



VPB II

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Fund Highlights

- Euro 150 MILLION Pan - SADC Private Equity fund
- Target IRR in excess of 15% on the Euro
- Exploiting the opportunities in the boom in the resource sector by focusing on:

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- Mining services
- Resources Beneficiation
-
- Investing in growth companies operating in primary sectors driven by growth in consumer demand and government liberalization policies, including et al:
 - Healthcare
 - Utilities
 - Retail
 - Tele - Communications
 - Industrial Materials and related industries
 - Financial Services

VPB Today

- Actively making investments and sourcing future transactions
- Over Euro 27 million has been invested in several transactions in Botswana
- Completed deals are diversified in terms of geography and industry
- Investing in one of the most stable and fastest growing developing markets in the world.
- Use of regional banking network for deal origination.
- Experienced management teams investing in successful enterprises in difficult environments.

- Success on single country fund being extended to a regional level.
- Converting enterprises with potential into high growth success stories

Background

VPB II is a Private Equity fund with an initial closing in the third quarter of 2008 of Euro 60 million, and a final closing in 2009 targeting up to Euro 150 million. Managed by VPB, the fund will be denominated and contributed in Euro, and be structured as a Limited Liability Partnership domiciled in Mauritius. A Parallel Fund denominated and contributed in Pula, the currency of Botswana, and structured as a Limited Liability Company will be domiciled in Botswana. In order to benefit the asset allocations of institutional investors in Botswana, The Fund has applied to the regulatory authorities to be granted local asset status.

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The Fund seeks to invest in the growing Southern Africa region in growth oriented regional focused companies operating in targeted sectors. Taking advantage of the resource boom in the region, the fund aims to achieve superior returns by investing in a diversified portfolio of companies operating in varied

target sectors. These sectors are primary industry sectors reflecting the growth opportunity offered by a true emerging market, which are basic needs to foster and engender economic sustenance and development.

VPB II is the second private equity fund being managed by VPB, with over Euro 27 Million in investor commitments.

Founded in 2002, VPB is an independent Private Equity and Corporate Advisory firm focused on the Africa region. The firm has an office in Gaborone, Botswana, and plans to open a number of offices in the region to enhance its regional presence. Botswana has been hailed as a leading example of successful emerging economies. It is one of the most stable democracies in the world, promoting self-policing efforts in terms of preventative diplomacy, conflict resolution, and good governance. Botswana boasts the highest sovereign credit rating in Africa and has continued to build on an already impressive economic record. Botswana has also developed notable off-shore capacity.

VPB has longstanding experience in the region and extensive involvement in most industry sectors complemented by an extensive network of international partners in accounting, law and other technical areas. Over the years, the firm has developed a network among leading regional companies and multinationals active in the Southern African region.

Market Opportunity

The SADC economies are creating and will continue to create excellent investment opportunities for networked investors with a comprehensive understanding of the local landscape. While still in its early

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state of development, private equity has witnessed an impressive growth in the region over the last few years, fueled by several key enabling factors

- A combined population of over 250 million and aggregate GDP in excess of Euro 228 Billion, the SADC region represents a large consumer market with a young population growing at a rate of 2.1% compared to a world average of 0.5%.
- Significant opportunities as a result of the resource boom in a region well endowed with natural resources.
- Unlike previous resource booms, this short-term windfall will have long-lasting effects as countries are pursuing common strategies for the diversification of their economies away from their mineral wealth.
- Recently economies in the region have attracted significant capital and enjoyed impressive economic growth and success.
- Market conditions and investment fundamentals have improved as prospects for the private sector's growth and development are further boosted by important government initiatives.
- Private equity is becoming a major component of the alternative investment universe in SADC, and is now broadly accepted as an established asset class within many institutional portfolios.
- Significant government investment in infrastructure has contributed to regional expansion and growth
- Liberalization of the aviation and telecommunication industries amongst others has added impetus to the growth opportunities in the region.

VPB II will be targeting investments in six countries in the Southern Africa sub-region, namely:

Angola
Botswana
Mozambique
Namibia
South Africa
Zambia

Investment opportunities in other countries in the region will be looked at on an opportunistic basis.

VPB Private Equity

Since its establishment in 2003, VPB has been managing its maiden private equity fund, the CEDA Venture Capital Fund. VPB has over Euro 40 million under management, all raised in 2003, and ranks among the leading independent private equity managers in the SADC region.

VPB provides a strong regional team of highly experienced and highly qualified Private Equity executives composed of 5 investment professionals. The team also presents a diverse mix of backgrounds and cultures that are indigenous to the region. VPB has already identified additional members of the team that will be coming onboard as it moves towards closure of VPB II.

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Current Funds Under Management

VPB has managed its first fund, the CEDA Venture Capital Fund (CVCF) since 2003. The Government of Botswana is the investor in the fund, which is a single country fund making all its investments in Botswana.

The CVCF has a double bottom-line objective, in the sense that it seeks to achieve both developmental and commercial objectives. The developmental objectives include among others:

- Economic diversification of the Botswana economy away from dependence on diamond revenues by establishing new industries
- Entrepreneurial development
- Citizen Economic Empowerment

The CVCF has completed 16 investments in 4 years, demonstrating the manager's ability to originate and close quality transactions.

The first exit took place in April 2007 achieving a gross IRR of 19%.

The Fund Manager's focus is now to maximize the value of each of the investee companies, and prepare them all for exit.

CEDA Venture Capital Fund Portfolio of Companies

The following are the companies that form part of the CVCF portfolio:

PG Industries

PG Industries Botswana (Pty) Ltd is a manufacturer and retail outlet for building and allied materials, mostly timber and timber-related products. It has been operating in Botswana for over 39 years. The company has branches countrywide and employs over one hundred people through its branch network.

Builders Merchants Botswana (BMB)

Builder's Merchants Botswana (Pty) Ltd is a general building material and hardware supply company that was registered in 1973. It has branches in all the major centres in Botswana and has an unparalleled reputation for supplying quality building material.

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ZS Botswana

ZS Botswana (Pty) Ltd is a leading telecommunications company that supplies and maintains radio equipment, as well as ancillary equipment related to the communication industry. ZS Botswana recently expanded by establishing a countrywide digital trunk radio communications network.

Delta Dairies

Delta Dairies (Pty) Ltd is the first and only manufacturer of UHT (long-life) milk in Botswana. The company supplies its range of branded UHT milk products to the domestic and export markets.

Airway Express

Airway Express provides air charter services in Botswana and Zambia, mostly to the tourism industry. Other services include Air courier services, aerial spraying services, air ambulance services and aerial advertising.

Tannery Industries Botswana

Tannery industries Botswana (Pty) Ltd is a leather finishing plant that currently supplies the automotive, furniture and shoe industries in Botswana and in the Southern Africa region. It was incorporated during the later part of 2004 to take advantage of the raw material coming out of the country's renowned beef industry.

Mabele Breweries

Mabele Breweries is involved in the manufacture of traditional sorghum-based beverages for sale to the local market.

Latex Medical Products

Latex medical Products (LMP) was recently established as the 3rd condom manufacturer in Africa, specializing in the manufacture of standard and novelty male condoms for the local and regional markets. The factory is at the forefront of efforts to fight the HIV-AIDS epidemic in the region.

Benson Craig

Benson Craig is a cigarette manufacturing company that was set up in Botswana to meet the growing demand for cigarettes in the Southern Africa region. The operation's proximity and strategic alliances to Zimbabwe has given it access to the Zimbabwean tobacco leaf which is ranked highly in the world in terms of quality and flavour.

Transport Holdings Limited

Transport Holdings (Pty) Ltd offers provision of integrated logistical support and transportation for its clients in Botswana. It is the largest transporter of liquid petroleum products in the country, and also has a client base made up of the major mining concerns in Botswana.

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Aon Botswana

AON Botswana (Pty) Ltd is the largest and oldest insurance company in Botswana, established in the country in 1970. It currently controls 60% of the market and provides broking and advisory services in all insurance disciplines. It is a subsidiary of AON Corporation Limited, a Fortune 500 company headquartered in Chicago.

Biz Capital

Biz Capital (Pty) Ltd has been in operation since 2004, providing a range of working capital solutions to the SMME market aimed at easing cash flow pressures.

CFA (PTY) LTD

CFA (Pty) Ltd is a premier networking and infrastructure company that was incorporated in 1999. The company specializes in turnkey solutions and services in network integration with optimized infrastructure technologies.

MRI BOTSWANA LIMITED

Medical rescue International Botswana Limited was incorporated in Botswana in March 1992 as part of the MRI Holdings Group. The company's principal business is the provision of emergency medical rescue operations throughout Botswana, including ground and air evacuation, transportation and medical assistance to sick and injured patients. The essence of the MRI operation is the 24 hour call centre located in Gaborone.

Table 1 – List of Portfolio Companies

COMPANY	COMPANY DESCRIPTION	DATE OF INITIAL INVESTMENT	CAPITAL INVESTED (Euro)
4Ms GROUP HOLDINGS (PTY) LTD	Transport & Logistics services	10/20/2004	2,000,000
AON BOTSWANA (PTY) LTD	Insurance brokerage	4/17/2007	26,553,750
BENSON CRAIG (PTY) LTD	Cigarette manufacturing	12/13/2006	22,320,000
BIZ CAPITAL (PTY) LTD	Financial services	11/26/2007	5,890,000
BUILDERS MERCHANTS BOTSWANA (PTY) LTD	Building materials and hardware supplier	6/21/2005	7,209,500
CABLING FOR AFRICA (PTY) LTD	Networking and infrastructure	9/13/2006	823,200
DELTA DAIRIES (PTY) LTD	Dairy Manufacturing	11/14/2005	27,684,368
FABULOUS FLOWERS (PTY) LTD	Floriculture	9/5/2006	5,000,000

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LATEX MEDICAL (PTY) LTD	Manufacturer and distributor of quality male condoms	4/27/2007	6,993,428
MABELE BREWERIES (PTY) LTD	Manufacturer and distributor of alcoholic beverages	10/16/2006	6,739,697
MRI BOTSWANA LIMITED	Emergency medical and call centre services	2/25/2008	5,701,710
PG INDUSTRIES (PTY) LTD	Manufacturer and supplier of building & allied products	10/21/2004	14,300,529
AIRWAY EXPRESS (PTY) LTD	Air cargo services and air transport	10/1/2004	2,720,000
TANNERY INDUSTRIES BOTSWANA (PTY) LTD	Hide processing and finishing	6/17/2005	17,870,452
TRANSPORT HOLDINGS (PTY) LTD	Transport & Logistics services	11/15/2006	4,500,000
ZS BOTSWANA (PTY) LTD	Telecommunications Infrastructure and systems integration	1/16/2007	6,020,300
MRI BOTSWANA LIMITED	Emergency Medical Services		
TOTAL PRE-FUND INVESTMENTS			162,326,934

Table 2. Exits to date

COMPANY	COMPANY DESCRIPTION	DATE OF INITIAL INVESTMENT	CAPITAL INVESTED (Euro)	DATE OF EXIT	CAPITAL REALISED (Pula)	GROSS RETURNS	
						IRR	MULTIPLE
4MS	Transport & Logistics services	10/20/2004	194,400	6/19/2007	304,687	19%	1.6X
TOTAL PRE-FUND EXITS			194,400		304,687	19%	1.6X

Investment Strategy - VPBII

VPB II seeks to generate significant long-term capital growth by primarily investing in a diversified portfolio of companies, operating in growth sectors driven by:

- Global demand in resources and the servicing requirements of the resources sector;
- Growing consumer demand as a result of regional economic expansion;
- Primary industry development as a result of burgeoning consumer and resource sector demand; and
- Significant investment in infrastructure by regional governments.

The fund takes significant equity stakes in companies with the following characteristics:

- Proven history of profitability;
- Proven management teams with a clear vision and ambitious goals,
- Sound operating strategies geared towards regional or global expansion,
- Ability to leverage on the region's growing consumer demand and to compete in their global sectors through cost competitiveness and operational expertise,
- Foreseeable routes to liquidity. The fund manager will identify multiple exit strategies prior to making an investment and will continuously monitor and investigate exit options throughout the life of that investment.

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- The fund will invest a maximum of 15% of the fund in early stage transactions, which demonstrate:

- Primary industry sectors that offer first mover advantage
- Beneficiation of locally available raw materials
- Strong Government incentives directed towards a specific sector or industry
- Infant industry protection

The fund aims to achieve superior returns by enhancing operational and financial performance of portfolio companies.

VPB II will take majority positions or significant minority stakes with strong contractual rights. The fund creates value through strategies targeted at the specific company's needs. These strategies include, but are not limited to, the effective use of leverage, consolidation, financial and operational restructuring and the granting of management incentives.

Summary of Fund Terms

The Fund

VPB II is a closed-ended private equity fund with a target capitalization of Euro 150 million domiciled in Mauritius and structured as a Limited Liability Company, with a domestic vehicle in Botswana structured as a Limited Liability Partnership.

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Geographic Focus	Primarily Southern Africa but may invest opportunistically in the rest of Africa.
Target Sectors	Will include predominantly primary sectors such as Resources, Consumer Goods, Retail, Communications, Financial Services and Construction Materials.
The Manager	VPB (Pty) Ltd, an established private equity Fund Management Company.
Anchor Investor	Government of Botswana.
Investment Committee	5 voting members, 3 appointed by the Fund Manager and 2 by the Investors. Investors can appoint 2 observer members. Decisions are subject to the Investment Committee's majority approval.
Transaction Size	Euro 5 million to Euro 22 million. Transactions outside this range are

possible subject to the Investment Committee's approval.

Target Returns	15% in Euros, net of management fees, performance allocations and operating expenses.
Co-investment	Manager may provide co-investment opportunities to investors or third parties.
Minimum Commitment	Euro 5 million, although commitments of lesser amounts may be accepted at the Manager's discretion.
Term of the Fund	10 years from initial closing.
Commitment Period	5 years from initial closing.
Management Fee	The Management Fees would be structured as follows: <ul style="list-style-type: none">- During the Commitment Period, 2.25% of the aggregate amount of the Limited Partner's Commitment;- After the Commitment Period, the Management Fee will be equal to 2.00% per annum of the invested capital minus the cost basis of sold investments and write-offs

Preferred Return

8% (Euribor+ 3.78 %) p.a

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Carried Interest

20%.

Contact Information

Venture Partners Botswana (Pty) Ltd

First Floor, Block B Fairgrounds Office Park

Private Bag 00304, Gaborone, Botswana

Tel: + 267 3181012

Fax: + 267 3181038

www.venture-p.com

Diphuka Osman

VPB Investor Relations

diphuka@venture-p.com