the separate responsibilities of Management and Main Committee and therefore allow greater flexibility to Management in the decision making process.

All of these initiatives will assist us in meeting the many demands currently placed upon exchanges.

This is all the more so as modern exchanges are now managed as dynamic businesses, enabling them to meet and take advantage of commercial opportunities. Internationally, exchanges have moved from being associations of members to organisations operating "for profit". In this context, the long awaited Securities Act, which is to replace the BSE Act, will provide the legal framework and basis for the evolution of the BSE into a corporate entity. The coming into force of the Securities Act will also accelerate the implementation of a number of institutional development initiatives and the BSE will keep all of its stakeholders posted on further developments in this regard.

Our market remains pretty competitive at an international level, with other operators and players challenging us for business. As you will note from the Chief Executive Officer's Review, there was a marked

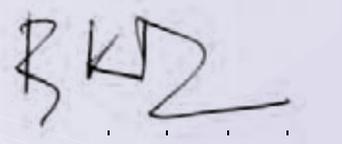
decline in the market indices in the organisation during 2007. Market performance is seen as being the key indicator of interest and excitement among participants. However, as noted by the Chief Executive Officer, it is equally or perhaps more important for a market to reflect value. The correction in the market which took place in the second half of 2007 helped align prices with value and hence was not altogether a negative development.

Notwithstanding this, it is clear that the challenge facing the BSE is to ensure that we optimise the opportunities available to us in the coming years through adequate investment in new products, market development, delivery capability and infrastructure development in order to improve our competitiveness and performance.

The BSE continued to implement its strategy to achieve its vision and to create wealth for Batswana through its transformation. As we continue to grow and pursue new market opportunities, we have seen the need for the Exchange to continue to go through the process of metamorphosis to ensure that a new kind of company emerges.

The BSE has a strong and committed workforce, a good reputation and commitment for development, all necessary ingredients to convert the BSE into a world class exchange. Further and more importantly, the team at the BSE has the required passion to help convert our vision into a reality.

With this objective in mind, I wish the Management of the BSE and all of you, its stakeholders, the best for the coming year.



RIZWAN DESAI
CHAIRMAN



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The year 2007 was a busy year for the business development team. During the first part of 2007 the focus was on creating awareness about the BSE, positioning the BSE brand and public education. The awareness campaign was geared at dispelling the belief that investing in the stock market was only for affluent investors.

CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2007

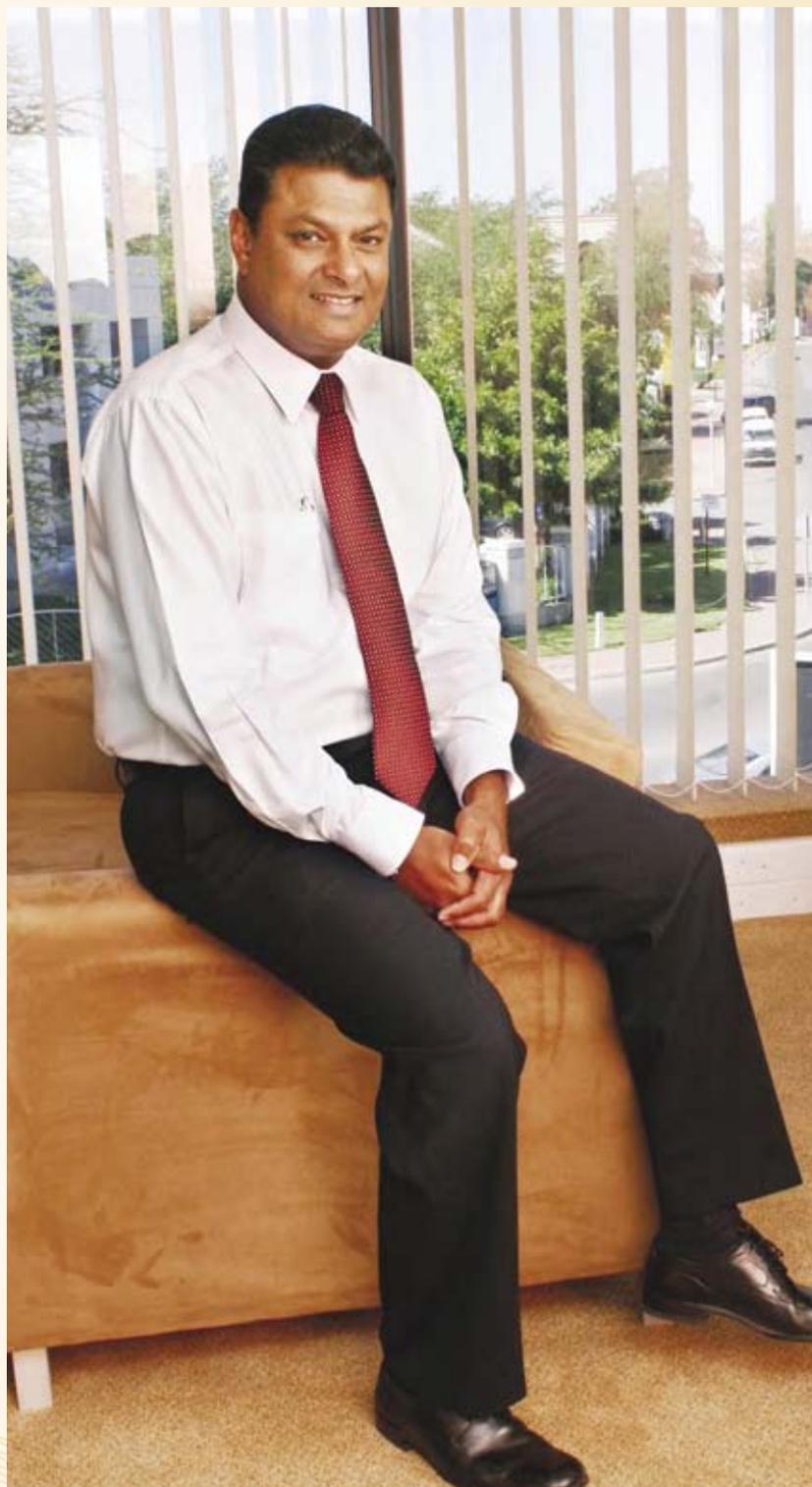
1. Market Performance

As noted in the previous Annual Report, the year 2006 was a spectacular year for the BSE. The year 2007 likewise saw market turnover and liquidity increasing by 100% and 61%, respectively. Whilst the average daily turnover increased from P1.7 Mn to P3.4 Mn, the number of shares traded increased from 87.2 Mn in 2006 to 124.6 Mn in 2007, registering a growth of 42.9%. There is no doubt that the excellent returns in 2006 translated into increased interest in the market from investors resulting in this performance.

The Domestic Company Index (DCI) closed the year at 8,421.6 points, appreciating by only 36% in comparison to a growth of over 74% in 2006. The decline in the DCI is attributed to a correction in market prices which commenced from the third Quarter of 2007. More specifically; the DCI appreciated by 25.8% and 23.3% in Quarters 1 and 2, respectively. The index began losing momentum in Quarter 3 and declined by 13.7% in Quarter 4. The DCI reached its highest ever level of 9,879.4 on 31st July 2007.

The Foreign Company Index (FCI) recorded a growth of 24% in the year under review compared to 78% and 57% in 2005 and 2006, respectively. The All Company Index (ACI) grew by 24.2% in 2007 in comparison to 58% in 2006 and nearly 75% in 2005.

Although, the decline in the price indices coincided with the general decline in stock market indices around the world, the reasons for the decline in prices in the Botswana market was in no way related to the "sub-prime" crisis and the recession in the United States resulting in a contagion effect in many markets.



CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2007

(continued)

It is said that, *"the value of anything can be determined by what someone else will pay for it"*, in fact this is the basis for price discovery in all markets. However, how efficient the process of price discovery is depends on liquidity. In markets where liquidity is low, price discovery is bound to be inefficient and a downward correction in market prices tends to be sticky. In the case of Botswana, this problem is further exacerbated by the fact that 30% of pension fund collections have to be invested in local assets which are in short supply.

In this context the price correction which took place in the second half of 2007 cannot be considered to be a negative development since it helped to align market prices with value. The market P/E ratio which was 16.3x as at the end of 2006 and further increased during the year to 21.9x as at the end of Quarter 2 declined during the second half of the year to close at 15.6x as at the end of 2007.

Another positive development during 2007 was the significant gain in BSE's market capitalisation. As can be seen from the market statistics in Figure 1, the domestic company market capitalisation increased significantly from P23.8 Bn in December 2006 to P32.7 Bn as at the end of December 2007 growing by 37.4%. Foreign company market capitalisation increased from P510.4 Bn in 2006 to P535.3 Bn in December 2007, appreciating by 4.9%.



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CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2007

(continued)

The comparative performance of the market for the past 5 years is detailed in Figure 1.

Figure 1: Market Performance – 2003 to 2007

	2003	2004	2005	2006	2007
Index Performance					
DCI	2,498.7	2,888.7	3,559.1	6,195.4	8,421.6
% Change in DCI		15.6	23.2	74.1	35.9
FCI	567.3	634.7	1,129.9	1,777.3	2,200.9
% Change in FCI		11.9	78.0	57.3	23.8
ACI	618.4	693.6	1,211.5	1,914.5	2,377.5
% Change in ACI		12.2	74.7	58.0	24.2
Liquidity					
Turnover (P' Mn)	401.3	211.4	238.6	414.7	824.6
Average Daily Turnover (P' Mn)	1.6	0.9	1.0	1.7	3.4
No of Shares Traded (Mn)	77.4	61.9	44.2	87.2	124.6
Market Capitalisation					
Domestic Companies (P' Mn)	9,437.7	10,876.4	13,418.1	23,776.9	32,702.6
Foreign Companies (P' Mn)	142,484.9	162,088.0	301,144.6	510,407.8	535,324.9
Total (P' Mn)	151,922.6	172,964.4	314,562.7	534,184.7	568,027.5
Market Indicators					
P/E Ratio (times)	10.3	12.3	11.0	16.3	15.6
Dividend Yield (%)	7.7	6.3	5.9	3.8	3.1
Price/Book value (%)	5.4	6.2	7.8	9.8	8.6
Relative Performance					
Domestic Market ^{Note 1} Cap/GDP (%)		23.5	25.3	28.4	37.1
Turnover/Domestic Co Market Cap (%)		3.0	1.8	1.8	2.9
Turnover/All Co Market Cap (%)		0.2	0.1	0.1	0.1

Note 1: Figures are as at end of June

Source: BSE.

Market capitalisation could appreciate due to an increase in the number of shares listed or due to an increase in prices. An analysis done by the BSE in respect of listed domestic shares for the past 3 years indicate that the price effect on the increase in market capitalisation has outweighed the quantity effect in 2005 whereas the quantity effect outweigh the price effect by far in 2006 and 2007.





If the stock market is to act as a catalyst to spur economic growth it has to contribute to capital formation in the economy and act as a barometer of economic health. The effectiveness of the market in doing so would depend on the extent the stock market could contribute to channelling savings to investments through IPO's and Rights Issues and its sensitivity to economic and corporate information.

CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2007

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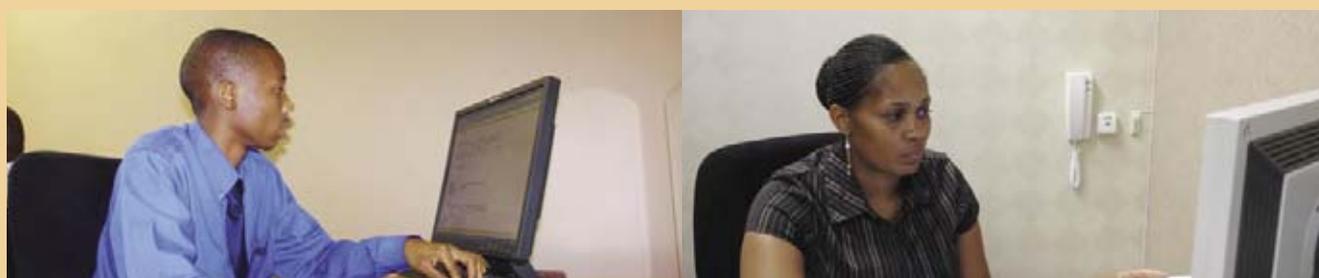
Figure 2 details the performance of the market for 2007 on a quarterly basis.

Figure 2: Quarterly Market Performance in 2007

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Index Performance				
DCI	7,793.7	9,609.2	9,768.8	8,421.6
% Change in DCI	25.8	23.3	1.7	(13.7)
FCI	1,954.2	2,167.7	2,206.0	2,200.9
% Change in FCI	10.0	11.0	1.7	(0.2)
ACI	2,118.5	2,363.3	2,404.4	2,377.5
% Change in ACI	10.7	11.6	1.7	(1.1)
Liquidity				
Turnover (P' Mn)	151.9	307.6	167.0	198.0
Average Daily Turnover (P' Mn)	2.4	5.1	2.7	3.2
No of Shares Traded (Mn)	22.6	45.9	26.7	29.4
Market Capitalisation				
Domestic Companies (P'Mn)	30,578.3	36,991.5	37,697.4	32,702.5
Foreign Companies (P' Mn)	561,205.6	623,121.7	535,044.3	535,324.9
Total (P' Mn)	591,783.9	660,113.1	572,741.8	568,027.5
Market Indicators				
P/E Ratio (times)	18.4	21.9	18.7	15.6
Dividend Yield (%)	3.2	2.5	2.5	3.1
Price/Book value (%)	11.9	15.3	13.0	8.6

Source: BSE and Stockbrokers Botswana

The market statistics in Figure 1 shows that BSE's domestic market capitalisation relative to GDP was 37.1% as of end of June 2007 in comparison to 28.4% in 2006. The increase in domestic market capitalisation is an indication of the growing importance of the equity market to Botswana's economy.



CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2007

(continued)

If the stock market is to act as a catalyst to spur economic growth it has to contribute to capital formation in the economy and act as a barometer of economic health. The effectiveness of the market in doing so would depend on the extent the stock market could contribute to channelling savings to investments through IPO's and Rights Issues and its sensitivity to economic and corporate information.

It is regretted that most listings on the BSE have taken place through introductions and not through Initial Public Offering (IPOs). Further, liquidity and structural issues have reduced the sensitivity of the market to economic and other information.

As detailed in Figure 1, it is worth noting that there has been a significant improvement in the liquidity of the market as evidenced by the ratio of turnover to domestic market capitalisation. This ratio increased from 1.8% in 2006 to 2.9% in 2007. Further average daily turnover increased from P1.7 Mn per day to P3.4 Mn.

An analysis of the dispersion of turnover indicates that the coefficient of variation of average daily turnover has reduced progressively over the past 3 years. This signals a welcome development even though admittedly the base values are too low to make any conclusions with an acceptable degree of confidence.

Although there were 26 bonds listed on the BSE in 2007, the debt market remained inactive as in previous years. The value of debt securities traded in 2007 was P196.8 Mn and the debt market capitalisation declined from P4.1 Bn as at the end of 2006 to P3.8 Bn as at end of 2007.

A comparison of how the BSE performed against other SADC stock exchanges in the region is detailed in Figure 3. When Botswana's P/E ratio is compared to other exchanges especially Mauritius, it can be seen and as noted earlier the discrepancy between value and price in the BSE has narrowed in 2007. However the BSE lags behind some of the other SADC exchanges in terms of liquidity and market capitalisation relative to GDP.

The ratios of market capitalisation to GDP of most of SADC exchanges are much higher than the comparable ratio of the BSE. In particular, Mauritius has a market capitalisation to GDP ratio of nearly 75% to Botswana's 37.1%. This is an indication that Botswana has not yet realised its potential in terms of listings relative to the size of its economy.

The BSE intends to redouble its efforts to create awareness amongst companies on the advantages of listing. This objective will be challenging to achieve by merely concentrating on the private sector given that Botswana's private sector is both comparatively small and young. More importantly, a significant proportion of economic activity in Botswana is accounted for by the government and parastatals. The implementation of the government's privatisation strategy and methodology of privatisation is likely to influence the potential for listings on the BSE. It is noted that privatisations have played the anchor role in the development of capital markets in a number of developing economies where such privatisations have been done using capital markets.



CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2007

(continued)

Figure 3: BSE-Comparative Performance with other SADC Stock Exchanges

Stock Exchange	% change in Index	Turnover/ Mkt Cap (%)	Mkt Cap/ GDP (%)	P/E Ratio
Stock Exchange of Mauritius	53.8	6.8	74.9	13.4
Lusaka Stock Exchange	88.6	1.6	54.6	20.6
JSE Securities Exchange	16.2	44.9	269.0	16.5
Malawi Stock Exchange	112.4	28.6	48.7	N/A
Namibia Stock Ex. ^{Note 1}	12.0	0.9	N/A	7.0
Swaziland Stock Exchange	15.0	0.03	8.1 ^{Note 2}	7.0
Botswana Stock Exchange	35.9	2.9	37.1	15.6

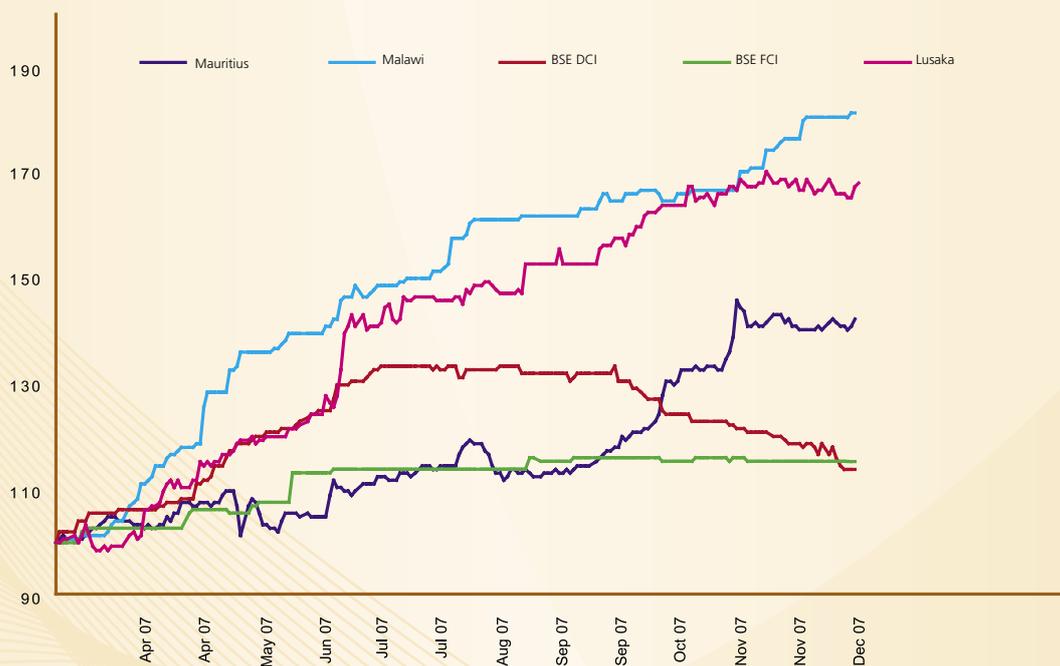
Note 1: Overall Index.

Note 2: estimate as at December 2007

Source: BSE & SADC stock exchanges.

Figure 4 shows the comparison of performance of BSE's DCI in 2007 with price indices of selected SADC stock exchanges, computed using domestic currencies.

Figure 4: Standardised Performance of BSE DCI and FCI: Comparison with other Markets



Note: Indices have been normalised to 100 points as at 1st March 2007

Source: BSE.





The implementation of the CSD commenced in 2007. The legal and institutional framework of the CSD was established through the incorporation of the Central Securities Depository Company of Botswana Ltd (CSDB) which is presently structured as a 100% owned subsidiary of the BSE. Although the initial plan was to hire consultants to draft the CSD rules, the BSE used its internal resources to formulate rules for the CSD.

BSE e lo itsise ka Central Securities Depository (CSD)

Botswana Stock Exchange (BSE), e le simolola CSD e le nngwe ya ditshahololo mo mmarang wa peritso. Se se tla dira gore e nne nngwe ya matlaka ya peritso ya maemo lefatsheng ka bopana.

CSD e tla dira gore kgaisano mo BSE e nne motsholelo. Ka CSD, batho go tsa BSE ditekanyo, nne fa ba di batla e tsa thomamisa gore ba bone ditlankana tsa bone tsa shabe ka bomato go nna diringo tse. Go botlholwa gore sechaba se thalaganyane ditlankano tsa CSD gore ba dirise botsoaane jwa yone. Tse di kuletang, ke diringo tsa ditlankano ka CSD. Ke diringo tsa dipotso le ditlankano tse tsa baretlo ba ka ntsing le tsoene mabapi le tse go mmino go ka go dirisa ga CSD.

CSD go tswa eng?
CSD ke khutswafano ya Central Securities Depository. Ke nngwe ya ditshahololo le boranyane jwa tsa khomputa (computer system) e e tshabang go banna ga ditshahololo mo mmarang wa ditlankano tsa elektroniki (accounts), mo boranyane jwa ditlankano tsa dipampiri ba di tshabang le tsa tshwana gape e banna tsa jwa matlaka a ditlankano.

Tlankano ya go banna (depository system), e tshwana jeng le ya banka?

Sebaka	Sebaka
1. Dikarolo tsa ditlankano	2. Dikarolo tsa ditlankano
3. Dikarolo tsa ditlankano	4. Dikarolo tsa ditlankano
5. Dikarolo tsa ditlankano	6. Dikarolo tsa ditlankano
7. Dikarolo tsa ditlankano	8. Dikarolo tsa ditlankano
9. Dikarolo tsa ditlankano	10. Dikarolo tsa ditlankano

- Motlalo wa CSD ke eng?
- Setlankano sa sampisi se kgona go lathoga kana go senyega. Ga go a nna jalo ka ditshahololo tse di mo CSD.
 - Ditshahololo tse di mo CSD di kgona go reka tsa nako nngwe le nngwe. Se se raya gore go gweba go nna motsholelo.
 - CSD e fokotsa matlaka a ditlankano tse di tshabang. Ditlankano tse di tshabang tse di tshabang go o ntsing, ke bone tsa tse di tshabang (depository).
 - CSD gape e fokotsa ditlankano tse di tshabang mo go gwebang ka ditshahololo.
 - CSD e nontsha ditlalo ke go khutshafano kamogano ya dipampiri go tona mo mmarang go ya ka mmarang.
 - CSD e vutsetsa, e thofotlala ditshahololo tse di tshabang go fa tsa banna ditlankano tse di nang le boleng.

Go itse gore e ka bula letlalo la sad letlalo pumpiri ya banna e e tlang...



Below: Newlook of the BSE website.

Botswana Stock Exchange

Market Info: (Prices in Thebe) **€ 420** ENGEN 300 FNBB 240 FURNMART 1435 IMARA 860 LETSHEGO 1470 HRIB 112 SEFCASH 1450 RDPC 370 R

Market Activity

Point the mouse to the circles to view the indices

DCI & FCI	ACI	
DCI	Current	6945.44
FCI	Last	7027.17
ACI	Net Change	-81.73
LASI	% Change	-1.18
FRSI		

Wednesday 14th of May 2008

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Website Design by MINDC

CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2007

(continued)

The graphical representation clearly indicates that the BSE outperformed some of the selected markets in the first half of the year prior to the market correction which took place in the second half of 2007.

Figure 5 details the liquidity in the BSE measured in terms of turnover to average market capitalisation and relative market capitalisation on a sectoral basis. An analysis of the sector statistics shows that the BSE's total market capitalisation is dominated by the Mining and Materials sector which account for nearly 90% of total market capitalisation which include both domestic and foreign companies. Within the Mining and Materials sector 94% is accounted for by 1 company i.e. Anglo American Plc.

The Banking and Financial Services sectors are the most liquid of all sectors if both domestic and foreign Boards are taken into account. It is noted that if foreign companies are excluded, the Banking and Financial Services sectors would stand out as being the most significant in respect of relative market capitalisation, number of shares traded and liquidity.

Figure 5: Sector Contributions- 2007

SECTOR	Mkt Cap as a % of Total Mkt Cap		Turnover as a % of Av. Mkt Cap		No. of Shares Traded (Mn)
	Domestic vs Foreign	All Companies	Domestic vs Foreign	All Companies	
DOMESTIC					
Banking	59.0303	3.3965	0.8179	0.0419	35.2554
Fin Services	22.5480	4.4675	0.9550	0.0490	21.2099
Retail	11.5171	2.2834	0.5841	0.0299	11.9480
Property	2.8585	0.1645	0.1609	0.0082	30.3269
Health Care	0.0581	0.0033	0.0020	0.0001	0.5524
Security	0.6727	0.0387	0.0042	0.0002	0.0481
I.T	0.0578	0.0033	0.0046	0.0002	2.1458
Energy	2.3541	0.1355	0.0068	0.0004	0.4384
Tourism	0.9034	0.0520	0.0160	0.0008	1.0773
FOREIGN					
Fin Services	3.3637	Negligible	0.0001	Negligible	0.0124
Retail	1.7197	Negligible	Negligible	Negligible	Negligible
Mining & Materials	94.9166	89.4553	0.0199	0.0188	21.5875

Source: BSE



CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2007

(continued)

2. Primary Market Activity

The BSE's efforts to attract new companies was moderately successful as 2 new listings were approved during 2007 i.e. 1 company on the Domestic Board and the other on the Foreign Venture Board. However, the overall number of companies listed on the Exchange remained unchanged due to the delisting of LionOre and Alexander Forbes in 2007.

The companies that listed in 2007 were Aviva Corporation Limited (which has a primary listing on the Australian Stock Exchange) and PrimeTime Property Holdings. Aviva Corporation Limited was listed by way of an introduction while PrimeTime Property Holdings was listed partly by way of a private placement and partly through an Initial Public Offering (IPO).

PrimeTime offered 6 089 727 shares to the public through an IPO and raised P7.6 Mn. The PrimeTime issue was over subscribed 3.35 times. This was an important development since the BSE has had no IPOs for the past few years.

The other notable development with regard to listed companies was the migration of Olympia Capital from the Venture Capital Board to the BSE's Main Board. This was an important development since the Venture Capital Board was established to target the listing of small and medium cap companies with the objective of motivating them to eventually graduate to the Main Board once they met the required criteria.

The BSE was instrumental in assisting listed companies to raise funds amounting to P253.8 Mn in the year under review. The funds were raised through various means as detailed in Figure 6.

Figure 6: Funds Raised Through the Exchange

	Amount Raised (P Mn)
Rights Issues	85.0
Issues for cash	39.8
Share Incentive Schemes	121.4
IPOs	7.6
TOTAL	253.8

Source: BSE

As mentioned elsewhere in this report, the Exchange has taken steps to increase awareness of the capital market and intends to redouble its efforts to communicate the advantages of being listed to potential companies in 2008. In 2007 the focus was on creating investor awareness as the first step towards achieving market development.



CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2007

(continued)



*Aviva Corporation Limited
listing ceremony , 2007*

The companies that listed in 2007 were Aviva Corporation Limited (which has a primary listing on the Australian Stock Exchange) and PrimeTime Property Holdings. Aviva Corporation Limited was listed by way of an introduction while PrimeTime Property Holdings was listed partly by way of a private placement and partly through an Initial Public Offering (IPO).



CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2007

(continued)

During 2007, 2 debt securities were listed on the BSE. The Botswana Building Society listed a 12 year Fixed Rate Note (BBS 004) amounting to P75 Mn with a coupon rate of 11.10%, maturing on 20th November 2019. The National Development Bank listed a 10 year Fixed Rate Note with a nominal value of P100 Mn maturing on 1st August 2017. Standard Chartered Bank Botswana prematurely redeemed its Floating Rate Note which was due for maturity on 15th October 2012 in January 2008. These securities were replaced with P75 Mn Subordinated Unsecured Floating Rate Notes due to mature on 27th November 2017. The floating rate reference point for this note will be the interest rate as determined by the 91 day Bank of Botswana Certificates (BoBCs).

3. Regulation

The BSE's rules and regulations are aimed at protecting the integrity of the stock market by ensuring a fair and transparent trading environment, protecting the interests of investors and reducing systemic risk of transactions.

It was stated in the 2006 Annual Report that the BSE intends to draw up a Corporate Governance Best Practice Code in 2007. The code was drafted and approved by the BSE Committee for implementation with effect from January 2008.

The commitment of the BSE to increase the level of compliance by listed companies was also taken a step further through the Exchange meeting listed companies in order to discuss issues relating to compliance by the companies with BSE's listing requirements. The meetings were well attended and the Exchange was able to effectively communicate the basis and rationale of its compliance requirements to listed companies. At these meetings listed companies agreed to appoint compliance officers through whom BSE communication with listed companies would be channelled. This development will improve compliance by listed companies.

The BSE also issued 2 documents in 2007 in a move to enhance the standard of compliance by listed companies. They were; "*Guidance Notes on Submission of Information to the BSE*," a document which details information that should be submitted to the BSE and how such information should be submitted; and, "*Minimum Information That Should be Included in the Financial Statements*," which is a checklist to assist listed companies to disclose the required information in financial statements.

Members of the BSE were monitored for compliance during the course of 2007 and where they came short of compliance disciplinary action was taken against them by the BSE Committee. The BSE Committee amended the BSE Rules to provide entrance criteria regarding the admission of dealers. During 2007, the BSE also defined guidelines based on which penalties will be charged on settlement failures by stockbrokers.

In a benchmarking exercise to restructure BSE fees and after an analysis of regional stock exchange fees, the BSE Committee took a decision to increase the annual sustaining fees charged by the BSE from P25, 000 to P30, 000 as regard the dual listed companies with effect from April 2007. It is noted that the BSE had not reviewed its listing fees in the recent past and probably since its inception.

These measures are in line with the BSE's development strategy formulated in October 2006. Regulation is one of the 7 pillars identified in the strategy for the development of capital market in Botswana.

Regulatory review

The review of the BSE Act and BSE Rules which commenced in February 2006 continued into 2007 under the supervision of the Ministry of Finance and Development Planning (MFDP). The consultants, Edward Nathan and Sonnenberg Inc, submitted the draft Securities and Capital Markets Bill in December



CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2007

(continued)

2007. The comments from the BSE were discussed and submitted to the consultants.

As noted in the 2006 Annual Report and the BSE's Strategic Plan the purpose of the review is to modernize and rationalize the regulatory structures governing the capital market and recommend institutional reforms that include changing the structure of the BSE from a statutory body to a company in line with the international developments in capital markets. The proposed changes are vital to the development of the exchange and the capital market and would give the BSE much needed flexibility to enhance market development. The consultants are yet to draft listing rules and member regulations which are an integral part of the project.

It is regretted that this project has dragged on for a considerable period of time. As noted above, there is little the BSE can do about the delay since the project does not fall under the purview of the Exchange. In order to minimise the impact of the delay on the implementation of the CSD, the Exchange drafted the CSD rules which should also have been drafted by the consultants.

4. Governance

The other notable development undertaken by the BSE to improve its governance structure as detailed in the strategic plan was the adoption of a Board Charter by the Committee in 2007 which was implemented with effect from January 2008. The objective of the Board Charter is to more clearly define the roles of the Committee and Management.

The Board Charter also endeavours to minimize the potential for conflicts of interest at the Committee level by introducing the concept of non-independent non-executive Committee members. Independent Committee members are defined as those members appointed by the Minister of Finance and Development Planning. Non-independent Committee members

are those appointed by the stockbrokers. Non-independent non-executive Committee members will be those appointed by stockbrokers but who do not hold an executive position in the stock broking company they represent.

The Board Charter also provided for the constitution of sub-committees with the objective of minimizing conflicts of interest.

Given that the BSE, like many other stock exchanges, is a body of stockbrokers which is also a regulatory organisation, this development is considered important given the delay in implementing the Securities Act which is expected to address conflict of interest issues in a more substantial manner.

5. Market Development Activities

The year 2007 was a busy year for the business development team. During the first part of 2007 the focus was on creating awareness about the BSE, positioning the BSE brand and public education. The awareness campaign was geared at dispelling the belief that investing in the stock market was only for affluent investors.

As detailed in the strategic plan the development of the market requires a healthy mix of investors taking diverse views. As communicated at many conferences and seminars, at present the investor structure seems to be skewed with pension fund managers accounting for a very large percentage of turnover. Such a market structure is not conducive to increasing turnover and liquidity given that the investment strategy of pension fund managers is to buy and hold. The marketing activities in 2007 were largely focused on expanding the investor base and creating awareness about the potential investment opportunities that exist in the stock market. Creating awareness also helps to make a vibrant market which in turn is expected to encourage more companies to seek listings and help grow size and liquidity.



CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2007

(continued)

Presentations

The BSE made many presentations to interest groups and at conferences in Gaborone and outstations as detailed below:

- H.A.T.A.B Open Season Conference in Kasane
- BOCCIM members in Kasane
- BTC staff in Palapye
- Junior Achievement Botswana in Gaborone
- Executive Assistants Symposium organised by Career Diversity
- University of Botswana Finance Society
- Civil servants in Good Hope
- Chiefs, teachers, staff of the Department of Agriculture and District Administration office in Paje
- Students of Learning Centre School & Maru-a-Pula School
- Teachers and students in a number of schools in Kanye, Mmashoro, Mochudi, Borwa Mokobeng
- Members of Virtual Girls Empowerment Association in Gaborone
- Councillors in the Central and Kgalagadi District Councils



CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2007

(continued)



The BSE conducted road shows at various locations countrywide using a combination of presentations and a stage drama focused on investing in the stock market. The road shows were done at the following locations: Ghanzi, Lobatse, Francistown, Molepolole, Gaborone and Kang.



CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2007

(continued)

Roadshows

The BSE conducted road shows at various locations countrywide using a combination of presentations and a stage drama focused on investing in the stock market. The road shows were done at the following locations: Ghanzi, Lobatse, Francistown, Molepolole, Gaborone and Kang.

Exhibitions

As part of its campaign to build the BSE brand, create awareness about the stock market and form strategic alliances, the BSE participated in a number of exhibitions. Some of the exhibitions that the Exchange participated in include; Vision 2016 launch at Khakhea, IFSC Career fair, AISEC fair, Debswana Financial Fair, Botswana Financial Services Conference and BEDIA's Global Expo.

Media Relations

During 2007, the business development team used both the print and electronic media to communicate information on the BSE and create awareness of the capital market to the public. The team was involved in a number of television and radio talk shows. Press articles on market activity, new developments and investor education were published regularly in the print and electronic media.

The BSE also took the initiative to educate members of the media on the BSE's strategic direction through a workshop held in February 2007. The workshop gave the media an introduction to the role and functions of the BSE and the growing importance of the capital market to Botswana's economy, given that the focus of government was on economic diversification.

Investment Forum

In an effort to position the BSE brand, the Exchange organised an Investment Forum in June 2007. The BSE's Investment Forum attracted over 230

participants who included participants from the government, corporate sector, financial community and members of the public. The theme of the forum was *"Creating Wealth for Batswana"*.

The forum was organised taking into account the feedback the BSE received from stakeholders on the Financial Trade Fairs held in previous years. Furthermore the Investment Forum was an avenue through which the BSE reached out to its stakeholders and created awareness about the Exchange and its strategy aimed at developing Botswana's capital market. The Investment Forum proved to be a great success and achieved its objectives beyond all expectations.

Brochures and Publications

The redesign of the booklet on an *"Introductory Guide to Investing on the BSE"* commenced during the 2nd Quarter of 2007, and was completed in December 2007. This booklet was also translated into Setswana. The booklet has proved to be popular among prospective investors.

BSE Website

The revamping of the BSE website commenced in 2007. The new website of the BSE was launched in April 2008. The objective of redesigning the website is to give it a new look and feel to make it user friendly and more importantly to provide more information on trading statistics and listed companies.

6. Product Development

In order to increase the breadth of instruments traded and provide investors with diverse risk-return options, the BSE continued to research the possibility of listing products identified in the strategic plan. During 2007, the BSE drafted concept papers on the introduction of Exchange Traded Funds (ETFs), Securitised Products and Contracts for Difference (CFDs).





*Inaugural Exchange
Traded Funds Conference 2008.
Botswana Stock Exchange in
partnership with Bifm.*





The strategy behind the BSE implementing ETFs is to inject liquidity into the market. ETFs provide investors with a diversified portfolio and a low cost method of investing in the stock market and have proved popular amongst both retail and institutional investors.

CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2007

(continued)

Various stakeholders and industry specialists were consulted in Botswana and South Africa prior to drafting the concept papers.

Exchange Traded Funds

The strategy behind the BSE implementing ETFs is to inject liquidity into the market. ETFs provide investors with a diversified portfolio and a low cost method of investing in the stock market and have proved popular amongst both retail and institutional investors.

The BSE met with a number of fund managers and financial institutions in Botswana to encourage them to introduce ETFs. As noted in the strategic plan, the strategy to inject liquidity using ETFs would include structuring ETFs on foreign securities. The potential for structuring ETFs on local stocks seems to be limited given the low level of liquidity in the market. However, introducing ETFs may be a method through which the BSE could motivate fund managers to release part of the locked liquidity in local securities.

The development of ETFs and other index products will be boosted by the implementation of the CSD in 2008. The BSE has geared the CSD to perform trust services and also function as the fund administrator for ETFs if there is need to do so. Facilities provided in the CSD will include software for computing Net Asset Value of ETFs and risk management.

In order to kick start the development of ETFs, the Exchange hosted a conference on ETFs in April 2008.

Securitised Products

It has been noted that the debt market in Botswana is generally inactive and liquidity has been extremely low. However demand for debt instruments has been high as evidenced by the over subscription of the bond issues over the past few years. For instance the recently concluded government bond offer was over

subscribed by 500%.

The main focus of securitisation is to encourage banks and other financial institutions to structure securities, utilising otherwise illiquid assets, which can be listed and traded on the BSE. The assets for securitisation could include residential mortgages, auto-mobile loans, credit card receivables, leases or in fact any conceivable financial asset.

The BSE made presentations on securitisation to the National Development Bank and at the Capital Securities Financial Sector Conference in 2007. The BSE intends holding a conference on Securitisation in the 3rd Quarter of 2008.

In developing the securitisation market in Botswana, the BSE has taken cognisance of the importance of rating agencies to the securitisation process. Discussions have also been held with a credit rating agency with a view to make it possible for local companies to be rated at a reasonable cost.

Bond Market Development

As part of the strategy to accelerate the development of the debt market, the BSE expects to formulate a bond market development strategy during 2008. This will be done in consultation with other stakeholders active in the debt market. The Exchange will also draft a concept paper on debt market development and present the same to the relevant stakeholders for comments.

Annual Report 2006

The other milestone in 2007 was the production of the first ever Annual Report for the BSE for the year 2006.

Construction of Database

The process of creating a database for the BSE commenced in December 2007 and is due to be completed in the 2nd Quarter of 2008. The database



CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2007

(continued)

will record and consolidate market statistics and will be invaluable in the analysis of issues pertaining to the capital market.

7. Infrastructure

The BSE's strategic plan envisaged the need for a depository and an automated trading system as minimum requirements to bring the Exchange on par with more developed markets. Also, in the opinion of the BSE, the growth prospects of the Exchange are strong and hardly been tapped. As noted above the increase in turnover, shares traded and liquidity over the past 2 years and the response to the BSE Roadshows indicate the potential that exists for market development. This potential cannot be exploited if the BSE does not invest in technology.

Over the past year plans have been drawn and effort expended to develop the technological infrastructure of the Exchange. Improvements have been made to the BSE's database, web services, information & data storage and service platforms to enable the implementation of the CSD.

The implementation of the CSD commenced in 2007. The legal and institutional framework of the CSD was established through the incorporation of the Central Securities Depository Company of Botswana Ltd (CSDB) which is presently structured as a 100% owned subsidiary of the BSE. Although the initial plan was to hire consultants to draft the CSD rules, the BSE used its internal resources to formulate rules for the CSD.

Several workshops were convened to explain the operations of the CSD to stakeholders who included Bank of Botswana, MFDP, brokers, listed companies, custodian banks and transfer secretaries. The purpose of these workshops was to introduce the CSD and BSE's expectations of the stakeholders after the commissioning of the system.

The legal structure of the CSD takes the form of a securities registry rather than a trust in keeping with the relevant provisions in the BSE Act and Companies Act.

The BSE will not go for 100% dematerialization with the implementation of the CSD. However, any investor wishing to sell shares will have to dematerialise the shares prior to a sale being executed and an investor purchasing shares will receive such shares in a dematerialized form.

The BSE has appointed the CSD as the transfer secretary for listed companies in keeping with the provisions in the BSE Act. The CSD in turn will sign agreements with listed companies and their appointed transfer agents to keep and maintain the physical share registers and to consolidate the physical and electronic registers. Hence in effect the present status quo with regard to the listed companies transfer agents will be maintained.

Further, the functions of the depository have been decentralised to a large extent and will result in a more efficient and effective operating environment. For instance, opening of CSD accounts will be carried out by stockbrokers and deposit of securities will be done by transfer secretaries. Further, the implementation of the CSD would improve the capacity of stockbrokers to service clients since the back office function of clearing securities would be automated with the implementation of the CSD. The implementation of the CSD would enable buyers to receive shares on settlement day and eliminate the extensive delays in them receiving their shares.

In order to keep costs as low as possible the CSD will be managed by the BSE under a management contract entered into between the BSE and CSD.

The BSE was ready to implement the CSD in January 2008. However approval had to be obtained from the Bank of Botswana for the CSD to commence operations as required by the National Payments and Clearing Systems Act. The CSD is expected to



CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2007

(continued)

go live in May 2008. The BSE expects to introduce companies into the CSD in stages taking logistics into consideration.

As noted, the implementation of the CSD will make the clearing and settlement of securities efficient, robust and transparent, thus reducing systemic risk. It will also pave the way for the BSE to diversify its activities by having the facilities to function as a trust and administrator when the BSE introduces ETFs.

The deployed infrastructure will be developed further to facilitate the implementation of the Automated Trading System (ATS) and to strengthen disaster recovery and business continuity.

8. Staffing and Human Resource Development

The Exchange recruited Ms Masego Pheto as Manager, Central Securities Depository System in December 2007. Ms Pheto will be responsible for managing the CSD.

Ms Tapiwa Tamocha joined the Exchange as Market Development Officer in September 2007.

Another development which took place in 2007 was the setting of KPIs for each department. KPIs were agreed upon at the beginning of the year and their progress monitored.

The BSE has continued with its plans to train staff through various means such as workshops, conferences and visits to other stock exchanges to better equip staff with the skills required to manage the Exchange.

9. Regional and International Cooperation

The BSE is a member of the Committee of SADC Stock Exchanges (CoSSE). The Exchange continues to participate effectively in the activities of this regional

body. CoSSE has been an effective forum for stock exchanges in the SADC region to share information and knowledge. CoSSE has also triggered discussions between exchanges on both bilateral and multilateral levels regarding development issues.

CoSSE members are in the process of harmonising listing requirements and plans are underway to implement cross trading of securities as a method of integrating markets within the CoSSE region.

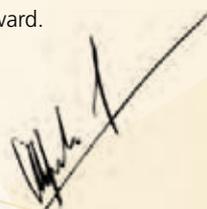
The BSE continued to participate in the African Securities Exchanges Association (ASEA) activities. ASEA was established to provide an institutional framework for the mutual cooperation of stock exchanges in the African continent. Its functions include the exchange of information and assistance in the development of member exchanges.

10. Appreciation

I have been the Chief Executive Officer of the BSE for almost two years now. During this period I have seen the BSE grow from strength to strength in all areas of operation and on course with the BSE's strategic plan.

I acknowledge the assistance and cooperation of the Registrar and officials of the MFD, the Chairman Mr Rizwan Desai and Committee Members, Stockbrokers and other stakeholders.

The support I receive from management and staff and their commitment to the singular purpose of developing the BSE is much appreciated. I will continue to count on their assistance to take the BSE forward.



Hiran Mendis
Chief Executive Officer

Over the past year plans have been drawn and effort expended to develop the technological infrastructure of the Exchange. Improvements have been made to the BSE's database, web services, information & data storage and service platforms to enable the implementation of the CSD.

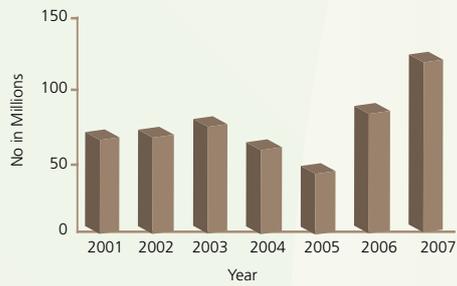




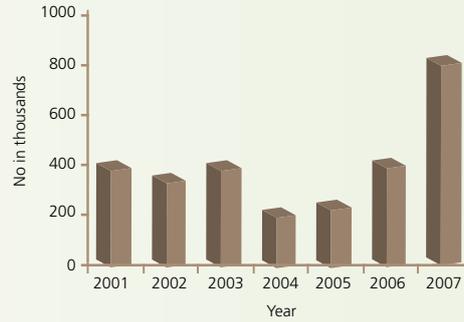
Botswana Vaccine Institute bond listing

GRAPHICAL REVIEW

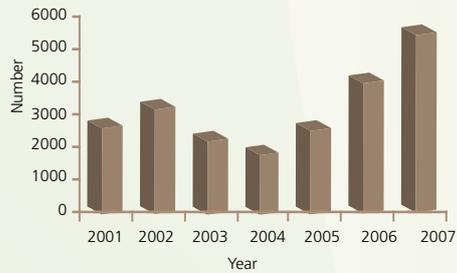
Volume of Shares Traded



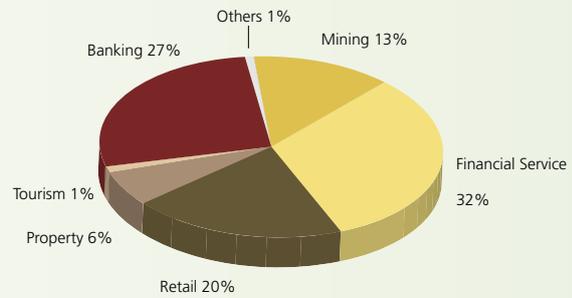
Value of Shares Traded



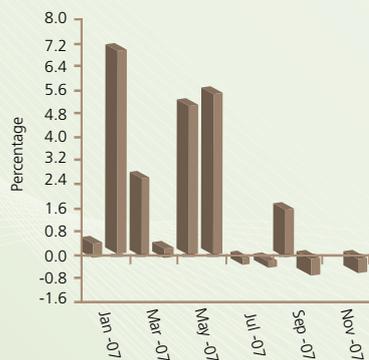
Number of transactions



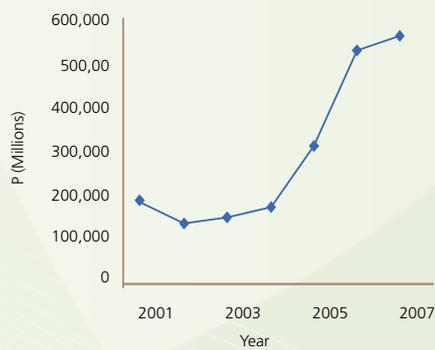
Turnover as a % of Mkt Cap



All Share Index Monthly % Change



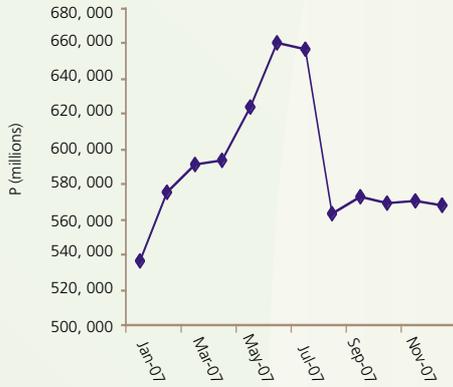
Total Market Capitalisation



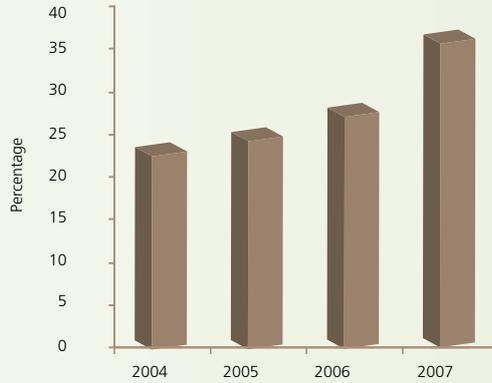
GRAPHICAL REVIEW

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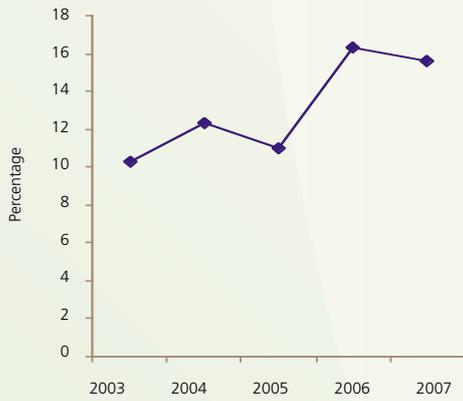
Monthly Market Capitalisation



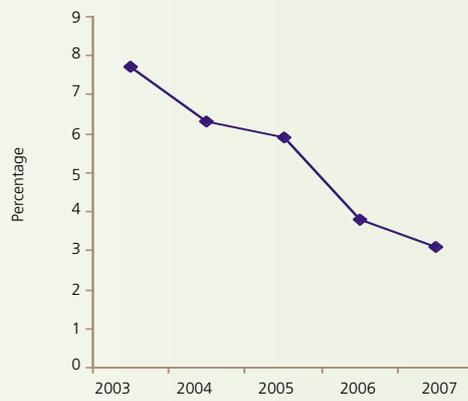
Market Capitalisation as a % GDP



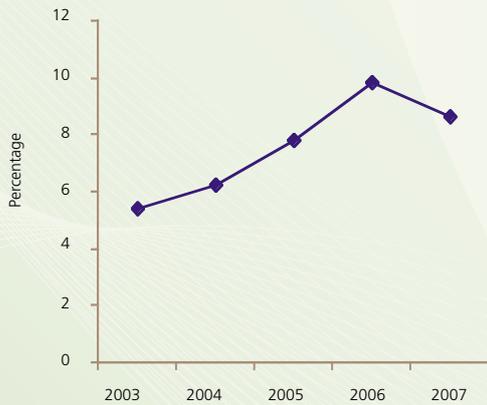
Price Earnings Ratio



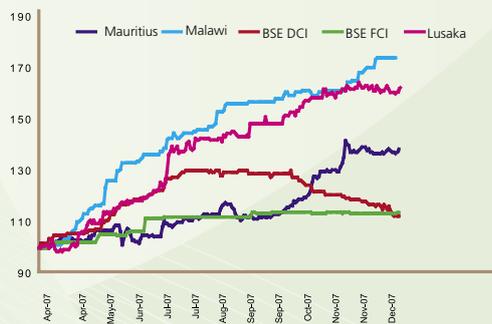
Dividend Yield



Market Price to Book Value



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





BSE internship students



MARKET STATISTICS

Table 1: Number of companies listed

	2002	2003	2004	2005	2006	2007
No of new Listings	2	1	2	3	4	2
Number of de listings	1	1	2	0	1	2
Foreign Listings	7	6	7	9	12	1
Domestic Listings	18	19	18	19	19	1
TOTAL	25	25	25	28	31	31

Source: Botswana Stock Exchange

Table 2: BSE Market capitalisation as at year ended December (P'000,000)

	2002	2003	2004	2005	2006	2007
Domestic market Capitalisation	9,388.77	9,437.65	10,876.41	13,418.10	23,776.87	32,702.58
Foreign market capitalisation	126,407.30	142,484.90	162,088.00	301,144.60	510,407.79	535,324.96
Total market capitalisation	135,796.06	151,922.55	172,964.41	314,562.70	534,184.66	568,027.53

Source: Botswana Stock Exchange

Table 3: Market capitalisation as at quarter ended (P'000,000)

	March 2006	June 2006	Sept 2006	Dec 2006	March 2007	June 2007	Sept 2007	Dec 2007
Domestic Market Capitalisation	11,388.72	12,348.38	13,076.51	13,418.10	29,922.94	36,991.46	37,697.43	32,702.58
Foreign Market Capitalisation	178,884.58	225,352.92	260,267.15	301,144.60	561,205.63	623,121.65	535,044.33	535,324.96
Total Market Capitalisation	190,273.31	237,701.00	273,343.66	314,562.70	591,128.56	660,113.12	572,741.76	568,027.53

Source: Botswana Stock Exchange

MARKET STATISTICS

(Continued)

Table 4: Market capitalisation by sector as at year ended December (P'000,000)

	2002	2003	2004	2005	2006	2007
Banking	6,278.04	6,143.88	7,135.90	8,377.90	1,5941.57	1,9304.42
Financial Services and Insurance	6,343.51	6,599.89	8,829.59	14,698.85	24,412.40	25,391.54
Retail, wholesaling and Consumer staples	2,950.33	2,935.53	4,878.18	9,017.20	11,855.78	12,978.07
Property and Property Trust	208.52	206.02	217.04	248.21	437.83	934.80
Mining and Material	118,629.03	134,185.81	151,375.67	281,422.39	480,421.05	508,427.76
Health Care and Emergency Services	30.74	18.09	19.89	21.70	21.70	18.99
Security Services	36.00	46.80	72.00	122.40	136.00	220.00
Information Technology	37.78	20.46	22.04	12.91	21.41	18.89
Energy	255.56	257.15	335.42	535.07	758.68	769.86
Transport and Tourism	1,026.55	1,508.94	78.65	106.07	178.22	295.44

Source: Botswana Stock Exchange

Table 5: Market capitalisation by sector as at quarter ended (P'000,000)

	March 2006	June 2006	Sept 2006	Dec 2006	Mar 2007	Jun 2007	Sept 2007	Dec 2007
Banking	9,434.99	10,600.45	13,465.62	15,941.57	20,564.60	25,740.34	24,284.03	19,304.42
Financial services and insurance	16,204.05	18,948.28	19,786.02	24,412.40	27,280.60	29,752.22	27,273.02	25,391.54
Retail, wholesaling and consumer staples	12,017.94	11,849.33	11,867.2	11,855.78	12,059.63	12,400.31	12,687.41	12,978.07
Property and property trust	292.76	364.46	442.04	437.83	457.25	691.37	739.96	934.80
Mining and material	315,017.99	422,357.88	431,449.25	480,421.05	529,698.86	590,370.37	506,466.92	508,427.76
Health care and emergency services	21.70	19.89	20.80	21.70	19.89	18.09	17.72	18.99
Security services	123.20	124.00	124.00	136.00	160.00	176.16	200.08	220.00
Information technology	11.02	15.74	18.89	21.41	19.20	19.20	15.74	18.89
Energy	527.08	608.54	686.81	758.68	638.89	646.87	758.68	769.86
Transport and Tourism	121.84	140.35	162.46	178.22	229.64	298.18	298.18	295.44

Source: Botswana Stock Exchange

MARKET STATISTICS

(Continued)

Table 6: Trading statistics as at year ended December

	2003	2004	2005	2006	2007
Volume traded (millions)	77.42	61.93	44.16	87.25	124.60
Value traded (Pm)	401.30	211.40	238.60	414.70	824.56
No. of deals	2,366.00	1,906.00	2,693.00	4,172.00	6,378.00
Liquidity	4.30	2.10	1.96	2.23	2.92

Source: Botswana Stock Exchange

Table 7: Trading statistics as at quarter ended

	Mar 2006	June 2006	Sept 2006	Dec 2006	Mar 2007	Jun 2007	Sept 2007	Dec 2007
Volume traded (millions)	11.14	18.81	34.16	23.12	22.58	45.93	26.74	29.35
Value traded (Pm)	59.50	68.40	116.30	170.40	151.90	307.58	167.11	197.97
No. of deals	876.00	932.00	1,088.00	1,276.00	1,365.00	1,632.00	1,790.00	1,590.00

Source: Botswana Stock Exchange

Table 8: BSE indices as at year ended December

	2002	2003	2004	2005	2006	2007
DCI	2,493.03	2,498.71	2,888.68	3,559.14	6,195.45	8,421.63
FCI	492.12	567.34	634.71	1,129.94	1,777.30	2,200.97
ACI	541.28	618.40	693.63	1,211.49	1,914.18	2,377.46

Source: Botswana Stock Exchange

Table 9: BSE indices as at quarter ended

	March 2006	June 2006	Sept 2006	Dec 2006	Mar 2007	Jun 2007	Sept 2007	Dec 2007
DCI	3,946.46	4,411.10	5,310.53	6,195.45	7,793.70	9,609.15	9,768.79	8,421.63
FCI	1,269.24	1,600.40	1,639.77	1,777.30	1,954.15	2,164.73	2,206.00	2,200.97
ACI	1,360.62	1,707.42	1,760.58	1,914.48	2,118.48	2,363.29	2,404.41	2,377.46

Source: Botswana Stock Exchange

MARKET STATISTICS

(Continued)

Table 10: Top ten domestic companies by volume traded (Million of Shares)

2006		2007	
Company	Volume	Company	Volume
Turnstar	33.4	Turnstar	28.7
Letshego	15.7	FNBB	22.8
BIHL	6.8	Barclays	10.1
Engen	4.8	BIHL	9.3
Sechaba	3.4	Sechaba	9.0
ABCH	3.3	Letshego	8.2
FNBB	2.5	Imara	3.7
Stanchart	1.6	RPC Data	2.2
Sefalana	1.1	Sefalana	2.1
Barclays	0.9	Stanchart	2.0

Source: Botswana Stock exchange

Table 11: Top ten foreign companies by volume (Million of Shares)

2006		2007	
Company	Volume	Company	Volume
Diamonex	6	Discovery	12.8
Discovery	0.53	Diamonex	6.0
African Diamonds	0.52	A Cap	0.95
African Copper	0.47	African Copper	0.78
A Cap	0.44	CIC Energy	0.44
Forbes	0.16	African Diamonds	0.39
Lion Ore	0.14	Aviva	0.12
Iamgold	0.09	Lion Ore	0.06
Anglo	0.03	Iamgold	0.05
Investec	0.001	Forbes	0.01

Source: Botswana Stock Exchange

MARKET STATISTICS

(Continued)

Table 12: Top ten domestic companies by value traded (P'000,000)

2006		2007	
Company	Value	Company	Value
Letshego	94.8	Sechaba	139.1
Sechaba	51.2	BIHL	136.1
BIHL	39.2	Letshego	97.3
FNBB	37.7	Barclays	92.7
Turnstar	37.5	FNBB	88.9
Stanchart	24.2	Stanchart	48.2
Engen	19.4	Turnstar	39.9
Barclays	18.9	Imara	36.2
Sefalana	16.6	Sefalana	22.9
ABCH	4.8	Chobe	5.9

Source: Botswana Stock Exchange

Table 13: Top ten foreign companies by value traded (P'000,000)

2006		2007	
Company	Value	Company	Value
Anglo	8.48	CIC Energy	39.6
African Diamonds	7.66	Discovery	22.0
Diamonex	7.29	Diamonex	11.6
Iamgold	4.69	African Copper	7.9
Lion Ore	4.42	A Cap	7.4
African Copper	3.84	LionOre	6.3
Forbes	1.96	African Diamonds	5.4
A Cap	1.48	Iamgold	2.5
Discovery	0.64	Anglo	0.6
Investec	0.11	Aviva	0.5

Source: Botswana Stock Exchange

MARKET STATISTICS

(Continued)

Table 14: Top ten domestic companies by market capitalisation (P'000,000)

2006		2007	
Company	Market Capitalisation	Company	Market Capitalisation
Barclays	5,539.05	FNBB	6,921.99
FNBB	5,486.32	Barclays	6,442.34
Stanchart	4,637.81	Stanchart	5,409.82
BIHL	2,343.32	BIHL	4,761.34
Sechaba	1,862.21	Sechaba	2,259.92
Letshego	1,200.00	Letshego	2,197.40
Engen	758.68	Engen	769.86
Turnstar	353.66	Sefalana	615.84
Sefalana	336.66	Turnstar	598.01
ABCH	278.39	Furnmart	579.22

Source: Botswana Stock Exchange

Table 15: Top ten foreign companies by market capitalisation (P'000,000)

2006		2007	
Company	Market Capitalisation	Company	Market Capitalisation
Anglo	444,010.25	Anglo	484,979.20
Iamgold	16,429.51	Investec	18,017.75
Investec	16,330.87	Iamgold	15,878.63
Lion Ore	14,631.48	Ellerine	9,211.68
Ellerine	9,211.68	CIC Energy	4,343.60
Forbes	4,457.03	African Copper	941.78
CIC Energy	2,675.90	African Diamonds	886.66
African Diamonds	1,008.48	A Cap	457.79
African Copper	921.28	Aviva	332.23
A Cap	392.65	Discovery	320.27

Source: Botswana Stock Exchange

MARKET STATISTICS

(Continued)

Table 16: Bonds statistics- 2007

Bonds	Issue Size	Trade (P)
BW 002	850 000 000	37 132 794
BW 003	900 000 000	55 958 024
DPCF 002	195 000 000	-
DPCF 003	225 000 000	64 020 000
DPCF 004	220 000 000	22 530 000
DPCF 005	100 000 000	16 150 000
DPCF 006	55 000 000	-
DPCF 007	35 000 000	-
BBB 001	100 000 000	-
BBB 002	63 750 000	240 000
BBB 003	50 010 000	
BBB 004	80 000	110 000
BBS 002	115 000 000	150 000
BBS 004	75 000 000	70 000
BDC 002	75 000 000	-
BDC 003	125 000 000	-
BTC 001	50 000 000	-
NDB 001	100 000 000	210 000
SBB 001	50 000 000	100 000
SBBL 002	50 000 000	-
SBBL 003	100 000 000	-
SBBL 006	50 000 000	20 000
SCBB 001	170 000 000	-
SCBB 002	50 000 000	30 000
SCBB 003	50 000 000	20 000
SCBB 004	50 000 000	40 000

Source: Botswana Stock Exchange



The process of creating a database for the BSE commenced in December 2007 and is due to be completed in the 2nd Quarter of 2008. The database will record and consolidate market statistics and will be invaluable in the analysis of issues pertaining to the capital market.



CORPORATE GOVERNANCE

The Board

The Main Committee of the BSE established in terms of the Act is made up of 3 members appointed by the Minister of Finance and Development Planning and a maximum of 6 members elected by member brokers, with a maximum of 2 persons elected from any broking company.

The functions of the Main Committee are to set the strategic direction of the BSE and ensure that the BSE is being managed in line with policies set by the committee.

Elected Members:

Rizwan Desai (Chairman)
Kennedy Kgomanyane
Martin Makgatlhe
Gregory Matsake
Geoffrey Bakwena

Appointed Members:

Keith Jefferis
Reginald Motswaiso
Ellen Richard- Madisa

Board Sub-Committees

1. Listings and Trading sub-committee

Rizwan Desai (Chairman)
Kennedy Kgomanyane
Gregory Matsake
Martin Makgatlhe
Ellen Richard-Madisa
Geoffrey Bakwena

2. Audit and Remuneration sub-committee

Reginald Motswaiso (Chairman)
Keith Jefferis
Geoffrey Bakwena

3. Investigations and Disciplinary sub-committee

Keith Jefferis (Chairman)
Reginald Motswaiso
Ellen Richard-Madisa



The Board Charter endeavours to minimize the potential for conflicts of interest at the Committee level by introducing the concept of non-independent non-executive Committee members. Independent Committee members are defined as those members appointed by the Minister of Finance and Development Planning. Non-independent Committee members are those appointed by the stockbrokers. Non-independent non-executive Committee members will be those appointed by stockbrokers but who do not hold an executive position in the stock broking company they represent.

CORPORATE GOVERNANCE

(continued)

The Chief Executive Officer is an ex-officio member of all sub-committees. The Corporate Affairs Manager is the Secretary to the Main Committee, Listings & Trading sub-committee and Investigations and Disciplinary sub-committee. The Finance and Administration Manager is the Secretary to the Audit & Remuneration sub-committee.

Board Charter

The BSE is a member organisation with the potential for conflicts of interest to arise given that the "Regulator" could become the "Regulated". In order to minimize the potential for such conflicts the BSE has adopted a Board Charter with effect from January 2008 based on the principles of good corporate governance as a way of ensuring that the business of the Exchange is conducted in a responsible and ethical manner.

The Board Charter defines directors in terms of whether they are independent or non-independent and whether they are executive or non-executive. Independent Committee members are defined as those appointed by the Minister of Finance and Development Planning. Non-independent Committee members are defined as those appointed by the stockbrokers given that stockbrokers are regulated by the BSE. Non-independent non-executive Committee members will be those appointed by stockbrokers but who do not hold an executive position in the stock broking company they represent.

The Board Charter also reconstituted the sub-committees as follows:

1. Listing and Trading sub-committee
2. Audit sub-committee
3. Investigations and Disciplinary sub-committee
4. Governance and Remunerations sub-committee

The constitution of sub-committees is defined in the Board Charter with the objective of minimizing conflicts of interest. For instance the Governance and Remuneration sub-committee consists only of independent directors.

The Governance and Remuneration sub-committee will recommend nomination of Committee Members to the Committee in the event a seat fall vacant, advice the Committee on governance issues and formulate remuneration.

Committee Fees

The BSE pays Members a sitting allowance based on the rates set by the government.





BOTSWANA STOCK
EXCHANGE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2007



STATEMENT OF MAIN COMMITTEE MEMBERS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2007

The Main 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 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 main 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 main 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 main committee members.

The financial statements set out on pages 50 to 68 and the supplementary information on page 69 were authorised for issue by the committee members on 4th April 2008 and are signed on its behalf by:



.....
Mr. R. Desai
Chairman



.....
Mr. G. Matsake
MEMBER

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS AND MAIN COMMITTEE MEMBERS OF BOTSWANA STOCK EXCHANGE

FOR THE YEAR ENDED 31 DECEMBER 2007

Report on the Financial Statements

We have audited the accompanying financial statements of Botswana Stock Exchange, set out on pages 50 to 68, which comprise the balance sheet as at 31 December 2007 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 main committee members of the Botswana Stock Exchange 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. 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS AND MAIN COMMITTEE MEMBERS OF BOTSWANA STOCK EXCHANGE

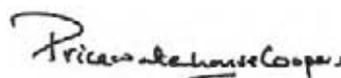
FOR THE YEAR ENDED 31 DECEMBER 2007

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 31 December 2007 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Botswana Stock Exchange Act, 1994.

Gaborone
30 April 2008



Certified Public Accountants

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 P	2006 P
Revenue		5 037 815	4 697 457
Government subvention		2 589 932	2 012 500
Other income		<u>515 219</u>	<u>144 751</u>
		8 142 966	6 854 708
Administrative expenses		<u>(7 364 311)</u>	<u>(4 597 482)</u>
Operating profit	1	778 655	2 257 226
Interest received	2	<u>276 818</u>	<u>242 907</u>
Profit for the year		<u>1 055 473</u>	<u>2 500 133</u>

BALANCE SHEET

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 P	2006 P
ASSETS			
Non-current assets			
Property, plant and equipment	3	<u>879 399</u>	<u>641 152</u>
Current assets			
Receivables and prepayments	4	1 324 235	246 255
Cash and cash equivalents	5	<u>2 231 820</u>	<u>2 464 044</u>
		<u>3 556 055</u>	<u>2 710 299</u>
Total assets		<u>4 435 454</u>	<u>3 351 451</u>
EQUITY AND LIABILITIES			
Equity			
Proprietary rights capital	6	4 400	4 400
Rights premium		138 276	138 276
Accumulated profits		<u>3 654 578</u>	<u>2 604 105</u>
		<u>3 797 254</u>	<u>2 746 781</u>
Current liabilities			
Trade and other payables	7	633 200	360 853
Amounts due to the Botswana Stock Exchange Security Fund	8	<u>5 000</u>	<u>243 817</u>
Total liabilities		<u>638 200</u>	<u>604 670</u>
Total equity and liabilities		<u>4 435 454</u>	<u>3 351 451</u>

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

	Proprietary Rights capital P	Rights Premium P	Accumulated Profit P	Total P
As at 31 December 2006				
Opening balance	4 400	138 276	347 789	490 465
Profit for the year	-	-	2 500 133	2 500 133
Transfer to the Botswana Stock Exchange Security Fund	-	-	(243 817)	(243 817)
	<u>4 400</u>	<u>138 276</u>	<u>2 604 105</u>	<u>2 746 781</u>
As at 31 December 2007				
Opening Balance	4 400	138 276	2 604 105	2 746 781
Profit for the year	-	-	1 055 473	1 055 473
Transfer to the Botswana Stock Exchange Security Fund	-	-	(5 000)	(5 000)
	<u>4 400</u>	<u>138 276</u>	<u>3 654 578</u>	<u>3 797 254</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 8).

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 P	2006 P
Cash generated from operating activities			
Net cash flows from operating activities	9	(79 805)	1 478 451
Investing activities			
Purchase of property, plant and equipment	3	(492 737)	(512 771)
Interest received	2	276 818	242 907
Proceeds from sale of property, plant and equipment		63 500	3 669
Net cash flows used in investing activities		(152 419)	(266 195)
Changes in cash and cash equivalents		(232 224)	1 212 256
Cash and cash equivalents at beginning of the year		2 464 044	1 251 788
Cash and cash equivalents at the end of the year	5	2 231 820	2 464 044

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2007

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 financial statements are disclosed on page 63.

(a) Standards, amendment and interpretations effective in 2007

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Exchange's financial instruments, or the disclosures relating to tax and trade and other payables.

IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the Exchange's financial statements.

IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Exchange's financial statements.

ACCOUNTING POLICIES

(Continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

A. Basis of preparation (continued)

(b) Interpretation early adopted by the Exchange

IFRIC 11, 'IFRS 2 – Exchange and treasury share transactions', was early adopted in 2007. IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Exchange's financial statements.

(c) Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Exchange's operations:

Revised guidance on implementing IFRS 4, 'Insurance contracts';

- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies'; and
- IFRIC 9, 'Re-assessment of embedded derivatives'

(d) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Exchange

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Exchange's accounting periods beginning on or after 1 January 2008 or later periods, but the Exchange has not early adopted them:

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Exchange will apply IAS 23 (Amended) from 1 January 2009 but is currently not applicable to the Exchange as there are no qualifying assets.

ACCOUNTING POLICIES

(Continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

A. Basis of preparation (continued)

(d) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Exchange (continued)

- IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Exchange will apply IFRS 8 from 1 January 2009. This standard will not have an impact on the Exchange operations.
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Exchange will apply IFRIC 14 from 1 January 2008, but it is not expected to have any impact on the Exchange's accounts.

(e) Interpretations to existing standards that are not yet effective and not relevant for the Exchange's operations

The following interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Exchange's operations:

- IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Exchange's operations because the Exchange does not provide for public sector services.
- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Exchange's operations because the Exchange does not operate any loyalty programmes.

ACCOUNTING POLICIES

(Continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

B. Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into 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.

C. Property, plant and equipment

Property, plant and equipment is stated at historical cost less 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 item will flow to the Exchange and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

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

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

ACCOUNTING POLICIES

(Continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

C. Property, plant and equipment (continued)

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the income statement.

D. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown 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 not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. 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 'administration expenses'. When a trade receivable is uncollectible, it is written off against the administration account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administration costs' in the income statement.

F. Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

ACCOUNTING POLICIES

(Continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

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 employees benefits relating to employee service in the current and prior periods.

The Exchange pays contributions to Glenrand MIB (Botswana) (Pty) Ltd, a privately administered pension insurance plan on voluntary basis. 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 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 staff are paid terminal gratuities in accordance with their respective employment contract.

I. Proprietary rights

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).

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 or 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.

ACCOUNTING POLICIES

(Continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

L. Revenue recognition

Revenue comprise the invoiced value for services rendered, net of value added tax.

The following specific recognition criteria must be met before revenue is recognised.

i) Commission

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

ii) Interest

Interest income is recognised as it accrues taking account of the principal outstanding and the effective rate over the period of maturity, when it is determined that such income will accrue to the Exchange.

iii) Listing fees

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

iv) Annual sustaining fees

Annual sustaining fee is recognised on straight-line basis unless collectibility is in doubt.

v) Member fees

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 subvention

Subventions 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 and in the period in which they are receivable.

FINANCIAL RISK MANAGEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

Financial risk factors

The Exchange's activities expose it to a variety of financial risks: market risk (including price risk, cash flow and interest rate risk), credit risk and liquidity risk. The Exchange's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance. Risk management is carried out under policies approved by the main committee members. The main committee provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Price risk

The Exchange revenue is fixed in terms of the Botswana Stock Exchange Act, 1994 and the listing and trading rules and therefore is not susceptible to price risk.

(ii) Cash flow and fair value interest rate risk

As the Exchange has no significant interest-bearing assets, the Exchange's income and operating cash flows are substantially independent of changes in market interest rates. The Exchange manages interest risk by ensuring that excess funds are invested in high earning bank and investment accounts.

(b) Credit risk

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables from brokers and committed transactions. Management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Regular financial statements of broking companies are reviewed and forms the basis for managing credit risks.

Overdue listing, commission and annual sustaining fees are monitored for collectability and settlement periods rigorously monitored in line with the Stock Exchange listing and trading rules. Management does not expect any losses from non-performance by these counterparties.

FINANCIAL RISK MANAGEMENT

(Continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

Financial risk factors (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, management maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Exchange's liquidity reserve and cash and cash equivalents on the basis of expected cash flow. This is generally carried out at local level by management in accordance with practice and limits set by the main committee. In addition, the Exchange's liquidity management policy involves projecting cashflows and considering the level of liquid assets necessary to meet these.

The table below analyses the Exchange's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	2007	2006
	P	P
Accounts payable		
-Less than 1 year	152 260	143 396
-Between 1 and 2 years	-	-
-Between 2 and 5 years	-	-
-over 5 years	-	-
	<u>152 260</u>	<u>143 396</u>

Capital risk management

The Exchange's objectives when managing capital are to safeguard its ability to continue as a going concern in order to perform the mandate for which it was created and benefits for other stakeholders and to maintain an environment of transparency for listed companies, the public and its stakeholders. During 2007, the Exchange did not have borrowings. As a public institutions, the Exchange is owned and supported by the Government of the Republic of Botswana who provides the necessary support to sustain the operations of the Exchange.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

(Continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Exchange makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

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 by the members based on their knowledge of the industry.

Impairment of receivables

The Exchange follows the guidance of IAS 39 to determine when a receivable is impaired. This determination requires significant judgement. In making this judgement, the Exchange evaluates, among other factors, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	2007	2006
	P	P
1 OPERATING PROFIT		
Operating profit is stated after charging:		
Audit fees -current	72 600	66 000
-prior year under provision	-	6 947
Depreciation (note 3)	254 490	206 855
Operating lease cost- rental	358 512	222 103
Trade receivables -impairment charge	-	5 600
Remuneration paid to the senior managers	2 904 654	1 459 407
Sitting allowances of committee members	93 660	80 850
Staff costs -see below	4 239 607	2 433 948
Profit/ (loss) on disposal of property, plant and equipment	63 500	(3 694)
Government subvention	<u>(2 589 932)</u>	<u>(2 012 500)</u>
Operating leases		
The properties are occupied under renewable one year leases commencing on 1 October 2006, 1 April 2006 and 1 September 2007 and ending 30 September 2007, 31 March 2008 and 31 August 2008 respectively.		
STAFF COSTS		
Salaries and wages	3 915 105	2 266 623
Other benefits	43 560	8 905
Gratuities and other terminal benefits	<u>280 942</u>	<u>158 420</u>
	<u>4 239 607</u>	<u>2 433 948</u>
Number of persons employed at the end of year:		
-Full time	<u>14</u>	<u>9</u>
2 INTEREST RECEIVED		
Interest received - Bank	<u>276 818</u>	<u>242 907</u>

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

3 PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements P	Office Equipment P	Furniture & Fittings P	Motor Vehicles P	Total P
Year ended 31 December 2006					
Opening net book amount	9 470	174 065	140 254	18 804	342 593
Additions	47 747	21 815	57 621	385 589	512 772
Disposal	-	-	(7 358)	-	(7 358)
Depreciation	(11 861)	(116 196)	(19 418)	(59 380)	(206 855)
Closing net book amount	<u>45 356</u>	<u>79 684</u>	<u>171 099</u>	<u>345 013</u>	<u>641 152</u>
At 31 December 2006					
Cost	161 390	479 622	234 576	662 002	1 537 590
Accumulated depreciation	(116 034)	(399 938)	(63 477)	(316 989)	(896 438)
Net book amount	<u>45 356</u>	<u>79 684</u>	<u>171 099</u>	<u>345 013</u>	<u>641 152</u>
Year ended 31 December 2007					
Opening net book amount	45 356	79 684	171 099	345 013	641 152
Additions	-	484 910	7 827	-	492 737
Disposal	-	-	-	(220 000)	(220 000)
Depreciation	(15 914)	(113 701)	(23 778)	(101 097)	(254 490)
Depreciation on disposals	-	-	-	220 000	220 000
Closing net book amount	<u>29 442</u>	<u>450 893</u>	<u>155 148</u>	<u>243 916</u>	<u>879 399</u>
At 31 December 2007					
Cost	161 390	964 532	242 403	442 002	1 810 327
Accumulated depreciation	(131 948)	(513 639)	(87 255)	(198 086)	(930 928)
Net book amount	<u>29 442</u>	<u>450 893</u>	<u>155 148</u>	<u>243 916</u>	<u>879 399</u>

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

	2007	2006
	P	P
4 RECEIVABLES AND PREPAYMENTS		
Fee receivables	178 214	91 945
Provision for impairment	-	(5 600)
	<u>178 214</u>	<u>86 345</u>
Other receivables	517 705	94 750
Related party balance (note 10)	565 716	-
Value added tax recoverable	62 600	65 160
	<u><u>1 324 235</u></u>	<u><u>246 255</u></u>

Trade receivables that are less than three months past due date are not considered impaired. At 31 December 2007, trade receivables of P178 214, were past due but not impaired. These relate to a number of independent customers for whom there is no history of default.

The ageing analysis of this trade receivable is as follows:

Up to 3 months	144 212	65 171
3 to 6 months	34 002	26 774
	<u>178 214</u>	<u>91 945</u>

At 31 December 2007, there were no impaired and provided for receivables.

The related party balance represents amounts for expenses incurred and reimbursable by the Government of the Republic of Botswana.

5 CASH AND CASH EQUIVALENTS

Cash at bank	2 230 815	2 463 541
Cash in hand	<u>1 005</u>	<u>503</u>
	<u><u>2 231 820</u></u>	<u><u>2 464 044</u></u>

Cash at bank mainly includes call account, which has an effective interest rate of 8.6% (2006- 8.5%) per annum

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

	2007	2006
	P	P
6 PROPRIETARY RIGHTS CAPITAL		
Issued proprietary rights capital	<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 at the annual general meeting. Such interest may not exceed the balance available from interest or dividends on invested funds.		
7 TRADE AND OTHER PAYABLES		
Other payables	152 260	143 396
Accruals and provisions	<u>480 940</u>	<u>217 457</u>
	<u>633 200</u>	<u>360 853</u>
At 31 December 2007, the Exchange did not have any payables denominated in foreign currencies.		
8 AMOUNTS DUE TO THE BOTSWANA STOCK EXCHANGE SECURITY FUND		
Opening balance	243 817	840 645
Settled during the year	(243 817)	(840 645)
Statutory transfer for the year	5 000	243 817
	<u>5 000</u>	<u>243 817</u>
9 CASH GENERATED FROM OPERATIONS		
Operating activities:		
Operating profit	778 655	2 257 226
Adjustment for:		
Depreciation (Note 3)	254 490	206 855
(Profit)/ loss on disposal of property plant and equipment	<u>(63 500)</u>	<u>3 690</u>
	969 645	2 467 771
Working capital changes		
Decrease in receivables and prepayments	(1 077 980)	(115 104)
Increase/ (decrease) in trade and other payables	272 347	(33 571)
Increase in payables to Botswana Stock Exchange Security Fund	<u>(243 817)</u>	<u>(840 645)</u>
	<u>(79 805)</u>	<u>1 478 451</u>

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

10 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 stock brokers 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:

	2007	2006
	P	P
a) Sale of services		
Membership fees		
-Stockbrokers Botswana (Pty) Ltd	4 750	4 750
-Capital Securities (Pty) Ltd	3 500	3 750
-Motswedi Securities (Pty) Ltd	4 000	4 250
	<u>12 250</u>	<u>12 750</u>
Listing fees - Government bonds	<u>2 187 500</u>	<u>2 187 500</u>
b) Grants received		
Government of the Republic of Botswana	<u>2 589 932</u>	<u>2 012 500</u>
c) Transfer to the Botswana Stock Exchange Security Fund	<u>5 000</u>	<u>243 817</u>
d) Year end balances arising from sale/purchases of services and in terms of BSE Act		
Due to the Botswana Stock Exchange Security Fund	<u>5 000</u>	<u>243 817</u>
Due from the Government of the Republic of Botswana	<u>565 716</u>	<u>-</u>

Sitting allowances by the Committee members and earnings by the senior management team are shown in note 1.

11 POST BALANCE SHEET EVENTS

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 2007

	2007 P	2006 P
Revenue		
Commission	220 142	84 545
Listing and annual sustaining fees	4 805 423	4 600 662
Members fees	12 250	12 250
Government subvention	2 589 932	2 012 500
Sundry income	515 219	144 751
Total income	<u>8 142 966</u>	<u>6 854 708</u>
Administrative expenses		
Advertising	901 414	116 887
Audit fees	72 600	72 947
Bank charges	9 976	6 960
Cleaning	22 399	22 438
Communication expenses	200 387	152 900
Computer expenses	196 745	182 749
Consulting fees	220 274	197 998
Depreciation	254 488	206 493
Doubtful debts- impairment charge	-	5 600
Electricity	26 525	10 698
Entertainment	40 981	-
Financial trade fair cost	-	13 719
Insurance	131 950	121 315
Internship allowances	2 391	-
Legal fees	40 732	9 090
Loss on disposal of property plant and equipment	-	3 694
Members sitting allowances	93 660	80 850
Motor vehicle expenses	61 490	34 350
Office expenses	24 176	12 393
Overprovision of fees	12 330	-
Printing and stationery	52 140	65 885
Recruitment expenses	18 325	315 152
Relocation expenses	4 500	-
Rental	358 512	222 103
Repairs and maintenance	34 543	58 584
Salaries and wages	3 912 714	2 275 532
Security costs	8 276	10 599
Seminars and conferences	378 107	179 434
Staff welfare	43 560	-
Subscriptions	47 790	26 675
Travelling, accommodation and entertainment expenses	193 325	192 437
	<u>7 364 311</u>	<u>4 597 482</u>
Net Interest cost		
Interest income	276 818	242 907
	<u>276 818</u>	<u>242 907</u>
Net profit for the year	<u>1 055 473</u>	<u>2 500 133</u>

The detailed income statement does not form a part of the audit opinion on page 48 and 49.

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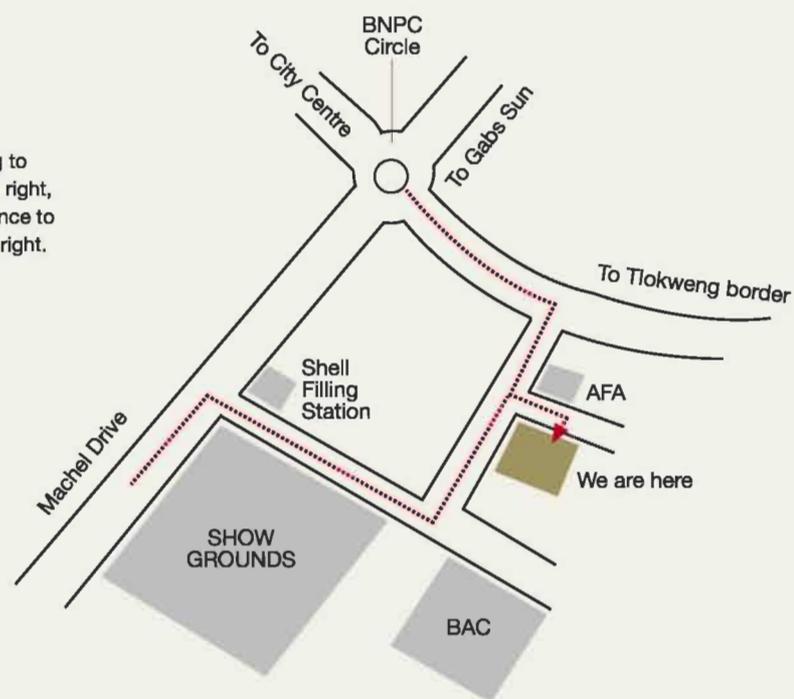
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We have

M MOVED

Directions

From BNPC circle going to Tlokweng. Take 1st turn right, then first turn left. Entrance to the BSE will be on your right.



The Botswana Stock Exchange (BSE) has relocated its offices to PLOT 64511 Fairgrounds, Gaborone (opposite Deloitte and BIFM).

The office contact (Telephone, Fax, and e-mail) details remain the same.

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