

# Barclays Bank of Botswana Country Overview

Barclays Bank PLC commenced operations in Botswana 56 years ago when an agency was opened in Lobatse in 1950. By independence in 1966, four full branches had been opened and a network of agencies, serving major villages, was being developed.

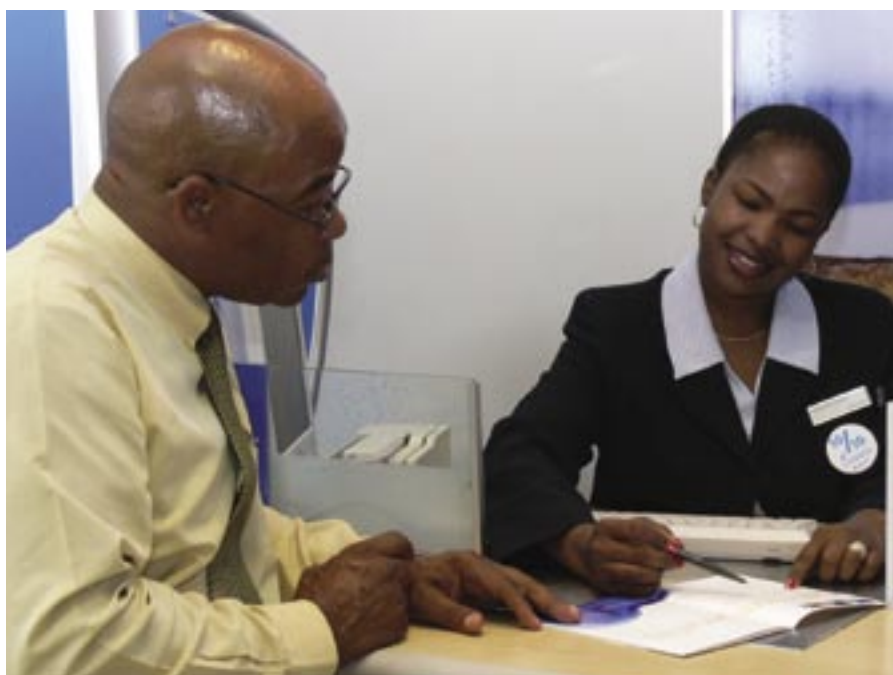
In 1975, the Bank was incorporated locally. Until May 1986, it operated as an autonomous, wholly-owned subsidiary of Barclays Bank PLC and was managed from its head office in Gaborone.

In 1986, ordinary shares in the Bank were issued to employees of the Bank, Botswana citizens and locally incorporated corporate bodies. The effect of this issue was a reduction in the Barclays Bank PLC shareholding to 89.8%.

Following a further rights issue to Botswana citizens in 1987, the Barclays Bank PLC shareholding was reduced to 80.4%. A subsequent rights issue in 1991 diluted this shareholding to 74.86%.

Today, Barclays Bank of Botswana Limited operates a network of 33 branches and 45 ATMs around the country.

Barclays Bank of Botswana has been awarded 'Commended Status' in the Annual Global Custodian Magazine Survey for three successive years (2004 – 2006) as the Best Agent (for excellence in the Securities (Custody) & Investor Services Industries in Botswana).



Barclays Bank Customer Advisor, Kehumile Otukile assisting a customer during the International Customer Service Week, 2006.

# Directors' Profiles



**Blackie Marole**



**Simon Gibbons**



**Thulisizwe Johnson**



**Dominic Bruynseels**



**Tony Allen**



**Rizwan Desai**

## **Blackie Marole**

Non-Executive Chairman (age 52). Blackie is an economist by profession with degrees in the discipline attained in Botswana and the USA. He is currently Managing Director of Debswana and also serves the boards of the Botswana Diamond Valuing Company, PEEPA, CIC Energy and the Vision 2016 council.

## **Thulisizwe Johnson**

Managing Director (age 44). Thulisizwe joined Barclays Bank of Botswana in 2003 as Managing Director responsible for Botswana, and the Board in 2004. He has extensive experience in Financial Services, notably in Project Finance, Asset Management, and Asset Finance & Development Banking. His responsibilities include Strategy, Financial Performance, Regulatory Compliance and growing the brand and reputation of Barclays Bank of Botswana. He has recently been appointed the Regional Managing Director responsible for Botswana, Zimbabwe and Zambia.

## **Tony Allen**

Chief Operating Officer (age 51). Tony joined Barclays Bank of Botswana in 2005 and the Board in 2006. He has been with the Barclays Group since 1973 and has worked in several of its businesses since then. He has extensive experience in the audit field, notably, serving as Head of Audit for Group Internal Audit for Barclays Africa and Middle East.

## **Simon Gibbons**

Finance Director (age 38). Simon joined Barclays Bank of Botswana in 2005 and the Board in 2006. He has been with the Barclays Group since 1999 and has worked in several of its businesses since then, including in the Caribbean. He is a qualified chartered accountant. Simon retired from Barclays Bank of Botswana in early 2007.

## **Dominic Bruynseels**

Non-Executive Director (age 47). Dominic joined the Board in 2003. He is an associate of the Chartered Institute of Bankers (UK) and holds an MBA degree. During his 25-year career at Barclays, he has held a variety of UK Head Office, Regional and Branch roles. He is also extensively involved in development in Africa, through various organisations. He is currently Chief Executive Officer of Barclays Africa, Executive Director of Absa Group and a member of the Board of Absa Group.

## **Rizwan Desai**

Non-Executive Director (age 39). Rizwan joined the Board in 2002. He is a partner in the law firm Collins Newman & Co. and director of Motswedi Securities as well as a number of property development and investment companies. Rizwan is Chairman of the Botswana Stock Exchange and also chairs the Board's Credit Committee. He specialises in corporate and banking law and holds LLB (Hons) and DIP.L.P. qualifications from the University of Edinburgh, as well as an LLM from the Harvard Law School.

Barclays Bank of Botswana's success requires the collective support of all Board members, the management team and, of course, our dedicated staff.



**Ketane Sithole**



**Lawrence Maika**

**Ketane Sithole**

Non-Executive Director (age 55). Ketane joined the Board in 1997. Ketane is a chartered electrical engineer and a Fellow of the IEE (UK) and its International Member Advisor (Botswana), and holds an MBA (Cardiff). He has invaluable experience in the power industry, which spans over 28 years. Ketane was previously Chief Executive Officer of the Botswana Power Corporation and is now Country General Manager of Grunwald Construction (Pty) Ltd. He is the Honorary Vice-Chairman of the World Energy Council Executive Assembly for the African continent.

**Lawrence Maika**

Non-Executive Director (age 56). Lawrence joined the Board in 2005. He is an accountant by profession, having studied in the United Kingdom, and is a founding member of the Botswana Institute of Accountants. Lawrence is the Managing Director of Nsenya (Pty) Ltd and also manages a firm of accountants. He serves on the Board of the Botswana Meat Commission.



**Petronella Matumo**



**Jaco Grobler**

**Petronella Matumo**

Non-Executive Director (age 45). Petronella joined the Board in 1998. She is a hotelier by profession, having studied in Ireland and Switzerland. Petronella is an Executive Director of Private Collection (Pty) Ltd; a jewellery retail company within her investment company Ditlhogo Holdings (Pty) Ltd. She also serves on the boards of the Debt Participation Capital Funding Limited, Peo Holdings (Pty) Ltd (a De Beers/Debswana partnership) and Motswedi Securities (Pty) Ltd. She is a member of the Funeral Services Group (Pty) Ltd as well as former member and Chairman of Mascom Wireless Botswana (Pty) Ltd. Petronella retired from Barclays Bank of Botswana in early 2007.

**Jaco Grobler**

Retail Director (age 48). Jaco joined Absa in 1979 and has experience in the branch network, regional offices and head office. His most recent areas of responsibility include Head of Mortgage Lending at Absa after which he held the position of Managing Executive of Absa Retail Delivery until August 2006. Following this he was seconded to Barclays Africa as Retail Director, responsible for retail with a specific focus on aggressive retail expansion.



**Dorcas Makgato-Malesu**



**Andrew Bainbridge**

**Dorcas Makgato-Malesu**

Non-Executive Director (age 41). Dorcas joined the Board in 2006. She is Director of Corporate Services at Barloworld Botswana. She holds a Bachelor of Sciences degree from Sheffield in the UK and is currently studying for a MSC in Finance with the University of Lecester, UK. She serves on the Boards of the Botswana Collage of Open and Long Distance Learning as Vice Chairman, the Labour Advisory Board and is Chairperson of the Botswana National Sports Council.

**Andrew Bainbridge**

Non-Executive Director (age 39). Andrew is the Chief Operating Officer and Commercial Banking Director in New Markets, accountable for the delivery of systems, operations and general operating model in-country, as well as covering non-financial risk and Corporate Affairs. Andrew also leads the strategy and execution of all Commercial Banking activities across New Markets. Andrew has worked for Barclays for 17 years and has held various positions including MD for Africa and Indian Ocean, COO for Africa & Middle East, and Segment & Change Management Director for Larger Business (UK). Andrew also sits on the Boards of The Emerging Africa Infrastructure Fund Limited and of Guarantco Limited, companies with a poverty alleviation and development purpose. Andrew retired from Barclays Bank of Botswana in December 2006.



# Notice to Shareholders

## Annual General Meeting of the Members of Barclays Bank of Botswana Limited

Notice is hereby given that the twenty-first Annual General Meeting of shareholders of Barclays Bank of Botswana Limited will be held at the Gaborone International Conference Centre on Friday 22nd June 2007 at 12:00hrs for the following purpose:

1. To receive, approve and adopt the financial statements for the year ended 31 December 2006 together with the director's and independent auditors' reports thereon.
2. To confirm the appointment to the board of Dorcas Makgato-Malesu and Jacobus Grobler during the year and to elect directors in the place of Ketane Sithole and Rizwan Desai who retire by rotation in accordance with Section 95 of the Articles of Association and Dorcas Makgato-Malesu and Jacobus Grobler who hold office only until the next Annual General Meeting following appointment in accordance with Section 102 of the Articles of Association, all being eligible, offering themselves for re-election.
3. To fix the remuneration of the directors for the prior year.
4. To approve the remuneration of the auditors for the year ended 31 December 2006.
5. To appoint auditors for the ensuing year.

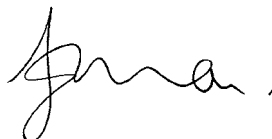
In the event that you wish to nominate any person(s) as directors or auditors other than one of the directors retiring or incumbent auditors, you must deliver to the Company

Secretary, not less than seven nor more than 14 clear days before the date of the meeting, a nomination signed by a member qualified to attend and vote at the meeting with notice by the nominated persons that they are willing to be elected as directors or auditors, as the case may be.

### Proxies

A member entitled to attend and vote at above mentioned meeting is entitled to appoint a proxy to attend, speak and on a poll, to vote in his/her stead. A proxy need not also be a member. A proxy form is available at the end of the Annual Report. Further proxy forms are available at the office of the Company Secretary at Barclays Bank of Botswana Limited, Head Office, Barclays House, 6th Floor, Khama Crescent, Gaborone. Completed proxy forms must be deposited there not less than 48 hours before the meeting.

BY ORDER OF THE BOARD



Ms L Tema  
Company Secretary

# Chairman's Statement

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**Blackie Marole**

Botswana continues to build its economy on the basis of its known attributes related to economic stability and a stable system of democracy. This has allowed the country to register enviable levels of economic growth over a number of decades.

The mining sector continues to be the pillar of the Botswana economy although much effort has been spent in investigating proposals for true economic diversification during 2006. My previous statement referred to the renewed Government intentions to accelerate such economic diversification and sustainable growth. To this end, Government appointed the Business and Economic Advisory Council (BEAC) and has announced that the Council has completed its work. Structures for the implementation of new initiatives have now been put in place.

The diversification initiatives were also emphasised in the 2007 Budget Speech, and related to these, Barclays Bank will have a leading role to play in providing the financial resources for the needs of the economy and for processing a number of major projects that are planned for action in the course of the next few years. These projects will provide the platform for sustainable economic growth, infrastructural improvements and an important upward trend in the employment statistics for the country. Such achievements will ultimately benefit all the citizens of Botswana.

## **Global and regional economy**

The world economic performance has again remained positive during 2006 in spite of the effects of the oil price. World Economic Outlook, issued by the International Monetary Fund (IMF), forecasts global real GDP growth of over 4.9% in 2007, compared to 5.1% in 2006. The prospects for global expansion in 2007 are estimated at over 7% for Emerging and Developing Countries and at 2.7% for Advanced Economies. The continued expansion, especially in parts of

the world that have a major requirement for resource based materials, will be beneficial to those countries that provide such products.

Regionally, the Southern African Development Community (SADC) is expected to achieve growth of 6% in 2007. This forecast growth demonstrates the effect of the continuing economic activity in the region, particularly that occurring in South Africa as the powerhouse of the regional economy.

## **Botswana economic environment**

During recent months there has been a general increase in activity within the Botswana economy. Specifically it is predicted that there will be a dramatic increase in the construction industry. These activities will then spread to the overall economy to benefit all economic activity in the country.

Unemployment statistics have been decreasing over the last few years due to the continuing growth of the economy. However, the downside of such employment growth leads to the twin concerns of inflation and excessive growth in consumer credit. Although inflation has been moving towards the acceptable range set by the Bank of Botswana, credit growth remains a concern. Business credit growth is normally a good economic indicator, based on the assumption that such growth is related, in part, to investment. However, consumer spending growth is indicative of an increasing household debt burden which is detrimental over a period of time. The latter is the dominant statistic of monetary supply growth and needs attention in order to create the environment to allow meaningful interest rate reductions.

The exchange rate of the Pula against major trading partners has continued on its intended path of weakening thus making our import bill more expensive and our exports more competitive.



In recent times, the typical economic scenario in Botswana has been the inability of planned budget expenditure to be spent due to slow implementation processes. This, combined with increased returns in government revenue, has caused Government surpluses to exceed those budgeted. The budget outcome for 2005/6 was an overall surplus of P4.63 billion compared with an original budget surplus of P112 million and a revised estimated surplus of P1.58 billion indicated in the 2006 Budget Speech. The revised estimated surplus for 2006/7 is P4.39 billion compared to an original budget surplus of P1.73 billion. The budgeted surplus for 2007/8 is P738 million.

The country is on a stable footing for future economic growth due to a number of initiatives that are in progress. Foreign Exchange Reserves amounted to over P48 billion, or US\$7.9 billion, at November 2006. This is equivalent to over 30 months of imports cover, which compares with 22 months cover in December 2005. From this healthy position and the fact that the current account is in surplus, Botswana is in a strong position to action new initiatives that will progress the economy to meet the duplicate aims of Botswana's Vision 2016 and the United Nations Millennium Development Goals.

A number of major Government projects have been listed for action in the course of 2007 and thereafter. These projects include the construction of five dams costing over P2 billion, the expansion of the University of Botswana at over P700 million, a new medical school and a teaching hospital at over P1 billion, the construction of the Botswana International University for Science and Technology in Palapye at over P5 billion, five secondary schools at P1.5 billion and rural electrification and telecommunication programmes in a number of villages costing P800 million. These projects demonstrate Government's continuing desire to improve educational, medical and the infrastructural needs of the country.

For its part, the private sector is expected to get involved in a number of Public Private Partnerships (PPP's) which will assist in the required funding of important projects and help achieve the privatisation model for Botswana in areas of telecommunications, air transport, and the banking/ loan needs through privatisation of the National Development Bank, the Botswana Savings Bank and the

Botswana Building Society. During the course of the current and future years, considerable private sector and related Government infrastructure expenditure will also be incurred on major mining and related projects, specifically in activities related to diamonds, nickel, copper, coal and power generation.

The financial services sector will be receiving attention during the course of 2007. We welcome regulatory initiatives in the form of the Non-Banking Financial Institutions Regulatory Authority Act, which will provide the basis for regulation of institutions such as the pension fund industry, micro lending institutions, asset management, investment advisory services, insurance industry and other non banking institutions. The Botswana Stock Exchange Act is being reviewed and a Central Securities Depository will be introduced in the latter part of the year. Anti-Money Laundering legislation will be introduced to include businesses such as casinos, accountancy firms, law firms, realtors and dealers in precious stones and metals. The International Monetary Fund and World Bank are assisting with the overall assessment of the financial sector and this will help in an improved environment to place the Botswana financial sector in a position to meet the demands of the future Botswana economy.

### **Conclusion**

I wish to thank all stakeholders for their support and contribution to yet another successful year for our Bank.

Barclays Bank of Botswana's success requires the collective support of all Board members, the management team and, of course, our dedicated staff. Simon Gibbons has retired as the Bank's Financial Director to move into a similar position in Dubai with Barclays. I thank him for his contribution to the successful running of the Bank during his stay in Botswana. There have been a number of other changes to the Directorate during 2006. I wish to particularly thank Ms P Matumo for her valued contribution as a Board member in the past few years until her resignation in December 2006. I now take the opportunity to formally thank Mr AJ Allen, Ms D Makgato-Malesu and Mr J Grobler for joining our Board and look forward to their contribution in the future activities of the Bank.

Finally, I wish to thank our customers for their steadfast commitment to doing business with Barclays. In our role as the leading retail and corporate bank in Botswana our focus will continue to be the place where people can come and achieve their goals and ambitions. Furthermore, new initiatives and products will assist the Bank in continuing to provide you all with an even better service in 2007 and future years.



Mr B Marole  
Chairman

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Cycling from Tsabong to Gaborone in 2006 World AIDS Day under the theme 'Men take Charge': Front row (L-R) Jerry Bolebantswe, Ministry of Health; Edwin Bothongo, Barclays Bank of Botswana and Tumelo Nthaga, SMAABO. Back row (L-R) Nonofu Molefi, Member of parliament; Andries Mathanga, Ministry of Health and Thomas Mashaba, Absa.



satisfy client needs. The take-up of these products exceeded our expectations and their capabilities will be further enhanced in 2007.

The asset finance offering started to reap the benefits of the strategy to service both existing and new customers. With all the infrastructural projects coming on stream, we should be able to generate more business in 2007.

The cross-selling of Corporate and Treasury products helped us to acquire new customers. The Bank will continue to promote this strategy in 2007.

The Bank's custodial services function continued to receive favourable international awards and media coverage on the high quality of its services and operations. Through this function, the Bank increased its customer base and the value of its custody book. The new trustee service, which is offered to existing and new customers, will help meet their trustee requirements.

The Customer Service Centre continues to be popular, offering additional service to our valued corporate customers.

This year we established an in-house merchant banking department, which has paid dividends in that we were awarded various mandates. Some of the mandates are for project finance, public private partnership funding and raising finance in the debt capital markets.

The corporate division has set ambitious targets for itself and is well positioned to provide the customer service our Corporates deserve.

### **Retail financial services**

2006 marked the start of a significant investment into our Retail Banking Operations. Our investment demonstrates our confidence in the economy and the capability of our people to grow a business that already commands a very impressive market share.

Our investment into growing capacity is demonstrated across the key components of our business and is most visible in the Branch network. The Orapa branch was the first outlet we opened as part of our expansion plan. We are delighted with the response of customers and our ability to make a return on investment quickly.

The existing branch network and in-store concept will be supported by a state of the art call-centre. The centre, which

The Bank's custodial services function continued to receive favourable international awards.



has already allowed us to start servicing Barclaycard customers, will soon allow us to offer extended access to banking services for our customers.

The final months of 2006 saw us starting to offer services where our staff would visit existing and potential customers at their work place or home. This 'Direct Sales' strategy will allow us to increase the catchment area of our branches even further. These enhancements are already starting to improve service for our customers and are supported by our increasingly reliable ATM network. We are taking the ATM service to the next level through an extensive programme of upgrading existing machines and installing more machines at key locations across the country.

I believe that the above strategy, coupled with new product developments is helping make Barclays become more accessible to more customers in Botswana.

The growth we saw in customer liabilities and the strong response demonstrated to a new single-fee offering on transactional accounts bears testimony to this. We were able to grow both fee and interest income, whilst maintaining control of our cost base.

I am also pleased to report that the controls we have in place in the business were well maintained. Whilst they will remain a key focus, we are confident that we will continue to show positive movement in this regard.

On the Small and Medium Enterprise (SME) front, we developed a Business Club concept; offering customers access to wide ranging forums on business growth related subjects. Customer response has been strong and the feedback we have is that they see this as a value added offering which separates us from competition. The proposition is being expanded further by offering customers the opportunity to join overseas trips to attend important business forums and events.

### **Treasury services**

The Treasury services business has had another fantastic year, with an increase in profit before tax of 60% during 2006, compared to 2005. Changes in the Bank of Botswana regulations, making Commercial Banks the only primary dealers in BoBC's contributed significantly to our Treasury bottom line. The introduction of investment alternatives

to the wholesale depositors proved highly successful, with a significant increase in net interest income. The Treasury team continued to come up with customer focussed product solutions. The Bank also held its annual customer seminar in August, where we had a local expert addressing the status of the Botswana Economy and its future outlook.

The significant growth in the overall balance sheet prompted the issuance of P196 million of Medium Term Notes during 2006. This bodes well for the future expected growth in 2007, and shows the Bank's active management of liquidity and interest rate risk.

### **Assurance**

During the year, the Bank's system of internal control was reviewed with more emphasis on areas of high risk. I am happy to report that appropriate corrective action was taken on issues raised.

It will remain the Bank's key priority to add value towards the achievement of business objectives through a systematic and disciplined approach, in order to evaluate and improve the effectiveness of risk management, control and governance processes.

### **Operations**

2006 was a good year for our Operations function.

The function supported key projects during the year. These include our fully automated Card and Personal Identification Number (PIN) issuing in-branch. This means that customers can now call into any Barclays branch with their identification document and collect a new card and PIN within minutes. Furthermore, towards the end of 2006 we piloted the new Automated Account Opening at one of our branches. The roll out of this new initiative will commence early in 2007, and will be completed around late May 2007. This will mean that a potential new customer can call into any branch and have their new account opened within minutes and walk out with their new card and PIN.

On the Customer Service front, all our staff in the Operations function went through extensive training during the year. We also sent more than 15 staff members on international work assignments, ranging from supporting projects in Zambia and Kenya, to helping set up a new department in Seychelles.

On 22 June 2006, Barclays opened its new Disaster Recovery site at Phakalane, Gaborone. This is a state of the art site that provides the Bank with the confidence to know that in the unfortunate event of a serious disaster, all critical systems would be recovered quickly and without major disruption to customers.

### **Our people**

Our people have continued to be a key focus during 2006. The Bank further affirmed its commitment to have the right people in the right jobs by tapping into the diversity of its employee base. We continued to ensure that we build capacity in all areas of the business, whilst giving staff equal opportunities for growth.

Training has been enhanced through introducing Edugate, which provides online mapping of training needs. This initiative has enhanced our Line Managers' capability to instantly communicate training plans, through instant access to courses offered across Barclays Africa. We hope that this will create process efficiencies in managing training interventions for each staff member.

The Bank launched the Barclays University, which presented exciting opportunities for staff to enhance their knowledge and skills base through e-learning. The Barclays University also offers staff and their families access to the library and Internet facilities.

As part of the drive to improve communication and staff morale, we held 'Kgotla' sessions, often chaired by senior executives from across the wider African business. These forums allowed for two-way communication and for feedback to be given directly between employees and senior management, which in turn has enabled quick responses and resolution of issues. This empowering environment resulted in our highest ever response rate to our Employee Opinion Survey.

We have continued collaboration and engagement with the Union and Management Staff Association, ensuring that our employee relations remain stable. This once again greatly influenced settlement of salary negotiations and review of staff benefits, on time.

Our performance based reward policy continues to reward good performance so that we maintain our drive to be a high performing company.



Victor Chivasera, 2006 Overall Award Winner celebrating his award. Barclays recognises exceptional performance through the Eagle Awards programme.



## Employee wellness

Following the launch of the Bank's expanded employee wellness strategy in 2005, it is evident that the benefits from the programme are starting to be realised when comparing the service utilisation rate against international standards.

The HIV/AIDS programme continues to be one of the main aspects of the wellness strategy. The programme is aimed at augmenting Governments' efforts by ensuring that employees have access to existing programmes. The Bank will continue to contribute to the fight against HIV/AIDS through financial assistance and providing free ARV drugs to infected employees and their dependants.

The HIV/AIDS clinical programme that is managed by the Bank's medical aid society reflected notable achievement during the year, marked by a treatment adherence rate of about 90%.

## Community

In 2006, the Bank contributed P2.8 million to various community upliftment projects across the country. We continued to leverage our partnership with various organisations that have the capacity to deliver on specialised initiatives.

Through the employee volunteering scheme, employees were allowed two days off to do voluntary work at organisations of their choice. Employees were also given grants to meet the cost of the projects they delivered on. During the year under review, employee participation in voluntary work rose to 97% delivering 48 projects with focus on education, the environment and health related activities.

The community projects that were delivered by employees amounted to P432,000 and the bulk of the funds went toward activities addressing the needs of destitutes, followed by HIV/AIDS initiatives and youth centred initiatives.

The Bank partnered with the Botswana Society for the Deaf and assisted the Francistown Centre with accommodation facilities that can accommodate forty nursery pupils, thereby contributing to addressing education challenges faced by citizens with hearing disabilities.

The Bank also partnered with various organisations and launched an HIV/AIDS awareness campaign targeting men.

## Outlook

Exceptional financial performance in 2006 is a result of growing top-line income, whilst improving cost effectiveness. We achieved outstanding performance across the business by ensuring that our promise to our shareholders, customers and colleagues are delivered.

Customer service is a key strategic initiative to achieving greater customer loyalty and share-of-wallet. In 2006 we rolled out our customer service revolution. We continued to collect feedback through the feedback touchpad's 'Bua le Rona'. As a result of customer feedback, our focus on customer needs and expectations resulted in the introduction of new products, including the Internet based cash management for our corporate customers and implementation of instant Card and PIN issuing through our branch network. The introduction of Express branches is another initiative aimed at increasing our national footprint.

We continue to support community projects benefiting various segments of the marginalised communities through skills sharing and financial support. Employees continue to volunteer in various community work to deliver initiatives that are aimed at the realisation of the Millennium Development Goals and the country's Vision 2016. The Bank continues to contribute 1% of pre-tax profit in support of these initiatives.

Our strategy is to earn, invest and continue to deliver strong growth in profits, in ways that will further enhance our customer service revolution pledge. The business drive is to remain and grow as the leading bank in Botswana.

The needs of customers are always changing driven by factors such as wealth transfer, wealth generation and growth in demand for various banking products. We will continue to serve our customers well, thus helping them achieve their goals.

The growing and diversified mining sector will provide opportunities to explore trade and finance opportunities, as well as extend the cash management solutions to a wider range of customers.

The overall economic environment has renewed market confidence, which will translate into sustainable growth.

To capitalise on these sources of growth, we will ensure that our people are well developed to address and cater for customers' increasingly-sophisticated needs.

I wish to thank the Board for their invaluable support and strategic guidance in steering our business to great heights. My management team's relentless efforts to drive the business has gone a long way in the achievement of our success, and for this I am grateful. I would like to thank in a special way, every employee for their commitment and passion in serving our customers well during the period under review. I believe that with renewed enthusiasm and vigour, we will work together to make 2007 another great year.



Mr T Johnson  
Managing Director

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Barclays Bank Express Branch located at Orapa. Barclays Bank of Botswana launched the first express branch in Barclays Bank PLC.



# Directors' Report

for the year ended 31 December 2006

The directors have pleasure in submitting their report to shareholders, together with the audited financial statements for the year ended 31 December 2006.

## 1. Share capital

Details of the Bank's share capital are given in Note 30 to the financial statements.

## 2. Financial results

The annexed financial statements adequately disclose the results of the Bank's operations for the year.

## 3. Dividends

The dividends are set out in Note 12 to the financial statements.

## 4. Directorate

The following were Directors of the Bank during the period to the date of this report:

B Marole (Non-Executive)  
Chairman

T W Johnson (Executive)  
Managing Director

A J Allen (Executive)\*  
(Appointed 6 January 2006)

D Bruynseels (Non-Executive)\*

R K Desai (Non-Executive)

J Grobler (Non-Executive)^  
(Appointed 8 December 2006)

S Gibbons (Executive)\*  
(Appointed 6 January 2006)  
(Retired 14 February 2007)

L Maika (Non-Executive)

D Makgato-Malesu (Non-Executive)  
(Appointed 20 November 2006)

P Matumo (Non-Executive)  
(Retired 7 December 2006)

K Sithole (Non-Executive)

A Bainbridge (Non-Executive)\*  
(Appointed 13 July 2006)  
(Retired 1 December 2006)

\* British ^ South African

## 5. Independent auditors

PricewaterhouseCoopers  
Plot 50371  
Fairgrounds Office Park  
Gaborone

## 6. Company secretary

L Tema  
6th Floor, Barclays House  
Khama Crescent  
Gaborone

PO Box 478  
Gaborone  
Botswana

## 7. Transfer secretaries

Transaction Management Services (Proprietary) Limited  
Unit 22, Plot 126  
Kgale Court  
Gaborone

## 8. Registered office

6th Floor, Barclays House  
Khama Crescent  
Gaborone

## 9. Company registration

Registration Number 1732

meets privately with non-executive directors to brief them and to address any concerns they may have.

At every Annual General Meeting, one third of the directors (rounded down) retire and offer themselves for re-election. In practice, this causes every director to stand for re-election at least every three years.

A quorum consists of four directors. During 2006, the Board held six meetings. The attendance record of individual directors is provided in the table below:

Blackie Marole	3/6
Petronella Matumo	5/6
Rizwan Kadir Desai	5/6
Ketane Sithole	6/6
Lawrence Maika	6/6
Dorcas Makgato-Malesu	1/1
Dominic Bruynseels	1/6
Jacobus Grobler	1/1
Thulisizwe Johnson	6/6
Tony Allen	6/6
Simon Gibbons	5/6
Andrew Bainbridge	1/4

### Audit Committee

The Board appoints a minimum of three members, who are directors without any executive responsibility, to the audit committee. During the year there were three non-executive directors on the committee, one of whom is the chairperson of the committee. However, in line with the best practices of corporate governance, a non-executive director other than the Chairman of the Board has been appointed to chair the committee and this position is accordingly held by Lawrence Maika. The audit committee has written terms of reference that have been approved by the Board. The external and internal auditors have free access to the Chairman of the committee. Meetings are held at least four times a year.

The function of the committee is to assist the Board in discharging its duties under the Companies Act, Banking Act and common law. In particular, it monitors financial controls, accounting systems and shareholder reporting. It also assesses the management of financial risks.

The Banking Act imposes additional responsibilities on the Board of the Bank. This is especially true with regard to annual reporting on the functioning of the Bank's system of internal controls and its continuing viability as a going concern. The audit committee assists the Board in discharging these responsibilities.

### Country Management Committee (CMC)

#### Primary role

The CMC acts as the operational management forum responsible for delivering Barclays Bank of Botswana's operating plan and results.

#### Objectives

The objectives of the CMC are to ensure:

- That business is conducted in compliance with the country's legislation and regulations
- Effective implementation of Barclays Africa policies and governance arrangements across all lines and functions of the business
- Integrity of the operational, control, compliance and governance framework of the Bank as a part of Barclays Africa
- Efficient implementation of business plans
- That performance is maximised across all lines and functions of the business
- Enhancement of the Barclays brand

#### Composition and quorum

The CMC consists of the following:

- Managing Director (as its Chairman)
- Finance Director
- Treasurer
- Corporate Director
- Retail Director
- Chief Operating Officer
- Human Resources Director
- Credit Risk Director

A quorum consists of four members, including the Chairman or an alternate.



# Accounting Policies

for the year ended 31 December 2006

## 1. Reporting entity

Barclays Bank of Botswana Limited (the "Bank") is a company domiciled in Botswana. The address of the Bank's registered office is 6th Floor, Barclays House, Khama Crescent, Gaborone. The consolidated financial statements of the Bank as at and for the year ended 31 December 2006 comprise the Bank and its subsidiaries (together referred to as the "Bank"). The Bank primarily is involved in corporate banking, retail banking, and in treasury products and services.

The Bank's parent company is Barclays PLC, a company registered in the United Kingdom.

## 2. Basis of preparation

### 2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

During the period the Bank adopted the following IFRS, which are relevant to its operations. The comparative figures have been amended in accordance with the relevant requirements.

	Effective date
IAS 19 (Amendment) – Employee Benefits – Amendment December 2004	1/1/06
IAS 21 (Amendment) – Net Investment in a Foreign Operation – December 2005	1/1/06
IAS 39 and IFRS 4 Amendments – Financial Guarantee Contracts (August 2005)	1/1/06
IAS 39 (Amendment) – Cash Flow Hedge Accounting of Forecast Intra-group Transactions Amendment April 2005	1/1/06
IAS 39 (Amendment) – The Fair Value Option – Amendment June 2005	1/1/06
IFRS 1 (Amendment) – First-time Adoption of International Financial Reporting Standards	1/1/06
IFRS 6 (Amendment) – Exploration for and Evaluation of Mineral Resources	1/1/06
IFRIC Interpretation 4 – Determining whether an Arrangement contains a lease	1/1/06
IFRIC Interpretation 5 – Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1/1/06
IFRIC Interpretation 6 – Liabilities arising from Participation in a Specific Market-waste Electrical and Electronic	1/12/05

The amendments to IAS 19 Employee Benefits, which increased the level of disclosure in respect of defined benefit plans, has not impacted reported profits or the financial position of the Bank. In accordance with the transitional requirements of the amendments, the Bank has provided full comparative information.

The adoption of all other IAS amendments and IFRIC interpretations did not result in substantial changes to the Group's policies, reported profits or financial position and disclosures to the financial statements.

The financial statements were approved by the Board of Directors on 20 February 2007.

### 2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- available-for-sale financial assets are measured at fair value;
- liabilities for cash-settled share-based payment arrangements are measured at fair value;
- derivative financial instruments are measured at fair value through profit and loss;
- land and buildings are shown at fair value, less subsequent depreciation for buildings;

All other property, equipment and software is stated at cost or valuation less accumulated depreciation.

### 2.3 Functional and presentation currency

These consolidated financial statements are presented in Pula, which is the Bank's functional and presentation currency. Except as indicated, financial information presented in Pula has been rounded to the nearest thousand.

### 2.4 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

# Notes to the Financial Statements

for the year ended 31 December 2006

## Movement in plan assets

	Consolidated		Company	
	2006 P'000	2005 P'000	2006 P'000	2005 P'000
Fair value of plan assets at 1 January	316 105	250 519	316 105	250 519
Contributions paid into the plan	2 715	2 008	2 715	2 008
Benefits paid by the plan	(12 966)	(9 898)	(12 966)	(9 898)
Expected return on plan assets	39 374	30 869	39 374	30 869
Actuarial gains/(losses) during the year	73 872	42 607	73 872	42 607
<b>Fair value of plan assets at 31 December</b>	<b>419 100</b>	<b>316 105</b>	<b>419 100</b>	<b>316 105</b>

## Expenses recognised in profit or loss

	Consolidated		Company	
	2006 P'000	2005 P'000	2006 P'000	2005 P'000
Current service costs	6 703	6 064	6 703	6 064
Interest on obligation	26 221	21 392	26 221	21 392
Expected return on plan assets	(39 374)	(30 869)	(39 374)	(30 869)
Amortisations	(476)	-	(202)	-
	<b>(6 926)</b>	<b>(3 413)</b>	<b>(6 652)</b>	<b>(3 413)</b>
<b>Actual return on plan assets</b>	<b>113 246</b>	<b>73 476</b>	<b>113 246</b>	<b>73 476</b>

## Actuarial assumptions

Principal assumptions at the reporting date (expressed in weighted averages)

	Consolidated		Company	
	2006	2005	2006	2005
Discount rate at 31 December	11.50%	11.50%	11.50%	11.50%
Expected return on plan assets at 1 January	12.50%	12.50%	12.50%	12.50%
Future salary increases	10.50%	10.50%	10.50%	10.50%
Future pension increases	7.00%	7.00%	7.00%	7.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at 65 is 13.6 for males and 17.6 for females.

The overall expected long-term rate of return on assets is 12.5 percent. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories.

## Barclays Bank of Botswana Limited

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