

STOCK



ANNUAL REPORT 2008

Performance Review

Theme of the Cover

The cover of the BSE's 2008 Annual Report depicts an *aggressive stand off between a bull and a bear*. The stock market often falls under opposing conditions commonly referred to as either a bull market or a bear market.

A bull market is one in which investors are upbeat and this is reflected by a general increase in prices. Bull markets can occur due to investors being confident about market fundamentals and or as a result of a positive psyche for differing reasons.

A bear market is the opposite of bull market and it is characterised by falling prices and an expectation that value will continue to decrease.

The BSE experienced both market conditions in 2008, the causes and impact of which is the content of the Annual Report.

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BOTSWANA STOCK EXCHANGE OVERVIEW



The Botswana Stock Exchange (BSE) is Botswana's national stock exchange given the responsibility to operate and regulate equity and the fixed interest security market. Formally established in 1995, the BSE trace its humble beginnings to when it was known as Botswana Share Market (BSM) in 1989. 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. Stock Brokers Botswana Ltd (SBB), which was also charged with facilitating trading on the exchange via the matching of orders. In order to encourage foreign investors to Botswana an interim exchange committee was set up in October 1990 with representatives from the public and private and the public sector, including the secretary of the Zimbabwe Stock Exchange, the chief executive of SBB, the permanent secretary of the ministry of finance, and the Deputy Director of the Bank Supervision. The committee had the power to list and to de-list a stock, and was also responsible for ensuring that the BSE traded ethically [Ruben Lee, 1998]. The necessity

to detach the running of the exchange from the broking business set in motion to preparation for the establishment of an independent exchange.

In September 1994 the legislation to transform the BSM into a full 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 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 stakeholder, and 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 Botswana's financial system, and in particular the capital market, as an avenue on which government, quasi-

BOTSWANA STOCK EXCHANGE OVERVIEW

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, this are Banking, financial service, Wholesaling and Retailing, Tourism, Energy, Security and Information Technology. Currently there are 31 listed entities in the BSE and comprise of 20 Domestic and 11 foreign companies.

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, is the Botswana Stock Exchange Act No 11 of 1994. Under the Act, the Minister of Finance and Development Planning is conferred with powers to appoint the Registrar of the Botswana Stock Exchange, who is a public servant.

The members have promulgated Rules (Member 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 to maintain fair and efficient dealing in securities for the protection of investors and 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:

Exchange House
Office Block 6
Plot 64511, Fairgrounds
Private Bag 00417
Gaborone

INDEPENDENT AUDITORS:

PricewaterhouseCoopers

BANKERS:

Barclays Bank of Botswana Limited

OUR PRODUCTS

The BSE aims to become a financial supermarket, meaning it aims to provide the right kind of products to suit investor and issuer so that it meet growing customer demands and challenges of the globalisation of financial markets. This can be done through product innovation and diversification. Current products include Equities, Corporate Bonds, Government Bonds and Commercial Papers while products being developed are Exchange Trade Products, Securitised Products and Derivatives.

EXECUTIVE COMMITTEE



1 Mr. R. Desai

Mr Desai holds LL.B (Hons) and DIPLP qualifications from the University of Edinburgh and an LL.M from Harvard Law School. He is a senior partner in the law firm Collins Newman & Co, specialising in corporate, securities and banking law. Mr Desai is also a director of Barclays Bank of Botswana Limited (listed on the Botswana Stock Exchange) and Motswedi Securities (Proprietary) Limited (a member of the Botswana Stock Exchange).

2 Mr. G. Bakwena

Mr Bakwena holds a Bachelor of Commerce (Accounting) degree and a Master of Business Administration (MBA) from the University of Botswana and he is a Fellow Member of the Institute of Chartered Secretaries (FICS). He also has an International Capital Markets Qualification (ICMQ) from the South African Institute of Financial Market. He is currently the CEO of Stockbrokers Botswana.

3 Mrs. E. Richard-Madisa

Mrs Richard-Madisa holds Masters Degree in Economics from the University of Witwatersrand (RSA) and a Diploma in Banking. She was recently appointed Deputy Secretary for Financial Policy in where she is responsible for policy issues related to the financial sector, tax and customs. Prior to joining the Ministry she worked in different capacities in Bank of Botswana. Mrs Madisa is also a board member of Botswana Building Society.

4 Dr. K. Jefferis

Dr Jefferis worked at the University of Botswana in the Department of Economics, the Bank of Botswana where he was Deputy Director in the Research Department and also worked as Senior Research Fellow at the Botswana Institute for Development Policy Analysis (BIDPA), before returning to the Bank of Botswana as Deputy Governor from 1999 to 2005. He is currently the Managing Director of Econsult Botswana (Pty) Ltd and Chairman of the Investment Committee for BIFM.

5 Mr. S. Mokama

Mr Mokama was appointed to BSE Board in 2008. He holds a B.A honours in Business Management (UK). He is currently a director in a property development company called Smart Partnership Enterprises. Prior to this he worked for KPMG Botswana, Ushma Investment and CEDA. Mr Mokama also holds Directorship positions at GM Advisory Services and TASCOM Communications.

6 Mr. M. Makgatlhe

Mr Makgatlhe is currently the CEO of Motswedi Securities. Prior to this he has held different managerial positions which include being CEO of Investec Botswana. He is currently the Board chairman of BotswanaPost and is also a board member of Botswana Building Society.

7 Mr. R. Motswaiso

Reginald is a Fellow Chartered Certified Accountant as well as an Associate member of The Chartered Institute of Management Accountants. He holds a Bachelor of Commerce Degree from University of Botswana. He sits in a number of local boards including the Sefalana Holdings, Botswana Stock Exchange as well as other regional bodies including The African Union of Housing Finance where he is the Vice President. His experience is in the field of Accounting, Finance, Banking and Strategy. He is currently the Chief Executive Officer of Botswana Housing Corporation (BHC).

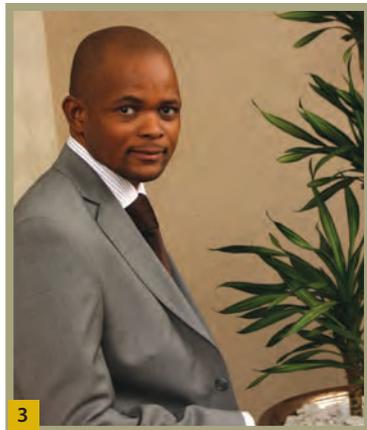
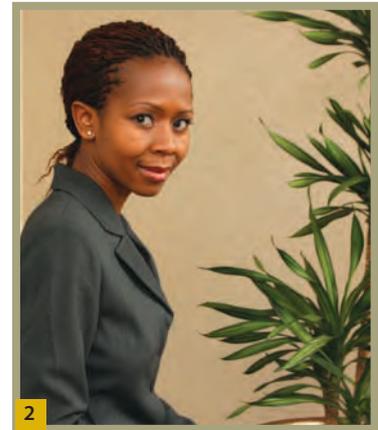
8 Mrs. L. Siwawa

Mrs Siwawa joined the BSE board in May 2008 and is a Chartered Certified Accountant (UK): CPA (Botswana). She was the Financial Manager and later the CEO of Capital Securities, having previously been an Audit Manager at KPMG. She is currently the Financial Controller of Barclays Bank Botswana and serves on the Board of Trustees of Barclays Bank Pension Fund.

9 Mr. G. Matsake

Mr Matsake was appointed to the board in 2005. Mr Matsake holds an Associate Diploma in Banking (BIOB), ICMQ from the Securities Institute (UK) and is a Registered Person under the South African Institute of Financial Markets (RSA). He is currently Chief Executive Officer at Capital Securities.

MANAGEMENT TEAM



MANAGEMENT TEAM

1

Mr. H. Mendis

Mr Hiran Mendis was appointed CEO of the BSE in July 2006. Prior to joining the BSE he was the Director General of the Colombo Stock Exchange in Sri Lanka for 9 years. Mr Mendis is a Fellow Member of CIMA and holds MBA and MA (Economics) degrees from the University of Colombo having graduated *Summa Cum Laude* in both Masters degrees. Mr Mendis was Past President of CIMA Sri Lanka Division and has served as a co-opted Member on the Council of CIMA in London and as a Director of the Southern African regional Board of CIMA. He is a recipient of the CIMA Bronze Medal.

2

Ms. L. Masire

Ms Masire joined BSE in January 2007 as a Market Development Manager. Prior to joining the BSE, she held different positions at international institutions such as General Electric and First Star Bank in the USA. She holds a BSBA Economics/ Human Resources and MA in Economics.

3

Mr. T. Tsheole

Mr Tsheole joined the BSE in 2007 as Product Development Manager. Prior to joining the BSE he worked for Bank of Botswana on different units of the Financial Market Department as a Dealer and Settlement Supervisor. He graduated with a BA in Economics from the University of Botswana, and holds a Master of Commerce in Financial Markets from Rhodes University (RSA). He is a Registered Person (RPE) under the South African Institute of Financial Markets.

4

Mr. M. Makwaeba

Mr Makwaeba joined the BSE in September 2006 as an IT Manager. Prior to joining BSE, he held different positions at Orange, IBM, African Banking Corporation and SADC Secretariat. He holds a BSc in Computer Science and a Diploma in Computer Studies both from the University of Botswana and a MSc in Strategic Management from University of Derby (UK)

5

Ms. B. Soko

Ms Soko joined BSE in June 2006 as Listings and Trading Manager. Prior to joining the BSE she worked for Bank of Botswana in the Banking Supervision Department. She holds a BComm (Accounting) (UB), Bachelor of Business Management and Administration and a Master in Business Administration (Finance) from the University of Stellenbosch (RSA).

6

Mrs. J. White

Mrs White joined BSE in 2003 as Corporate Affairs Manager. Prior to joining the BSE she was managing partner in a law firm where she practiced as an attorney. She was a Board member of the Law Society of Botswana from 1998 to 2007. She holds an LLB from the University of Botswana and an LLM with special emphasis in regulation of financial markets from the University of London.

7

Mr. M. Libengo

Mr. Libengo joined the BSE in 2009, as Finance and Administration Manager. He is qualified accountant with over ten years experience in the field of which five is post qualification. Moshe is currently pursuing MBA with the University of Derby. He is a Fellow member of Association of Accounting Technicians (FMAAT), Associate member of Association of Certified Chartered Accountants (ACCA) and Associate Member of Botswana Institute of Accountants (ACPA).

8

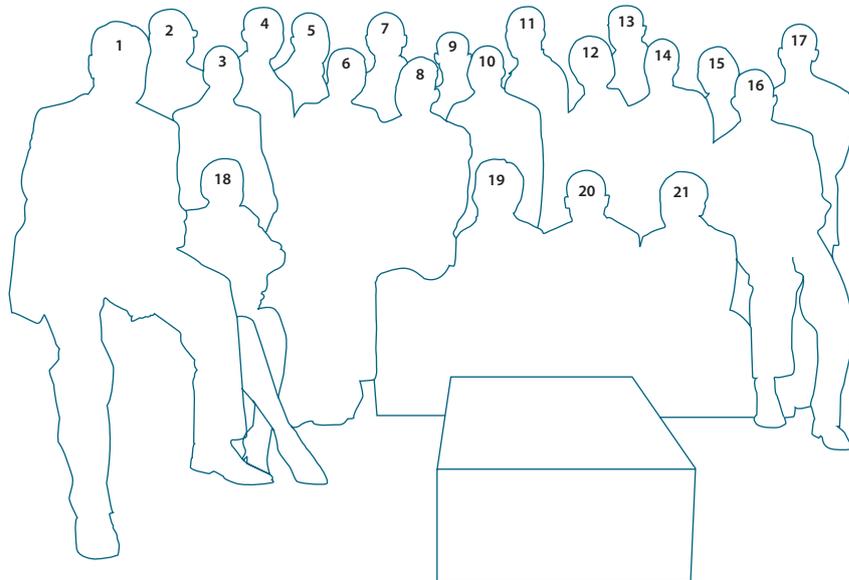
Ms. M. Pheto

Ms Pheto joined Botswana Stock Exchange in December 2007 as CSD Manager. Prior to joining the BSE she was Market Risk Manager at Stanbic Bank, Botswana. Before then, she worked for Bank of Botswana on different units of the Financial Market Department as a Dealer, Settlement Officer and Portfolio Analyst. She graduated with a BA in Economics from the University of Botswana, and holds a MA in Economics from University of Stellenbosch (RSA).

STAFF MEMBERS



1. Hiran Mendis, **2.** Moshe Libengo, **3.** Mpho Bathuleng, **4.** Oratile Leburu, **5.** Mafoko Makhao, **6.** Pearl Chawilani
7. Moefangedi Makwaeba, **8.** Bopelokgale Soko, **9.** Thata Segosebe, **10.** Kopano Mogorosi, **11.** Tebogo Lehubitsa,
12. Ambrosia Khupe, **13.** Justice Bakwadi, **14.** Judith Gabonewe, **15.** Masego Pheto, **16.** Thapelo Tsheole, **17.** Tsametse Mmolai,
18. Tapiwa Tamocha, **19.** Lame Masire, **20.** Nonofo Phalatse, **21.** Onkemetse Thomas





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”

CHAIRMAN'S STATEMENT



*"We aim to continue working hard
towards achieving these goals"*

“Warm greetings to all BSE stakeholders!”

I am pleased to report that the BSE continued to make commendable progress in implementing its development strategy during 2008. This progress was measurable on all fronts, but particularly in relation to infrastructure development, market development, regulation and product development.

Although we have some way to go, certain critical milestones have begun to be achieved. By way of example, the CSD project, which was initiated many years ago, was finally implemented in May 2008. This is arguably the single most significant development that has taken place in bringing the BSE closer to realizing its vision “to be the leading Stock Exchange in Africa”.

I am also pleased to convey that the general level of trading activity remained at an all time high in 2008. Turnover increased to P4.8 million per day from P3.4 million in 2007.

The decline in the market due to a price correction which commenced in quarter 3 of 2007 continued in quarter 4 and the first two quarters of 2008. The market turned around in the third quarter of 2008. However, the DCI once again declined from October due to the impact of the international financial crisis. The DCI closed the year by depreciating by 16.5% in contrast with the FCI, which declined by 44.1% in the year under review. We have therefore (and perhaps not surprisingly) been affected by the crisis and the team at the BSE continues to monitor the market with rigour and diligence.

DEVELOPMENTS

Following the implementation of the Central Securities Depository (CSD) in 2008, we have next in mind the implementation of an Automated Trading System (ATS). Although the BSE intended to implement an ATS in 2009, it is likely that the ATS will now be implemented in 2010 due to factors beyond our control. As indicated above, the CSD became

fully operational in May 2008 and all companies listed on the Domestic Board were transferred to the CSD by December 2008. The BSE expects to transfer dual listed companies into the CSD in 2009.

A number of market development initiatives that commenced in 2007 continued with added momentum in 2008. Public education programmes were re-energised with greater emphasis being placed on marketing initiatives aimed at stakeholders within the public and private sectors. Even though retail investor turnover is still on the low side, we are hopeful that it will increase in due course from added awareness and increased efficiencies as a result of infrastructure development.

Substantial effort has been concentrated on developing new products and we are looking to the potential of new instruments to increase liquidity on the BSE, (which does remain a challenge). One such example is the work now underway in relation to Exchange Traded Funds (ETFs), which we hope will bring the right ratio and balance of innovation and reward to the marketplace.

The manner in which product development initiatives are sought to be implemented takes into account both formal and informal consultation with stakeholders. In 2008, the Exchange hosted three successful seminars and conferences which resulted in awareness being created in respect of the strategy of the Exchange. The seminars drew an overwhelmingly positive response from the public.

The objective of product development is to enhance and move towards realising the full potential of capital markets in Botswana. It is only with the increase in the number and choice of products listed on the BSE that our investors will get a broader and more diverse template of risk-return options; it is only with the creation of an environment where greater liquidity is injected into the BSE that the liquidity deadlock we currently suffer from may begin to be eased; and

CHAIRMAN'S STATEMENT (CONTINUED)

it is only by providing a low cost methodology of investment in the capital markets that we will attract a new investor base to and for the BSE.

We aim to continue working hard towards achieving these goals.

REGULATION

We have additionally, under the guidance of the Ministry of Finance and Development Planning, instituted a comprehensive legislative review of the entire securities environment in Botswana, with a view to the promulgation of a new Securities Act, hopefully during the course of 2009. This will pave the way for several structural and governance changes identified in the BSE's strategy.

The BSE plays dual roles in developing and regulating the market. The role of the BSE as a regulator will change as a consequence of the establishment of the Non-Bank Financial Institutions Regulatory Authority (NBFIRA). As an Exchange, it is important that we temper development objectives with our inherent role as protector of the public investor, whilst not forgetting that (good) regulation may also serve as a function of development. It is with this in mind that the BSE hopes to be fully supportive of NBFIRA as the latter commences its regulatory role in Botswana.

There have also been notable developments during the course of 2008 in which aspects of the BSEs Listings Requirements and Members' Rules were re-engineered in an effort to align them with current international norms and to strive to make them more user friendly. We expect to implement the new rules in the course of 2009.

THE POTENTIAL IMPACT OF PRIVATISATION

The development of capital markets cannot operate in a vacuum and such development is in the greater part dependent upon the creation of an appropriate playing field for private sector development. In

a synergistic vein, the stimulus provided by the government's liberalisation initiatives will no doubt lead to greater economic activity on our Exchange, subject to capital market development being viewed as an objective of privatisation.

Our view of privatisation remains a very positive one through which there will be creation of wealth for Botswana through new opportunities in terms of gaining technical expertise, flexibility in decision making as well as greater access to the financial markets.

Privatisation, if executed through the capital markets, gives local investors an opportunity to have a stake in the privatised entity and will also provide a much needed injection of liquidity to such markets.

We therefore look forward with interest to further expected developments in this field.

FUTURE OUTLOOK

Our market remains pretty competitive at an international level, with other operators and players challenging us for business. As I have said in the past, our challenge as the BSE is to ensure that we maximise our opportunities in the coming years, through balanced investment in, and commensurate return from, delivery capability, infrastructure development, product development and market development.

It is by embracing the new, the innovative and the dynamic that we at the BSE intend to transform ourselves and move into the era of a progressive and modern exchange where transactions, ideas and products will be traded for the greater good of Botswana and its capital markets.

We are however buoyant in our outlook for the future. We have been shored up by what we have achieved so far and, I believe, have the passion and the commitment to take the BSE to the next level.

CHAIRMAN'S STATEMENT (CONTINUED)

APPRECIATION

It has been a great honour for me to continue to serve as Chairman of the BSE during the past year and to oversee its progress on the numerous fronts mentioned above during 2008.

On behalf of the BSE Committee, I take this opportunity to recognise the hard work of management and staff and urge them to continue to strive for improved performance, and improved stakeholder delivery, at all times.

I wish them, and you, the best for the coming year.



RIZWAN DESAI
CHAIRMAN



CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2008



Arguably 2008 was the best year ever for the BSE and would have been even better if not for the international financial crisis.

CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2008

1. INTRODUCTION

The laws of physics state that momentum is equal to mass multiplied by speed. In the world of commerce the definition of momentum is no less different if mass is equated to size and speed is considered as change. In this sense, the year 2008 was a momentous year for the BSE which was made possible by the increasing momentum of its activities in spite of the economic crisis. The BSE made headway on all fronts especially in respect of turnover, liquidity, capital mobilization and improved infrastructure, the only "fly in the ointment" being the decline in the price indices which was beyond the control of the Exchange.

In terms of the performance of the price indices, the correction which commenced in the third quarter of 2007 continued up to the end of Quarter 2 of 2008. The third quarter of 2008 saw the price indices appreciating only to be checked in Quarter 4 due to the contagion caused by the world economic crisis beginning to impact on market performance. Market capitalisation mirrored the changes in prices as reflected by the indices.

The BSE also covered much ground in implementing its strategic plan making progress in market development, product development, infrastructure development and regulation.

Arguably 2008 was the best year ever for the BSE and would have been even better if not for the international financial crisis.

2. MARKET PERFORMANCE

Turnover and Indices

Market performance over the past 5 years is detailed

in Figure 1. Figure 2 details the quarterly performance for 2008. The equity turnover in 2008 was P1.17 Bn compared to P0.82 Bn achieved in 2007, a growth of nearly 42%. Correspondingly the average daily turnover increased from P3.4 Mn in 2007 to P4.8 Mn, in the year under review. This compares with the increase in annual equity turnover in 2007 of 100% even though on a smaller base. The increase in turnover is reflected across almost all domestic listed equities. The volume of shares traded increased from 124.6 Mn in 2007 to 193.3 Mn in 2008, registering a growth of over 55% compared to 43% growth in 2007.

The turnover in respect of debt securities was P539.3 Mn in 2008 compared to P81.8 Mn and P196.8 Mn in 2006 and 2007 respectively. The liquidity of debt securities measured as a ratio of turnover to debt market capitalisation has improved steadily since 2006. It has risen from 2.1% in 2006 to 5% in 2007 and reached 9.9% in 2008. Given that the market capitalization of debt securities is P5.48Bn there is much that needs to be done to improve debt market activity.

CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2008 (CONTINUED)

Figure 1: Market Performance 2004 to 2008

| | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|-----------|-----------|-----------|-----------|-----------|
| Index Performance | | | | | |
| DCI | 2,888.7 | 3,559.1 | 6,195.4 | 8,421.6 | 7,035.5 |
| % Change in DCI | 15.6 | 23.2 | 74.1 | 35.9 | (16.5) |
| FCI | 634.7 | 1,129.9 | 1,777.3 | 2,200.9 | 1,192.0 |
| % Change in FCI | 11.9 | 78.0 | 57.3 | 23.8 | (45.8) |
| ACI | 693.6 | 1,211.5 | 1,914.5 | 2,377.5 | 1,328.9 |
| % Change in ACI | 12.2 | 74.7 | 58.0 | 24.2 | (44.1) |
| Liquidity | | | | | |
| Turnover (P'Mn) | 211.4 | 238.6 | 414.7 | 824.6 | 1,166.2 |
| Average Daily Turnover (P'Mn) | 0.9 | 1.0 | 1.7 | 3.4 | 4.8 |
| No of Shares Traded (Mn) | 61.9 | 44.2 | 87.2 | 124.6 | 193.3 |
| Market Capitalization | | | | | |
| Domestic Companies (P'Mn) | 10,876.4 | 13,418.1 | 23,776.9 | 32,702.6 | 27,706.1 |
| Foreign Companies (P'Mn) | 162,088.0 | 301,144.6 | 510,407.8 | 535,324.9 | 286,260.2 |
| Total (P'Mn) | 172,964.4 | 314,562.7 | 534,184.7 | 568,027.5 | 313,966.3 |
| Market Indicators | | | | | |
| P/E Ratio (times) | 12.3 | 11.0 | 16.3 | 15.6 | 12.0 |
| Dividend Yield (%) | 6.3 | 5.9 | 3.8 | 3.1 | 4.6 |
| Price/Book value (%) | 6.2 | 7.8 | 9.8 | 8.6 | 4.5 |
| Relative Performance | | | | | |
| Domestic Market Cap/GDP (%) ^{Note 1} | 23.5 | 25.3 | 28.4 | 37.1 | 40.7 |
| Turnover/Domestic Co Market Cap(%) | 3.0 | 1.8 | 1.8 | 2.5 | 3.9 |
| Turnover/All Co Market Cap (%) | 0.2 | 0.1 | 0.1 | 0.1 | 0.3 |

Note 1: Figures are as at end June of the relevant year
Source: BSE

The year 2008 was the first year, since the inception of the BSE in 1989 that the Domestic Company Index (DCI) recorded a negative growth. The DCI closed the year at 7,035.5 points compared to 8,421.6 points as at end 2007 depreciating by 16.5% compared to an appreciation of 74.1% and 35.9% in 2006 and 2007 respectively.

The quarterly analysis for 2008 detailed in Figure 2 reveals that the DCI declined by 4.1% and 11% in Quarter 1 and Quarter 2 of 2008, followed by a growth of 18.5% in Quarter 3 prior to depreciating by 17.4% in Quarter 4 of 2008. The DCI reached its highest mark for the year of 8,655.4 points on 13th October. It is noted that the DCI peaked at 9,879.4 points on 31st July 2007.

The Foreign Company Index (FCI) closed 2008 at 1,192.0 points, 45.8% below the level recorded as at the end of 2007. The FCI depreciated by 1.4% in Quarter 1, appreciated by 19.4% in Quarter 2 prior to falling by 1.5% in Quarter 3 and 53.3% in Quarter 4.

CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2008 (CONTINUED)

Figure 2: Quarterly Market Performance in 2008

| | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|--------------------------------|-----------|-----------|-----------|-----------|
| Index Performance | | | | |
| DCI | 8,075.8 | 7,184.1 | 8,514.4 | 7,035.5 |
| % Change in DCI | (4.1) | (11.0) | 18.5 | (17.4) |
| FCI | 2,171.1 | 2,593.1 | 2,555.0 | 1,192.0 |
| % Change in FCI | (1.4) | 19.4 | (1.5) | (53.3) |
| ACI | 2,341.4 | 2,755.7 | 2,739.5 | 1,328.9 |
| % Change in ACI | (1.5) | 17.7 | (0.6) | (51.5) |
| Liquidity | | | | |
| Turnover (P' Mn) | 234.9 | 301.4 | 330.2 | 299.6 |
| Average Daily Turnover (P' Mn) | 3.9 | 4.8 | 5.2 | 4.8 |
| No of Shares Traded (Mn) | 41.9 | 47.5 | 64.7 | 39.2 |
| Market Capitalization | | | | |
| Domestic Companies (P'Mn) | 31,414.0 | 28,188.3 | 33,404.3 | 27,706.1 |
| Foreign Companies (P' Mn) | 519,393.0 | 622,895.4 | 613,511.7 | 286,260.2 |
| Total (P' Mn) | 550,807.0 | 651,083.7 | 646,916.0 | 313,966.3 |

Source: BSE

As can be seen from Figure 2 the world economic crisis hit Botswana comparatively late in mid October 2008. There could be varied reasons for this. One reason which concerns the BSE is the relative inefficiency in price discovery due to the low level of market liquidity.

In spite of the decline in price indices, turnover in Quarters 3 and 4 remained high with daily average turnover reaching P5.2m per day in Quarter 3 and P4.8m a day in Quarter 4.

Corresponding to the movement in the DCI and FCI the All Company Index (ACI) fell by 44.1% in 2008 compared to a rise of 58% and 24.2% in 2006 and 2007 respectively. The BSE discontinued the computation of the ACI with effect from January 2009 due to the ACI being a market capitalisation index and hence being heavily weighted in favour of foreign companies that have very low levels of liquidity. Due to the above the ACI was an extension of the FCI for all practical purposes and did not reflect trading patterns and price changes in the BSE. The BSE has since commenced computing a series of indices from January 2009 on a test basis using liquidity as the basis of weighting and these indices will be implemented once testing is complete.

Market Indicators

The Price Earnings (P/E) ratio of domestic companies declined to 12.0x in 2008, reducing from 16.3x and 15.6x as at 2006 and 2007. In comparison the P/E ratios of Mauritius, Lusaka and JSE were 8.5x, 13.7x and 10.9x respectively as at end December 2008.

CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2008 (CONTINUED)

The Price to Book Value in the BSE domestic companies was 4.5x as at end 2008 down from 8.6x in 2007 and 9.8x in 2006. As can be expected in a bear market, Dividend Yield in contrast increased to 4.6% in 2008 in comparison to 3.1% in 2007 and 3.8% in 2006.

The BSE seems to be over valued in comparison to regional markets when one considers the market P/E ratios. However, historically BSE's market P/E ratios have remained higher than other comparable markets. One reason that may be attributed to this phenomenon is the high demand for local asset status securities driven by the policy of fund managers having to invest 30% of their portfolio in local assets.

Liquidity

As noted in the 2007 Annual Report, BSE's liquidity is comparatively low relative to regional stock exchanges. The Mauritius Exchange has a turnover to market capitalisation ratio of 10.7%, more than double that of the BSE. The BSE's turnover to market capitalisation of 3.9% is more than Lusaka's 3% but less than Malawi's 4.6%.

BSE's strategic plan notes that the development of the market requires a healthy mix of investors taking differing views. An analysis of contribution to turnover in Figure 3 shows that both purchase and sale transactions on the BSE are dominated by local institutional investors and these are largely pension funds and asset managers whose investment strategy is mainly to buy and hold. This is the reason for liquidity to be low in the BSE. The contribution to turnover accounted for by retail investors is miniscule in comparison.

A key strategy that the exchange has been working on over the past 3 years is creating awareness amongst retail investors of the investment opportunities that exist in the stock market. Participation at the BSE's Roadshows indicate the huge potential that exists in attracting retail investors. The BSE is continuing its efforts of educating the public in spite of the downturn in the market.

Retail investors often complain of difficulties in accessing the market and the availability of shares. This to a significant extent is due to the lack of trading infrastructure and Initial Public Offerings (IPO's). The BSE intends to automate its trading system which will improve accessibility and make brokers more efficient and effective in dealing with investors. In spite of the BSE's efforts to encourage listings through IPO's, funds raised through IPO's still remain low even though it has increased considerably compared to previous years.

Figure 3: Investor's Contribution to Turnover May to December 2008

| | Purchases (%) | Sales (%) | Turnover(%) |
|----------------------------|---------------|-----------|-------------|
| Foreign Companies | 11.6 | 15.3 | 13.4 |
| Foreign Individuals | 2.1 | 0.9 | 1.5 |
| Local Individuals | 2.7 | 3.2 | 3.0 |
| Local Companies | 79.0 | 60.3 | 69.6 |
| Brokers | 4.6 | 20.3 | 12.5 |
| Total | 100.0 | 100.0 | 100.0 |

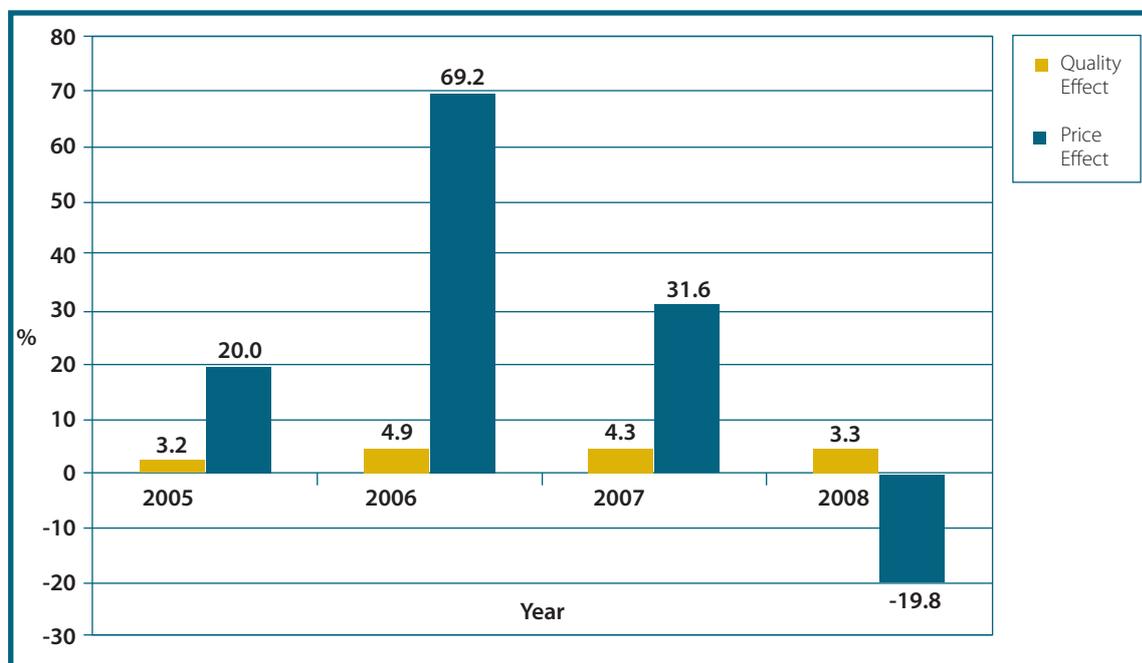
Source: CSD Botswana

CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2008 (CONTINUED)

Market Capitalisation

The BSE's domestic market capitalisation stood at P27.7 Bn as at end 2008 compared to P32.7 Bn as at end 2007. Changes in market capitalisation can be attributed to a change in quantity of listed shares and/or a change in average price of listed shares. An analysis done by the BSE on the percentage change in domestic market capitalisation revealed that the price effect has outweighed the quantity effect consistently. As detailed in Figure 4, the quantity effect has remained somewhat stagnant averaging 3.9% over the past four years. The impact of the Price and Quantity effects on the percentage change in market capitalisation from 2005 to 2008 is given in Figure 4.

Figure 4: Contribution to Percentage Change in Domestic Market Capitalisation 2005 to 2008



Note: The Increase in the quantity of shares due to splits have been adjusted in respect of prior years
Source: BSE

The market capitalisation of the BSE as a percentage of GDP has grown rapidly in recent years. Domestic market capitalisation as a percentage of GDP was 23.5% in 2004 and increased to 40.7% in 2008. It is noted that there are no domestic mining companies in the BSE's domestic market board. Hence if GDP is to be adjusted to exclude mining, the BSE's domestic market capitalisation to GDP (excluding mining) would be 62.6% of GDP in 2008.

Sector Analysis

As noted earlier in the report, the DCI depreciated by 16.5% during the year under review. Figure 5 shows the contribution of each sector to the decline in the DCI. The banking sector had the largest impact with a contribution of -9.5%, followed by the financial services sector which contributed -5.7%. The retail & wholesaling sector accounted for -0.6% contribution to the DCI. The energy, property and tourism sectors contributed -0.2% each to the change in the DCI. It is noted that all sectors were affected by the crisis in 2008.

CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2008 (CONTINUED)

Figure 5: Sector Contributions to the Growth in the DCI & FCI: 2007 and 2008

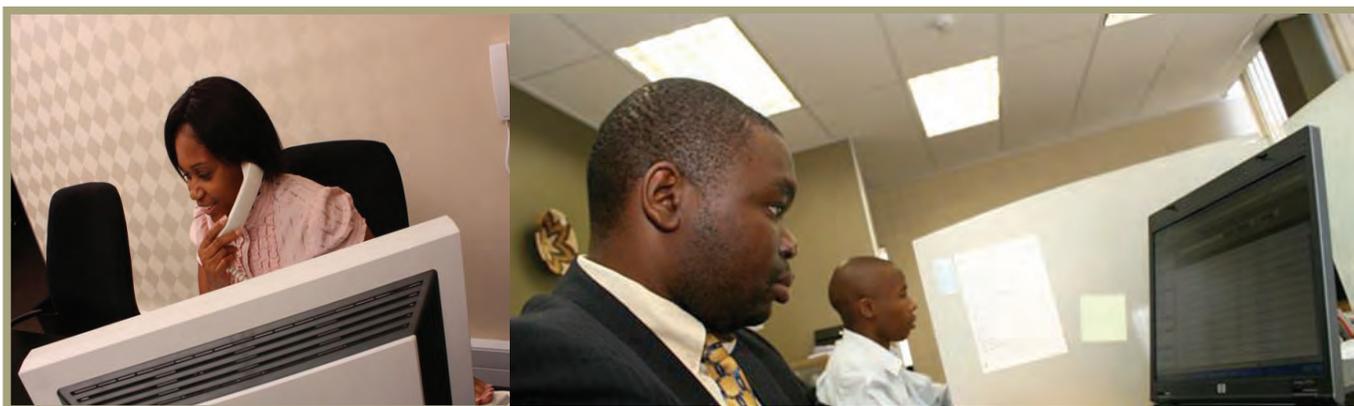
| | % Contribution 2007 | % Contribution 2008 |
|------------------------|---------------------|---------------------|
| Domestic Board | | |
| Banking | 13.7 | -9.5 |
| Financial Services | 15.1 | -5.7 |
| Retail & Wholesaling | 4.5 | -0.6 |
| Property | 1.7 | -0.2 |
| Health | 0.0 | 0.0 |
| Security Services | 0.3 | -0.1 |
| Information Technology | 0.0 | 0.0 |
| Energy | 0.1 | -0.2 |
| Tourism | 0.5 | -0.2 |
| DCI | 35.9 | -16.5 |
| Foreign Sector | | |
| Financial Services | -0.4 | -0.6 |
| Mining & Minerals | 24.2 | -45.2 |
| FCI | 23.8 | -45.8 |

Source: BSE

As can be seen from the sectoral analysis in Figure 6, the banking and financial services sectors continued to be the most liquid sectors in 2008 as measured by turnover to average market capitalisation and number of shares traded. The number of shares traded generally increased across most sectors in 2008 with the greatest growth being realized in the tourism and retail sectors.

The foreign financial services sector registered a growth of 5.2 Mn shares in 2008 from 0.01 Mn shares traded in 2007. In contrast liquidity in the mining sector declined in terms of the number of shares traded.

As can be seen from Figure 6, liquidity in the BSE is concentrated on the Domestic Board, with the Foreign Board only contributing 8.8% in terms of the number of shares traded. One reason for the low level of liquidity in the Foreign Board could be due to the cumbersome settlement procedure involved when trading foreign securities. The transfer of foreign companies into the Central Securities Depository will address this issue.



CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2008 (CONTINUED)

Figure 6: Sector Contributions to Liquidity 2007 and 2008

| SECTOR | 2007 | | | 2008 | | |
|-----------------------|--|------------|---------------------------|--------------------------------|--------|---------------------------|
| | Turnover as a % of Market Capitalisation | | No. of shares Traded (Mn) | Turnover as a % of Av. Mkt Cap | | No. of shares Traded (Mn) |
| | Note 1 | Note 2 | | Note 1 | Note 2 | |
| DOMESTIC BOARD | | | | | | |
| Banking Sector | 0.8179 | 0.0419 | 35.2554 | 1.2147 | 0.0832 | 74.9103 |
| Fin. Services Sector | 0.9550 | 0.0490 | 21.2099 | 1.2166 | 0.0833 | 24.6146 |
| Retail Sector | 0.5841 | 0.0299 | 11.9480 | 0.1192 | 0.0082 | 26.0354 |
| Property Sector | 0.1906 | 0.0082 | 30.3269 | 0.7259 | 0.0497 | 24.7103 |
| Health Care Sector | 0.0020 | 0.0001 | 0.5524 | 0.0007 | 0.0000 | 0.1779 |
| Security Sector | 0.0042 | 0.0002 | 0.0481 | 0.0213 | 0.0015 | 0.2519 |
| I.T Sector | 0.0046 | 0.0002 | 2.1458 | 0.0077 | 0.0005 | 4.1834 |
| Energy Sector | 0.0068 | 0.0004 | 0.4384 | 0.0536 | 0.0037 | 3.2930 |
| Tourism Sector | 0.0160 | 0.0008 | 1.0773 | 0.2473 | 0.0169 | 18.0657 |
| FOREIGN BOARD | | | | | | |
| Fin. Services Sector | 0.0001 | Negligible | 0.0124 | 0.0680 | 0.0223 | 5.2136 |
| Mining Sector | 0.0199 | 0.0188 | 21.5875 | 0.0527 | 0.0171 | 11.8520 |

Note 1: computed separately for the domestic & foreign boards
Note 2: computed for all shares listed on the BSE

Comparative Performance

In the period under review, the BSE's market capitalisation as a percentage of GDP compared well with those of SADC stock exchanges with the exception of JSE. It is noted that the market capitalization/GDP ratios of SADC markets declined sharply in 2008 due to the effects of the world financial crisis. As noted in Figure 7 BSE's market capitalization/GDP appreciated marginally in contrast.

Figure 7: Comparative Performance with other SADC Stock Exchanges 2007/08

| Stock Exchange | 2007 | | | | 2008 | | | |
|--------------------------------|-------------------|-----------------------|------------------|-------------|-------------------|-----------------------|------------------|-------------|
| | % change in index | Turnover/ Mkt Cap (%) | Mkt Cap/ GDP (%) | P/E Ratio | % change in index | Turnover/ Mkt Cap (%) | Mkt Cap/ GDP (%) | P/E Ratio |
| Stock Exchange of Mauritius | 53.8 | 6.8 | 74.9 | 13.4 | (36.7) | 10.7 | 44.3 | 8.5 |
| Lusaka Stock Exchange | 88.6 | 1.6 | 54.6 | 20.6 | (28.7) | 3.0 | 45.0 | 13.7 |
| JSE Securities Exchange | 16.2 | 44.9 | 269.0 | 16.5 | (25.7) | 60.3 | 145.1 | 10.9 |
| Botswana Stock Exchange | 35.9 | 2.9 | 37.1 | 15.6 | (16.5) | 3.9 | 40.7 | 12.0 |

Source: BSE, African Alliance Botswana Securities and SADC stock exchanges

CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2008 (CONTINUED)

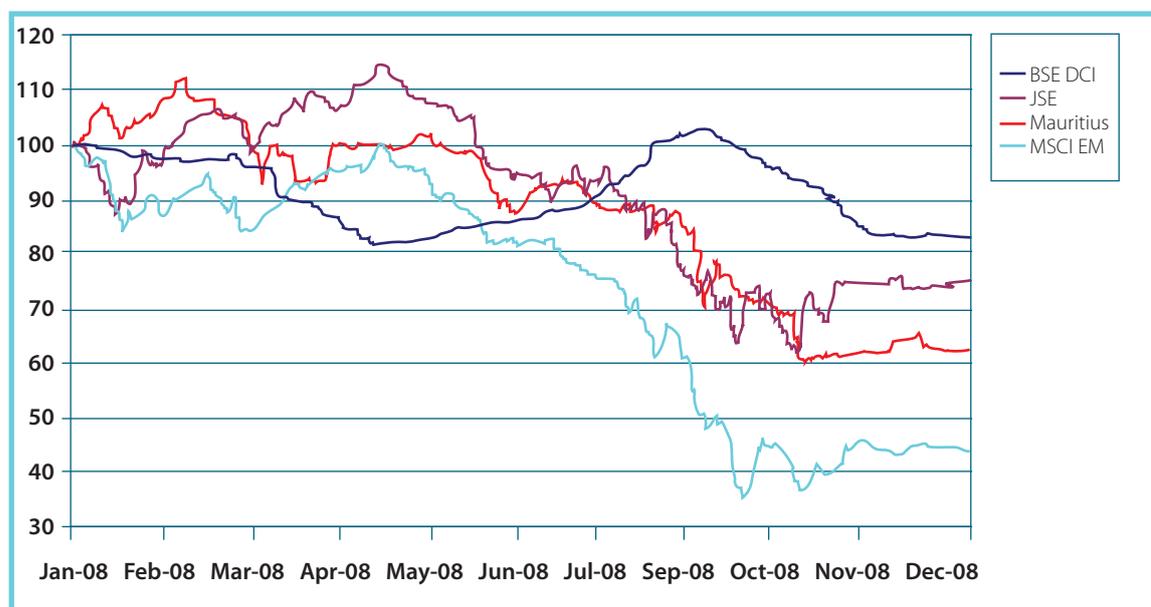
A graphical analysis of the performance of the DCI compared to the indices of other African stock exchanges and the Morgan Stanley Capital International (MSCI) Emerging Markets Index since 2006 reveals that in 2006 the DCI was positively correlated to other regional markets and the MSCI index. Due to the market correction which took place in the 2nd half of 2007 the correlation between the BSE and the other markets examined reduced in 2007 but still remained positive.

A comparison of BSE's performance in 2008 indicates that the BSE was negatively correlated in the first three quarters and would have afforded hedging opportunities to investors investing in Southern Africa. The correlation however became positive in Quarter 4 of 2008 subsequent to the impact of the international financial crisis.

Figure 8 shows a graphical comparison of the BSE DCI with other stock market indices in 2008. During the first half of 2008, the BSE was experiencing a decline in performance while other regional markets and the MSCI emerging markets index were relatively steady. By the end of the second quarter of 2008, the DCI was gaining momentum and other market indices were starting to experience negative growth. While regional markets and the MSCI index continued to decline throughout the remainder of the year, the DCI only started to experience a decline when the financial crisis hit the local market on 13th October 2008.

Overall, the DCI outperformed regional markets in the year under review as detailed in Figure 8.

Figure 8: Performance of BSE DCI in 2008 Compared to SADC & MSCI Emerging Markets Indices (Domestic Currencies)



Note 1: Indices standardised to 100 as at 2nd January 2008
Source: BSE and African Alliance Botswana Securities

The Botswana Pula depreciated by 20.2% against the US\$ in 2008. Correspondingly the DCI depreciated by 33.3% in US\$ terms in comparison to 16.5% in Pula terms. However as seen in Figure 9, the DCI still outperformed the MSCI index and the indices of other selected stock exchanges in US\$ terms.

CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2008 (CONTINUED)

As stated previously, it is important to note that liquidity on the BSE is low in comparison to the other markets evaluated. Low liquidity could result in inefficiencies in price discovery, which may have influenced the performance of the DCI to an extent.

Figure 9: Performance of BSE DCI in 2008 Compared to SADC & MSCI Emerging Markets Indices (US \$)



Note 1: Indices standardised to 100 as at 2nd January 2008
Source: BSE and African Alliance Botswana Securities

In the medium term i.e. during the period 2006 to 2008, the DCI measured in US\$ outperformed the MSCI Emerging Market Index and the S&P 500 index consistently as detailed in Figure 10.

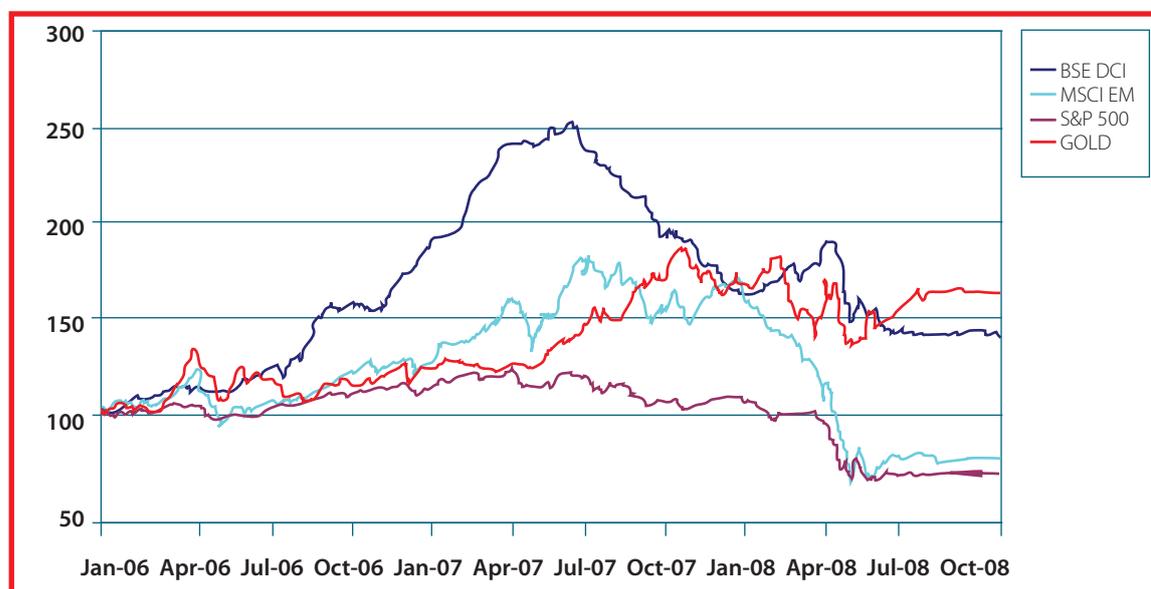
After the onset of the financial crisis, gold prices escalated as investors opted to move to gold in preference to holding securities.

Stock markets generally outperformed gold from 2006 up to early 2008. This trend was reversed in the latter half of 2008 subsequent to the onset of the crisis. As can be seen from Figure 10, gold commenced to outperform the DCI only from Quarter 4 of 2008.

Stock markets generally outperformed gold from 2006 up to early 2008. This trend was reversed in the latter half of 2008 subsequent to the onset of the crisis.

CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2008 (CONTINUED)

Figure 10: Performance of BSE DCI compared to Gold, S&P 500 and MSCI Emerging Market Indices 2006 to 2008 (US \$)



Note 1: Indices standardised to 100 as at 2nd January 2006
Source: BSE, ABSA Capital and African Alliance Botswana Securities

3. PRIMARY MARKET ACTIVITY

Primary market activity in 2008 significantly improved in comparison to 2007. Investments mobilised through the stock market was P2.8 Bn (including P1.25 Bn mobilized through Government Bonds) in comparison to P0.4 Bn in 2007.

There were 2 new equity listings on the BSE in 2008 i.e Funeral Services Group Limited (FSG) was listed on the Domestic Board and Blue Financial Services Limited (Blue) on the Foreign Board.

FSG was listed through an Initial Public Offering (IPO) coupled with a private placement. Of the 36 Mn shares offered to the public, 28 Mn were offered by private placement and were oversubscribed 2.8 times. The remaining 8 Mn shares were offered to the public through an IPO which was oversubscribed by 2.5 times. Blue (which has a primary listing on the Johannesburg Stock Exchange) was listed on the BSE by way of an introduction.

The total number of companies listed on the Domestic and Foreign Boards remained unchanged at 31 entities in 2008 due to 2 de-listings. Med Rescue International Botswana (MRIB) de-listed from the Domestic Board during the third quarter of 2008 while Ellerine Holdings Limited de-listed from the Foreign Board during Quarter 1.

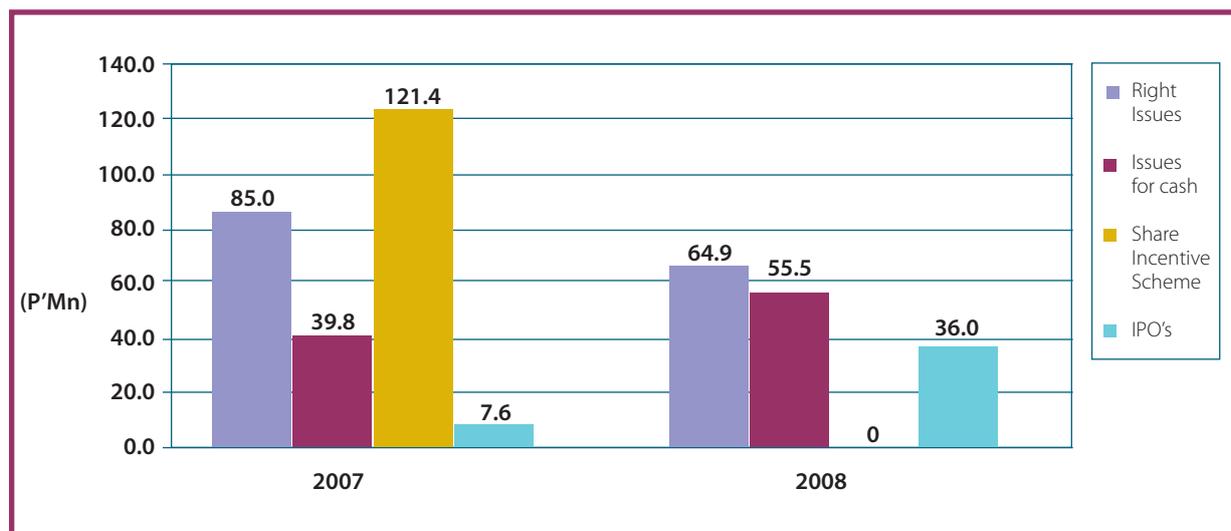
Funds raised through equity issues consisting of rights issues, issues for cash, share incentive schemes and IPOs for Domestic Board companies in 2008 amounted to nearly P156.4 Mn. It is also noted that shares to the value of P289.1 Mn was issued by PrimeTime Property Holding and Imara Holdings in respect of consideration for business transactions executed by the companies.

CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2008 (CONTINUED)

Primary equity market activity over the past two years is detailed in Figure 11.

It is noted that funds mobilized through IPOs in 2008 was P36 Mn and compares favourably with P7.6 Mn raised in 2007. However, the funds raised through rights issues was P64.9 Mn in 2008 compared to P85.0 Mn in 2007.

Figure 11: Primary Market Activity (Equity issues) 2007 to 2008



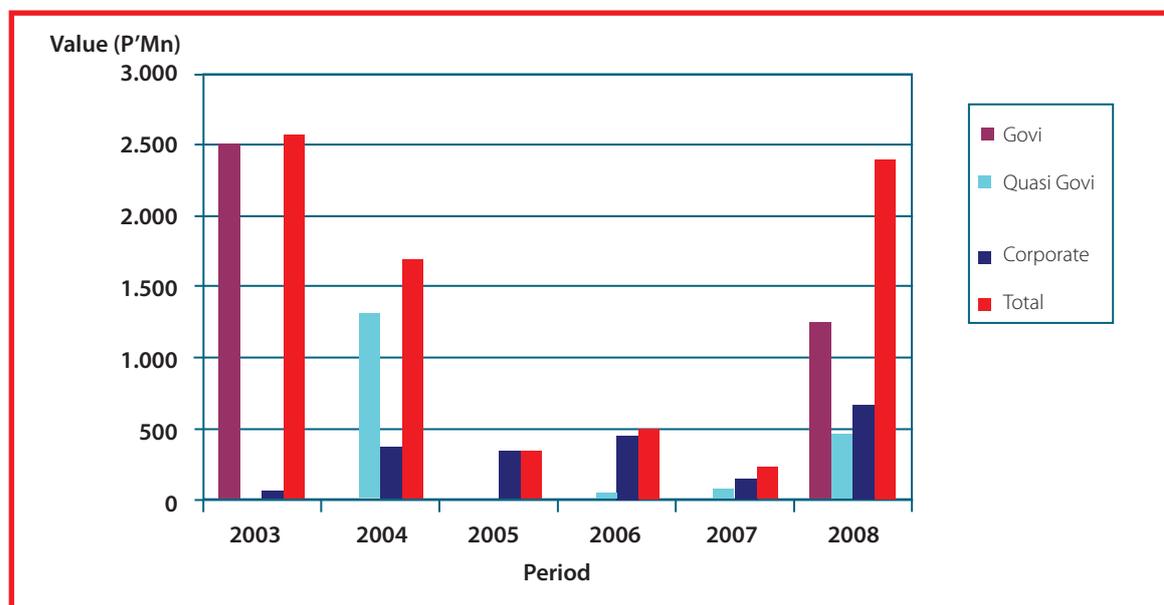
Source: BSE

During 2008, 13 debt securities valued at almost P2.4 Bn were listed on the BSE compared to 4 and 2 debt securities listed in 2006 and 2007 respectively. The total number of debt securities (on cumulative basis) listed as at end 2008 was 34 with a market capitalisation of P5.4 Bn, up from P3.8 Bn in 2007. Figure 12 details the primary market activity in respect of debt issues for the past 6 years.



CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2008 (CONTINUED)

Figure 12: Primary Market Activity (Debt Issues) 2003 to 2008



Source: Fleming Advisors (Pty) Ltd & BSE

4. MARKET DEVELOPMENT ACTIVITIES

Market development initiatives in 2007 focused mainly on expanding the investor base and creating awareness whilst initiatives in 2008 also focussed on educating companies about the process and benefits of listing on the BSE.

Marketing listings

In order to develop the activities of the primary market and as stated in the 2007 Annual Report the intention of the BSE strategy was to first develop the investor base in 2007 and then communicate the advantages of being listed to potential companies in 2008. Developing the investor base was initiated in 2006 and 2007 and is continuing.

Several companies that could qualify to be listed were identified through a desk research carried out in-house. The strategy adopted was to meet these companies on a one on one basis in order to communicate to them that a listing on the BSE would have far reaching benefits extending beyond raising funds from the public. Most of the companies that were visited showed a keen interest in being listed. The BSE continues to keep in contact with these companies. Experience has shown that a decision to list is never easy and it may take a while for companies to fully comprehend the several benefits of a listing which surpass costs by far.

The BSE also held meetings with the Public Enterprises Evaluation and Privatisation Agency (PEEPA) in order to establish working relations and solicit the agency to consider listing privatized entities on the BSE.

CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2008 (CONTINUED)

The Exchange will continue pursuing a series of initiatives in 2009 towards increasing the awareness of the corporate sector to the advantages of listings on the Exchange. Although immediate results cannot be expected through these initiatives, the BSE is confident that the nurturing of these relationships over time would influence some of these companies to list and realise the enormous benefits of being listed.

The main challenge faced by the BSE in motivating some companies to list, especially family owned enterprises, is that they do not wish to dilute ownership or loose control by listing. The BSE has endeavoured to communicate that a listing even though it would result in a possible dilution of ownership need not necessarily result in loss of control. The importance of getting more listings especially through IPOs for primary market development have been emphasised in the past two Annual Reports and is even more important from the perspective of retail market development.

As noted in the Annual Report for 2007, the key to unlocking the potential in the capital market lies with the government and its privatization policy. Listing privatized entities sooner than later would help Botswana become stakeholders in the economy. Even though every person cannot be an entrepreneur, there is no obstacle to investors profiting from the entrepreneurial skills of a few through the capital market and also contributing to the success of enterprises by their participation.

Strategic alliances

Part of the BSE's marketing strategy for 2008 focused on forging closer ties with local institutions that could assist the Exchange in furthering its goals from a

listing perspective. The BSE made visits to PEEPA and Botswana Development Corporation (BDC) in this regard. The BSE met with the International Finance Corporation (IFC) consultants that are handling the privatization of Botswana Telecommunications Corporation (BTC) and a follow up meeting with PEEPA was made in an effort to make the BSE part of the privatization process.

As identified in the BSE's strategic plan, forging links with the many institutions that are important to realizing BSE's strategic objectives would help the Exchange realize its vision. This could be achieved through an advisory or consultative committee structure, the point of focus being the realization of an integrated approach to capital market development through strategic alliances.

Participation at Trade Fairs and Exhibitions

The BSE continued to participate in exhibitions and trade fairs in 2008 in a bid to enhance awareness of the Exchange and the capital market. The BSE's exhibition stall won 3rd prize in the financial sector category at the Gaborone International Consumer Trade Fair. The judges commended the Exchange for a professionally set up exhibition stand and for the excellent effort in informing and educating the public of investment opportunities that exist in the stock market. The judges also commended the BSE on the nationwide road shows, radio and TV campaigns carried out.

We are pleased to note that the demand for public awareness campaigns has continued to grow and the resources of the Market Development Division are stretched to the maximum. Figure 13 details the Roadshows and Presentations carried out in 2008.

Listing privatized entities sooner than later would help Botswana become stakeholders in the economy.



Figure 13: Market Development Roadshows and Presentations in 2008

| Month | Audience | Location |
|------------------|---|-------------|
| February | Youth and Culture Day Stall | Gaborone |
| March | University of Botswana Business Clinic | UB-Gaborone |
| May | Southern District Council - Councillors | Kanye |
| June | Boipelo Secondary – Teachers & Students | Serowe |
| | Gobojango Secondary – Teachers & Students | Gobojango |
| | Ledumang Secondary – Teachers & Students | Gaborone |
| July | Chobe Secondary School | Kasane |
| August | Ministry of Finance and Development Planning | Gaborone |
| | University of Botswana Student Rep. Council | UB Gaborone |
| | Botswana Public Employees Union | Palapye |
| | Gaborone International Consumer Fair | Gaborone |
| September | Depart. of Town and Regional Planning - staff | Gaborone |
| October | IFSC Career Fair | Gaborone |
| | Global Expo | Gaborone |
| | Kalamare Secondary School | Kalamare |
| | Savings and Credit Co-operatives | Sebele |
| November | UBFS Banking Day | Gaborone |
| | Horticulture Day | Heberon |
| | Barolong Vocational Training Centre | Pitsane |
| | National Assembly | Gaborone |
| | United Nations Wellness Day | Gaborone |

Source: BSE

CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2008 (CONTINUED)

Media Relations

The BSE continued to use both print and electronic media to communicate information. The Exchange continued to educate the public through participation in a number of television and radio talk shows. Several articles in newspapers and magazines were authored by the Exchange.

Publications

The market development team produced an introductory booklet about the CSD in both English and Setswana. The content and quality of all BSE publications were enhanced substantially in keeping with the BSE brand. The CSD publications were distributed along with the BSE brochures at the several roadshows and presentations held during the year.

Annual report 2007

Following the publication of the first ever Annual Report in 2006, the BSE published the 2007 Annual Report that won the award for the Best Published Corporate Report and Accounts for 2007/2008 in the Not for Profit Sector, at the awards ceremony organised by PricewaterhouseCoopers and Botswana Confederation of Commerce, Industry and Manpower (BOCCIM).

Visits by Students

There cannot be a future without the present. The continued development of the market depends on the investors of tomorrow.

The BSE is happy to note that a considerable number of students visited the Exchange during 2008 for familiarisation programmes. Most groups observed trading where they were introduced to the trading process. The meaning of terms used in stock market reports was explained to students.



*BSE 2007 Annual Report won the award
for the Best Published Corporate Report*

CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2008 (CONTINUED)

Conferences

Following the successful conclusion of the Investment Forum in 2007 on the theme, *"Creating Wealth for Botswana"* the BSE organized 3 conferences in 2008. A conference on *"Exchange Traded Funds"* was held in April 2008 sponsored by Botswana Insurance Fund Management (BIFM). This was followed by a conference on *"Credit Ratings"* in association with Fitch Ratings Southern Africa in July 2008. The BSE also held a conference on *"Securitization and the Bond Market"* in October 2008. These initiatives are in line with the product development plans of the BSE and were both well attended and well received by participants.

Rules to list ETFs were drafted by the Product Development Division and approved by the Main Committee of the BSE. The Bank of Botswana (BoB) was consulted on the possibility of registering ETFs as Collective Investments Units (CIUs). BoB was of the view that structuring ETFs as CIUs was possible under the current legislation.

In order to assess the demand for this product, the Exchange held one to one meetings with pension fund managers, asset managers and administrators. The purpose of the meetings was to provide these institutions with insight on ETFs and communicate how the BSE intends to implement ETFs in Botswana. The Exchange also intends to create awareness on

Following the successful conclusion of the Investment Forum in 2007 on the theme, **"Creating Wealth for Botswana"** the BSE organized 3 conferences in 2008.

5. PRODUCT DEVELOPMENT

In meeting one of the key strategic objectives of the BSE, the Exchange continued to make significant progress in the development of products.

Exchange Traded Funds

Following the ETF conference hosted by the BSE in April 2008 attended by over 100 participants, the Exchange has had several discussions with companies managing ETFs with a view to listing ETFs in the BSE. Liquidity in domestic securities is at present not adequate to support the introduction of an ETF based on local securities. In this context the BSE has had discussions with several ETF Managers in South Africa regarding the possibility of listing such ETFs on the BSE.

ETFs targeting retail investors through its on-going roadshows and workshops.

The structure for introducing ETFs would entail the creation of a local management company to manage the CIU. Given this structure, ETFs are likely to be recognized as Local Asset Status Securities for the purpose of investment.

The BSE views the introduction of ETFs as a means through which liquidity can be enhanced and retail investor participation encouraged.

Debt Market Development

As stated in the 2007 Annual Report, the BSE is making a concerted effort to develop the debt market. As noted previously the Exchange partnered with Fitch Ratings to conduct a seminar

CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2008 (CONTINUED)

on the benefits of obtaining a credit rating and the importance of establishing a national credit rating scale for Botswana. The seminar addressed the rating process, methodology and the role of rating agencies in developing capital markets. The seminar was attended by 70 participants. As a follow up to the seminar a number of meetings were arranged with bond issuers and potential companies that could be candidates for establishing a national credit rating scale.

Another part of the BSE's strategic objectives is to enhance the development of the debt market by encouraging institutions that have illiquid assets to structure them and issue asset backed securities. The Exchange drafted a concept paper on securitisation and a conference on securitization was held in October 2008 as noted previously. The conference was attended by 120 participants. It is worth noting that securitisation is largely blamed for its contribution to the international financial crisis. Research shows that the demand and supply of securitised assets has declined worldwide since the crisis. Even though it is appreciated that one should not *"throw the baby with the bath water"* the BSE will postpone the intended campaigns on the development of the securitisation market in Botswana for the time being. The Exchange however has gone ahead and drafted listing rules for securitized products.

The inactivity of the bond market has been identified as a cause for concern. The BSE's intention to formulate a bond market development strategy was explained in the 2007 Annual Report. This was delayed to facilitate further consultation with industry participants and the exchange intends to form a task force to formulate a development strategy in this regard with the assistance of stakeholders active in the debt market.

Given the technical content of the subject matter

on bonds and securitisation and the low levels of awareness on debt products in Botswana, the BSE intend to hold workshops on bonds for interested debt market stakeholders. This would also help the Exchange assess interest and demand for debt products.

The implementation of the Central Securities Depository and the proposed automated Trading System will address the concerns raised by stakeholders related to the trading and settlement of bonds.

The establishment of an appropriate bond index will also contribute immensely to the development of the Bond Market. At present Fleming Advisors Pty Ltd compute a bond index known as Fleming Aggregate Bond Index (FABI) for Botswana. Fleming Advisors have proposed that the index be co-branded with technical input from the BSE. The Exchange is presently considering the proposal.

Construction of Indices

The BSE's DCI, FCI and ACI are constructed using market capitalization to determine relative weights of the constituent securities. These indices measure movement in prices of the constituent securities but do not take into account dividend payments.

The BSE commenced computing 3 additional indices, i.e. Local Asset Status Index (LASI), Foreign Resources Sector Index (FRSI) and Domestic Financial Sector Index (DFSI) with effect from February 2008. These indices are computed using a "total returns" methodology and take into account both capital gains/losses and dividends and hence are a better measure of performance in comparison to indices that only measure capital gains and losses.

As noted previously, BSE discontinued the computation of the ACI with effect from end

CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2008 (CONTINUED)

December 2008. The reason for doing so was the ACIs heavy weighting in favour of foreign companies and hence reflecting the movement of the FCI almost 100%. From the perspective of liquidity however domestic stocks account for over 90% of turnover and hence the ACI was not an adequate measure of the market's movement as a whole.

The BSE is presently computing a series of indices weighted on "free float" on a test basis. The "free float" methodology would negate the disadvantages of weighting constituent securities based only on market capitalization. The "free float" methodology takes into account both size and liquidity of the constituents in determining their relative weight. The indices computed on a test basis include the DCI, LASI and DFSI. As noted above the DCI would continue to measure capital gains/losses whereas the LASI and DFSI would measure total returns.

Database

A major constraint faced by the Exchange was inadequate information for the purpose of analysing market performance. To address this issue the BSE constructed a database capturing information from 2002. Information contained in the database include turnover analysed by company, price indices and

relative measures of performance at company level. The BSE plans to further develop the database going forward.

Library

In 2008 the BSE established an in-house library with the objective of encouraging staff to expand their knowledge on capital market related subjects and aid research. The library will be continuously expanded to cater to the needs of the Exchange.

6. CENTRAL SECURITIES DEPOSITORY

Implementation

The Central Securities Depository (CSD) commenced operations with effect from 22nd May 2008. The company incorporated to manage the CSD, the Central Securities Depository of Botswana (CSDB) is a wholly owned subsidiary of the BSE at present. It is envisaged that 94% of shares will be transferred to government in consideration of the subvention received to implement the CSD once payment has been made in full by the government. The CSD will continue to be managed by the BSE under a management contract.



Some of the staff using the Library

CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2008 (CONTINUED)

It is a common practice in emerging markets to embrace models and technologies of more developed markets *"lock, stock and barrel"*. The BSE adopted a CSD model that best suited its needs but did not compromise on international best practices. Whilst the CSD has reduced systemic risk for investors, it has also made brokers back offices more efficient. The implementation of the CSD will pave the way for automated trading, the benefits of which would be far reaching from a development perspective.

The level of compliance of the CSD with standards set by the Committee on Payment and Settlement Systems of the International Organisation of Securities Commissions (CPSS-IOSCO) is detailed in the section following this review. As the readers would note, the compliance of the CSD with these standards is high.

All local companies were transferred to the CSD as at end December 2008. Clearing and settlement of transactions of these counters take place through the CSD. The transfer of foreign companies into the CSD is expected to be completed in the first half of 2009.

It is noted that the introduction of the CSD has eliminated the extensive delays experienced by investors in receiving share certificates as shares are credited to the account holder on settlement day on a Delivery Vs Payment (DVP) basis. The CSD also has a built in exposure monitoring mechanism which mitigates losses by investors in the event of default. A Central Counter Party (CCP) model of settlement is expected to be introduced in due course. The CSD has 7 Participants as at date comprising the 4 stockbrokers and 3 custodian banks i.e Barclays Bank, Stanbic Bank and First National Bank Botswana.

Standard Chartered Bank was appointed as the Settlement Bank of the CSD.

Account Opening

As at end December 2008, the CSD had opened 4,707 accounts of which the majority were by local individuals. Figure 14 details the accounts opened analysed by client classification.

Figure 14: CSD client's classification as at December 2008

| Client Classification | No. of A/Cs opened | % of a/cs opened to total |
|-----------------------|--------------------|---------------------------|
| Local Individual | 3,677 | 78.1 |
| Local Junior | 288 | 6.1 |
| Local Company | 213 | 4.6 |
| Foreign Individual | 82 | 1.7 |
| Foreign Junior | 9 | 0.2 |
| Resident Foreigner | 258 | 5.5 |
| Foreign Company | 180 | 3.8 |
| TOTAL | 4707 | 100.0 |

Source: CSD Botswana



Client Holdings

As at 23rd March 2009 local companies held 84% of shares dematerialised, foreign companies held 12.4% followed by local individuals who held 2.5% of dematerialized shares. In terms of the domicile of investors, local citizens held 86.6% of shares in the CSD, followed by US citizens who held 8.6%. Residents of SADC countries held 2.8% of shares deposited in the CSD.

Dematerialisation Status

The status of dematerialisation of securities is detailed in Figure 15. It is noted that the degree of dematerialisation of the banking companies is comparatively low. This is to be expected given that a significant proportion of shares of the banking sector are held by their respective holding companies.

Figure 15: Securities Dematerialised as at January 2009

| Security | Issued Shares (No) | Shares Deposited into CSD (No) | % of Shares in the CSD |
|--------------|----------------------|--------------------------------|------------------------|
| ABCH | 146,419,524 | 39,536,211 | 27.0 |
| Barclays | 852,161,250 | 154,090,401 | 18.1 |
| BIHL | 281,070,652 | 95,360,367 | 33.9 |
| Chobe | 89,405,139 | 26,150,199 | 29.2 |
| Engen | 159,722,220 | 34,801,909 | 21.8 |
| FNBB | 2,563,700,000 | 627,151,954 | 24.5 |
| FSG | 120,000,000 | 37,690,434 | 31.4 |
| Furnmart | 46,328,883 | 9,957,236 | 21.5 |
| G4S | 8,000,000 | 1,810,553 | 22.6 |
| Imara | 55,414,496 | 10,894,626 | 19.7 |
| Letshego | 151,544,881 | 66,420,917 | 43.8 |
| Olympia | 28,600,000 | 3,998,976 | 14.0 |
| Primetime | 179,890,200 | 47,775,990 | 26.6 |
| RDCP | 32,372,329 | 6,311,667 | 19.5 |
| RPC | 31,482,887 | 10,208,221 | 32.4 |
| Sechaba | 133,014,875 | 61,346,542 | 46.1 |
| Sefalana | 165,650,067 | 118,756,689 | 71.7 |
| Sefcash | 20,330,000 | 3,062,856 | 15.1 |
| Stanchart | 288,062,570 | 52,773,958 | 18.3 |
| Turnstar | 385,810,579 | 324,456,673 | 84.1 |
| TOTAL | 5,738,980,552 | 1,732,556,379 | 30.2 |

Source: CSD

On average, 30.2% of shares of local companies have been dematerialised as at January 2009. It is intended that foreign counters excluding the 2 companies incorporated in the United Kingdom be transferred into the



CSD by June 2009. It is noted that the UK Companies Act has not listed Botswana as a country where sub-registers of UK companies could be maintained. Hence, UK companies listed on the BSE cannot be migrated to the CSD. The BSE has referred this issue to the Ministry of Trade and Industry in order that they may take this matter up with their UK counterpart.

The inclusion of bonds in the CSD requires amendments to be made to the Companies Act since the Companies Act does not recognise the electronic transfer of bonds as is the case for shares. The BSE expects to engage the Ministry of Trade and Industry in this regard shortly.

7. REGULATION & GOVERNANCE

As stated in the previous 2 Annual Reports, the review of the BSE Act, Members Rules and Listing Requirements started in 2006 and has been going on since. The BSE has submitted its final comments on the proposed Securities Bill for incorporation into the draft Securities Bill to be submitted to Cabinet by the Ministry of Finance and Development Planning (MFDP).

The Exchange has also reviewed the draft Listing Requirements and Members Rules and will be forwarding comments thereon to MFDP shortly.

During 2008, BSE Members and Listed Companies were monitored for compliance and disciplinary action was taken against those who were in violation of the BSE Act and Rules.

The BSE admitted African Alliance Botswana Securities Limited as a Member of the Exchange. One stockbroker and 4 dealers were also admitted.

The BSE conducted on-site inspections of stock broking firms in December 2008.

The BSE amended its Member Rules in 2008 to enable brokerage commission to be charged on a negotiable basis subject to a ceiling of 1.85%. The fees payable to the BSE and CSD were revised and made applicable with effect from April 2008

8. STAFFING AND HUMAN RESOURCE DEVELOPMENT

In order to cope with the increased level of activity, the BSE recruited Ms Onkemetse Thomas as Legal and Corporate Affairs Officer, Mr. Tsametse Mmolai as Listing and Trading Operations Officer and Mr. Mafoko Makhaio as Operations Officer Finance. Mr. Nonfo Phalatse and Mr. Oratile Leburu joined the CSD as Data Clerks subsequent to the implementation of the Depository.

Ms Boitumelo Mwendapole resigned her position as Finance and Administration Manager and Ms Juliana White resigned from the position of Corporate Affairs Manager in early 2009. Ms Mwendapole has been replaced by Mr. Moshe Libengo. The position of Corporate Affairs Manager will be filled shortly. Mr. Tsogo Modise was replaced by Mr. Tebogo Lehubitsa as Driver/Messenger.

“A chain can only be as strong as its weakest link”. One of the areas identified in the BSE’s strategic plan is the need to continually train staff to meet the needs of the ever challenging world of financial markets. In 2008 a number of staff members attended training courses and conferences which would over time improve the capacity of the Exchange.

CHIEF EXECUTIVE OFFICER'S REVIEW FOR 2008 (CONTINUED)

The Human Resource Division also organised a workshop for staff members to educate them about issues on HIV/AIDS.

9. REGIONAL AND INTERNATIONAL COOPERATION

The BSE continues to participate in the activities of the Committee of SADC Stock Exchanges (CoSSE). In 2008, the Exchange attended two CoSSE meeting in Malawi and Zambia hosted by the respective stock exchanges. The BSE hosted the CoSSE meeting in January 2009 in Kasane. As stated in the 2007 Annual Report, CoSSE has been an effective forum for stock exchanges in the SADC region to share information and knowledge regarding development issues.

The BSE is represented in the CoSSE Technical Committee which is working on a model to integrate Southern African stock exchanges on the basis of promoting cross trading of securities across CoSSE members.

The BSE also attended the World Federation of Exchanges conference for Emerging Markets in Cairo and the African Securities Association (ASEA) conference in Uganda.

10. FINANCIAL PERFORMANCE

The audited financial statements detail the performance of the Exchange in the year under review.

As noted in the section on Regulation and Governance, commission on Brokerage was made negotiable with effect from April 2008 and fees due to the Exchange on transactions were made independent of commission on Brokerage earned by Brokers. This was done subsequent to benchmarking the fee structure of the BSE with fees charged by other comparable exchanges.

This initiative helped the BSE to increase revenue earned from BSE Fees from P220, 142 in 2007 to P2,439,435 in 2008 and thus reduce its dependence on the government subvention.

11. APPRECIATION

I acknowledge the support extended by the Ministry of Finance and Development Planning, Bank of Botswana and the NBFIRA during the past year.

I thank the Chairman Mr. Rizwan Desai and Committee Members for their counsel and assistance.

I appreciate the efforts of the transfer secretaries, custodian banks, the settlement bank, brokers and other stakeholders that made the transition from a manual settlement system to the CSD both efficient and effective.

As noted above, Ms. B. Mwendapole and Ms J. White resigned their positions at the BSE. I wish to thank them for their contribution to the development of the Exchange and wish them the very best in their future endeavours.

The year would not have been possible if not for the continued commitment and dedication of the staff. It was a hectic year and there was no room for complacency. ***The effort of each individual mattered and it did count.*** I thank the management and staff for the cooperation received in making 2008 arguably the best year yet for the BSE.



Hiran Mendis
Chief Executive Officer

CPSS-IOSCO TECHNICAL COMMITTEE RECOMMENDATIONS FOR SECURITIES SETTLEMENT SYSTEMS

LEGAL RISK

1. Legal framework

Securities settlement systems should have a well founded, clear and transparent legal basis in the relevant jurisdictions

Compliance:

The BSE Act and the Companies Act provide the legal basis for the establishment of CSDB.

PRE-SETTLEMENT RISK

2. Trade confirmation

Confirmation of trades between direct market participants should occur as soon as possible after trade execution, but no later than trade date (T+0). Where confirmation of trades by indirect market participants (such as institutional investors) is required, it should occur as soon as possible after trade execution, preferably on T+0, but no later than T+1.

Compliance:

Confirmation of trades between brokers occur at T. Trade affirmation by Custodian Banks takes place on or before T+2. This will be shortened to T+1 subsequent to the reduction of the settlement cycle to T+3.

3. Settlement cycles

Rolling settlement should be adopted in all securities markets. Final settlement should occur no later than T+3. The benefits and costs of a settlement cycle shorter than T+3 should be assessed.

Compliance:

Settlement is at T+4 and is on rolling basis. CSDB intends to move to a T+3 cycle after

all listed companies have been transferred into the CSDB and after consultation with stakeholders.

4. Central counterparties

The benefits and costs of a central counterparty should be assessed. Where such a mechanism is introduced, the central counterparty should rigorously control the risks it assumes.

Compliance:

The implementation of a Central Counterparty (CCP) is currently being evaluated.

5. Securities lending

Securities lending and borrowing (or repurchase agreements and other economically equivalent transactions) should be encouraged as a method for expediting the settlement of securities transactions. Barriers that inhibit the practice of lending securities for this purpose should be removed.

Compliance:

Securities Lending and Borrowing (SBL) transactions are allowed. CSDB intends to automate SBL subsequent to the implementation of the Automated Trading System by the BSE.

SETTLEMENT RISK

6. Central securities depositories (CSDs)

Securities should be immobilised or dematerialised and transferred by book entry in CSDs to the greatest extent possible.

Compliance:

Securities settlement of trades occurring in respect of domestic companies takes place in

CPSS-IOSCO TECHNICAL COMMITTEE RECOMMENDATIONS FOR SECURITIES SETTLEMENT SYSTEMS (CONTINUED)

the CSD on a dematerialised platform. Trades on dual listed securities and bonds will be transferred in stages.

7. Delivery versus payment (DVP)

Securities settlement systems should eliminate principal risk by linking securities transfers to funds transfers in a way that achieves delivery versus payment.

Compliance:

Settlement takes place on a DVP basis. Securities settlement takes place on a trade by trade basis subject to availability of funds in the settlement account of participants. The transfer of funds to sellers is done on a net basis. The time differential between fund settlement and securities settlement is less than 30 minutes.

8. Timing of settlement finality

Final settlement should occur no later than the end of the settlement day. Intraday or real-time finality should be provided where necessary to reduce risks.

Compliance:

Final settlement on a DVP basis occurs on settlement date. Intraday or real time finality of settlement will be considered subject to trades taking place on a continuous basis (subsequent to the implementation of the automated trading system), facilities being available for fund transfers and trade by trade settlement of securities on a real time basis.

9. CSD risk controls to address participants' failures to settle

CSDs that extend intraday credit to participants including CSDs that operate net settlement systems, should institute risk controls that, at a minimum, ensure timely settlement in the event

that the participant with the largest payment obligation is unable to settle. The most reliable set of controls is a combination of collateral requirements and limits.

Compliance:

Settlement on the CSD takes place on a DVP basis. Participants also maintain liquidity accounts with CSDB to cover their exposure. Exposure is based on transactions at risk being marked to market on a daily basis. Funds in the liquidity accounts are used to compensate aggrieved parties to transactions in case of default.

10. Cash settlement assets

Assets used to settle the ultimate payment obligations arising from securities transactions should carry little or no credit or liquidity risk. If central bank money is not used, steps must be taken to protect CSD members from potential losses and liquidity pressures arising from the failure of the cash settlement bank whose assets are used for that purpose.

Compliance:

The Settlement Bank, which is a commercial bank, is monitored and regulated by the Bank of Botswana. Funds in the settlement account at the settlement bank remain in such account for less than 1 hour on settlement date. Fund transfers to net sellers from the settlement bank take place via RTGS system of the Bank of Botswana. CSDB expects the Bank of Botswana to be the settlement bank of CSDB, subject to their approval, at a future point in time.



CPSS-IOSCO TECHNICAL COMMITTEE RECOMMENDATIONS FOR SECURITIES SETTLEMENT SYSTEMS (CONTINUED)

OPERATIONAL RISK

11. Operational reliability

Sources of operational risk arising in the clearing and settlement process should be identified and minimised through the development of appropriate systems, controls and procedures. Systems should be reliable and secure, and have adequate, scalable capacity. Contingency plans and backup facilities should be established to allow for timely recovery of operations and completion of the settlement process.

Compliance:

Backup of the CSDB data base is done on a daily basis. Adequate hardware back up is also available. The estimated downtime in the event of a hardware failure is expected to be less than 1 trading day. The BSE is in the process of implementing its disaster recovery site.

CUSTODY RISK

12. Protection of customers' securities

Entities holding securities in custody should employ accounting practices and safekeeping procedures that fully protect customers' securities. It is essential that customers' securities be protected against the claims of a custodian's creditors.

Compliance:

Account opening and holding of securities in CSDB can be done at the level of the beneficial owner even in respect of the custodian accounts. Hence securities of account holders are segregated from those of custodian banks and therefore protected from custodian's creditors. However, some custodians opt to hold securities in nominee accounts. In such event, CSDB will not be able to segregate holdings between investor accounts and

custodian accounts in the event of a claim against the custodian bank.

OTHER ISSUES

13. Governance

Governance arrangements for CSDs and central counterparties should be designed to fulfil public interest requirements and to promote the objectives of owners and users.

Compliance:

CSD is governed by Board of Directors and is regulated by the Non Bank Financial Institutions Regulatory Authority (NBFIRA) and the Bank of Botswana.

14. Access

CSDs and central counterparties should have objective and publicly disclosed criteria for participation that permit fair and open access.

Compliance:

The criteria to be fulfilled to be appointed a participant of CSDB open accounts etc is clearly stated in the CSDB Rules.

15. Efficiency

While maintaining safe and secure operations, securities settlement systems should be cost-effective in meeting the requirements of users.

Compliance:

The fees charged by CSDB have been benchmarked against others similar institutions in the region.

16. Communication procedures and standards

Securities settlement systems should use or accommodate the relevant international communication procedures and standards in order to facilitate efficient settlement of cross-border transactions.

CPSS-IOSCO TECHNICAL COMMITTEE RECOMMENDATIONS FOR SECURITIES SETTLEMENT SYSTEMS (CONTINUED)

Compliance:

At present, cross boarder transactions of securities are settled using CSDB participants. Steps are underway to enable cross-boarder transactions using a Cross Trading Model amongst SADC Stock Exchanges. Any changes required to CSDB subsequent to the implementation of this model will be carried out.

17. Transparency

CSDs and central counterparties should provide market participants with sufficient information for them to accurately identify and evaluate the risks and costs associated with using the CSD or central counterparty services.

Compliance:

CSD charges are clearly detailed in brokers' contract notes issued to investors. Brochures on CSDB which explain the workings of the depository are publicly available and can also be accessed via the BSE website. Many public campaigns using road shows, press and electronic media have been held to educate the public on the functioning of CSDB.

18. Regulation and oversight

Securities settlement systems should be subject to regulation and oversight. The responsibilities

and objectives of the securities regulator and the central bank with respect to securities settlement systems should be clearly defined, and their roles and major policies should be publicly disclosed. They should have the ability and the resources to perform their responsibilities, including assessing and promoting implementation of these recommendations. They should cooperate with each other and with other relevant authorities.

Compliance:

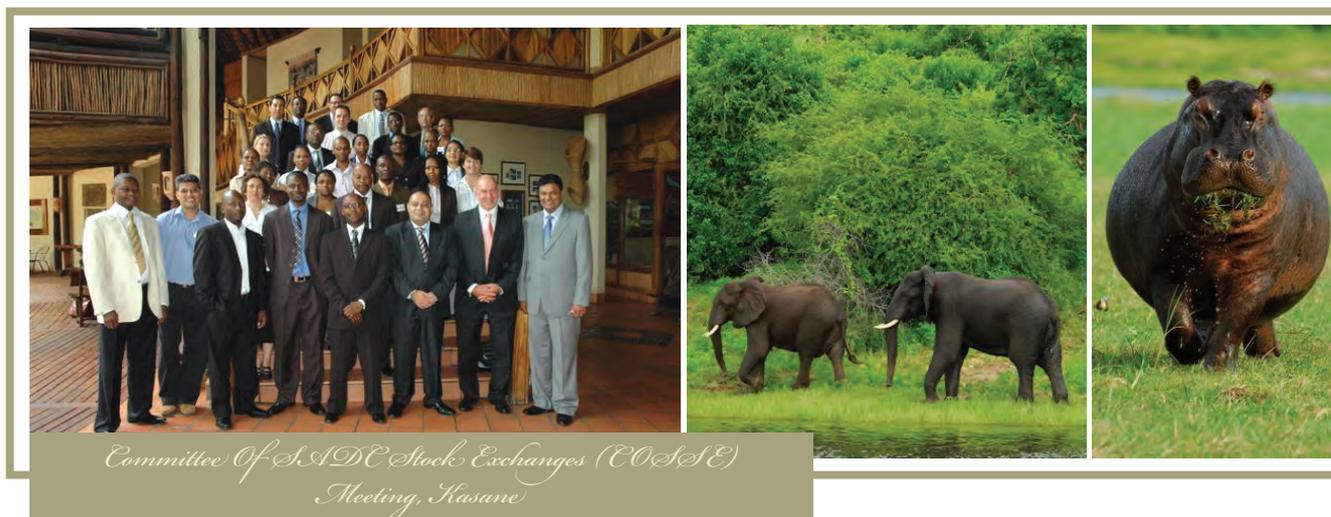
CSDB is regulated by both NBFIRA and Bank of Botswana.

19. Risk in cross-boarder links

CSDs that establish links to settle cross-boarder trades should design and operate such links to reduce effectively the risks associated with cross-boarder settlements

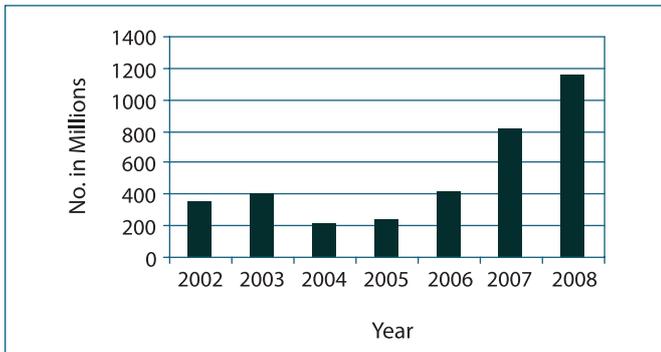
Compliance:

This standard will be complied with subsequent to the implementation of the SADC integration project which envisages cross boarder transactions on a cross trading basis between SADC stock exchanges.

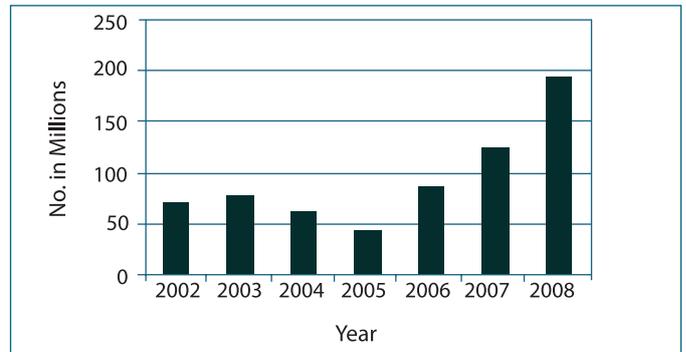


GRAPHICAL REVIEW EQUITIES

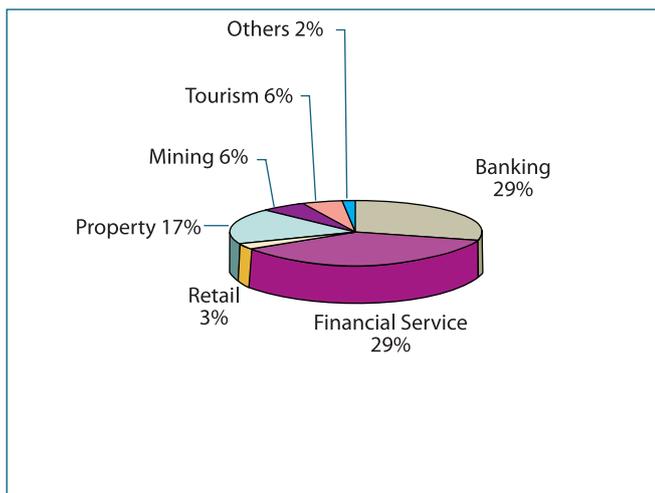
Value of Shares Traded



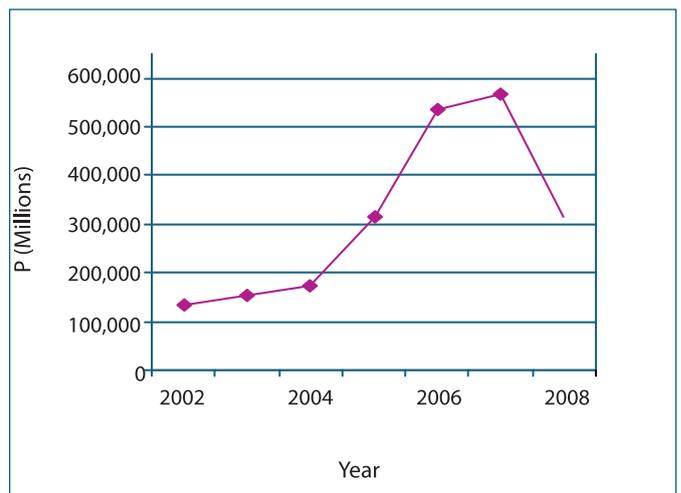
Volume of Shares Traded



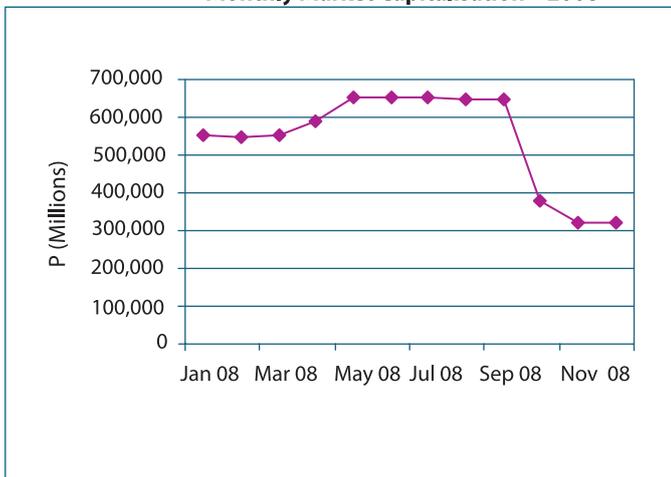
Turnover as a % of Mkt Cap



Total Market Capitalisation



Monthly Market Capitalisation - 2008

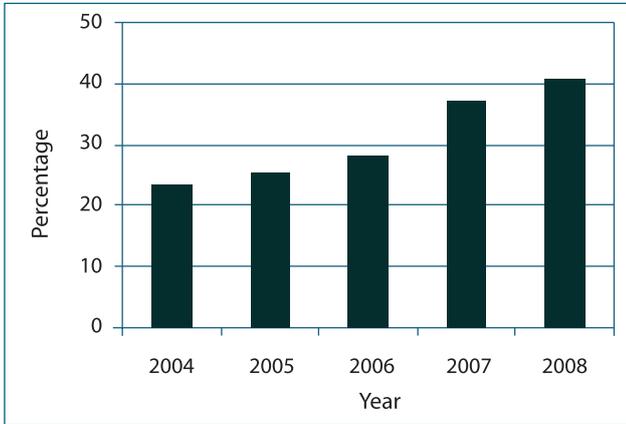


DCI Monthly % Change

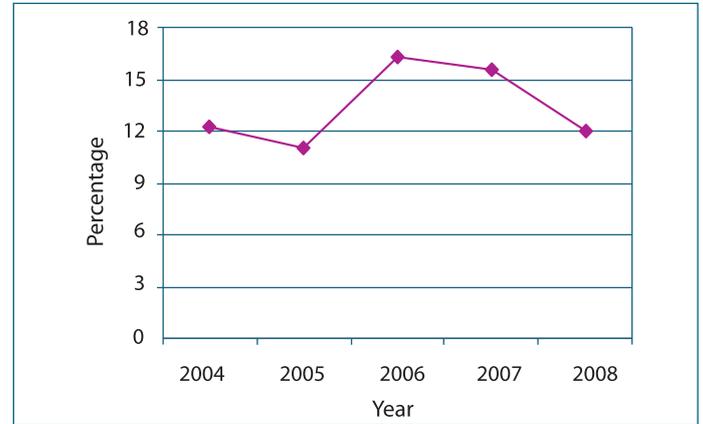


GRAPHICAL REVIEW EQUITIES (CONTINUED)

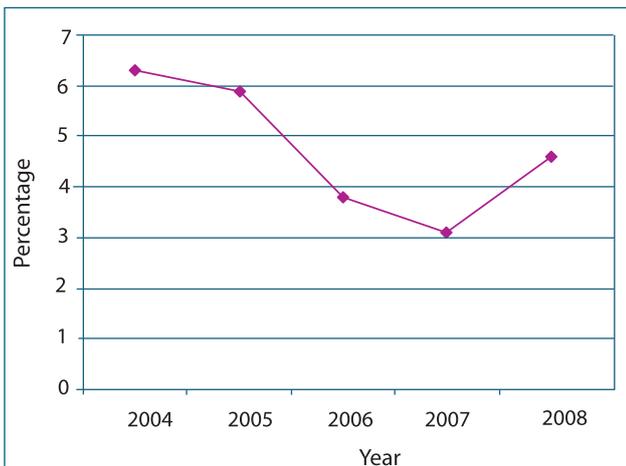
Market Capitalisation as a % of GDP



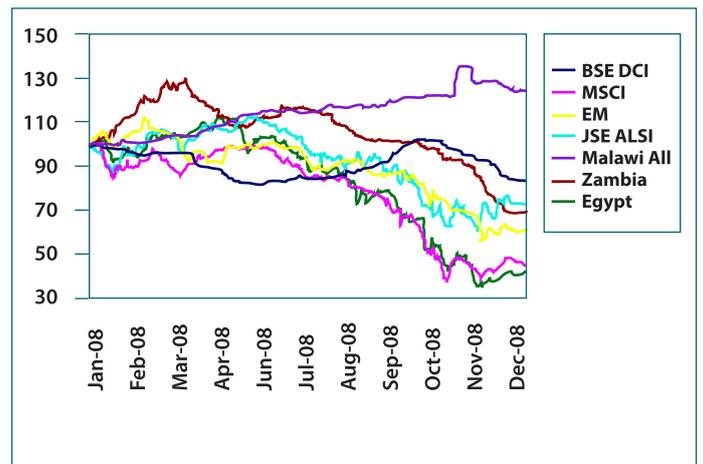
Price-Earnings Ratio



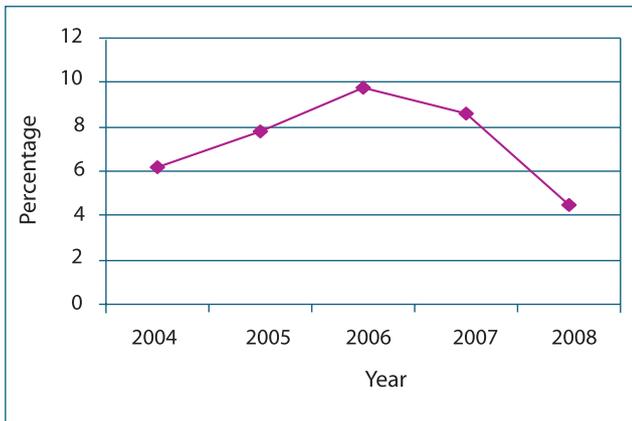
Dividend Yield



Performance of BSE DCI compared to other market indices in domestic currencies



Market Price to Book Value

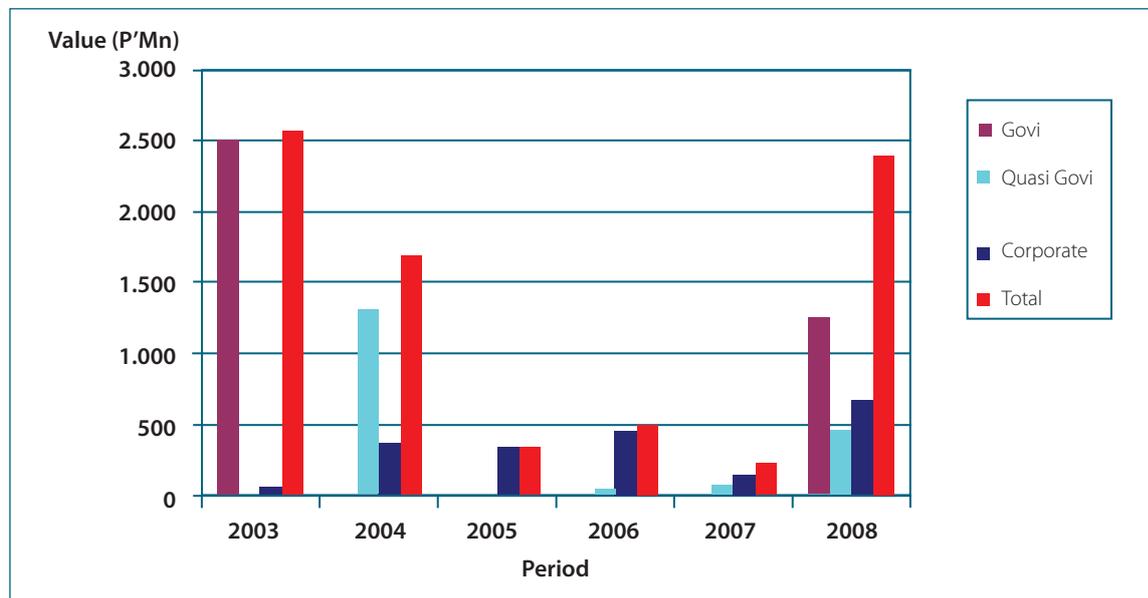


Performance of BSE DCI compared to other markets (US\$)



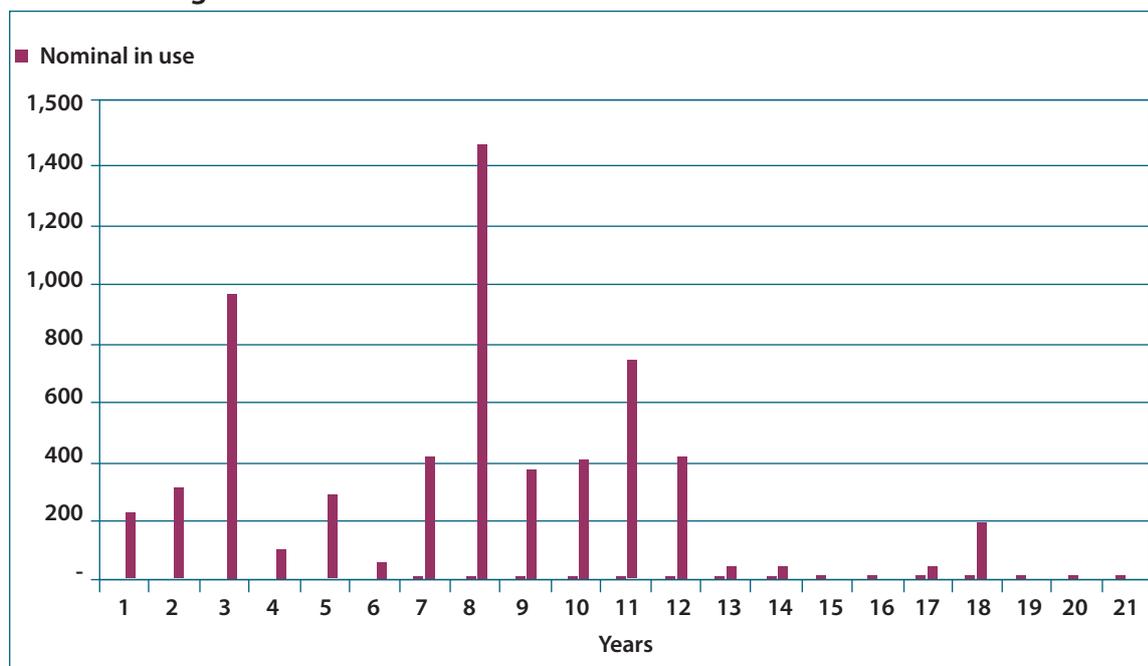
GRAPHICAL REVIEW BONDS

Primary Market Activity (Debt Issues) 2003 to 2008



Source: Fleming Advisors and BSE

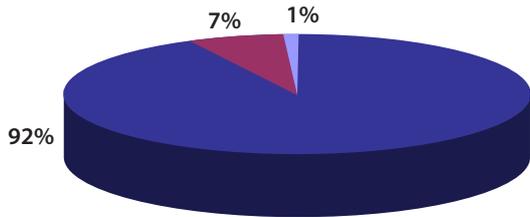
Bonds Trading



Source: Fleming Advisors and BSE

GRAPHICAL REVIEW BONDS (CONTINUED)

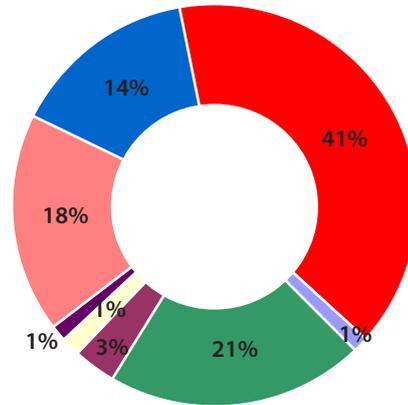
Structure of Issuance in the market



■ Fixed rate bond ■ Floating rate bonds ■ Convertible bonds

Source: Fleming Advisors and BSE

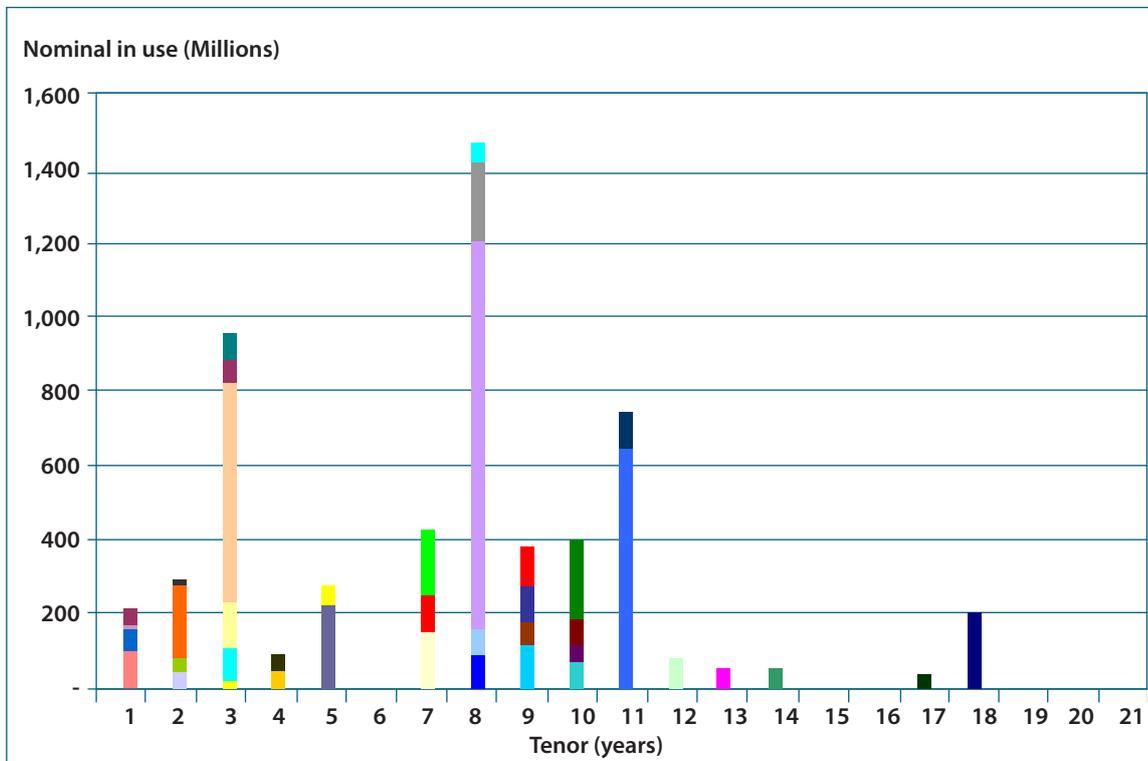
Industry Sector Classification



■ Financials ■ Resources ■ Retail
 ■ Hotel & Leisure ■ Beverage ■ Quasi Government
 ■ DPCF ■ Government ■ Telecommunications

Source: Fleming Advisors and BSE

Bonds Traded Analysis



Source: Fleming Advisors and BSE

■ ACU001 ■ BBB004 ■ BBB002 ■ BBB003 ■ BBB001 ■ BBB005 ■ BBB009 ■ BBB007 ■ BBB008 ■ BBB012 ■ BBB011 ■ BBB002 ■ BBB003 ■ BBB004
 ■ BDC003 ■ BDC002 ■ BW002 ■ BW003 ■ BW004 ■ BW005 ■ BTC001 ■ BV001 ■ CBH280909 ■ CBH010612 ■ DPCF001 ■ DPCF002 ■ DPCF003 ■ DPCF004
 ■ DPCF005 ■ DPCF006 ■ DPCF007 ■ DON001 ■ FNBB001 ■ KBL001 ■ NDB001 ■ PGB001 ■ SBBL002 ■ SBBL001 ■ SBBL003 ■ SBBL004 ■ SBBL046 ■ SBBL047
 ■ SBBL048 ■ SCBB001 ■ SCBB002 ■ SCBB003 ■ SCBB004 ■ SCBB005 ■ WUC001 ■ WUC002



MARKET STATISTICS

Table 1: Number of Companies Listed

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Number of new Listings | 1 | 2 | 3 | 4 | 2 | 2 |
| Number of de Listings | 1 | 2 | 0 | 1 | 2 | 2 |
| Foreign Listings | 6 | 7 | 9 | 12 | 12 | 11 |
| Domestic Listings | 19 | 18 | 19 | 19 | 19 | 20 |
| TOTAL | 25 | 25 | 28 | 31 | 31 | 31 |

Source: Botswana Stock Exchange

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

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|--------------------------------|------------|------------|------------|------------|------------|------------|
| Domestic market Capitalization | 9,437.65 | 10,876.41 | 13,418.10 | 23,776.87 | 32,702.58 | 27,706.07 |
| Foreign market Capitalization | 142,484.90 | 162,088.00 | 301,144.60 | 510,407.79 | 535,324.96 | 286,260.24 |
| Total market Capitalization | 151,922.55 | 172,964.41 | 314,562.70 | 534,184.66 | 568,027.53 | 313,966.31 |

Source: Botswana Stock Exchange

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

| | March 2007 | June 2007 | Sept 2007 | Dec 2007 | March 2008 | June 2008 | Sept 2008 | Dec 2008 |
|--------------------------------|---------------|--------------|--------------|-------------|---------------|--------------|--------------|-------------|
| Domestic Market Capitalization | 29,922.94 | 36,991.46 | 37,697.43 | 32,702.58 | 31,414.00 | 28,188.31 | 33,404.27 | 27,706.07 |
| Foreign Market Capitalization | 561,205.63 | 623,121.65 | 535,044.33 | 535,324.96 | 519,393.00 | 622,895.42 | 613,511.66 | 286,260.24 |
| Total Market Capitalization | 591,128.56 | 660,113.12 | 572,741.76 | 568,027.53 | 550,807.00 | 651,083.73 | 646,915.93 | 313,966.31 |

Source: Botswana Stock Exchange

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

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|----------------------------------|------------|------------|------------|------------|------------|------------|
| Banking | 6,143.88 | 7,135.9 | 8,377.90 | 15,941.57 | 19,304.42 | 16,563.22 |
| Financial Services and Insurance | 6,599.89 | 8,829.59 | 14,698.85 | 24,412.40 | 25,391.54 | 19,486.78 |
| Retail and Wholesaling | 2,935.53 | 4,878.18 | 9,017.20 | 11,855.78 | 12,978.07 | 3,725.45 |
| Property and Property Trust | 206.02 | 217.04 | 248.21 | 437.83 | 934.80 | 907.87 |
| Mining and Material | 134,185.81 | 15,1375.67 | 281,422.39 | 480,421.05 | 508,427.76 | 272,048.99 |
| Security Services | 46.80 | 72.00 | 122.4 | 136.00 | 220.00 | 181.12 |
| Information Technology | 20.46 | 22.04 | 12.91 | 21.41 | 18.89 | 15.74 |
| Energy | 257.15 | 335.42 | 535.07 | 758.68 | 769.86 | 702.78 |
| Transport and Tourism | 1,508.94 | 78.65 | 106.07 | 178.22 | 295.44 | 334.38 |

Source: Botswana Stock Exchange

MARKET STATISTICS (CONTINUED)

TABLE 5: Market capitalization by sector as at quarter ended (P'000,000)

| | March 2007 | June 2007 | Sept 2007 | Dec 2007 | Mar 2008 | June 2008 | Sept 2008 | Dec 2008 |
|----------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Banking | 20,564.60 | 25,740.34 | 24,284.03 | 19,304.42 | 17,904.61 | 15,724.15 | 20,973.69 | 16,563.22 |
| Financial Services and Insurance | 23,999.96 | 27,747.11 | 27,273.02 | 25,391.54 | 20,678.34 | 21,752.95 | 19,742.20 | 19,486.78 |
| Retail and wholesaling | 2,847.95 | 3,188.63 | 19,976.02 | 12,978.07 | 4,221.36 | 4,521.36 | 4,126.78 | 3,725.45 |
| Property and Property Trust | 457.25 | 691.37 | 739.96 | 934.80 | 922.25 | 980.97 | 901.64 | 907.87 |
| Mining and Material | 529,698.86 | 590,370.37 | 506,466.92 | 508,427.76 | 505,734.41 | 606,673.68 | 599,767.08 | 272,048.99 |
| Security Services | 160.00 | 176.16 | 200.08 | 200.00 | 221.44 | 204.24 | 199.68 | 181.12 |
| Information Technology | 19.20 | 19.20 | 15.74 | 18.89 | 17.95 | 16.06 | 15.74 | 15.74 |
| Energy | 638.89 | 646.87 | 758.68 | 769.86 | 798.61 | 814.58 | 800.21 | 702.78 |
| Transport and Tourism | 229.64 | 298.18 | 298.18 | 295.44 | 287.90 | 375.50 | 388.91 | 334.38 |

Source: Botswana Stock Exchange

Table 6: Trading statistics as at year ended December

| | 2004 | 2005 | 2006 | 2007 | 2008 |
|--------------------|----------|----------|----------|----------|----------|
| Volume traded (Mn) | 61.93 | 44.16 | 87.25 | 124.60 | 193.31 |
| Value traded (Pm) | 211.40 | 238.60 | 414.70 | 824.56 | 1,166.19 |
| No. of deals | 1,906.00 | 2,693.00 | 4,172.00 | 6,378.00 | 5,272.00 |
| liquidity | 2.10 | 1.96 | 2.23 | 2.92 | 3.86 |

Source: Botswana Stock Exchange

Table 7: Trading statistics as at quarter ended

| | March 2007 | June 2007 | Sept 2007 | Dec 2007 | March 2008 | June 2008 | Sept 2008 | Dec 2008 |
|--------------------|------------|-----------|-----------|----------|------------|-----------|-----------|----------|
| Volume traded (Mn) | 22.58 | 45.93 | 26.74 | 29.35 | 41.90 | 47.50 | 64.71 | 39.20 |
| Value traded (Pm) | 151.90 | 307.5 | 167.11 | 197.97 | 234.90 | 301.42 | 330.25 | 299.64 |
| No. of deals | 1,365.00 | 1,632.00 | 1,790.00 | 1,590.00 | 1,474.00 | 1,267.00 | 1,279.00 | 1,252.00 |

Source: Botswana Stock Exchange



MARKET STATISTICS (CONTINUED)

Table 8: BSE indices as at year ended December

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|------|----------|----------|----------|----------|----------|----------|
| DCI | 2,498.71 | 2,888.68 | 3,559.14 | 6,195.45 | 8,421.63 | 7,035.50 |
| FCI | 567.34 | 634.71 | 1,129.94 | 1,777.30 | 2,200.97 | 1,191.98 |
| ACI | 618.40 | 1,211.49 | 1,211.49 | 1,914.18 | 2,377.46 | 1,328.94 |
| LASI | - | - | - | - | - | 558.67 |
| DFSI | - | - | - | - | - | 835.70 |
| FRSI | - | - | - | - | - | 536.52 |

Source: Botswana Stock Exchange

Table 9: BSE indices as at quarter ended

| | March 2007 | June 2007 | Sept 2007 | Dec 2007 | March 2008 | June 2008 | Sept 2008 | Dec 2008 |
|------|---------------|--------------|--------------|-------------|---------------|--------------|--------------|-------------|
| DCI | 7,793.70 | 9,609.15 | 9,768.79 | 8,421.63 | 8,075.79 | 7,184.07 | 8,514.41 | 7,035.50 |
| FCI | 1,954.15 | 2,164.73 | 2,206.00 | 2,200.97 | 2,171.08 | 2,593.06 | 2,555.01 | 1,191.98 |
| ACI | 2,118.48 | 2,363.29 | 2,404.41 | 2,377.46 | 2,341.35 | 2,755.66 | 2,739.45 | 1,328.94 |
| LASI | - | - | - | - | 995.06 | 1,180.71 | 1,177.23 | 558.67 |
| DFSI | - | - | - | - | 941.91 | 824.29 | 1,038.69 | 835.70 |
| FRSI | - | - | - | - | 997.97 | 1,197.30 | 1,183.51 | 536.52 |

Source: Botswana Stock Exchange

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

| 2007 | | 2008 | |
|-----------|--------|-----------|--------|
| Company | Volume | Company | Volume |
| Turnstar | 28.7 | FNBB | 46.4 |
| FNBB | 22.9 | Turnstar | 21.3 |
| Barclays | 10.4 | Chobe | 18.1 |
| BIHL | 9.3 | BIHL | 18.0 |
| Sechaba | 9.2 | Sefalana | 14.8 |
| Letshego | 8.2 | Barclays | 11.7 |
| Sefalana | 2.2 | ABCH | 9.3 |
| Stanchart | 2.1 | Sechaba | 8.5 |
| RPC Data | 2.0 | Stanchart | 7.6 |
| RDCP | 1.5 | Letshego | 6.6 |

Source: Botswana Stock Exchange

MARKET STATISTICS (CONTINUED)

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

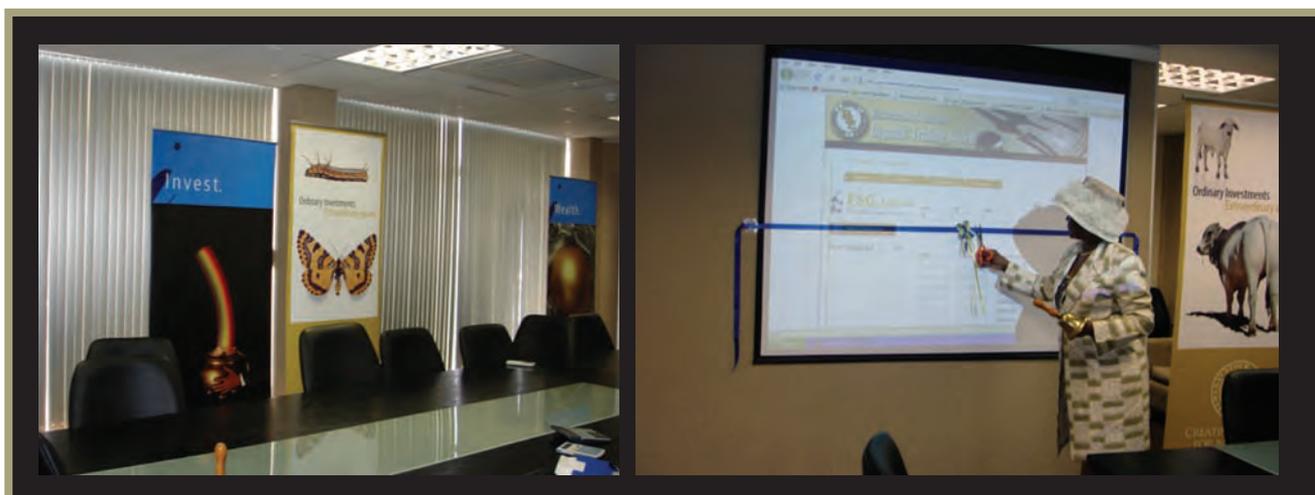
| 2007 | | 2008 | |
|------------------|--------|------------------|--------|
| Company | Volume | Company | Volume |
| Discovery Metals | 12.8 | Diamonex | 6.08 |
| Diamonex | 6.0 | African Copper | 2.59 |
| A Cap | 0.95 | Discovery Metals | 2.20 |
| African Copper | 0.78 | CIC Energy | 0.43 |
| CIC Energy | 0.44 | Aviva | 0.38 |
| African Diamonds | 0.39 | A Cap | 0.32 |
| Aviva | 0.12 | African Diamonds | 0.28 |
| Lion Ore | 0.06 | Blue | 0.07 |
| Iamgold | 0.05 | Anglo | 0.03 |
| Forbes | 0.01 | Investec | 0.02 |

Source: Botswana Stock Exchange

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

| 2007 | | 2008 | |
|-----------|-------|-----------|-------|
| Company | Value | Company | Value |
| Sechaba | 139.1 | BIHL | 208.0 |
| BIHL | 136.1 | Sechaba | 214.4 |
| Letshego | 97.3 | Sefalana | 177.9 |
| FNBB | 92.7 | Stanchart | 125.6 |
| Barclays | 88.9 | FNBB | 104.7 |
| Stanchart | 48.2 | Letshego | 98.0 |
| Turnstar | 39.9 | Barclays | 84.1 |
| Imara | 36.2 | Chobe | 74.7 |
| Sefalana | 22.9 | Imara | 51.7 |
| RDCP | 5.9 | ABCH | 40.1 |

Source: Botswana Stock Exchange



MARKET STATISTICS (CONTINUED)

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

| 2007 | | 2008 | |
|------------------|-------|------------------|--------|
| Company | Value | Company | Value |
| CIC Energy | 39.6 | African Copper | 145.44 |
| Discovery | 22.0 | Diamonex | 56.98 |
| Diamonex | 11.6 | CIC Energy | 42.07 |
| African Copper | 7.9 | Anglo | 12.19 |
| A Cap | 7.4 | Discovery Metals | 6.43 |
| Lionore | 6.3 | African Diamonds | 2.49 |
| African Diamonds | 5.4 | Aviva | 1.31 |
| lamgold | 2.5 | Investec | 0.74 |
| Anglo | 0.6 | A Cap | 0.69 |
| Aviva | 0.5 | Blue | 0.36 |

Source: Botswana Stock Exchange

Table 14: top ten domestic companies by market capitalization (P'000,000)

| 2007 | | 2008 | |
|-----------|-----------------------|-----------|-----------------------|
| Company | Market Capitalization | Company | Market Capitalization |
| FNBB | 6,921.99 | Barclays | 5,487.92 |
| Barclays | 6,442.34 | Stanchart | 5,323.40 |
| Stanchart | 5,409.82 | FNBB | 5,153.04 |
| BIHL | 4,761.34 | BIHL | 2,529.64 |
| Sechaba | 2,259.92 | Letshego | 2,262.57 |
| Letshego | 2,197.40 | Sechaba | 2,027.15 |
| Engen | 769.86 | Engen | 702.78 |
| Sefalana | 615.84 | Furnmart | 670.15 |
| Turnstar | 598.22 | ABCH | 598.86 |
| Furnmart | 579.22 | Imara | 543.87 |

Source: Botswana Stock Exchange



The BSE's exhibition stall won 3rd prize in the financial sector category at the Gaborone International Consumer Trade Fair.

MARKET STATISTICS (CONTINUED)

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

| 2007 | | 2008 | |
|------------------|-----------------------|------------------|-----------------------|
| Company | Market Capitalization | Company | Market Capitalization |
| Anglo | 484,979.20 | Anglo | 258,659.63 |
| Investec | 18,017.75 | Investec | 11,844.46 |
| Iamgold | 15,878.63 | Iamgold | 11,574.31 |
| Ellerine | 9,211.68 | Blue | 2,229.12 |
| CIC Energy | 4,343.60 | CIC Energy | 1,202.20 |
| African Copper | 941.78 | African Diamonds | 398.58 |
| African Diamonds | 886.66 | Discovery Metals | 118.59 |
| A Cap | 457.79 | Aviva | 77.12 |
| Aviva | 332.23 | Diamonex | 61.90 |
| Discovery | 320.27 | A Cap | 60.55 |

Source: Botswana Stock Exchange



MARKET STATISTICS (CONTINUED)

Table 16: Bonds Statistics-2008

| Bonds | Maturity Date | Issue Size | Trade (P) |
|--------------|---------------|----------------------|--------------------|
| ACU 001 | 02-Apr-15 | 150,000,000 | 2,450,000 |
| BW 003 | 31-Oct-15 | 1,050,000,000 | 158,000,000 |
| BW 004 | 12-Mar-11 | 600,000,000 | 167,000,000 |
| BW 005 | 12-Sep-18 | 650,000,000 | 193,500,000 |
| DPCF 002 | 02-Jun-10 | 195,000,000 | 10,000 |
| DPCF 003 | 02-Jun-13 | 225,000,000 | - |
| DPCF 004 | 02-Jun-16 | 220,000,000 | 1,010,000 |
| DPCF 005 | 02-Jun-19 | 100,000,000 | 1,010,000 |
| DPCF 006 | 02-Jun-22 | 55,000,000 | - |
| DPCF 007 | 02-Jun-25 | 35,000,000 | - |
| BBB 001 | 30-Oct-14 | 100,000,000 | - |
| BBB 002 | 26-May-09 | 200,000,000 | - |
| BBB 003 | 06-Oct-09 | 50,010,000 | - |
| BVI 001 | 07-May-18 | 70,000,000 | - |
| BBS 002 | 15-Dec-16 | 115,000,000 | 1,010,000 |
| BBS 004 | 26-Nov-19 | 75,000,000 | - |
| BDC 002 | 01-Jun-11 | 75,000,000 | - |
| BDC 003 | 01-Jun-11 | 125,000,000 | 1,320,000 |
| DON 001 | 03-Sep-11 | 50,000,000 | 3,994,000 |
| NDB 001 | 01-Aug-17 | 165,000,000 | - |
| SBBL 046 | 11-Jun-18 | 50,000,000 | - |
| SBBL 047 | 12-Jun-11 | 70,000,000 | - |
| SBBL 048 | 13-Jun-15 | 175,000,000 | - |
| SBBL 049 | 13-Aug-18 | 50,000,000 | - |
| SBBL 052 | 17-Dec-18 | 50,000,000 | - |
| SBBL 003 | 01-Jun-17 | 100,000,000 | - |
| SBBL 006 | 01-Jun-16 | 50,000,000 | - |
| SCBB 002 | 20-Dec-12 | 50,000,000 | 10,032,000 |
| SCBB 003 | 20-Dec-20 | 50,000,000 | - |
| SCBB 004 | 21-Dec-15 | 50,000,000 | - |
| SCBB 005 | 27-Nov-17 | 75,000,000 | - |
| WUC 001 | 26-Jun-18 | 195,000,000 | - |
| WUC 002 | 26-Jun-26 | 205,000,000 | - |
| TOTAL | | 5,475,010,000 | 539,336,000 |

MARKET STATISTICS (CONTINUED)

Table 17: Bonds listing - 2008

| Security Identity | Method of Listing | (P'Mn) |
|--|---|--------------|
| Standard Chartered Bank Limited (SCB005) | Bond Issue-4th Tranche of 2005 Note Programme Memorandum | 75 |
| DiamonEx Limited (DON001) | Bond Issue | 50 |
| Botswana Government (BW 004) | Bond Issue- 1st Tranche of 2008 Note Programme Memorandum | 600 |
| Botswana Government (BW 005) | Bond Issue 2nd Tranche of 2008 Note Programme Memorandum | 650 |
| Botswana Vaccine Institute (BVI001) | Bond Issue-1st Tranche of 2008 Note Programme Memorandum | 70 |
| Messina Copper (ACU001) | Bond Issue-1st Tranche of 2008 Note Programme Memorandum | 150 |
| Stanbic Bank Limited (SBBL046) | Bond Issue-1st Tranche of 2008 Note Programme Memorandum | 50 |
| Stanbic Bank Limited (SBBL047) | Bond Issue-2nd Tranche of 2008 Note Programme Memorandum | 70 |
| Stanbic Bank Limited (SBBL048) | Bond Issue-3rd Tranche of 2008 Note Programme Memorandum | 175 |
| Stanbic Bank Limited (SBBL049) | Bond Issue-4th Tranche of 2008 Note Programme Memorandum | 50 |
| Stanbic Bank Limited (SBBL052) | Bond Issue-5th Tranche of 2008 Note Programme Memorandum | 50 |
| Water Utilities Corporation (WUC001) | Bond Issue-1st Tranche of 2008 Note Programme Memorandum | 195 |
| Water Utilities Corporation (WUC002) | Bond Issue-2nd Tranche of 2008 Note Programme Memorandum | 205 |
| TOTAL | | 2,390 |



CORPORATE GOVERNANCE

1. MAIN COMMITTEE

The Main Committee of the BSE established in terms of the BSE 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, subject to a maximum of 2 persons elected from any one 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 (*resigned with effect from 9th May 2008*)

Geoffrey Bakwena

Martin Makgatlhe

Gregory Matsake

Seleka Mokama (*appointed with effect from 4th April 2008*)

Lipalesa Siwawa (*appointed with effect from 9th May 2008*)

Appointed members:

Keith Jefferis

Reginald Motswaiso

Ellen Richard- Madisa

2. BOARD SUB-COMMITTEES

2.1 Listings and trading sub-committee

Functions: The Listing & Trading sub-committee sets policy and formulates rules with regard to listings and trading matters. It approves listing applications that require special dispensation from the listing rules referred to them by the Executive Committee.

Members:

Rizwan Desai (Chairman)

Seleka Mokama

Gregory Matsake

Martin Makgatlhe

Geoffrey Bakwena

CORPORATE GOVERNANCE (CONTINUED)

2.2 Audit sub-committee

Functions: The Audit sub-committee assists the main committee in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards.

Members:

Reginald Motswaiso (Chairman)
Keith Jefferis
Geoffrey Bakwena

2.3 Investigations and disciplinary sub-committee

Functions: The Investigations and Disciplinary sub-committee hears complaints made against any broker or broking firm (trading participant) referred to it by the BSE or any member of the public and determines its findings following a hearing; including, if applicable, pronouncement of sanctions.

Members:

Keith Jefferis (Chairman)
Reginald Motswaiso
Ellen Richard-Madisa

2.4 Governance and remuneration sub-committee

Functions: The Governance & Remunerations sub-committee is responsible for all matters relating to corporate governance and practices of the BSE; nominations of members to be appointed to the BSE Committee and sub-committees as well as terms and conditions of employment for management of the BSE.

Members:

Reginald Motswaiso (Chairman)
Keith Jefferis
Ellen Richard-Madisa

3.0 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.

4.0 Board charter

The BSE is a member organisation and a regulator with the potential for conflicts of interest to arise. 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.

CORPORATE GOVERNANCE (CONTINUED)

The Board Charter defines Committee members 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 those appointed by the stockbrokers given that stockbrokers are regulated by the BSE. Non-independent Committee members are further categorised as Executive and non-executive members. Executive Committee members are defined as those Committee members who hold executive positions in the stockbroking company they represent. Non-Executive Committee members in contrast are those who do not hold executive positions in stockbroking companies they represent.

5.0 Attendance at meetings of the main committee and sub-committees

| | Main Comm | Listings & Trading | Investigations & Disciplinary | Audit | Governance & Remunerations |
|--------------------------------------|-----------|--------------------|-------------------------------|--------------|----------------------------|
| No. of meeting held | 8 | 3 | 1 | 8 | 1 |
| Attendance by members | | | | | |
| Rizwan Desai | 8 | 3 | Not a member | Not a member | Not a member |
| Kennedy Kgomanyane ^{Note 1} | 1 | 2 | Not a member | Not a member | Not a member |
| Martin Makgatlhe | 3 | 1 | Not a member | Not a member | Not a member |
| Gregory Matsake | 8 | 3 | Not a member | Not a member | Not a member |
| Geoffrey Bakwena | 6 | 2 | Not a member | 7 | Not a member |
| Keith Jefferis | 8 | Not a member | 1 | 4 | 1 |
| Reginald Motswaiso | 5 | Not a member | 1 | 8 | 1 |
| Ellen Richard-Madisa | 1 | Not a member | 1 | Not a member | 1 |
| Seleka Mokama ^{Note 2} | 7 | 1 | Not a member | Not a member | Not a member |
| Lipalesa Siwawa ^{Note 3} | 3 | Not a member | Not a member | Not a member | Not a member |

Note 1: Resigned with effect from 9th May 2008

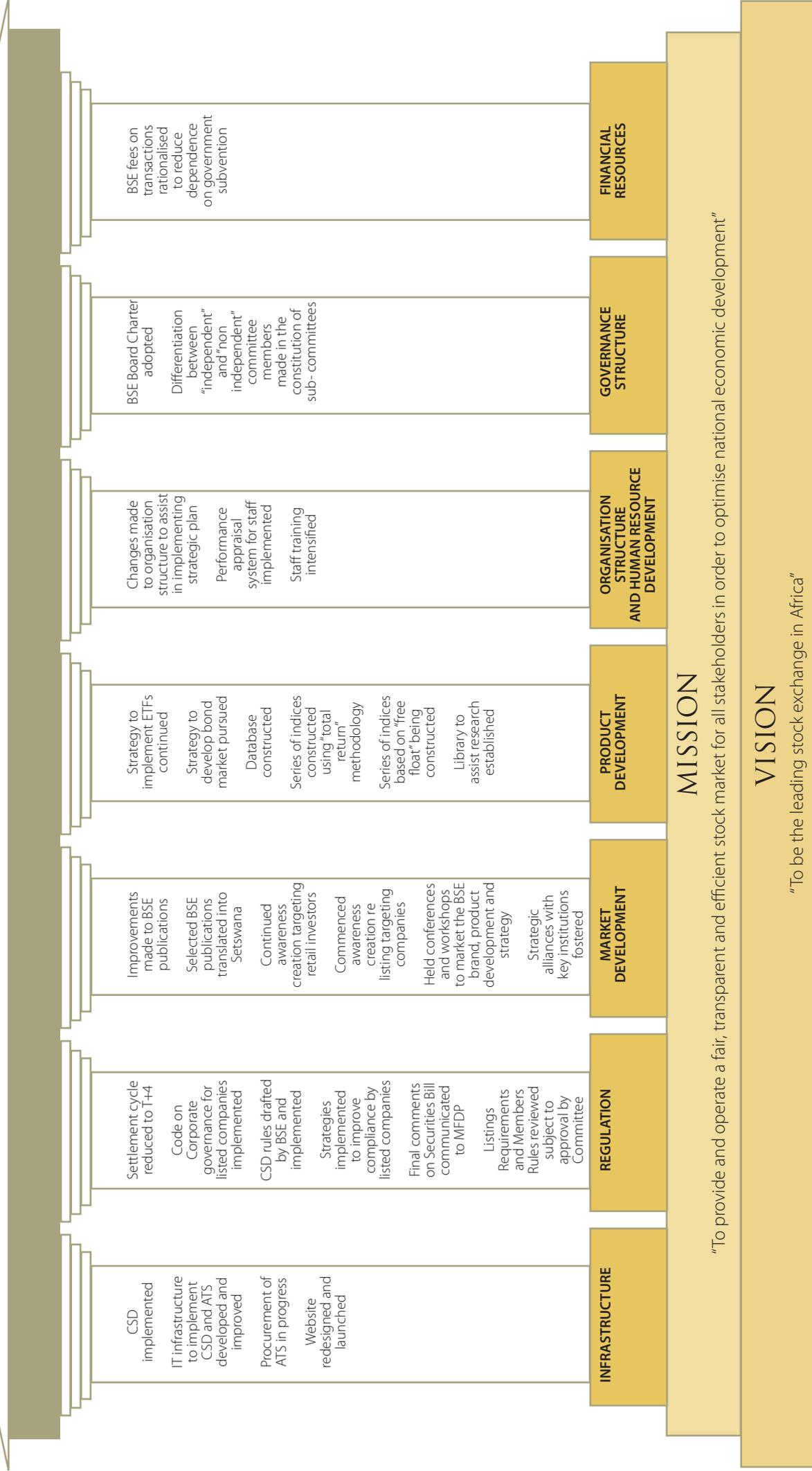
Note 2: Appointed with effect from 4th April 2008

Note 3: Appointed with effect from 9th May 2008

COMMITTEE FEES

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







ANNUAL REPORT 2008

Financial Review

Theme of the Cover

The cover of the BSE's 2008 Annual Report depicts an *aggressive stand off between a bull and a bear*. The stock market often falls under opposing conditions commonly referred to as either a bull market or a bear market.

A bull market is one in which investors are upbeat and this is reflected by a general increase in prices. Bull markets can occur due to investors being confident about market fundamentals and or as a result of a positive psyche for differing reasons.

A bear market is the opposite of bull market and it is characterised by falling prices and an expectation that value will continue to decrease.

The BSE experienced both market conditions in 2008, the causes and impact of which is the content of the Annual Report.



BOTSWANA STOCK EXCHANGE
GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

BOTSWANA STOCK EXCHANGE GENERAL INFORMATION

PRINCIPAL ACTIVITIES:

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

COMMITTEES OF THE STOCK EXCHANGE:

Main Committee

Ministerial appointees:

Keith Jefferis

Reginald Motswaiso

Ellen Richard Madisa

Elected Members:

Rizwan Desai (Chairman)

Kennedy Kgomanyane (Resigned 9 May 2008)

Martin Makgatlhe

Gregory Matsake

Geoffrey Bakwena

Lipalesa Siwawa (Appointed 9 May 2008)

Seleka Mokama (Appointed 4 April 2008)

Membership of Sub Committees:

- | | |
|--|---|
| (1) Listings, trading and operation committee | (2) Audit and remuneration committee |
| Rizwan Desai | Reginald Motswaiso |
| Kennedy Kgomanyane (Resigned 9 May 2008) | Keith Jefferis |
| Gregory Matsake | Geoffrey Bakwena |
| Martin Makgatlhe | |
| Ellen Richard-Madisa | |
| Geoffrey Bakwena | |
| Seleka Mokama (Appointed 4 April 2008) | |
| (3) Investigations and disciplinary committee | |
| Keith Jefferis | |
| Reginald Motswaiso | |
| Ellen Richard-Madisa | |



BOTSWANA STOCK EXCHANGE GENERAL INFORMATION (CONTINUED)

CHIEF EXECUTIVE OFFICER

Hiran Mendis

SECRETARY TO THE MAIN COMMITTEE:

Juliana White (Resigned 31 January 2009)

Onkemetse Thomas (Appointed 1 February 2009)

REGISTRAR:

T. Nyamadzabo

Ministry of Finance and Development Planning

Government Enclave, Gaborone

POSTAL ADDRESS:

Private Bag 00417

Gaborone

INDEPENDENT AUDITORS:

PricewaterhouseCoopers

BANKERS:

Barclays Bank of Botswana Limited

Mall Branch

P O Box 4

Gaborone

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

BOTSWANA STOCK EXCHANGE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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BOTSWANA STOCK EXCHANGE STATEMENT OF MAIN COMMITTEE MEMBERS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2008

The Main Committee Members of the Botswana Stock Exchange are responsible for the annual group financial statements and all other information presented therewith. Their responsibility includes the maintenance of true and fair financial records and the preparation of annual group financial statements in accordance with International Financial Reporting Standards and in the manner required by the Botswana Stock Exchange Act, 1994 and Companies Act in Botswana (Companies Act, 2003).

The group 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 group 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 group 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 8 to 31 and the supplementary information on page 32 were authorised for issue by the committee members on 18 May 2009 and are signed on its behalf by:



.....
MEMBER



.....
MEMBER

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

Report on the Financial Statements

We have audited the accompanying financial statements of Botswana Stock Exchange, set out on pages 8 to 31, which comprise the balance sheet and consolidated balance sheet as at 31 December 2008 and the income statement and consolidated income statement, statement of changes in equity and consolidated statement of changes in equity and cash flow statement and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Main Committee Members' Responsibility for the Financial Statements

The main committee members are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the Botswana Stock Exchange Act, 1994 and the Companies Act in Botswana (Companies Act 2003).

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.

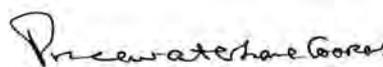
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of the Botswana Stock Exchange and its subsidiary as of 31 December 2008 and of their financial performance and 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 and Companies Act in Botswana (Companies Act 2003).

Gaborone
20 May 2009

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

Chartered Public Accountants

BOTSWANA STOCK EXCHANGE INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

| | Notes | GROUP | | EXCHANGE | |
|--------------------------|----------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | 2008 P | 2007 P | 2008 P | 2007 P |
| Revenue | | 10 068 862 | 5 037 815 | 9 394 350 | 5 037 815 |
| Government subvention | | 3 992 605 | 2 589 932 | 3 992 605 | 2 589 932 |
| Other income | | <u>242 124</u> | <u>515 219</u> | <u>242 124</u> | <u>515 219</u> |
| | | 14 303 591 | 8 142 966 | 13 629 079 | 8 142 966 |
| Administrative expenses | | <u>(12 968 711)</u> | <u>(7 364 311)</u> | <u>(10 524 028)</u> | <u>(7 364 310)</u> |
| Operating profit | 1 | 1 334 880 | 778 655 | 3 105 051 | 778 656 |
| Interest received | 2 | <u>287 005</u> | <u>276 818</u> | <u>141 385</u> | <u>276 818</u> |
| Profit before income tax | | 1 621 885 | 1 055 473 | 3 246 436 | 1 055 474 |
| Income tax | 3 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Profit for the year | | <u>1 621 885</u> | <u>1 055 473</u> | <u>3 246 436</u> | <u>1 055 474</u> |

BOTSWANA STOCK EXCHANGE BALANCE SHEETS

AS AT 31 DECEMBER 2008

| | Notes | GROUP | | EXCHANGE | |
|---|-------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | 2008 P | 2007 P | 2008 P | 2007 P |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 5 | 2 097 928 | 879 399 | 2 097 928 | 879 399 |
| Investment in subsidiary | 4 | - | - | 100 | - |
| | | <u>2 097 928</u> | <u>879 399</u> | <u>2 098 028</u> | <u>879 399</u> |
| Current assets | | | | | |
| Receivables and prepayments | 6 | 3 469 616 | 1 324 235 | 6 134 794 | 1 324 235 |
| Cash and cash equivalents | 8 | 2 403 960 | 2 231 820 | 1 161 364 | 2 231 820 |
| | | <u>5 873 576</u> | <u>3 556 055</u> | <u>7 296 158</u> | <u>3 556 055</u> |
| Total assets | | <u>7 971 504</u> | <u>4 435 454</u> | <u>9 394 186</u> | <u>4 435 454</u> |
| EQUITY | | | | | |
| Capital and reserves | | | | | |
| Proprietary rights capital | 9 | 5 200 | 4 400 | 5 200 | 4 400 |
| Rights premium | | 777 476 | 138 276 | 777 476 | 138 276 |
| Accumulated profits | | 5 271 463 | 3 654 578 | 6 896 014 | 3 654 578 |
| | | <u>6 054 139</u> | <u>3 797 254</u> | <u>7 678 690</u> | <u>3 797 254</u> |
| LIABILITIES | | | | | |
| Non-current Liabilities | | | | | |
| Deferred lease rental | 7 | 66 016 | - | 66 016 | - |
| Current liabilities | | | | | |
| Trade and other payables | 10 | 1 832 423 | 633 200 | 1 630 554 | 633 200 |
| Amounts due to the Botswana Stock Exchange Security Fund | 11 | 10 000 | 5 000 | 10 000 | 5 000 |
| Deferred lease rental | 7 | 8 926 | - | 8 926 | - |
| | | <u>1 851 349</u> | <u>638 200</u> | <u>1 649 480</u> | <u>638 200</u> |
| Total liabilities | | <u>1 917 365</u> | <u>638 200</u> | <u>1 715 496</u> | <u>638 200</u> |
| Total equity and liabilities | | <u>7 971 504</u> | <u>4 435 454</u> | <u>9 394 186</u> | <u>4 435 454</u> |

BOTSWANA STOCK EXCHANGE STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

| | Proprietary Rights Capital P | Rights Premium P | Accumulated Profit P | Total P |
|--|------------------------------------|------------------------|----------------------------|------------------|
| GROUP | | | | |
| 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) |
| Closing Balance | 4 400 | 138 276 | 3 654 578 | 3 797 254 |
| As at 31 December 2008 | | | | |
| Opening Balance | 4 400 | 138 276 | 3 654 578 | 3 797 254 |
| Issue of new rights | 800 | 639 200 | - | 640 000 |
| Profit for the year | - | - | 1 621 885 | 1 621 885 |
| Transfer to the Botswana Stock Exchange Security Fund | - | - | (5 000) | (5 000) |
| Closing Balance | 5 200 | 777 476 | 5 271 463 | 6 054 139 |
| EXCHANGE | | | | |
| 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) |
| Closing Balance | 4 400 | 138 276 | 3 654 578 | 3 797 254 |
| As at 31 December 2008 | | | | |
| Opening Balance | 4 400 | 138 276 | 3 654 578 | 3 797 254 |
| Issue of new rights | 800 | 639 200 | - | 640 000 |
| Profit for the year | - | - | 3 246 436 | 3 246 436 |
| Transfer to the Botswana Stock Exchange Security Fund | - | - | (5 000) | (5 000) |
| Closing Balance | 5 200 | 777 476 | 6 896 014 | 7 678 690 |

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

BOTSWANA STOCK EXCHANGE CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

| | Notes | GROUP | | EXCHANGE | |
|---|-------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | 2008 P | 2007 P | 2008 P | 2007 P |
| Cash generated/ utilised in operating activities | | | | | |
| Net cash flows from operating activities | 12 | <u>1 009 829</u> | <u>(79 805)</u> | <u>(87 047)</u> | <u>(79 804)</u> |
| Investing activities | | | | | |
| Purchase of property, plant and equipment | 5 | (1 840 234) | (492 737) | (1 840 234) | (492 737) |
| Interest received | 2 | 287 005 | 276 818 | 141 385 | 276 818 |
| Proceeds from sale of property, plant and equipment | | <u>75 540</u> | <u>63 500</u> | <u>75 540</u> | <u>63 500</u> |
| Net cash flows used in investing activities | | <u>(1 477 689)</u> | <u>(152 419)</u> | <u>(1 623 309)</u> | <u>(152 419)</u> |
| Financing activities | | | | | |
| Proceeds from issue of proprietary rights | | <u>640 000</u> | <u>-</u> | <u>640 000</u> | <u>-</u> |
| Net cash flows used in financing activities | | <u>640 000</u> | <u>-</u> | <u>640 000</u> | <u>-</u> |
| Changes in cash and cash equivalents | | 172 140 | (232 224) | (1 070 356) | (232 224) |
| Cash and cash equivalents at beginning of the year | | <u>2 231 820</u> | <u>2 464 044</u> | <u>2 231 820</u> | <u>2 464 044</u> |
| Cash and cash equivalents at the end of the year | 8 | <u>2 403 960</u> | <u>2 231 820</u> | <u>1 161 464</u> | <u>2 231 820</u> |

BOTSWANA STOCK EXCHANGE ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2008

The principal accounting policies applied in the preparation of these group 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 group 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 and Companies Act in Botswana (Companies Act 2003). 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 judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the "Critical accounting estimates and judgments" section of the financial statements.

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

(a) Standards, amendments and interpretation effective in 2008

IFRIC 11 – Group and Treasury Share Transactions

This Interpretation is applicable for annual periods beginning on or after 1 March 2008. It provides guidance on:

- a. Equity instruments of an entity granted to employees by the entity regardless of whether the entity chooses or is required to buy equity instruments from another party to satisfy its obligations to its employees.
- b. Equity instruments of an entity granted to employees by either by the entity itself or by its shareholders, and the shareholders of the entity provide the equity instruments needed.
- c. Share-based payment arrangements that involve two or more entities within the same group.

It has no impact in the group operations.

IFRIC 12 – Service Concession Arrangements

This interpretation which is effective for annual periods beginning on or after 1 January 2008 gives guidance on the accounting by operators for public-to-private service concession arrangements. It has no impact as the Group is not an operator of public-to-private service concession arrangements.

IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This interpretation is effective for annual periods beginning on or after 1 January 2008. It applies to all post-employment defined benefits and other long-term employee defined benefits, and addresses:

- a. when refunds or reductions in future contributions should be regarded as available;

BOTSWANA STOCK EXCHANGE ACCOUNTING POLICIES (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

A. Basis of preparation (continued)

(a) Standards, amendments and interpretation effective in 2008 (continued)

- b. how a minimum funding requirement might affect the availability of reductions in future contributions; and
- c. when a minimum funding requirement might give rise to a liability.

This interpretation is not expected to have any impact on these financial statements.

b) Standards, amendments and interpretation effective in future periods

IFRS 1 and IAS 27 (Amendment) – Cost of an investment in a subsidiary, jointly controlled entity or associate. The amendments are effective for annual periods beginning on or after 1 January 2009 and introduce alternative measurement basis for the cost of an investment in a subsidiary, jointly controlled entity or associate for first time adopters of IFRS. Effect being considered.

IFRS 2 (Amendment) – Share-based payments

The amendments which are applicable for annual periods beginning on or after 1 January 2009 provided guidance on the treatment of non-vesting conditions and cancellations. This standard is not expected to have any impact on these financial statements.

IFRS 3 (Revised) – Business combinations

This revised standard is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. It establishes principles and requirements for how an acquirer recognises and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any non controlling interest in the acquiree. Any impact on these financial statements is being considered.

IFRS 8 – Operating segments

IFRS 8 is applicable for annual periods beginning on or after 1 January 2009. It specifies how an entity should report information about its operating segments in annual financial statements and, as a consequential amendment to IAS 34 Interim Financial Reporting, also requires an entity to report selected information about its operating segments in interim financial reports. It also sets out requirements for related disclosures about products and services, geographical areas and major customers.

IAS 1 (Revised) – Presentation of financial statements:

This standard is applicable for annual periods beginning on or after 1 January 2009. It sets overall requirements for presentation of financial statements, guidelines for their structure and minimum requirements for their content.

BOTSWANA STOCK EXCHANGE ACCOUNTING POLICIES (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

A. Basis of preparation (continued)

b) Standards, amendments and interpretation effective in future periods (continued)

Amendments to IAS 1 and IAS 32, Presentation of financial instruments – Puttable Financial Instruments and Obligations arising on Liquidation. The amendments address the classification of some:

- a. puttable financial instruments; and
- b. Instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation.

IAS 23 (Revised) – Borrowing Costs

This standard is applicable for annual periods beginning on or after 1 January 2009. It requires an entity to capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) as part of the cost of that asset.

IAS 27 (Revised) – Consolidated and separate financial statements.

This standard is applicable for annual periods beginning on or after 1 July 2009. The standard aims to enhance the relevance, reliability and comparability of information that a parent entity provides in its separate financial statements and in its consolidated financial statements for a group of entities under its control. It specifies:

- a. the circumstances in which an entity must consolidate the financial statements of another entity;
- b. the accounting for changes in the level of ownership interest in a subsidiary;
- c. the accounting for the loss of control in a subsidiary; and
- d. the information that an entity must disclose to enable the users of financial statements to evaluate the nature of the relationship between the entity and its subsidiaries.

Amendments to IAS 39 and IFRS 7 – Reclassification of financial assets. The amendments provide for:

- a. reclassification of no-derivative financial assets (other than those designated at fair value through income upon initial recognition) out of the fair value through income category; and
- b. transfer from the available for sale category to the loans and receivable category of a financial asset that would have met the definition of loans and receivables (if the asset had not been designated as available for sale) if the entity has the intention and ability to hold that financial asset for the foreseeable future.

The amendments are effective for reclassification of financial assets on or after 1 July 2008.

IFRIC 15 – Agreements for the construction of real estate

This interpretation is applicable for annual periods beginning on or after 1 January 2009. It addresses when revenue from the construction of a real estate should be recognised by entities that undertake the construction of a real estate directly or through sub contractors. It will have no impact as the Group is not involved in the construction of real estate. The standard is not expected to have an effect on the company.



BOTSWANA STOCK EXCHANGE ACCOUNTING POLICIES (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

A. Basis of preparation (continued)

b) Standards, amendments and interpretation effective in future periods (continued)

IFRIC 16 – Hedges of a net investment in a foreign operation

This interpretation is applicable for annual periods beginning on or after 1 October 2008. It provides guidance for an entity that hedges the foreign currency risk arising from its net investment in foreign operations and wishes to qualify for hedge accounting. It will have no impact as the Group does not hedge the foreign currency risk arising from its net investment in foreign operations.

IFRIC 17 – Distributions of non-cash assets to owners

This interpretation is applicable for annual periods beginning on or after 1 July 2009. It provides guidance on:

- a. when an entity should recognise dividend payable;
- b. how an entity should measure the dividend payable; and
- c. how to account for the difference between the carrying amount of assets distributed and the carrying amount of dividend payable.

B. Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Group 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 Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the group 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 Group 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.

BOTSWANA STOCK EXCHANGE ACCOUNTING POLICIES (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

C. Property, plant and equipment (continued)

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 | 3 - 5 years |
| Motor vehicles | 3 - 5 years |
| Furniture and fittings | 8 - 10 years |

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

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. Consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date control ceases.

The purchase method of accounting is used to account for the acquisition by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, as negative goodwill. Such amounts are subsequently transferred to a separate reserve.

Inter group transactions, balances and unrealised gains on transactions between companies are eliminated.

BOTSWANA STOCK EXCHANGE ACCOUNTING POLICIES (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

D. Consolidation (continued)

Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Exchange controls the Central Securities Depository Company of Botswana Limited, which is a company registered in the Republic of Botswana.

E. 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.

F. Trade and other payables

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

G. 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 Group 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.

H. Provisions

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

BOTSWANA STOCK EXCHANGE ACCOUNTING POLICIES (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

I. Employee benefits

A defined contribution plan is a pension plan under which the Group 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 Group pays contributions to Glenrand MIB (Botswana) (Pty) Ltd, a privately administered pension insurance plan. Once the contributions have been paid, the Group 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.

J. Proprietary rights

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

K. Income Tax

Current income tax is provided in the financial statements using the gross method of tax. Tax is charged on the net income for the period after taking into account income and expenditure, which is not subject to tax and capital allowances on property, plant and equipment. Provision is made for income tax payable at applicable rates of 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).

L. Deferred income tax

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to calculate deferred income tax. The principal temporary differences arise from capital allowances for tax purposes exceeding depreciation charged and deferred lease receivables. Deferred income tax assets relating to the carry forward of unused tax losses are recognized to the extent that it is probable that future taxable income will be available against which these tax losses can be utilised.

BOTSWANA STOCK EXCHANGE ACCOUNTING POLICIES (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

M. Security Fund

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

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

N. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives from the lessor) are charged to the income statements on a straight-line basis over the period of the lease.

The group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payment.

O. 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) BSE Fees

In terms of the Botswana Stock Exchange Members Rules, 0.12% - 0.15% of the transaction value 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 Group.

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.

BOTSWANA STOCK EXCHANGE ACCOUNTING POLICIES (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

O. Revenue recognition (continued)

iv) *Annual sustaining fees*

Annual sustaining fee is recognised on a time proportion basis unless collection 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

vi) *Central Securities Depository (CSD) fees*

CSD fee is charged on the transaction value (for both the buyer and the seller) which is charged at 0.1% on the transaction value. Revenue is recognised on the trade date unless collectibility is in doubt.

P. Government subvention

Subventions are recognised at their fair value where there is reasonable assurance that the group 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.

Q. Financial Instruments

Financial assets and liabilities are recognized on the funds balance sheet when the fund becomes party to the contractual provisions of instruments as follows.

Financial assets

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and determined at the time of initial recognition.

- Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial assets.
- Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized on an effective yield basis.
- Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balances sheet date.

BOTSWANA STOCK EXCHANGE ACCOUNTING POLICIES (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

Q. Financial Instruments (continued)

- Loans and receivables are initially recognized at fair value and subsequently measured at amortized cost. Provision is made, where in the opinion of the directors, an impairment in value has occurred.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in the income statement incorporates any interest paid on the financial liability.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with the interest expense recognized on an effective yield basis.

BOTSWANA STOCK EXCHANGE FINANCIAL RISK MANAGEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

The Group'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 Group'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 group has no significant interest-bearing assets, the Exchange's income and operating cash flows are substantially independent of changes in market interest rates. The group 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 form 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.

Credit quality of financial assets

All receivables are reviewed for impairment. Trade receivables that are less than three months past due are not considered impaired. These relate to a number of customers for whom there is no recent history of default. The ageing of trade receivables that were past due but not impaired is as per note 6. At 31 December 2008 and 2007, all impaired receivables have been provided for.

No history of defaults has been associated with any of the customers from the past three years and management does not expect any losses from none performance by these counterparties.

BOTSWANA STOCK EXCHANGE FINANCIAL RISK MANAGEMENT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

b) Credit risk (continued)

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The group does not hold any collateral as security.

The table below shows the credit limit and balance of the major counterparties at the balance sheet date.

| GROUP | | | | | |
|---------------------------|---------------|-------------------------|----------------|-------------------------|----------------|
| Counterparty | Rating | 31 December 2008 | | 31 December 2007 | |
| | | Credit limit | Balance | Credit limit | Balance |
| | | | P | | P |
| Barclays Bank of Botswana | n/a | n/a | 2 403 960 | n/a | 2 231 820 |

| EXCHANGE | | | | | |
|---------------------------|---------------|-------------------------|----------------|-------------------------|----------------|
| Counterparty | Rating | 31 December 2008 | | 31 December 2007 | |
| | | Credit limit | Balance | Credit limit | Balance |
| | | | P | | P |
| Barclays Bank of Botswana | n/a | n/a | 1 161 364 | n/a | 2 231 820 |

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties. There are no credit ratings available in Botswana. The fair value approximate their carrying amounts.

(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 Group'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 Group's liquidity management policy involves projecting cashflows and considering the level of liquid assets necessary to meet these.

The table below analyses the Group'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.

BOTSWANA STOCK EXCHANGE
 FINANCIAL RISK MANAGEMENT (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2008

(c) Liquidity risk (continued)

| | GROUP | | EXCHANGE | |
|------------------------|------------------|----------------|------------------|----------------|
| | 2008 P | 2007 P | 2008 P | 2007 P |
| Accounts payable | | | | |
| -Less than 1 year | 1 823 423 | 633 200 | 1 630 554 | 633 200 |
| -Between 1 and 2 years | - | - | - | - |
| -over 3 years | - | - | - | - |
| | <u>1 823 423</u> | <u>633 200</u> | <u>1 630 554</u> | <u>633 200</u> |

(d) Capital risk management

The Group'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 2008, the group did not have borrowings. As a public institution, 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.

BOTSWANA STOCK EXCHANGE

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

FOR THE YEAR ENDED 31 DECEMBER 2008

Critical accounting estimates and assumptions

Estimates and judgments 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 Group 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 Group 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 Group follows the guidance of IAS 39 to determine when a receivable is impaired. This determination requires significant judgment. In making this judgment, the Group 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.

BOTSWANA STOCK EXCHANGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

| | GROUP | | EXCHANGE | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2008 P | 2007 P | 2008 P | 2007 P |
| 1 OPERATING PROFIT | | | | |
| Operating profit is stated after charging/ (crediting): | | | | |
| Audit fees -current | 104 860 | 72 600 | 79 860 | 72 600 |
| Depreciation (note 5) | 452 311 | 254 490 | 452 311 | 254 490 |
| Operating lease cost- rental | 459 623 | 358 512 | 459 623 | 358 512 |
| Remuneration paid to the senior managers | 4 198 976 | 2 904 654 | 3 139 219 | 2 904 654 |
| Sitting allowances of committee members | 104 370 | 93 660 | 86 310 | 93 660 |
| Staff costs -see below | 7 303 573 | 4 239 607 | 6 158 766 | 4 239 607 |
| (Profit) / loss on disposal of property, plant and equipment | (93 854) | 63 500 | (93 854) | 63 500 |
| Government subvention | <u>(3 992 605)</u> | <u>(2 589 932)</u> | <u>(3 992 605)</u> | <u>(2 589 932)</u> |
| STAFF COSTS | | | | |
| Salaries and wages | 6 166 946 | 3 915 105 | 5 022 139 | 3 915 105 |
| Other benefits | 45 647 | 43 560 | 45 647 | 43 560 |
| Gratuities and other terminal benefits | <u>1 090 980</u> | <u>280 942</u> | <u>1 090 980</u> | <u>280 942</u> |
| | <u>7 303 573</u> | <u>4 239 607</u> | <u>6 158 766</u> | <u>4 239 607</u> |
| Number of persons employed at the end of year: | | | | |
| -Full time | <u>18</u> | <u>14</u> | <u>15</u> | <u>14</u> |
| 2 INTEREST RECEIVED | | | | |
| Interest received - Bank | <u>287 005</u> | <u>276 818</u> | <u>141 385</u> | <u>276 818</u> |
| 3 INCOME TAX | | | | |
| No provision for income tax has been made as the subsidiary company has incurred a tax loss in its first period of operations. In addition no deferred tax asset has been provided on tax losses in line with policy note L. The Botswana Stock Exchange is not subject to income in terms of policy note K. | | | | |
| 4 INVESTMENT IN SUBSIDIARY | | | | |
| Shares at cost | | | <u>100</u> | <u>-</u> |
| The investment in subsidiary comprises of 100% share investment in the Central Securities Depository Company Limited, a company incorporated in the Republic of Botswana. | | | | |

BOTSWANA STOCK EXCHANGE
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2008

5 PROPERTY, PLANT AND EQUIPMENT

| | Leasehold Improvements P | Office Equipment P | Furniture & Fittings P | Motor Vehicles P | Total P |
|------------------------------------|--------------------------------|--------------------------|------------------------------|------------------------|------------------|
| GROUP | | | | | |
| 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 | 29 442 | 450 893 | 155 148 | 243 916 | 879 399 |
| 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 | 29 442 | 450 893 | 155 148 | 243 916 | 879 399 |
| Year ended 31 December 2008 | | | | | |
| Opening net book amount | 29 442 | 450 893 | 155 148 | 243 916 | 879 399 |
| Additions | 291 799 | 596 898 | 569 985 | 381 552 | 1 840 234 |
| Disposal | (47 746) | (400 220) | (239 001) | (56 414) | (743 381) |
| Depreciation | (42 250) | (205 930) | (53 936) | (150 195) | (452 311) |
| Depreciation on disposals | 23 609 | 400 220 | 93 744 | 56 414 | 573 987 |
| Closing net book amount | 254 854 | 841 861 | 525 940 | 475 273 | 2 097 928 |
| At 31 December 2008 | | | | | |
| Cost | 405 442 | 1 161 210 | 573 387 | 767 140 | 2 907 179 |
| Accumulated depreciation | (150 588) | (319 349) | (47 447) | (291 867) | (809 251) |
| Net book amount | 254 854 | 841 861 | 525 940 | 475 273 | 2 097 928 |

BOTSWANA STOCK EXCHANGE
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2008

5 PROPERTY, PLANT AND EQUIPMENT (continued)

| | Leasehold Improvements P | Office Equipment P | Furniture & Fittings P | Motor Vehicles P | Total P |
|------------------------------------|--------------------------------|--------------------------|------------------------------|------------------------|------------------|
| EXCHANGE | | | | | |
| 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 | 29 442 | 450 893 | 155 148 | 243 916 | 879 399 |
| 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 | 29 442 | 450 893 | 155 148 | 243 916 | 879 399 |
| Year ended 31 December 2008 | | | | | |
| Opening net book amount | 29 442 | 450 893 | 155 148 | 243 916 | 879 399 |
| Additions | 291 799 | 596 898 | 569 985 | 381 552 | 1 840 234 |
| Disposal | (47 746) | (400 220) | (239 001) | (56 414) | (743 381) |
| Depreciation | (42 250) | (205 930) | (53 936) | (150 195) | (452 311) |
| Depreciation on disposals | 23 609 | 400 220 | 93 744 | 56 414 | 573 987 |
| Closing net book amount | 254 854 | 841 861 | 525 940 | 475 273 | 2 097 928 |
| At 31 December 2008 | | | | | |
| Cost | 405 442 | 1 161 210 | 573 387 | 767 140 | 2 907 179 |
| Accumulated depreciation | (150 588) | (319 349) | (47 447) | (291 867) | (809 251) |
| Net book amount | 254 854 | 841 861 | 525 940 | 475 273 | 2 097 928 |

BOTSWANA STOCK EXCHANGE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

| | GROUP | | EXCHANGE | |
|--------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2008 P | 2007 P | 2008 P | 2007 P |
| 6 RECEIVABLES AND PREPAYMENTS | | | | |
| Fee receivables | 1 964 925 | 178 214 | 1 743 466 | 178 214 |
| Provision for impairment | - | - | - | - |
| | <u>1 964 925</u> | <u>178 214</u> | <u>1 743 466</u> | <u>178 214</u> |
| Other receivables | 442 191 | 517 705 | 442 191 | 517 705 |
| Related party balance (note 13) | 1 062 500 | 565 716 | 3 949 137 | 565 716 |
| Value added tax recoverable | - | 62 600 | - | 62 600 |
| | <u>-</u> | <u>62 600</u> | <u>-</u> | <u>62 600</u> |
| | <u>3 469 616</u> | <u>1 324 235</u> | <u>6 134 794</u> | <u>1 324 235</u> |

Fee receivables that are less than three months past due date are not considered impaired. At 31 December 2008, trade receivables of P1 897 697, (2007: 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 | 483 493 | 144 212 | 481 482 | 144 212 |
| 3 to 6 months | 1 414 204 | 34 002 | 1 195 026 | 34 002 |
| | <u>1 897 697</u> | <u>178 214</u> | <u>1 676 508</u> | <u>178 214</u> |

At 31 December 2008 and 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.

7 DEFERRED LEASE RENTALS

| | | | | |
|--------------------------------|----------------------|-----------------|----------------------|-----------------|
| Charge to the income statement | 74 942 | - | 74 942 | - |
| Balance at 31 December | <u>74 942</u> | <u>-</u> | <u>74 942</u> | <u>-</u> |
| Non current | 66 016 | - | 66 016 | - |
| Current | 8 926 | - | 8 926 | - |
| | <u>74 942</u> | <u>-</u> | <u>74 942</u> | <u>-</u> |

8 CASH AND CASH EQUIVALENTS

| | | | | |
|--------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Cash at bank | 2 452 586 | 2 230 815 | 1 158 864 | 2 230 815 |
| Cash in hand | 2 500 | 1 005 | 2 500 | 1 005 |
| | <u>2 455 086</u> | <u>2 231 820</u> | <u>1 161 364</u> | <u>2 231 820</u> |
| Settlement Account | (51 126) | - | - | - |
| | <u>2 403 960</u> | <u>2 231 820</u> | <u>1 161 364</u> | <u>2 231 820</u> |

Cash at bank mainly includes call account, which has an effective interest rate of 9 to 10% (2007- 8.6%) per annum

BOTSWANA STOCK EXCHANGE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2008

| | GROUP | | EXCHANGE | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2008 | 2007 | 2008 | 2007 |
| | P | P | P | P |
| 9 PROPRIETARY RIGHTS CAPITAL | | | | |
| Issued proprietary rights capital | <u>5 200</u> | <u>4 400</u> | <u>5 200</u> | <u>4 400</u> |
| The holders of proprietary rights are entitled to receive interest at a rate fixed by the Exchange in the annual general meeting. Such interest may not exceed the balance available from interest or dividends on invested funds | | | | |
| 10 TRADE AND OTHER PAYABLES | | | | |
| Other payables | 514 099 | 152 260 | 312 768 | 152 260 |
| Accruals and provisions | <u>1 318 324</u> | <u>480 940</u> | <u>1 317 786</u> | <u>480 940</u> |
| | <u>1 832 423</u> | <u>633 200</u> | <u>1 630 554</u> | <u>633 200</u> |
| At 31 December, the Exchange did not have any payables denominated in foreign currencies | | | | |
| 11 AMOUNTS DUE TO THE BOTSWANA STOCK EXCHANGE SECURITY FUND (Note 13) | | | | |
| Opening balance | 5 000 | 243 817 | 5 000 | 243 817 |
| Settled during the year | - | (243 817) | - | (243 817) |
| Statutory transfer for the year | <u>5 000</u> | <u>5 000</u> | <u>5 000</u> | <u>5 000</u> |
| | <u>10 000</u> | <u>5 000</u> | <u>10 000</u> | <u>5 000</u> |
| 12 CASH GENERATED / (UTILISED) IN OPERATING ACTIVITIES | | | | |
| Operating activities: | | | | |
| Operating profit | 1 334 880 | 778 655 | 3 105 051 | 778 656 |
| Adjustment for: | | | | |
| Depreciation (Note 5) | 452 311 | 254 490 | 452 311 | 254 490 |
| (Profit)/ loss on disposal of property plant and equipment | 93 854 | (63 500) | 93 854 | (63 500) |
| | <u>1 881 045</u> | <u>969 645</u> | <u>3 651 216</u> | <u>969 646</u> |
| Working capital changes | | | | |
| Increase in receivables and prepayments | (2 145 381) | (1 077 980) | (4 810 559) | (1 077 980) |
| Increase in trade and other payables | 1 199 223 | 272 347 | 997 354 | 272 347 |
| Deferred lease rentals | 74 942 | - | 74 942 | - |
| Increase in payables to Botswana Stock Exchange Security Fund | - | (243 817) | - | (243 817) |
| | <u>-</u> | <u>(243 817)</u> | <u>-</u> | <u>(243 817)</u> |
| Cash generated / (utilised) in operating activities | <u>1 009 829</u> | <u>(79 805)</u> | <u>(87 047)</u> | <u>(79 804)</u> |

BOTSWANA STOCK EXCHANGE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

13 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

| | GROUP | | EXCHANGE | |
|---|------------------|------------------|------------------|------------------|
| | 2008 P | 2007 P | 2008 P | 2007 P |
| <i>a) Sale of services</i> | | | | |
| Membership fees | | | | |
| -Stockbrokers Botswana (Pty) Ltd | 4 500 | 4 750 | 4 500 | 4 750 |
| -Capital Securities (Pty) Ltd | 3 500 | 3 500 | 3 500 | 3 500 |
| -African Alliance | 3 500 | - | 3 500 | - |
| -Motswedi Securities (Pty) Ltd | 4 000 | 4 000 | 4 000 | 4 000 |
| | <u>15 500</u> | <u>12 250</u> | <u>15 500</u> | <u>12 250</u> |
| Listing fees - Government bonds | <u>3 437 500</u> | <u>2 187 500</u> | <u>3 437 500</u> | <u>2 187 500</u> |
| <i>b) Grants received</i> | | | | |
| Government of the Republic of Botswana | <u>3 992 605</u> | <u>2 589 932</u> | <u>3 992 605</u> | <u>2 589 932</u> |
| <i>c) Transfer to the Botswana Stock Exchange Security Fund</i> | | | | |
| | <u>5 000</u> | <u>5 000</u> | <u>5 000</u> | <u>5 000</u> |
| <i>d) Year end balances arising from sale/purchases of services and in terms of BSE Act</i> | | | | |
| Due to the Botswana Stock Exchange Security Fund | <u>(10 000)</u> | <u>(5 000)</u> | <u>(10 000)</u> | <u>(5 000)</u> |
| Due from the Government of the Republic of Botswana | <u>1 062 500</u> | <u>565 716</u> | <u>1 062 500</u> | <u>565 716</u> |
| Due from the Central Securities Depository Botswana | <u>-</u> | <u>-</u> | <u>2 886 637</u> | <u>-</u> |
| | <u>1 062 500</u> | <u>565 716</u> | <u>3 949 137</u> | <u>565 716</u> |

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

14 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.

BOTSWANA STOCK EXCHANGE

DETAILED INCOME STATEMENT-EXCHANGE

FOR THE YEAR ENDED 31 DECEMBER 2008

| | 2008 P | 2007 P |
|--|-------------------|------------------|
| Revenue | | |
| Commission | 2 439 435 | 220 142 |
| Listing and annual sustaining fees | 6 939 415 | 4 805 423 |
| Members fees | 15 500 | 12 250 |
| Government subvention | 3 992 605 | 2 589 932 |
| Sundry income | 242 124 | 515 219 |
| Total income | 13 629 079 | 8 142 966 |
| Administrative expenses | | |
| Advertising | 648 056 | 901 414 |
| Audit fees | 79 860 | 72 600 |
| Bad debt write-off | 3 012 | - |
| Bank charges | 18 173 | 9 976 |
| Cleaning | 29 314 | 22 399 |
| Communication expenses | 183 238 | 200 387 |
| Computer expenses | 617 413 | 196 745 |
| Consulting fees | 398 570 | 220 274 |
| Depreciation | 448 860 | 254 488 |
| Electricity | 11 263 | 26 525 |
| Entertainment | 99 541 | 40 981 |
| Insurance | 82 883 | 131 950 |
| Internship allowances | 26 576 | 2 391 |
| Legal fees | 41 629 | 40 732 |
| Library expenses | 19 278 | - |
| Loss on disposal of property plant and equipment | 93 854 | - |
| Members sitting allowances | 86 310 | 93 660 |
| Motor vehicle expenses | 46 513 | 61 490 |
| Office expenses | 19 549 | 24 176 |
| Overprovision of fees | - | 12 330 |
| Printing and stationery | 65 790 | 52 140 |
| Recruitment expenses | 4 374 | 18 325 |
| Relocation expenses | 57 126 | 4 500 |
| Rental | 459 623 | 358 512 |
| Repairs and maintenance | 16 665 | 34 543 |
| Salaries and wages | 6 088 723 | 3 912 714 |
| Security costs | 23 261 | 8 276 |
| Seminars and conferences | 191 873 | 378 107 |
| Staff welfare | 45 647 | 43 560 |
| Subscriptions | 69 571 | 47 790 |
| Travelling, accommodation and entertainment expenses | 547 483 | 193 325 |
| | 10 524 028 | 7 364 310 |
| Net Interest cost | | |
| Interest income | 141 385 | 276 818 |
| | 141 385 | 276 818 |
| Net profit for the year | 3 246 436 | 1 055 474 |

The detailed income statement does not form a part of the audit opinion on page 6 and 7.