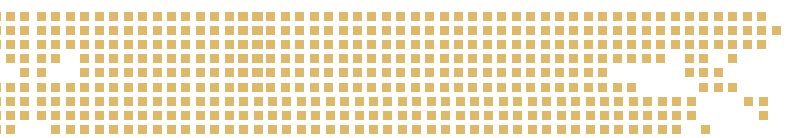




BOTSWANA STOCK EXCHANGE

Annual Report 2009



2009 Highlights



Average Daily Turnover	Number of Shares	Market Capitalisation	Domestic Company Index
-0.35%	-0.13%	+0.19%	+2.9%

+20%

LOCAL ASSET
STATUS
INDEX

7,258

Retail
Investors

- Debt Turnover was 10.6%
- Free Float Indices Introduced
- Significant progress made in introducing ETFs

were reached via the Market Campaigns



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Overview

- Mission and Vision
- Botswana Stock Exchange Overview
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- Staff Members



Milestones

This is our **vision**

To be the leading Stock Exchange in Africa

1989

Humble beginnings

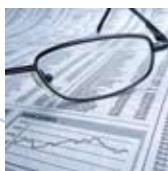
The BSE traces its humble beginnings to when it was known as the Botswana Share Market (BSM) in 1989 when it was formally established. In 1989, the BSM started with 5 listed entities.



1994/95

New legislation

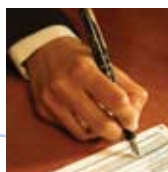
In September 1994 the legislation to transform the BSM into a full stock exchange was passed by Parliament paving the way for the establishment of the Botswana Stock Exchange (BSE) where trading opened in November 1995.



2001

CEO appointed

With effect from July 2001, a full time Chief Executive Officer was appointed with the aim of establishing an independent secretariat.



2003

Full independent entity

In April, in order to better execute the affairs of the Exchange, better serve stakeholders, be more responsive to global events and to remain competitive, the BSE discontinued the secretarial role of Ernst and Young Botswana to become a fully independent entity.



2006**Developing the capital market**

The BSE developed a strategic plan with the objective of developing the Capital Market. The BSE adopted seven strategic pillars to better execute its plans and these are; Infrastructure Development, Market Development, Product Development, Regulation, Governance, Human Resource Development and Financial Resources.

**2007****Publications improved**

Improvements made to BSE publications. Selected BSE publications are published in Setswana.

**2008****BSE Board Charter**

The Central Securities Depository (CSD) was implemented in May 2008 and share dematerialisation has been progressing well since. The BSE also commenced computation of 3 additional indices i.e. Local Asset Status Index (LASI), Foreign Resources Sector Index (FRSI) and the Domestic Financial Sector Index (DFSI) with effect from February 2008. BSE Board Charter was adopted in 2008.

**2009****On track**

The strategy to implement Exchange Traded Funds (ETFs) was bearing fruit as the BSE held discussions with potential ETF issuers. In 2009 selected BSE publications were translated into Setswana. As at end 2009, there were 31 listed companies and 32 bonds listed on the BSE.



mission

To provide and operate a fair , transparent and efficient stockmarket for all stakeholders in order to optimise national economic development



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 1989, the BSE trace its humble beginnings to when it was known as Botswana Share Market (BSM). At that time there was no formal stock exchange in Botswana and the BSM traded as an informal market.

There were only 5 listed entities with a single broking firm i.e. 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 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 Banking 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 a 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 over the full administration of the BSE. With effect from July 2001, a full time Chief Executive Officer was appointed with the aim of making the BSE completely independent. In April 2003, in order to better execute the affairs of the Exchange, better serve stakeholders, 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

With effect from July 2001, a full time Chief Executive Officer was appointed with the aim of making the BSE completely independent



Botswana Stock Exchange Overview

government, quasi- 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, these 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. The BSE is regulated by the Non-Banking Financial Institutions Regulatory Authority (NBFIRA).

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:

Office Block 6
Plot 64511, Fairgrounds
Private Bag 00417
Gaborone

Independent auditors:

PricewaterhouseCoopers

Bankers:

Barclays Bank of Botswana Limited

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"

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 meets 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.

MEMBERS OF THE MAIN committee

1. Mr R. Desai

Mr Desai holds LL.B (Hons) and DIP. LP 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. Mrs E. Gonsalves

Mrs Gonsalves is the Director of Insurance and Pension in the Ministry of Finance and Development Planning. She advises the Government, and parastatals, on insurance and pension matters, including reforms of the insurance and pension industries, in line with international benchmarking. She chairs the Certification Committee of the Botswana IFSC and sits on the Board of the Motor Vehicle Accident Fund. She is a Fellow of the Chartered Insurance Institute; holds an Executive MBA; a Bachelor of Science degree; a

postgraduate Diploma in Education; and a Diploma in Theology and Ministry. She is also an ordained minister in the Methodist Church of Southern Africa.

3. Professor P. Takirambudde

Peter Takirambudde is a longtime professor of law at the University of Botswana. Peter is a member of Board of Adjudicators-Income Tax & Value Added Tax, Ministry of Finance and consults extensively with public and private entities on corporate, commercial, labour, trade and regulatory law. He is a Doctor of Juridical Science and Master of Laws, International Business Transactions, Yale University Law School. His honours and distinctions include, Ford Foundation Graduate Fellowship, Yale Law School Fellowship & Universities (Columbia, Harvard, Princeton and Yale) Consortium Fellowship.

4. Mr R. Motswaiso (not in picture)

Mr Motswaiso is a Fellow Chartered Certified Accountant as well as an Associate member of the Chartered Institute of Management Accountant. He holds a Bachelor of Commerce Degree from University of Botswana. He sits in a number of local boards including Sefalana Holdings and 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 Chief executive Officer of Botswana Housing Corporation (BHC).

5. 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.



6. 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.

7. Mrs L. Siwawa

Mrs Siwawa joined the BSE board in May 2008 and is a member of the Chartered Institute of Certified Accountants (ACCA) (UK): CPA (Botswana). She was the Financial Manager and later the CEO of Capital Securities, having previously been an Audit Manager at KPMG.

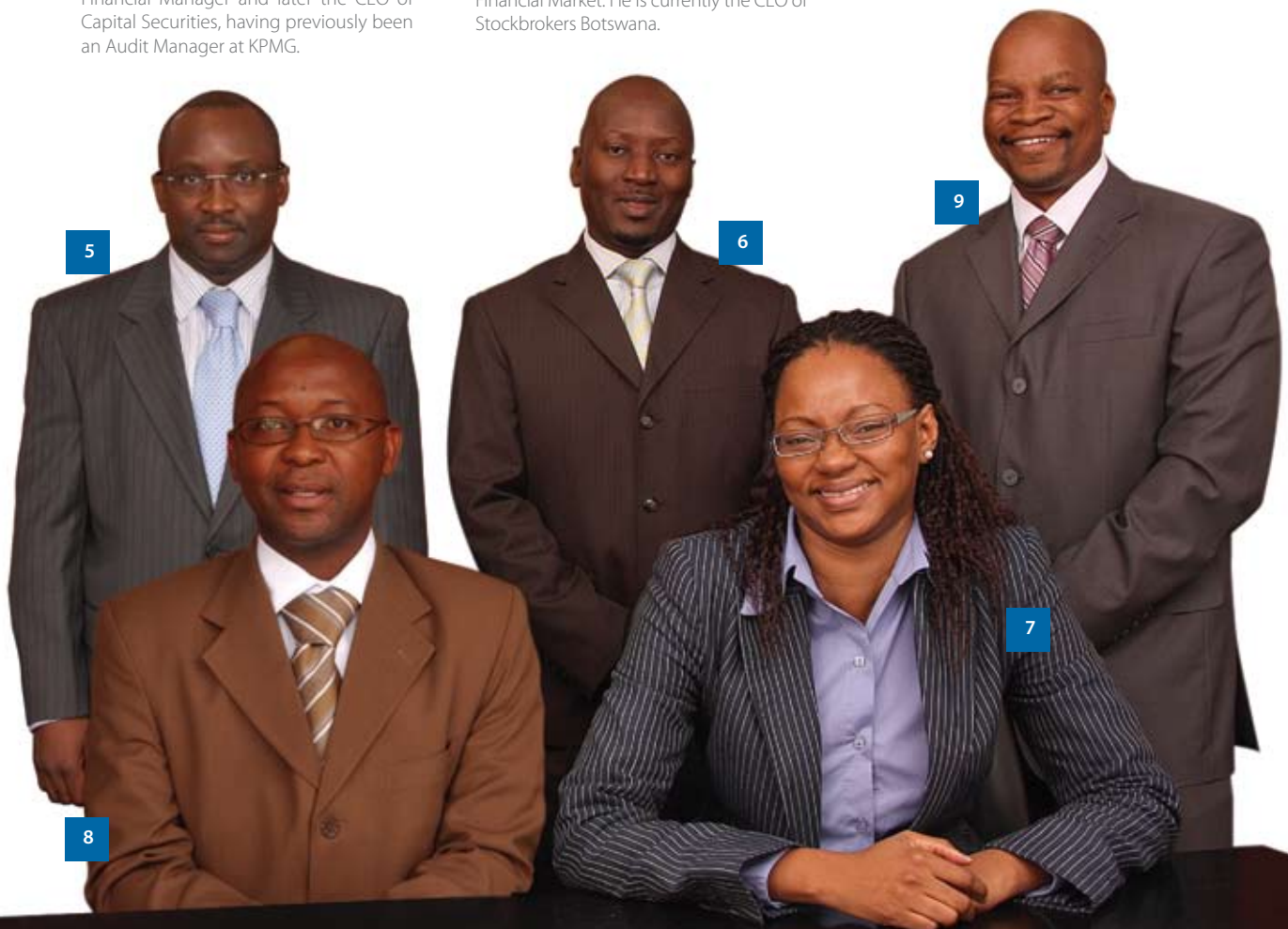
She is currently the Financial Controller of Barclays Bank Botswana and serves on the Board of Trustees of Barclays Bank Pension Fund.

8. Mr G. Bakwena

Mr Bakwena holds a Bachelor of Commerce (Accounting) degree and a Master of Business Administration (MBA) both 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.

9. 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.



MANAGEMENT team



Mr H. Mendis

Chief Executive Officer

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.



Ms L. Masire

Market Development Manager

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 from Xavier University (USA) and MA in Economics from the University Of Cincinnati (USA).



Mr T. Tsheole

Product Development Manager

Mr Tsheole joined the BSE in February 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 and an Agricultural Product Dealer with Financial Derivatives Division (SAFEX).



Ms M.P. Pheto

Central Securities Depository (CSD) Manager

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).



Mr M. A. Makwaeba

Information Technology Manager

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 MSc in Strategic Management from University of Derby (UK), a BSc in Computer Science and a Diploma in Computer Studies both from the University of Botswana.



Mr M. C. Zila Libengo

Finance and Administration Manager

Mr. Libengo joined the BSE in 2009, as Finance and Administration Manager. His previous experience includes roles at PricewaterhouseCoopers, Stanbic Bank Botswana Limited and Botswana Railways. Mr Libengo is a Fellow member of Association of Accounting Technicians (FMAAT), Fellow member of Association of Certified Chartered Accountants (FCCA) and Fellow Member of Botswana Institute of Accountants (FCPA). He also holds a Masters in Business Administration (MBA) from the University of Derby (UK).

Management team



Ms L. Tamocha

Corporate Affairs Manager

Ms Tamocha joined the BSE in June 2009 as Corporate Affairs Manager. Prior to joining the Botswana Stock Exchange, she was Senior Manager, Securities at Stanbic Bank Botswana Limited. Before then, she worked for the Attorney General's Chambers as a Senior State Counsel in the Civil Litigation Department. She holds an LLB from the University of Botswana.



Ms D. Garekwe

Listings and Trading Manager

Ms Garekwe joined BSE in January 2010 as Listings and Trading Manager. Prior to joining BSE, she was Senior Manager, Investment Banking (Advisory) at African Banking Corporation. Before then, she worked for Standard Chartered Bank as Head of Finance and Administration. Ms Garekwe graduated with a BCom (Accounting) from the University of Botswana, is a Fellow Member of ACCA (UK), a Fellow Member of the Botswana Institute of Accountants, an Associate Member of the Botswana Association of Bankers (by examination), and holds an MBA in Finance and Banking from University of Wales/Manchester Business School (UK).

OUR staff

OUR STAFF IS THE BACKBONE OF THE EXCHANGE. In light of this BSE strives to continuously upgrade the skills to meet international standards that are important to run the Exchange. This is done through various means, the most used being workshops and seminars.



Seated:

From left: P. Moatshe; L. Masire; M. Makhao; O. Thomas; N. Phaletse

Standing in front row:

From left: J. Gabonewe; M. Libengo; A. Khupe; K. Thipe; O. Leburu; G. Molojwane; T. Tamocha; T. Tsheole.

Standing in back row:

From left: M. Makwaeba; K. Mogorosi; H. Mendis; T. Lehubitsa; T. Mmolai; T. Tebogo; D. Garekwe; L. Tamocha

Not in picture:

M. Mogasha

Reviews

- Chairman's Statement
- Chief Executive Officer's Review
- Graphical Review
- Market Statistics



CHAIRMAN'S statement

As much as the year 2008 was an exceptional year for the BSE, 2009 was one of the most challenging in recent times. The global financial crisis which commenced in 2008 continued into 2009, eroding some of the gains made in previous years and demonstrating that we in Botswana have not been immune.

Worst hit were market turnover and liquidity. Daily average turnover in 2009 was P3.1Mn in comparison to P4.8Mn in the previous year. As was noted in the 2008 Annual Report, however, the crisis was late to hit the BSE. The same trend regrettably continued in the recovery phase with the crisis beginning to abate only around May 2009. In comparison, international markets began their recovery in the first quarter of 2009.

The BSE's reaction to the crisis was slow and the DCI closed the year recording an appreciation of only 2.9% compared to a decline of 16.5% in 2008. This is understandable to an extent given that Botswana's economy is not yet substantially integrated with the international economy, and, in particular, weak price discovery on the BSE was a major contributing cause to the slower pace of recovery.



Notwithstanding these commercial set-backs, I am pleased to advise that the BSE continued making good progress on its ongoing development initiatives during 2009 and has not lost the momentum and focus built over the past few years. I touch upon these initiatives below.

Infrastructure

At the close of the year, 5 companies out of the 11 dual listed had been transferred to the CSD. Of the remaining foreign companies, 3 are incorporated in the UK and cannot be transferred to the CSD due to constraints imposed by the UK Companies Act. The issue was brought to the attention of the Ministry of Trade, Ministry of Finance and Development Planning and Ministry of Foreign Affairs. Discussions were also held with a representative of the British High Commission regarding the possibility of amending the UK Companies Act to permit UK companies which are listed on the BSE maintaining sub-registers in Botswana. However, progress on this issue is likely to take some time.

Dematerialisation of shares has been progressing extremely well with 34.2% of domestic company shares being dematerialized as at December 2009. The dematerialization status of foreign companies transferred to the CSD was 68% of the shares issued on the Botswana register.

The procurement of the Automated Trading System (ATS) is progressing. Proposals received have been subject to a vigorous 3 stage technical evaluation. Short listed proposals will be subject to a financial evaluation prior to the successful bidder being chosen. The BSE expects the ATS to be implemented in the first quarter of 2011 as against the fourth quarter of 2010 due to unforeseen delays in the evaluation process.

As much as the CSD was instrumental in making the clearing and settlement of securities efficient and effective, the ATS, once implemented, will assist the BSE to take the market to investors and provide equitable and easy access to all investors irrespective of whether they are individuals or institutions.

The implementation of the CSD and ATS will provide the BSE with a strong infrastructure backbone which will help it realize its market and product development strategies and thereby assist in its progress towards the realization of its world-class vision.

Regulation

As noted in the Chairman's statement for 2008, the BSE was hopeful that the proposed Securities Act would be enacted in 2009. Regrettably, this did not transpire due to circumstances beyond the control of the Exchange. The BSE did however complete its review of the Securities Act and comments were forwarded to MFDP for consideration. The Securities Act, in addressing many regulatory issues, will pave the way for the Exchange to function as a commercial entity and help it achieve the structural and governance changes identified in the BSE strategy. The BSE awaits further developments in this regard.

The BSE has completed its review of the Listings Rules drafted by the relevant consultants and forwarded its comments to MFDP for consideration. Unfortunately, the new schedule Rules could not be implemented in 2009 as planned in consequence of delays beyond the control of the Exchange. The BSE will follow up this initiative in 2010.

The Member Rules which were earlier to be drafted by consultants appointed by MFDP will now be drafted by the Exchange internally. The change in approach will save time, reduce costs to government and enhance HR development in the BSE. The proposed Member Rules are expected to be implemented in the latter part of 2010.

Market Development

The BSE continued its initiatives with regard to attracting individual (or retail) investors by conducting road shows, making presentations and participating in exhibitions. The success of the BSE's market development initiatives is best reflected by the number of CSD accounts opened. Out of the 7499 accounts opened in the CSD, as at December 2009, individual investors accounted for 5,735. This compares favourably with 3,677 individual accounts in the CSD as at the end of December 2008, a growth of 56%.

Chairman's statement

However, in contrast to the number of accounts in the CSD, a comparison of investor contribution to turnover indicates that contribution to turnover by individual investors is still relatively small, even though it has grown from 3% in 2008 to 5.9% in 2009. It is also to be noted that individual investor contribution to turnover increases when turnover declines. This suggests that individual investors get "crowded out" when turnover and liquidity increase.

As indicated above, it is envisaged that the implementation of the ATS will be instrumental in redressing the imbalance between individual and institutional shareholders which, in turn, is likely to have a positive impact on the BSE's liquidity.

The suppressed state of the equity market has prevented the hoped for headway being made in relation to the marketing of listings. However, the Exchange continued meeting with companies and communicating the positive relationship between listing and an organization's development and is confident that such initiatives will help motivate some of these companies to list in the future.

Product Development

As noted in the Chairman's Statement for 2008, it is only by developing products that the BSE can hope to inject liquidity into the market in order to break the present impasse of a liquidity deadlock.

The BSE has made progress in this regard in introducing Exchange Traded Funds (ETFs) in the year under review. Discussions were held with two ETF management companies in South Africa. The BSE is confident that there is a demand for ETFs from local fund managers based on the interest shown by them at several presentations made and also, by way of a methodology through which individual investor appetite can be gauged and satisfied.

The BSE will pursue a notable initiative in relation to ETF's by way of the appointment of market makers, which should help further increase the tradability of these products. The Exchange has also taken steps to make its fee structure on ETFs competitive which is expected to encourage the trading of these products locally.

Bonds have long been listed and traded on the BSE. However, for a variety of reasons, the Exchange has not given sufficient priority to bonds or drafted separate Listings and Trading Rules for their operation. This has resulted in the bond market being fragmented and under developed.

In this regard, a notable initiative carried out by the Exchange in 2009 was the formation of a bond market development task force with representation by various stakeholders. The mandate of the task force is to formulate a bond market development strategy and identify bottlenecks that impede developing an active and liquid market. The Exchange expects to amend its Listing and Trading Rules in due course for bonds based on the findings of the bond market development task force.

Future Outlook

The foundation is the most important part of any building. This is also true of any great institution. What the BSE has been concentrating on in past years, and will continue to pay attention to in the next few years, is the implementation of a strategy that creates a strong foundation for development and growth. This is the reason why emphasis has been placed on infrastructure; regulation; market, product and HR development; and governance and financial stability as the cornerstones of the BSE's strategy.

It is by focussing on these aspects that the Exchange seeks to contribute to Botswana's known competitive advantages, which make it a developing country without parallel for capital market development.

Appreciation

As always, I am pleased to report that I have received sterling support in my work for the Exchange from a well motivated Main Committee and senior management Executive Committee. I therefore thank my fellow Committee members and Hiran Mendis, the Chief Executive Officer of the BSE and his team for their contribution during the year under review to the business and affairs of the Exchange. I also wish to record my gratitude and appreciation to all of the employees and other stakeholders of the Exchange for their continued support of and belief in it.

Finally, on a personal note, and as I have decided to step down as Chairman of the Exchange during 2010, I would like to assert that it has been nothing less than an honour and a privilege for me to have served this noble and important institution and to wish my successor all the best in taking the Exchange to the next level.



RIZWAN DESAI
CHAIRMAN

Creating wealth for Batswana



AS MUCH AS THE CSD WAS INSTRUMENTAL IN MAKING THE CLEARING AND SETTLEMENT of securities efficient and effective, the ATS, once implemented, will assist the BSE to take the market to investors and provide equitable and easy access to all investors irrespective of whether they are individuals or institutions.

A smiling man in a light blue shirt and patterned tie, sitting at a desk with a laptop and a clock. The background is a blurred cityscape.

CHIEF EXECUTIVE OFFICER'S review

The theory of business cycles is not without critics. Main stream economic thought has endeavoured to externalise the causes for crisis whereas alternative theories focus on internal factors that suggest that it is the system that is flawed. One alternative theory attempts to link economic cycles to the credit cycle and focuses on the role played by financial institutions and banks in perpetuating business cycles.

Whatever the reasons and causes, the “wake” of the financial crisis which commenced in September 2008 continued into 2009 as evident from the decline in international markets during the first quarter of the year. As a result of the crisis lingering on, most stock exchanges experienced a decline in market capitalisation, turnover and volume of shares traded during the year under review. The BSE was no exception even though the impact of the crisis was less severe than that experienced by most regional markets as determined by the contraction of the DCI in 2008.

As noted in the 2008 Annual Report, the crisis was late to hit the BSE and it was also late when the crisis showed signs of abating.

Market Performance

A snapshot of the performance of the market on an annual basis and a Quarterly basis is as detailed in Figures 1 and 2. A detailed analysis of index performance, turnover, liquidity and other indicators follow.

Figure 1:
Market Performance

	2005	2006	2007	2008	2009
Index Performance					
DCI	3,559.1	6,195.4	8,421.6	7,035.5	7,241.9
% Change in DCI	23.2	74.1	35.9	(16.5)	2.9
FCI	1,129.9	1,777.3	2,200.9	1,192.0	1418.3
% Change in FCI	78.0	57.3	23.8	(45.8)	19.0
Liquidity					
Turnover (P'Mn)	238.6	414.7	824.6	1,166.2	763.9
Average Daily Turnover (P'Mn)	1.0	1.7	3.4	4.8	3.1
No. of Shares Traded (Mn)	44.2	87.2	124.6	193.3	167.6
Market Capitalization					
Domestic Companies (P'Mn)	13,418.1	23,776.9	32,702.6	27,706.1	28,536.2
Foreign Companies (P'Mn)	301,144.6	510,407.8	535,324.9	286,260.2	346,001.1
Total (P'Mn)	314,562.7	534,184.7	568,027.5	313,966.3	374,537.2
Market Indicators					
P/E Ratio (times)	11.0	16.3	15.6	12.0	13.5
Dividend Yield (%)	5.9	3.8	3.1	4.6	4.3
Price/Book value (%)	7.8	9.8	8.6	4.5	4.8

Source: BSE

Chief Executive Officer's Review for 2009

	2005	2006	2007	2008	2009
Relative Performance					
Dom. Mkt. Cap/GDP (%) ^{note1}	25.3	28.4	37.1	40.7	29.5
Turnover/Dom. Co Mkt. Cap (%)	1.8	1.8	2.5	3.9	2.7
Turnover/ All Co Market Cap (%)	0.1	0.1	0.1	0.3	0.2

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

Figure 2:
Quarterly Market Performance in 2009

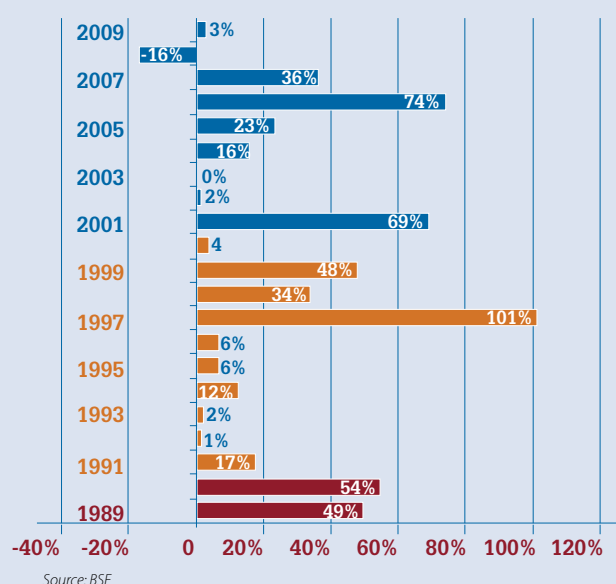
	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Index Performance				
DCI	6,451.3	6,233.1	6,904.2	7,241.9
% Change in DCI	(8.3)	(3.4)	10.8	4.9
FCI	1,168.7	1,117.9	1153.3	1418.3
% Change in FCI	(2.0)	(4.3)	3.2	23.0
Liquidity				
Turnover (P'Mn)	323.3	108.8	170.2	161.6
Average Daily Turnover (P'Mn)	5.2	1.8	2.7	2.6
No. of Shares Traded (Mn)	79.3	24.3	33.8	30.2
Market Capitalization				
Domestic Companies (P'Mn)	25,405.5	24,555.6	27,199.4	28,536.2
Foreign Companies (P'Mn)	282,224.5	272,570.4	281,309.9	346,001.1
Total (P'Mn)	307,630.0	297,125.9	308,509.3	374,537.2
Market Indicators				
P/E Ratio (times)	11.6	11.2	12.4	13.5
Dividend Yield (%)	4.9	5.1	4.6	4.
Price/Book value (%)	4.3	4.1	4.6	4.8

Source: BSE

Indices

The BSE's Domestic Company Index (DCI) closed the year at 7241.9 points compared to 7035.5 points as at end 2008 appreciating by 2.9% in comparison to a decline of 16.5% in 2008. Figure 3 shows the performance of the DCI since the inception of the BSE in 1989.

Figure 3:
Return on BSE DCI



A quarterly analysis of performance reveals that the DCI declined by 8.3% and 3.4% in Quarters 1 and 2 of 2009, respectively. The index bottomed out on 19th May 2009 at 6080.9 points and since then gained momentum by appreciating by 10.8% and 4.9% in Quarter 3 and Quarter 4.

On a cumulative basis the DCI appreciated by 19.1% up to 31st December 2009 since reaching its lowest point on 19th May 2009. The DCI peaked at 7,508.72 points on 30th November 2009.

A further analysis of the DCI on a monthly basis shows that the DCI has been appreciating continuously from May 2009 till November 2009. Even though, the index briefly changed course

in December 2009 declining by 3.6%, it could be stated that the performance of the DCI indicates that the BSE is on the path to recovery albeit at a slow pace.

Although the reasons for the dip of the DCI in December may be varied, a contributing factor may have been profit taking by investors as has been the trend in past years.

The Foreign Company Index (FCI) recorded a growth of 19% in the year under review compared to a growth of 23.8% and a decline of 45.8% in 2007 and 2008 respectively. The FCI closed the year at 1,418.3 points compared to 1,192.0 points in 2008. Much like the DCI, the FCI faced pressures in the first half of 2009, declining by nearly 2% and 4.3% in Quarters 1 & 2 respectively prior to appreciating by 3.2% in Quarter 3 followed by a massive growth of 23% in Quarter 4. In comparison, the MSCI Emerging Market Index experienced a rapid growth in 2009. On a quarterly basis the MSCI Emerging Market Index grew by 0.5% and 33.6% in Quarters 1 and 2 respectively. The MSCI Emerging Market Index further appreciated by 20.1% in Quarter 3 followed by a growth of 8.3% in Quarter 4. The overall growth of the MSCI Emerging Market Index was 74.5% in 2009.

The possible reasons for the variation in performance of the BSE and other developing markets could be due to the following reasons:

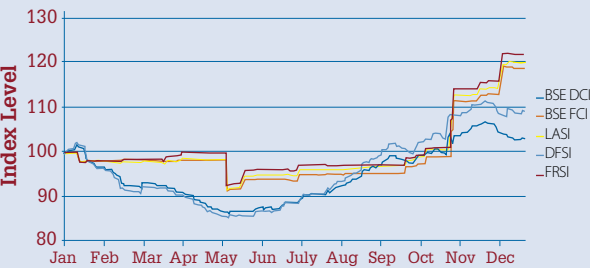
- Price discovery in the BSE is weak due to the market being dominated by institutional investors (mainly pension funds) with significant holding power, which dries up liquidity.
- Most other markets declined more steeply than the BSE. For instance the JSE declined by 30.5% and Mauritius depreciated by 44.6% due to the crisis prior to turning around. In comparison the DCI declined by 24.8% during the crisis. Hence the upside potential of the JSE and Mauritius would be more than that of the BSE.

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As noted in the 2008 Annual Report, the BSE commenced the computation of the Local Asset Status Index (LASI), Foreign Resources Sector Index (FRSI) and Domestic Financial Sector Index (DFSI) with effect from February 2008. The LASI grew by 20% while the DFSI registered a growth of 9.1%. The FRSI outperformed all BSE indices by closing the year with a growth of 22%. These indices are computed on a total returns basis and are considered a better measure of performance in comparison to indices that only measure capital gains and losses like the DCI and FCI. The total returns methodology takes into account both capital gains/ losses and dividends in their computation.

Figure 4 show that the BSE total return indices have largely outperformed the BSE DCI in 2009. This is to be expected since the BSE recorded a dividend yield of 4.3% in 2009. As noted the DCI appreciated by 2.9% in 2009. Hence on a total returns basis it could be estimated that the DCI appreciated by 7.2% in the year under review.

Figure 4:
Performance of the BSE DCI with Total Return indices standardised as at 5th January 2009



Source: BSE

Market Turnover

Equity

As can be seen from Figure 1, the biggest causality of the international financial crisis in 2009 was turnover. In 2006 average daily turnover was P1.7 Mn per day followed by P3.4 Mn in 2007 and P4.8 Mn in 2008. In comparison, average daily turnover for the year 2009 slipped to P3.1 Mn.

A quarterly analysis of average daily turnover reveals that Quarter 1 recorded the highest daily average turnover for the year of P5.2 Mn compared to P1.8 Mn and P2.7 Mn in Quarter 2 & 3 respectively while Quarter 4 registered a turnover of P2.6 Mn. This shows that although price indices were declining in Quarter 1, liquidity of securities improved. This contrasting performance between the BSE's DCI and average daily turnover suggests that selling pressure far outweighed demand as shown in Figure 5.

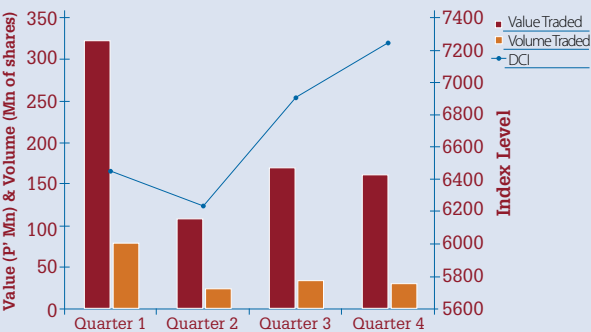
On a quarterly basis the volume of 79.3 Mn shares traded in Quarter 1 far outweighed the volume of shares traded in the 1st Quarter of the 3 previous years. In fact the volume of shares traded in Quarter 1 of 2009 has exceeded the volume traded in the 1st Quarters of the 3 preceding years.

The volume of shares traded in 2009 was 167.6 Mn, a decrease of 13.3% from 193.3 Mn shares traded in 2008.

From the above analysis it is clear that investors who were keen to exit the market during the crisis did not show the same enthusiasm in entering the market with the abating of the crisis. One reason that could explain this turnout is the relatively low impact the crisis had on the BSE.

In other words the movement of prices haven't been sufficiently significant for liquidity to be sustained especially in the recovery phase.

Figure 5:
A Quarterly Performance of BSE DCI, Volume and Value of shares Traded in 2009



Source: BSE



Debt

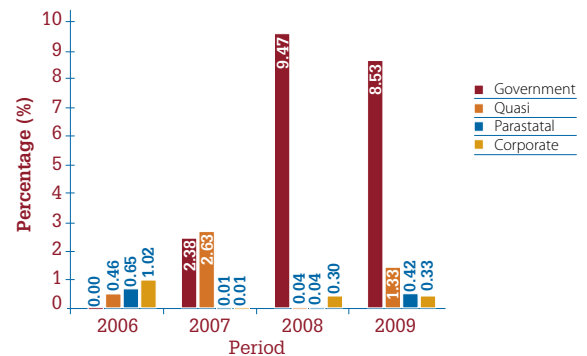
Although there were 32 debt securities listed on the BSE as at the end of 2009, the debt market turnover remained low as was the case in previous years even though growing by 18.6%. The debt turnover for the year was P639.8 Mn compared to P196.8 Mn and P539.3 Mn in 2007 and 2008 respectively.

The debt turnover was concentrated in government bonds with securities valued at P514 Mn being traded compared to P80 Mn in respect of Quasi government bonds, P26 Mn in respect of parastatals bonds and P20 Mn on account of corporate bonds being traded. It is noted that government bonds made up 80.3% of the total debt turnover in 2009.

The ratio of turnover to debt market capitalisation has improved over the past 4 years. It has grown from 2.1% in 2006 to 5% in 2007 and registered 9.9% in 2008 in comparison to 10.6% in 2009.

Figure 6 details the debt turnover by sector as a percentage of total debt market capitalisation. The point made above regarding the contribution to debt market turnover by government bonds is further illustrated in Figure 6.

Figure 6:
Debt Turnover as a % of Debt Market Capitalisation



Source: BSE

It is noted that the government bond turnover as depicted in Figure 6 include both the trades executed in the BSE and those reported by Primary Dealers through the Bank of Botswana. As noted elsewhere in this review the BSE has initiated the drafting of a bond market development strategy.

Given the comparatively large market capitalisations and liquidity of government bonds it is important that the debt market development strategy addresses the requirements of participants dealing in government bonds.

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Liquidity

The liquidity of the BSE measured as a ratio of total equity turnover to domestic market capitalisation declined from 3.9% in 2008 to 2.7% in 2009. In comparison liquidity of the Stock Exchange of Mauritius declined from 10.7% to 6.9% in 2009 and liquidity of the JSE also decreased from 60.3% to 48.0%.

Continuing the trend of the past few years, institutional investors were the main contributors to market turnover in 2009. An analysis of contribution to turnover in Figure 7 reveals that transactions on the BSE are dominated by local institutional investors who are mainly pension fund and asset managers. As stated in the BSE's Annual Reports for the past 2 years, efforts are still being made to attract retail investors to invest in the stock market. Even though the BSE's efforts in attracting individual investors have been successful in terms of the number of investors opening accounts in the CSD, the value of turnover generated from the individual investors is a cause for concern. In this context it is noted that the present manual system of trading has not made it conducive to attract individual investments.

An analysis of turnover on a quarterly basis by client type shows that participation by local individual investors tends to reduce when market turnover increases. This relationship could be due to the dominant position of the institutional investors and as noted above the lack of trading infrastructure to reach out to individual investors. The proposed Automated Trading System (ATS) would reinforce the BSE's marketing strategy in this regard. In 2009 the retail investor participation in the market continued to remain low. There was however a considerable improvement in local individual's contribution to turnover in comparison to 2008.

As can be seen from Figure 7, the BSE has seen an increase in foreign investor activity in 2009. Foreign Companies accounted for 37.8% of turnover and Foreign Individuals 1.7% of turnover compared to 13.4% and 1.5% that was recorded in 2008. As evident from Figure 8 Foreign Companies dominated in Quarter 2 of 2009 by contributing to 47.4% of turnover followed by Local Companies with 35%.

As evident from Figure 8 the domination of turnover accounted for by Foreign Companies in Quarter 2 of 2009 is suggestive of a contrarian investment strategy being adopted by them.

Continuing the trend of the past few years, institutional investors were the main contributors to market turnover in 2009

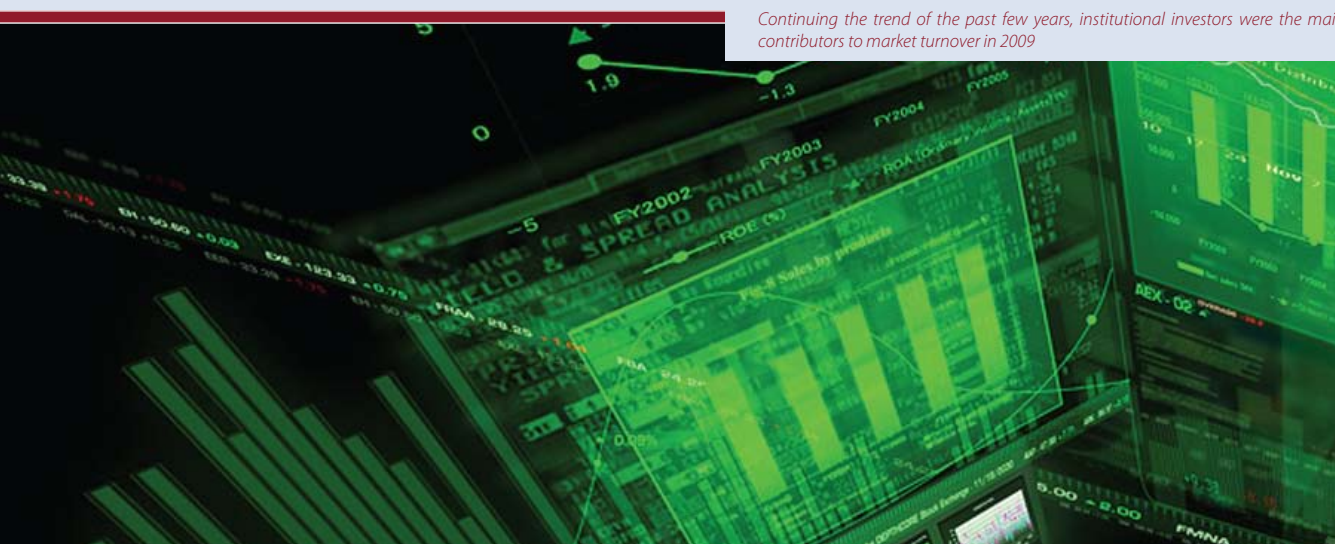


Figure 7:
Comparative Investors Contribution to Turnover: 2008 & 2009

Investors	Turnover (%) 2008 ^{note 1}	Turnover (%) 2009 ^{note 1}	% Contribution to Liquidity 2009
Foreign Companies	13.4	37.8	1.1
Foreign Individuals	1.5	1.7	0.0
Local Individuals	3.0	5.9	0.2
Local Companies	69.6	51.1	1.5
Brokers	12.5	3.6	0.1
TOTAL	100.0	100.0	2.9

*Note 1: Turnover statistics are for companies in CSD only
Source: CSD Botswana*

Figure 8:
Investors Contribution to Turnover on a Quarterly basis for 2009

Investors	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Foreign Companies	40.7	47.4	33.7	29.9
Foreign Individuals	2.0	1.4	1.0	1.9
Local Individuals	3.1	11.2	5.8	8.2
Local Companies	52.2	35.0	53.1	57.5
Brokers	2.1	5.0	6.5	2.5
TOTAL	100.0	100.0	100.0	100.0

*Note 1: Turnover statistics are for companies in CSD only
Source: CSD Botswana*

Market Capitalisation

The BSE's domestic market capitalisation experienced a growth of 3.0% in 2009 relative to a decline of 15.3% in 2008. As noted in Figure 1, domestic market capitalisation which was P32.7 Bn in 2007 declined to P27.7 Bn in 2008 and appreciated to P28.5 Bn in 2009.

As noted in previous reports market capitalisation could appreciate as a result of an increase in the number of shares listed (quantity effect) and/or an increase in the average price of listed shares (price effect). As detailed in Figure 9, the quantity effect marginally outweighed the price effect in 2009. In the past 3 years however, the price effect outweighed the quantity effect by far.

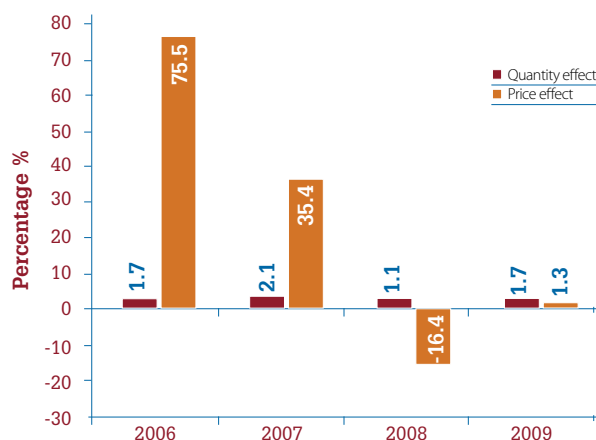
An analysis of the appreciation of the BSE's market capitalisation in 2009 indicates that the price effect contributed 1.3% to the appreciation of the BSE's market capitalisation compared to 1.7% contributed by the quantity effect.

The domestic market capitalisation of the BSE as a percentage of GDP has been lower than that of other regional stock exchanges in the past 4 years.

As stated in the BSE's 2007 Annual Report the ability of the BSE to increase its market capitalisation and realise its potential in attracting listings remains a challenge given Botswana's

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Figure 9:
Price and Quantity Impact on % Change in Domestic Market Capitalisation: 2005 to 2009



Note: The Increase in the quantity of shares due to splits have been adjusted in respect of prior years 2006-2008 figures reinstated

Source: BSE

comparatively small and young private sector. Further, a significant proportion of economic activity in Botswana is accounted for by the government and parastatals.

The BSE's domestic market capitalisation relative to GDP was 29.5% as at end of June 2009 in comparison to 40.7% in 2008. Since there are no mining companies on the domestic board, if the GDP is adjusted to exclude the mining sector, BSE's domestic market capitalisation as a percentage of GDP would be 44.6% in the year under review in comparison to 62.6% in 2008. The BSE total market capitalisation relative to GDP in 2009 was 535 %.

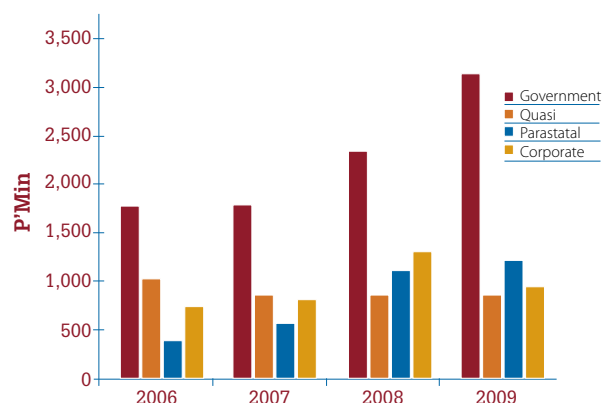
Even though this compares extremely positively with the ratios of developed markets, on the downside the liquidity generated from foreign companies continues to be a major hurdle. From the BSE's point of view the high market capitalisation of foreign companies listed on the BSE is a potential advantage that needs to be exploited.

One answer to the issue of the low liquidity in the BSE would be a strategy to generate more volume from the relatively dormant foreign companies.

The debt market capitalisation increased by 10% during 2009 from P6.03 Bn in 2009 in comparison to P5.48 Bn in 2008. The bond market capitalisation as a percentage of Botswana's GDP stood at 7.2% in 2009.

As detailed in Figure 10, the government is the dominant issuer of bonds in the local capital market.

Figure 10: Debt Market Capitalization (Nominal Values) by Issuer Category 2006-2009



Source: BSE

Market Indicators

From a stock exchange perspective four factors stand out as being important in determining the development of an exchange. They are size, liquidity, turnover and value.

In order to assess the progress made over the past few years the BSE plotted market capitalisation/GDP, turnover/market capitalisation, the reciprocal of the P/E ratio and the average daily turnover on a radar chart as depicted in Figure 11. Radar charts are constructed using a set of axes radiating from a central origin and are an excellent tool to depict a combination of variables. The area of the footprint is indicative of an expansion or contraction of the variables taken as a whole.

As can be seen from Figure 11 the BSE's footprint has expanded from 2006 to 2008. The impact of the financial crisis is evident in 2009 as evidenced by contraction of the BSE footprint.

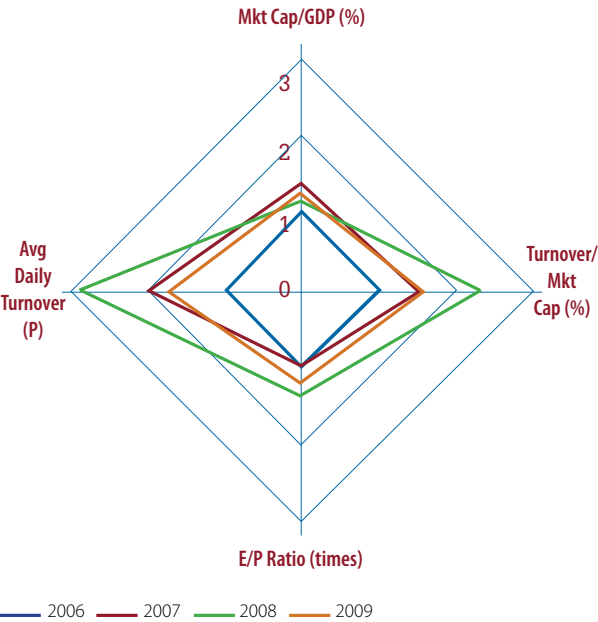
The BSE has made progress in achieving strategic objectives as detailed in the BSE Strategic plan



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The BSE footprint in relation to the JSE and SEM for 2007, 2008 and 2009 is detailed in Figure 12, Figure 13 and Figure 14.

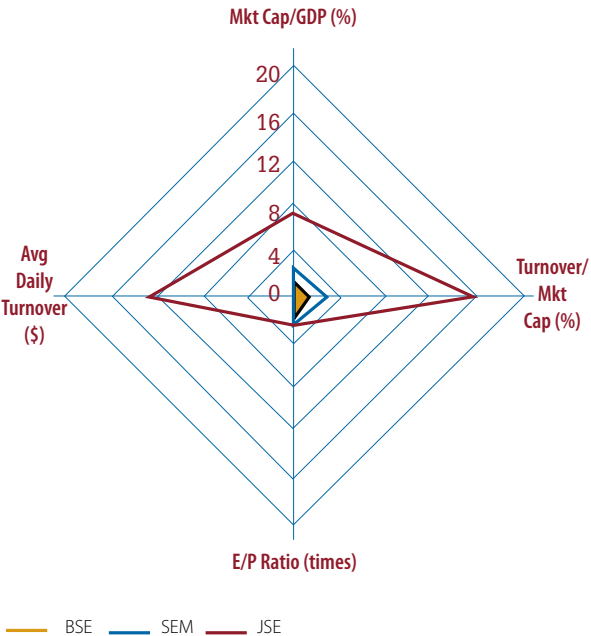
Figure 11:
BSE Footprint – 2006 to 2009



Note1: Market capitalization/GDP, Turnover/Market capitalization, E/P ratio and Average daily turnover for 2006 were standardized to 1 and the BSE's footprints for 2007, 2008 and 2009 was compared relative to the standardized footprint for 2006.

Source: BSE

Figure 12:
BSE Footprint in relation to JSE & SEM 2007



Note 1: Turnover/Mkt Cap 1:1, Avg Daily 1:1000, Mkt Cap/GDP 1: 1, E/P Ratio 1:1

Note 2: Market capitalization/GDP, Turnover/Market capitalization, E/P ratio and Average daily turnover for the BSE were standardized to 1 and the footprint for SEM and JSE was computed relative to the BSE's footprint.

Source:BSE

Growth in market capitalisation



THE BSE'S DOMESTIC MARKET CAPITALISATION EXPERIENCED a growth of 3.0% in 2009 relative to a decline of 15.3% in 2008. As noted in Figure 1, domestic market capitalisation which was P32.7 Bn in 2007 declined to P27.7 Bn in 2008 and appreciated to P28.5 Bn in 2009.

As noted in previous reports market capitalisation could appreciate as a result of an increase in the number of shares listed (quantity effect) and/or an increase in the average price of listed shares (price effect).

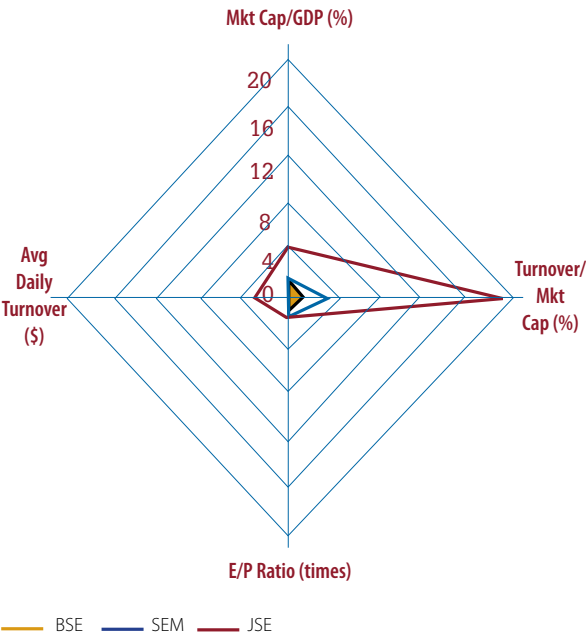
As detailed in Figure 9, the quantity effect marginally outweighed the price effect in 2009. In the past 3 years however, the price effect outweighed the quantity effect by far.



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The BSE footprint in relation to the JSE and SEM for 2007, 2008 and 2009 is detailed in Figure 12, Figure 13 and Figure 14.

Figure 13:
BSE Footprint in relation to JSE & SEM 2008

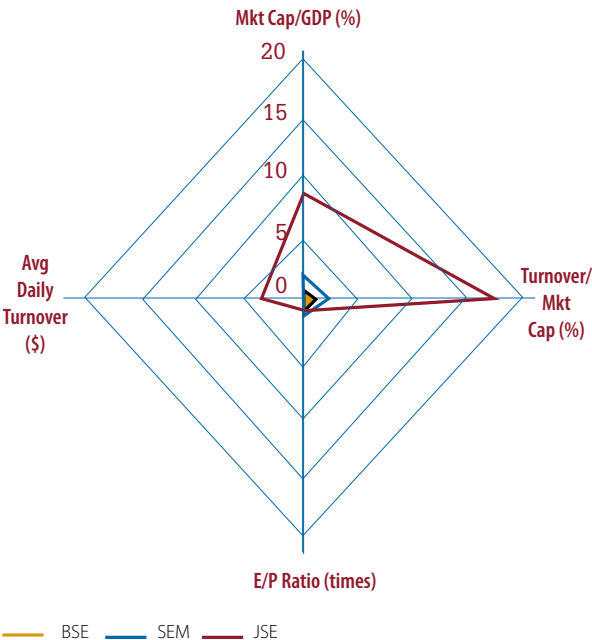


Note 1: Scale; Turnover/Mkt Cap 10:1, Mkt Cap/GDP 100:1, E/P Ratio 1:100, Avg Daily Turnover 1:1

Note 2: Market capitalization/GDP, Turnover/Market capitalization, E/P ratio and Average daily turnover for the BSE were standardized to 1 and the footprint for SEM and JSE was computed relative to the BSE's footprint.

Source: BSE

Figure 14:
BSE Footprint in relation to JSE & SEM 2009



Note 1: Scale; Turnover/Mkt Cap 10:1, Mkt Cap/GDP 100:1, E/P Ratio 1:100, Avg Daily Turnover 1:1

Note 2: Market capitalization/GDP, Turnover/Market capitalization, E/P ratio and Average daily turnover for the BSE were standardized to 1 and the footprint for SEM and JSE was computed relative to the BSE's footprint.

Source: BSE



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Figure 15:
Comparative Investors Contribution to Turnover: 2008 & 2009

Investors	2007	2008	2009
BSE relative to SEM	23.92	32.44	19.22
BSE relative to JSE	0.02	0.04	0.01

Source: BSE, African Alliance, Statistics SA and SADC stock exchanges

As can be seen from Figure 15, the impact of the crisis made the footprint of the BSE shrink relative to the footprints of SEM and JSE.

Drivers of the Market

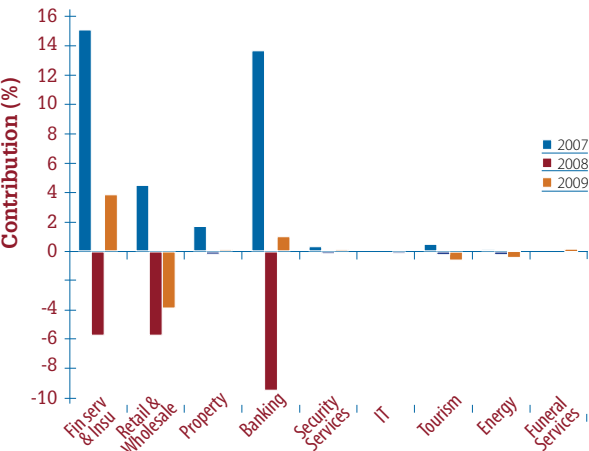
As noted above the BSE DCI grew by 2.9% in 2009. Further analysis of the performance of the market as classified by sectors show that the banking, financial services, property and funeral services sectors contributed positively to the growth in the DCI in 2009. Financial services accounted for the largest contribution of 3.9% to the growth of the DCI while the banking sector contributed 1.0% followed by funeral services with 0.2% and property with 0.1%. The remaining three sectors contributed negatively to the growth

in the DCI. The retail & wholesaling sector had a contribution of -1.4%. The energy and tourism sectors contributed -0.4% and -0.5% respectively. Figure 16 shows the contribution of each sector to the changes in DCI for the past 3 years.

Figure 17 details the quarterly sector contributions to the growth in the DCI and FCI in 2009. The quarterly analysis shows that most sectors contributed positively to the DCI in the 3rd Quarter subsequent to the bottoming of the DCI in May 2009. It is noted that the funeral services sector contributed positively to the DCI growth in each quarter while the energy sector contributed negatively throughout the year.

As in earlier periods the mining and minerals sector dominated the movements in the FCI.

Figure 16:
Sector Contributions to the Growth in the DCI & FCI - 2007 to 2009



Source: BSE

An analysis of the sectoral contribution to liquidity is detailed in Figure 18. Liquidity could be measured in terms of turnover to average market capitalisation.

The BSE has also included liquidity measured on the basis of volume in Figure 18.

The Financial services sector was the most liquid sector in 2009 recording a turnover to market capitalisation ratio of 1.05%, followed by the banking and retail & wholesaling sectors with 0.83% and 0.69% respectively. The largest number of shares traded in 2009 was in the banking sector. The financial services and retail & wholesaling registered a growth in the volume traded while the rest of the other sectors declined.

Figure 17:
Sector Contributions to Quarterly Growth in the DCI & FCI: 2009

	% Contribution			
	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Domestic Board				
Banking	-4.41	-0.23	8.27	-1.67
Financial Services	-2.61	-2.17	2.51	6.44
Retail & Wholesaling	-0.65	-0.86	-0.16	0.14
Property	-0.15	-0.08	0.28	0.10
Security Services	-0.03	-0.03	0.04	0.05
Information Technology	-0.01	-0.02	0.00	-0.01
Energy	-0.18	-0.06	-0.10	-0.11
Tourism	-0.30	0.04	-0.11	-0.17
Funeral Services	0.04	0.02	0.03	0.11
DCI	-8.30	-3.38	10.77	4.89
Foreign Board				
Financial Services	-0.61	-0.51	0.43	0.38
Mining & Minerals	-1.34	-3.83	2.73	22.60
FCI	-1.96	-4.34	3.16	22.98

Source: BSE

The financial services and retail & wholesaling registered a growth in the volume traded while the rest of the other sectors declined



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Figure 18:
Sector Contributions to Liquidity 2008 and 2009

SECTOR	2008				2009			
	Turnover as a % of Av. Market Cap		No. of shares traded (Mn)	No. of shares traded as a % of no. of shares listed	Turnover as a % of Av. Market Cap		No. of shares traded (Mn)	No. of shares traded as a % of no. of shares listed
	Note 1	Note 2			Note 1	Note 2		
Domestic Board								
Banking	1.21	0.08	74.91	1.95	0.83	0.14	68.53	1.78
Fin. Services	1.22	0.08	24.61	5.03	1.05	0.17	29.08	5.58
Retail	0.12	0.01	25.07	6.29	0.69	0.11	37.98	9.53
Property	0.73	0.05	24.71	4.13	0.07	0.01	12.81	2.14
Security	0.02	0.00	0.25	3.15	0.01	0.00	0.08	1.04
I.T	0.01	0.00	4.18	13.29	0.00	0.00	3.37	10.70
Energy	0.05	0.00	3.29	2.06	0.01	0.00	0.87	0.55
Tourism	0.25	0.02	18.07	20.21	0.01	0.00	0.70	0.78
Funeral Serv (note 3)	0.00	0.00	0.96	0.80	0.03	0.01	6.69	5.57
Foreign Board								
Fin. Services	0.07	0.02	5.21	0.61	0.00	0.00	1.39	0.13
Mining	0.05	0.02	11.85	0.50	0.00	0.00	6.28	0.20

Note 1: Computed separately for the domestic & foreign boards

Note 2: Computed for all shares listed on the BSE

Note 3: Listed in October 2008

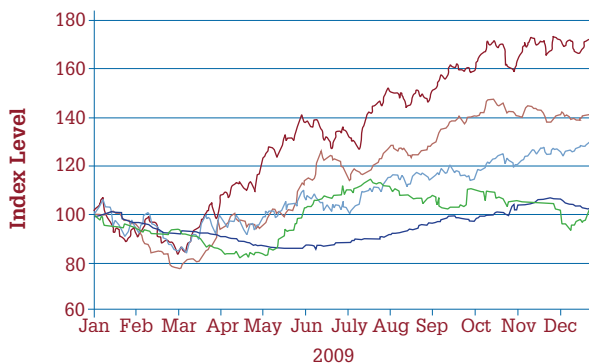
Impact of the world financial crisis and comparative performance with selected markets

Figure 19 shows a graphical comparison of the BSE with other African markets and the Morgan Stanley Capital International (MSCI) Emerging Markets Index from January to December 2009 based on domestic currencies. As evident from Figure 19 the BSE's reaction to the crisis lagged in comparison to other regional markets and the MSCI Emerging Market Index.

As can be seen in Figure 19 the MSCI Emerging Market Index and other stock market indices (except for Zambia) bottomed out around March 2009. In comparison the BSE DCI bottomed out only in May 2009.

As noted in the review for 2008, the main reason why the DCI was late in reacting to the onset of the crisis could be attributable to the inherent inefficiency in price discovery due to liquidity constraints. The same reason could also be attributed to the lag in recovery.

Figure 19:
Comparative Performance of BSE DCI with other African Market and MSCI Emerging Markets Index standardised as at 5th January 2009 (Domestic Currencies)



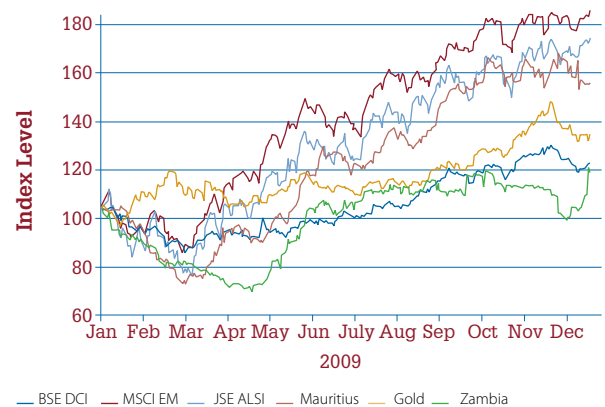
— BSE DCI — MSCI EM — JSE ALCI — Mauritius — Zambia
Source: BSE and African Alliance Botswana Securities

The Comparative performance of the DCI with other regional markets and gold in US dollar terms since January 2009 is detailed in the Figure 20.

The appreciation of Botswana Pula by 12.7% against the US\$ on a year to year basis in 2009 has resulted in the DCI appreciating by 16.0% in US\$ terms in comparison to an appreciation of only 2.9% in Pula terms as noted earlier. It is evident from Figure 20 that in US\$ terms the recovery of the DCI was better synchronized in comparison to other markets.

In other words, the DCI's recovery in US\$ terms commenced around March 2009. However there was no change in the pace of recovery.

Figure 20:
Comparative Performance of BSE DCI with other African Markets, MSCI Emerging Markets Index and Gold standardised as at 5th January 2009 (US \$)



Source: BSE and African Alliance Botswana Securities

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Figure 21:
The Steepest Decline and Recovery since Crisis

Stock Exchange	Steepest Decline Since 13th September 2008		Recovery to 31st Dec 2009 (%)	% Change 13/09/08 to 31/12/09
	% Change	Date		
JSE	32.0 ↓	20/11/08	55.3 ↑	5.8
SEM	44.4 ↓	3/03/09	80.6 ↑	0.4
BSE DCI	24.4 ↓	19/05/09	19.1 ↑	(10.0)
BSE FCI	57.6 ↓	12/05/09	30.4 ↑	(44.7)

Source: BSE and African Alliance Botswana Securities

As detailed in Figure 21, the BSE was less affected by the crisis than most regional markets. The steepest decline registered by the JSE and Stock Exchange of Mauritius (SEM) was 32.0% and 44.4% respectively in comparison to the BSE’s 24.4%.The recovery in other markets was swift and steep as evident by JSE and SEM appreciating by 55.3% and 80.6% respectively from their lowest point compared to the BSE appreciating by only 19.1% since 19th May 2009.

A further analysis of the recovery of the DCI and other regional indices reveals that the DCI was 10.0% below the level it attained when the crisis hit on 13th September 2008 compared to Mauritius and JSE at 0.4% and 5.8% respectively.

The FCI was 44.7% below the level it attained when the crisis hit. The reason for this slow recovery in the FCI could be the inherent weakness associated with illiquidity and the corresponding weak price discovery of listed stocks in the BSE’s foreign board. This is illustrated in the movement of the FCI and other indices with a heavy weighting of dual listed securities as detailed in Figure 4.

Primary market activity

As can be expected primary market activity was low in 2009 as a result of the crisis and the resultant decline in the market. There were no new listings in the equity market. The number of listed companies on the Domestic and Foreign Boards remained unchanged at 31 entities.

There were 5 employee share incentive schemes and 5 private placements valued at P175.5 Mn and P3.7 Bn respectively that were approved by the Exchange. In addition there was 1 rights issue which raised P2.25 Mn and 4 acquisitions amounting to P35.4Mn funded by share issues in 2009.

As could be expected in the aftermath of the crisis funds mobilised through rights issues fell drastically from P85 Mn in 2007 and P64.9 Mn in 2008 to P2.25 Mn in 2009.

The total number of domestic shares listed as at end 2009 stood at 5,777,210,207 (growing by only 0.6%) in comparison to 5,744,970,530 in 2008 and 5, 574,926,506 in 2007.

The debt market was more active than the equity market 2009. During Quarter 1, the Botswana Building Society listed its 3rd tranche of BBS005 Fixed Rate Notes raising P150 Mn from the P500 Mn note programme approved by the BSE in 2004. These fixed notes attract an interest rate of 11.20% per annum and are due to mature on 3rd December 2023.

In Quarter 3, the Botswana government listed a P300 Mn bond (BW 006) due to mature on 9th March 2012 with a fixed interest rate of 7.50%. The bond was listed under the P5 Bn programme memorandum of May 2008.

The government also increased the nominal values in issue of BW003 and BW005 by P100 Mn in respect of each bond. As

at the end of 2009, there were 32 debt securities listed on the BSE. The BSE expects 2010 to be a more productive year for new listings considering the interest shown by companies to list on the BSE in the recent past. This also includes the proposed listing of Exchange Traded Funds (ETFs) in 2010.

Market Development Activities

Expanding the Investor Base

The market development initiatives of expanding the investor base by educating Batswana about the benefits and risks of investing in listed securities continued in 2009. This is in line with the BSE's strategy of increasing retail investor participation in the stock market. Taking into account the success of its roadshows in 2008, the BSE marketing team endeavoured to expand the investor base by making presentations and participating in exhibitions around the country.

The BSE embarked on a series of nationwide roadshows from 27th April to 12th May 2009. The roadshows started in Mahalapye and covered Palapye, Serowe, Letlhakane, Rakops and Maun before concluding in Gaborone.

The roadshows were centred on a play, song and dance which communicated information to the general public about the BSE, investing on the BSE and the risks and returns associated with investing. The reason for structuring the roadshows in this manner is to demystify share trading and to enable communication through an easily understood medium. The demand for presentations continued to grow and the market development division was stretched in keeping up with the growing number of requests.

Figure 22 details the presentations and exhibitions conducted by the market development team in 2009. The BSE will continue with its strategy of taking the Exchange to Batswana in 2010 as this initiative continues to be successful in educating investors.

Marketing Listings

As detailed in the 2008 Annual Report, the BSE continued to pursue a series of one to one meetings with various companies in order to increase their awareness of the advantages of listing on the Exchange.



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The major impediment to the efforts made by the BSE to market listings in the past year was the suppressed state of the equity market as a result of the economic crisis. The BSE however has noted with satisfaction the increased interest shown by companies in listing in 2010. Some of these companies were approached by the Exchange in 2008 and this shows that the proactive approach embarked on by the BSE to encourage listings is likely to yield positive results in the longer term.

Publicity

The BSE continued to participate in contributing articles to newspapers and taking part in radio and television talk shows about its role in the development of the capital market. Through this mechanism the BSE effectively communicated the importance of investing in the stock market and the cost, benefit and risk of doing so to the public. During 2009, the Exchange entered into discussions with BTV regarding the sponsoring of a business segment in their “Daily Live Breakfast Show”. This initiative commenced in the first quarter of 2010.

Figure 22:
Market Development Roadshows, Presentations and Exhibitions

Location	Date	No. of Participants
Exhibitions/Fairs		
Maikano School Financial Fair	28th July	55
Diamond Trading Centre Exhibition	11th – 13th August	145
Botswana Consumer Fair	24th – 31st August	169
UB Finance Society	28th October	835
Limkokwing University	31st October	689
Auditor General	4th December	160
Presentations		
Botswana Power Corporation	27th -28th February	69
Sefophe C.J.S.S	04th March	35
Swaneng C.J.S.S	05th March	51
Mabogo C.J.S.S	13th March	46
JAB Palapye	14th March	196
JAB Mmadinare	21st March	1235
Al Nur School	8th April	120
BIHL	15th May	80
BNPC	3rd June	60
JAB Mahalapye	6th June	201
Mookane CJSS	9th June	45
JAB Kanye	13th June	145
JAB Gaborone	19th June	192
Crescent School	25th June	20
Tsabong	05th August	45
Verda	06th August	14
Legae Academy	7th – 8th September	32
Local Enterprise Agency	08th September	45
Banc ABC	10th September	45

Location	Date	No. of Participants
First National Bank Botswana	28th September	12
Botswana Insurance Fund Management	29th September	16
Botswana Defence Force, SSKB	6th October	121
Barclays Bank	7th November	126
St Joseph's College	21st November	175
Auditor General	4th December	98
Roadshows		
Mahalapye	27th April	242
Palapye	27th April	215
Serowe	28th April	215
Letlhakane	29th April	318
Rakops	30th April	478
Maun	1st May	242
Gaborone	12th May	271
Total		7258

Source: BSE

The BSE marketing team continued distributing introductory brochures about the CSD and the BSE around the country. The content and quality of all BSE publications were enhanced substantially in keeping with the BSE brand. These brochures are written in Setswana and English and have proved to be popular among prospective investors.

The Daily Market Report was reformatted taking into account the feedback received from subscribers. The information content of the BSE Daily Market Report was improved during 2009 with the addition of the following new information:

- Trading status of the securities showing whether the security is trading cum-dividends, under cautionary, ex-dividend, suspended or subject to a qualified audit opinion.
- Performance of BSE indices introduced in 2009.

Product Development

Exchange Traded Funds

A major problem encountered in the Botswana Market is the low level of liquidity as evident from the analysis of trading volumes and the turnover to market capitalisation ratios detailed in Figures 1 and 2. Botswana lags behind most other regional markets on this account. The strategy of the BSE in introducing ETFs based on foreign securities is to strengthen liquidity in terms of supply. The introduction of ETFs is also a strategy to improve the breadth and depth of the market and thereby improve the risk-return options available to investors.

As noted in the 2008 Annual Report, ETFs were envisaged to take the form of securities managed by a company incorporated in Botswana with joint ownership by BSE and other stakeholders.

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However after several discussions an alternative was agreed on as the preferred structure where foreign ETFs would be dual listed in the BSE either directly or in the form of Global Depositary Receipts (GDRs) secured back to back with the respective ETF units. The advantage of listing ETFs in this manner include being able to trim costs associated with incorporating and managing a local company. Further the BSE is of the view that this structure would enable the Exchange to implement ETFs more expeditiously.

In 2009 the BSE held discussions with Satrix Managers (Pty) Ltd and ABSA Capital for the secondary listing of the Satrix 40 ETF and the NewGold ETF, currently listed on the JSE. Subsequently, both Satrix 40 (Pty) Ltd and Absa Capital made several presentations to fund managers, brokers and other interested parties regarding the attributes and workings of the respective ETFs. The presentations were made to create awareness amongst potential investors on the advantages and risks associated with investing in ETFs. The presentations were well attended and positive feedback was received from participants. The BSE expects the 2 ETFs to be listed during 2010.

The listing rules for ETFs provide for the appointment of a market maker in order to reinforce liquidity on the BSE. The clearing and settlement rules in respect of the NewGold ETF transactions with the market maker were amended to take into consideration South African exchange controls, the T+5 settlement cycle of the JSE and logistics that could impact on movement of funds and the deposit of units by the market maker.

The success of listing foreign ETFs would to a great extent depend on making listing, trading and settlement fees competitive with fees charged by the primary exchange. The BSE addressed this issue by formulating a competitive listing fee and commission structure for ETFs originating from South Africa.

In order to make ETFs affordable to retail investors the BSE amended its trading rule which requires the minimum trading quantity of a security to be 100 units. Accordingly, the minimum trading quantity of an ETF would be 1 unit as is the practice in other markets.

Exchange Traded Funds Investor Scheme

The BSE also plans to give investors in Botswana access to ETFs through a Linked Service Provider (LSP) scheme. LSPs assist retail investors in particular to invest in ETFs and collective investment undertakings by channelling monthly or periodic savings by investors into such products. The BSE intends to work closely with NBFIRA on this initiative since regulating LSPs is imperative to the protection of investors.

Some of the benefits for individual investors in transacting in ETFs through LSPs include: the ability to invest smaller investment amounts; the ability to channel savings to investments through periodic debit orders; the re-investment of dividends and other distributions if required on specific instructions being given as to their disposal and the ability to cost effectively switch investments between different ETFs listed on the BSE.

In conformity with the rules of the BSE, all transactions by LSPs would be channelled through registered brokers and executed on the BSE.

The LSP would also offer advice and internet based transaction capabilities to investors who wish to invest in ETFs thus making the process of investing more efficient.

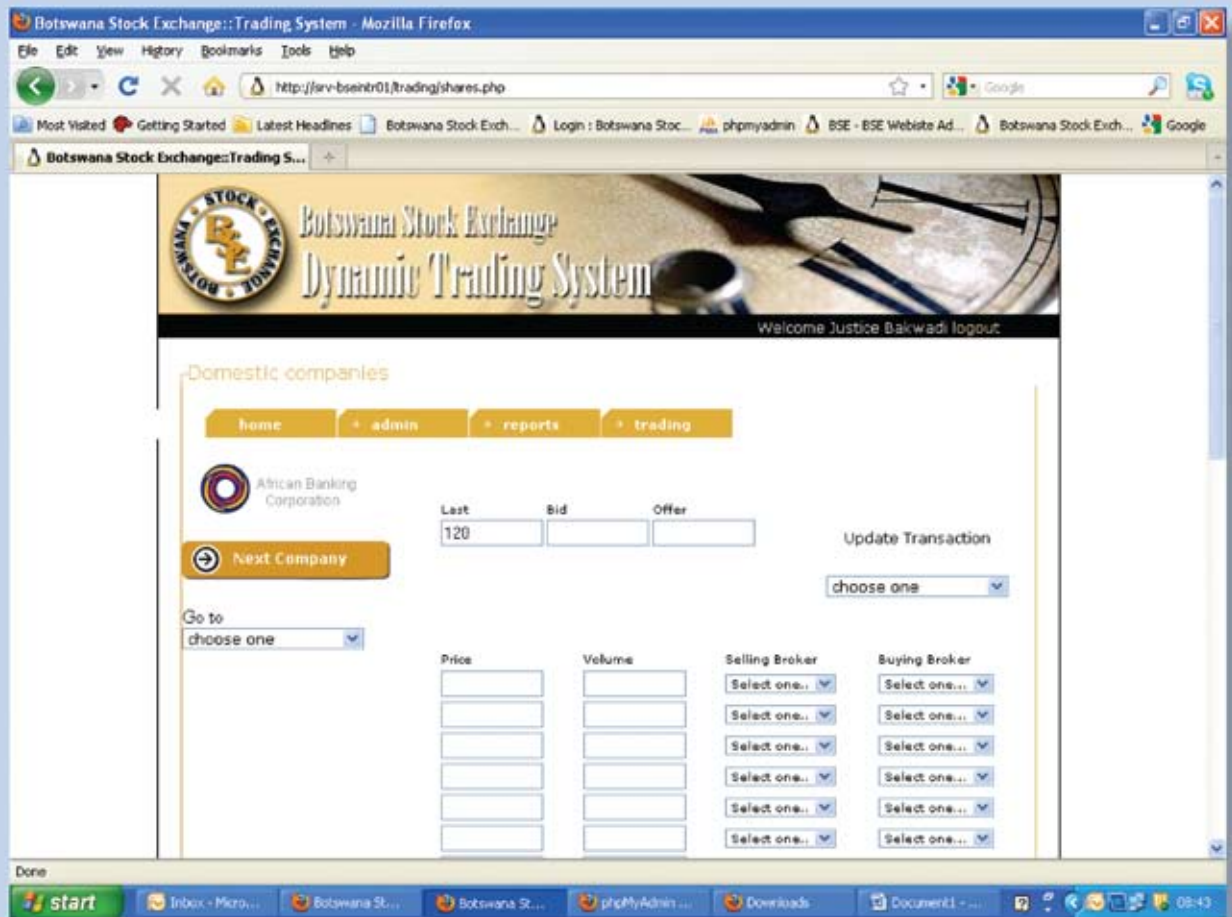
Free Float Indices

In 2009 the BSE commenced the computation of a series of indices, on a test basis, using a free float methodology in contrast to using market capitalisation as the relative weight of the individual security in the computation of indices. The free float based index construction methodology takes into account the liquidity of the underlying securities as the basis of ascertaining market movement and is considered international best practice due to the importance placed on liquidity.

The BSE computes liquidity based indices in two stages.

In the first stage, the free float quantity of shares in respect of each of the constituent securities are estimated by multiplying the number of issued shares by the turnover to market capitalisation ratio (which is a measure of liquidity) for each share.

Emerging markets..



THE STRATEGY OF THE BSE IN INTRODUCING ETFs BASED ON FOREIGN SECURITIES is to strengthen liquidity in terms of supply. The introduction of ETFs is also a strategy to improve the breadth and depth of the market and thereby improve the risk-return options available to investors.

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In stage 2 the free float market capitalisation for each share is computed using the estimated free float figure computed in stage 1, which is then used to compute the relative weight of the security in the free float index.

The BSE launched 3 free float indices in January 2010 comprising the Domestic Companies Free Float Index (DCFFI), Local Asset Status Free Float Index (LASFFI) and Domestic Financial Services Free Float Index (DFSFFI).

Bond Market Development

Botswana is too small a market for the BSE to specialise in equity. Developing the Bond Market was identified in the BSE's strategy as another means through which liquidity could be improved. In 2009 the BSE initiated the formation of a Bond Market Development Task Force with the assistance of other debt market participants. The development of a bond market strategy, which was the function of the task force, however had to be postponed to 2010 due to unforeseen circumstances. The task force is now functional and is expected to draft a bond market development strategy by the second quarter of 2010.

As part of the initiative to develop the bond market, the BSE reviewed and finalised the curriculum for a bond market training programme which will be held in 2010 in association with Geometric Progression of South Africa. This initiative was

undertaken by the BSE to improve the level of understanding and knowledge of debt market participants which is a prerequisite to develop the local bond market.

Infrastructure – Automated Trading System (ATS)

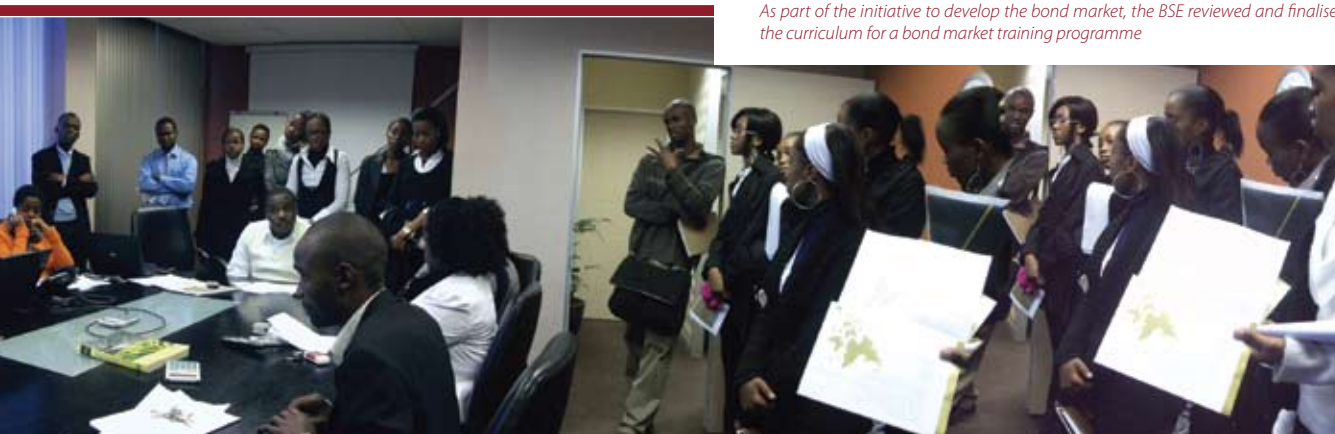
During 2009 the BSE continued to engage both the Ministry of Finance and Development Planning (MFDP) and the Public Procurement and Asset Disposal Board (PPADB) in order to conclude the proposed procurement process of the ATS.

The tender was advertised in the international media and proposals were received from 7 prospective suppliers. The proposals were subject to a rigorous technical evaluation involving 3 stages. The financial review of short listed candidates will be carried out subsequent to the completion of the technical evaluation of the proposals. The procurement process of the ATS will be finalised in 2010.

Central Securities Depository (CSD)

As noted in the Annual Report of 2008, the implementation of the CSD has reduced the systemic risk of investing in the BSE immensely. The CSD has also been instrumental in improving the quality of services afforded to stakeholders including Brokers, Custodian Banks, Transfer Secretaries and Investors.

As part of the initiative to develop the bond market, the BSE reviewed and finalised the curriculum for a bond market training programme



Dematerialisation Status

As detailed in Figure 23, dematerialisation of shares in the CSD has been progressing well with 34.2% of domestic company shares being dematerialised as at 31st December 2009 in comparison to 30.2% as at end of December 2008.

Dematerialisation of Foreign companies has also progressed well. As at end December 2009, 68% of the foreign company shares

in the Botswana register were dematerialised and 5 foreign companies out of 11 were transferred to the CSD. As noted in the previous review, the shares of the 3 companies incorporated in the UK cannot be dematerialised in the CSD since the UK Companies Act does not list Botswana as a country in which sub-registers of UK incorporated companies can be maintained. The dematerialisation status of foreign companies is detailed in Figure 24.

Figure 23:
Dematerialisation of Shares as at 31st December 2009

Security	Issued Shares (no)	Shares Deposited into CSD (No)	% of shares in the CSD
ABCH	146,419,524	41,309,874	28.2%
Barclays	852,161,250	213,204,475	25.2%
BIHL	281,070,652	98,559,160	35.1%
Chobe	89,405,139	27,148,597	30.4%
Engen	159,722,220	38,375,370	24.0%
FNBB	2,563,700,000	648,773,116	25.3%
FSG	120,000,000	62,836,721	52.4%
Furnmart	50,961,781	10,064,023	19.8%
G4S	8,000,000	1,921,073	24.0%
Letshego	182,475,236	98,078,183	53.8%
Olympia	28,600,000	4,415,917	15.4%
Primetime	179,890,200	61,952,966	34.4%
RDCP	32,372,329	6,662,658	20.2%
RPC Data	31,482,887	11,644,463	37.0%
Sechaba	133,014,875	97,917,646	73.6%
Sefalana	165,650,067	130,486,830	78.8%
Sefcash	20,330,000	3,208,669	15.8%
Stancart	288,062,570	54,553,110	18.9%
Turnstar	385,810,579	327,417,242	84.9%
Imara	56,778,236	39,595,149	68.9%
Market	5,777,210,205	1,978,125,242	34.2%

Source: CSD Botswana

Chief Executive Officer’s Review for 2009

Figure 24:
Dematerialisation of Shares of Foreign Companies as at December 2009

Security	Issued Shares on Botswana Register	Shares Deposited into CSD (No)	% of shares in the CSD
Aviva	1,535,604	915,246	59.6%
AFDI	12,865,779	9,679,437	75.23%
CICE	973,922	31,169	3.2%
ACAP	823,530	336,354	40.8%
IAMGOLD	1,187,419	1,029,669	86.7%
Market	17,386,254	11,991,875	68.0%

Source: CSD Botswana

Progress on Account Opening

The number of CSD accounts opened by investors (excluding joint accounts) as at December 2009 was 7,499 an increase of 59.3% from the 4,707 accounts registered in 2008. It is noted that the main contributor to the increase in the number of accounts opened were local individuals. This is attributable to the impact of the awareness campaigns carried out by the BSE to educate members of the public about investing in shares and the functions of the CSD. Figure 25 details the accounts opened classified by investor category in the CSD as at December 2009.

Client Holdings

As at end December 2009 the shares held by investors through the CSD was distributed as detailed in Figure 26. The quarterly analysis of client holding reveals that share holding by local companies fell by 2.6 percentage points from 83.9% in March 2009 to 81.3% as at end December 2009. Local individual investors increased their holding by 1.5 percentage points during the same period.

In terms of the domicile of investors, local citizens dominated the holdings of shares in the CSD with 85.4 %, followed by US citizens who held 8.6%. Residents of SADC countries held 3.5% of shares deposited in the CSD.

The main contributor to the increase in the number of accounts opened were local individuals. This is attributable to the impact of the awareness campaigns carried out by the BSE



Figure 25:
CSD Client classification as at December 2009

Client Classification	No. of A/Cs Opened	% of A/Cs to total
Local Individual	5735	76.5
Local Junior	461	6.1
Local Company	260	3.5
Foreign Individual	128	1.7
Foreign Junior	19	0.3
Resident Foreigner	404	5.4
Foreign Company	492	6.6
Total	7499	100.0

Source: CSD

Figure 26:
Investor Holdings and Classified by Investor Suffix in 2009

Investor Suffix	Mar 2009	June 2009	Sept 2009	Dec 2009
Local Companies	83.9%	82.4%	82.3%	81.3%
Foreign Companies	12.4%	12.6%	12.3%	12.9%
Local Individuals	2.5%	3.4%	3.9%	4.0%
Other account holders	1.2%	1.6%	1.5%	1.8%
Total	100%	100%	100%	100%

Source: CSD Botswana

Figure 27:
Investor Holdings Classified by Domicile of Investors in 2009

Domiciles of Investors	Mar 2009	June 2009	Sept 2009	Dec 2009
Local Citizens	86.6%	86.0%	86.3%	85.4%
US Citizens	8.6%	8.4%	7.8%	8.6%
SADC Countries	2.8%	2.8%	2.7%	3.5%
Other Regions	2.0%	2.8%	3.2%	2.5%
Total	100%	100%	100%	100%

Source: CSD Botswana

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Regulation and Governance

Regulatory Review Process

The process of replacing the BSE Act through the enactment of the proposed Securities Bill is still pending. The proposed Securities Act will provide the legal framework for the BSE to function as a commercial entity which includes transforming itself from a mutual organisation to a company.

The BSE has forwarded its final comments to MFDP on the proposed new listing rules and is awaiting feedback from the consultants in order to finalize and implement the rules. The Exchange expects the proposed rules to be far more user friendly than the existing listing rules. This would assist listed companies, brokers and other stakeholders to better appreciate the objectives and the rationale of the listing rules and motivate a higher degree of compliance.

The Member Rules which initially were to be drafted by the consultants appointed by MFDP will now be drafted by the BSE internally. This initiative will save time, reduce costs and more importantly will provide "on the job" training to the BSE staff.

Broker Inspections

The BSE conducted the annual on-site inspections of stockbroking firms in December 2009. The purpose of the inspections was to evaluate brokers' compliance with the BSE Act, the BSE Members' Rules and the adequacy of the operational risk management systems implemented by the stockbroking companies.

Staffing and Human Resource Development

The Exchange recruited Ms Dudu Garekwe as Manager, Listing and Trading replacing Ms Bopelokgale Soko who resigned with effect from January 2010. Mr Tebogo Tebogo joined the Exchange as Systems and Network Administrator in August 2009.

In 2009, the BSE continued to train its staff through various means that included workshops, conferences and courses on operations of stock exchanges.

Regional and International Cooperation

As noted in the previous reviews, BSE is a member of the Committee of SADC Stock Exchanges (CoSSE) and African Securities Exchanges Association (ASEA). In January 2009 the BSE hosted the CoSSE meeting in Kasane and the Exchange attended the CoSSE meeting held in Maputo, Mozambique in September 2009. The BSE also attended the ASEA conference held in Abuja, Nigeria in December 2009.

Financial Performance

The BSE is a parastatal and currently depends on a subvention by the government to meet its expenditure. The government has financed the acquisition of the CSD System and would also fund the purchase of an ATS in 2010.

The audited financial statements detail the performance of the Exchange in the year under review. As would be noted from the audited financial statements the BSEs income (excluding the government subvention) declined by P1, 142,364 in the year under review.

This was mainly due to a reduction in commission income and listing & sustaining fees. As was noted earlier in the review, average daily turnover which was P4.8 Mn per day in 2008 reduced to P3.1 Mn per day in 2009. Further there were no new equity listings in 2009. Both the above factors are attributable to the international financial crisis. From an expenditure perspective the BSE did well to curtail its expenditure in 2009 to P10.4 Mn from P10.5 Mn in 2008. However, given that the CSDB owes the BSE P3.2 Mn as at balance sheet date, it was considered prudent to make a provision of P2.2 Mn against the money owed by CSDB. The BSE has no doubt however that once CSDB is capitalized, BSE could recover the funds due from CSDB. Due to the above reason the expenditure of BSE increased from P10.4 Mn to P12.6 Mn.

In the above context the BSE has incurred a loss nearly P0.3 Mn for 2009. The CSDB has made a profit of P0.5 Mn in the year under review. The better financial performance of the CSDB in 2009 is attributable to the migration of most of the listed companies into CSDB during the year. This compares with a profit of P3.2 Mn for

the BSE and a loss of P1.6 Mn in respect of CSDB in 2008. From a consolidated position, profits increased from P1.6 M in 2008 to P2.4 M in 2009.

The financial performance of the BSE/BSE Group over the past 4 years is detail in Figure 28.

As evident from Figure 28, BSE's dependence on the government subvention has been increasing over the past 4 years. This situation is inevitable given that the BSE as a parastatal has not been adequately capitalized. Further, the development expenditure of the Exchange mainly on account of market development and IT has increased.

In order for the BSE to break even (taking into account the expenditure for 2009) without a government subvention, an average daily turnover of P6.3 Mn is required as compared to

the breakeven turnover for CSD which is P4.4 Mn. From a group perspective the breakeven level of turnover is P5.5 Mn per day.

In the year under review income from operations has covered 95% of administrative expenditure with the balance 5% being funded by the subvention. This is in comparison with 98% of the administrative expenditure being funded by income from operations in 2008.

As evident from the above analysis it is noted that the government subvention has been used mainly to fund development expenditure.

Going forward, there is an urgent need to capitalize the BSE and CSDB in order for these institutions to function as commercially viable entities in a development environment. The BSE is awaiting the implementation of the proposed Securities Act to address the

Figure 28:
Dependence on the Government Subvention 2006 – 2009

	2006 (P)	2007 (P)	2008 ^{Note 2} (P)	2009 ^{Note 2} (P)
Income				
Income from Operations	5,085,115	5,829,852	10,597,991	10,555,673
Expenditure				
Development Expenditure ^{Note 1}	299,636	1,098,159	2,151,999	1,824,181
Administrative Expenditure	4,297,846	6,266,152	10,816,712	11,152,744
Total Expenditure	4,597,482	7,364,311	12,968,711	12,976,925
Profit/(Loss) Prior to Subvention	487,633	(1,534,459)	(2,370,720)	(2,421,252)
Subvention Required To Break Even	—	1,534,459	2,370,720	2,421,252
Subvention received	2,012,500	2,589,932	3,992,605	4,812,500
Profit transferred to Reserves	2,500,133	1,055,473	1,621,885	2,391,248
Extent to which Income from operations meet administrative expenses	100%	93%	98%	95%

Note 1: Defined as Market Development and IT Expenditure.

Note 2: Includes both BSE and CSDB

Source: BSE

Chief Executive Officer's Review for 2009

capitalization requirements of the Exchange. The BSE intends to engage the government on the capitalization requirements of CSDB in 2010.

Appreciation

The year 2009 was a difficult year for the BSE. The financial crisis took its toll on the strides we had made over the past few years. The support that we received from all stakeholders to tide over this difficult year is gratefully acknowledged.

I thank the Ministry of Finance and Development Planning, Bank of Botswana and NBFIRA for their support. I acknowledge and appreciate the counsel and assistance received from the Chairman Mr. Rizwan Desai and Committee Members.

I appreciate the support received from Stockbrokers, participants of CSDB, the settlement bank and other stakeholders during the year.

As noted above, Ms Bopelokgale Soko left the employ of the BSE. I wish to thank Ms Soko for her contribution to the BSE and wish her the very best in her career. Mr Rizwan Desai stepped down as chairperson of the BSE and a member of the main committee at the conclusion of the AGM on 28th May 2010, after a stint of 8 years of which he was chairman for the past 5 years. Mr Desai was succeeded by Lipalesa Siwawa.

Whilst welcoming Ms Siwawa as the chairperson, I wish to thank Mr Desai for his untiring efforts and support extended to the development of the Exchange over the past years.

Last but not least I wish to acknowledge and thank the management team and staff of the Exchange for their efforts and commitment in the past year.



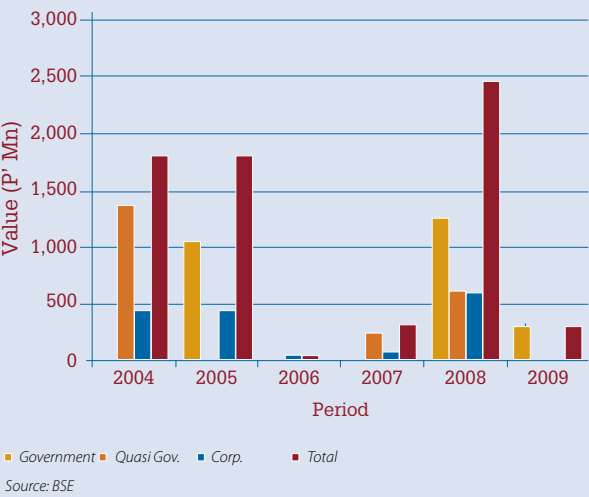
HIRAN MENDIS
CHIEF EXECUTIVE OFFICER

The support that we received from all stakeholders to tide over this difficult year is gratefully acknowledged

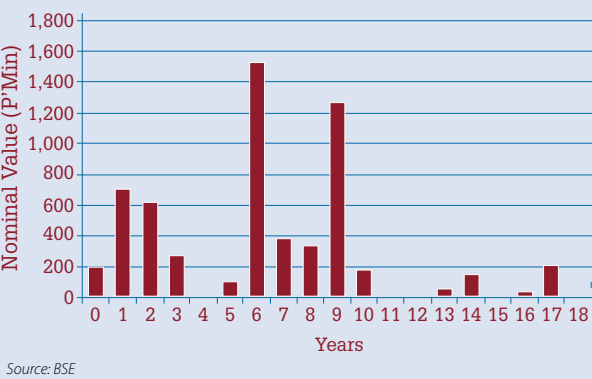


Graphical Review - Bonds

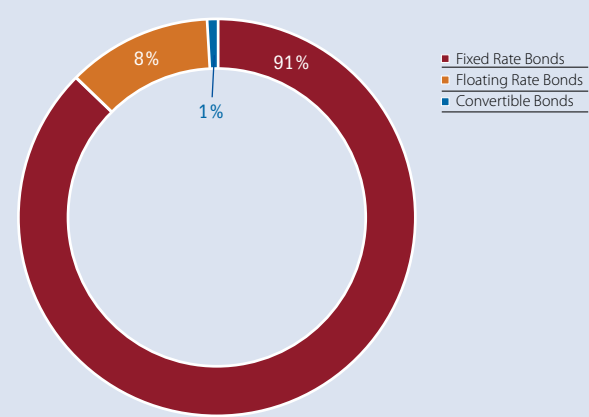
Primary Market Activity (2004-2009)



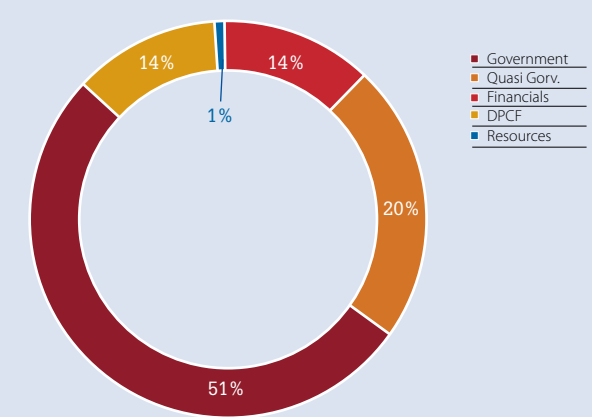
Maturity of Bonds Issued as at 31 December 2009



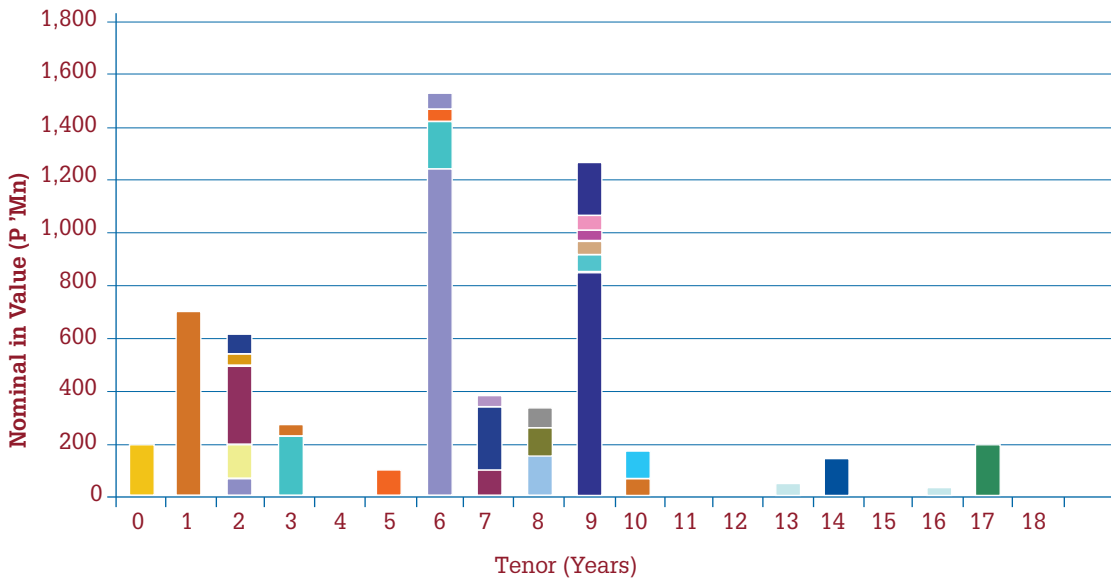
Structure of issuance in the market



Industry Sector classification

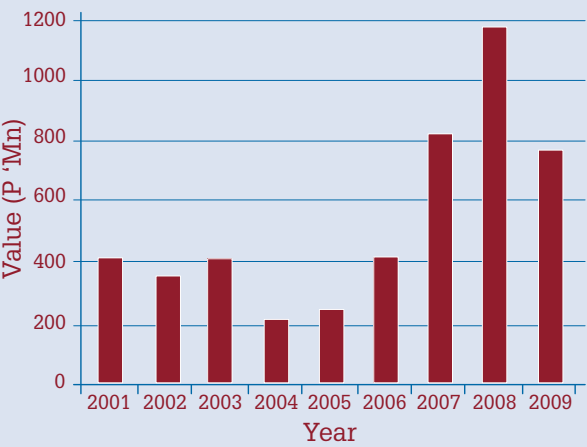


Maturity of Bonds Issued as at December 2009 Analysed by Issuer

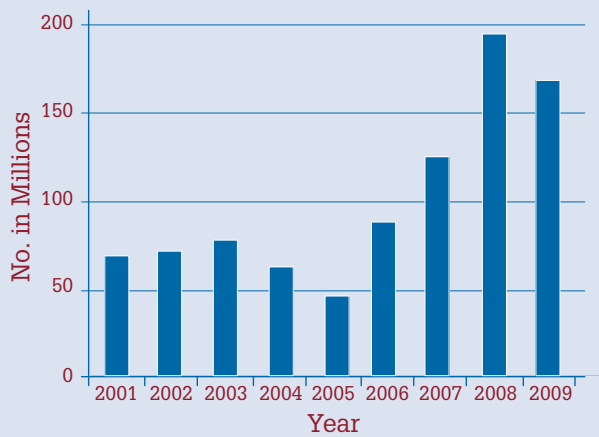


Graphical Review - Equities

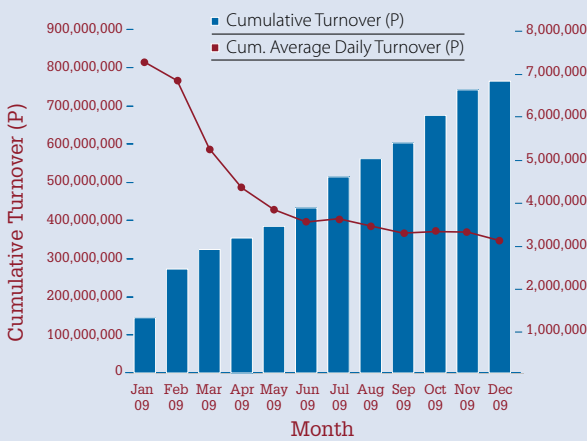
Value of Shares Traded



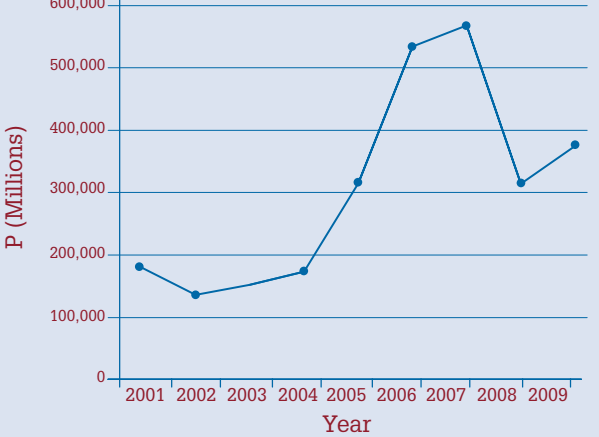
Volume of Shares Traded

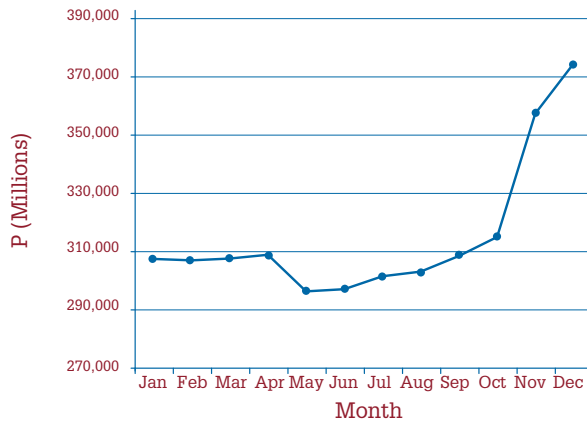
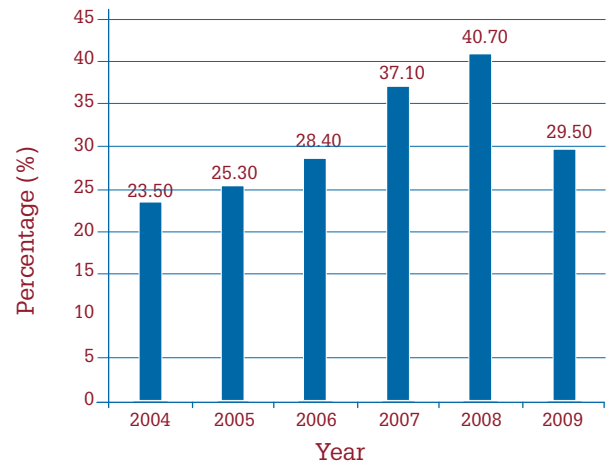
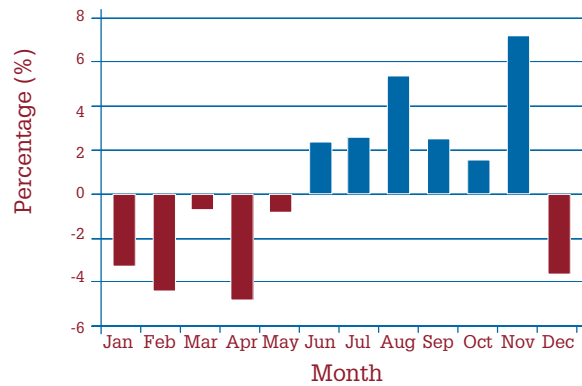
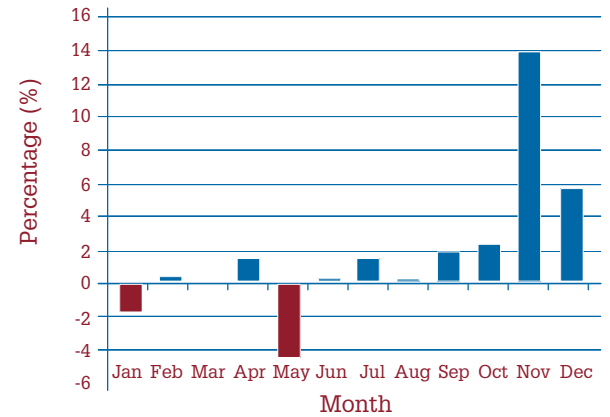


Cumulative turnover & cumulative avg. daily turnover



Total Market Capitalisation



Monthly Market Capitalisation -2009**Domestic Market Capitalisation as a % of GDP****DCI Monthly % Change****FCI Monthly % Change**

Graphical Review - Equities

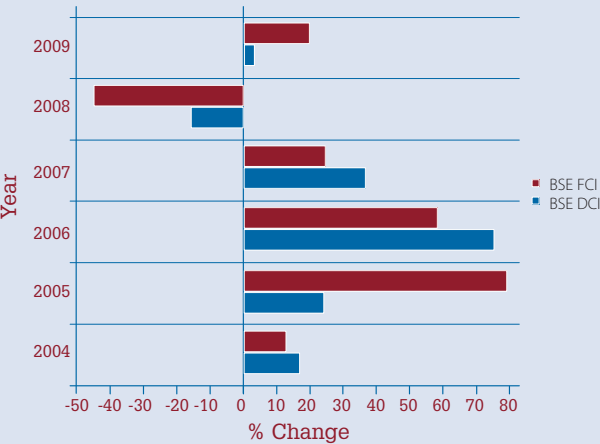
Performance of the BSE DCI compared to other market indices in domestic currencies



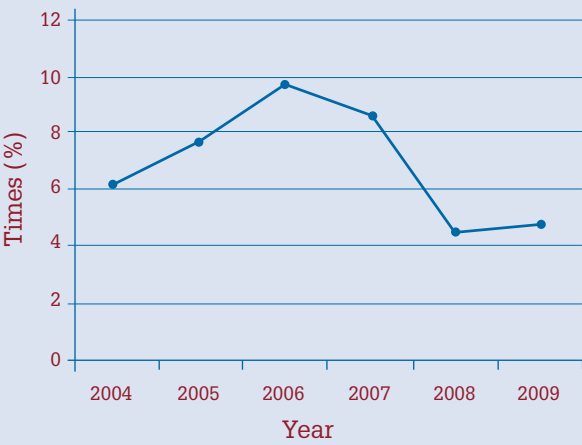
Performance of the BSE DCI compared to world markets (US \$)



DCI & FCI Yearly % change



Market Price to Book Value



Price Earnings Ratio

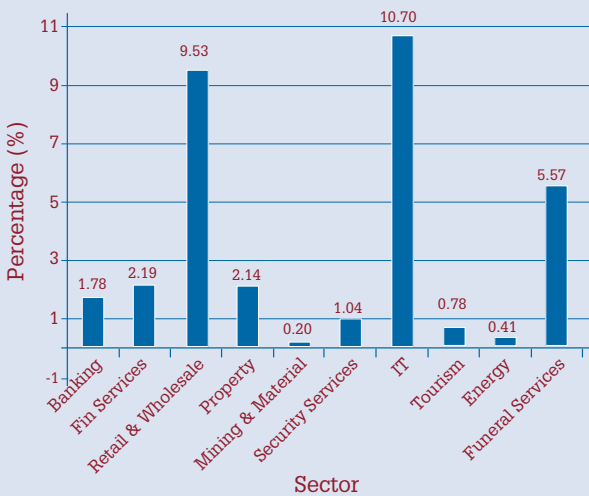


Dividend Yield

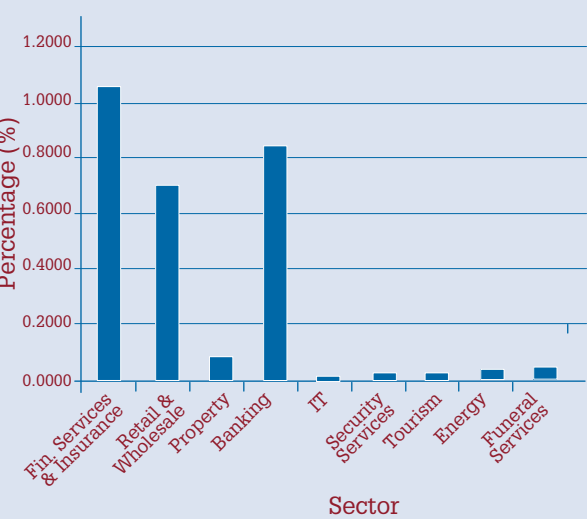
*The BSE continued with its school outreach programme*

Graphical Review Equities

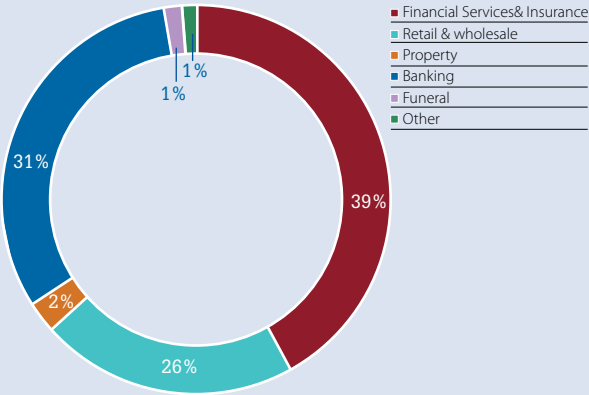
Shares Traded as a % of Shares Listed by Sector



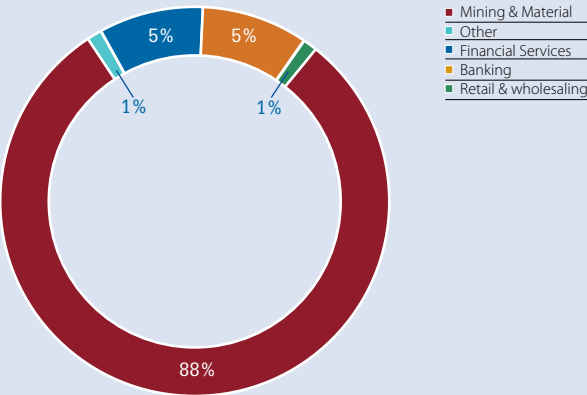
Turnover as a % of Average Market Capitalisation



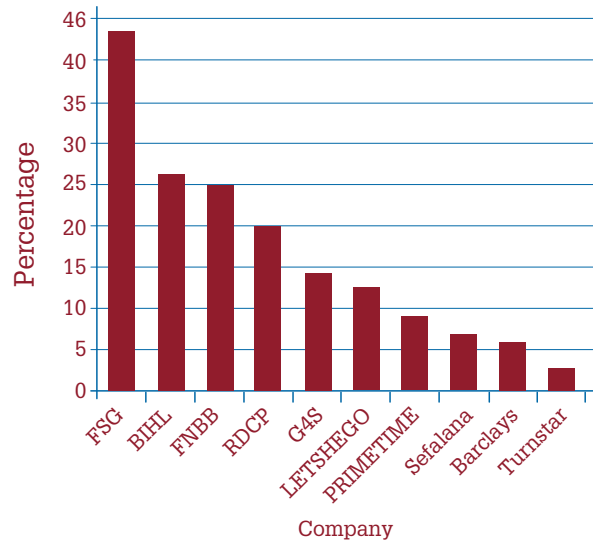
Turnover as a % of Market Capitalisation



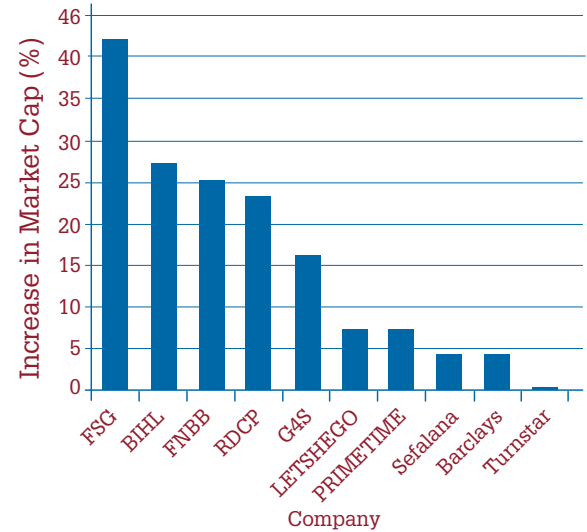
Total Market Cap by Sector



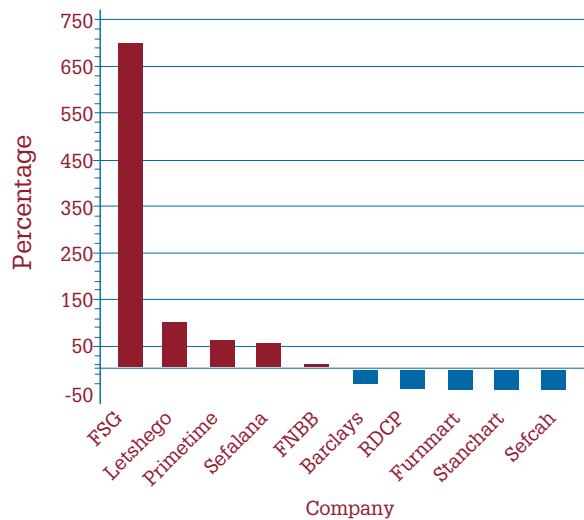
Top ten domestic companies by gains in price



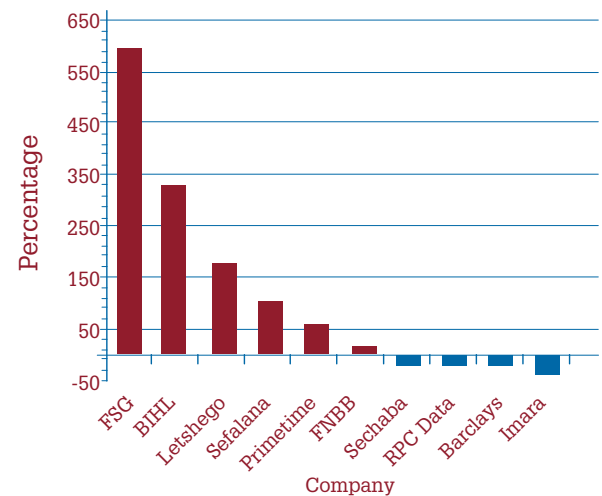
Top ten domestic companies by gains in market capitalisation



Top ten domestic companies % increase in turnover



Top ten domestic companies % increase in shares



Market Statistics

Table 1:
Number of Companies Listed

	2004	2005	2006	2007	2008	2009
Number of new listings	2	3	4	2	2	0
Number of de listings	2	0	1	2	2	0
Foreign listings	7	9	12	12	11	11
Domestic Listings	18	19	19	19	20	20
Total	25	28	31	31	31	31

Source: Botswana Stock Exchange

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

	2004	2005	2006	2007	2008	2009
Domestic Market						
Capitalization	10,876.41	13,418.10	23,776.87	32,702.58	27,706.07	28,536.15
Foreign Market						
Capitalization	162,088.00	301,144.60	510,407.79	535,324.96	286,260.24	346,001.07
Total Market Capitalization	172,964.41	314,562.70	534,184.66	568,027.53	313,966.31	374,537.22

Source: Botswana Stock Exchange

Table 3:
Market Capitalization as at Quarter ended (P’ 000,000)

	Mar 08	Jun 08	Sept 08	Dec 08	Mar 09	Jun 09	Sept 09	Dec 09
Domestic Market								
Capitalization	31,414.00	28,188.31	33,404.27	27,706.07	25,405.46	24,555.57	27,199.36	28,536.15
Foreign Market								
Capitalization	519,393.00	622,895.42	613,511.66	286,260.24	282224.50	272570.35	281309.92	346,001.07
Total Market Capitalization	550,807.00	651,083.73	646,915.93	313,966.31	307,629.96	297,125.92	308,509.28	374,537.22

Source: Botswana Stock Exchange

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

	2004	2005	2006	2007	2008	2009
Banking	7,135.9	8,377.90	15,941.57	19,304.42	16,563.22	16,858.29
Fin. Services & Insurance	8,829.59	14,698.85	24,412.40	25,391.54	19,486.78	20,466.10
Retail & Wholesaling	4,878.18	9,017.20	11,855.78	12,978.07	3,725.45	3,134.73
Property & Property Trust	217.04	248.21	437.83	934.80	907.87	944.73
Mining & Material	15,1375.67	281,422.39	480,421.05	508,427.76	272,048.99	331,978.26
Security Services	72.00	122.4	136.00	220.00	181.12	188.8
Information Technology	22.04	12.91	21.41	18.89	15.74	7.87
Energy	335.42	535.07	758.68	769.86	702.78	586.18
Transport & Tourism	78.65	106.07	178.22	295.44	334.38	185.07
Funeral Services	—	—	—	—	—	187.20

Source: Botswana Stock Exchange

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

	Mar 08	Jun 08	Sept 08	Dec 08	Mar 09	Jun 09	Sept 09	Dec 09
Banking	17,904.61	15,724.15	20,973.69	16,563.22	15340.15	15283.61	17313.59	16,858.29
Fin. Services & Insurance	20,678.34	21,752.95	19,742.20	19,486.78	17,497.31	15,824.04	17,632.55	20,466.10
Retail and Wholesaling	4,221.36	4,521.36	4,126.78	3,725.45	3,351.76	3,134.60	3,095.92	3,134.73
Property and property Trust	922.25	980.97	901.64	907.87	867.36	848.21	917.83	944.73
Mining and Material	505,734.41	606,673.68	599,767.08	272,048.99	269,339.37	260,812.57	268,360.28	331,978.26
Security Services	221.44	204.24	199.68	181.12	172.24	164.96	174.48	188.8
Information Technology	17.95	16.06	15.74	15.74	14.17	9.76	10.07	7.87
Energy	798.61	814.58	800.21	702.78	653.26	638.89	614.93	586.18
Transport and Tourism	287.90	375.50	388.91	334.38	250.33	259.27	232.45	185.07
Funeral Services	—	—	—	—	144.0	150.00	157.20	187.20

Source: Botswana Stock Exchange

Table 6:
Trading Statistics as at Year ended December

	2005	2006	2007	2008	2009
Volume Traded (Mn)	44.16	87.25	124.60	193.31	167.59
Value Traded (P'Mn)	238.60	414.70	824.56	1,166.19	763.85
No. of Deals	2,693.00	4,172.00	6,378.00	5,272.00	4,135.00
Liquidity	1.96	2.23	2.92	3.86	2.68

Source: Botswana Stock Exchange

Market Statistics

Table 7:
Trading Statistics as at Quarter ended

	Mar 08	Jun 08	Sept 08	Dec 08	Mar 09	Jun 09	Sept 09	Dec 09
Volume Traded (Mn)	41.90	47.50	64.71	39.20	79.26	24.27	33.84	30.21
Value Traded (Mn)	234.89	301.42	330.25	299.64	323.32	108.80	170.16	161.57
No. of Deals	1,474.00	1,267.00	1,279.00	1,252.00	905.00	1,011.00	1,066.00	1,153.00

Source: Botswana Stock Exchange

Table 8:
BSE Indices as at Year ended December

	2004	2005	2006	2007	2008	2009
DCI	2,888.68	3,559.14	6,195.45	8,421.63	7,035.50	7241.89
FCI	634.71	1,129.94	1,777.30	2,200.97	1,191.98	1418.26
ACI	1,211.49	1,211.49	1,914.18	2,377.46	1,328.94	—
LASI	—	—	—	—	558.67	670.53
DFSI	—	—	—	—	835.70	911.85
FRSI	—	—	—	—	536.52	654.48

Source: Botswana Stock Exchange

Table 9:
BSE Indices as at Quarter ended

	Mar 08	Jun 08	Sept 08	Dec 08	Mar 09	Jun 09	Sept 09	Dec 09
DCI	8,075.79	7,184.07	8,514.41	7,035.50	6,451.3	6,233.09	6,904.24	7,241.89
FCI	2,171.08	2,593.06	2,555.01	1,191.98	1,168.65	1,117.92	1,153.26	1,418.26
ACI	2,341.35	2,755.66	2,739.45	1,328.94	—	—	—	—
LASI	995.06	1180.71	1177.23	558.67	546.88	529.35	548.22	670.53
DFSI	941.91	824.29	1038.69	835.70	762.18	739.94	841.66	911.85
FRSI	997.97	1197.30	1183.51	536.52	531.05	514.25	529.16	654.48

Source: Botswana Stock Exchange

Table 10:
Top Ten Domestic Companies by Volume traded (Mn)

2008		2009	
Company	Volume	Company	Volume
FNBB	46.37	FNBB	54.86
Turnstar	21.33	Sefalana	30.25
Chobe	18.07	Letshego	18.21
BIHL	18.05	Barclays	9.13
Sefalana	14.83	Turnstar	8.33
Barclays	11.69	BIHL	7.74
ABCH	9.30	Sechaba	6.98
Sechaba	8.50	FSG	6.69
Stanchart	7.57	Primetime	3.99
Letshego	6.56	RPC Data	3.37

Source: Botswana Stock Exchange

Table 11:
Top Ten Foreign Companies by Volume traded (Mn)

2008		2009	
Company	Volume	Company	Volume
Diamonex	6.117	African Copper	4.825
African Copper	2.589	Aviva	1.012
Discovery Metals	1.710	African Diamond	0.362
CIC Energy	0.426	A-Cap	0.200
Aviva	0.380	Discovery Metals	0.951
A-Cap	0.318	Blue	0.048
African Diamonds	0.276	Diamonex	0.046
Blue	0.066	Investec	0.015
Anglo	0.029	Iamgold	0.010
Investec	0.016	CIC Energy	0.005

Source: Botswana Stock Exchange

Table 12:
Top Ten Domestic Companies by Value traded (P'Mn)

2008		2009	
Company	Value	Company	Value
BIHL	217.763	Letshego	195.236
Sechaba	141.604	FNBB	121.190
Stanchart	125.965	Sechaba	95.553
FNBB	116.750	Sefalana	89.220
Letshego	97.976	BIHL	79.759
Barclays	84.092	Stanchart	58.073
Chobe	74.705	Barclays	52.885
Sefalana	58.659	Imara	48.872
Imara	51.725	Turnstar	11.351
ABCH	40.098	FSG	8.503

Source: Botswana Stock Exchange

Table 13:
Top Ten Foreign Companies by Value traded (P'Mn)

2008		2009	
Company	Value	Company	Value
CIC Energy	42.068	African Copper	1.920
Anglo	12.190	Discovery Metals	1.733
Diamonex	6.071	African Diamond	1.201
African Copper	5.891	Iamgold	0.689
Discovery Metals	4.634	Investec	0.662
African Diamonds	2.490	Aviva	0.638
Aviva	1.307	A-Cap	0.371
Investec	0.739	Anglo	0.286
A-Cap	0.691	Blue	0.087
Blue	0.359	CIC Energy	0.062

Source: Botswana Stock Exchange

Market Statistics

Table 14:
Top Ten Domestic Companies by Market Capitalization
(P’Mn)

2008		2009	
Company	Market Cap.	Company	Market Cap.
Barclays	5,487.97	FNBB	6,357.98
Stanchart	5,323.40	Barclays	5,700.96
FNBB	5,153.04	Stanchart	4,609.00
BIHL	2,529.64	BIHL	3,223.88
Letshego	2,262.57	Letshego	2,828.37
Sechaba	2,027.15	Sechaba	1,715.89
Engen	702.78	Engen	586.18
Furnmart	670.15	Furnmart	586.06
ABCH	598.86	Turnstar	540.13
Imara	543.87	Sefalana	530.08

Source: Botswana Stock Exchange

Table 15:
Top Ten Foreign Companies by Market Capitalization
(P’Mn)

2008		2009	
Company	Market Cap.	Company	Market Cap.
Anglo	258,659.63	Anglo	294,221.91
Investec	11,844.46	Iamgold	35,119.91
Iamgold	11,574.31	Investec	13,151.14
Blue	2,229.12	Blue	818.29
CIC Energy	1,202.20	CIC Energy	668.74
African Diamonds	398.58	Discovery Metals	650.16
Discovery Metals	118.59	African Copper	477.59
Aviva	77.12	A-Cap	421.44
Diamonex	61.90	African Diamond	360.48
A-Cap	60.55	Diamonex	58.03

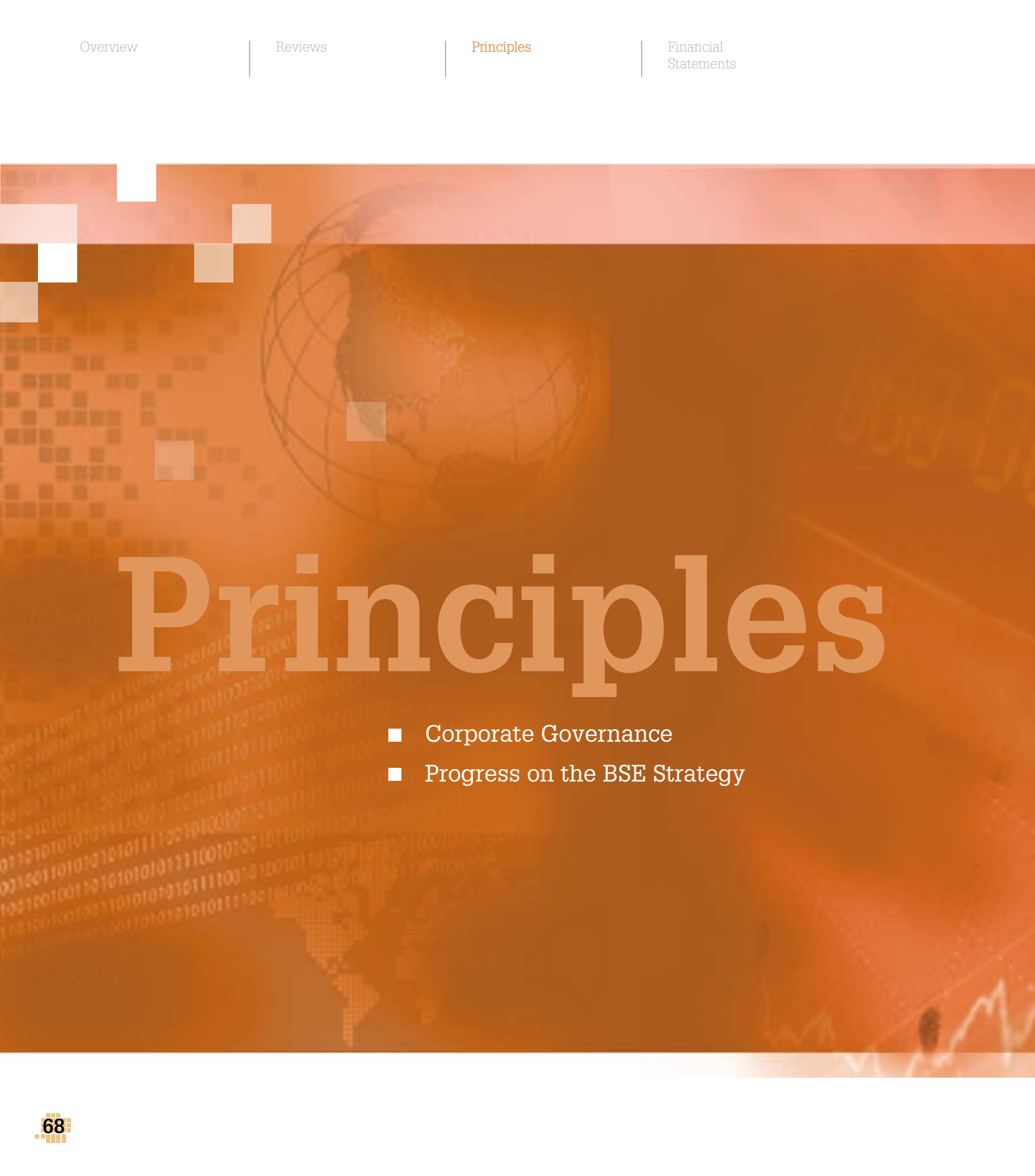
Source: Botswana Stock Exchange

Table 16:
Bond Statistics 2009

Bonds	Maturity Date	Issue size	Trade (P)
BBB001	30/10/2014	100,000,000	—
BBS002	15/12/2016	115,000,000	20,000
BBS004	26/11/2019	75,000,000	30,000
BBS005	03/12/2023	150,000,000	310,000
BDC002	01/06/2011	75,000,000	—
BDC003	01/06/2011	125,000,000	—
BW003	23/03/2015	1,250,000,000	114,921,822
BW004	12/03/2011	700,000,000	263,168,323
BW005	12/08/2018	850,000,000	130,127,729
BW006	09/03/2012	300,000,000	5,837,849
BVI001	07/05/2018	70,000,000	20,000
DPCF002	02/06/2010	195,000,000	80,200,000
DPCF003	02/06/2013	225,000,000	10,000
DPCF004	02/06/2016	220,000,000	—
DPCF005	02/06/2019	100,000,000	—
DPCF006	02/06/2022	55,000,000	—
DPCF007	02/06/2025	35,000,000	—
DON001	03/09/2011	50,000,000	—
NDB001	01/08/2017	165,000,000	40,000
SBBL003	01/06/2017	100,000,000	—
SBBL006	01/06/2016	50,000,000	10,000
SBBL046	11/06/2018	50,000,000	—
SBBL047	11/06/2011	70,000,000	—
SBBL048	11/02/2015	175,000,000	20,000,000
SBBL049	13/08/2018	50,000,000	—
SBBL052	17/12/2018	50,000,000	—
SCBB002	20/12/2012	50,000,000	—
SCBB003	20/12/2015	50,000,000	—
SCBB004	20/12/2015	50,000,000	10,000
SCBB005	27/11/2017	75,000,000	—
WU001	26/06/2018	195,000,000	100,000
WU002	26/06/2026	205,000,000	25,030,000
TOTAL		6,025,000,000	639,835,723

The CSD has been instrumental in improving the quality of services afforded to stakeholders including Brokers, Custodian Banks, Transfer Secretaries and Investors

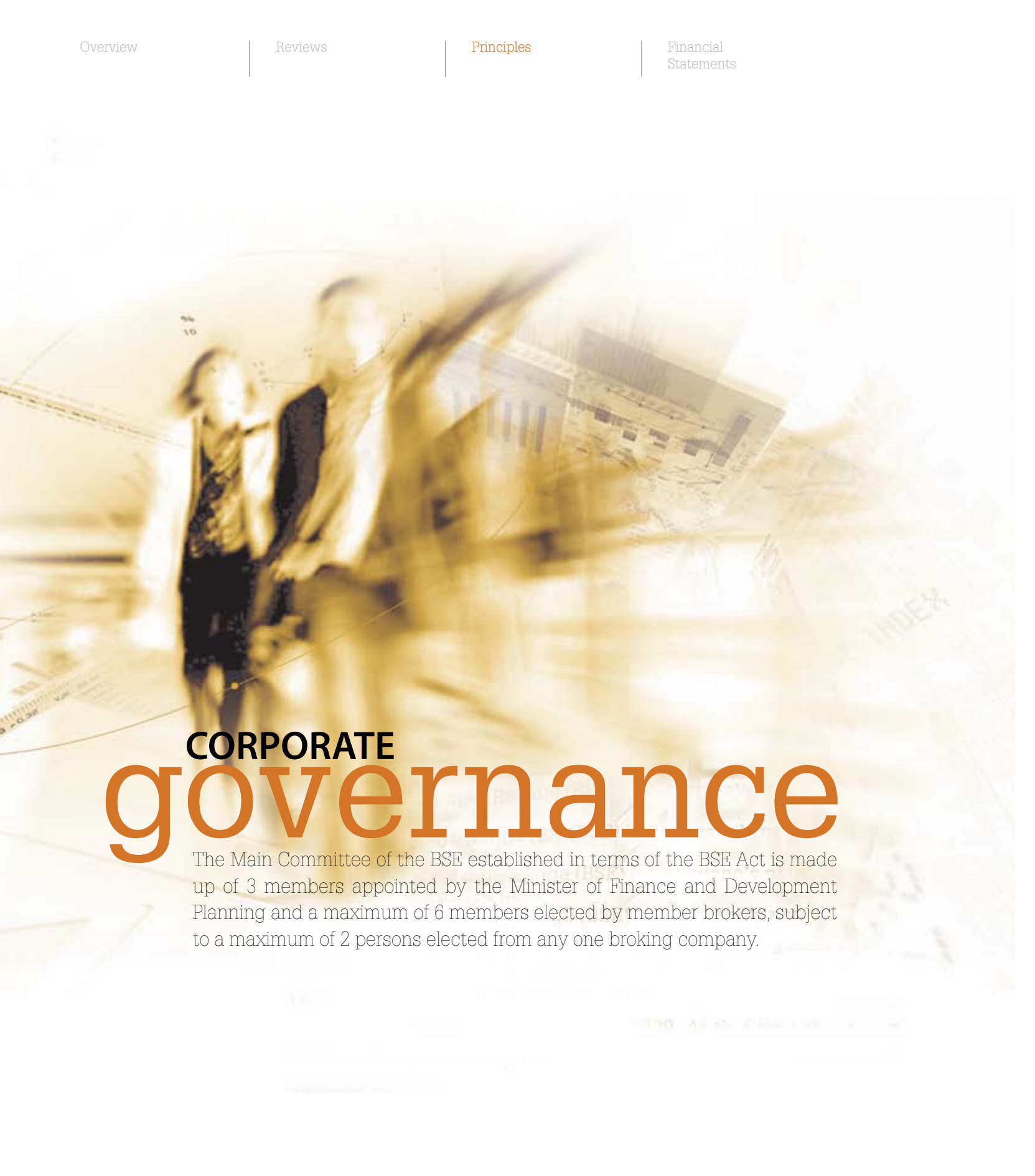




Principles

- Corporate Governance
- Progress on the BSE Strategy





CORPORATE governance

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.

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 to ensure that the BSE is being managed in line with policies set by the committee.

Elected Members:

Rizwan Desai (Chairman)
 Gregory Matsake
 Geoffrey Bakwena
 Martin Makgatlhe
 Seleka Mokama
 Lipalesa Siwawa

Appointed Members:

Reginald Motswaiso
 Peter Takirambudde (Appointed with effect from 1st May 2009)
 Ms. Elaina Gonsalves (Appointed with effect from 1st May 2009)
 Keith Jefferis (Term expired with effect from 1st April 2009)
 Ellen Richard-Madisa (Term expired with effect from 1st April 2009)

Board Sub-Committee Members

	Listings & Trading	Audit	Investigations Disciplinary	Governance & Remunerations
Chairperson	Rizwan Desai	Reginald Motswaiso	Peter Takirambudde	Elaina Gonsalves
Member	Peter Takirambudde	Geoffrey Bakwena	Elaina Gonsalves	Peter Takirambudde
Member	Gregory Matsake	Elaina Gonsalves	Reginald Motswaiso	Reginald Motswaiso
Member	Seleka Mokama	Lipalesa Siwawa		
Member	Martin Makgatlhe			

Source: Botswana Stock Exchange



Corporate Governance

Listings and Trading sub-committee

The Listings and 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.

Audit sub-committee

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.

Investigations and Disciplinary sub-committee

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.

Governance and Remuneration sub-committee

Governance and Remuneration 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.

The Chief Executive Officer Is An Ex-Officio Member Of All Sub-Committees

The Corporate Affairs Manager is the Secretary to the Main Committee, Governance & remuneration sub-committee and Investigations & Disciplinary sub-committee. The Finance and Administration Manager is the secretary to the Audit & Remuneration sub-committee. The Listings & Trading Manager is the secretary to the Listings & Trading sub-committee.

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 adopted a Board Charter with effect from January 2008 based on the principles of good corporate governance as a way of ensuring that the business of the exchange is conducted in a responsible and ethical manner.

The Board Charter defines 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 the stockbroking companies they represent.

Corporate Citizenship



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 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

Attendance at meetings of the main committee and sub-committees

Sub-Committee Members

	Main Comm	Listings & Trading	Audit	Investigations & Disciplinary	Governance & Remunerations
Rizwan Desai	5/5	5/7			
Martin Makgatlhe	4/5	5/7			
Gregory Matsake	5/5	7/7			
Geoffrey Bakwena	5/5		5/6		
Seleka Mokama	5/5	5/7			
Lipasela Siwawa	2/5		0/6		
Reginald Motswaiso	4/5		6/6	2/2	1/1
Peter Takirambudde (Note 1)	4/5	3/7		2/2	1/1
Elaina Gonsalves(Note 1)	3/5		4/6	2/2	1/1

Note1: Appointed with effect from 1st May 2009

Committee Fees

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

The BSE marketing team continued distributing introductory brochures about the CSD and the BSE around the country



PROGRESS ON BSE strategy

The BSE has made progress in achieving strategic objectives as detailed in the BSE's strategic plan. A synopsis of progress to date is given below:

Infrastructure Development

- IT infrastructure improved to implement CSD and ATS
- CSD implemented in May 2008
- More than 7,200 investor accounts opened as at end of December 2009
- Procurement of ATS in progress. Stage 2 of the tender evaluation completed
- Website redesigned and launched

Regulation

- Settlement cycle of transaction in BSE reduced to T+4 from T+5
- Code on corporate governance for listed companies implemented in 2008
- CSD rules drafted by BSE and implemented in 2008
- Strategies implemented to improve compliance by listed companies
- Final comments on Securities Bill communicated to MFDP in Quarter 1 of 2009. BSE is presently represented

in a committee convened by MFDP to finalise the draft legislation to be presented to Parliament

- Listings Requirements approved by Committee, comments forwarded to MFDP
- BSE took over role of drafting Member Rules in Quarter 4 of 2009
- BSE awaiting enactment of Securities Bill to enable it to proceed on several development initiatives which will include the corporatization of the BSE

Market Development

- Improvements made to BSE publications
- Selected BSE publications translated into Setswana
- Series of road shows held nationwide to educate general public about the BSE
- Continued awareness creation campaigns conducted targeting retail investors
- Commenced awareness creation on the listing process targeted at companies with the potential to list



- Held Conferences and workshops to market the BSE brand, product development and strategy. These conferences are; Creating Wealth for Batswana in 2007, Exchange Traded Funds in 2008, Securitisation and the Bond Market in 2008, Credit Rating Workshop in 2008.
- Strategic alliances with key institutions fostered

Product Development

- Strategy to implement Exchange Traded Funds continued
- ETF presentations to stakeholders conducted.
- Strategic Alliances formed with Absa Capital SA & Satrix Managers Pty Ltd to implement ETFs in the BSE
- Local Asset status attained for ETFs
- Strategy to develop bond market pursued
- Bond Market Training programme to run in 2010
- Database of transactions in the BSE since 1998 constructed
- Series of indices constructed using "total return" methodology
- Series of indices based on "free float" constructed
- Library to assist research established

Organisation Structure and Human Resource Development

- Changes made to organisation structure to assist in implementing strategic plan
- Performance appraisal system for staff implemented
- Staff training intensified

Governance Structure

- BSE Board Charter adopted
- Differentiation between "independent" and "non independent" committee members made in the constitution of sub-committees

Financial Resources

- BSE fees on transactions rationalised to reduce dependence on government subvention
- BSE Strategic plan review in progress aimed at Commercialisation of the exchange

Group Annual Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2009

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Statement of Main Committee Members' Responsibilities

For the year ended 31 December 2009

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.

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 82 to 106 and the supplementary information on page 107 were authorised for issue by the committee members on 28 May 2010 and are signed on its behalf by:



MEMBER



MEMBER

Report of The Independent Auditors to the Members and Main Committee Members of BSE

For the year ended 31 December 2009

Report on the Financial Statements

We have audited the accompanying financial statements of Botswana Stock Exchange, set out on pages 82 to 106, which comprise the statement of financial position and consolidated statement of financial position as at 31 December 2009 and the statement of comprehensive income and consolidated statement of comprehensive income, 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 controls 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

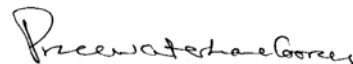
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the Botswana Stock Exchange and its subsidiary as of 31 December 2009 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).



28 May 2010
GABORONE

CHARTERED PUBLIC ACCOUNTANTS

Statement of Comprehensive Income

For the year ended 31 December 2009

Notes	Group		Exchange	
	2009	2008	2009	2008
	P	P	P	P
Revenue	10 141 091	10 068 862	8 443 694	9 394 350
Government subvention	4 812 500	3 992 605	3 646 300	3 992 605
Other income	27 300	242 124	27 300	242 124
	14 980 891	14 303 591	12 117 294	13 629 079
Administrative expenses	(12 976 923)	(12 968 711)	(12 580 771)	(10 524 028)
Operating profit	1 2 003 968	1 334 880	(463 477)	3 105 051
Interest received	2 387 282	287 005	164 501	141 385
Profit before income tax	2 391 250	1 621 885	(298 976)	3 246 436
Income tax	3 —	—	—	—
Profit/(loss) for the year	2 391 250	1 621 885	(298 976)	3 246 436
Other Comprehensive Income	—	—	—	—
Total Comprehensive Loss/ (Income)	2 391 250	1 621 885	(298 976)	3 246 436

Statement of Financial Position

For the year ended 31 December 2009

		Group		Exchange	
	Notes	2009	2008	2009	2008
		P	P	P	P
ASSETS					
Non-current assets					
Property, plant and equipment	5	1 845 295	2 097 928	1 827 828	2 097 928
Investment in subsidiary	4	—	—	100	100
		1 845 295	2 097 928	1 827 928	2 098 028
Current assets					
Receivables and prepayments	6	1 779 039	3 469 616	2 282 369	6 134 794
Cash and cash equivalents	8	6 273 099	2 403 960	4 652 883	1 161 364
		8 052 138	5 873 576	6 935 252	7 296 158
Total assets		9 897 433	7 971 504	8 763 180	9 394 186
EQUITY					
Capital and reserves					
Proprietary rights capital	9	5 200	5 200	5 200	5 200
Rights premium		777 476	777 476	777 476	777 476
Accumulated profits		7 657 713	5 271 463	6 592 038	6 896 014
		8 440 389	6 054 139	7 374 714	7 678 690
LIABILITIES					
Non-current Liabilities					
Deferred lease rental	7	17 474	66 016	17 474	66 016
Current liabilities					
Trade and other payables	10	1 311 084	1 832 423	1 242 506	1 630 554
Amounts due to the Botswana Stock Exchange Security Fund	11	5 000	10 000	5 000	10 000
Deferred lease rental	7	123 486	8 926	123 486	8 926
		1 439 570	1 851 349	1 370 992	1 649 480
Total liabilities		1 457 044	1 917 365	1 388 466	1 715 496
Total equity and liabilities		9 897 433	7 971 504	8 763 180	9 394 186

Statements of Changes in Equity

For the year ended 31 December 2009

	Proprietary Rights Capital	Rights Premium	Accumulated Profit	Total
	P	P	P	P
GROUP				
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
As at 31 December 2009				
Opening Balance	5 200	777 476	5 271 463	6 054 139
Total comprehensive income	-		2 391 250	2 391 250
Transfer to the Botswana Stock Exchange Security Fund	-	-	(5 000)	(5 000)
Closing Balance	5 200	777 476	7 657 713	8 440 389
EXCHANGE				
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
As at 31 December 2009				
Opening Balance	5 200	777 476	6 896 014	7 678 690
Total comprehensive loss	-	-	(298 976)	(298 976)
Transfer to the Botswana Stock Exchange Security Fund	-	-	(5 000)	(5 000)
Closing Balance	5 200	777 476	6 592 038	7 374 714

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 11).

Statement of Cash Flows

For the year ended 31 December 2009

Notes	Group		Exchange	
	2009	2008	2009	2008
	P	P	P	P
Cash generated/ utilised in operating activities				
Net cash flows from operating activities 12	3 806 561	1 009 829	3 633 782	(87 047)
Investing activities				
Purchase of property, plant and equipment 5	(324 704)	(1 840 234)	(306 865)	(1 840 234)
Interest received 2	387 282	287 005	164 501	141 385
Proceeds from sale of property, plant and equipment	-	75 540	-	75 540
Net cash flows used in investing activities	62 578	(1 477 689)	(142 364)	(1 623 309)
Financing activities				
Proceeds from issue of proprietary rights	-	640 000	-	640 000
Net cash flows used in financing activities	-	640 000	-	640 000
Changes in cash and cash equivalents	3 869 139	172 140	3 491 418	(1 070 356)
Cash and cash equivalents at beginning of the year	2 403 960	2 231 820	1 161 465	2 231 821
Cash and cash equivalents at the end of the year 8	6 273 099	2 403 960	4 652 883	1 161 465

Accounting Policies

For the year ended 31 December 2009

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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the "Critical accounting estimates and judgements" section of the financial statements.

Estimates and judgements 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 interpretations effective in 2009 and relevant to the Group's operations

IAS 1 (revised), 'Presentation of financial statements' (effective 1 January 2009)

IAS 20 (amendment), 'Accounting for government grants and disclosure of government assistance' (effective 1 January 2009)

(b) Standards, amendments and interpretations effective in 2009 but not relevant

Amendment to IAS 32, 'Financial instruments: Presentation', and IAS 1, 'Presentation of financial statements on 'Puttable financial instruments and obligations arising on liquidation' (effective 1 January 2009)

Amendment to IFRS 7, 'financial instruments: Disclosures' (effective 1 January 2009)

Amendment to IFRS 2, 'Share based payments – vesting conditions and cancellations' (effective 1 January 2009)

IFRS 8, 'Operating segments' (effective 1 January 2009)

IAS 29 (amendment), 'Financial Reporting in hyperinflationary economies' (effective 1 January 2009)

IAS 31 (amendment), 'Interest in joint ventures' (and consequential amendments to IAS 32 and IFRS 7 (effective 1 January 2009)

IAS 36 (amendment), 'Impairment of assets' (effective 1 January 2009)

IAS 38 (amendment), 'Intangible assets' (effective 1 January 2009)

IAS 40 (amendment), 'Investment property' (and consequential amendments to IAS 16) (effective 1 January 2009)

IAS 41 (amendment), 'Agriculture' (effective 1 January 2009)

IAS 16 (amendment), 'Property, Plant and Equipment' (and consequential amendment to IAS 7, 'Statement of Cashflows') (effective 1 January 2009)

IAS 19 (amendment), 'Employee benefits' (effective 1 January 2009)

IAS 39 (amendment), 'Financial instruments; Recognition and measurement' (effective 1 January 2009)

IFRIC 15, 'Agreements for construction of real estates' (effective 1 January 2009)

Amendment to IAS 39, 'Financial Instruments: Recognition and measurement' on 'Eligible hedged items' (effective 1 July 2009)

Amendment to IFRS 1 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements' on the 'Cost of an investment in a subsidiary, jointly controlled entity or associate' (effective 1 July 2009)

IFRS 5, 'Non-current assets held for sale and discounted operations and consequential amendments to IFRS 1, 'First time adoption' (effective 1 July 2009)

A. Basis of preparation *(Continued)*

(b) Standards, amendments and interpretations effective in 2009 but not relevant *(Continued)*

IFRS 1 (revised) 'First-time adoption' (effective 1 July 2009)

IFRS 3 (revised), 'Business combinations' (effective 1 July 2009)

IAS 27 (revised), 'Consolidated and separate financial statements' (effective 1 July 2009)

IFRIC 17, 'Distributions of non cash assets to owners' (effective 1 July 2009)

IFRIC 18, 'Transfer of assets from customers' (effective 1 July 2009)

(c) Standards, amendments and interpretation effective in future periods

Amendment to IAS 32, 'Financial instruments: Presentation', and IAS 1, 'Presentation on classification of rights issues' (effective 1 February 2010)

Amendment to IFRS 2, 'Share based payments – Group cash-settled share-based payment transactions' (effective 1 January 2010)

Amendments to IFRS 1 for additional exemptions (effective 1 January 2010)

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 statement of comprehensive income.

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 statement of comprehensive income during the financial period in which they are incurred.

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

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

Accounting Policies

For the year ended 31 December 2009

C. Property, plant and equipment *(Continued)*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position 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 statement of comprehensive income.

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 statement of comprehensive income, 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. 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 statement of financial position.

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 statement of comprehensive income within 'administrative expenses'. When a trade receivable is uncollectible, it is written off against the administrative expense account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses' in the statement of comprehensive income.

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.

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 statement of financial position 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).

Accounting Policies

For the year ended 31 December 2009

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 recognised to the extent that it is probable that future taxable income will be available against which these tax losses can be utilised.

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 from trading or P5 000 on an 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 of assets where the lessor retains all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period which termination takes place.

Leases of property, plant and equipment where the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at values underlying estimated present value of the 'lease payments.

Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The interest is charged to the income statement over the period of the lease. The 'asset is depreciated over its useful life.

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 settlement date unless collectability 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.

O. Revenue recognition *(Continued)*

iii) **Listing fees**

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

iv) **Annual sustaining fees**

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

v) **Member fees**

Annual member/dealer fees are invoiced in advance for the year 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 settlement date unless collectability 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 statement of comprehensive income over the period necessary to match them with the costs they are intended to compensate.

Q. Financial Instruments

Financial assets and liabilities are recognised on the Exchange's statement of financial position when the Exchange 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 recognised in profit or loss. The net gain or loss recognised 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 recognised 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 statement of financial position date.

Accounting Policies

For the year ended 31 December 2009

Q. Financial Instruments *(Continued)*

Financial assets *(Continued)*

- Loans and receivables are initially recognised 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 recognised in profit or loss. The net gain or loss recognised in the statement of comprehensive income 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 recognised on an effective yield basis.

Financial Risk Management

For the year ended 31 December 2009

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 financial performance. Risk management is carried out under the guidance of the main committee. The main committee provides guidance for overall risk management, as well as guidance 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 as appropriate.

(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 interest bearing 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 members, taking into account their 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 member 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 2009, all impaired receivables have been provided for.

The table below shows an age analysis of fee receivables at their carrying value respectively as at the statement of financial position.

Financial Risk Management

For the year ended 31 December 2009

(b) **Credit risk** (Continued)

Credit quality of financial assets (Continued)

	Total	Fully performing	Past due	Impaired
	P	P	P	P
At 31 December 2009				
Group				
Fee receivables	134 238	6 026	62 353	65 859
Exchange				
Fee receivables	115 024	6 026	43 139	65 859
Amounts due from related parties	3 204 642	—	1 000 000	2 204 642
At 31 December 2008				
Group				
Fee receivables	1 964 925	67 228	1 897 697	—
Exchange				
Fee receivables	1 743 466	66 958	1 676 508	—

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 statement of financial position date.

Group					
Counterparty	Rating	31 December 2009		31 December 2008	
		Credit limit	Balance	Credit limit	Balance
		P	P	P	P
Barclays Bank of Botswana	n/a	n/a	6 273 099	n/a	2 403 960

(b) Credit risk *(Continued)****Credit quality of financial assets*** *(Continued)***Exchange**

Counterparty	Rating	31 December 2009		31 December 2008	
		Credit limit	Balance	Credit limit	Balance
		P	P	P	P
Barclays Bank of Botswana	n/a	n/a	4 652 883	n/a	1 161 364

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 cash flows 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 statement of financial position 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.

	Group		Exchange	
	2009	2008	2009	2008
	P	P	P	P
Accounts payable				
-Less than 1 year	1 201 173	1 832 423	1 095 094	1 630 554
-Between 1 and 2 years	—	—	—	—
-over 3 years	—	—	—	—
	1 201 173	1 832 423	1 095 094	1 630 554

Financial Risk Management

For the year ended 31 December 2009

(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 2009, 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.

Critical accounting estimates and assumptions

Critical accounting estimates and assumptions

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

The 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 management 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 judgement. In making this judgement, 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.

Notes to the Financial Statements

For the year ended 31 December 2009

	Group		Exchange	
	2009	2008	2009	2008
	P	P	P	P
1 Operating Profit				
Operating profit is stated after charging/ (crediting):				
Audit fees - current	135 206	104 860	89 448	79 860
Depreciation (note 5)	575 671	452 311	575 299	452 311
Operating lease cost- rental adjustment	66 018	74 942	66 018	74 942
Remuneration paid to the senior managers	3 683 280	4 198 976	3 229 692	3 139 219
Sitting allowances of committee members	132 300	104 370	85 890	86 310
Staff costs -see below	7 774 359	7 303 573	6 135 642	6 222 446
Loss on disposal of property, plant and equipment	(1 665)	(93 854)	(1 665)	(93 854)
Government subvention	(4 812 500)	(3 992 605)	(3 646 300)	(3 992 605)
Staff Costs				
Salaries and wages	5 887 071	6 166 946	4 248 354	5 022 139
Other benefits	67 222	45 647	11 537	45 647
Gratuities and other terminal benefits	1 820 066	1 090 980	1 875 751	1 154 660
	7 774 359	7 303 573	6 135 642	6 222 446
Number of persons employed at the end of year:				
-Full time	21	18	16	15
2 Interest Received				
Interest received - Bank	387 282	287 005	164 501	141 385

Notes to the Financial Statements

For the year ended 31 December 2009

3 Income Tax

No provision for income tax has been made in these financial statements due to the subsidiary company incurring a tax loss of P1 159 324 during the year (2008 : P1 624 551), available for set off against future profits. 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 tax in terms of policy note K.

The tax loss is analysed over the following future financial years:

	Tax year	Loss	Utilised	Loss c/f	Loss fall away in tax year
	2008	1,624,551	-	1,624,551	2014
	2009	1,624,551	(465 227)	1,159,324	2014

4 Investment In Subsidiary

	Group		Exchange	
	2009	2008	2009	2008
	P	P	P	P
Shares at cost	—	—	100	100

The investment in subsidiary comprises of 100% share investment in the Central Securities Depository Company Limited, a company incorporated in the Republic of Botswana.

5 Property, Plant and Equipment

	Leasehold Improvements	Office Equipment	Furniture & Fittings	Motor Vehicles	Total
	P	P	P	P	P

Group

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	(42 251)	(205 930)	(53 935)	(150 195)	(452 311)
Depreciation on disposals	23 609	400 220	93 744	56 414	573 987
Closing net book amount	254 853	841 861	525 941	475 273	2 097 928

At 31 December 2008

Cost	405 442	1 161 210	573 387	767 140	2 907 179
Accumulated depreciation	(150 589)	(319 349)	(47 446)	(291 867)	(809 251)
Net book amount	254 853	841 861	525 941	475 273	2 097 928

Year ended 31 December 2009

Opening net book amount	254 853	841 861	525 941	475 273	2 097 928
Additions	—	308 709	15 995	—	324 704
Disposal	—	(3 999)	—	—	(3 999)
Depreciation	(29 183)	(297 226)	(57 479)	(191 783)	(575 671)
Depreciation on disposals	—	2 333	—	—	2 333
Closing net book amount	225 670	851 678	484 457	283 490	1 845 295

At 31 December 2009

Cost	405 442	1 465 920	589 382	767 140	3 227 884
Accumulated depreciation	(179 772)	(614 242)	(104 925)	(483 650)	(1 382 589)
Net book amount	225 670	851 678	484 457	283 490	1 845 295

Notes to the Financial Statements

For the year ended 31 December 2009

5 Property, Plant and Equipment *(Continued)*

	Leasehold Improvements	Office Equipment	Furniture & Fittings	Motor Vehicles	Total
	P	P	P	P	P

Exchange

Year ended 31 December 2008

Opening net book amount	9 442	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	(42 251)	(205 930)	(53 935)	(150 195)	(452 311)
Depreciation on disposals	23 609	400 220	93 744	56 414	573 987
Closing net book amount	254 853	841 861	525 941	475 273	2 097 928

At 31 December 2008

Cost	405 442	1 161 210	573 387	767 140	2 907 179
Accumulated depreciation	(150 589)	(319 349)	(47 446)	(291 867)	(809 251)
Net book amount	254 853	841 861	525 941	475 273	2 097 928

Year ended 31 December 2009

Opening net book amount	254 853	841 861	525 941	475 273	2 097 928
Additions	—	290 870	15 995	—	306 865
Disposal	—	(3 999)	—	—	(3 999)
Depreciation	(29 183)	(296 854)	(57 479)	(191 783)	(575 299)
Depreciation on disposals	—	2 333	—	—	2 333
Closing net book amount	225 670	834 211	484 457	283 490	1 827 828

At 31 December 2009

Cost	405 442	1 444 082	589 382	767 140	3 206 046
Accumulated depreciation	(179 772)	(609 871)	(104 925)	(483 650)	(1 378 218)
Net book amount	225 670	834 211	484 457	283 490	1 827 828

	Group		Exchange	
	2009	2008	2009	2008
	P	P	P	P
6 Receivables and Prepayments				
Fee receivables	134 238	1 964 925	115 024	1 743 466
Other receivables	509 410	442 191	331 454	442 191
Related party balances (note 13)	1 201 250	1 062 500	4 106 392	3 949 137
Provision for impairment	(65 859)	—	(2 270 501)	—
	1 779 039	3 469 616	2 282 369	6 134 794
Fee receivables that are less than three months past due date are not considered impaired.				
At 31 December 2009, fee receivables of P6 026 (2008: P67 228) and 2009: P6 026 (2008: P66 958) were fully performing for the Group and Exchange respectively.				
At 31 December 2009, fee receivables of P62 353 (2008: P1 897 697) and 2009: P43 139 (2008: P1 676 508) were past due but not impaired for the Group and Exchange respectively. 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	17 927	483 493	815	481 482
3 to 6 months	44 427	1 414 204	42 324	1 195 026
	62 354	1 897 697	43 139	1 676 508
As of 31 December 2009, trade receivables of P65 859 (2008:P Nil) for the group and P2 270 501 (2008:P Nil) for the Exchange were impaired and provided for.				
The ageing of these receivables is as follows:				
Over 6 months	65 859	—	2 270 501	—

Notes to the Financial Statements

For the year ended 31 December 2009

6 Receivables and Prepayments *(Continued)*

	Group		Exchange	
	2009	2008	2009	2008
	P	P	P	P
Movements on the provision for impairment of trade receivables are as follows:				
At 1 January	—	—	—	—
Provision for receivables impairment	65 859	—	2 270 501	—
At 31 December	65 859	—	2 270 501	—

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	66 018	74 942	66 018	74 942
Balance at 31 December	66 018	74 942	66 018	74 942
Non current	17 474	66 016	17 474	66 016
Current	123 486	8 926	123 486	8 926
	140 960	74 942	140 960	74 942

8 Cash and Cash Equivalents

Cash at bank	6 270 599	2 401 460	4 650 383	1 158 864
Cash in hand	2 500	2 500	2 500	2 500
	6 273 099	2 403 960	4 652 883	1 161 364

Cash at bank mainly includes a call account, which has an effective interest rate of 5 to 8% (2008- 9 to 10%) per annum.

	Group		Exchange	
	2009	2008	2009	2008
	P	P	P	P
9 Proprietary Rights Capital				
Issued proprietary rights capital	5 200	5 200	5 200	5 200
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				
Trade payables	400 188	514 099	310 188	312 768
Other payables	910 896	1 318 324	932 318	1 317 786
	1 311 084	1 832 423	1 242 506	1 630 554
At 31 December 2009, 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	10 000	5 000	10 000	5 000
Settled during the year	(10 000)	—	(10 000)	—
Statutory transfer for the year	5 000	5 000	5 000	5 000
	5 000	10 000	5 000	10 000

Notes to the Financial Statements

For the year ended 31 December 2009

	Group		Exchange	
	2009	2008	2009	2008
	P	P	P	P
12 Cash Generated / (Utilised) In Operating Activities				
Operating activities:				
Operating profit	2 003 968	1 334 880	(463 477)	3 105 051
Adjustment for:				
Depreciation (note 5)	575 671	452 311	575 299	452 311
Loss on disposal of property plant and equipment	1 665	93 854	1 665	93 854
	2 581 304	1 881 045	113 487	3 651 216
Working capital changes				
Increase in receivables and prepayments	1 690 577	(2 145 381)	3 852 425	(4 810 559)
Increase in trade and other payables	(521 339)	1 199 223	(388 148)	997 354
Deferred lease rentals	66 018	74 942	66 018	74 942
Transfer of funds to Botswana Stock Exchange Security Fund	(10 000)	-	(10 000)	-
Cash generated / (utilised) in operating activities	3 806 561	1 009 829	3 633 782	(87 047)

	Group		Exchange	
	2009	2008	2009	2008
	P	P	P	P
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.				
a) Sale of services				
Membership fees				
- Stockbrokers Botswana (Pty) Ltd	4 750	4 500	4 750	4 500
- Capital Securities (Pty) Ltd	3 750	3 500	3 750	3 500
- African Alliance	3 500	3 500	3 500	3 500
- Motswedi Securities (Pty) Ltd	4 500	4 000	4 500	4 000
	16 500	15 500	16 500	15 500
Listing fees - Government bonds	3 187 500	3 437 500	3 187 500	3 437 500
b) Grants received				
Government of the Republic of Botswana	4 812 500	3 992 605	3 646 300	3 992 605
c) Transfer to the Botswana Stock Exchange Security Fund				
	5 000	5 000	5 000	5 000

Notes to the Financial Statements

For the year ended 31 December 2009

13 Related Party Transactions *(Continued)*

	Group		Exchange	
	2009	2008	2009	2008
	P	P	P	P
d) Year end balances arising from sale/purchases of services and in terms of BSE Act				
Due to the Botswana Stock Exchange Security Fund	5 000	10 000	5 000	10 000
Due from the Government of the Republic of Botswana	1 201 250	1 062 500	901 750	1 062 500
Due from the Central Securities Depository Botswana	—	—	3 204 642	2 886 637

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

14 Post Balance Sheet Events

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

Detailed Statement of Comprehensive Income

For the year ended 31 December 2009

	Exchange	
	2009	2008
	P	P
Revenue		
Commission	2 097 725	2 439 435
Listing and annual sustaining fees	6 329 469	6 939 415
Members fees	16 500	15 500
Government subvention	3 646 300	3 992 605
Sundry income	27 300	242 124
Total income	12 117 294	13 629 079
Administrative expenses		
Advertising	731 794	648 056
Audit fees	89 448	79 860
Bad debt impairment	2 269 542	3 012
Bank charges	16 559	18 173
Cleaning	44 576	29 314
Communication expenses	195 024	183 238
Computer expenses	660 551	617 413
Consulting fees	170 764	398 570
Depreciation	575 299	448 860
Electricity	31 946	11 263
Entertainment	139 543	99 541
Insurance	123 275	82 883
Internship allowances	12 684	26 576
Legal fees	12 227	41 629
Library expenses	4 340	19 278
Loss on disposal of property plant and equipment	1 665	93 854
Members sitting allowances	85 890	86 310
Motor vehicle expenses	34 464	46 513
Office expenses	23 744	19 549
Printing and stationery	62 661	65 790
Recruitment expenses	22 067	4 374
Relocation expenses	—	57 126

Detailed Statement of Comprehensive Income

For the year ended 31 December 2009

Administrative expenses (Continued)

	Exchange	
	2009	2008
	P	P
Rental	548 615	459 623
Repairs and maintenance	61 538	16 665
Salaries and wages	6 135 642	6 088 723
Security costs	21 586	23 261
Seminars and conferences	117 193	191 873
Staff welfare	11 537	45 647
Subscriptions	67 222	69 571
Travelling, accommodation and entertainment expenses	301 364	547 483
Water	8 012	—
	12 580 772	10 524 028
Net Interest cost		
Interest income	164 501	141 385
	164 501	141 385
Net (loss)/profit for the year	(298 976)	3 246 436

The detailed income statement does not form a part of the audit opinion on page 81.

General Information

Principal activities:

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

Committees of The Stock Exchange:

Main Committee

Ministerial appointees:

Peter Takirambudde
Reginald Motswaiso
Elaina Gonsalves

Elected Members:

Rizwan Desai (Chairman)
Martin Makgatlhe
Gregory Matsake
Geoffrey Bakwena
Lipalesa Siwawa
Seleka Mokama

Membership of Sub Committees:

(1) Listings and trading

Rizwan Desai (Chairman)
Martin Makgatlhe
Gregory Matsake
Geoffrey Bakwena
Lipalesa Siwawa
Seleka Mokama

(2) Audit

Reginald Motswaiso (Chairman)
Elaina Gonsalves
Geoffrey Bakwena
Lipalesa Siwawa

(3) Investigations and disciplinary

Peter Takirambudde (Chairman)
Reginald Motswaiso
Elaina Gonsalves

(4) Governance & Remuneration

Elaina Gonsalves (Chairman)
Reginald Motswaiso
Peter Takirambudde

Chief Executive Officer

Hiran Mendis

Secretary to The Main Committee:

Latelang Tamocha

Regulator

Non-Bank Financial Institutions Regulatory Authority (NBFIRA)
First Floor MVA House
Plot 50367 Showground
Off Machel Drive
Private Bag 00314
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)

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