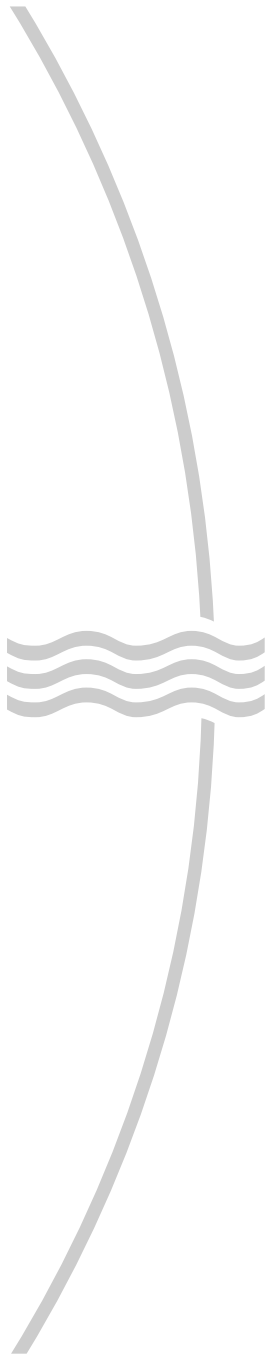




**Botswana International Financial  
Services Centre**

**ANNUAL REPORT 2006**



## **THE MAIN OBJECTIVES OF THE BOTSWANA IFSC LTD ARE:**

- To facilitate and promote the growth of a cross-border financial services industry based in Botswana.
- To assist financial services and other companies obtain IFSC accreditation under the provisions of the Income Tax Amendment Act (1999) and the Income Tax Amendment Act (2006).
- To encourage skills transfer in order to build the sophistication of Botswana's financial sector
- To promote international insurance activity under the provisions of the International Insurance Act (2005)
- To promote international investment funds under the provisions of the Collective Investment Undertaking Act (1999)
- To encourage foreign direct investment into Botswana's financial services sector

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## BOARD OF *DIRECTORS*



FROM L - R: **Mr. H.C.L. HERMANS**, IFSC Chairperson, Independent Consultant, Director of Companies

**Mr. P.K. MOLEFE**, Chief Executive Officer, Botswana Building Society, (BBS)

**Mr. A.P. BOSHWAEN**, CEO, Botswana International Financial Services Centre, (IFSC)

**Mrs. I.O. SENNANYANA**, Deputy Secretary for Financial Affairs, Ministry of Finance and Development Planning, (MFDP)

**Mr. J. KAMYUKA**, General Manager, Management Services, Botswana Development Corporation, (BDC)

**Dr. N.H. FIDZANI**, Executive Director, Botswana Institute for Development and Policy Analysis, (BIDPA)

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## CERTIFICATION COMMITTEE



- FROM L - R:** Mrs. I.O. SENNANYANA, Chairperson, Deputy Secretary for Financial Affairs, Ministry of Finance and Development Planning, (MFD)  
Mrs. E. GONSALVES, Director, Insurance and Pension, Ministry of Finance and Development Planning, (MFD)  
Mr. T. BAKWENA, Taxes Inspector, Botswana Unified Revenue Services, (BURS)  
Dr. B.K. SINAH, Principal Inspector of Taxes, Botswana Unified Revenue Services, (BURS)  
Mr. O. MABUSA, Director of Banking Supervision Department, Bank of Botswana, (BOB)  
Mrs. M. MASIRE-MWAMBA, CEO, Botswana Export Development And Investment Authority, (BEDIA)  
Mrs. M. NTHEBOLAN, General Manager, Business Development, Botswana Development Corporation, (BDC)  
Ms. N. RADITLOANENG, Principal Bank Examiner, Bank of Botswana, (BOB)  
Mrs. E. RICHARDS-MADISA, Director of Finance and Banking, Ministry of Finance and Development Planning, (MFD)  
Mr. M. MABUA, Director, Telecomms & Postal Services, Ministry of Communications, Science & Technology, (MCST)  
Mr. A.P. BOSHWAEN, CEO, Botswana International Financial Services Centre, (IFSC)

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## MANAGEMENT TEAM



- STANDING FROM L - R:** Mr. KITSO LEMO, Strategy and Research Executive  
Mr. LETSEBE SEJOE, Business Development Executive (International Insurance/Investment Funds)  
Mrs. RACHEL MOTHIBATSELA, Corporate Communications Executive  
Mr. MORAKI MOKGOSANA, Business Development Executive (BPO & Call Centres)
- SEATED FROM L - R:** Mr. MOKWENA MORULANE, Corporate Affairs Executive  
Mr. ALAN BOSHWAEN, Chief Executive Officer  
Mrs. OTSILE MABEO, Business Development Executive (Banking/Holding Companies)  
Mr. MORULAGANYI MASALILA, Corporate Affairs Officer
-

## CHAIRMAN & CHIEF EXECUTIVE OFFICER'S REPORT

### Overview

Increasingly, it is becoming evident that in order to continue to grow, countries, like companies, have to be more responsive to the demands of markets and diligently strive to incorporate leading strategies to become more competitive. This reality has driven the Botswana International Financial Services Centre (IFSC) to adjust its offering to ensure that the initiative remains attractive to investors. Experience with both accredited companies and potential participants in the Botswana IFSC has been invaluable in enabling us to clarify our position and crystallise objectives.

### Value Proposition

The Botswana IFSC has already become an enabler for the development of a new broad cross-border financial services sector geared primarily towards Southern Africa and the countries beyond in Sub Saharan Africa. This sector is anchored around the financial services industry but also includes a broader range of cross-border activities sustainable from Botswana. We are aware that models employed elsewhere globally and in the region cannot be superimposed on Botswana due to its unique circumstances. In view of the fact that the Botswana IFSC differentiates itself from other IFSCs by requiring that companies establish substantive operations in the country, it is apparent that alternative factors such as quality of human resources, flexibility of regulation, openness to investment and availability of cutting edge infrastructure are vital to attracting sustainable investment. Finally, the tax incentives also need to be cognizant of the changing idiosyncrasies of potential investors.

Botswana is uniquely positioned as the only country in mainland Africa with both a liberalised foreign exchange regime and investment grade sovereign credit ratings, both prerequisites for an international financial services centre. Nevertheless, Botswana IFSC has endeavoured to modify its offering to better fit the demands of companies trading services across borders, particularly within the context of a Southern African region that is opening up to development both in primary industries and in more advanced sectors of their economies. More and more companies from both Africa and abroad are looking to extend their footprint across the

continent and enter markets in their infant stages in order to gain a foothold. However, many of these companies are constrained by various factors in their home markets. More are beginning to gravitate to Botswana as a base for their African operations, drawn to its sound fiscal and monetary policies, respect for the rule of law, socio-political stability and its overall openness to and encouragement of business.



### PERFORMANCE MEASURES

#### Accredited Companies

Seven new companies were certified over the past year. Collectively, these Botswana IFSC operations will when fully operational, employ capital in excess of US\$100 million over the next three years. In assessing applicants, a critical consideration in the year under review has been to tighten the accreditation process to ensure that companies certified are quality investors and will therefore be able to sustain and grow their operations over time.

Highlights of the year included the accreditation of a subsidiary of a financial services company listed on the Johannesburg Stock Exchange: African Fund Management (AFM) Holdings,

## CHAIRMAN & CHIEF EXECUTIVE OFFICER'S REPORT

a subsidiary of Sanlam Investment Management, which will be a regional hub providing technical and intellectual support to existing subsidiary operations in Zambia and planned offices in Kenya, Tanzania, Uganda, Ghana and Nigeria engaged in the business of asset management, pension fund administration, and corporate advisory services. AFM Holdings will initially be capitalised with US\$2 million. Sanlam Investment Managers is a subsidiary of Sanlam.

Increasingly, the Botswana IFSC is becoming the launch pad for expansion into Africa by Botswana owned companies. More are now using the Botswana IFSC as a platform for extending their existing competencies elsewhere in the region by setting up an operating company responsible for a range of financial and support services to subsidiaries operating in neighbouring foreign jurisdictions. This is seen as a welcome development to expanding the horizons of locally owned businesses.



Micro Provident Botswana Limited has been accredited as a Botswana IFSC accredited company in order to enable it to expand its business enterprise to other African countries. The accredited holding company under the Botswana IFSC will roll out the Micro Provident Botswana business model in other parts of Africa. Micro Provident, whose trading name is Letshego, is a listed company that provides short-term finance to low and middle-income people working in the formal employment sector in Botswana. The company is establishing retail financial services companies, as subsidiaries, that will offer a range of financial services products to employees of government, parastatals and the private sector in a number of African countries. Total earnings of about US\$ 120 million are projected within the first three years of operations. Operations have already started in Swaziland, Uganda, Tanzania and the company will soon be recruiting for the Zambia office. The main shareholders of Micro Provident Botswana Limited are: PAIP-PCAP-FMO-Letshego Limited, which comprises Pan-African Investment Partners (PAIP), Pan-Commonwealth African Partners (PCAP) and Nederlandse Financierings Maatschappij voor Ontwikkelingslanden NV

(FMO); the International Finance Corporation (IFC), Botswana Life Insurance Limited and Micro Provident Limited.



Island View is a citizen-owned property investment company, holding assets in South Africa and Tanzania. The company has secured facilities to raise US\$90 million to fund its first project, Mlimani City, in Dar-Es-Salaam, Tanzania. Mlimani City will be an integrated commercial development on a strategic site within the university investment corridor. Mlimani city will be the first development of its kind in Tanzania, and has already attracted major regional brands including Game to establish a retail presence. In addition to Mlimani City, Island View will hold other retail assets across the subcontinent including Auto City in South Africa.

### Developments in Previously Certified IFSC Companies

Since the inception of the initiative, the Botswana IFSC has accredited thirty nine (39) operations. Of these, seventeen are already fully operational. Some of these operational firms have made significant strides this year.



Imara Holdings announced in February that it has taken an effective 32% equity stake in its Zimbabwe franchise operation, Imara Capital Zimbabwe (Private) Limited. In addition, Imara Holdings listed on the Over-The-Counter market of the Botswana Stock Exchange. Imara is one of southern Africa's leading issuers of equity capital with offices in Gaborone, Johannesburg, Harare and London and representation in Zambia, Malawi and Namibia. Services include asset management, securities trading, investment banking and advisory services. Imara has intense research focus on African markets and has established two actively managed equity funds, the Imara Global Fund and the Imara African Opportunities Fund.

## CHAIRMAN & CHIEF EXECUTIVE OFFICER'S REPORT

### SICAPITAL

Sicapital is a special purpose vehicle (SPV) designed to facilitate the sale into Africa of various Siemens products by providing asset financing to Siemens customers. The first transaction earmarked for Sicapital is for a leading cellular provider into the Tanzanian market.



Wilderness Safaris is in the process of constituting an IFSC holding company that will hold subsidiaries in Botswana, Seychelles, Zimbabwe, Zambia. In addition, Wilderness is exploring a financing structure to optimise its cash flows by consolidating disparate purchase and lease agreements on its twenty nine aircraft. Wilderness Safaris is a 22-year-old southern Africa eco-tourism company that operates camps and safaris in Botswana, Namibia, Malawi, South Africa, Zambia, Zimbabwe and the Seychelles.

#### Key Statistics

The Botswana IFSC is progressively developing into a regional financial services hub. Presently, accredited companies offer services into at least eleven (11) African countries, including Angola, Democratic Republic of Congo, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, South Africa, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. In addition, business plans of accredited companies show that over the next financial year, services will extend into new markets including Ethiopia and Ghana.

Total capital employed in the Botswana IFSC has grown from US\$11.1 million in the previous financial year to US\$18.5 million. This represents a sixty seven percent (67%) growth. Going forward, current accredited companies project further capital employed of at least US\$23 million in the coming financial year.

Cumulatively, Botswana IFSC companies reported revenue

of US\$18 million and paid taxes of approximately US\$1.4 million (BWP 8.4 million) to the Botswana Unified Revenue Service in the year ended 31 March 2006. Other benefits to the domestic economy included US\$11 million paid towards various local companies for consulting and professional services, utilities, security, rent and maintenance amongst others.

Employment is growing steadily. At least one hundred and ten (110) persons are directly employed by the already established Botswana IFSC companies. Most of these persons serve in senior positions as risk analysts, chartered accountants, agronomists, treasury experts, and fund managers. Amongst citizens employed in the Botswana IFSC, the mean remuneration is BWP 115 000 per annum (approximately US\$20 000) which is significantly higher than the median national wage.

Finally, in instances where it is evident that previously registered companies have failed to fulfil their obligation of establishing substantive operations as proposed in their applications, the Certification Committee, responsible for advising the Minister of Finance and Development Planning on viable IFSC projects, has decertified the companies. In all, six companies were decertified in the last year.

#### INITIATIVES

##### Taxation Framework Review

In February 2006, Minister of Finance and Development Planning Hon. Baledzi Gaolathe announced through the Budget Speech amendments to the Income Tax Act that will be effected in July 2006. With regard to the Botswana IFSC, the main goal of the changes has been to ensure simplicity of interpretation and a broadening of the scope of permissible activities based on the market experience to date. Firstly, the Minister has clarified that Botswana IFSC companies are indeed exempt from capital gains tax on disposal of assets. This clarification was important as it ensures that the Botswana IFSC framework is competitive with other regional international financial services centres. Secondly, the range of services permissible within the Botswana IFSC has grown to encompass mutual funds; holding and administration companies; and

## CHAIRMAN & CHIEF EXECUTIVE OFFICER'S REPORT

Business Process Outsourcing and Call Centre (BPO) operations. These changes are in response to both immediate and long term opportunities in attracting new investment in the financial services sector and growing already accredited companies.

### Certification Committee Order

In October 2005, the Minister of Finance and Development Planning signed a new Certification Committee Order that adjusted the constitution of the Certification Committee. The Certification Committee is the independent body tasked with reviewing applications for accreditation to the Botswana IFSC and making recommendations on qualifying companies to the Minister. Botswana IFSC motivated the order to ensure that an appropriate range of skill set existed among the members of the Certification Committee to enhance the committee's ability to evaluate the diverse range of applications for accreditation. The Certification Committee now includes representatives from Botswana Unified Revenue Service; Bank of Botswana; Ministry of Finance and Development Planning; Botswana Development Corporation; Ministry of Communications, Science and Technology; Botswana Export

Development and Investment Authority; and Botswana IFSC.

### Skills Readiness Initiative

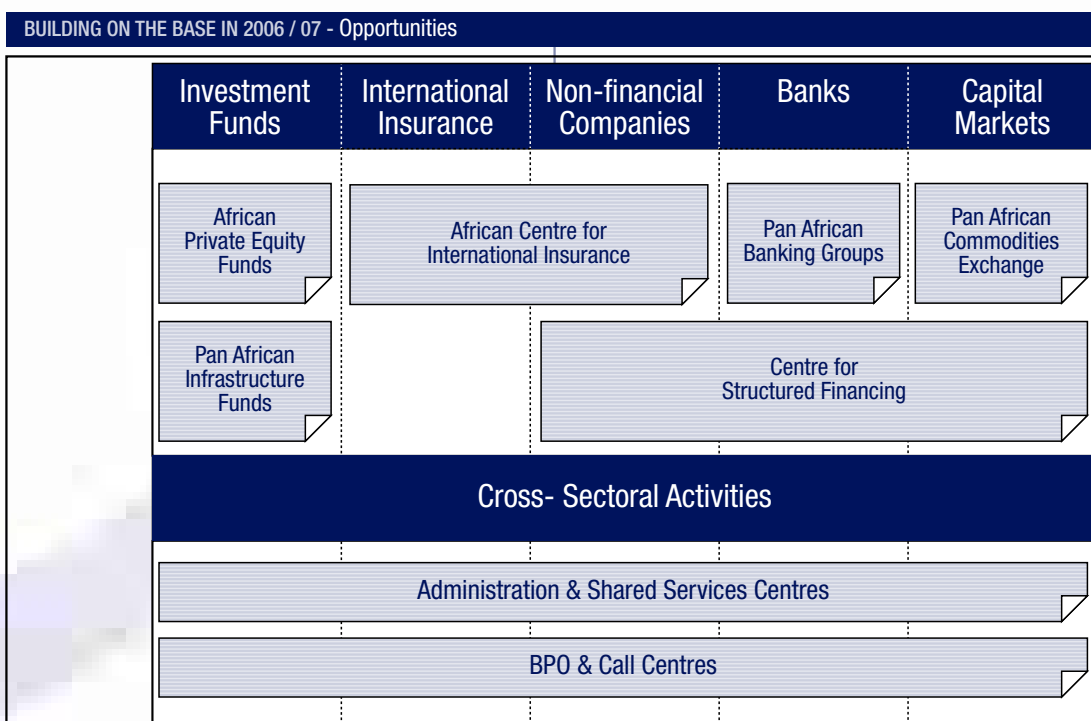
The IFSC houses the first comprehensive database of young Botswana, either locally based or sponsored by Government in foreign institutions, at all tertiary levels in finance, technology and related fields over the past five years. This database will enable the IFSC to more comprehensively market the industry noting the availability of a skilled and trainable labour force. Over the course of the year, the number of registered persons on the database grew from one thousand (1000) to over two thousand four hundred (2400). The database also allows recent graduates to apply for the internship program. The internship program is an initial step towards the IFSC's objective to expose more young Botswana to the workings of competitive companies and create more viable opportunities for young school leavers and graduates. This year, seventeen (17) young Botswana participated in the internship program.

In pursuit of a more concrete understanding of our labour force, the Southern African Global Competitiveness Hub conducted a study on behalf of Botswana IFSC into the



Some of the 2005/06 interns

## CHAIRMAN & CHIEF EXECUTIVE OFFICER'S REPORT



number of Botswana graduates both at home and abroad in tertiary programs that are applicable to Botswana IFSC. This study was undertaken to ensure prospective investors and accredited companies have access to detailed data on skills availability amongst young Botswana in the financial services sector.

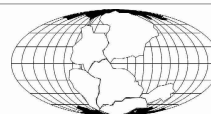
### BUILDING ON THE BASE IN 2006 / 07

The IFSC is embarking on business development and capacity building initiatives in a number of areas to be flexible to the changing demands of international corporations. Key sectors for concerted promotion in the coming year are Business Process Outsourcing and Call Centres; Funds Management, particularly in the context of Pan African initiatives; Holding and Administration Companies; and Cross-border Banking and Financing Vehicles / Conduits.

#### Investment Funds

On the back of more competitive capital gains taxation provisions as contained in the Income Tax Amendment Act (2006), the Botswana IFSC envisages increased growth in

the domiciliation of investment funds. The absence of foreign exchange controls and the continued investment grade credit ratings bolster Botswana's value proposition. These factors have led to three companies declaring an interest in launching Pan African funds domiciled in the Botswana IFSC in 2006.



Pangaea Development Holdings is a real estate fund to be established and based in Gaborone under the IFSC by Pangaea/EMI Securities, a USA-based emerging markets private equity fund. Through the fund, Pangaea is developing affordable housing in the Lilayi Housing Estate Development Project in Lusaka, Zambia. The company has secured a long term loan of US\$46.3 million from the Overseas Private Investment Corporation (OPIC) is to be used to allow Pangaea to extend 15 year financing to qualifying Zambians who wish to purchase homes in the development. In addition, Pangaea has secured a US\$5 million term loan from FMO to finance infrastructure. Pangaea is also exploring additional real estate projects initially in Ghana and Kenya.

## CHAIRMAN & CHIEF EXECUTIVE OFFICER'S REPORT



PACDEX delegates

### BOTSWANA AFRICA MINING FUND

BIFM Capital is embarking on a new mining fund, the Botswana Africa Mining Fund (BAMF). BAMF is an open-ended fund licensed by the Bank of Botswana as a collective investment undertaking investment company with variable capital. The fund will invest in predominantly African mining assets. These will include shares listed in Australian, Canadian and London exchanges whose asset bases mainly or predominantly reside in Africa. The range of target investments includes investments in other mining funds, direct investments in exchange-traded shares or any other investment that is approved by the board of directors. The BAMF has already made its first investment of US\$7.5 million into an Australian mining fund. The BAMF is hoping to raise total capital of approximately US\$80 million.

The International Finance Corporation (IFC), the private sector arm of the World Bank, have indicated their intent to launch a US\$20 million investment in an investment holding company, the African Real Estate Company, to be incorporated in Botswana which will invest in large scale real estate property development opportunities across the Sub Saharan African region. The company will have an authorised share capital of US\$120 million. The other anchor investors will be Botswana

Insurance Fund Management, (BIFM) and Sanlam (South Africa). The aim is to attract other international investors in future. This investment company is intended to be domiciled in the Botswana IFSC, thereby creating local linkages and opportunities.

#### PACDEX

The Botswana IFSC is an integral partner in the establishment of the first Pan African Commodities and Derivatives Exchange (PACDEX). PACDEX is envisaged as an apex financial exchange that will manage transactions across a network of subsidiary commodity exchanges across Africa. The project is borne of the realisation that African commodities markets are highly inefficient resulting in significant losses annually to producers who currently sell at a discount. PACDEX is driven by the private venture partnership of Pan African Commodities Platform (PACP) which will act as the management company, and Mumbai Multi Commodities Exchange (MCX), the Indian-based technology partner. MCX already has international experience through its successful roll-out and management of the Dubai Gold and Commodities Exchange (DGCX) in 2005.

The exchange will offer the following: trade services for intra African trade as well as to the international marketplace; an

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## CHAIRMAN & CHIEF EXECUTIVE OFFICER'S REPORT

economic answer to the need for growing the demand for African commodities and exports; and ownership of the commodity exchange through a franchise or shareholder business model. A network of electronic commodities exchanges will lead to better price discovery. In May 2006, Botswana IFSC hosted a forum to discuss the implementation of PACDEX in association with the African Union (AU); United Nations Conference on Trade and Development (UNCTAD); and PACP. The forum was a result of commitments from the Arusha Declaration and Plan of Action on African Commodities, signed by the ministers of trade of member states of the African Union at an extraordinary AU session in Tanzania in November 2005, approved by the summit of Heads of State, held in Sudan in January 2006. As an outcome of the forum, PACP, with the collaboration of Botswana IFSC, has devised a timetable for implementation with the objective of taking the exchange live in November 2007.

### International Insurance

Following the passage of the International Insurance Act (2005) work is underway to complete competitive regulations to underpin this act and assist in giving direction to potential investors in growing an international insurance industry. Two Botswana IFSC accredited companies have already signalled intent to provide insurance services in the SADC region within the ambit of this new regulation.

### Holding and Administration Shared Services Companies

A Botswana IFSC holding company is an opportunity for companies with a growing African network to consolidate financial and administrative functions. The passage of the Income Tax Amendment Act (2006) has augmented the value proposition of IFSC holding companies, as now they are able to complement financial activities with approved shared services functions such as information technology, human resources and procurement management.

Botswana IFSC is currently in discussions with Western Corridor (Westcor), a newly established holding company domiciled in Botswana. Westcor is the administrative structure formed by five regional utilities to manage the planned development of a hydroelectric power station on the Inga

Gorge in the Democratic Republic of Congo.

### Business Process Outsourcing and Call Centres

The BPO and call centre development process has been buoyed by the announcement of a firm and aggressive telecommunications sector liberalisation timetable in 2006. Voice Over Internet Protocol (VOIP) will be legalised in August 2006, enabling call centres to employ a preferred voice communication technology. In addition, the international gateway will be liberalised in September 2006 thereby allowing companies to source competitive rates internationally.

In addition, Botswana IFSC has been actively supporting Outsource Botswana, the newly established private sector business process outsourcing industry association responsible for capacity building such as development of industry standards and training. The body is currently set up as a self-regulating entity that will ensure participating call centres and BPO companies adhere to established international best practise. Experience elsewhere has shown that it is important to have functioning industry participants that serve as reference sites in order to encourage the growth of this sector.

### Banking

The announcement of the establishment of Diamond Trading Company (DTC) in Botswana, intended to be the primary aggregation and sorting centre servicing De Beers' regional diamond mines by 2009, has unlocked opportunities for more banking and insurance activities to support the sale and movement of diamonds in various stages of their processing. The Botswana IFSC has started engaging a number of niche banks and insurance companies on potential operations to support the international diamond industry.

### CONCLUSION

The Botswana Government is focused on formulating a path towards economic prosperity for all. Accordingly, the Botswana IFSC is playing a role in three significant and concurrent consultative processes commissioned by the Botswana Government that will assist the future growth of this sector. The IFSC's goal is to ensure that these processes enable the

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## CHAIRMAN & CHIEF EXECUTIVE OFFICER'S REPORT

industry to grow significantly in the years ahead.

Firstly, the Ministry of Finance and Development Planning is currently in the process of devising the Non Bank Financial Institutions Regulatory Authority (NBFIRA) to be presented to parliament before the end of 2006. The NBFIRA is the planned umbrella regulator of the non-banking financial sector including all non-banking Botswana IFSC activities, expected to provide a more streamlined and agile body to oversee the sector. The Botswana IFSC is engaged in the legislative process to ensure that the regulator is responsive to the needs of a cross-border financial services sector.

In addition, Botswana IFSC is currently working with government and private sector interests in a consultative process to establish the technical and commercial viability of the Botswana Innovation Hub (BIH). The proposed Innovation Hub will be a defined area within Gaborone in which innovative and technology-driven companies can operate in an environment that offers supporting cutting-edge technology and infrastructure. It is our observation that successful international financial centres have often employed such growth clusters or zones to accelerate investment and innovation. Envisaged Botswana IFSC activities within the hub include IT enabled services such as shared service companies and financial services back office functions. The consultant will deliver an actionable business plan in September 2006. Once established, BIH will improve Botswana's ability to compete in the global marketplace with a technically skilled, knowledge-based economy.

Furthermore, Botswana IFSC is engaged in the Botswana National Brand development process. The Botswana brand initiative is aimed at delivering a cohesive marketing and management of the country's image to ensure that domestic and international perceptions are consistent with the current socio-economic reality and national ambitions. This could potentially stimulate designated priority growth sectors such as tourism and the Botswana IFSC. By partnering with a broader corpus of similarly aligned government and private sector, the Botswana IFSC will strive to raise the profile of Botswana as an international financial services centre.

We commend the government on these timely interventions

and the recognition that the country needs to more proactively mould its destiny. This consciousness extends to the Botswana IFSC where our strategic evolution should hasten the development of the initiative. It is only through continual monitoring and benchmarking with our competitors that we can truly understand our strengths and our inadequacies; and strive to accentuate the former while neutralising the latter.

Both at a national level and within the Botswana IFSC, the next year is a significant step towards carving an identity of excellence, both regionally and globally. On the eve of our fortieth anniversary of independence and in the fourth year of the Botswana IFSC, we stand on the verge of translating our reputation for sound macroeconomic stewardship into increased business opportunities. For both the nation and the Botswana IFSC, this process will rest upon our qualities of perseverance and openness to consultation and introspection. It is imperative that we continue to improve our agility and awareness of the dynamic global business landscape. This commitment will stand the Botswana IFSC in good stead as it preserves to carve a niche as a pre-eminent cross-border financial services centre in Africa.

## CHAIRMAN & CHIEF EXECUTIVE OFFICER'S REPORT

### INDICATORS

GENERAL COMPANY DATA as at 31st March 2006

Table 1: Operational Status of Companies

Company	Operation	Industry Sector	Date of Certification	Operational Status
ABC Holdings	Bank Holding Company	Financial Services	Mar-02	Operational
African Alliance International	Funds Administration	Financial Services	Jul-01	Operational
African Express International	Holding Company	Logistics	Dec-04	Operational
African Strategy Group	Financial Advisory	Financial Services	Aug-05	Operational
AON Risk Management	Risk management & Advisory Services	Financial Services	May-03	Operational
Bergstan Investment	Holding Company	Engineering	Mar-05	Operational
CB Richard Ellis Regional	Financial Advisory	Real Estate	Dec-04	Operational
Cherubim Ventures Botswana	Funds Administration	Financial Services	Oct-03	Operational
Cyberplex Holdings	Software Development	ICT	Feb-03	Operational
Enterprise Banking Group	Bank Holding Company	Financial Services	Mar-04	Operational
Finluca International	Financial Advisory	Financial Services	Nov-04	Operational
Imara Holdings Botswana	Holding Company	Financial Services	Jul-03	Operational
Island View	Holding Company	Real Estate	Aug-05	Operational
Kingdom Bank Africa	Banking Operation	Financial Services	Feb-03	Operational
Micro-Provident	Holding Company	Financial Services	Nov-05	Operational
Seed Co International	Holding Company	Agriculture	Jul-00	Operational
Virtual Wave	Call Centre	ICT	Mar-05	Operational
Africa Advanced Metals	Holding Company	Mining	Oct-04	Q1, 2007
African Life health	Holding Company	Financial Services	Mar-06	Q2, 2006
PAM International	Holding Company	Real Estate	Nov-05	Q2, 2006
Windward	Holding Company	Financial Services	Mar-06	Q2, 2006
Global Credit Rating Holdings	Holding Company	Research	Oct-03	Q3, 2006
Sicapital	Special Purpose Vehicle	Industrial	Dec-04	Q3, 2006
Wilderness Safari Botswana	Holding Company	Tourism	Jul-03	Q3, 2006
AFM Holdings	Holding Company	Financial Services	Aug-05	Q4, 2007
ABC International	Banking Operation	Financial Services	Mar-02	Transitional
Econet Global Wireless	Holding Company	Telecommunications	Jul-03	Transitional
Global Intelligence Management	Funds Administration	Financial Services	Sep-04	Transitional
IBEX Hill	Software Development	ICT	Sep-04	Transitional
LSG Sky Chefs	Holding Company	Logistics	Mar-05	Transitional
Natgilt Trading Limited	Financial Advisory	Financial Services	Jun-01	Transitional
NuGen Botswana	Software Development	ICT	May-03	Transitional
RPC Data International	Software Development	ICT	Mar-02	Transitional
African Merchant Bank	Banking Operation	Financial Services	Apr-01	Decertified
Andisa Capital	Financial Advisory	Financial Services	Oct-02	Decertified
Arup Africa Limited	Holding Company	Engineering	Apr-01	Decertified
Barclays Africa Finance	Shared Services	Financial Services	Apr-01	Decertified
iDirect	Business Process Outsourcing	ICT	Oct-04	Decertified
MetCash Africa (Botswana)	Holding Company	Trade	Dec-00	Decertified

## CHAIRMAN & CHIEF EXECUTIVE OFFICER'S REPORT

**Table 2: Operational Status of Company by Type**

IFSC Structure	Total	Operational
Banking	4	2
Funds	3	2
ICT	4	1
Financial Advisory	4	4
Call Centre	1	1
Non Bank Holding Companies	16	7
Special Purpose Vehicle	1	0

**Table 3 : Ownership Structure**

Type of Ownership	Percentage of Companies
100% Foreign	45
Majority Foreign	27
Majority Citizen	9
100% Citizen	18

### EMPLOYMENT DATA

**Table 4: Employment in Financial and Non-Financial Services Companies**

	Citizen	Expatriate	Total
Employment in Financial Services Companies	51	16	67
%age of Total Employment	62%	57%	61%
Employment Non-Financial Services Companies	31	12	43
%age of Total Employment	38%	43%	39%
Total	82	28	110

**Table 5: Employment by Type of Operation**

	Citizen	Expatriate	Total
Banking	6	4	10
ICT Enabled Services	15	2	17
Financial Advisory	3	6	9
Funds Administration /Management	27	3	30
Non-Financial Holding Companies	15	9	24
Financial Holding Companies	16	4	20
	82	28	110

**Table 6: Employment Share by Type of Company**

	Citizen	Expatriate	Total
Banking	7%	14%	9%
ICT Enabled Services	18%	7%	15%
Financial Advisory	4%	21%	8%
Funds Administration and Management	33%	11%	27%
Non-Financial Holding Companies	18%	32%	22%
Financial Holding Companies	20%	14%	18%
	100%	100%	100%

## CHAIRMAN & CHIEF EXECUTIVE OFFICER'S REPORT

Figure : Distribution of Remuneration of Citizens

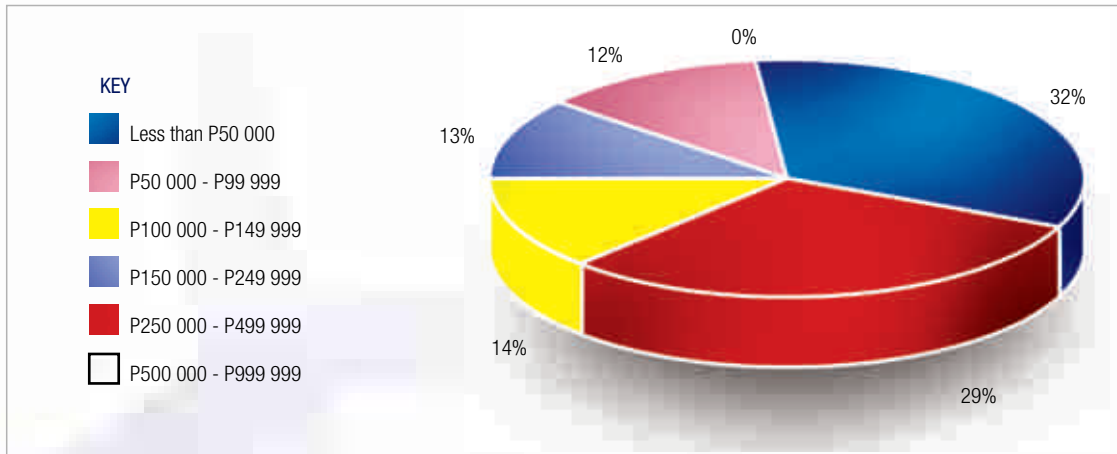
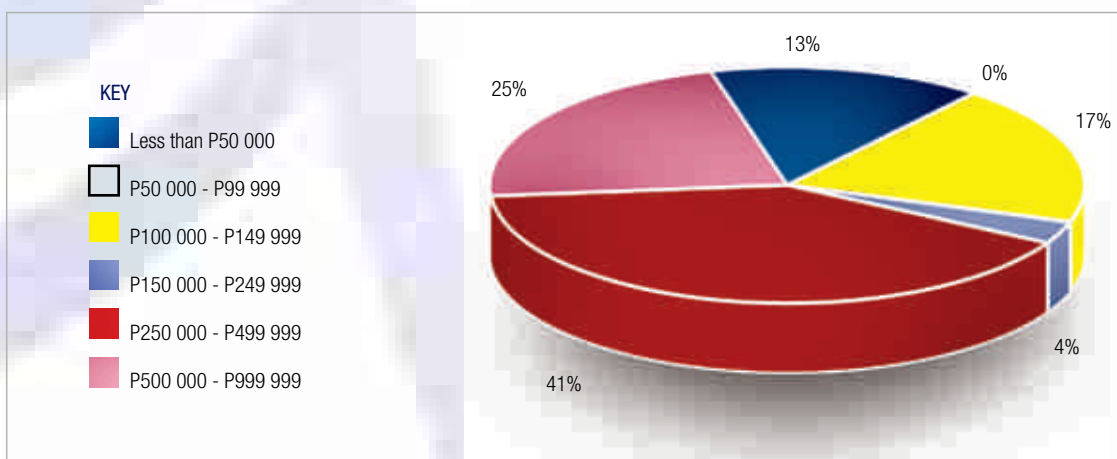


Figure : Distribution of Remuneration of Expatriates



## CHAIRMAN & CHIEF EXECUTIVE OFFICER'S REPORT

### FINANCIAL DATA

**Table 7: Capital Employed**

	US\$
Total Capital March 2005	12,073,574
New Capital 2005 - 06	7,412,603
Total Capital March 2006	19,486,177
Projected New Capital Dec 2006	26,262,072
Projected Total Capital Dec 2006	45,748,249

**Table 8: Percentage Growth in Capital Employed**

Period	Growth Rate
Growth in Capital Employed March 2005 - March 2006	61%
Projected Growth in Capital Employed March - Dec 2006	135%

**Table 9: Capital Employed by Sector**

Sector	Total Capital	New Capital	Total Capital	Projected New Capital	Projected Total Capital
	US\$	US\$	US\$	US\$	US\$
	March 2006	2005 - 2006	March 2005	Mar 2006 - Dec 2006	Dec 2006
Banking	7,880,282	2,370,000	5,510,282	3,330,000	11,210,282
ICT Enabled Services	1,500,000	-	1,500,000	-	1,500,000
Financial Advisory	99,054	81,321	3,017,733	139,054	3,238,108
Funds Administration / Management	988,559	-	988,559	-	988,559
Non-Financial Holding Companies	2,318,282	2,318,282	-	13,893,018	16,211,300
Financial Holding Companies	6,700,000	4,533,000	2,167,000	8,900,000	15,600,000
<b>Total</b>	<b>19,486,177</b>	<b>9,302,603</b>	<b>13,183,574</b>	<b>26,262,072</b>	<b>48,748,249</b>

**Table 10: Linkages**

Services Employed	Cost (BWP)
Auditors, Accountants	626,000
Cleaning, gardening, maintenance	238,700
Consultants and lawyers	1,213,272
Electricity & water	327,900
Insurance	756,233
IT support services	733,620
Publicity & promotion	691,033
Recruitment companies	115,000
Residential rent	778,969
Security	270,351
Telecommunications	1,448,640
Other service providers	3,800,711
<b>Total</b>	<b>11,000,429</b>

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## *CORPORATE INFORMATION*

### **COMPANY NUMBER:**

2003/1144

### **DIRECTORS:**

H. C. L. Hermans (Chairperson)  
A. P. Boshwaen (Chief Executive Officer)  
J. N. Kamyuka  
P. K. Molefe  
I. O. Sennanyana  
N. H. Fidzani

### **SECRETARY:**

C and C Management Services (Pty) Limited

### **REGISTERED OFFICE:**

Plot 50676  
Fairground Office Park  
Off Machel Drive  
Private Bag 160  
Gaborone

### **INDEPENDENT AUDITORS:**

PricewaterhouseCoopers

### **BANKERS:**

Stanbic Bank Botswana Limited

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## STATEMENT OF DIRECTORS' RESPONSIBILITIES

### For The Year Ended 31 March 2006

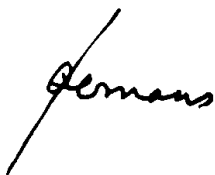
The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The auditors are responsible to report on the fair presentation of the financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Botswana Companies Act (CAP 42:01).

The directors are also responsible for the company's systems of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

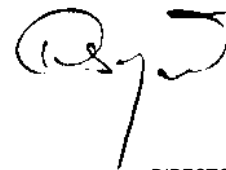
The financial statements have been prepared on the going concern basis, since the directors have reviewed the company's forecasts and have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future.

Independent 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 members of the board, management and independent auditors to review matters relating to internal controls and financial reporting. The independent auditors have unrestricted access to the members of the board.

The financial statements set out on pages 20 to 28 were approved by the board of directors on 17th August 2006 and are signed on its behalf by:



CHAIRPERSON



DIRECTOR

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## REPORT OF THE INDEPENDENT AUDITORS

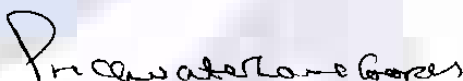
### REPORT OF THE INDEPENDENT AUDITORS TO THE DIRECTORS AND MEMBERS OF BOTSWANA INTERNATIONAL FINANCIAL SERVICES CENTRE (company limited by guarantee)

We have audited the accompanying balance sheet of Botswana International Financial Services Centre as of 31 March 2006 and the related statements of income, changes in equity and cash flow for the year then ended. These financial statements set out on pages 20 to 28 are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Botswana Companies Act (CAP: 42:01) and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We have examined the books, accounts and vouchers of the company to the extent we considered necessary and have obtained all the information and explanations which we required. We have satisfied ourselves as to the existence of the securities. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

the company has kept proper books of account with which the financial statements are in agreement; and the accompanying financial statements give a true and fair view of the financial position of the company as of 31 March 2006 and of the results of its operations and cash flows for the year ended in accordance with International Financial Reporting Standards and in the manner required by the Botswana Companies Act (CAP: 42:01).



Certified Public Accountants  
17th August 2006  
Gaborone

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## INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2006

	Notes	2006 Pula	2005 Pula
Government subvention		5 465 886	4 373 873
Other income		822 972	1 128 875
Operating expenses		<u>(6 611 461)</u>	<u>(8 621 842)</u>
Operating deficit before finance income	1	(322 603)	(3 119 094)
Finance income (Net)	3	133 991	405 538
Deficit for the year		<u>(188 612)</u>	<u>(2 713 556)</u>

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## BALANCE SHEET

AT 31 MARCH 2006

	Notes	2006 Pula	2005 Pula
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	887 384	274 027
<b>Current assets</b>			
Receivables and prepayments	6	120 986	217 782
Cash and cash equivalents	7	<u>2 574 458</u>	<u>3 887 168</u>
		2 695 444	4 104 950
<b>Total assets</b>		<u><b>3 582 828</b></u>	<u><b>4 378 977</b></u>
<b>EQUITY AND LIABILITIES</b>			
Retained surplus		1 405 349	1 593 961
<b>Non current liabilities</b>			
Capital grants		887 384	274 027
<b>Current liabilities</b>			
Trade and other payables	8	<u>1 290 095</u>	<u>2 510 989</u>
<b>Total equity and liabilities</b>		<u><b>3 582 828</b></u>	<u><b>4 378 977</b></u>

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## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2006

	Note	Capital grant Pula	Retained Surplus Pula
<b>As at 31 March 2005</b>			
Balance at 1 April 2004		393 161	4 307 517
Capital grant for assets acquired		79 581	-
Amortisation of capital grant	1	(198 715)	-
Deficit for the year		-	(2 713 556)
<b>Balance at 31 March 2005</b>		<u>274 027</u>	<u>1 593 961</u>
<b>As at 31 March 2006</b>			
Balance beginning of the year		274 027	1 593 961
Capital grant for assets acquired		1 050 962	-
Amortisation of capital grant	1	(409 738)	-
Written-back of capital grant for disposed assets		(27 867)	-
Deficit for the year		-	(188 612)
<b>Balance at 31 March 2006</b>		<u>887 384</u>	<u>1 405 349</u>

## CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2006

	Note	2006 Pula	2005 Pula
<b>Cash flow from operating activities:</b>			
Deficit before finance income		(322 603)	(3 119 094)
Adjustments for item not involving the movement of funds:			
- Depreciation	5	409 738	198 715
- Profit on disposal of property, plant and equipment		(9 673)	-
- Amortisation of capital grant		<u>(409 738)</u>	<u>(198 715)</u>
		(333 276)	(3 119 094)
<b>Movement in working capital items:</b>			
Receivables and prepayments		134 336	449 183
Trade and other payables		(1 219 894)	(378 254)
Cash utilised in operating activities		(1 418 834)	(3 048 165)
Interest Paid		<u>(28 487)</u>	<u>-</u>
<b>Net Cash invested in operating activities</b>		<u>(1 447 321)</u>	<u>(3 048 165)</u>
<b>Cash flow from investing activities:</b>			
Additions to property, plant and equipment	5	(1 050 962)	(79 581)
<b>Net Cash invested in investment activities</b>		<u>(1 050 962)</u>	<u>(79 581)</u>
<b>Cash flow from financing activities:</b>			
Interest received	3	162 478	405 538
Receipts of Capital grants		1 023 095	79 581
<b>Net Cash received from financing activities</b>		<u>1 185 573</u>	<u>485 119</u>
Change in cash and cash equivalents		<u>(1 312 710)</u>	<u>(2 642 627)</u>
Cash and cash equivalents at beginning of year		<u>3 887 168</u>	<u>6 529 795</u>
Cash and cash equivalents at end of year		<u>2 574 458</u>	<u>3 887 168</u>

## ACCOUNTING POLICIES

### FOR THE YEAR ENDED 31 MARCH 2006

The principal accounting policies adopted in the preparation of these financial statements which are consistent with the prior years are set out below:

#### Basis of preparation

These financial statements are prepared on the historical cost convention. These financial statements are prepared in accordance with the requirements of International Financial Reporting Standards and the Botswana Companies Act.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

#### Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method to allocate their cost to their residual values over the estimated useful lives, as presented below.

Furniture and equipment	25% p.a
Computer equipment	33.33% p.a

Property, Plant and equipment's residual values and useful lives are reviewed at each balance sheet date. If appropriate, adjustments are made and accounted for prospectively as a change in estimate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the company.

#### Leases

Leases of property, plant and equipment, where the company has substantially all the risks of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payment. Each lease payment is allocated between liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of liability for each period. The property, plant and equipment acquired under finance lease is depreciated over the shorter of useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

#### Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received. Government subvention received is recognised in the income statement when it is committed by government.

Government grants utilised towards capital expenditure is credited to capital grant and amortised and credited to the income statement on a straight line basis over the estimated useful lives of the related assets.

#### Revenue

Subvention from government is recognised as explained above under accounting policy for Government grants.

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## ACCOUNTING POLICIES

Interest income is recognised in a time proportion basis using the effective yield method.

### Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, receivables, trade creditors and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

### Receivables

Receivables are carried at original amount less provision made for impairment of these receivables. A provision for impairment of receivables is established when there is an objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

### Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement cash and cash equivalents comprise cash on 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 included within borrowings in current liabilities at the balance sheet.

### Provisions

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

### Foreign currencies

Foreign currency transactions are translated to measurement currency using the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transaction and from the translation of monetary assets and liabilities denominated in foreign

currencies, are recognised in the income statement.

### Share capital

The company is limited by guarantee. Its members comprises of persons nominated to hold an interest in the company on behalf of the Government of Botswana and Botswana Development Corporation.

In accordance with the memorandum of agreement every member of the company undertakes to contribute such amount as may be required not exceeding P200 to the company's assets if it should be wound up while he is a member or within one year after he ceases to be a member.

### Risk management

#### Credit risk

The financial assets of the company, which are subject to credit risk consists mainly of cash resources and debtors. The cash resources are placed with reputable financial institutions, and receivables are assessed for impairment.

#### Foreign currency risk

In the normal course of business, the company enters into transactions denominated in foreign currencies. In addition, the company has receivables and liabilities in foreign currencies which exposes it to fluctuation in foreign currency exchange rates.

#### Interest rate risk

Fluctuations in interest rate impacts on the value of short term cash investment and financing activities, giving rise to interest rate risk. The cash is managed to ensure surplus funds are invested in a manner to achieve maximum returns while minimising risks.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2006

	2006	2005
	Pula	Pula
<b>1. OPERATING (DEFICIT)/SURPLUS BEFORE FINANCE INCOME</b>		
The following items have been charged/(credited) in arriving at operating (deficit)/surplus before finance income:		
Audit fees	53 100	49 955
Government subvention	(5 467 737)	(4 373 873)
Profit on disposal of property, plant and equipment	9 314	-
Depreciation (owned assets - note 5)		
- Computer equipment	125 305	68 697
- Furniture & equipment	284 433	130 018
Directors' remuneration		
- sitting fees	22 825	28 000
- for management	423 521	399 360
Repairs and maintenance - property, plant & equipment	42 265	35 073
Amortisation of capital grant	<u>(409 737)</u>	<u>(198 715)</u>
<b>2. STAFF COSTS</b>		
Salaries and wages	2 574 041	1 965 432
Termination benefits	<u>435 964</u>	<u>332 208</u>
	<u>3 010 005</u>	<u>2 297 640</u>
The average number of employees employed by the company during the year	<u>12</u>	<u>10</u>
<b>3. FINANCE INCOME (NET)</b>		
Interest income:		
Bank deposits	162 478	141 669
Bank of Botswana certificates	-	263 869
	<u>162 478</u>	<u>405 538</u>
Interest expense	<u>(28 487)</u>	<u>-</u>
	<u>133 991</u>	<u>405 538</u>
<b>4. INCOME TAX</b>		

In terms of the Second Schedule Part 1(x) of the Income Tax Act (chapter 52:01) the company is exempt from tax.

## NOTES TO THE FINANCIAL STATEMENTS

### 5. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment Pula	Furniture and equipment Pula	Total Pula
<b>Year ended 31 March 2005</b>			
Opening net book value	108 056	285 105	393 161
Additions	51 439	28 142	79 581
Depreciation	(68 697)	(130 018)	(198 715)
<b>Closing net book value</b>	<b>90 798</b>	<b>183 229</b>	<b>274 027</b>
Cost	270 244	412 252	682 496
Accumulated depreciation	(179 446)	(229 023)	(408 469)
	<b>90 798</b>	<b>183 229</b>	<b>274 027</b>
<b>Year ended 31 March 2006</b>			
Opening net book value	90 798	183 229	274 027
Additions	234 433	816 529	1 050 962
Disposals	(27 867)	-	(27 867)
Depreciation	(125 305)	(284 433)	(409 738)
<b>Closing net book value</b>	<b>172 059</b>	<b>715 325</b>	<b>887 384</b>
Cost	470 479	1 228 781	1 699 260
Accumulated depreciation	(298 420)	(513 456)	(811 876)
	<b>172 059</b>	<b>715 325</b>	<b>887 384</b>
		P	P
<b>6. RECEIVABLES AND PREPAYMENTS</b>			
Receivables		46 540	-
Prepayments		74 446	217 782
		<b>120 986</b>	<b>217 782</b>
<b>7. CASH AND CASH EQUIVALENTS</b>			
Cash at bank		<b>2 574 458</b>	<b>3 887 168</b>

The effective interest rate on short-term bank deposit was 9.05% (2005: 9.25%).

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2006

	2006	2005
	Pula	Pula
<b>8. TRADE AND OTHER PAYABLES</b>		
Botswana Development Corporation current account	21 780	361 195
Withholding tax liabilities	-	1 075 185
Sundry creditors	208 774	229 935
Employee benefits	960 177	533 914
Other accruals	99 364	310 760
	<u>1 290 095</u>	<u>2 510 989</u>
<b>9. COMMITMENTS</b>		
(a) Capital commitments		
(i) Capital expenditure approved and contracted for at the balance sheet date but not yet incurred	-	400 000
(ii) Capital expenditure approved by the Board but not yet contracted	330 000	500 000
(b) Operating lease commitments		
The future aggregate minimum lease payments under operating leases are as follows:		
(i) in case of vehicles		
Not later than 1 year	128 460	144 029
Later than one year and not later than 5 years	-	-
(ii) in case of rental for office premises with Botswana Insurance Fund Management		
Not later than 1 year	493 914	410 460
Later than 1 year and not later than 5 years	1 733 633	2 514 527
(iii) Staff houses rental		
Not later than 1 year	-	-
Later than 1 year and not later than 5 years	251 920	294 000
	<u>251 920</u>	<u>294 000</u>
<b>10. RELATED PARTY TRANSACTIONS</b>		
Directors' remuneration - Refer note 1		
Transactions with Botswana Development Corporation		
- Office rent	-	205 613
- Accounting fees	-	14 355
- IT Services	130 680	139 720
Due to Botswana Development Corporation	<u>21 780</u>	<u>361 195</u>
<b>11. POST BALANCE SHEET EVENTS</b>		

The directors confirm that there are no post balance sheet events affecting the company requiring disclosure.





B O T S W A N A

**I · F · S · C**

Botswana International  
Financial Services Centre

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