DETAILED 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
Elaina Gonsalves
Iponeng Sennanyana

Elected Members:
Patrick O' Flaherty (Chairperson)
Martin Makgatlhe
Kabelo Mohohlo
Geoffrey Bakwena
Lipalesa Siwawa
Seleka Mokama

Membership of Sub Committees:

(1) Listings and trading
Patrick O' Flaherty (Chairperson)
Martin Makgatlhe
Kabelo Mohohlo
Peter Takirambudde
Seleka Mokama
Lipalesa Siwawa

(2) Audit
Iponeng Sennanyana (Chairperson)
Elaina Gonsalves
Seleka Mokama
Geoffrey Bakwena

(3) Investigations and disciplinary
Peter Takirambudde (Chairperson)
Elaina Gonsalves
Iponeng Sennanyana

(4) Governance & Remuneration
Elaina Gonsalves (Chairperson)
Iponeng Sennanyana
Peter Takirambudde

CHIEF EXECUTIVE OFFICER:
Hiran Mendis

SECRETARY TO THE MAIN COMMITTEE:
Latelang Tamocha

REGULATOR:
Non-Bank Financial Institution
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
Standard Chartered Bank of Botswana

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

DESIGN & LAYOUT:
Dialogue Saatchi & Saatchi

COMPILED AND EDITED BY:
Thapelo Tsheole

PRINTED BY:
Impression House

AN OASIS **IN A DESERT**

BOTSWANA STOCK EXCHANGE

ANNUAL REPORT 2011

BOTSWANA STOCK EXCHANGE ANNUAL REPORT 2011

BOTSWANA
STOCK EXCHANGE

Plot 64511, Fairgrounds, Gaborone
Private Bag 00417, Gaborone, Botswana
Tel: +267 318 0201, Fax: +267 318 0175
Website: www.bse.bw

Highlights for 2011

for the year ended 31 December 2011

4.7%
EQUITY TURNOVER
to P1,007.9 million

5.1%
AVERAGE EQUITY DAILY TURNOVER
to P4.1 million

48.6%
NUMBER OF SHARES TRADED
to P458.7 million

- BSE was ranked the 8th best performing market in the world in 2011 by the Business Insider
- DCI increased by 8.7% from -11.4% in 2010
- Foreign Company Index increased by 1.8%
- Letlole La Rona and New African Properties listed by IPO on the domestic main board
- Botswana Diamonds, Firestone, Lucara and African Energy dual listed on the foreign venture board
- The second ETF, BettaBeta ETF, dual listed on the BSE on 11th May 2011
- 4 new bonds were listed
- Debt market capitalisation increased by 24% to P8.4 Bn
- Dematerialsation of bonds commenced
- Bond Market Development Strategy finalised
- Number of accounts opened in CSD increased by 21.6% to 12,886
- Contract for the supply and implementation of the ATS signed

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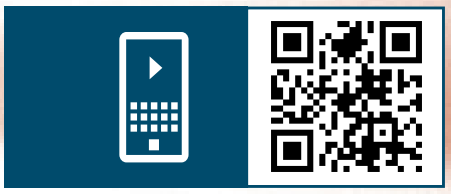


OUR MILESTONES

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 traces back to its humble beginnings as Botswana Share Market (BSM).

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 formerly established. In 1989, the BSM started with 5 listed entities.

1994/1995

NEW LEGISLATION

In September 1994 the legislation to transform the BSM in to 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

FIRST BSE 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.

2010

NEW GOLD ETF

The New Gold ETF was listed in July as first ETF in the BSE. P123.4 Million worth of New Gold Traded in first 6 months.

2011

THE BETTABETA ETF

The BSE listed the second ETF, the BettaBeta ETF in May 2011. P37.2 Mn worth of the ETF was traded in 2011.

ATS contract awarded.

BOTSWANA STOCK EXCHANGE

OVERVIEW

BSE **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 private and public sector, including the secretary of the Zimbabwe Stock Exchange, the chief executive of SBB, the permanent secretary of the ministry of finance, and the Deputy Director of the Bank Supervision. The committee had the power to list and to de-list a stock, and was also responsible for ensuring that the BSE traded ethically. The necessity to detach the running of the exchange from the broking business set in motion a process for the establishment of an independent exchange.

BSE OVERVIEW

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

The BSE continues to be pivotal to Botswana's financial system, and in particular the capital market, as an avenue on which government, quasi- 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 Services, Wholesaling and Retailing, Tourism, Energy, Funeral Services, Property, Security, Information Technology and Mining and Minerals. Currently, there are 35 listed entities in the BSE and comprise of 23 Domestic and 12 Foreign companies. The BSE has 2 listed ETFs.

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.
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"

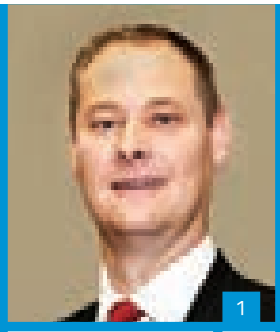
MISSION

"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 aim to become a financial supermarket, meaning it aims to provide the right kind of products to suit investors and issuers 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 that can be listed include Equities, Corporate Bonds, Government Bonds, Exchange Traded Products and Commercial Papers while products being developed are, Securitised Products and Derivatives.

MAIN COMMITTEE MEMBERS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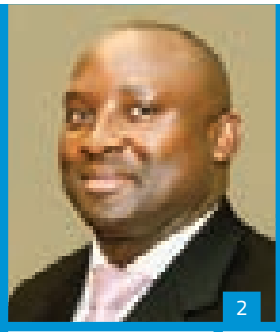
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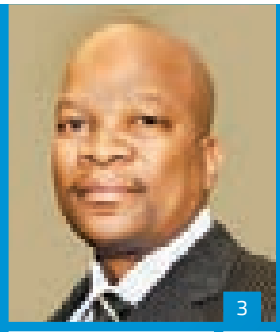
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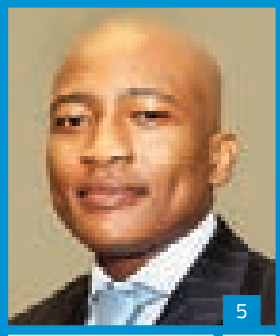
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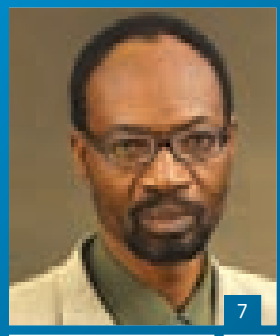
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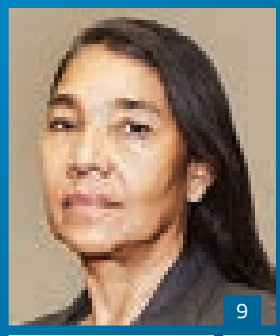
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1. **Patrick O'Flaherty**
   Chairperson
   First elected 2010

2. **Martin Makgatlhe**
   Vice-Chairperson
   First elected 1998

3. **Seleka Mokama**
   Treasurer
   First elected 2008

4. **Geoffrey Bakwena**
   Member
   First elected 2006

5. **Kabelo Mohohlo**
   Member
   First elected 2011

6. **Lipalesa Siwawa**
   Member
   First elected 2008

7. **Peter Takirambudde**
   Member
   First appointed 2009

8. **Iponeng Sennanyana**
   Member
   First appointed 2010

9. **Elaina Gonsalves**
   Member
   First appointed 2011

MANAGEMENT **TEAM**

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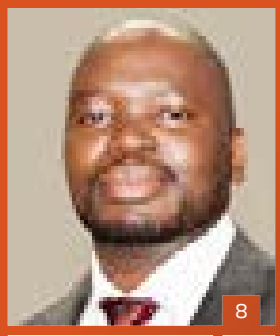
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1. **Mr H. Mendis**
   Chief Executive Officer

2. **Mrs L. Akanyang**
   Market Development Manager

3. **Mr T. Tsheole**
   Product Development Manager

4. **Ms. M. Pheto**
   Clearing & Settlement Manager

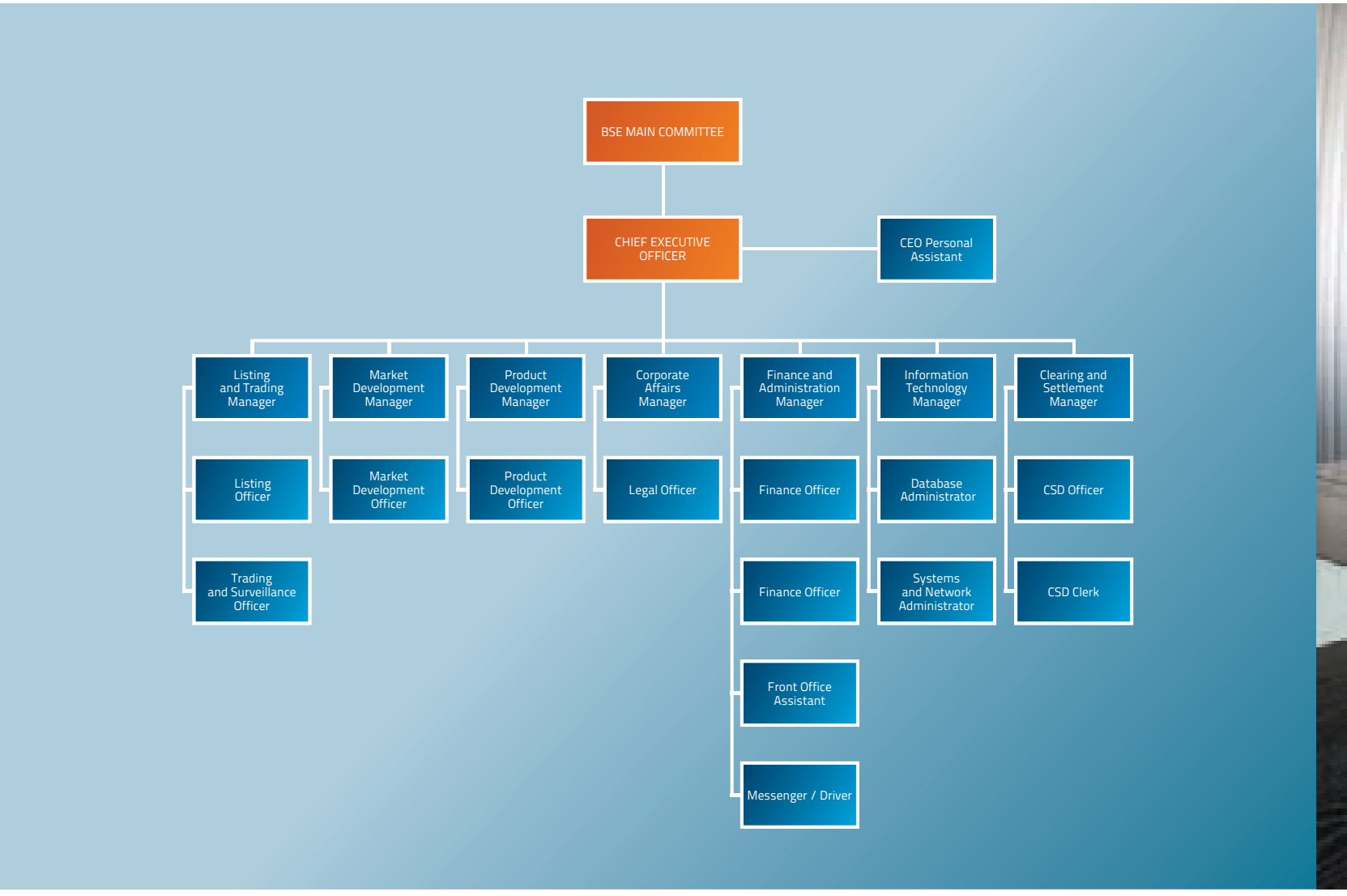
5. **Mrs L. Chakalisa**
   Corporate Affairs Manager

6. **Mr M.C.Z. Libengo**
   Finance & Administration Manager

7. **Ms D. Garekwe**
   Listings & Trading Manager

8. **Mr K. Mogorosi**
   Information & Technology Manager (Acting)

ORGANISATION **STRUCTURE**



STAFF **MEMBERS**

CHAIRPERSON'S **REVIEW**

CHAIRPERSON'S **REVIEW**

I am honoured to have been given the opportunity of serving as the Chairperson of the BSE over the past year and take this opportunity to thank the previous Chairperson, Mrs L Siwawa and the Main Committee of the BSE for the trust they placed in me.

The year 2011 was "a near perfect" year for the BSE. A year in which we continued to engage in a series of activities under the various strategic pillars identified in our strategic plan. These pillars identified include product development, market development, legislation & regulation, infrastructure, governance, finance and human resource.

Against an environment of continued aftershocks emanating from the global economic crisis which destabilised Capital Markets across the globe, we continued to make positive strides in 2011. The road to recovery has been a tough but promising one. We saw the DCI grow by 8.7% after falling by 11.4% in the previous year - a significant recovery considering the post crisis performance of the DCI since 2008. The average daily turnover for the year was P4.1Mn, the second highest average daily turnover recorded in the past 5 years.

CHAIRPERSON'S REVIEW (continued)

In pursuing our objective of increasing the overall liquidity of the BSE, we listed our second Exchange Traded Fund (ETF), BettaBeta, in May 2011. This ETF gives investors exposure to the performance of the top 40 companies listed on the Johannesburg Stock Exchange on an equally weighted basis. The BSE is the second largest stock exchange in Africa in terms of the number of ETFs listed.

One of our main (and continuing) objectives is to grow listings and increase the product range we offer to investors. In reviewing this objective, 2011 stands out as a record year for listings. There were 10 new listings (11 if we include the Choppies IPO) of which six were equities, one ETF and three bonds. In contrast, there was only one delisting. This is a clear indication that our exchange continues to grow and that our efforts to increase listings are definitely bearing fruit.

Our Bond Market Development Task force completed drafting the Bond Market Development Strategy in 2011. The objective of the task force is to create a platform and establish communication channels with participants in order to appreciate the requirements of all bond market participants. This will help us develop rules, regulations and industry standards which will be conducive to listing, trading and settling bond transactions.

Following the implementation of the Central Securities Depository (CSD) way back in 2008, the systemic risk of investing in the share market significantly decreased. In order for the CSD to reach its full potential there is a need to engage investors and motivate them to dematerialise their shares. A central depository can only reach its full potential in a 100% dematerialised environment.

This is the reason that in certain countries dematerialisation is mandated by law or directed to be carried out by the Capital Market Regulator. The dematerialisation of shares in the CSD is continuing at a satisfactory pace. At the end of December 2011 there were more than 12,800 investor accounts open, with 46% of all domestic company shares and 91% of all foreign company shares being dematerialised. The BSE also dematerialised its first corporate bond after obtaining approval from the Registrar of Companies.

The implementation of the Automated Trading System (ATS) is currently progressing at a rapid rate and we expect it to be implemented in Quarter 4 of 2012. Along with the implementation of the ATS, our CSD system is also being upgraded. This will ensure that the trading, clearing and settlement infrastructure of the BSE remains state of the art.

The ATS is a major development for us and complements the already established CSD which will help propel the BSE into the future. The ATS will make us more visible and help create efficiencies in the trading methodology which we expect will enhance liquidity. This has been the experience of many other markets that have implemented automated trading systems.

In pursuing our objective of increasing the overall liquidity of the BSE, we listed our second Exchange Traded Fund (ETF), BettaBeta, in May 2011. This ETF gives investors exposure to the performance of the top 40 companies listed on the Johannesburg Stock Exchange on an equally weighted basis. The BSE is the second largest stock exchange in Africa in terms of the number of ETFs listed.

We will continued to pursue our strategic market development initiatives in 2012 to further develop and grow our capital market and broaden the investor base as a well-balanced investor structure is important to enhance liquidity by creating demand.

We are grateful for the support given by the Ministry of Finance and Development Planning and the Government of Botswana. Their assistance continues to be of great value to us.

Let me extend my sincerest appreciation to all Main Committee members for the contribution they have made during the past year. They have worked tirelessly to help shape the policy framework of the BSE which will help its evolution to a company subsequent to the enactment of the Securities Bill.

I wish to extend my special appreciation to all members of the BSE staff and to our CEO Mr Hiran Mendis. You continue to be the main drivers of the BSE that has seen us grow over the past years into a dynamic institution.

Finally, I would like to thank investors, brokers, custodian banks and our many stakeholders. We as always, continue to strive to meet your needs to the best of our ability and in the process make the BSE a more vibrant organisation.

Patrick O'Flaherty
Chairperson

CHIEF EXECUTIVE **OFFICERS' REVIEW**

CHIEF EXECUTIVE **OFFICERS' REVIEW**

AN OASIS IN A DESERT

1.0 THE YEAR IN A NUTSHELL

The year 2011 was one filled with uncertainty and trepidations for international financial markets prompted by less than satisfactory economic performance of developed countries, problems in the Eurozone and the threat of a double dip recession. Markets in general did not fare well in 2011. This was also the case for some of the markets in Africa.

In contrast to the bleak environment, the BSE had one of its best years since its inception way back in 1994. In short, the BSE progressed on all fronts whether it be measured in terms of turnover, primary market activity or liquidity. To cap it all, the BSE was ranked the 8th best performing market in the world in 2011 by the Business Insider.

CHIEF EXECUTIVE OFFICERS' REVIEW (continued)

1.0 THE YEAR IN A NUTSHELL (continued)

What was achieved in 2011 is no "flash in the pan" as can be deduced from the recent history of the Exchange. Many reasons could be cited for the strides the BSE has continued to make over the years. The strength of Botswana's economy, the efforts of stakeholders, the unrestricted efforts by the management and staff of the BSE, and the coming into fruition of the several capital market development initiatives over the past years have all contributed to the BSE making headway in 2011. In spite of all these positives, liquidity still remains "the fly in the ointment" especially when Botswana is compared with some of the larger African markets.

All in all, the headway the BSE made in the tumultuous environment can be compared to that of an "Oasis in a Desert" much like Botswana's own Okavango Delta.

2.0 MARKET PERFORMANCE

2.1 Indices

The Domestic Company Index (DCI) closed the year 2011 at 6,970.9 points, appreciating by 8.7% in comparison to a depreciation of 11.4% in 2010. It is noted that since 2007 the DCI has not appreciated consistently year on year as depicted in Figure 1. The appreciation in the DCI in 2011 is attributed to the consecutive growth in the index in the first three quarters of 2011 despite the decline experienced in Quarter 4.

The quarterly analysis for 2011 shows that the DCI depreciated by 2.5% in Quarter 4, having appreciated by 8.2%, 0.5% and 2.5% in Quarters 1, 2 & 3 of 2011 respectively. It is not uncommon for the DCI to experience declines in the last Quarter. For the past 5 years, the DCI depreciated mainly in Quarter 4. This can be attributed to profit taking by institutional investors ahead of the close of the financial year and individual investors cashing in on their investments during the festive season.

Figure 1: Index Performance: 2007 to 2011

	2007	2008	2009	2010	2011
DCI	8,421.6	7,035.5	7,241.9	6,412.9	6,970.9
% Change in DCI	35.9	(16.5)	2.9	(11.4)	8.7
FCI	2,200.9	1,192.0	1,418.3	1,673.9	1,703.9
% Change in FCI	23.8	(45.8)	19.0	18.0	1.8

Source: BSE

Figure 2: Quarterly Performance of the DCI and FCI: 2011

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
DCI	6,938.3	6,969.9	7,146.9	6,970.9
% Change in DCI	8.2	0.5	2.5	(2.5)
FCI	1,802.4	1,802.7	1,850.4	1,703.9
% Change in FCI	7.7	0.0	2.6	(7.9)

Source: BSE

The Foreign Company Index (FCI) recorded a growth of 1.8% to close 2011 at 1,703.9 points compared to an appreciation of 18.0% in 2010. The FCI appreciated by 7.7% in Quarter 1, remained flat in Quarter 2 and registered a growth of 2.6% in Quarter 3 prior to recording a decline of 7.9% in Quarter 4.

It is interesting to note that in 2011 both the DCI and the FCI depreciated only in Quarter 4 subsequent to good performance in the first three quarters of the year. This indicates more resilience in prices in comparison to 2010. It also indicates the domestic market is recovering from the losses experienced in 2008 and 2010, albeit at a slow pace. These conclusions are subject to prices as determined by the market reflecting its value.

As noted in previous reviews, volatility in prices is not all bad from a capital market perspective, since it helps to cool down heated markets, restore sanity and promote turnover. Further, it is an indication that the market reacts to information.

2.2 Market Turnover

Equity Market Turnover

It is worth noting that the recovery in turnover seen in 2010 was extended over the year 2011, following the decline in 2009. An analysis of equity turnover reveals that over P1.0 Bn worth of shares were traded in 2011 compared to P962.8 Mn in 2010, an increase of 4.7%. Correspondingly, the average daily turnover in 2011 was P4.1 Mn in comparison to P3.9 Mn registered in 2010. The average daily turnover of P4.1 Mn is however less than the historic average daily turnover of P4.8 Mn recorded in 2008.

A further analysis of turnover in 2011 reveals that the coefficient of variation of the average daily turnover increased to 3.3 from 2.2 in 2010 reflecting that the average turnover even though higher was more unstable and inconsistent in 2011 in comparison to 2010. This is shown in Figure 3. The instability in turnover was evident more especially in Quarters 2 & 4. In both quarters, average daily turnover per month ranged between P2.2 Mn and P9.9 Mn.

Unlike the volatility in market prices, volatility in turnover has negative consequences from a capital market development perspective, since it indicates issues regarding the structure of investors and the mismatch between demand for and supply of securities. A more balanced investor structure is likely to reduce the volatility in turnover.

In line with increases in turnover, volume of shares traded also improved in 2011. A record 458.7 Mn shares were traded in 2011 in comparison to 308.7 Mn shares traded in 2010. This increase of 48.6% in volume in 2011 was partly due to the consistently increasing volumes in Letshego Holdings Ltd following a 10 for 1 share split in 2010, as well as increased volumes from Furnmart Limited and G4S Botswana which also conducted a 10 for 1 share split in 2011. In our experience, share splits have significantly contributed to increasing volumes of traded shares.

It should be noted that in general other companies listed on the BSE also experienced increased volumes in trading in 2011. More specifically, 16 companies experienced increases in volumes traded in 2011.

CHIEF EXECUTIVE OFFICERS' REVIEW (continued)

CHIEF EXECUTIVE OFFICERS' REVIEW (continued)

Figure 3: Indicators of Liquidity: 2007-2011

	2007	2008	2009	2010	2011
Liquidity					
Turnover (P'Mn)	826.4	1,166.2	763.9	962.8	1,007.9
Average Daily Turnover (P'Mn)	3.4	4.8	3.1	3.9	4.1
Turnover/Average Market Cap (%)	2.9	3.9	2.7	3.5	3.5
Standard Deviation (P'Mn)	5.1	9.7	7.7	8.6	13.5
Coefficient of Variation	1.5	2.7	2.5	2.2	3.3
No. of Shares Traded (Mn)	124.6	193.3	167.6	308.7	458.7
Shares Traded/Shares Listed Note 1	2.2	3.4	2.9	3.9	4.8

Note 1: Domestic Board
Source: BSE

As detailed in Figure 3, the indicators of liquidity have in general increased even though stability of liquidity has been a concern.

An in-depth analysis of liquidity in 2011 shows that activity declined in Quarters 1 & 3 but increased in Quarters 2 & 4 of 2011. As shown in Figure 4, the total value of shares traded in Quarters 1 & 2 was P231.6 Mn and P356.5 Mn, respectively. Total value traded in Quarters 3 & 4 was P104.0 Mn and P315.8 Mn, respectively.

The total number of shares traded was 88.2 Mn in Quarter 1. In Quarter 2, the volume traded increased to 181.1 Mn shares. There were 39.1 Mn and 150.3 Mn shares traded in Quarter 3 & Quarter 4 respectively.

The above observation is interesting when one takes into account that in Quarters 2 & 4 both the DCI and FCI did not fare well in comparison to Quarters 1 & 3. As noted earlier, the DCI remained virtually flat in Quarter 2 and depreciated by 2.5% in Quarter 4. Hence, it could be concluded that downward pressure on prices has helped bridge the difference between demand and supply leading to an increase in turnover and improvement in liquidity.

Figure 4: Quarterly Market Turnover: 2011

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Liquidity				
Turnover (P'Mn)	231.6	356.5	104.0	315.8
Average Daily Turnover (P'Mn)	3.7	5.8	1.7	5.0
Turnover/Average Market Cap (%) Note 1	3.4	3.8	3.3	3.2
Standard Deviation (P'Mn)	6.4	23.1	2.4	12.0
Coefficient of Variation	1.7	4.0	1.4	2.4
No. of Shares Traded (Mn)	88.2	181.1	39.1	150.3
Shares traded/Securities Listed Note 2	1.1	2.2	0.4	1.6

Note 1: Turnover calculated on an annual rolling basis
Note 2: Domestic Board and Annualised
Source: BSE

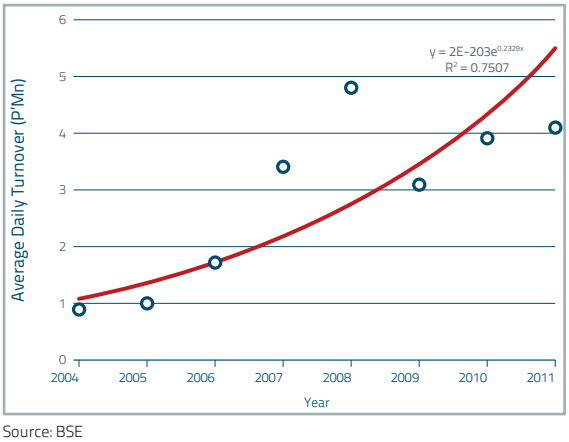
CHIEF EXECUTIVE OFFICERS' REVIEW (continued)

2.2 Market Turnover (continued)

Equity Market Turnover (continued)

The turnover of the BSE since 2004 is detailed in Figure 5. As can be seen from the trend line, turnover has increased steadily over the past years. However, the turnover of the BSE since the onset of the economic crisis has been below trend. The main casualty of the crisis, from the BSEs point of view, being turnover was discussed in the previous Annual Report.

Figure 5: Average Daily Turnover and Trend: 2004-2011



Source: BSE

2.3 Contribution to Turnover by Investors

As can be seen in Figure 6, foreign investor participation in the BSE has been increasing over the past few years. In 2011, foreign investor contribution to total turnover was 44.8% in comparison to 36.7% recorded in 2010 and 39.5% in 2009. The development of a heterogeneous investor base has been one of BSE's strategic objectives. The increased participation of foreign investors is a welcome development. The BSE plans to intensify its efforts of developing the Exchange through marketing Botswana's competitive advantages (of no capital controls, stable economy and high credit ratings, among other factors) once the Automated Trading System is implemented.

In contrast to the above, local individual investor activity decreased in 2011. In 2010, local individual investor contribution had increased to 6.3% from 5.9% in 2009, but decreased to 5.4% in 2011. Despite the decrease seen in 2011, it is worth noting that in comparison to 2008, local individual investor contribution to turnover has increased indicating the positive impact of the BSE's market development initiatives.

Figure 6: Investor Contribution to Turnover: 2009 – 2011

Investors	Turnover (%) 2009 note 1	Turnover (%) 2010 note 1	Turnover (%) 2011 note 1	% Contribution to Liquidity
Foreign Companies	37.8	34.6	42.5	1.5
Foreign Individuals	1.7	2.1	2.3	0.1
Local Individuals	5.9	6.3	5.4	0.2
Local Companies	51.1	48.0	44.9	1.6
Brokers	3.6	3.8	0.7	0.0
Market Makers Note 1	n/a	5.2	4.2	0.1
TOTAL	100.0	100.0	100.0	3.5

Note 1: Turnover statistics are for companies in CSD only
Note 2: ABSA for NewGold ETF & Nedbank for BettaBeta ETF
Source: CSD Botswana

A quarterly analysis of investor participation in the BSE reveals that foreign investors dominated market turnover in Quarter 1 and were consistently above 30% of total turnover during 2011.

Given that the BSE's present manual trading system is not conducive to attracting retail investors, local individual investors frequently get crowded out when turnover increases. In this context, it is noteworthy that in Quarter 4, local individual investors accounted for 6.1% of turnover in spite of the increase in turnover recorded in this quarter.

2.4 Geographical Distribution of Turnover by Retail Investors

The BSE has been actively undertaking market development initiatives around the country with the objectives of creating awareness about the stock market and disseminating information to the public. Over the years, market development activities have used radio, television and the newspapers to disseminate information. The BSE has also continued to use exhibitions, trade fairs, seminars and visits to organisations to disseminate information and increase awareness of the capital market.

These initiatives have helped the BSE improve its accessibility, visibility and reach over the years and promote retail investor participation in the stock market.

Figure 8 shows the contribution by retail investors to turnover analysed by districts in Botswana. In order to not distort the contribution to turnover generated from sub-urban areas, the turnover recorded from the principal towns has been shown separately.

The distribution shows that turnover is more concentrated in Gaborone. Of the total retail investor turnover, Gaborone contributed 71.3%. Selibe – Phikwe and Francistown also made contributions of 5.1% and 2.8% respectively. At district level, Kgatleng District is the highest contributor followed by the Central District. Districts that are in the South and East of Botswana and which comprise semi-urban villages contributed significantly to turnover in 2011.

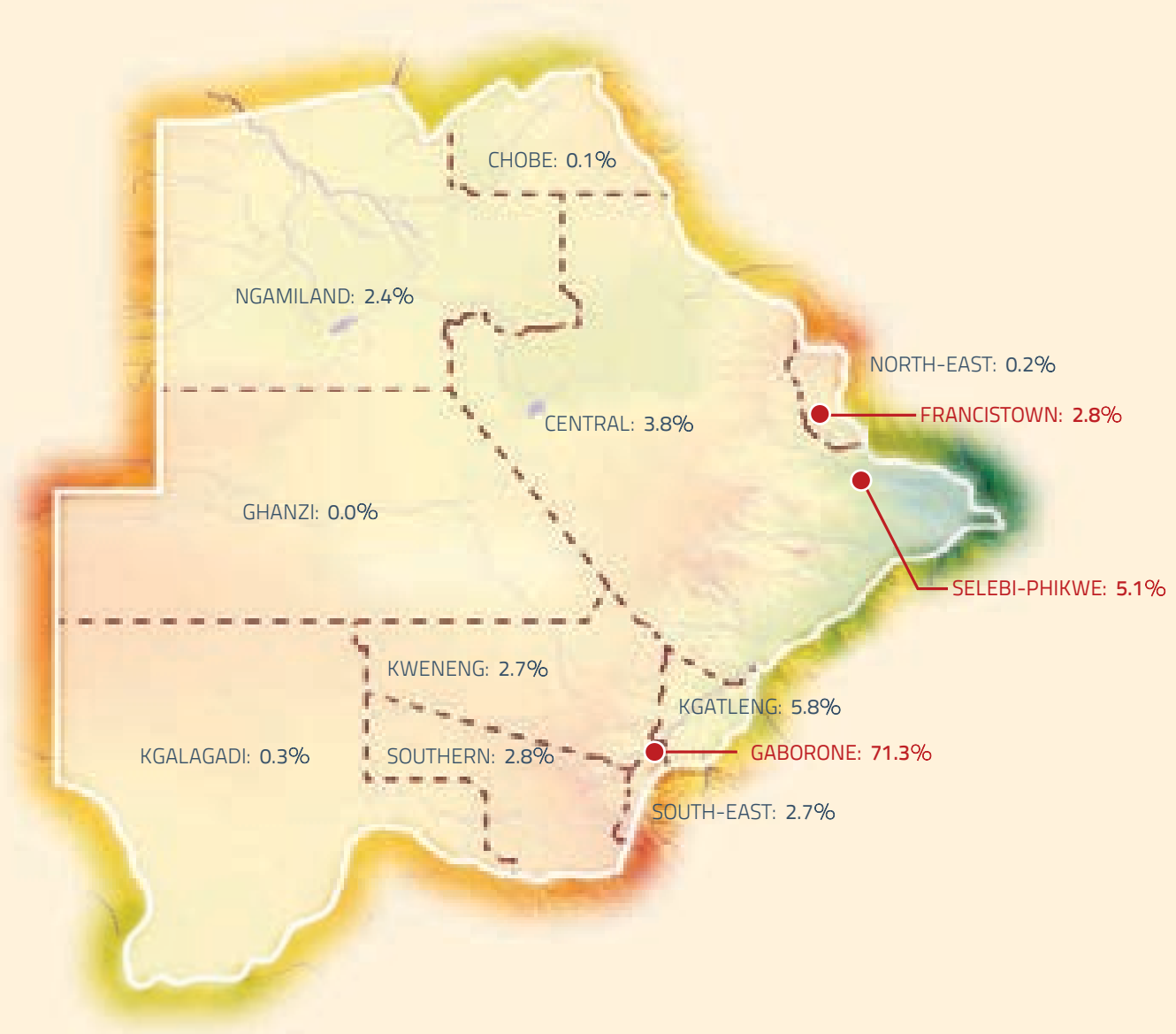
Figure 7: Investors Contribution to Turnover on a Quarterly basis (%): 2011

Investors	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Foreign Companies	62.4	41.5	30.2	33.1
Foreign Individuals	3.6	1.1	4.6	2.4
Local Individuals	6.0	3.4	10.8	6.1
Local Companies	27.4	44.8	45.6	57.9
Brokers	0.5	0.4	3.0	0.3
Market Maker Note 1	0.1	8.8	5.8	0.2
TOTAL	**100.0**	**100.0**	**100.0**	**100.0**

Note 1: ABSA for NewGold ETF & Nedbank for BettaBeta ETF
Source: BSE, CSD Botswana

CHIEF EXECUTIVE OFFICERS' REVIEW (continued)

Figure 8: Retail investor contribution to turnover by districts in Botswana: 2011



As an analysis of BSE's market development initiatives indicate, the Exchange has reached out to many areas in Botswana both urban and rural. However, there is a clear indication of stronger participation by retail investors based around urban and semi-urban areas.

The implementation of the ATS and other infrastructure developments are expected to increase investor reach. It is expected that this will further improve the level of retail investor participation on the BSE. The general development in the financial services industry in Botswana, especially rural banking and cell phone banking services will also contribute to the participation of retail investors on the BSE.

2.5 Performance of Exchange Traded Funds (ETF)

The strategy behind listing ETFs on the BSE is to improve liquidity. By listing ETFs the BSE also wanted to increase the range of investible products thus enhancing the risk-return options available to investors.

At the end of 2011 there were 2 ETFs listed on the BSE. In comparison, the JSE had 34 listed ETFs, EGX (Egypt) had 1 and NSE (Nigeria) also had 1 listed ETF. Only 4 African stock exchanges had listed ETFs as at end of 2011 of which Botswana ranks as number 2.

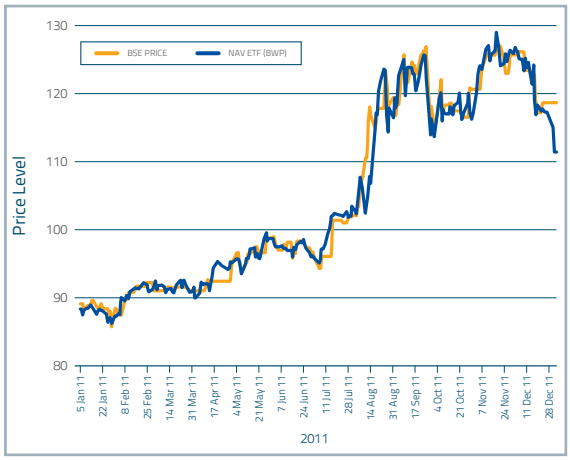
2.5.1 The NewGold ETF

The NewGold ETF was the first ETF to be listed on the BSE on 13 July 2010 at a price of P83.00 per unit. As at end December 2011, the price of the NewGold ETF had appreciated by 43.0%in Pula terms since listing on the BSE. The price of the NewGold ETF appreciated by 33.1% on the BSE in 2011.

The Net Asset Value (NAV) of the NewGold ETF had registered a growth of 25.7% in Pula terms and 8.5% in US$ terms in the year under review.

The difference in the appreciation of the Pula price of 33.1% and the increase in the NAV in Pula terms of the ETF of 25.7% as at end December 2011 is due to liquidity and the manner in which the BSE determines closing price, which is defined as the last traded price. As can be seen from Figure 9, the difference between the Pula NAV and the actual traded Pula price is marginal on the dates in which the ETF is traded. The difference between price and NAV increases on days in which the ETF is not traded and as stated is due to the BSE using the last traded price to determine closing price.

Figure 9: **Performance of the NewGold ETF in Pula & the NAV of the NewGold ETF (BWP)**

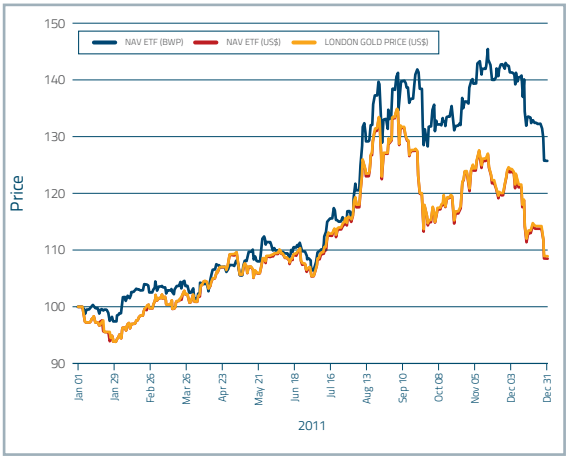


Source: BSE, Absa Capital

The total volume of the NewGold ETF traded on the BSE in 2011 was 542,740 units with a total value of P53.7 Mn translating into a daily average turnover of P216, 511. The price of units transacted ranged between P87.50 and P127.05 per unit.

CHIEF EXECUTIVE OFFICERS' REVIEW (continued)

Figure 10: Performance of the NewGold ETF in Pula & US$ terms standardised as at 01st January 2011



Source: BSE, Absa Capital

Figure 11: NewGold ETF NAV Price (US$) and the London Gold Price (US$): 2011

Note 1: London Gold Price per troy ounce of Gold (US$)
Note 2: NAV of ETF per troy ounce of Gold net of management fees (US$)
Source: BSE and Absa Capital

As explained in the 2010 Annual Report, the price of the NewGold ETF quoted in Pula is impacted by 2 factors:

(a) The price of Gold Bullion in the world market
(b) The relative strength of the Pula against the US$

Therefore, an appreciation of the Pula in comparison to the US$ will negatively influence the Pula value of the ETF whereas a depreciation of the Pula will positively influence prices in Pula terms. Hence, the NewGold ETF can be used as a hedge against the Pula and the US$.

As can be seen from Figure 10 above, the NAV of the NewGold ETF in Pula terms appreciated more than the NAV of the ETF in US$ terms commencing from August 2011. This can be explained by the depreciation of the Pula against the US$ in 2011. The Pula depreciated by 14.4% against the US$ during the period. More specifically, the Pula depreciated by 13.2% against the US$ since August 2011. Thus investors investing in the NewGold ETF profited both by the depreciation of the Pula and the increase in the price of Gold Bullion.

Figure 11 depicts the NAV of the NewGold ETF in US$ terms and the price of Gold in London Bullion Market Association (LBMA) also in US$. The degree of correlation between these variables is almost 100%. This shows that the ETF efficiently tracks Gold prices. The difference between the NAV of the ETF and the price of gold is due to management fees.

2.5.2 The BettaBeta Equally Weighted Top 40 ETF

The BSE listed its second ETF, the BettaBeta Equally Weighted Top 40 (BBEQWT40) ETF on 11 May 2011. BettaBeta offers investors the opportunity of investing in the top 40 securities listed on the Johannesburg Stock Exchange (JSE) on an equally weighted basis. The BettaBeta ETF is primarily listed on the JSE and dual listed on the BSE. The ETF listed at a price of P32.95 per unit.

The growth of the Net Asset Value (NAV) of the BettaBeta ETF in both Rand (ZAR) and Pula terms outperformed the percentage change in the JSE Top 40 Index during the period ended 31st December 2011.

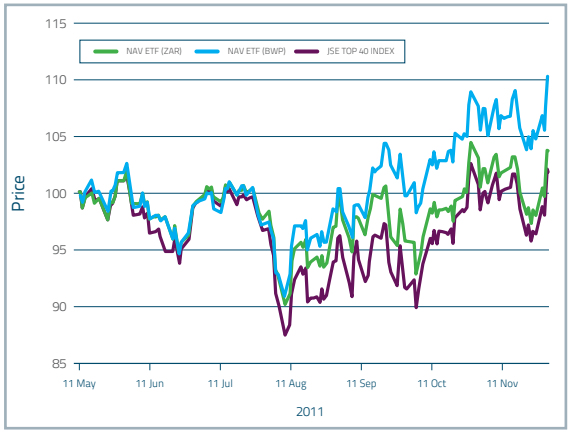
However, as at the end of 2011 the price of the ETF had depreciated by 5.6% in Pula terms since listing on the BSE.

The NAV of the ETF declined by 3.1% in Pula terms whilst it appreciated by 1.2% in Rand terms over the same period.

The difference between the performance of the NAV of the BettaBeta ETF in Rand and Pula terms is due to exchange rates differentials. A stronger Pula will negatively affect the NAV of the ETF and negatively impact price in Pula terms. As such, the 5.6% depreciation in the price of the ETF is explained by the 4.3 percentage points decline in the NAV in Pula terms due to the 4.5% appreciation of the Pula against the Rand from May 2011.

The fact that the BettaBeta ETF is primarily denominated in Rand means that it can be used as a hedge against the Pula moving against the Rand.

Figure 12: **Performance of the BettaBeta ETF NAV in Pula and Rand terms: 2011**



Source: Nedbank Capital

The BettaBeta ETF pays dividends on a quarterly basis based on the distributions received from the underlying basket of securities. As such, the ETF provides both income and capital returns. The distribution of dividends by BettaBeta ETF in 2011 is detailed in Figure 13.

Figure 13: **Dividends Paid by the BettaBeta ETF in 2011**

Quarter	Dividends (thebe)
Ended 30 June 2011	25.58
Ended 30 Sep 2011	26.32
Ended 31 Dec 2011	10.09
TOTAL	61.99

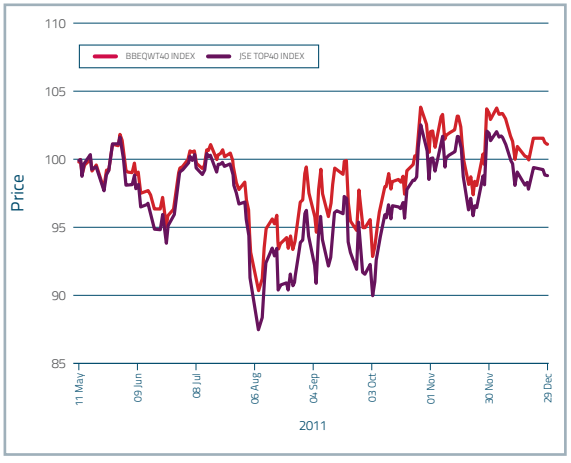
Source: BSE, Nedbank Capital

If the dividend payout is taken into account it is estimated that the BettaBeta ETF would have given investors a return of negative 3.7% (on a total return basis) in 2011 in comparison to a negative 5.6% if only price movements are taken into account.

CHIEF EXECUTIVE OFFICERS' REVIEW (continued)

CHIEF EXECUTIVE
OFFICERS' REVIEW (continued)

Figure 14: **Performance of the BettaBeta ETF (BBEQWT40) and the JSE Top40 Index: 2011**



Source: BSE, Absa Capital

The value and volume of transactions in Exchange Traded Funds shows that the BSE's strategy of improving liquidity by introducing ETFs has borne fruit. Figure 14 shows that the BettaBeta ETF outperformed the JSE Top 40 Index by 2.3% during the period 11 May 2011 to 31 December 2011.

The total volume of the BettaBeta ETF traded on the BSE in 2011 was 1,143,370 units with a total value of P37.2 Mn. The price of units transacted ranged between P29.53 and P33.40 per unit.

Figure 15 shows a summary of turnover on the ETF Board in 2011.

2.6 Bond Market

As at end 2011, there were 35 bonds listed on the BSE compared to 36 bonds in 2010. As noted in Figure 16, 19 bonds of those listed were traded on the BSE compared to only 10 bonds in 2010. Despite the increase in bonds traded, debt market turnover declined to P325.1 Mn in 2011 in comparison to a record P757.7 Mn in 2010.

Debt turnover was concentrated on government bonds with securities valued at P283.7 Mn being traded in comparison to P37.7 Mn in corporate bonds, P3.4 Mn in bonds issued by parastatals and P344,000 in bonds listed by quasi government institutions.

Figure 15: **Turnover of Exchange Traded Funds in 2011**

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
NewGold ETF				
Turnover (P)	295,760	39,472,525	13,091,243	835,297
Average Daily Turnover (P)	4,770	647,091	211,149	13,259
No. of Units Traded	3,295	411,739	120,703	7,003
BettaBeta ETF				
Turnover (P)	N/A	36,657,870	485,475	86,270
Average Daily Turnover (P)	N/A	600,949	7,830.24	1,369
No. of Units Traded	N/A	1,125,252	15,328	2,790

Source: BSE

CHIEF EXECUTIVE OFFICERS' REVIEW (continued)

Figure 16: Quarterly Analysis of Bond Trades: January to December 2011

	Quarter 1 Value (P' Mn)	Quarter 2 Value (P' Mn)	Quarter 3 Value (P' Mn)	Quarter 4 Value (P' Mn)
Government				
BW 003	59.53	16.66	0.60	9.24
BW 004	0.92			
BW 005		5.59	11.87	
BW 006	5.19	2.86	16.13	
BW 007		5.28	4.15	6.37
BW 008		1.44	0.73	14.56
BW 009		1.10	6.01	2.73
BW 010				112.72
Total	65.64	32.93	39.49	145.62
Quasi Govt.				
DPCF 003			0.17	
DPCF 004			0.18	
Total	0	0	0.35	0
Corporate, Parastatals				
BBS 002	1.00			
BBS006			0.19	0.30
BVI002				1.90
BBB 001	6.31		6.31	
SCBB 003			0.03	
SCBB 004	6.98			
SCBB 006		6.98	0.20	0.32
SBBL 006	10.02			
SBBL 052			0.20	0.30
Total	24.31	6.98	6.93	2.82
TOTAL	89.95	39.91	46.77	148.44

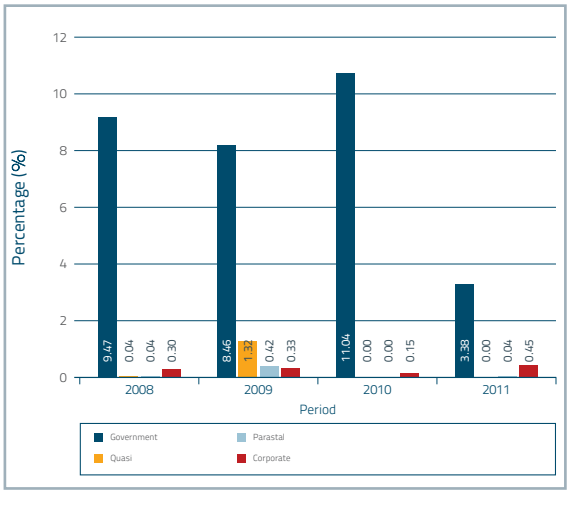
Source: BSE

It is noted that the percentage share of turnover by corporate and parastatal bonds increased in 2011 in comparison to the previous year. Trades in government bonds made up 87.3% of the total debt market turnover in 2011 in comparison to 98.6% in 2010. It is worth noting that there was an increase in corporate bond activity in 2011.

Total nominal debt market capitalisation increased by 24% in 2011, registering a record P8.4 Bn in comparison to P6.8 Bn in 2010. The ratio of debt turnover to debt market capitalisation declined to 3.9% in 2011 from 11.3% in 2010 as a result of the rapid growth in the nominal value of issues in the context of declining turnover.

The liquidity of debt securities measured as a ratio of turnover to debt market capitalisation analysed by issuer is detailed in Figure 17.

Figure 17: **Debt Turnover as a % of Debt Market Capitalisation: 2008 to 2011**

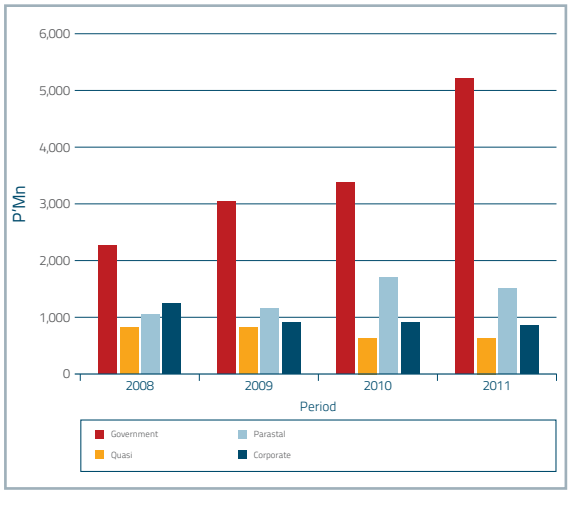


Source: BSE

2.7 Indicators of Value

The Market Price Earnings (P/E) ratio for domestic companies has been steadily declining since 2006. BSE's P/E ratio was 15.6x and 12.0x in 2007 and 2008 respectively. It marginally increased to 13.5x in 2009. As at end December 2011, the BSE's P/E ratio was 10.2x in comparison to 10.8x in 2010. From a valuation perspective, a lower P/E ratio will improve BSE's competitiveness when compared to the Johannesburg Stock Exchange (JSE) and Stock Exchange of Mauritius (SEM) which had P/E ratios of 12.7x and 11.3x respectively as at December 2011. In contrast to the decline in the P/E ratio, the Dividend Yield for the market has been increasing steadily over the past 5 years. The trend in the Dividend Yield signals the consistency of profits of listed companies and their ability to pay dividends year on year.

Figure 18: **Debt Market Capitalisation (Nominal Values) by Issuer Category: 2008-2011**



Source: BSE

Figure 18 details the growth of the bond market analysed by issuer category since 2008. The total nominal debt market capitalisation stood at P8.4 Bn in 2011.

CHIEF EXECUTIVE OFFICERS' REVIEW (continued)

Figure 19: Market Indicators of the BSE: 2007 to 2011

	2007	2008	2009	2010	2011
Market indicators					
P/E Ratio (times)	15.6	12.0	13.5	10.8	10.2
Dividend Yield (%)	3.1	4.6	4.3	4.9	5.2
Price/Book Value (times)	8.6	4.5	4.8	3.9	2.8

Source: BSE

2.8 Market Capitalisation

BSE's domestic market capitalisation for equity was P30.7 Bn at the end of 2011, compared to P26.2 Bn in 2010, an increase of 16.9%. The market statistics in Figure 20 shows that the BSE's domestic market capitalisation relative to GDP was 25.5% as at end of 2011 in comparison to 25.9% and 34.6% in 2010 and 2009 respectively.

The BSE's domestic market capitalisation as a percentage of non-mining GDP (GDP excluding mining) remained largely unchanged at 37.6% in 2011 from 37.7% in 2010. This ratio was 46.8% in 2009.

BSE's market capitalisation for 2011 increased by 17.0% due to the cumulative impact of a price effect of a positive 8.7% and a quantity effect of 8.3%. The price effect has played the dominant role in the growth in market capitalisation in previous years as can be seen from Figure 21.

As can be seen in Section 4.0 on "Primary Market Activity", 2011 was a record year for listings. This explains why the quantity effect has contributed nearly 49% to the growth in market capitalisation in 2011.

Figure 20: Market Capitalisation and Relative Performance: 2007 to 2011

	2007	2008	2009	2010	2011
Market Capitalisation					
Domestic Companies (P'Mn)	32,702.6	27,706.1	28,536.2	26,245.7	30,694.3
Foreign Companies (P'Mn)	535,324.9	286,260.2	346,001.1	408,380.3	380,909.5
Total (P'Mn)	568,027.5	313,966.3	374,537.2	434,626.0	411,603.8
Relative Performance					
Domestic Market Cap/GDP (%)[note 1]	43.0	30.2	34.6	25.9	25.5
Turnover/Domestic Co Mkt Cap (%)	2.5	3.9	2.7	3.7	3.3
Turnover/ All Co Market Cap (%)	0.1	0.1	0.3	0.2	0.2

Note 1: Figures as at June each year
Source: BSE

Figure 21: **Price and Quantity Effect on the growth of Domestic Market Capitalisation for Equity: 2006 to 2011**

Note: The Price Effect has been calculated as the % change in the DCI
Source: BSE

Total nominal debt market capitalisation increased by 24% in 2011, registering a record P8.4 Bn from P6.8 Bn in 2010. Over the past 5 years, the debt market capitalisation increased by more than 100% from P3.9 Bn in 2007 to P8.4 Bn in 2011. The bond market capitalisation as a percentage of Botswana's GDP increased to 7.5% in 2011, a marginal increase from 7.4% in 2010 and 7.2% in 2009.

2.9 Sector Analysis

Over the past 4 years, except for 2009, the performance of the DCI was greatly influenced by the Banking sector. In 2011, the Banking sector contributed a positive 6.2% to the increase in the DCI. The Property sector was the second major contributor to the performance of the DCI, contributing 3.3%.

Figures 22 & 23 detail the sector contributions to the DCI on an annual and quarterly basis.

The Mining and Minerals sector has consistently influenced the performance of the FCI. This sector accounted for a growth of 1.84% in comparison to the overall growth in the FCI of 1.79%.

The above is not surprising given that the market capitalisation of the Banking and Financial sectors makes up 71.7% of domestic company market capitalisation while the Mining and Minerals sector account for 95.9% of foreign company market capitalisation in 2011 and that, the DCI and FCI are both market capitalisation weighted indices.

CHIEF EXECUTIVE OFFICERS' REVIEW (continued)

Figure 22: Sector Contributions to Performance of the DCI & FCI (%): 2008 to 2011

	2008	2009	2010	2011
Domestic Board				
Banking	(9.50)	1.04	(19.51)	6.19
Financial Services	(5.70)	3.91	0.69	(1.33)
Retail & Wholesaling	(0.60)	(1.41)	(2.59)	0.94
Property	(0.20)	0.13	0.69	3.33
Security Services	(0.10)	0.03	0.37	0.42
Information Technology	0.00	(0.03)	0.00	0.00
Energy	(0.20)	(0.41)	2.18	(0.27)
Tourism	(0.20)	(0.53)	6.53	(0.49)
Funeral Services	—	0.20	0.19	(0.10)
DCI	**(16.50)**	**2.93**	**(11.45)**	**8.70**
Foreign Board				
Financial Services	(0.60)	(0.04)	0.26	(0.05)
Mining & Minerals	(45.20)	19.02	17.76	1.84
FCI	**(45.80)**	**18.98**	**18.02**	**1.79**

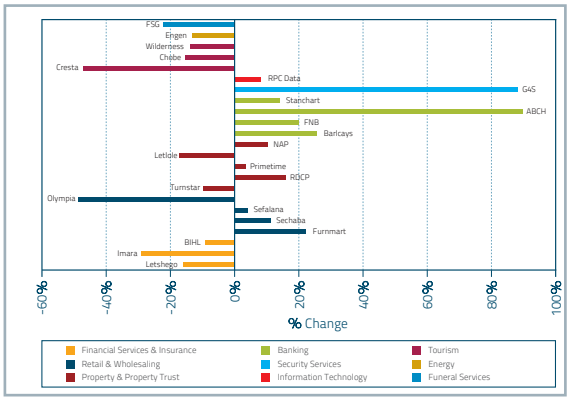
Source: BSE

Figure 23: Sector Contribution to Quarterly Growth in the DCI & FCI (%): 2011

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Domestic Board				
Banking	6.66	0.38	1.51	(1.75)
Financial Services	1.49	(0.30)	(0.74)	0.38
Retail & Wholesaling	0.44	0.10	0.26	(0.27)
Property	0.56	0.23	1.46	(0.94)
Security Services	0.03	0.01	0.11	(0.12)
Information Technology	0.00	0.00	(0.00)	(0.00)
Energy	0.00	0.03	(0.08)	0.08
Tourism	(0.91)	0.00	0.05	0.14
Funeral Services	(0.08)	(0.00)	(0.03)	0.03
DCI	**8.19**	**0.45**	**2.54**	**(2.46)**
Foreign Board				
Financial Services	0.10	0.00	(0.03)	0.00
Mining & Minerals	7.58	0.00	2.67	(7.91)
FCI	**7.68**	**0.00**	**2.64**	**(7.92)**

Source: BSE

Figure 24: Price Changes of the Domestic Companies: 2011



Source: BSE

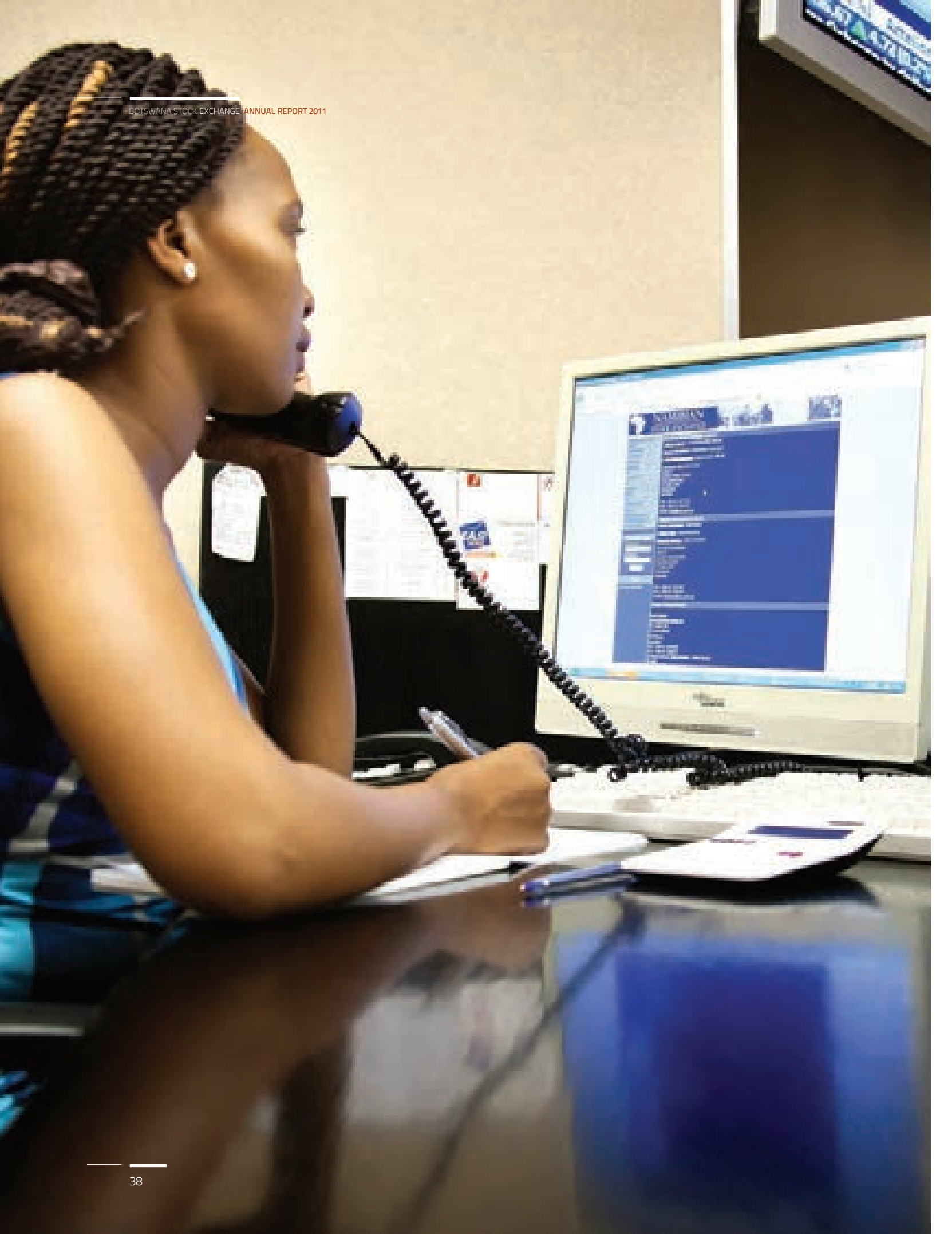
As can be seen from Figure 24, price movements in 2011 were significant with all listed companies experiencing movement in their share prices. 12 domestic companies experienced appreciation in their share prices whereas 11 companies recorded declines in share prices.

The analysis of the sectoral contribution to liquidity detailed in Figure 25 reveals that the Financial Services sector accounted for largest contribution in comparison to all the other sectors.

Figure 25: Sector Contributions to Liquidity: 2010 and 2011

	2010				2011			
SECTOR	Turnover as a % of Avg. Market Cap		No. of shares Traded (Mn)	No. of shares traded as a % of no. of shares listed	Turnover as a % of Avg. 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	Note 1	Note 2	Note 1	Note 2
Domestic Board								
Banking	0.60	0.04	37.23	0.96	0.62	0.05	52.07	1.35
Fin. Services	2.28	0.14	220.78	10.12	2.10	0.16	323.94	13.94
Retail	0.49	0.03	13.47	3.39	0.23	0.02	18.64	1.96
Property	0.13	0.01	20.25	3.38	0.21	0.02	42.23	2.84
Security	0.03	0.00	0.29	1.23	0.03	0.00	0.77	0.96
I.T	0.00	0.00	0.39	3.62	0.01	0.00	6.84	21.72
Energy	0.01	0.00	0.68	0.43	0.01	0.00	0.71	0.44
Tourism	0.01	0.00	1.57	0.31	0.02	0.00	3.41	0.68
Funeral Services	0.06	0.00	8.22	6.85	0.02	0.00	3.93	3.93
FOREIGN BOARD								
Fin. Services	0.00	0.00	1.60	0.19	0.00	0.00	1.86	0.09
Mining	0.00	0.00	4.18	0.14	0.00	0.00	4.32	0.10

Note 1: Computed separately for the Domestic & Foreign boards
Note 2: Computed for all shares listed on the BSE
Source: BSE



CHIEF EXECUTIVE OFFICERS' REVIEW (continued)

A total of 323.9 Mn shares were traded in the Financial Services sector in 2011 of which 97.2% were trades on account of Letshego. From the perspective of turnover, Letshego accounted for nearly 31% of total turnover of the BSE in 2011, compared to nearly 55% in 2010.

As can be seen from Figure 25 the liquidity of the BSE is highly concentrated on domestic counters, with dual listed companies contributing only 0.9% of the total number of shares traded as compared to 1.9% in 2010.

2.10 Comparison with Other Markets

The Price-Earnings ratio (P/E) of the BSE closed the year at favourable levels in comparison to JSE's and SEM's P/E ratios as detailed in Figure 26.

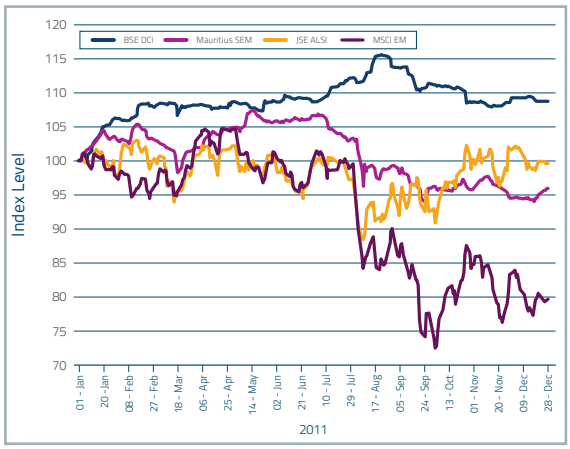
Figure 26: Comparative Performance with Other SADC Stock Exchanges: 2011

	Index Change (%)	P/E Ratio
Johannesburg Stock Exchange	(0.4)	12.7
Stock Exchange of Mauritius	(4.0)	11.3
Botswana Stock Exchange	8.7	10.2

Source: BSE, SEM & I-Net Bridge

As can be seen from Figures 26 and 27, the BSE has outperformed the JSE, SEM and MSCI Emerging Market Index. The BSE's DCI appreciated by 8.7% during 2011 in comparison to the depreciation of 0.4% and 4.0% experienced by the JSE ALSI and the Stock Exchange of Mauritius (SEM) Index respectively.

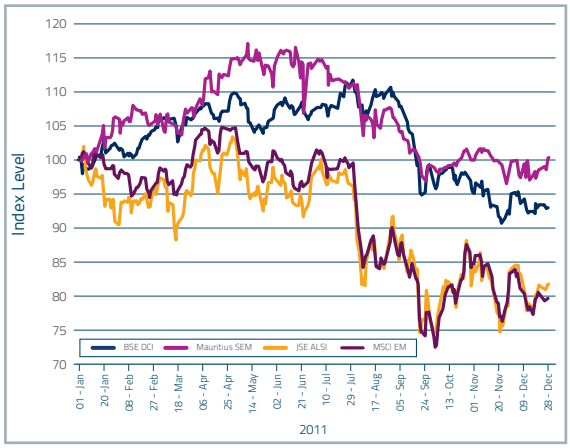
Figure 27: Comparative Performance of BSE DCI with Other African Markets and MSCI Emerging Markets Index Standardised as at 01st January 2011 (Domestic Currencies)



Source: BSE, I –Net Bridge

Figure 28 below shows the comparative performance of the BSE with other regional stock exchanges in US$ terms.

Figure 28: Comparative Performance of BSE DCI with Other African Markets and MSCI Emerging Markets Index Standardised as at 01st January 2011 (US$)



Source: BSE, I –Net Bridge

CHIEF EXECUTIVE OFFICERS' REVIEW (continued)

In US$ terms, the BSE DCI appreciated by 6.7% and 0.4% in Quarters 1 & 2 respectively. It depreciated by 7.3% in Quarter 3 and declined by 6.3% in Quarter 4.

Overall, in 2011 the DCI depreciated by 7.0% in US$ terms in comparison to an appreciation of 8.7% in Pula terms. This is attributed to the depreciation of the Pula by 14.4% against the US$ in 2011.

The performance of the DCI & FCI in comparison to SEM and JSE since the financial crisis is detailed in Figure 29.

In spite of the appreciation of the DCI in 2011 in comparison to other markets, the DCI still remains below the index value attained as at 13th September 2008. As can be seen from Figure 29, the DCI has yet to recover 13.4% from the level it was at the onset of the financial crisis on 13th September 2008 while the JSE and SEM have recovered and surpassed their index levels at the point of the crisis by 22.3% and 14.1% respectively as at end 2011.

3.0 MARKET ASSESSMENT

Figures 30 & 31 show the development of the BSE over the past years relative to 2007. For this purpose, the footprint of the BSE in 2007 has been standardised at 1.00.

As can be seen from Figure 30, the BSE's footprint increased by 53% in 2008 relative to 2007 and declined in 2009 due to the aftermath of the financial crisis. The footprint increased from 2010 and was 34% larger in 2011 in relation to 2007.

The year 2008 remains the best year as measured by the footprint mainly due to the higher turnover/market capitalisation ratios and average daily turnover achieved in that year.

In comparison to 2007, the BSE has gained ground in 2011 in terms of all statistics measured to compute the footprint with the exception of the market capitalisation/GDP ratio.

Figure 29: Comparative Performance of Indices since the Financial Crisis

STOCK EXCHANGE	Steepest Decline since 13th September 2008		Recovery to 31st Dec' 2011 (%)	% Change 13/09/08 to 31/12/11	% Change Jan-Dec 2011
	% CHANGE	DATE			
JSE	32.0 ▼	20/11/08	79.5 ▲	22.3	(0.4)
SEM	44.4 ▼	03/03/09	105.3 ▲	14.1	(4.0)
BSE DCI	24.4 ▼	19/05/09	14.6 ▲	(13.4)	8.7
BSE FCI	57.6 ▼	12/05/09	56.7 ▲	(33.6)	1.8

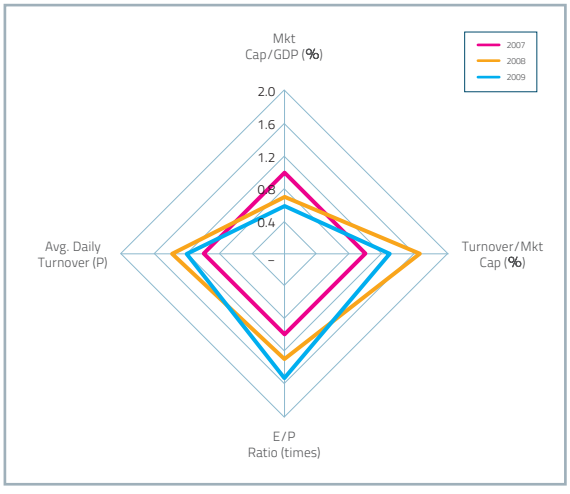
Source: BSE, I-Net Bridge

Figure 30: BSE Footprint in Relation to 2007

	2007	2008	2009	2010	2011
Market Cap/GDP (%)	1.00	0.70	0.80	0.60	0.59
Turnover/Mkt Cap (%)	1.00	1.67	1.06	1.45	1.30
EP Ratio (x)	1.00	1.30	1.20	1.45	1.54
Average Daily Turnover (P)	1.00	1.39	0.92	1.15	1.21
Area of footprint	2.00	3.06	1.98	2.66	2.67
Relative Area of Footprint in relation to 2007 (x)	1.00	1.53	0.99	1.33	1.34

Source: BSE, CSO

Figure 31: Footprint for 2011: a comparison with 2007 and 2008



Note 1: Market Capitalisation/ GDP, Turnover/ Market Capitalisation. E/P ratio and Average daily turnover for 2007 were standardised to 1 and the BSE's footprint for 2008, 2010 and 2011 was compared to the standardised footprint for 2007
Source: BSE, CSO

Figures 32 & 33 detail the footprint of the BSE in relation to the footprint of the JSE and SEM in 2011.

After steadily registering an increase in the footprint from 2007 to 2010, the BSE fared less favorably than SEM on all fronts in 2011 resulting in a contraction of the BSE's footprint relative to that of the SEM. One reason for the shrinking footprint in 2011 was the relative performance of the Rupee and the Pula against the US$ in 2011.

The Rupee appreciated by 7.1% whereas the Pula weakened by 14.4% against the USD in 2011.

If the turnover for both markets is adjusted for exchange rate movements the turnover of the BSE in US$ terms shows a growth of 2.5% compared to a decrease of 10.4% due to the weakening of the Pula against the US$.

This translates into an increase in the BSE's footprint to 23.6% of that of the SEM footprint for 2011 in comparison to 21% prior to the adjustment.

The other reason for the decline was the increase in turnover of SEM from approximately 2.5x that of the BSE in previous years to 3.7x in 2011. If exchange rates are adjusted as detailed above the turnover of the SEM in comparison to the BSE will reduce to 3.0x from 3.7x prior to the adjustment.

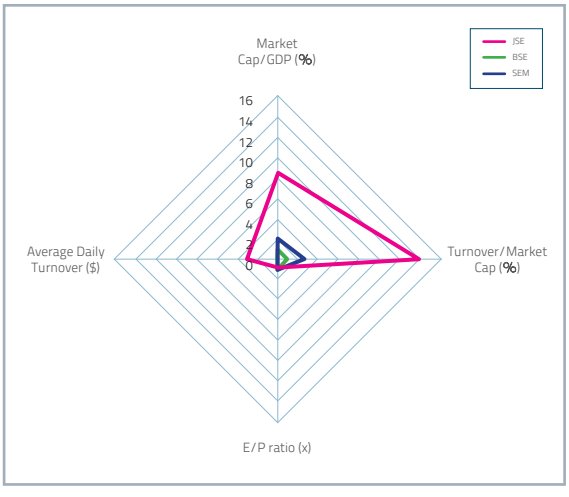
CHIEF EXECUTIVE OFFICERS' REVIEW (continued)

Figure 32: BSE Footprint in Relation to JSE & SEM: 2011

2011	BSE	JSE	SEM
Market Cap/GDP (%)	1.00	8.49	2.10
Turnover/Mkt Cap (%)	1.00	13.90	2.65
EP Ratio (x)	1.00	0.80	0.90
Average Daily Turnover ($)	1.00	3,016.79	3.71
Area of footprint	2.00	14,084.01	9.54
BSE footprint in relation to JSE and SEM (%)	100.00	0.01	20.97

Source: BSE, JSE, SEM, IMF

Figure 33: BSE footprint in relation to JSE & SEM: 2011



Note 1: Scale; Turnover/Mkt Cap 1:1, Avg Daily Turnover1:1000, Mkt Cap/GDP 1: 1, E/P Ratio 1:1
Note 2: Market Capitalisation/GDP, Turnover/Market, E/P ratio and Average daily turnover for the BSE were standardised to 1 and the footprint for SEM and JSE was computed relative to the BSE's footprint
Source: BSE, JSE, SEM, IMF

As can be seen from Figure 34, the footprint of the BSE is miniscule in comparison to that of the JSE. The main reason for this is the turnover of the JSE being more than 3,000x that of the BSE.

4.0 PRIMARY MARKET ACTIVITY

4.1 Equity Market

The year 2011 was a record year in terms of new listings on the BSE. A total of 10 listings took place on the BSE of which 6 were equity listings, 1 ETF and 3 bonds. If the listing of Choppies which took place in January 2012 is included, the number of listings would increase to 11. Of the 6 equity listings, 2 were Initial Public Offerings (IPOs) on the Domestic Main Board and 4 were secondary listings on the Foreign Venture Board.

Figure 34: BSE Footprint in relation to SEM and JSE: 2007 to 2011

	2007	2008	2009	2010	2011
BSE relative to SEM	24.35%	26.54%	27.38%	33.11%	20.97%
BSE relative to JSE	0.02%	0.02%	0.02%	0.02%	0.01%

Source: BSE, CSO

Letlole La Rona, a subsidiary of the Botswana Development Corporation listed on the Domestic Main Board on 15 June 2011 through an IPO. The company listed 280 Mn shares at a price of P1.50 per share. The IPO comprised the Private Placement of 84 Mn shares and the Public Offer of 57.1 Mn shares. The IPO was undersubscribed by 50.41%.

New African Properties (NAP) listed on the Domestic Main Board through an IPO, on 28 September 2011. The company listed 604.4 Mn shares at a price of P2.00 per share. NAP's public offer of P10 Mn shares was oversubscribed by 18%.

Firestone Diamonds Plc and Botswana Diamonds Plc dual listed on the Foreign Venture Capital Board on 13 June 2011 and 27 June 2011 respectively. Both exploration and mining companies are primarily listed on the Alternative Investment Market (AIM) of the London Stock Exchange. Firestone listed 323.1 Mn shares at a price of P3.55 per share. Botswana Diamonds listed 100.5 Mn shares at a price of P0.52 per share.

Lucara Diamond Corporation dual listed on the Foreign Venture Board in Quarter 3. Lucara is primarily listed on the Toronto Stock Exchange. Lucara listed 363.0 Mn shares at a bid price of P7.75 per share and commenced trading on 25 July 2011. Lucara Diamonds Corporation was the acquirer of African Diamonds which delisted from the BSE in December 2010.

The sixth equity listing was by African Resources Energy on the Foreign Venture Board. The counter completed its secondary listing on 31 October 2011. The company is primarily listed on the Australian Stock Exchange. African Energy listed 326.4 Mn shares at a bid price of P2.45.

Furnmart Limited and G4S Botswana Limited undertook share splits on a 10 for 1 basis on 8 July and 26 September, 2011 respectively. Furnmart shares which were trading at P14.60 per share just prior to the split traded a record 840,000 shares at a price of P1.46 a week after the share split. This is the highest volume of shares ever traded of this company on a single day since listing on the BSE. G4S shares which were trading at P43.50 per share prior to the share split traded at P4.60 on the day of the split. On an equivalent basis, the share price of G4S appreciated by 5.7% subsequent to the share split whilst the share price of Furnmart remained flat.

In October, Cresta Marakanelo Limited (Cresta) resolved to buy back shares from shareholders who own Cresta shares ranging from 100 to 2,000 shares at a price of P1.50 per share. According to the statement released by Cresta, the objectives of the share buyback was to strengthen the earnings per share of the company coupled with the possibility of realising capital gains in the future.

The BSE listed Choppies Enterprise Limited (Choppies) on the Domestic Main Board on 26 January 2012. The Initial Public Offering (IPO) was opened to the public for subscription in December 2011. Choppies listed a total of 1,174,207,583 shares at a price of P1.15 per share bringing its maiden market capitalisation to P1,350,338,720.

The listing was subsequent to a public offering of 43,478,261 shares through an IPO representing 3.7% of the company and a private placement of 260,869,565 shares representing 22.2% of the company. The IPO was 4 times oversubscribed, possibly the largest over subscription of an IPO in the BSE. Choppies raised a total of P350.0 Mn. The listing of Choppies and the oversubscription of the public offer by 4 times is indicative of the potential for raising capital through IPOs.

CHIEF EXECUTIVE OFFICERS' REVIEW (continued)

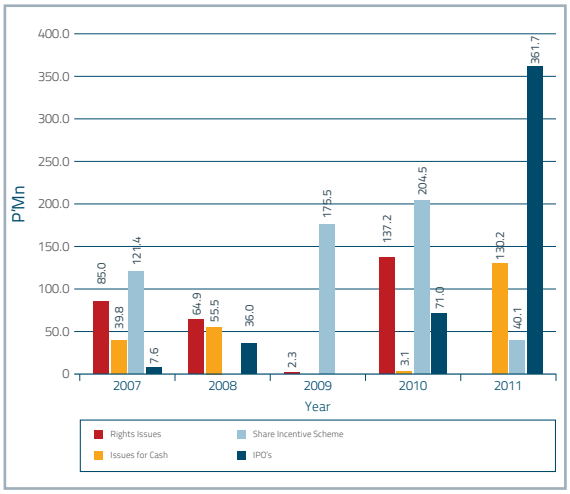
CHIEF EXECUTIVE
OFFICERS' REVIEW (continued)

Iamgold Corporation was the only company that delisted (voluntarily delisted) from the BSE in the year under review.

The BSE continued to fulfil its primary role of providing a platform for listed companies to raise capital. In 2011, a total of P532.1 Mn was raised through equity issues consisting of share incentive schemes, issues for cash and IPOs by domestic companies. This shows a generally consistent increase in funds raised through the BSE through primary market activity. Figure 35 profiles the means through which listed companies raised funds in the period 2007 to 2011.

As can be seen from Figure 35, IPOs accounted for the main primary market activity in 2011. This is attributable to the listings of Letlole La Rona and New African Properties which together raised capital amounting to P361.7 Mn. If the Choppies IPO is to be included funds raised from IPOs would exceed P700 Mn.

Figure 35: **Primary Market Activity in Equities: 2007 to 2011**



Source: BSE

4.2 Bond Market

Standard Chartered Bank Botswana redeemed SCBB004 (P50 Mn) bond on 20 June 2011 and listed a P70 Mn floating interest rate bond (SCBB006) on 12 May 2011. The bond is due to mature on 12 May 2021. The bond is listed under the P500 Mn programme memorandum.

Stanbic Bank Botswana Limited redeemed SBBL006 (P50 Mn) bond on 1 June 2011 and listed SBBL056 on 13 June 2011 with a nominal capital of P50 Mn under the P2 Bn programme memorandum. SBBL056 pays a quarterly floating interest rate of 1.30% above the applicable BoBC rate. The bond will mature on 13 June 2021.

BDC002 (P75 Mn) and BDC003 (P125 Mn) bonds matured on 1 June 2011. These bonds were listed on 30 June 2004. In the same quarter, SBBL047 with a nominal capital of P70 Mn matured on 11 June 2011. The bond was listed on 11 June 2008.

The Botswana Government listed P824 Mn worth of Government bonds in September 2011. This included P368 Mn raised through a new bond, BW010 paying a fixed semi-annual interest rate of 7.75% and maturing on 8 March 2017. Listed nominal amounts of BW007 and BW008 were increased by P300 Mn and P156 Mn respectively through additional listings.

In comparison to the first half of 2011, primary market activity of bonds increased in the second half.

4.3 Exchange Traded Funds

As detailed in Section 2.5.2, the BSE listed the second ETF, the BettaBeta Equally Weighted Top 40 ETF on 11 May 2011. BettaBeta offers investors the opportunity of investing in the top 40 securities listed on the JSE on an equally weighted basis. The BettaBeta ETF is primarily listed on the Johannesburg Stock Exchange and dual listed on the BSE. The ETF listed at a price of P32.95 per unit.

CHIEF EXECUTIVE OFFICERS' REVIEW (continued)

It should be noted that unlike equity and bond issues, ETFs do not have IPOs at a predetermined price because they derive their issue price from the price of the underlying instruments on the day of listing. ETFs are "open ended funds" and the total value of the fund depends on the creation and redemption of units based on subscriptions.

5.0 ANALYSIS OF THE MOVEMENT OF INDICES

Figure 36 details the performance of indices computed by the BSE. Figure 37 below depicts the standardised movement of paired indices in 2011, consisting of similar component securities computed using different methodologies.

As can be seen from Figures 36 & 37, indices computed using the free float methodology as the basis of weighting (as against the market capitalisation methodology) experienced similar performance over the quarters in 2011 in terms of direction and magnitude. All the free float indices experienced downturns in Quarters 2 & 3 but appreciated in Quarters 1 & 4. Notably, they were more resilient in the downturn experienced in Quarter 4 of 2011 where all the market capitalisation based indices declined.

A comparison of the DCI and DCFFI as detailed in Chart A of Figure 37 indicates that the DCI was influenced mainly by price movements of the less liquid securities. This is one of the reasons why the DCI has in fact appreciated by 8.7% in 2011 as against the DCFFI which has declined by 5.5%.

Figure 36: Performance of Indices Computed by BSE: 2009 to 2011

% Change	2009	2010	2011	2011			
				Q1	Q2	Q3	Q4
DCI	2.9	(11.4)	8.7	8.2	0.5	2.5	(2.5)
DCFFI	n/a	0.3	(5.5)	3.8	(3.1)	(8.9)	3.1
LASI	20.0	15.8	2.5	8.0	0.0	2.9	(7.8)
LASFFI	n/a	1.5	(4.7)	3.5	(3.0)	(8.0)	3.1
DFSI	9.1	(15.4)	11.7	11.0	(0.2)	2.9	(1.9)
DFSFFI	n/a	(0.7)	(6.9)	3.4	(4.7)	(9.5)	4.4
FCI	19.0	18.0	1.8	7.7	0.0	2.6	(7.9)
FRSI	22.0	18.6	1.8	8.0	0.0	2.9	(8.4)

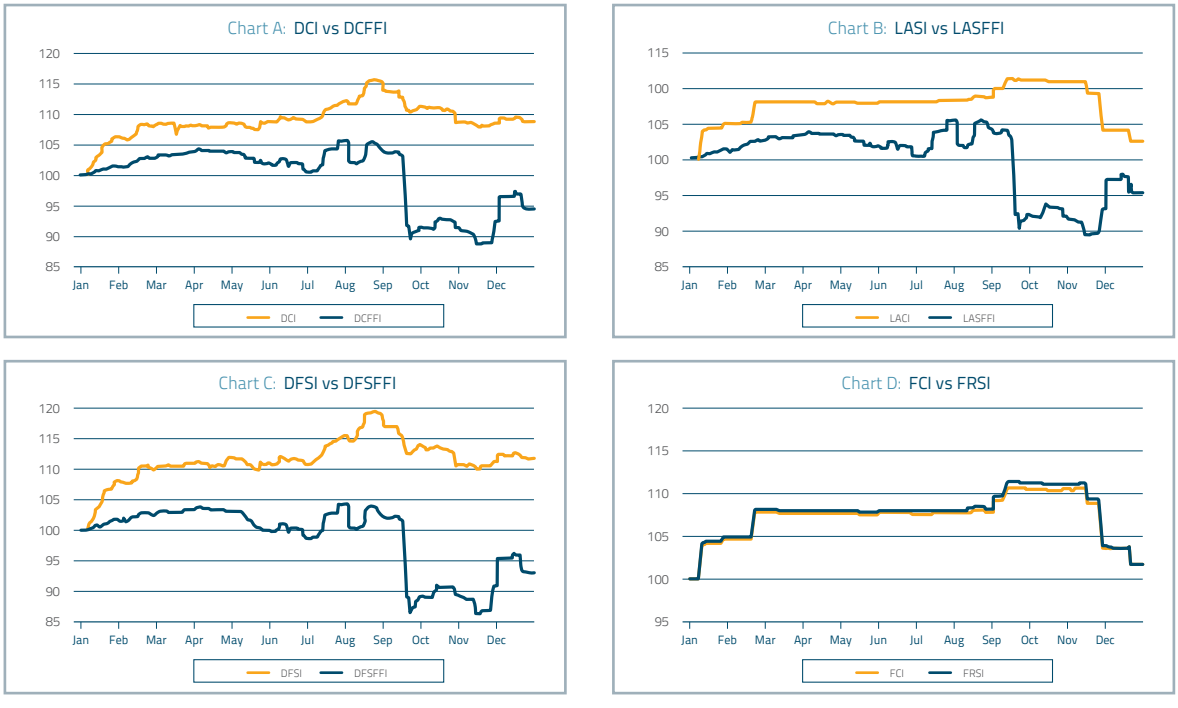
Source: BSE

The other reason for the difference in performance can be explained by the dividend yield of domestic companies listed on the main board. The dividend yield of these companies in 2011 was 5.2%. Hence, it can be estimated that approximately 5.2% of the difference of negative 14.2% between the DCI and DCFFI was due to the total returns methodology whereas the balance negative 19.4% can be attributed to the different weighting methodologies used, i.e. market capitalisation as against free float.

Chart C of Figure 37 further confirms the impact the different index calculation methodologies have on conveying the information on the performance of the companies. A comparison of the DFSI to DFSFFI validates the same trend explained by the relationship between DCI and DCFFI. As shown in Chart C of Figure 37, the DFSI appreciated by 11.7% in 2011 in comparison to the DFSFFI which declined by 6.9% in the same period. However, in this case the difference can be attributed to the weighing methodologies used since both indices are computed using total returns.

As previously stated in the 2010 Annual Report, the movement of the LASI as against LASFFI (Chart B of Figure 37) can be explained by the impact of Anglo American on the LASI. The LASI is influenced largely by Anglo American price as it is a market capitalisation weighted index. In comparison, LASFFI effectively neutralises the impact of Anglo by using liquidity as the basis for weighting the component securities. Anglo American, which has the largest market capitalisation of any security listed on the BSE is also the most illiquid and hence from a liquidity stand point, the impact of Anglo American is minimal on the computation of LASFFI.

Figure 37: Analysis of Movement of Indices in 2011



Source: BSE

CHIEF EXECUTIVE OFFICERS' REVIEW (continued)

As detailed above, the difference in performance between the indices as depicted by diagrams shown is attributed to different methodologies used in their computation.

The BSE is reviewing proposals to implement the computation of a bond index. The need for a bond market index is necessitated by the significant increase in the volume and value of secondary market activity of bonds in the past few years. The nominal amounts of bonds listed also increased from P3.9 Bn in 2007 to P8.4 Bn in 2011, an increase of more than 100%. Bond market participants have requested that the BSE computes a Bond Market Index as detailed in the Bond Market Development Strategy.

A bond index would provide a benchmark for portfolio managers to determine returns relative to the movement in the index. It would also form the basis for designing bond index funds and other such products. The bond index could also be used by investors to judge and objectively choose between investing in alternative debt funds.

The BSE intends to calculate the bond index using a Total Return methodology. Similar to equity indices, the issues involved in the construction of a bond index relate to the specification of a selection criterion to decide which bonds form part of the index and the prices used to calculate the index. However unlike equities, new bonds are issued at frequent intervals and existing bonds redeemed, so the universe of bonds in issue changes continuously.

Further, the secondary market for bonds in Botswana suffers from illiquidity. The implication of this is that the index composition would have to be changed frequently and it may not be possible to observe bond market prices for all bonds in the index on a daily basis due to illiquidity. This will necessitate computing bond prices on a "fair value" basis for those bonds that have not been traded on a particular day.

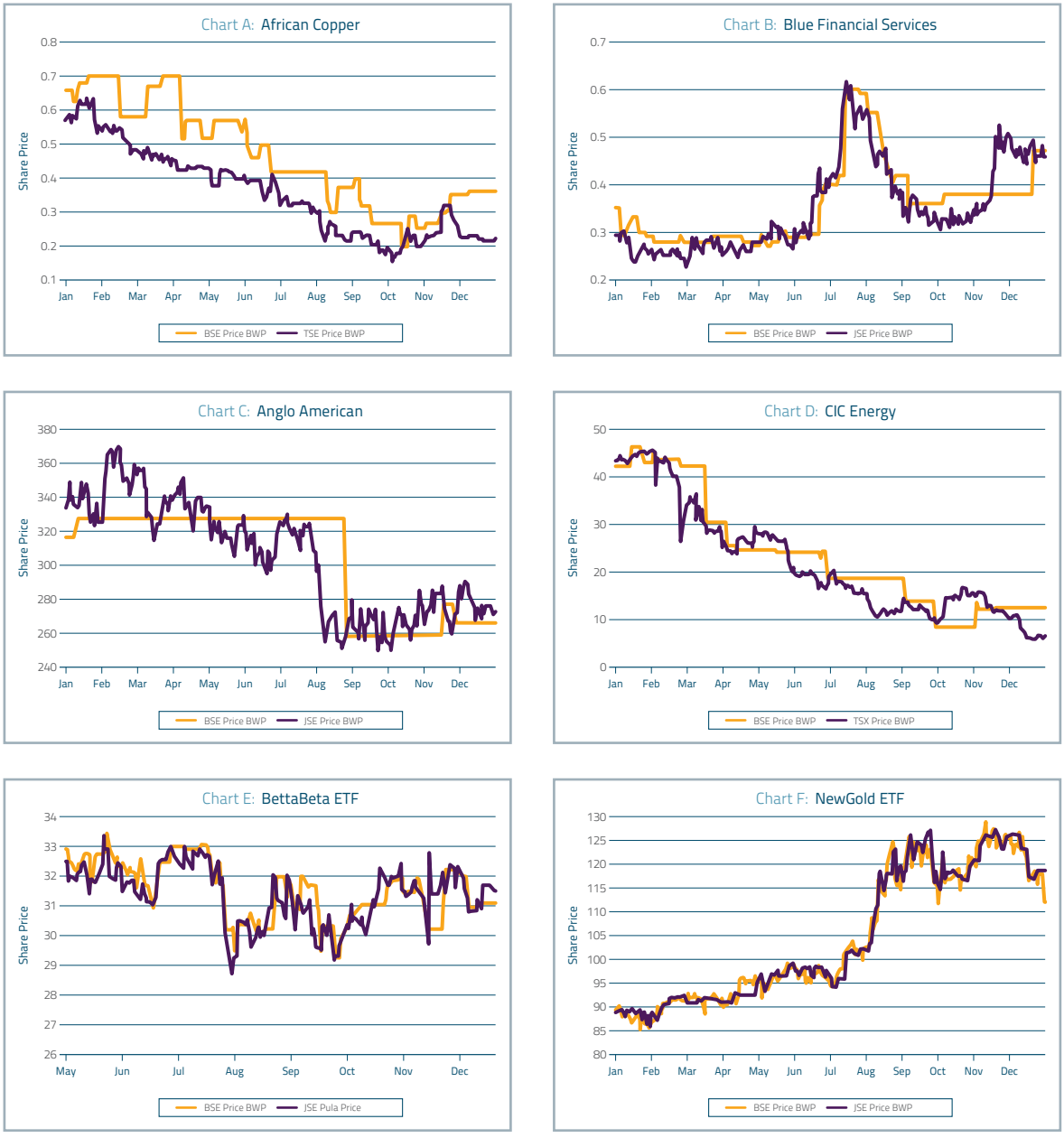
The BSE is planning to launch the Bond Index in the first half of 2012.

6. EFFICIENCY IN PRICE DISCOVERY OF DUAL LISTED COMPANIES

An analysis of the liquidity of dual listed companies is detailed in Figure 38. A comparison of prices on the BSE and prices in primary markets reveal that there are differences that have not been bridged through arbitrage. The inefficiencies in price discovery can also be depicted by the straight lines and sharp changes shown in the BSE prices as detailed in all charts in Figure 38 with the exception of Chart E & F which are in account of the BettaBeta ETF and the NewGold ETF respectively.

Inefficiencies in price discovery in respect of dual listed securities translate into an inefficient FCI since the BSE dual listed companies do not adequately mirror the price performance of the primary market.

Figure 38: Prices of BSE Dual Listed Companies vs Primary Market Prices: 2011



Source: BSE, I-Net Bridge, Yahoo Finance

CHIEF EXECUTIVE OFFICERS' REVIEW (continued)

A graphical analysis of the dual listed company prices in comparison to the NewGold ETF shows that, the NewGold prices in the BSE tracks the prices of the primary market more efficiently as clearly depicted in Chart F of Figure 38. The same can be said of the BettaBeta ETF which tracks the prices of the top 40 companies listed on the JSE.

The BSE computed the average price differentials of selected dual listed companies and such differentials relative to the average share prices of the securities researched.

The analysis of the differentials in prices between the primary market and BSE is detailed in Figure 39. For example, the absolute mean deviation shows that the share price of CIC Energy on the BSE is on average P3.72 different from the primary market price. On a relative basis the price of CIC Energy deviates by a margin of 15.8% in comparison to its average share price.
As can be seen from Figure 39, Anglo American has the highest price variation of P16.17 per share. On relative basis, the price difference in African Copper tops the list with a deviation of 51.1%.

From an analytical point of view, the mean price differential relative to the average share price is more important since deviation has to be measured in relation to another statistic which in this case is the average share price.

As noted above, the price discovery of the Exchange Traded Funds, the NewGold ETF and the BettaBeta ETF, are the most efficient with a relative price difference of 1.4% and 1.5% of the share prices respectively in comparison with the primary market share prices. The efficiency of price discovery of ETFs can undoubtedly be attributed to the appointment of market makers who provide continuous liquidity and ensure that prices in the BSE are in line with that of the primary market.

7.0 MARKET DYNAMICS OF SHARE SPLITS

Please refer to Figure 40 for an explanation of the theoretical underpinnings of share splits and the ensuing market dynamics in respect to the expected behaviour of liquidity and stock prices.

Figure 39: Mean Price Differentials of Dual Listed Companies for Trades on the BSE: 2011

	Mean Price Differential (P)	Mean Price Differential Relative to Average Share Price (%)
CIC Energy Corporation	3.72	15.82
Blue Financial Services Limited	0.04	10.18
Investec Limited	5.47	10.23
Anglo American PLC	16.17	5.30
African Copper PLC	0.12	51.10
Aviva Corporation Limited	0.12	8.43
Discovery Metals	0.38	4.33
NewGold ETF	1.45	1.39
BettaBeta ETF	0.47	1.50

Source: BSE, I-Net Bridge, Yahoo Finance

Figure 40: **The Theoretical Underpinnings of Share Splits**

What leads to a share split?

There is a tendency for the price of shares of a company to increase over a period of time depending on the increase in value of the company and the performance of the market as a whole. In such a scenario it is possible for the share to become unaffordable to the average investor due to the initial investment required to acquire a minimum number of shares in the company becoming exorbitantly high. This invariably leads to a reduction in liquidity of the share. The remedy to correct this undesirable situation is for the company to undertake a share split.

This was true for some companies listed on the BSE. Over the past 5 years, 7 companies listed on the Domestic Main Board undertook share splits to improve liquidity of their shares.

These include Barclays Bank, FNBB, Imara Holdings, Sefalana Holdings, Letshego Holdings, Furnmart and G4S Botswana.

What is a share split?

A share split refers to a subdivision of the shares of a company based on a specified ratio or factor. The split is undertaken to reduce the stock price by a specified ratio and increase the number of shares outstanding by the same multiple. The stock price is adjusted such that the after the share split the market capitalisation of the company remains unchanged, provided the stock price does not change following the stock split. Any change in the share price after the share split will either increase or decrease the market capitalisation of the company.

Hence, a share split results in shares of the company being relatively more affordable, especially for individual investors and the number of shares owned by each shareholder increasing. The lower share price and the increased number of shares help improve tradability of the share and hence its liquidity.

Effects of a share split on the value of the firm

The value of a company is measured by its market capitalisation which is the product of the number of securities in issue and the share price.

Theoretically and as explained above a share split will not result in investors being either better or worse off. This is based on the assumption that the value of the company and the wealth of an investor cannot change by simply dividing the share price and increasing the number of shares by the same factor.

CHIEF EXECUTIVE OFFICERS' REVIEW (continued)

Figure 40: The Theoretical Underpinnings of Share Splits (continued)

Table 1 and Table 2 below illustrate the point that the value of the firm measured by market capitalisation should remain the same pre and post-share split.

Table 1: The effects of a share split on market capitalisation (pre-share split)

Company	No. of Securities in Issue Pre-Share Split	Share Price Pre-Share Split (Pula)	Market Capitalisation (Pula)
A	1,000,000	2.00	2,000,000
B	5,000,000	5.00	25,000,000
C	10,000,000	10.00	100,000,000

The assumption here is that the split adjusted share price does not move up or down at the point in time of the split. As an example, a split of 5-for-1 means that for every one share you have before the split you will receive 5 shares after the share split and the share price will be correspondingly divided by 5. Therefore, the value of the company remains the same before and after the split.

Table 2: The effects of a share split on market capitalisation (post-share split)

Company	Split factor	No. of Securities in Issue Post-Share Split (Note 1)	Share Price Post-Share Split (Pula) (Note 2)	Market Capitalisation (Pula)
A	10-for-1	10,000,000	0.20	2,000,000
B	10-for-1	50,000,000	0.50	25,000,000
C	5-for-1	50,000,000	1.00	100,000,000

Note 1: Note that the number of securities in issue will increase by the split factor, eg. 1,000,000 shares of Company A will now increase to 10,000,000 shares
Note 2: Corresponding to the increase in the number of shares the price per share will reduce, eg. price of A which was earlier P2.00 will now be P0.20

However, experience has shown that the price of a share is greatly influenced by liquidity. If this is the case there is a high probability that prices of shares post split will tend to be more than the expected or theoretical price of the security at the point of the share split. Thus, an increase in liquidity due to a share split is likely to result in an increase in the value of the company which in turn translates into capital gains by the shareholders of such company.

7.1 THE IMPACT OF SHARE SPLITS ON LIQUIDITY OF THE BSE

Companies that undertook share splits on the BSE commonly noted in their announcements that the historical performance of their respective companies led to an increase in demand for ordinary shares without a corresponding increase in supply. This resulted in the price of the ordinary shares increasing significantly. The ordinary shares thus became too costly for acquisition by some investors, resulting in reduced liquidity and tradability of the shares. As a result, the companies resolved to undertake a share split to:

(a) facilitate the purchase of shares, especially by smaller investors;
(b) promote transferability;
(c) increase the liquidity of the shares;
(d) encourage a greater spread of investors.

Figure 41 details the companies that undertook share splits on the BSE over the past 5 years.

The BSE analysed the dynamics of the share splits undertaken by the above companies by comparing the six months pre and post-split statistics as detailed in Figure 42.

Figure 41: Companies That Undertook Share Splits on the BSE

Company	Date	Split Factor
Barclays Bank Botswana	11-12-2006	5-for-1
First National Bank Botswana	18-06-2007	10-for-1
Imara Holdings	13-06-2007	10-for-1
Sefalana Holdings	18-10-2007	10-for-1
Letshego Holdings Limited	19-04-2010	10-for-1
Furnmart Limited	11-07-2011	10-for-1
G4S Botswana	26-09-2011	10-for-1

Source: BSE

Figure 42: Pre and Post-Split Statistics

	Average Daily Volume		Average Price		Impact of Split	
	Pre-Split	Post-Split	Pre-Split	Post-Split [Note 1]	Volume	Price
BARCLAYS	3,935	507,869	26.50	43.07	▲	▲
FNBB	6,222	175,904	25.90	31.44	▲	▲
SEFALANA	2,921	65,445	28.34	41.44	▲	▲
IMARA	1,323	35,608	40.48	73.12	▲	▲
LETSHEGO	65,853	1,813,852	15.33	19.50	▲	▲
FURNMART	523	22,333	13.24	15.82	▲	▲
G4S	1,015	9,104	37.92	57.85	▲	▲

Note 1: The post-split share price has been adjusted by multiplying the average post-split price by the split factor in order to compare pre-split and post-split prices.
Source: BSE

CHIEF EXECUTIVE OFFICERS' REVIEW (continued)

It has been observed that the share prices increased rapidly a few months prior to the share split as a result of high demand but inadequate availability of shares. Post-split, the number of shares traded increased significantly as the shares became relatively affordable. Correspondingly, the average share prices continued to register increases for some time.

As such the share splits undertaken by listed companies on the BSE had a positive impact on liquidity as indicated by increases in both post-split volumes and the share prices.

8.0 DEPARTMENTAL REVIEWS

8.1 Market Development

In 2011, the Exchange continued to pursue its market development initiatives with the objective of increasing awareness of investors on the stock market. The initiatives included presentations to various organisations around the country. The Exchange also hosted several groups at the BSE where participants were afforded the opportunity of viewing trading of securities.

A synopsis of the market development activities undertaken by the BSE in 2011 are detailed in Figures 43, 44 and 45.

Figure 43: Presentations and Road Shows: 2011

Date	Organisation	No. of Participants
02.02.11	Kgalemang Secondary School	60
15.02.11	Botswana Insurance Company	32
16.02.11	Botswana Insurance Company	29
17.02.11	Botswana Insurance Company	35
22.02.11	Mmathethe CJSS	80
08.03.11	Seepapitso Secondary School	140
15.03.11	Serowe Council Chambers	95
13.04.11	Limkokwing University	82
11.05.11	LEA - Molepolole	57
10.08.11	Department of Immigration - Gaborone	37
17.08.11	Department of Immigration - Gaborone	48
15.09.11	Ministry of Foreign Affairs - Gaborone	33
17.09.11	Sowa Town - Event at Golf Club	120
28.10.11	Office of the President	7
	TOTAL	855

Source: BSE

Figure 44: Attendance at Exhibitions and Fairs: 2011

Date	Organisation	No. of Participants
15.10.11	Botswana Defence Force Family Fun Day	198
	TOTAL	198

Source: BSE

Figure 45: Trade Viewing: 2011

Date	Organisation	No. of Participants
28.03.11	UB Finance Society members	18
30.03.11	UB Finance Society members	12
31.08.11	Ghanzi Brigade Centre students	18
14.09.11	Legae Academy students	22
	TOTAL	70

Source: BSE

CHIEF EXECUTIVE OFFICERS' REVIEW (continued)

The Exchange continued to partner with the media in promoting the capital market by contributing articles to newspapers and taking part in radio talk shows to educate the public on the importance of investing in the capital market.

The BSE made presentations on RB1's Weekly Radio Programmes of 'Tsele Le Tsele" and 'Sefalana Sa Papadi" every Friday and Monday at 5:30pm and 6:30am respectively. The Exchange contributed to the RB2 programme of 'Business Elevation" live at 4:00pm every Friday. The BSE published a weekly report on 'Market Performance" on the Botswana Government newspaper, 'The Daily News" every Monday. The BSE also sponsored and participated in the business segment of BTV's Daily Breakfast Show.

8.2 Product Development

8.2.1 Financial Market Courses

The BSE continued to partner with Geometric Progression CC of South Africa and conducted 3 financial market courses in 2011. The objective of this initiative was to improve the level of understanding and knowledge of financial market participants, especially debt market participants.

Two sessions were conducted on Understanding Financial Markets and were attended by 8 participants. The course on Comprehensive Introduction to Bonds was conducted 4 times and it attracted a total of 26 participants.

8.2.2 Bond Market Development

In 2009, the BSE was instrumental in initiating the formation of a Bond Market Development Task Force with representation from Primary Dealers, Asset Managers, Issuers, Regulators and Stockbrokers. The objective of this initiative, from the BSE perspective, was to understand and appreciate the requirements of the industry in order to develop rules and regulations which would be conducive to listing, trading and settling bond transactions on the BSE.

The Bond Market Steering Committee has since formalised a Bond Market Development Strategy which was forwarded to the BSE, Bank of Botswana and NBFIRA. The strategy outlined several initiatives that need to be taken to develop the Bond Market in Botswana. These included the use of the CSDB to clear and settle bond transactions, the use of the ATS to trade bonds and the need to formulate a bond index.

The Bond Market Development Steering Committee is in the process of forming a Bond Market Association in order to further the development of the Bond Market.

8.2.3 Introduction of the Bond Index

The BSE is in the process of drafting the methodology to compute a bond index. The bond index will be launched in the first half of 2012. The need for a bond index has been emphasised by market participants in various forums and it is addressed in the Bond Market Development Strategy formulated by the Bond Market Association as one of the measures that need to be undertaken to further develop the debt market in Botswana.

8.2.4 Amendment to Listing and Trading Rules for Bonds

The process of amending the debt listing rules commenced in mid-2011 and it is expected to be completed in 2012. This initiative will help to further develop the bond market and make listing rules for bonds clearer. Historically, the rules for listing debt have been similar to those for listing equities and have not addressed the requirements of the bond market.

8.2.5 Promoting Efficiency of Bond Trading and Clearing & Settlement on the BSE

The BSE published a research paper reviewing the status of bond markets in 5 Sub-Saharan African (SSA) countries with specific focus on trading venues, trading processes, trading methodologies, clearing and settlement infrastructure, fee structure and market transparency. The countries reviewed were Botswana, Kenya, South Africa, Zambia and Ghana. The aim of the review was to recommend action that needs to be taken to effect changes to market structure in order to improve efficiency of the Botswana Bond Market.

The findings of the study revealed that the domestic bond market is fragmented due to the parallel functioning of 2 separate trading platforms to trade bonds, i.e, the BSE and the primary dealership systems. This has several negative outcomes that culminate in late trade reporting to the BSE, lack of transparency and inefficiency in price discovery. The study recommended that the trading venues be harmonised into a single centralised trading platform at the BSE, CSDB be used to clear trades and the Bank of Botswana be used to settle bond trades. This is in keeping with the practises of the markets surveyed.

8.3 Infrastructure Development

The contract for the supply and implementation of the ATS was signed in October 2011. The implementation of the ATS commenced in February 2012 and is expected to be completed in Quarter 4 of 2012. The ATS will increase the visibility and reach of the BSE. It will also assist in surveillance of the market and hence complement capital market regulation as envisaged in the Securities Bill. The ATS is expected to increase liquidity of the BSE.

The ATS will have functionality to trade equity, bonds, right bonus', ETFs and GDR's.

8.4 Central Securities Depositary (CSD)

8.4.1 Dematerialisation Status of Equities

As detailed in Figures 46 and 47, dematerialisation of shares in the CSD System is continuing satisfactorily. As at end December 2011, 46.4% of domestic company shares were dematerialised as against 45.8% in December 2010.

Dematerialisation status of foreign companies increased significantly in 2011 to 91.1% from 62.5% as at end of December 2010. The increase was mainly due to the dematerialised dual listings of 4 companies on the Foreign Venture Board, being Botswana Diamonds, Firestone Diamonds, Lucara Diamonds and African Energy Resources.

CHIEF EXECUTIVE OFFICERS' REVIEW (continued)

Figure 46: Dematerialisation Status of Domestic Companies: 2010 and 2011

	2011			2010
	Issued Shares (No)	Shares Deposited into CSD (No)	% of Shares In CSD	% of Shares In CSD
ABCH	146,419,524	58,059,524	39.7%	32.3%
Barclays	852,161,250	222,338,089	26.1%	25.6%
BIHL	281,070,652	108,998,982	38.8%	36.8%
Chobe	89,405,139	36,829,667	41.2%	40.4%
Cresta	185,000,000	38,600,213	20.9%	20.3%
Engen	159,722,220	38,874,510	24.3%	24.2%
FNBB	2,563,700,000	661,016,603	25.8%	25.7%
FSG	120,000,000	94,390,818	78.7%	77.8%
Furnmart	606,446,080	122,152,110	20.1%	20.1%
G4S	80,000,000	20,156,220	25.2%	25.1%
Letshego	1,984,997,936	1,940,044,466	73.6%	77.9%
Olympia	28,600,000	4,517,161	15.8%	15.7%
Primetime	179,890,200	66,468,063	37.0%	36.7%
RDCP	34,544,029	7,144,158	20.7%	20.4%
RPC Data	31,482,887	13,899,531	44.2%	37.3%
Sechaba	133,014,875	106,994,950	80.4%	79.9%
Sefalana	184,541,130	166,705,747	90.3%	85.9%
Stanchart	298,350,519	56,291,215	18.9%	18.7%
Turnstar	385,810,579	330,048,905	85.6%	85.4%
Imara	58,162,419	42,830,095	73.6%	72.6%
Wilderness	231,000,000	135,912,222	58.8%	58.9%
Letlole	280,000,000	51,537,031	18.4%	not yet listed
NAP	604,397,124	87,110,504	14.4%	not yet listed
NewGold ETF	1,000,000	1,000,000	100%	100%
BettaBeta ETF	1,606,671	1,606,671	100%	not yet listed
Market	**9,521,323,234**	**4,413,527,124**	**46.4%**	**45.8%**

Source: CSD Botswana

Figure 47: Dematerialisation of Foreign Companies: 2010 and 2011

	2011			2010
Security	Issued Shares on Botswana Register	Shares Deposited into CSD (No)	% of Shares in CSD	% of Shares in CSD
Aviva	1,508,849	1,137,907	75.4%	70.4%
CIC Energy	1,134,900	385,966	34.0%	37.6%
A-Cap Resources	663,327	347,493	52.4%	49.9%
Botswana Diamonds	3,936,607	3,174,973	80.7%	not yet listed
Firestone Diamonds	132,000	132,000	100%	not yet listed
Lucara Diamonds	19,124,904	18,964,514	99.2%	not yet listed
African Energy	50,235	50,235	100%	not yet listed
Market	**26,550,822**	**24,193,088**	**91.1%**	**62.5%**

Source: CSD Botswana

8.4.2 Dematerialisation of Bonds

The BSE got approval from the Registrar of Companies to dematerialise corporate bonds in the CSD. This means that bonds can now be held in electronic form in the CSD like equities and this will improve the efficiency of the settlement processes. The BSE has commenced the process of dematerialising bonds.

Thus far, only 1 bond (SCBB006) is dematerialised. Efforts are being made to lobby bond issuers to issue dematerialised bonds. The existence of 2 trading mechanisms for bonds has hampered this initiative. The implementation of the ATS and the debt market development strategy on the use of the ATS and CSDB to trade, clear and settle bonds will boost efforts of the CSDB in this regard.

8.4.3 Progress on Account Opening

The number of authorised accounts opened by investors (excluding joint accounts) as at end December 2011 was 12,886 as detailed in Figure 48 in comparison to 10,598 in 2010.

CHIEF EXECUTIVE OFFICERS' REVIEW (continued)

Figure 48: Status of CSD Accounts as at December: 2010 and 2011

	2011								2010
Client Classification	SBB	MOTS	CAPS	AA	SCBB	STAN	FNB	Total	Total
Local Companies	229	161	120	20	79	25	12	646	521
Foreign Companies	26	25	58	2	482	125	0	718	513
Foreign Individuals	127	15	102	3	0	0	0	247	213
Foreign Residents	269	102	291	14	0	0	0	676	564
Foreign Juniors	10	5	13	0	0	0	0	28	24
Local Individuals	4,477	2,230	2,930	191	0	0	0	9,828	8,144
Local Juniors	334	163	234	12	0	0	0	743	619
Total	5,472	2,701	3,748	242	561	150	12	12,886	10,598

Source: CSD Botswana
Abbreviations: SBB (Stockbrokers Botswana), MOTS (Motswedi Securities), CAPS (Capital Securities), AA (African Alliance)

Figure 49: CSD Client Holdings by Investor Category

	2011				2010			
Client Suffix	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Local Company	80.0%	68.8%	68.6%	69.4%	67.7%	70.9%	73.4%	73.3%
Foreign Company	14.1%	26.4%	26.5%	25.5%	27.3%	24.1%	21.8%	21.7%
Local Individual	4.0%	3.2%	3.3%	3.4%	3.4%	3.3%	3.2%	3.4%
Others Clients	1.9%	1.6%	1.6%	1.7%	1.7%	1.7%	1.6%	1.6%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Source: CSD Botswana

	2011				2010			
Domiciles of Clients	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Local Citizens	84.1%	72.1%	71.8%	72.8%	71.1%	74.5%	76.7%	76.7%
US Citizens	8.2%	10.0%	10.1%	10.5%	12.9%	12.1%	11.2%	11.2%
SADC Countries	5.3%	12.8%	12.5%	10.1%	9.3%	6.5%	5.7%	5.7%
Other Regions	2.4%	5.1%	5.6%	6.6%	6.6%	6.9%	6.5%	6.4%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Source: CSD Botswana

8.4.4 Client Holdings

As detailed in Figure 49, holdings by foreign institutional investors continue to be satisfactory. The local individual holding remained steady during the period under review.

8.5 Regulation and Governance

The Committee appointed by MFDP to review the draft Securities Bill has completed its review and recommended several amendments. These amendments have been incorporated into the draft bill. We understand that the Securities Bill is expected to be presented to Parliament in 2012.

The BSE's trading rules will undergo an extensive revision prior to the implementation of the proposed Automated Trading System.

The above developments, especially the proposed Securities Bill will enable the BSE to convert itself from being a parastatal to being a corporate. In effect this would require the BSE to transform from being a "not for profit" organisation into a company operating as a commercial entity.

Compliance by Members

The annual inspection of the 4 Stockbrokers of the BSE, namely; African Alliance Botswana Securities, Capital Securities, Motswedi Securities and Stockbrokers Botswana was carried out in December 2011 and January 2012. The purpose of this inspection was to assess members' compliance with the BSE Members' Rules.

During the year under review, the Exchange introduced a new requirement for all its members to submit Quarterly Management Accounts to the BSE in a prescribed format within a fortnight following the end of the quarter. The main emphasis of this quarterly return is to ensure that members comply with the rules on 'Net Capital Position' and 'Clients' Funds' as detailed in the Members' Rules.

The introduction of these quarterly reporting requirements will go a long in ensuring that stockbrokers comply with Members' Rules and in ensuring that issues are attended to on time.

The 2011 annual inspection yielded no major issues. All members have generally complied with the BSE Members' Rules.

In November 2011, one member was suspended for a short period for failure to comply with the BSE Members Rules.

8.6 Organisation Structure and HR Development

Capital markets operate in a very dynamic environment which necessitates its staff to have up-to-date knowledge on related issues. The BSE continued to train its staff through various means that included workshops, conferences and courses on operations of stock exchanges and depositories. This will improve the level of knowledge of staff members and promote the development of the capital market.

The BSE's Strategic Plan recognised the need for a well designed organisation structure and appropriate human resource policies and management systems in the development of the BSE.

The BSE engaged EOH consulting to review and make recommendations of its organisation structure, conditions of service, job profiles, evaluation & grading of jobs and remuneration policies.

In addition to the above EOH Consulting was also requested to advise the Exchange on the succession planning policies that required to be adopted at various levels of the organisation structure.

The project was completed and the report was adopted by the BSE Main Committee at the meeting held on 30 March 2012.

CHIEF EXECUTIVE OFFICERS' REVIEW (continued)

8.7 Financial Resources

The consolidated financial performance of the BSE (BSE and CSDB) over the past 4 years is detailed in Figure 50. The BSE and CSDB have depended on a subvention from government to breakeven virtually from their inception. A subvention was necessitated due to both the BSE and CSDB not being capitalised.

The subvention has been mainly used to meet development expenditure which include Market Development and IT expenditure.

The year 2011 was a special year for the BSE on all fronts as detailed in the review. From a financial perspective, 2011 was special since the BSE operated at a profit even if the subvention is completely discounted.

CSDB however still continues to be dependent on the subvention. As detailed in Figure 50, the subvention required for CSDB to breakeven was P1.4 Mn in 2011. If development expenditure (Market Development and IT) is discounted, CSDB's dependence on the subvention for 2011 will reduce to P0.6 Mn as was also the case for 2010.

From a consolidated point of view BSE's dependence on the subvention was limited to P0.3 Mn in the year under review in comparison to P1.3 Mn in 2010 and P2.4 Mn in 2009.

There were many reasons which made 2011 special for the BSE from a financial perspective.

(a) Average daily turnover increased from P3.9 Mn to P4.1 Mn, positively impacting on commission income.

(b) The income from listing fees and annual sustaining fees increased by 52% due to 2 factors.

- The BSE had 10 new listings in 2011
- Listings fees were revised in 2011 after a lapse of over 10 years

The proposed Securities Bill envisages the corporatisation of the BSE. As noted in the 2010 Annual Report the BSE has requested the government to capitalise CSDB. Capitalisation of the BSE would also have to be carried out subsequent to corporatisation.

Figure 50: Status of CSD accounts as at December: 2008 — 2011

	2008 P'000			2009 P'000			2010 P'000			2011 P'000		
	BSE	CSDB	CONSOL	BSE	CSDB	CONSOL	BSE	CSDB	CONSOL	BSE	CSDB	CONSOL
INCOME												
Commission Income	2,439	674	3,113	2,097	1,528	3,625	2,620	1,940	4,560	2,699	2,021	4,720
Listings and Annual Sustaining fees	6,939	—	6,939	6,939	—	6,939	8,335	—	8,335	12,635	—	12,635
Other Income	399	145	544	208	391	600	360	304	664	750	512	1,263
Total Income from Operations	9,777	819	10,596	8,634	1,919	10,554	11,315	2,244	13,559	16,084	2,533	18,618
EXPENDITURE												
Development Expenditure [Note 1]	1,265	886	2,151	1,392	431	1,824	1,356	633	1,990	798	746	1,545
Administrative Expenditure	9,258	1,558	10,816	11,188	2,168	11,152	10,318	2,810	12,896	11,761	3,160	17,359
Total Expenditure	10,523	2,444	12,967	12,580	2,599	12,976	11,674	3,443	14,886	12,559	3,906	18,904
Profit/(Loss) Prior to Subvention	(746)	(1,625)	(2,371)	(3,946)	(680)	(2,422)	(359)	(1,199)	(1,327)	3,525	(1,373)	(286)
Subvention required to break even	746	1,625	2,371	3,946	680	2,421	359	1,199	1,327	NIL	1,373	286
Subvention received	3,992	NIL	3,992	3,646	1,166	4,812	1,591	934	2,525	4,038	3,037	7,075
Profit transferred to Reserves	3,246	(1,625)	1,621	(300)	(486)	2,400	1,232	(265)	1,198	7,563	1,664	6,789
Extent to which Income from operations meet administrative expenses	100%	53%	98%	77%	89%	95%	100%	80%	100%	100%	80%	100%

Source: BSE
Note 1: Defined as Market Development and IT Expenditure.

CHIEF EXECUTIVE OFFICERS' REVIEW (continued)

8.8 Regional and International Cooperation

The BSE participated in 2 Committee meetings of SADC Stock Exchanges (CoSSE) held in Walvis Bay, Namibia and Blantyre in Malawi. The BSE participated in a Bond Market Seminar organised by SADC and hosted by the JSE and a Market Development Seminar also organised by SADC in Johannesburg, South Africa.

The BSE attended the African Stock Exchanges Association (ASEA) Conference held in Marrakesh, Morocco and participated at the 5th Organisation for Economic Co-operation and Development (OECD) Forum on African Public Debt Management and Bond Markets in Johannesburg, South Africa.

The CSDB hosted a delegation from the Central Bank of Rwanda who were on a Central Security Depository (CSD) bench marking exercise.

The BSE also hosted a delegation from the Ghana Stock Exchange and the Securities Commission of Ghana who visited the Exchange to study the implementation of the NewGold ETF by BSE.

8.9 Appreciation

The year 2011 was the best year we have had in recent times and perhaps in the history of the Exchange. We could not have achieved what we did without the help of all our stakeholders.

The assistance received from the Ministry of Finance and Development Planning is gratefully acknowledged.

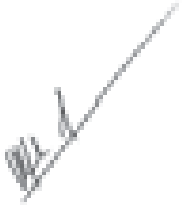
I thank the Bank of Botswana and NBFIRA for the support extended to us in the past year.

I appreciate the support received from the Chairperson Mr. Patrick O'Flaherty and all Committee Members. We worked well as a team.

I thank member firms, stockbrokers, participants of CSDB, the settlement bank, listed companies and investors who all helped us achieve what we did in the past year.

The difference between a group of individuals and an organisation can be summed up in word - **'**SYNERGY**"**. An organisation that achieves **'**SYNERGY**"** is much more than a group of individuals thrust together by circumstances. What the BSE achieved over the past year could not have been realised if individual needs took precedence over organisational objectives.

I wish to thank member of staff personally and individually for their support which made the BSE progress and step closer to achieving its vision. Their efforts made my job as the CEO a pleasant and an invigorating experience.



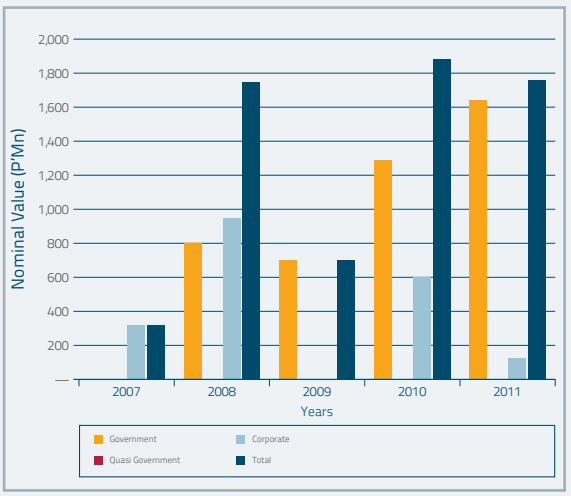
Hiran Mendis
Chief Executive Officer

BOTSWANA STOCK EXCHANGE

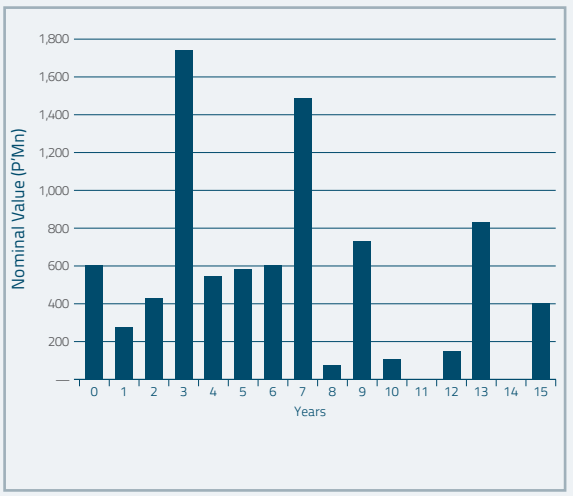
GRAPHICAL REVIEW

GRAPHICAL
REVIEW - BONDS (continued)

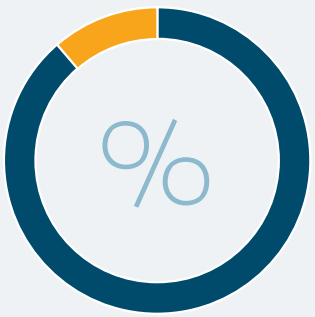
Primary Market Activity (Debt Issues) (2007-2011)



Outstanding Nominal Maturity Profile of Bonds Issued as at 31 December 2011

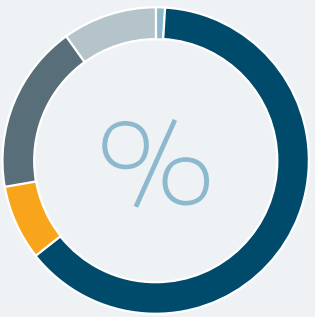


Structure of issuance in the market



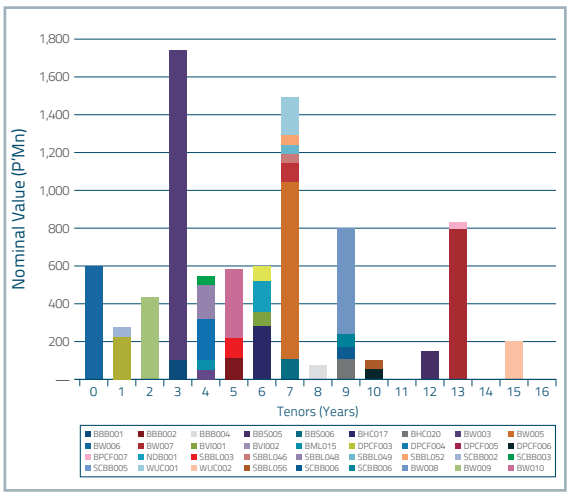
Floating Rate	11.3%
Fixed Rate	88.7%

Industry Sector classification

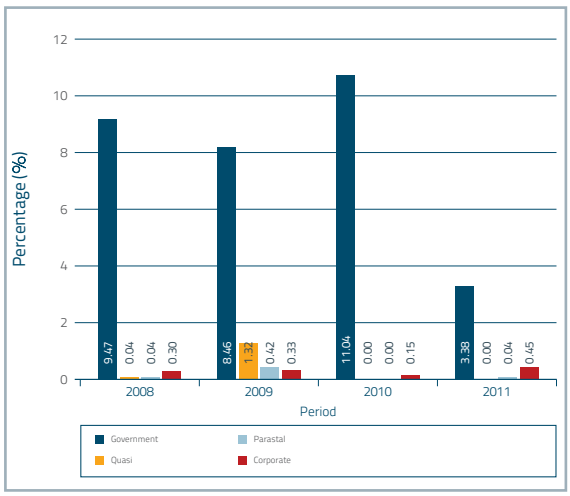


Retail	1%
Banking	10%
Parastatals	18%
Quasi	8%
Government	64%

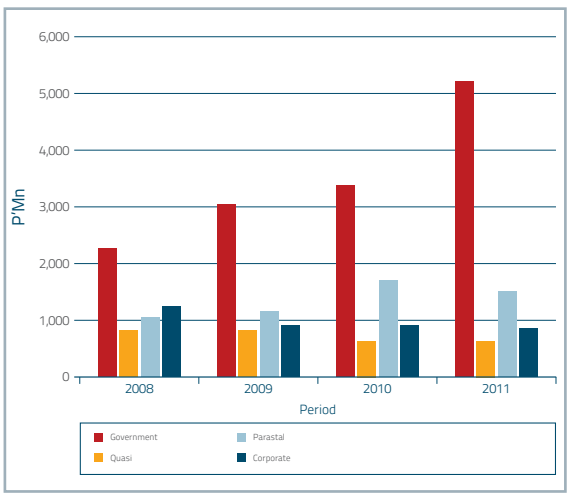
Maturity of Bonds Issued as at December 2011 Analysed by Issuer



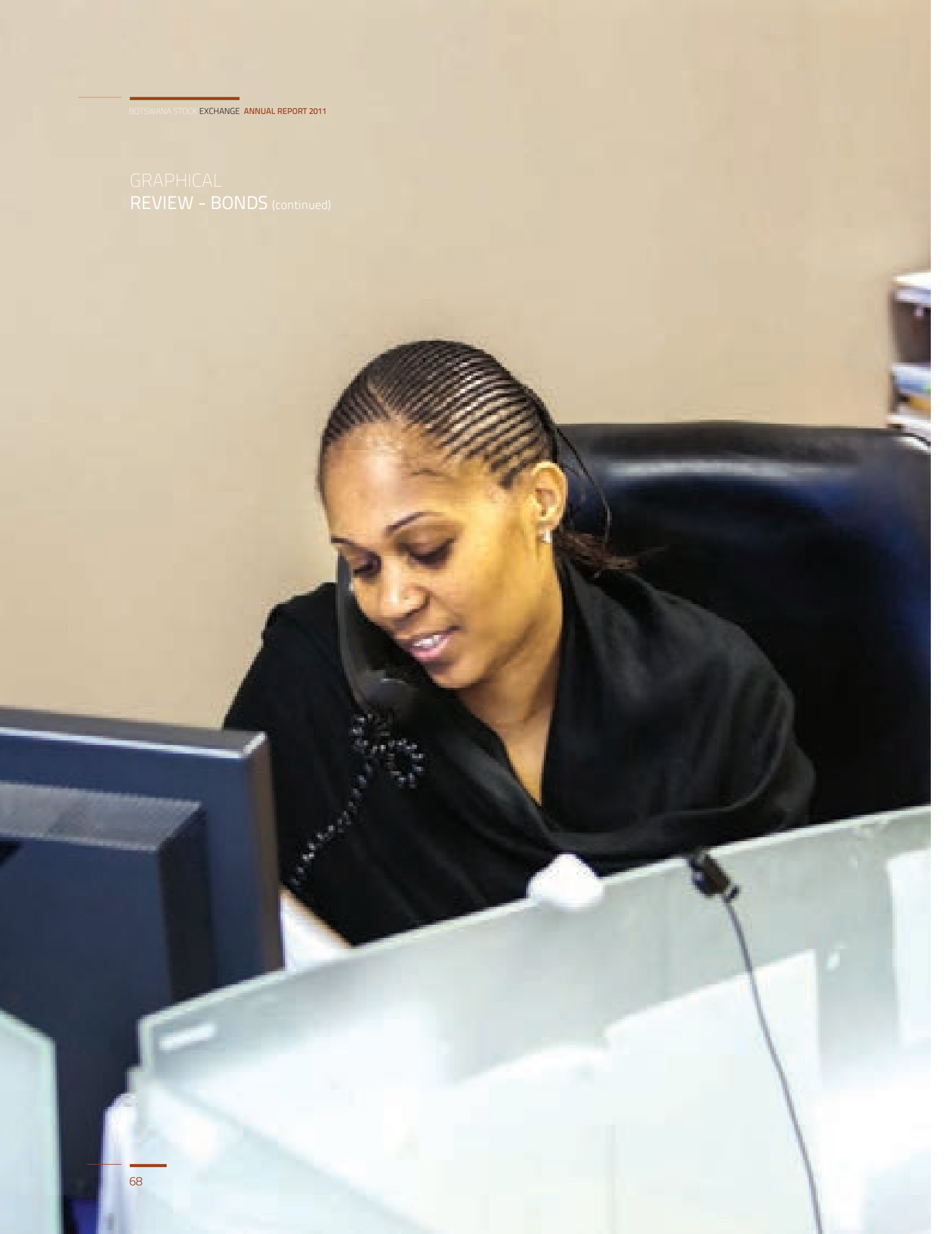
Debt Turnover as a % of debt market capitalisation



Debt Market Capitalisation (Nominal Values) By issuer category 2008 - 2011



GRAPHICAL
REVIEW - BONDS (continued)



GRAPHICAL
REVIEW - BONDS (continued)

Quarterly Analysis of Bond Trades: January to December 2011

	Quarter 1		Quarter 2		Quarter 3		Quarter 4	
	Vol (Mn)	Val (P' Mn)	Vol (Mn)	Val (P' Mn)	Vol (Mn)	Val (P' Mn)	Vol (Mn)	Val (P' Mn)
Government								
BW 003	52.53	59.53	15.10	16.66	0.54	0.60	2.00	9.24
BW 004	0.93	0.92						
BW 005			5.00	5.59	10.40	11.87		
BW 006	5.00	5.19	2.83	2.86	16.00	16.13		
BW 007			5.50	5.28	4.26	4.15	6.51	6.37
BW 008			1.46	1.44	0.74	0.73	14.67	14.56
BW 009			1.10	1.10	6.00	6.01	2.61	2.73
BW 010							108.00	112.72
Quasi Govt.								
DPCF 003						0.17		
DPCF 004						0.18		
Corporate, Parastatals								
BBS 002		1.00						
BBS006						0.19		0.30
BVI002								1.90
BBB 001		6.31				6.31		
SCBB 003						0.03		
SCBB 004		6.98						
SCBB 006				6.98		0.20		0.32
SBBL 006		10.02						
SBBL 052						0.20		0.30
TOTAL	**58.46**	**89.94**	**30.98**	**39.92**	**37.93**	**46.78**	**133.78**	**148.45**

Source: BSE

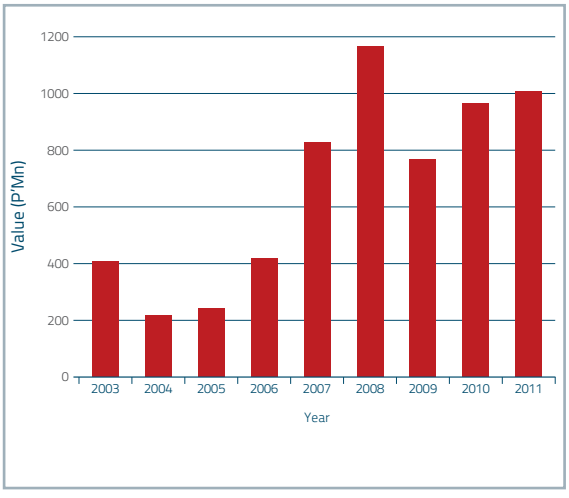
Debt Market Capitalisation as at Year ended December (P'Bn)

	2006	2007	2008	2009	2010	2011
Government	1.75	1.75	2.30	3.15	3.49	5.33
Quasi	1.00	0.83	0.83	0.83	0.64	0.64
Parastatal	0.37	0.54	1.08	1.18	1.72	1.52
Corporate	0.71	0.78	1.27	0.92	0.92	0.87
TOTAL	**3.83**	**3.90**	**5.48**	**6.08**	**6.77**	**8.36**

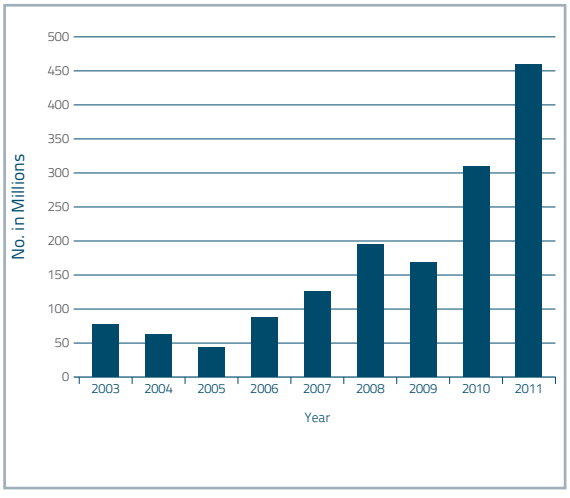
Source: BSE

GRAPHICAL
REVIEW - EQUITIES

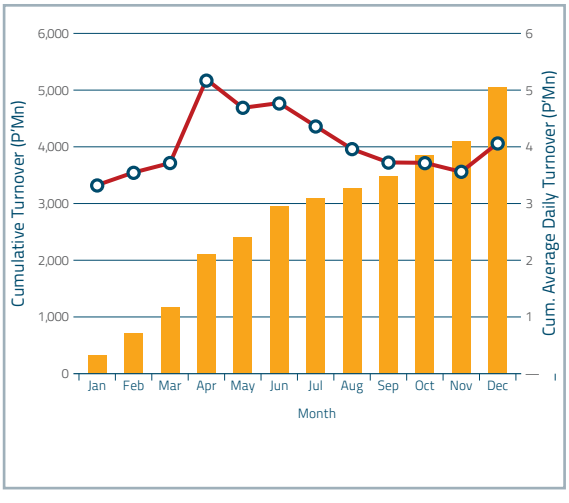
Value of Shares Traded



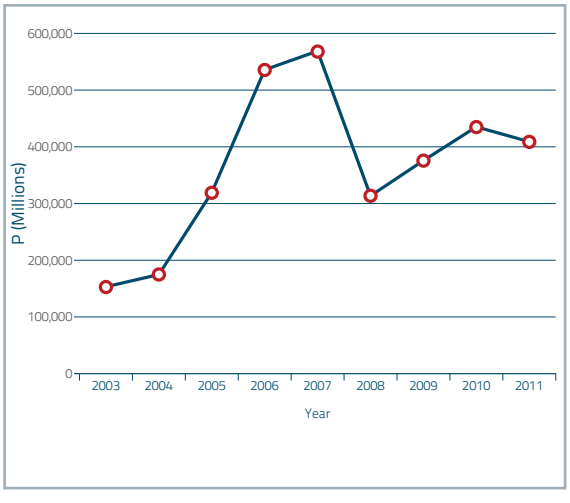
Volume of Shares Traded



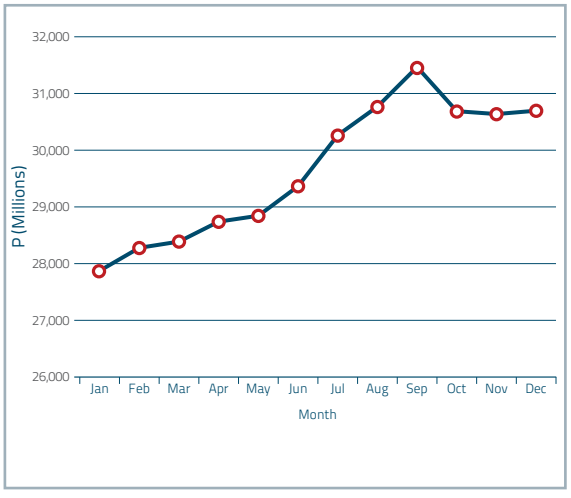
Cumulative Turnover vs Cumulative Average Daily Turnover (P'Mn)



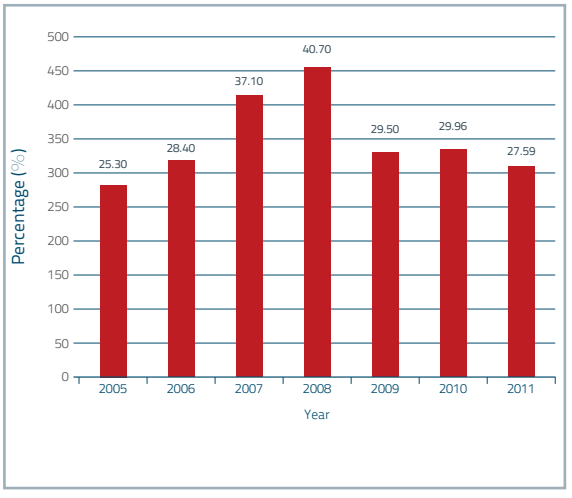
Total Market Capitalisation



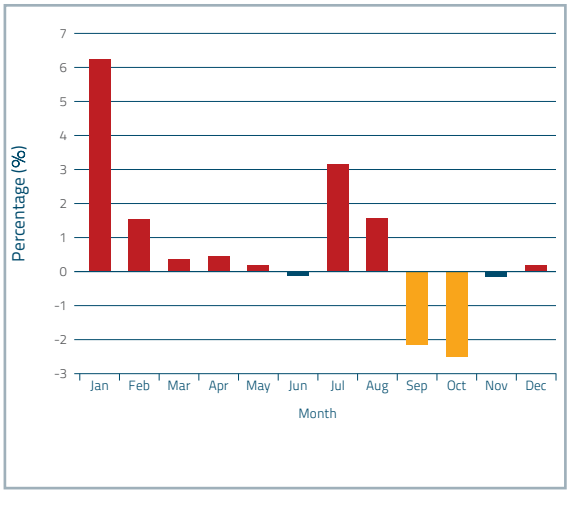
Monthly Market Capitalisation 2011



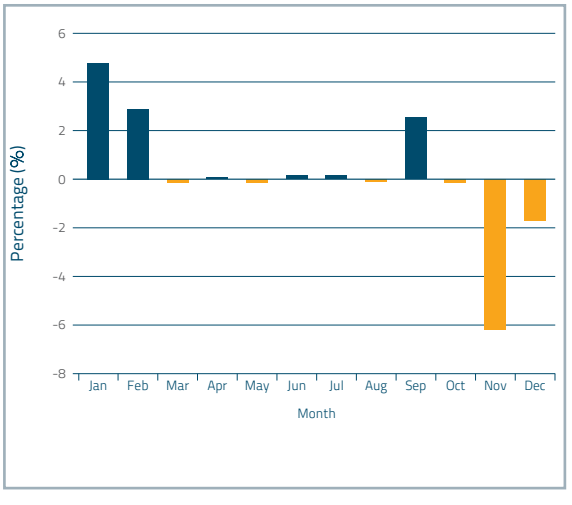
Domestic Market Capitalisation as a % of GDP



DCI % Monthly Change

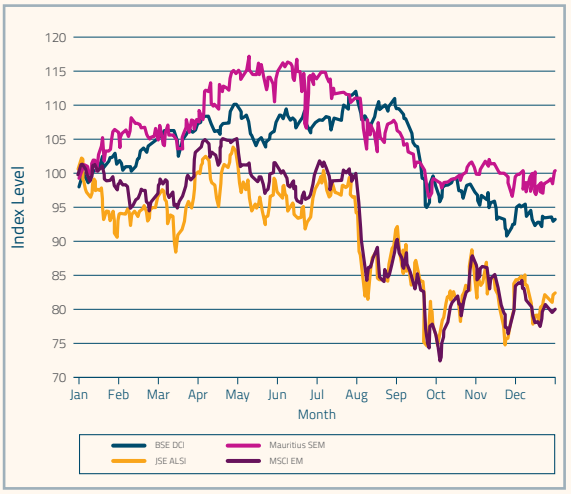


FCI Monthly % Change

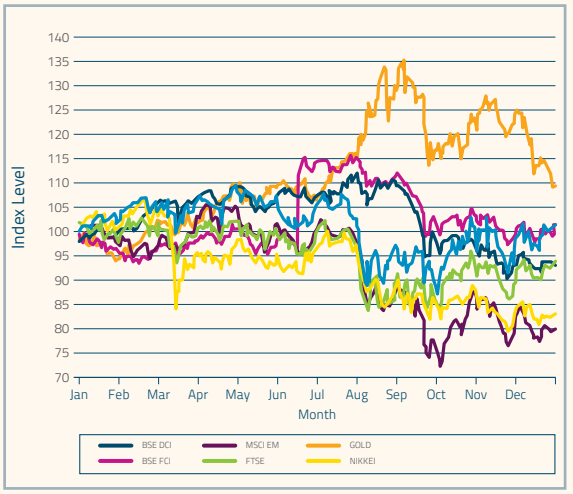


GRAPHICAL
REVIEW - EQUITIES (continued)

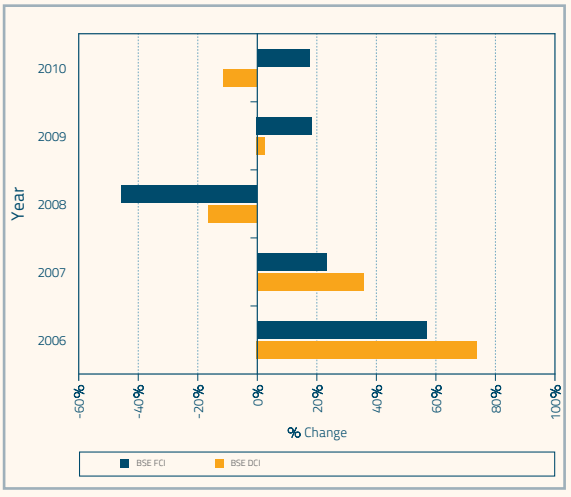
BSE Compared to other African Markets & MSCI EM



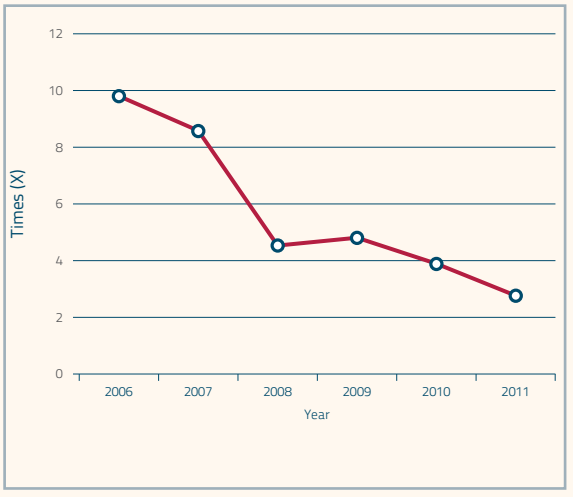
BSE and Other International Markets



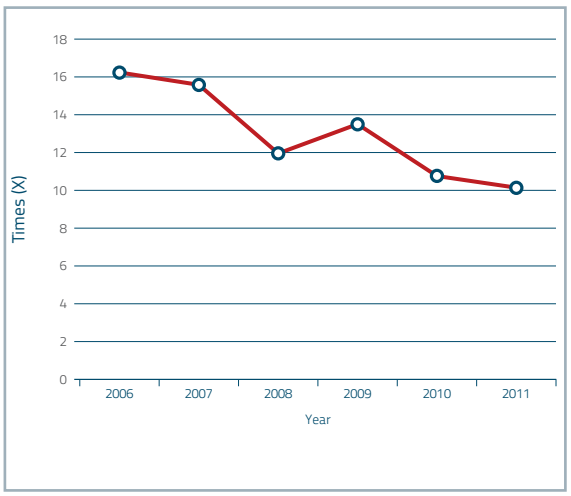
DCI & FCI Yearly % Change



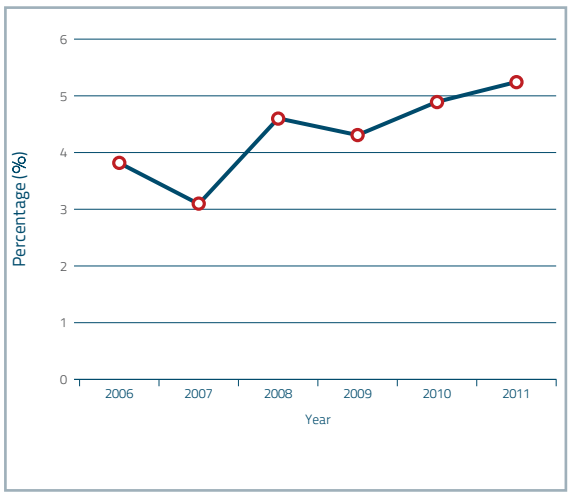
Market Price to Book Value



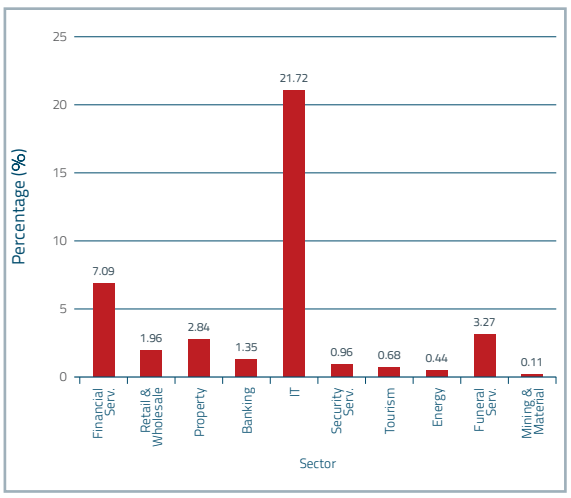
Price Earnings Ratio



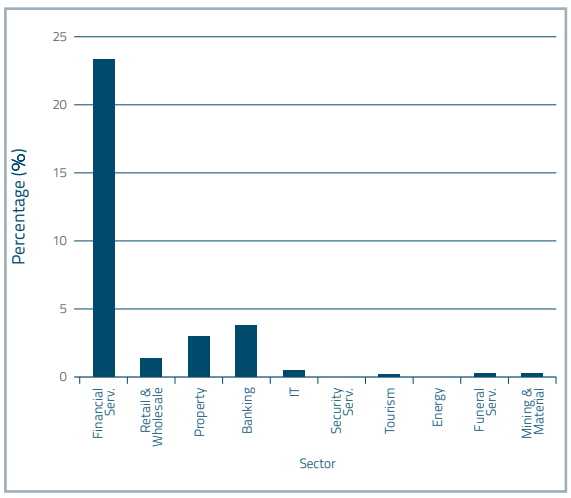
Dividend Yield

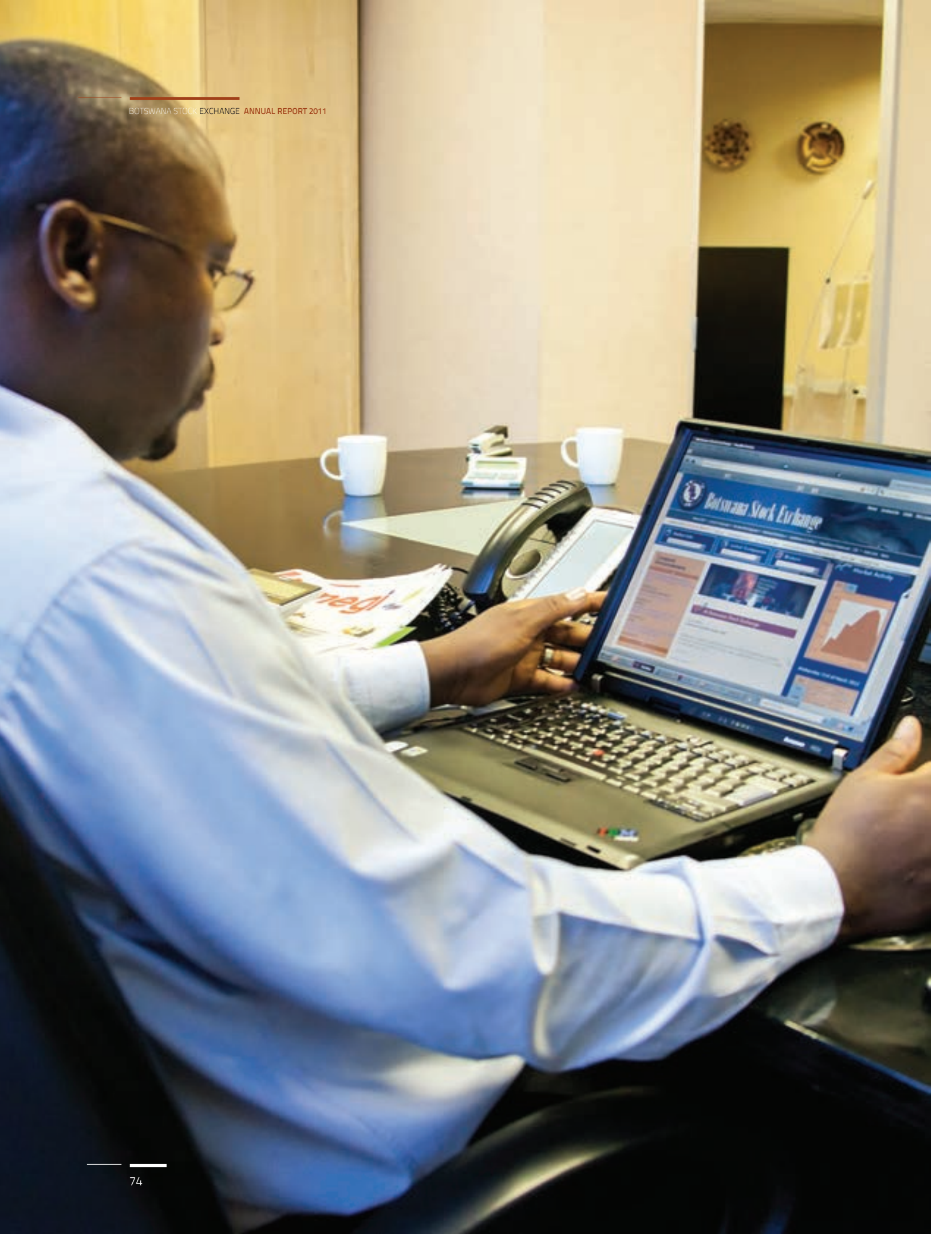


Shares Traded as a % of Shares Listed by Capitalisation



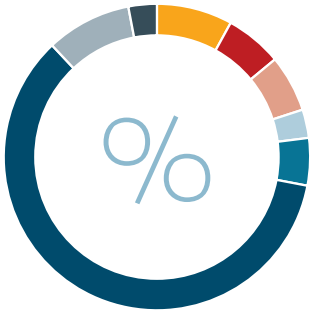
Turnover as a % of Average Market Sector




Botswana Stock Exchange

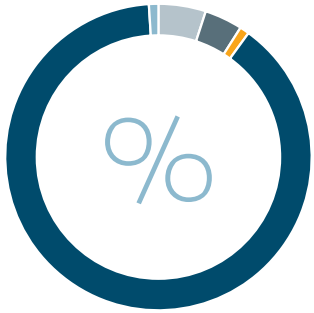
GRAPHICAL
REVIEW - EQUITIES (continued)

Turnover as a % of Sector Market Capitalisation



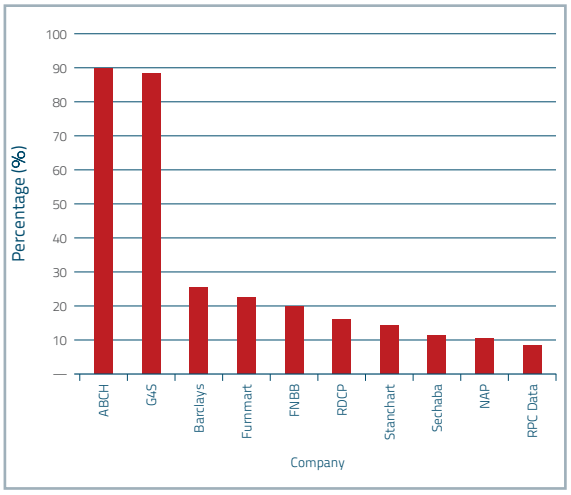
Financial Serv. & Insurance	8%
Retail & Wholesale	6%
Property	6%
Banking	3%
Security Serv.	5%
IT	60%
Funeral Serv.	9%
Others	3%

Total Market Cap by Sector

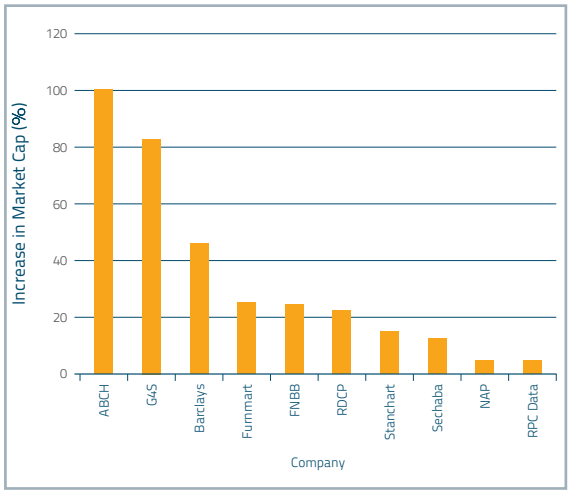


Financial Serv. & Insurance	5%
Banking	4%
Retail & Wholesale	1%
Mining & Material	89%
Others	1%

Domestic Companies by gains in price

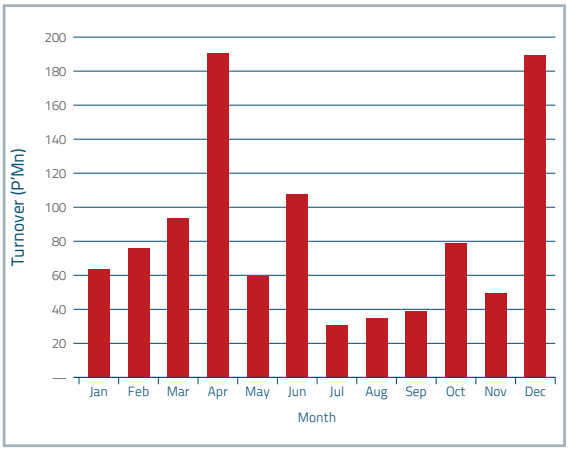


Domestic Companies by gains in market capitalisation

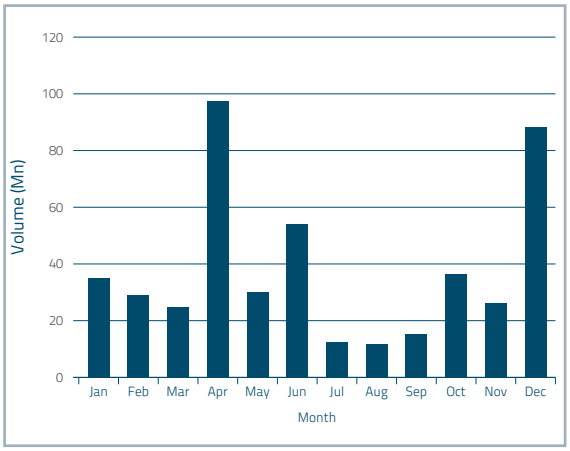


GRAPHICAL
REVIEW - EQUITIES (continued)

Monthly Turnover (P'Mn)



Monthly Volume (Mn)



QUARTERLY VELOCITY RATIOS
FOR COMPANIES THAT UNDERTOOK SHARE SPLITS

Chart A: **Barclays**

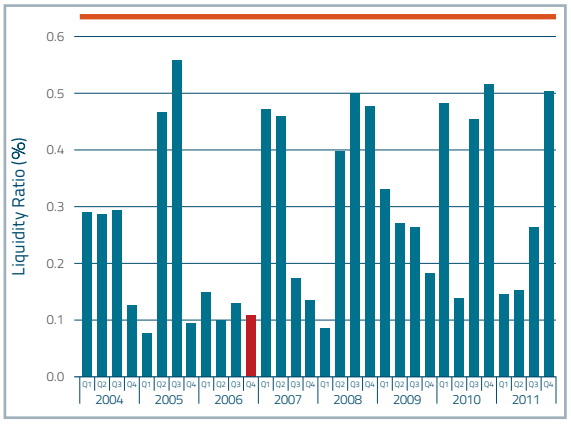


Chart B: **Imara**

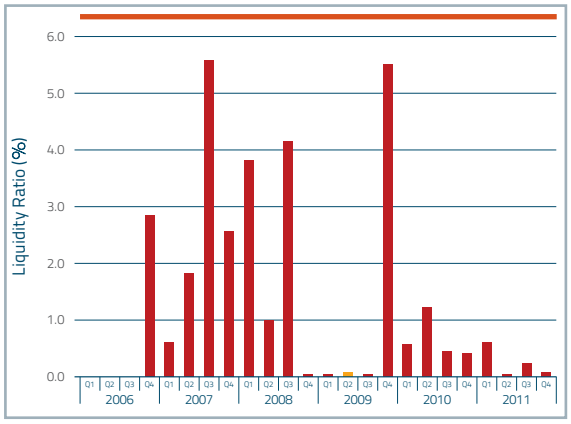


Chart C: **Sefalana**

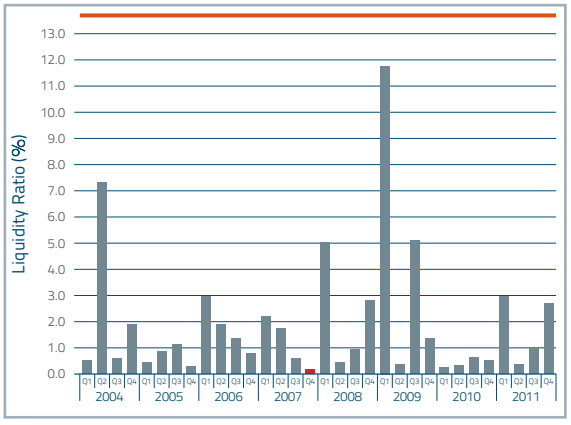


Chart D: **Letshego**

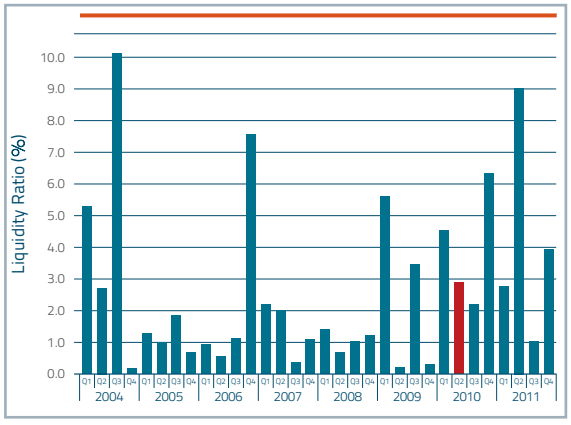


Chart E: **Furnmart**

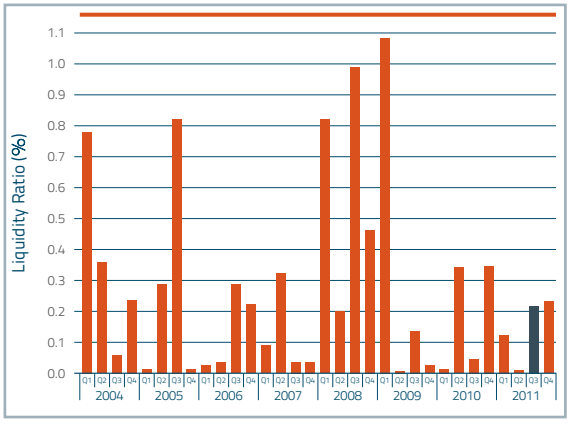
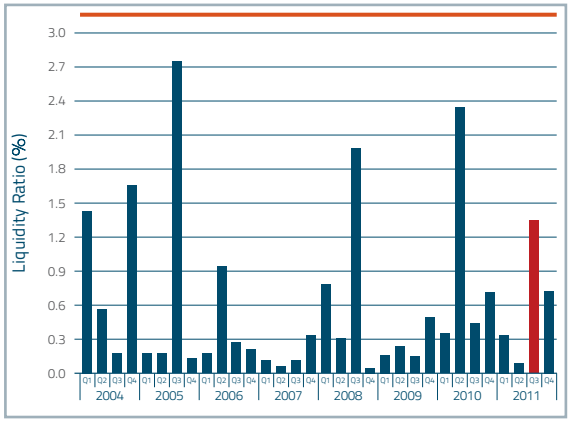


Chart F: **G4S**



NUMBER OF SHARES TRADED DAILY
FOR COMPANIES THAT UNDERTOOK SHARE SPLITS

Chart A: **Barclays**

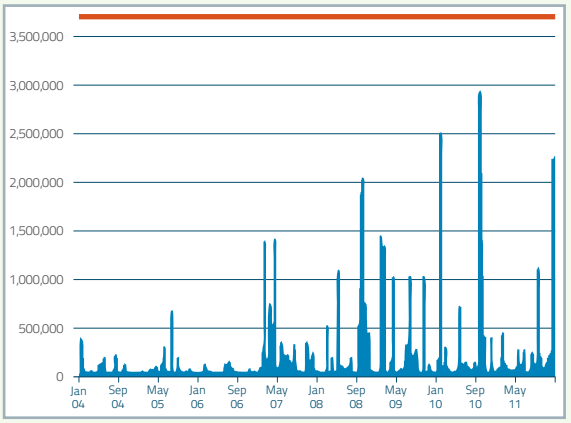


Chart B: **FNBB**

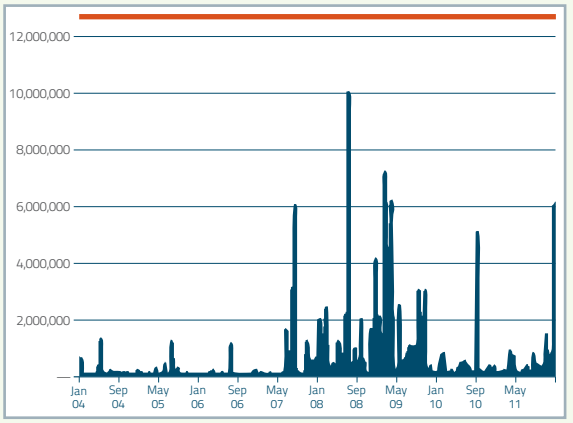


Chart C: **Imara**

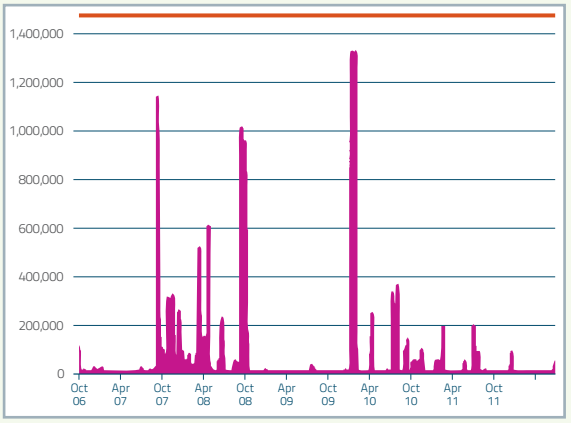


Chart D: **Letshego**

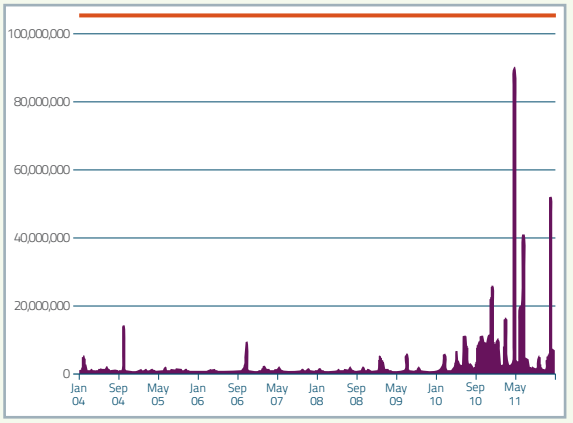


Chart E: **Furnmart**

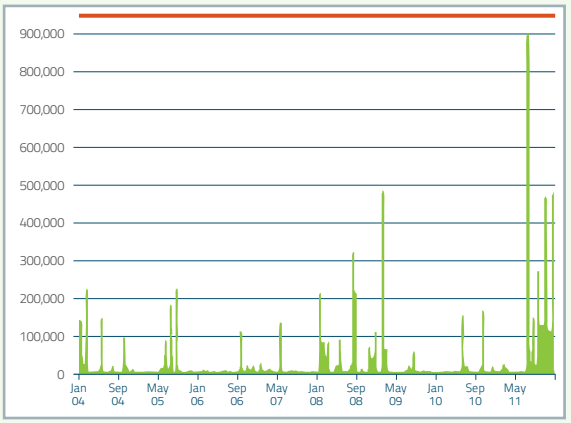
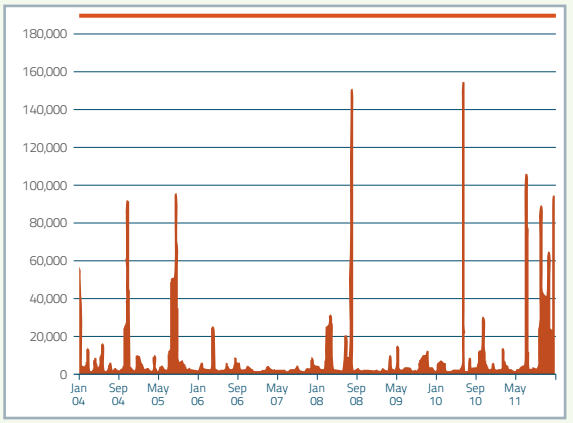


Chart F: **G4S**



MARKET STATISTICS

Table 1: Number of Companies Listed

	2006	2007	2008	2009	2010	2011
Number of new listings	4	2	2	0	2	6
Number of de-listings	1	2	2	0	3	1
Foreign listings	12	11	11	11	9	12
Domestic listings	19	20	20	20	21	23
TOTAL	**31**	**31**	**31**	**31**	**30**	**35**

Source: BSE

Table 2: Market Capitalisation of BSE Listings: 2011

	Number of Shares	Price Per Share (P)	Market Capitalisation
New Domestic Listings (IPOs)			
Letlole Le Rona	280,000,000	1.50	420,000,000
New African Properties	604,397,124	2.00	1,208,794,248
New Foreign Listings (Dual)			
Firestone	323,149,136	3.55	1,147,179,433
Botswana Diamonds	100,532,267	0.52	52,276,778
Lucara Diamonds	362,659,049	7.75*	2,810,607,630
African Energy Resources	326,376,735	2.45*	799,623,001
TOTAL			

Source: BSE
*The prices given are bid prices on the listing date. The securities made their debut trades sometime after listing

Table 3: BSE Market Capitalisation as at Year ended December (P'000,000)

	2006	2007	2008	2009	2010	2011
Domestic Market Capitalisation	23,776.87	32,702.58	27,706.07	28,536.15	26,245.68	30,694.26
Foreign Market Capitalisation	510,407.79	535,324.96	286,260.24	346,001.07	408,380.29	380,909.51
Total Market Capitalisation	**534,184.66**	**568,027.53**	**313,966.31**	**374,537.22**	**434,625.98**	**411,603.78**

Source: BSE

MARKET
STATISTICS (continued)

Table 4: Market Capitalisation as at Quarter ended (P'000,000)

	Mar 10	Jun 10	Sept 10	Dec 10	Mar 11	Jun 11	Sept 11	Dec 11
Domestic Market Capitalisation	29,465.20	30,183.31	30,121.24	26,245.68	28,395.92	29,358.63	31,469.53	30,694.26
Foreign Market Capitalisation	343,718.00	399,487.53	399,523.33	408,380.29	440,281.00	442,917.37	412,824.76	380,909.51
Total Market Capitalisation	**373,183.20**	**430,057.84**	**429,644.57**	**434,625.97**	**468,676.92**	**472,276.00**	**444,294.29**	**411,603.78**

Source: BSE

Table 5: Market Capitalisation by sector as at Year ended December (P'000,000)

	2006	2007	2008	2009	2010	2011
Banking	15,941.57	19,304.42	16,563.22	16,858.29	12,953.79	16,116.77
Financial Services & Insurance	24,412.40	25,391.54	19,486.78	20,466.10	21,353.52	21,450.19
Retailing & Wholesaling	11,855.78	12,978.07	3532.90	3,134.73	2,617.45	3,098.28
Property & Property Trust	437.83	934.80	907.87	944.73	1,083.66	2,788.24
Mining & Materials	480,421.05	508,427.76	272,109.54	331,978.26	393,608.94	365,363.00
Security Services	136.00	220.00	181.12	188.80	262.96	480.00
Information Technology	21.41	18.89	15.74	7.87	7.56	7.87
Funeral Services	—	—	132.00	187.20	224.40	175.2
Energy	758.68	769.86	702.78	586.18	1,022.22	881.67
Tourism	178.22	295.44	334.38	185.07	1,491.46	1,242.56

Source: BSE

MARKET STATISTICS (continued)

Table 6: Market Capitalisation by sector as at Quarter ended (P'000,000)

	Mar 2010	Jun 2010	Sep 2010	Dec 2010	Mar 2011	Jun 2011	Sep 2011	Dec 2011
Banking	17,443.16	16,850.86	16,796.09	12,953.79	14,700.60	15,508.88	16,765.13	16,116.77
Financial Services & Insurance	20,119.15	21,702.18	20,934.28	22,990.67	22,160.58	21,559.69	21,286.88	21,450.19
Retailing & Wholesaling	3,284.87	2,856.79	2,678.88	2,617.45	2,732.87	2,946.18	3,163.44	3,098.28
Property & Property Trust	1,141.95	1,182.64	1,114.67	1,083.66	1,230.66	1,708.41	2,922.27	2,788.24
Mining & Minerals	329,810.71	385,221.56	385,183.45	391,971.79	425,093.18	427,691.98	397,259.49	365,363.00
Security Services	184.00	239.36	234.96	262.96	270.96	301.44	394.40	480.00
Information Technology	7.87	756	5.67	7.56	8.19	9.44	8.19	7.87
Funeral Services	255.60	300.00	240.00	224.40	204.00	200.40	174.00	175.2
Energy	734.72	862.50	921.60	1,022.22	1,022.22	1,089.31	1,020.62	881.67
Tourism	201.16	834.40	1,534.98	1,491.46	1,253.67	1,260.26	1,299.92	1,242.56

Source: BSE

Table 7: Trading Statistics as at Year ended December

	2007	2008	2009	2010	2011
Volume Traded (Mn)	124.60	193.31	167.59	308.7	458.7
Value Traded (P'Mn)	824.56	1,166.19	763.85	962.8	1,007.9
No. of Deals	6,378.00	5,272.00	4,135.00	4,971.00	5,022.00
Liquidity Ratio	2.92	3.86	2.68	3.67	3.28

Source: BSE

Table 8: Trading Statistics as at Quarter ended (P'000,000)

	Mar 10	Jun 10	Sept 10	Dec 10	Mar 11	Jun 11	Sept 11	Dec 11
Volume Traded (Mn)	30.4	76.3	64.1	137.8	88.2	181.1	39.1	458.7
Value Traded (P'Mn)	252.3	213.5	175.9	321.0	231.6	356.5	104.0	1,007.9
No. of Deals	1,210.0	1,206.0	1,319.0	1,236.0	1,325.0	1,211.0	1,285.0	1,201.0

Source: BSE

Table 9: BSE Indices as at Year ended December

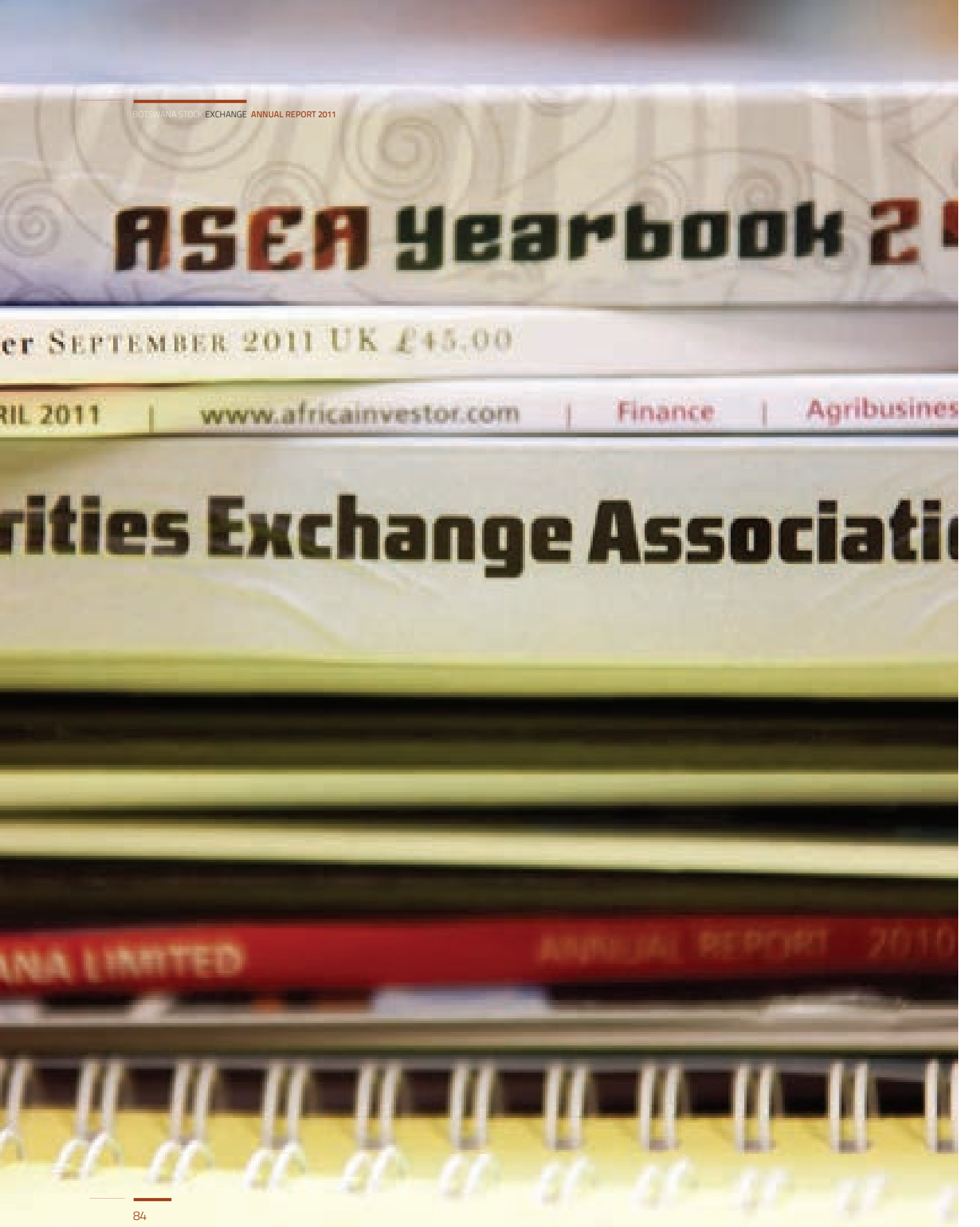
	2006	2007	2008	2009	2010	2011
DCI	6,195.45	8,421.63	7,035.50	7,241.89	6,412.94	6,970.94
FCI	1,777.30	2,200.97	1,191.98	1,418.26	1,673.90	1,703.91
LASI			558.67	670.53	776.19	795.34
DFSI			835.70	911.85	771.85	862.48
FRSI			536.52	654.48	776.28	790.13
DCFFI					2,014.62	1,904.68
DFSFFI					3,034.05	2,825.03
LASFFI					1,760.46	1,677.47

Source: BSE

Table 10: BSE Indices as at Quarter ended

	Mar 10	Jun 10	Sept 10	Dec 10	Mar 11	Jun 11	Sept 11	Dec 11
DCI	7,477.7	7,352.0	7,393.4	6,412.9	6,938.33	6,969.89	7,146.94	6,970.94
FCI	1,408.2	1,637.7	1,635.8	1,673.9	1,802.41	1,802.74	1,850.42	1,703.91
LASI	665.73	766.97	767.35	776.19	838.16	838.47	862.63	795.34
DFSI	937.13	918.23	928.98	771.85	856.99	855.07	879.57	862.48
FRSI	649.93	758.89	758.88	776.28	838.12	838.21	862.77	790.13
DCFFI	2,084.20	2,103.82	2,116.92	2,014.62	2,091.44	2,026.28	1,846.82	1,904.68
DFSFFI	3,020.71	3,202.21	3,242.07	3,034.05	3,136.52	2,989.22	2,706.04	2,825.03
LASFFI	1,802.04	1,818.96	1,841.26	1,760.73	1,822.65	1,767.99	1,626.71	1,677.47

Source: BSE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MARKET
STATISTICS (continued)

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

2010		2011	
Company	Vol.	Company	Vol.
Letshego	212.80	Letshego	315.00
FNBB	18.91	Turnstar	33.48
Barclays	13.14	FNBB	26.93
Turnstar	10.63	ABCH	15.07
Sechaba	10.09	Sefalana	13.42
Primetime	9.58	Barclays	9.00
FSG	8.22	BIHL	8.39
BIHL	6.36	RPC DATA	6.84
ABCH	4.27	Primetime	6.00
Sefalana	2.96	FSG	3.93

Source: BSE

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

2010		2011	
Company	Vol.	Company	Vol.
Letshego	528.34	Letshego	551.56
Sechaba	112.25	BIHL	91.42
Barclays	89.36	FNBB	71.63
BIHL	62.16	Barclays	59.75
FNBB	49.36	ABCH	47.99
Turnstar	18.40	Turnstar	45.06
FSG	17.00	Sefalana	38.81
Primetime	16.69	Sechaba	26.08
Stanchart	13.00	Primetime	11.85
Sefalana	9.86	Stanchart	9.85

Source: BSE

Table 13: Top Foreign Companies by Volume traded (Mn)

2010		2011	
Company	Vol.	Company	Vol.
African Copper	2.035	African Copper	2.471
Disc. Metals	1.473	Blue	1.862
Blue	1.056	Disc. Metals	0.992
African Diamond	0.590	BOD	0.439
Aviva	0.545	Firestone	0.084
A -Cap	0.073	Lucara	0.040
CIC Energy	0.005	A Cap	0.025
Investec	0.004	CIC Energy	0.006
Iamgold	0.003	African Energy	0.003
Anglo	0.001	Iamgold	0.002

Source: BSE

Table 14: Top Ten Foreign Companies by Value traded (P' Mn)

2010		2011	
Company	Vol.	Company	Vol.
Disc. Metals	7.396	Discovery Metals	9.008
African Diamond	2.412	African Copper	0.996
African copper	1.270	Blue	0.697
Aviva	0.372	Anglo	0.589
Iamgold	0.281	Aviva	0.361
Anglo	0.271	Lucara	0.246
Blue	0.212	Iamgold	0.242
Investec	0.208	Firestone	0.238
A-cap	0.172	BOD	0.193
CIC Energy	0.080	CIC Energy	0.158

Source: BSE

MARKET STATISTICS (continued)

Table 15: Top Ten Domestic Companies by Market Capitalisation (P' Mn)

2010		2011	
Company	Vol.	Company	Vol.
FNBB	5,511.96	FNBB	6,819.44
Barclays	4,712.45	Barclays	5,879.91
Letshego	3,406.63	Letshego	3,037.05
BIHL	2,956.86	BIHL	2,743.25
Stanchart	2,386.76	Stanchart	2,732.84
Sechaba	1,429.92	Sechaba	1,602.83
Engen	1,022.22	NAP	1,329.67
WIL	1,009.47	Furnmart	970.31
Furnmart	667.60	WIL	900.90
Turnstar	547.85	Engen	881.67

Source: BSE

Table 16: Top Ten Foreign Companies by Market Capitalisation (P'Mn)

2010		2011	
Company	Vol.	Company	Vol.
Anglo	354,654.33	Anglo	355,810.64
Iamgold	34,123.28	Investec	14,814.01
Investec	14,634.96	Dis. Metals	4,323.06
Dis. Metals	2,059.35	Lucara	2,099.80
CIC Energy	1,637.15	Firestone	845.55
African Copper	518.76	African Energy	783.30
A Cap	458.30	Blue	732.50
Aviva	157.79	CIC Energy	659.80
Blue	136.38	A Cap	347.73
		African Copper	334.37

Source: BSE

Table 17: Bond Statistics 2011

Bonds	Maturity Date	Issue size	Coupon Rate (%)	Trade (P)
BBB001	30/10/2014	100,000,000		12,611,878
BBS002	15/12/2016	115,000,000	12.00	1,000,000
BBS004	26/11/2019	75,000,000	11.10	0
BBS005	03/12/2023	150,000,000	11.20	0
BBS006	04/08/2018	110,000,000		493,322
BDC002	01/06/2011	75,000,000		0
BDC003	01/06/2011	125,000,000	11.00	0
BHC017	10/12/2017	286,000,000		0
BHC 020	10/12/2020	103,000,000	10.10	0
BW003	23/03/2015	1,642,000,000	10.25	86,032,600
BW004	12/03/2011	650,000,000	10.50	919,412
BW005	12/08/2018	933,000,000	10.00	17,457,894
BW006	09/03/2012	600,000,000	7.50	24,175,551
BW007	05/03/2025	795,000,000	8.00	15,813,590
BW008	08/09/2020	558,000,000	7.75	16,735,689
BW009	11/09/2013	433,000,000	7.25	9,839,712
BW010	08/03/2017	368,000,000	7.75	112,721,580
BVI001	07/05/2018	70,000,000	11.23	0
BVI002	14/07/2015	50,000,000		1,900,000

Table 17: Bond Statistics 2011 (continued)

Bonds	Maturity Date	Issue size	Coupon Rate (%)	Trade (P)
DPCF003	02/06/2013	225,000,000	10.31	168,571
DPCF004	02/06/2016	220,000,000	10.45	175,811
DPCF005	02/06/2019	100,000,000	10.60	0
DPCF006	02/06/2022	55,000,000	10.75	0
DPCF007	02/06/2025	35,000,000	10.90	0
FML015	12/07/2015	50,000,000		0
NDB001	01/08/2017	165,000,000	11.25	0
SBBL003	01/06/2017	100,000,000	10.50	0
SBBL006	01/06/2016	50,000,000		10,023,000
SBBL046	11/06/2018	50,000,000		0
SBBL047	11/06/2011	70,000,000	11.00	0
SBBL048	11/06/2015	175,000,000	10.70	0
SBBL049	13/08/2018	50,000,000		0
SBBL052	17/12/2018	50,000,000		504,000
SBBL056	13/06/2021	50,000,000		0
SCBB002	20/12/2012	50,000,000	10.30	0
SCBB003	20/12/2015	50,000,000	10.50	34,612
SCBB004	20/12/2015	50,000,000		6,980,000
SCBB005	27/11/2017	75,000,000		0
SCBB006	12/05/2021	70,000,000		7,504,497
WU001	26/06/2018	195,000,000	10.65	0
WU002	26/06/2026	205,000,000	10.60	0
TOTAL		8,358,000,000		325,091,719

Source: BSE

MARKET STATISTICS (continued)

Table 18: Bond Market Capitalisation by Sector: 2011

Bonds	Maturity Date	Issue size
Government	3/23/2015	1,642,000,000
BW003	8/12/2018	933,000,000
BW005	3/9/2012	600,000,000
BW006	3/5/2025	795,000,000
BW007	9/8/2020	558,000,000
BW008	9/11/2013	433,000,000
BW009	3/8/2017	368,000,000
BW010	3/23/2015	1,642,000,000
		5,329,000,000
Quasi	6/2/2013	225,000,000
DPCF003	6/2/2016	220,000,000
DPCF004	6/2/2019	100,000,000
DPCF005	6/2/2022	55,000,000
DPCF006	6/2/2025	35,000,000
DPCF007	6/2/2013	225,000,000
DPCF003	6/2/2016	220,000,000
		635,000,000

Bonds	Maturity Date	Issue size
Parastatals		
BHC017	12/10/2017	286,000,000
BHC 020	12/10/2020	103,000,000
BVI001	5/7/2018	70,000,000
BVI002	7/14/2015	50,000,000
NDB001	8/1/2017	165,000,000
WU001	6/26/2018	195,000,000
WU002	6/26/2026	205,000,000
BBS002	12/15/2016	115,000,000
BBS004	11/26/2019	75,000,000
BBS005	12/3/2023	150,000,000
BBS006	8/4/2018	110,000,000
		1,524,000,000
Corporate		
BBB001	10/30/2014	100,000,000
FML015	7/12/2015	50,000,000
SBBL003	6/1/2017	100,000,000
SBBL046	6/11/2018	50,000,000
SBBL048	6/11/2015	175,000,000
SBBL049	8/13/2018	50,000,000
SBBL052	12/17/2018	50,000,000
SBBL056	6/13/2021	50,000,000
SCBB002	12/20/2012	50,000,000
SCBB003	12/20/2015	50,000,000
SCBB005	11/27/2017	75,000,000
SCBB006	5/12/2021	70,000,000
		870,000,000
TOTAL		8,358,000,000

BOTSWANA STOCK EXCHANGE

GOVERNANCE

CORPORATE GOVERNANCE

1. MAIN COMMITTEE

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

The functions of the main Committee are to set the strategic direction of the BSE and to ensure that the BSE is being managed in line with policies set by the committee. The BSE Board for the year was constituted by the following members:

MEMBER	POSITION	DATE AND PERIOD OF APPOINTMENT
Elected Members		
Patrick O'Flaherty	Chairperson	
Martin Makgatlhe	Vice-Chairperson	
Seleka Mokama	Treasurer	
Geoffrey Bakwena	Member	
Lipalesa Siwawa	Member	
Kabelo Mohohlo	Member	Elected on 27th May 2011
Gregory Matsake	Member	Term ended 27th May 2011
Appointed Members		
Peter Takirambudde	Member	
Iponeng Sennanyana	Member	
Makola Mokwape	Member	Resigned with effect from 30th September 2011
Elaina Gonsalves	Member	Appointed with effect from 1st October 2011

2. BOARD SUB-COMMITTEES

2.1 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.

The members of the Listings and Trading sub-committee are:

MEMBERS	ATTENDANCE
Lipalesa Siwawa	1/1
Seleka Mokama	1/1
Peter Takirambudde	1/1
Martin Makgatlhe	1/1

2.2 Audit sub-committee

The Audit sub-committee assists the main committee in discharging its duties relating 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.

The members of the Audit sub-committee are:

MEMBERS	ATTENDANCE
Iponeng Sennanyana	11/11
Seleka Mokama	11/11
Geoffrey Bakwena	8/11
Makola Mokwape*	5/6
Elaina Gonsalves**	4/5

*Resigned with effect from 30th September 2011
**Appointed with effect from 1st October 2011

CORPORATE GOVERNANCE (continued)

2. BOARD SUB-COMMITTEES (continued)

2.3 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.

The members of the Investigations and Disciplinary sub-committee are:

MEMBERS	ATTENDANCE
Peter Takirambudde	6/7
Iponeng Sennanyana	6/7
Makola Mokwape*	2/4
Elaina Gonsalves**	1/3

*Resigned with effect from 30th September 2011
**Appointed with effect from 1st October 2011

2.4 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 members of Governance and Remuneration sub-committee are:

MEMBERS	ATTENDANCE
Makola Mokwape*	3/5
Iponeng Sennanyana	6/6
Peter Takirambudde	5/6
Lipalesa Siwawa	1/6

*Resigned with effect from 30th September 2011

2.5 Botswana Stock Exchange Security Fund sub-committee

Botswana Stock Exchange Security Fund was established to provide compensation for losses incurred under certain circumstances by registered stockbrokers, employees or associates and agents of registered stockbrokers or broking members. The sub-committee is responsible for all matters relating to the governance of the fund as outlined in the BSE Act.

The members of the BSE Security Fund sub-committee are:

MEMBERS	ATTENDANCE
Peter Takirambudde	1/1
Martin Makgatlhe	1/1
Gregory Matsake*	1/1

*Term ended 27th May 2011

3. 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.

4. BOARD CHARTER

The BSE is a member organisation and a regulator with the potential for conflicts of interest to arise. In order to minimise 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 GOVERNANCE (continued)

5. ATTENDANCE AT MEETINGS OF THE MAIN COMMITTEE AND SUB-COMMITTEES

Members	Main Comm.	Listings & Trading	Audit	Invest. & Discip.	Gov. & Renum.	Security Fund	BSE AGM
Patrick O'Flaherty	8/9						1
Martin Makgatlhe	6/9	1/1				1/1	1
Seleka Mokama	9/9	1/1	11/11				1
Geoffrey Bakwena	6/9		8/11				1
Lipalesa Siwawa	5/9	1/1			1/6		1
Iponeng Sennanyana	9/9		11/11	6/7	6/6		1
Peter Takirambudde	8/9	1/1		6/7	5/6	1/1	1
Gregory Matsake*	2/4					1/1	1
Kabelo Mohohlo**	6/7						1
Makola Mokwape***	3/6		5/6	2/4	3/5		0
Elaina Gonsalves****	1/2		4/5	1/3			0

* Term ended 27th May 2011
**Elected on 27th May 2011
*** Resigned with effect from 30th September 2011
**** Appointed with effect from 1st October 2011

COMMITTEE FEES

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

BOTSWANA STOCK EXCHANGE

STRATEGY

PROGRESS ON THE BSE STRATEGY

BSE Strategic Vision

BSE Strategic Pillars

1. PROGRESS ON THE 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:

1.1 INFRASTRUCTURE DEVELOPMENT

- CSD implemented in May 2008, followed by subsequent shares dematerialisation
- Dematerialisation of shares continuing satisfactorily in the CSD System
- Electronic CSD account statements launched in 2010
- Dematerialisation of bonds into the CSD System commenced in 2011
- More than 12,800 investor accounts opened as at end of December 2011
- More than 46% of domestic companies were dematerialised as at end of December 2011
- IT infrastructure improved to implement the ATS for Equity and Debt instruments
- ATS contract was awarded in October 2011
- Commissioning expected in 2012

1.2 REGULATION

- Settlement cycle of transactions in the BSE reduced from T+5 to T+4, and T+3 effective 2012
- 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
- Committee appointed by MFDP to review the draft Securities Bill completed its review and recommended several amendments which have now been incorporated into the draft bill. The Securities Bill is expected to be presented to Parliament in due course.
- BSE awaiting enactment of Securities Bill to enable it to proceed on several development initiatives which will include the corporatisation of the BSE
- BSE currently reviewing debt listing requirements
- BSE took over role of drafting Member Rules in Quarter 4 of 2009. In 2010 the responsibility to draft Member Rules was taken over by NBFIRA
- Trading Rules expected to undergo extensive revision subsequent to the implementation of the ATS

1.3 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
- BSE also participated at exhibitions and fairs around the country
- Continued awareness creation campaigns conducted targeting retail investors
- Commenced awareness creation on the listing process targeted at companies with the potential to list
- Promoted publicity of the BSE operations by inviting the public to view live BSE trading sessions
- 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

PROGRESS ON THE BSE STRATEGY (continued)

- Partnered with Botswana Television to sponsor the business segment of the "Daily Breakfast Show"
- Partnered with the media by contributing articles and taking part in radio and television talk shows
- BSE conducting market performance presentations on RB1 programmes of "Tsele le Tsele" and "Masa-a-sele" and the RB2 programme of "Business Elevation"

1.4 PRODUCT DEVELOPMENT

- Dual listed the BettaBeta Equally Weighted Top 40 ETF in May 2011 in conjunction with Nedbank Capital
- Series of indices constructed using "total return" methodology
- Series of indices based on "free float" constructed
- Library to assist research established
- Strategic Alliances formed with Absa Capital SA & Nedbank Capital to implement ETFs in the BSE
- Dual listed the NewGold Exchange Traded Fund in July 2010 in partnership with Absa Capital
- Nedbank Capital made several presentations to fund managers, brokers and other interested parties to raise aware on the BettaBeta ETF
- Bond Market Association established in 2010, with representation from several market participants
- Consolidated the Bond Market Development Strategy Paper
- Partnered with Geometric Progression CC of South Africa to conduct financial market courses since 2010
- Held several meetings with strategic partners to appraise them of the BSE's plans to introduce Contract for Difference (CFDs)
- Concept papers on CFDs approved by BSE Board
- Compiled a research paper aiming at providing findings and recommendations for promoting the trading, clearing and settlement of government bonds through the BSE to enhance liquidity, price discovery and the development of a market determined yield curve.
- Reviewing Debt Listing and Trading Rules
- Formulating a Bond Index that is expected to be launched mid 2012

1.5 ORGANISATION STRUCTURE AND HUMAN RESOURCE DEVELOPMENT

- Changes made to organisation structure to assist in implementing strategic plan in 2006
- Performance appraisal system for staff implemented
- BSE continued to train staff through workshops, conferences and courses on operations of the stock exchange
- The BSE continues to offer internship to graduates under the government's internship programme
- A project is underway to evaluate the BSE's organisation structure, job profiles, HR policies and procedures, Code of Conduct as well as succession and retention plans

1.6 GOVERNANCE STRUCTURE

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

1.7 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 2011

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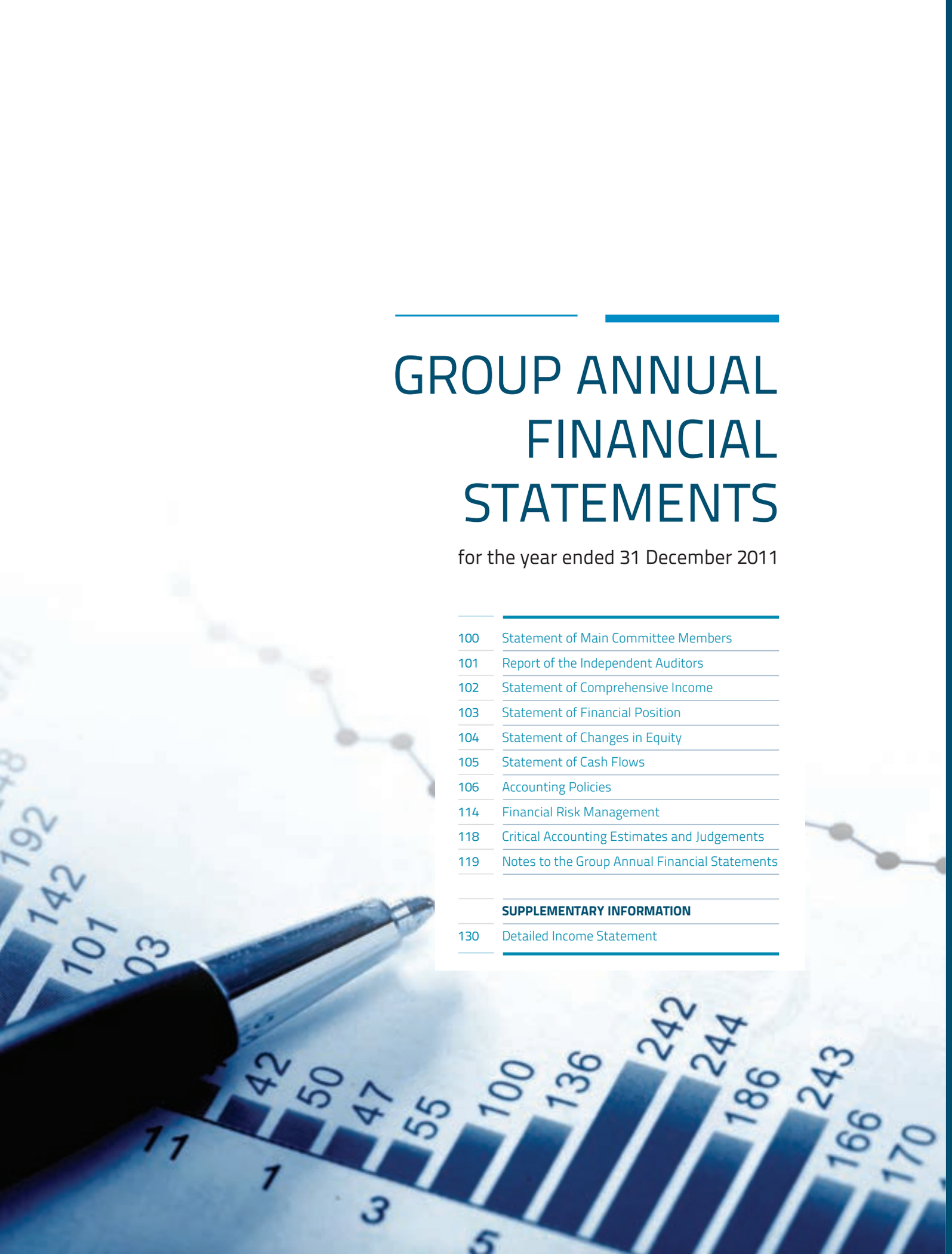

STATEMENT OF MAIN COMMITTEE MEMBERS' RESPONSIBILITIES

for the year ended 31 December 2011

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 102 to 129 and the supplementary information on pages 130 and 131 were authorised for issue by the Committee members on 25th May 2012 and are signed on its behalf by:

Member

Member

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

for the year ended 31 December 2011

Report on the Financial Statements

We have audited the accompanying financial statements of Botswana Stock Exchange and its subsidiary, which comprise the consolidated and separate statement of financial position as at 31 December 2011 and the consolidated and separate statement of comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 102 to 129.

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 for such internal control as the committee members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 judgement, 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 a true and fair view of the financial position of Botswana Stock Exchange and its subsidiary as of 31 December 2011 and of their consolidated and separate financial performance and their consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and Botswana Stock Exchange Act, 1994.

PricewaterhouseCoopers
Gaborone
Certified Auditor
Practicing Member: Narendra Soni
Membership No: 20050064.44

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

	Notes	GROUP 2011 P	GROUP 2010 P	EXCHANGE 2011 P	EXCHANGE 2010 P
Revenue	1	17 813 497	13 118 340	15 351 397	10 972 276
Government subvention	16	7 075 500	2 525 000	4 038 500	1 590 750
Other income		487 271	18 725	487 271	18 725
		25 376 268	15 662 065	19 877 168	12 581 751
Administrative expenses	2	(18 818 273)	(14 886 583)	(12 560 255)	(11 675 266)
Operating profit		**6 557 995**	**775 482**	**7 316 913**	**906 485**
Finance income	4	318 627	423 957	246 713	325 587
Profit before income tax		**6 876 622**	**1 199 439**	**7 563 626**	**1 232 072**
Income tax expense	5	(86 793)	—	—	—
Profit for the year		**6 789 829**	**1 199 439**	**7 563 626**	**1 232 072**
Other comprehensive income		—	—	—	—
Total comprehensive income for the year		**6 789 829**	**1 199 439**	**7 563 626**	**1 232 072**

STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2011

	Notes	GROUP 2011 P	GROUP 2010 P	EXCHANGE 2011 P	EXCHANGE 2010 P
ASSETS					
Non-current assets					
Property, plant and equipment	7	1 538 333	1 531 492	1 529 785	1 518 484
Investment in subsidiary	6	—	—	100	100
		1 538 333	1 531 492	1 529 885	1 518 584
Current assets					
Trade and other receivables	8	596 102	407 192	2 731 304	159 225
Cash and cash equivalents	10	15 861 014	9 884 219	13 252 659	9 011 417
		16 457 116	10 291 411	15 983 963	9 170 642
Total assets		17 995 449	11 822 903	17 513 848	10 689 226
EQUITY					
Capital and reserves					
Proprietary rights capital	11	5 200	5 200	5 200	5 200
Rights premium		777 476	777 476	777 476	777 476
Retained earnings		13 879 418	8 852 152	13 620 173	7 819 110
		14 662 094	9 634 828	14 402 849	8 601 786
LIABILITIES					
Non-current Liabilities					
Deferred lease liability	9	100 739	—	100 739	—
Current liabilities					
Trade and other payables	12	1 328 523	2 030 170	1 192 960	1 929 535
Current income tax liability		86 793	—		—
Amounts due to the Botswana Stock Exchange Security Fund	14	1 762 563	5 000	1 762 563	5 000
Deferred lease liability	9	54 737	152 905	54 737	152 905
		3 232 616	2 188 075	3 010 260	2 087 440
Total liabilities		3 333 355	2 188 075	3 110 999	2 087 440
Total equity and liabilities		17 995 449	11 822 903	17 513 848	10 689 226

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

	Proprietary Rights Capital P	Rights Premium P	Retained Income P	Total P
GROUP				
Year ended 31 December 2010				
Balance at 1 January 2010	5 200	777 476	7 657 713	8 440 389
Profit for the year	—	—	1 199 439	1 199 439
Transfer to the Botswana Stock Exchange Security Fund (note 14)	—	—	(5 000)	(5 000)
Balance at 31 December 2010	**5 200**	**777 476**	**8 852 152**	**9 634 828**
Year ended 31 December 2011				
Balance at 1 January 2011	5 200	777 476	8 852 152	9 634 828
Profit for the year	—		6 789 829	6 789 829
Transfer to the Botswana Stock Exchange Security Fund (note 14)	—	—	(1 762 563)	(1 762 563)
Balance at 31 December 2011	**5 200**	**777 476**	**13 879 418**	**14 662 094**
EXCHANGE				
Year ended 31 December 2010				
Balance at 1 January 2010	5 200	777 476	6 592 038	7 374 714
Profit for the year	—	—	1 232 072	1 232 072
Transfer to the Botswana Stock Exchange Security Fund (note 14)	—	—	(5 000)	(5 000)
Balance at 31 December 2010	**5 200**	**777 476**	**7 819 110**	**8 601 786**
Year ended 31 December 2011				
Balance at 1 January 2011	5 200	777 476	7 819 110	8 601 786
Profit for the year	—	—	7 563 626	7 563 626
Transfer to the Botswana Stock Exchange Security Fund (note 14)	—	—	(1 762 563)	(1 762 563)
Balance at 31 December 2011	**5 200**	**777 476**	**13 620 173**	**14 402 849**

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 14).

STATEMENT OF CASH FLOWS

for the year ended 31 December 2011

	Notes	GROUP 2011 P	GROUP 2010 P	EXCHANGE 2011 P	EXCHANGE 2010 P
Cash flows from operating activities					
Cash generated from operations	15	6 225 167	3 460 980	4 561 528	4 306 764
Net cash generated from operating activities		**6 225 167**	**3 460 980**	**4 561 528**	**4 306 764**
Cash flows from investing activities					
Purchase of property, plant and equipment	7	(561 999)	(296 904)	(561 999)	(296 904)
Proceeds from sale of property, plant and equipment		—	28 087	—	28 087
Interest received	4	318 627	423 957	246 713	325 587
Net cash (used in)/generated from investing activities		**(243 372)**	**155 140**	**(315 286)**	**56 770**
Cash flows from financing activities					
Amounts paid to Botswana Stock Exchange Security Fund	14	(5 000)	(5 000)	(5 000)	(5 000)
Net cash used in financing activities		**(5 000)**	**(5 000)**	**(5 000)**	**(5 000)**
Net increase in cash and cash equivalents		5 976 795	3 611 120	4 241 242	4 358 534
Cash and cash equivalents at beginning of year		9 884 219	6 273 099	9 011 417	4 652 883
Cash and cash equivalents at the end of year	10	**15 861 014**	**9 884 219**	**13 252 659**	**9 011 417**

ACCOUNTING POLICIES

for the year ended 31 December 2011

General information

The Botswana Stock Exchange is involved in the regulation and promotion of listing and dealing of shares and other securities listed on the Botswana Stock Exchange.

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. 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 judgments" section of the financial statements.

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

i) **New and amended standards adopted by the Group**
There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that would be expected to have a material impact on the Group.

ii) **New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted**
Amendments to IFRS 7, 'Financial instruments: Disclosures' on transfers of financial assets, promote transparency in the reporting of transfer transactions and improves users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The Group is yet to assess the full impact of the amendments and intends to adopt IFRS 7 no later than the accounting period beginning on or after 1 January 2012.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements.

The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2013.

IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

IFRS 11, 'Joint arrangements,' is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group is yet to assess IFRS 11's full impact and intends to adopt IFRS 11 no later than the accounting period beginning on or after 1 January 2013.

IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2013.

Amendment to IAS 12, 'Income taxes', on deferred tax currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes - recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The Group is yet to assess IAS 12's full impact and intends to adopt IAS 12 no later than the accounting period beginning on or after 1 January 2012.

ACCOUNTING POLICIES (continued)

for the year ended 31 December 2011

ii) **New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted** (continued)

IAS 19, 'Employee benefits', was amended in June 2011. The impact on the Group will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Group is yet to assess the full impact of the amendments and intends to adopt IAS 12 no later than the accounting period beginning on or after 1 January 2013.

B. Basis of 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. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

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

C. 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.

D. 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

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.

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.

ACCOUNTING POLICIES (continued)

for the year ended 31 December 2011

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 is 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

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate.

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

L. Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to fair value re-measurement of available-for-sale investments and cash flow hedges, which are charged or credited directly in other comprehensive income, is also credited or charged directly to other comprehensive income and subsequently recognised in the consolidated income statement together with the deferred gain or loss.

M. Security Fund

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

ACCOUNTING POLICIES (continued)

for the year ended 31 December 2011

N. Leases (continued)

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 trading 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.

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 trading 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.

- Loans and receivables are initially recognised at fair value and subsequently measured at amortised 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 2011

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 8. At 31 December 2011, all impaired receivables have been provided for.

(b) Credit risk

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

	Total P	Fully performing P	Past due P	Impaired P
At 31 December 2011				
Group				
Fee receivables	139 461	81 026	58 435	Nil
Exchange				
Fee receivables	54 500	31 853	22 647	Nil
At 31 December 2010				
Group				
Fee receivables	88 599	79 022	9 577	9 430
Exchange				
Fee receivables	76 685	67 135	9 550	9 430

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.

FINANCIAL
RISK MANAGEMENT (continued)

for the year ended 31 December 2011

(b) Credit risk

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 2011 Credit limit	 Balance P	31 December 2010 Credit limit	 Balance P
Barclays Bank of Botswana	N/A	N/A	5 928 027	N/A	794 192
Standard Chartered Bank	N/A	N/A	9 930 487	N/A	9 087 527
EXCHANGE **Counterparty**					
Barclays Bank of Botswana	N/A	N/A	5 928 027	N/A	794 192
Standard Chartered Bank	N/A	N/A	7 322 132	N/A	8 214 725

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 approximates 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	
	2011 P	2010 P	2011 P	2010 P
Accounts payable				
- Less than 1 year	3 091 070	2 035 170	2 955 507	1 934 535
- Between 1 and 2 years	—	—	—	—
- over 3 years	—	—	—	—
	3 091 070	**2 035 170**	**2 955 507**	**1 934 535**

(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 2011, 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 JUDGMENTS

for the year ended 31 December 2011

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

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

Useful lives and residual values for property, plant and equipment

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

for the year ended 31 December 2011

		GROUP		EXCHANGE	
		2011 P	2010 P	2011 P	2010 P
1	**Revenue**				
	Listing and annual sustaining fees	12 635 497	8 335 630	12 635 497	8 335 630
	Commission income	4 720 203	4 560 755	2 699 150	2 620 396
	Members' fees	16 750	16 250	16 750	16 250
	Miscellaneous fees	441 047	205 705	—	—
		17 813 497	**13 118 340**	**15 351 397**	**10 972 276**
2	**Expenses by nature**				
	Audit fees - current year	195 000	146 550	120 000	93 718
	- prior year under provision	11 522	—	10 667	—
	Employee benefit expenses (note 3)	10 684 732	9 277 325	8 176 056	7 069 276
	Advertising costs	334 979	753 964	315 104	750 598
	Depreciation (note 7)	555 158	598 195	550 698	593 736
	Operating lease costs	599 913	565 138	517 109	482 334
	Reversal of impairment provision of debtors	(65 858)	—	(2 503 637)	—
	Bad debt impairment	2 598 750	—	2 598 750	333 287
	Computer expenses	1 210 203	1 236 370	483 617	606 267
	Consulting fees	351 432	170 596	345 232	156 146
	VAT related expenses/(credits)	(60 437)	219 101	(60 437)	219 101
	Seminars and conferences	306 297	138 650	276 571	121 349
	Travelling and accommodation expenses	449 972	232 161	449 972	232 161
	Training expenses	127 834	—	127 834	—
	Members' sitting allowances	244 650	193 200	178 080	121 170
	Other expenses	1 274 126	1 355 333	974 639	896 123
	Total administrative expenses	**18 818 273**	**14 886 583**	**12 560 255**	**11 675 266**
3	**Employee benefit expenses**				
	Salaries and other termination benefits	8 655 596	7 455 124	6 493 448	5 586 595
	Pension costs and gratuity	1 907 444	1 810 921	1 560 916	1 471 401
	Other benefits	121 692	11 280	121 692	11 280
		10 684 732	**9 277 325**	**8 176 056**	**7 069 276**
	Average number of persons employed during the year	**21**	**20**	**15**	**15**

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

	GROUP		EXCHANGE	
	2011 P	2010 P	2011 P	2010 P
4 Finance income				
Interest income on short term bank deposits	318 627	423 957	246 713	325 587
5 Income tax expense				
The Botswana Stock Exchange is exempt from income tax in accordance with the Income Tax Act.				
Current tax:	86 793	—	—	—
Income tax expense	86 793	—	—	—
The tax on profit before tax differs from theoretical amount that would arise using the basic tax rate as follows:				
Profit before tax	6 876 622	1 199 439	7 563 626	1 232 072
Tax at 22% (2010 - 25%)	1 512 857	299 860	—	—
Tax effects of:				
- Income not subject to tax	(1 354 280)	(366 302)	—	—
- Expenses not deductible for tax purposes	226 600	6 490	—	—
- Utilisation of tax losses	(298 974)	59 287		
- Deferred tax not provided	590	665		
Tax charge	86 793	—	—	—
6 Investment in subsidiary				
Cost of shares	—	—	100	100

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

	Leasehold Improvements P	Office Equipment P	Furniture & Fittings P	Motor Vehicles P	Total P
7 Property, plant and equipment					
GROUP					
Year ended 31 December 2010					
Opening net book amount	225 670	851 678	484 457	283 490	1 845 295
Additions	—	290 365	6 539	—	296 904
Disposals	—	(66 085)	—	—	(66 085)
Depreciation on disposals		53 573			53 573
Depreciation (note 2)	(29 179)	(363 235)	(59 270)	(146 511)	(598 195)
Closing net book amount	**196 491**	**766 296**	**431 726**	**136 979**	**1 531 492**
At 31 December 2010					
Cost	405 442	1 690 200	595 921	767 140	3 458 703
Accumulated depreciation	(208 951)	(923 904)	(164 195)	(630 161)	(1 927 211)
Net book amount	**196 491**	**766 296**	**431 726**	**136 979**	**1 531 492**
Year ended 31 December 2011					
Opening net book amount	196 491	766 296	431 726	136 979	1 531 492
Additions	—	30 596	—	531 403	561 999
Disposals	—	—	—	(385 588)	(385 588)
Depreciation on disposals	—	—	—	385 588	385 588
Depreciation (note 2)	(29 185)	(370 994)	(59 592)	(95 387)	(555 158)
Closing net book amount	**167 306**	**425 898**	**372 134**	**572 995**	**1 538 333**
At 31 December 2011					
Cost	405 442	1 720 796	595 921	912 955	3 635 114
Accumulated depreciation	(238 136)	(1 294 898)	(223 787)	(339 960)	(2 096 781)
Net book amount	**167 306**	**425 898**	**372 134**	**572 995**	**1 538 333**

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

	Leasehold Improvements P	Office Equipment P	Furniture & Fittings P	Motor Vehicles P	Total P
7 Property, plant and equipment (continued)					
EXCHANGE					
Year ended 31 December 2010					
Opening net book amount	225 670	834 211	484 457	283 490	1 827 828
Additions	—	290 365	6 539	—	296 904
Disposals	—	(66 085)	—	—	(66 085)
Depreciation on disposals	—	53 573	—	—	53 573
Depreciation (note 2)	(29 179)	(358 776)	(59 270)	(146 511)	(593 736)
Closing net book amount	196 491	753 288	431 726	136 979	1 518 484
At 31 December 2010					
Cost	405 442	1 668 362	595 921	767 140	3 436 865
Accumulated depreciation	(208 951)	(915 074)	(164 195)	(630 161)	(1 918 381)
Net book amount	196 491	753 288	431 726	136 979	1 518 484
Year ended 31 December 2011					
Opening net book amount	196 491	753 288	431 726	136 979	1 518 484
Additions	—	30 596	—	531 403	561 999
Disposals	—	—	—	(385 588)	(385 588)
Depreciation on disposals	—	—	—	385 588	385 588
Depreciation (note 2)	(29 185)	(366 534)	(59 592)	(95 387)	(550 698)
Closing net book amount	167 306	417 350	372 134	572 995	1 529 785
At 31 December 2011					
Cost	405 442	1 698 958	595 921	912 955	3 613 276
Accumulated depreciation	(238 136)	(1 281 608)	(223 787)	(339 960)	(2 083 491)
Net book amount	167 306	417 350	372 134	572 995	1 529 785

	GROUP		EXCHANGE	
	2011 P	2010 P	2011 P	2010 P
8 Trade and other receivables				
Fee receivables	139 461	88 599	54 500	76 685
Less: provision for impairment	—	(9 430)	—	(9 430)
Fee receivables - net	139 461	79 169	54 500	67 255
	—	—	2 455 050	—
Receivables from related party (note 16)	2 598 750	—	5 053 800	—
Less: provision for impairment	(2 598 750)	—	(2 598 750)	—
Prepayments and deposits	435 641	310 707	200 754	74 654
Other receivables	21 000	17 316	21 000	17 316
	596 102	**407 192**	**2 731 304**	**159 225**
The fair values of trade and other receivables are as follows:				
Fee receivables	139 461	79 169	54 500	67 255
Receivables from related party	2 598 750	—	5 053 800	—
Other receivables	21 000	17 316	21 000	17 316
	2 759 211	**96 485**	**5 129 300**	**84 571**

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

	GROUP		EXCHANGE	
	2011 P	2010 P	2011 P	2010 P
8 Trade and other receivables (continued)				
Prepayments and deposits are excluded from the trade and other receivables balance for fair value purposes, as this analysis is required only for financial instruments.				
At 31 December 2011, fee receivables of P 81 026 (2010: P 79 022) and P 31 853 (2010: P 67 135) were fully performing for the Group and Exchange respectively.				
At 31 December 2011, fee receivables of P 58 435 (2010: P 9 577) and P 22 647 (2010: P 9 550) 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 aging of these receivables is as follows:				
Up to 3 months	32 995	—	—	—
3 to 6 months	25 440	9 577	22 647	9 550
	58 435	**9 577**	**22 647**	**9 550**

	GROUP		EXCHANGE	
	2011 P	2010 P	2011 P	2010 P
9 Deferred lease liability				
Balance at 1 January	152 905	140 960	152 905	140 960
Charge to the income statement	2 571	11 945	2 571	11 945
Balance at 31 December	155 476	152 905	155 476	152 905
Non - current	100 739	-	100 739	-
Current	54 737	152 905	54 737	152 905
	155 476	152 905	155 476	152 905
10 Cash and cash equivalents				
Cash at bank and in hand	38 124	7 654	38 124	7 654
Short-term bank deposits	15 822 890	9 876 565	13 214 535	9 003 763
	15 861 014	9 884 219	13 252 659	9 011 417
For the purpose of the statement of cash flows, the cash and cash equivalents at the end of the year comprise the following:				
Cash and bank balances	15 861 014	9 884 219	13 252 659	9 011 417
11 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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

	GROUP		EXCHANGE	
	2011 P	2010 P	2011 P	2010 P
12 Trade and other payables				
Trade payables	350 384	433 030	275 384	433 030
VAT payable (note 13)	101 886	763 359	41 323	715 633
Other payables	876 253	833 781	876 253	780 872
	1 328 523	2 030 170	1 192 960	1 929 535
13 VAT payable				
Balance at 1 January	763 359	201 030	715 633	184 951
Current year movement	(484 487)	385 343	(497 324)	353 696
Adjustment related to VAT payable	(176 986)	176 986	(176 986)	176 986
Balance at 31 December	101 886	763 359	41 323	715 633
14 Amounts due to the Botswana Stock Exchange Security Fund				
Balance at 1 January	5 000	5 000	5 000	5 000
Statutory transfer for the year	1 762 563	5 000	1 762 563	5 000
Settled during the year	(5 000)	(5 000)	(5 000)	(5 000)
Balance at 31 December	1 762 563	5 000	1 762 563	5 000

	GROUP		EXCHANGE	
	2011 P	2010 P	2011 P	2010 P
15 Cash generated from operations				
Profit before income tax	6 876 622	1 199 439	7 563 626	1 232 072
Adjustment for:				
- Depreciation (note 7)	555 158	598 195	550 698	593 736
- Gain on disposal of property, plant and equipment	—	(15 575)	—	(15 575)
- Finance income (note 4)	(318 627)	(423 957)	(246 713)	(325 587)
Changes in working capital				
- Trade and other receivables	(188 910)	1 371 848	(2 572 079)	2 123 144
- Deferred lease liability	2 571	11 945	2 571	11 945
- Trade and other payables	(701 647)	719 085	(736 575)	687 029
Cash generated from operations	6 225 167	3 460 980	4 561 528	4 306 764

16 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.

The following transactions were carried out with related parties.

a) Membership fees				
- Stockbrokers Botswana (Pty) Ltd	4 750	4 500	4 750	4 500
- Capital Securities (Pty) Ltd	4 000	4 000	4 000	4 000
- African Alliance	3 750	3 500	3 750	3 500
- Motswedi Securities (Pty) Ltd	4 250	4 250	4 250	4 250
	16 750	16 250	16 750	16 250

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

	GROUP		EXCHANGE	
	2011 P	2010 P	2011 P	2010 P
16 Related party transactions (continued)				
b) Listing and annual sustaining fees - at 0.125% on nominal value of Government Bonds				
Government of the Republic of Botswana	7 473 750	4 875 000	7 473 750	4 875 000
c) Subvention received				
Government of the Republic of Botswana	7 075 500	2 525 000	4 038 500	1 590 750
d) Transfer to the Botswana Stock Exchange Security Fund	1 762 563	5 000	1 762 563	5 000
e) Sitting allowances by the Committee members	244 650	193 200	178 080	121 170
f) Remuneration for senior managers	5 966 261	4 494 341	4 556 964	3 269 252
g) Year end balances				
Receivables (note 8)				
- Government of the Republic of Botswana	2 598 750	—	2 598 750	—
- Central Securities Depository Company of Botswana Limited	—	—	2 455 050	2 437 779
Less:				
Provision for impairment	(2 598 750)	—	(2 598 750)	(2 437 779)
	—	—	2 455 050	—
Payables (note 14)				
- Botswana Stock Exchange Security Fund	1 762 563	5 000	1 762 563	5 000

	GROUP		EXCHANGE	
	2011	2010	2011	2010
	P	P	P	P
17 Commitments				
Capital commitments				
The Main Committee members confirm that there were no capital commitments as at 31 December 2011.				
Operating lease commitments - Group as lessee				
The future aggregate minimum lease payments under a cancellable operating lease with Lessor are as follows:				
No later than 1 year	606 760	551 600	606 760	551 600
Later than 1 year and no later than 5 years	606 760	1 213 519	606 760	1 213 519
Total future cash flows	1 213 520	1 765 119	1 213 520	1 765 119
Straight line accounting accrued	(155 476)	(152 905)	(155 476)	(152 905)
	1 058 044	1 612 214	1 058 044	1 612 214

18. Contingent liabilities

The Main Committee members confirm that there were no contingent liabilities as at 31 December 2011.

19. Events after the reporting date

Main committee members confirm that there are no events occurred after the reporting date that require adjustments to or disclosures in these financial statements.

DETAILED INCOME STATEMENT

for the year ended 31 December 2011

	2011 P	2010 P
Revenue		
Commission income	2 699 150	2 620 396
Listing and annual sustaining fees	12 635 497	8 335 630
Members' fees	16 750	16 250
Government subvention	4 038 500	1 590 750
Other income	487 271	18 725
Total income	19 877 168	12 581 751
Administrative expenses		
Advertising	315 104	750 598
Audit fees	130 667	93 718
Bad debt write-off	2 598 750	333 287
Reversal of impairment provision of debtors	(2 503 637)	—
Bank charges	25 674	24 641
Cleaning	52 237	52 542
Communication expenses	286 561	251 225
Computer expenses	483 617	606 267
Consulting fees	345 232	156 146
Recruitment expenses	11 557	—
Donations	2 000	—
Depreciation	550 698	593 736
Electricity	74 747	72 428
Entertainment	70 557	72 610
Insurance	152 531	133 946
Legal fees	6 176	470
Library expenses	9 406	6 321
Members' sitting allowances	178 080	121 170
Motor vehicle expenses	38 629	35 731
Office expenses	33 720	31 422
Printing and stationery	19 342	34 849
Rent	517 109	482 334

"The detailed income statement does not form a part of the audit opinion on page 101".

	2011 P	2010 P
Administrative expenses (continued)		
Repairs and maintenance	33 115	26 175
Salaries and wages	8 054 364	7 069 275
Training expenses	127 834	—
Security costs	25 716	27 988
Training Levy	14 351	19 428
VAT related expenses/(credits)	(60 437)	219 101
Seminars and conferences	276 571	121 349
Staff welfare	121 692	11 280
Subscriptions	106 928	83 534
Travelling and accommodation expenses	449 972	232 161
Water	11 392	11 534
	12 560 255	11 675 266
Finance income		
Interest income	246 713	325 587
Profit for the year	7 563 626	1 232 072

"The detailed income statement does not form a part of the audit opinion on page 101".

NOTES