



ANNUAL REPORT | 2015



GREATER REACHING
HEIGHTS



MILESTONES

2015

1. The BSE registered a yearly turnover of P3.0 Bn, the highest ever recorded since the inception of the BSE

2. BSE Transition Act commenced

3. Afinitas Limited, a pure startup company, listed in July

4. BTCL IPO approved to commence in January 2016

Our Theme

REACHING GREATER HEIGHTS

“The theme for this year’s financial and operational report “Reaching Greater Heights” paints a good picture and adds strides to the momentum generated in the previous year.”

Regina Vaka
BSE Chairperson

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MISSION & VISION STATEMENTS

Mission

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

Vision

Our vision is to be the leading Stock Exchange in Africa.

We will do this by:

- Growing the market in terms of number of listings, market capitalisation and liquidity, and in addition;
- Providing excellent returns for our participants;
- Attracting the most foreign portfolio investment; and
- Improving internal operations (including being self sustaining).

Our Values

PASSION

- Creativity & Innovation
- Personal Learning, Growth, Development, Coaching & Developing others

RESPECT

- Teamwork & Collaboration
- Knowledge Sharing & Communication
- Customer Orientation

INTEGRITY

- Corporate & Personal Ethics
- Credibility, Transparency & Accountability
- Risk Management

DISCIPLINE

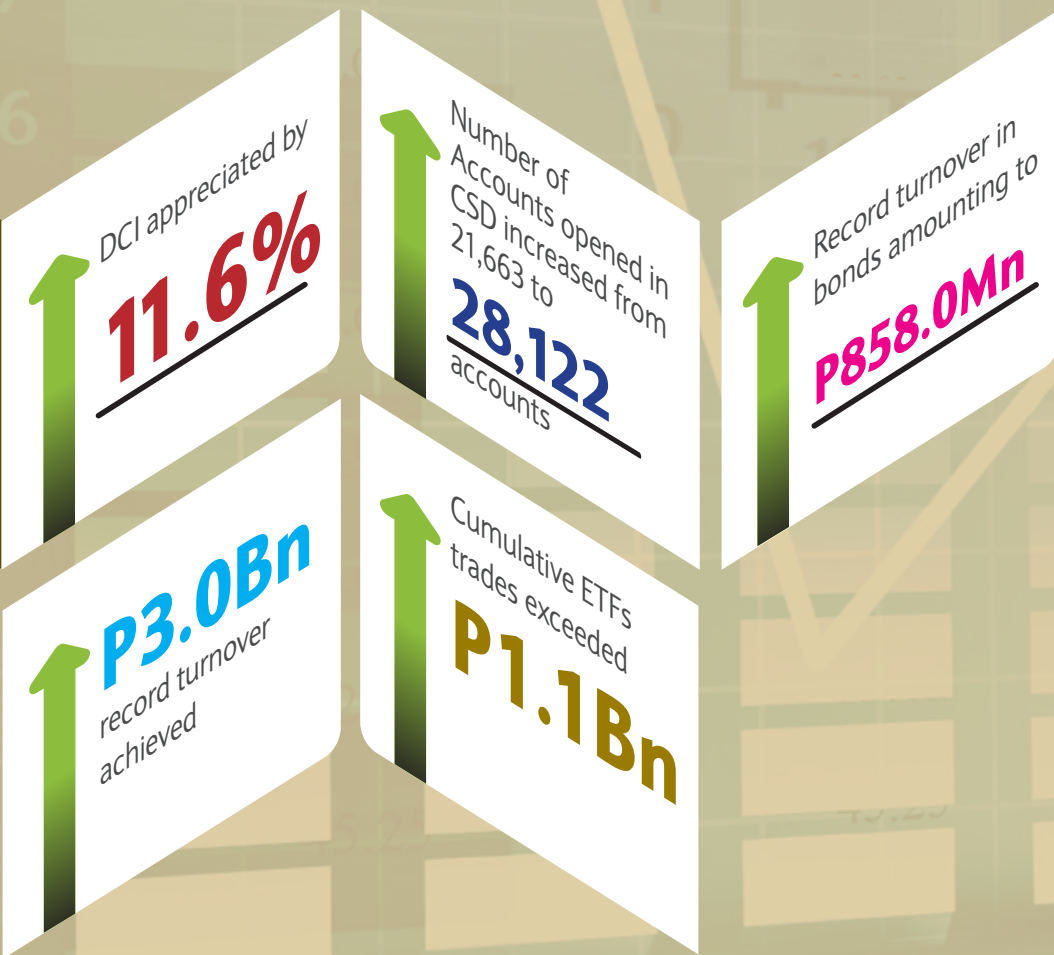
- Committed to realizing value and converting Value to a competitive advantage
- Committed to continuous improvement

EXECUTION

- Achievement-driven
- Excellence
- Results Focused



HIGHLIGHTS FOR 2015



- New Equity Listing Rules approved by NBFIRA
 - Market-Making Rules submitted to NBFIRA
 - The BSE Transition Act commenced on 1 December 2015
 - The Securities Act awaits Commencement Order
 - The process of demutualization commenced
 - NewFunds ILBI ETF listed in November
 - 3rd Annual Senior Secondary Schools Finance & Investment Competition successfully hosted
 - Three financial markets courses conducted
 - Afinitas Limited, a pure startup company, listed in July
 - BTCL IPO approved to commence in January 2016
-



The Botswana Stock Exchange (BSE) is Botswana's national stock exchange, given the responsibility to operate and regulate equity and the fixed interest security market. Formally established in 1989, the BSE traces its humble beginnings to when it was known as Botswana Share Market (BSM).

BOTSWANA STOCK EXCHANGE OVERVIEW

At that time there was no formal stock exchange in Botswana and the BSM traded as an informal market. There were only 5 listed entities with a single broking firm i.e. Stock Brokers Botswana Ltd (SBB), which was also charged with facilitating trading on the exchange via the matching of orders. In order to encourage foreign investors to Botswana an interim exchange committee was set up in October 1990 with representatives from the private and public sector, including the secretary of the Zimbabwe Stock Exchange, the Chief Executive of SBB, the Permanent Secretary of the Ministry of Finance, and the Deputy Director of the Bank Supervision Department of Bank of Botswana. The committee had the power to list and to de-list a stock, and was also responsible for ensuring that the BSE traded ethically [Ruben Lee, 1998]. The necessity to detach the running of the exchange from the broking business set in motion a process for the establishment of an independent exchange.

In September 1994, the legislation to transform the BSM into a full exchange was passed by Parliament paving the way for the establishment of the Botswana Stock Exchange (BSE) where trading opened in November 1995. In March 1998, Ernst and Young took the full administration of the BSE. With effect from July 2001, a full time Chief Executive Officer was appointed with the aim of making the BSE completely independent.

In April 2003, in order to better execute the affairs of the Exchange, better serve stakeholders, and be more responsive to global events and to remain competitive, the BSE discontinued the secretarial role of Ernst and Young Botswana to become a fully independent entity.

The BSE continues to be pivotal to Botswana's financial system, and in particular the capital market, as an avenue on which government, quasi-government and the private sector can raise debt and equity capital. The BSE plays host to the most pre-eminent companies doing business in Botswana. These companies represent a spectrum of industries and commerce; these are Banking, Financial Services, Wholesaling & Retailing, Tourism, Energy, Property & Trust, Security and Telecommunications (effective April 2016). Currently, there are 32 listed entities in the BSE comprising 22 domestic and 10 foreign companies. The BSE also has 38 listed bonds and 4 Exchange Traded Funds.

OUR PRODUCTS

The BSE aims to become a financial supermarket, meaning it aims to provide the right kind of products to suit investor and issuer so that it meets growing customer demands and challenges of the globalisation of financial markets. This can be done through product innovation and diversification.

Currently, products that can be listed include Equities, Corporate Bonds, Government Bonds, Exchange Traded Products, Index Funds and Commercial Papers while products being developed are Global Depository Receipts and Real Estate Investment Trusts.

BOTSWANA STOCK EXCHANGE REGULATORY ENVIRONMENT

The main law which governs all the activities between the Exchange and its members, the proceedings of the Main Committee and its composition; the relationship between the Minister and the Exchange together with the relations between the Registrar, is the Botswana Stock Exchange Act No 11 of 1994. The BSE is regulated by the Non Banking Financial Institutions Regulatory Authority (NBFIRA). A new Act, the BSE Transition Act commenced on 1 December 2015, paving the way for commencement of the demutualization of the BSE. Whilst the Securities Act has been approved, it is still awaiting a Commencement Order.

The members have promulgated Rules (Member Rules) which provide the requirements to be fulfilled for the securities listed and traded on the Exchange. Members Rules provide as the main objective thereof, “to operate a Stock Exchange in Botswana with due regard to the public interest to maintain fair and efficient dealing in securities for the protection of investors and regulate the affairs of members”.

In addition, the Exchange has a set of Listing Requirements which provide the pre-listing requirements and post-listing requirements to be observed by the issuers of listed securities. The emphasis is to make sure issuers disclose as much information to the public and investors as possible so that the latter can make informed investment decisions. The Rules were amended and subsequently approved in 2015, becoming effective in June 2016.

CORPORATE INFORMATION

BSE Office:

Exchange House
Office Block 6
Plot 64511, Fairgrounds
Private Bag 00417
Gaborone

Independent Auditors:

KPMG

Bankers:

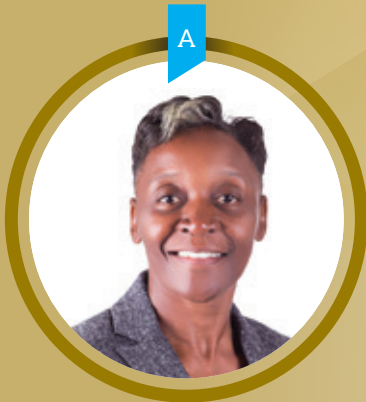
Barclays Bank of Botswana Limited
Standard Chartered Bank Botswana Limited

THE TRADING DAY AT THE BSE

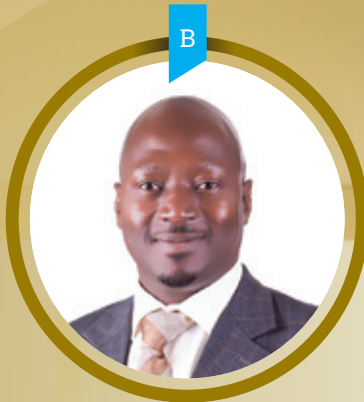
	Sessions	Time	Duration
(a)	Pre-trading Session	10:00hrs to 10:10hrs.	10 min
(b)	Open Auction Session	10:10hrs to 10:25hrs.	15 min
(c)	Regular Trading Session 1	10:25hrs to 11:55hrs	1hr 30 min
(d)	Interim Auction Session	11:55hrs to 12:05hrs	10 min
(e)	Regular Trading Session 2	12:05hrs to 13:20hrs	1hr 15 min
(f)	Closing Auction Session	13:20hrs to 13:30hrs.	10 min
(g)	Closing Price Publication Session	13:30hrs to 13:40hrs	10 min
(h)	Closing Price Cross Session	13:40hrs to 13:50hrs	10 min
(i)	Post-Close Session	13:50hrs to 14:00hrs	10 min
(j)	Market Close	14:00hrs.	



BOARD MEMBERS



A Ms. Regina Vaka
Chairperson



B Mr. Gregory Matsake
Vice Chairperson



C Ms. Goitseone Kgaodi
Treasurer



D Prof. John Kiggundu
Member



E Mr. Nelson Letshwene
Member



F Gen. Tebogo C. Masire
Member



G Mr. Martin Makgatle
Member



H Mr. Kabelo Mohohlo
Member



I Ms. Itumeleng Magama
Member

A large, high-quality portrait of a middle-aged man with a shaved head and a light beard. He is wearing a dark blue suit jacket, a white shirt, and a purple patterned tie. He has his arms crossed and is looking directly at the camera with a neutral expression. The background is a plain, light color. A diagonal line in shades of yellow and green cuts across the image from the bottom right towards the top left. A red rectangular graphic element is positioned to the left of the text.

MANAGEMENT TEAM



Mr. Thapelo Tsheole
Chief Executive Officer

Thapelo was appointed CEO of the BSE in January 2016. Prior to that, he was the Deputy CEO since February 2014. Thapelo joined the BSE February 2007 as a Product Development Manager. Thapelo holds a Bachelor of Social Sciences (Single Major Economics) from the University of Botswana and a Master of Commerce (MComm) in Financial Markets from Rhodes University (RSA). Further, he holds a Masters in Business Administration (MBA) from the Graduate School of Business, University of Cape Town (RSA).

Thapelo has also completed several financial markets programmes which include Registered Person Examination (RPE) conducted by South African Institute of Financial Markets (SAIFM) and SAFEX.



Ms. Mpho Mogasha
Finance and Administration
Manager

Ms. Mogasha joined the BSE in 2006 as an Operations Officer – Finance & Admin, a position she held until July 2013, when she was appointed to the role of Acting Finance & Admin Manager. She assumed the role of Finance & Administration Manager in February 2014. Prior to joining the BSE she worked for Motswedi Securities as an Accountant. Before then, she worked for Grunwald Construction as an Assistant Accountant. Mrs. Mogasha graduated with a BA in Accounting from the University of Botswana. She is ACCA qualified and a member of the Botswana Institute of Chartered Accountants (BICA). She is currently pursuing a Management Development Programme with the University of Stellenbosch Business School (RSA).



Ms. Latelang Chakalisa
Corporate Affairs Manager

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



Ms. Lame Akanyang
Market Development
Manager

Ms. Akanyang joined BSE in January 2007 as Market Development Manager. Prior to joining the BSE, she held different positions at international institutions such as General Electric and First Star Bank in the USA. She holds a BSBA Economics/Human Resources from Xavier University (USA) and MA in Economics from the University of Cincinnati (USA).



Ms. Masego P. Pheto
Central Securities Depository
(CSD) Manager

Ms. Pheto joined BSE in December 2007 as CSD Manager. Prior to joining the BSE she was a Market Risk Manager at Stanbic Bank Botswana. Before then, she worked for Bank of Botswana on different units of the Financial Market Department as a Dealer, Settlement Officer and Portfolio Analyst. She graduated with a BA in Economics from the University of Botswana, and holds a MA in Economics from Stellenbosch University (RSA). She is currently pursuing CIMA.



Mr. Kopano Mogorosi
Information Technology
Manager

Mr. Mogorosi joined the BSE in January 2008 as a System and Network Administrator. In June 2009, he was redeployed to the role of Database Administrator, a position that he held until October 2011, when he was appointed to the role of Acting IT Manager. He assumed the role of IT Manager in May 2012. Prior to joining the BSE, Mr Mogorosi worked for Rural Industries Promotions Company Botswana (RIPCO) as a Systems Administrator. He has also worked for DCDM Consulting as an Analyst/ Programmer. Mr Mogorosi holds a BSc in Computer Engineering from the University of Miami, FL (USA).



Mr. Tsametse Mmolai
Listings and Trading
Manager

Mr. Mmolai joined BSE in May 2008 as Listings and Trading Operations Officer. Prior to joining BSE, he was the Branch Manager for Metropolitan Life Francistown office. Before then, he worked for BIFM as an Investment Accountant. Mr. Mmolai Tsametse graduated with a BCom (Finance) from Macquarie University in Australia and is an Accredited Member of the Compliance Institute of Southern Africa. He is currently pursuing a Management Development Programme with the University Stellenbosch Business School (RSA).

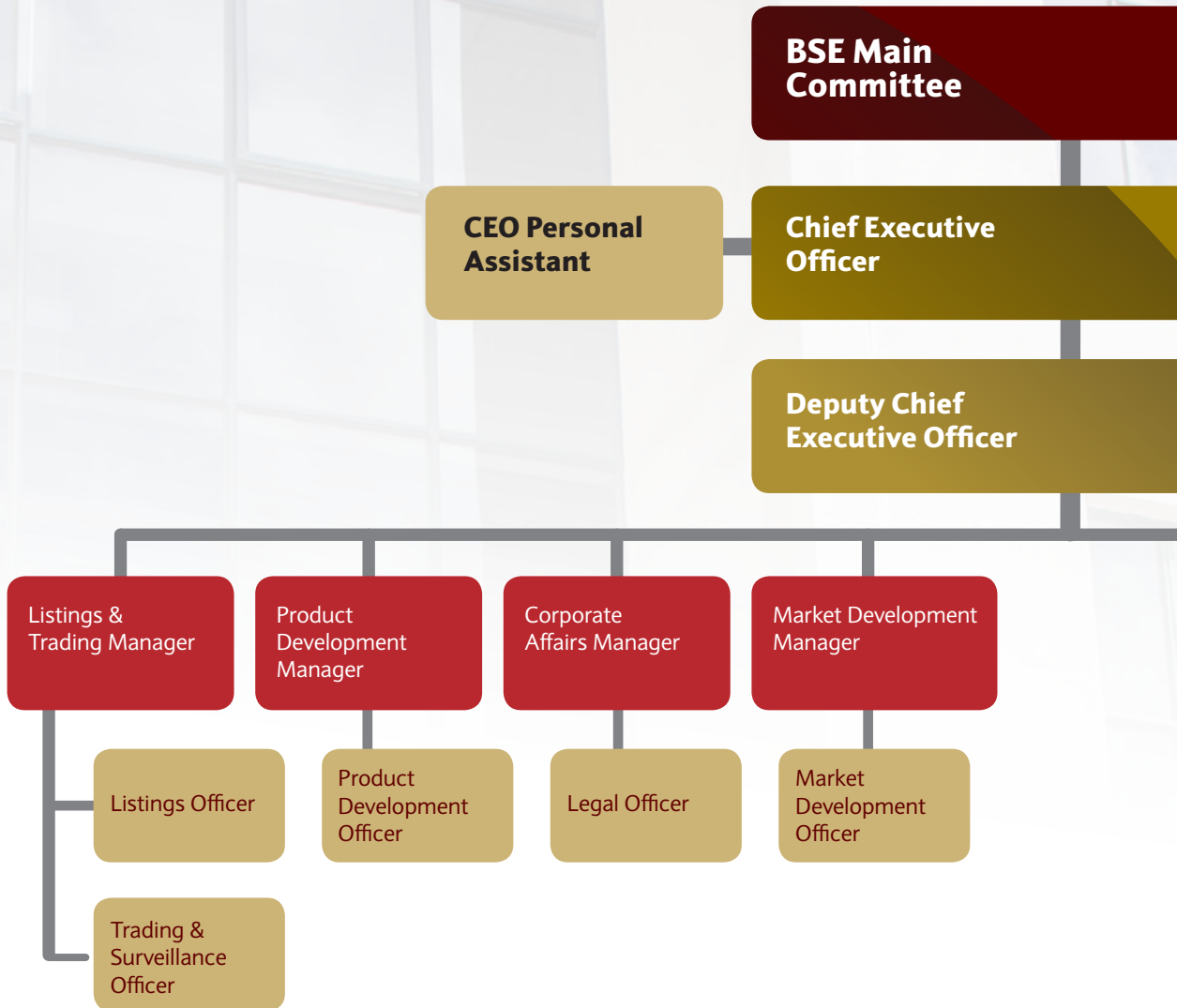


Mr. Kopano J. Bolokwe
Acting Product Development
Manager

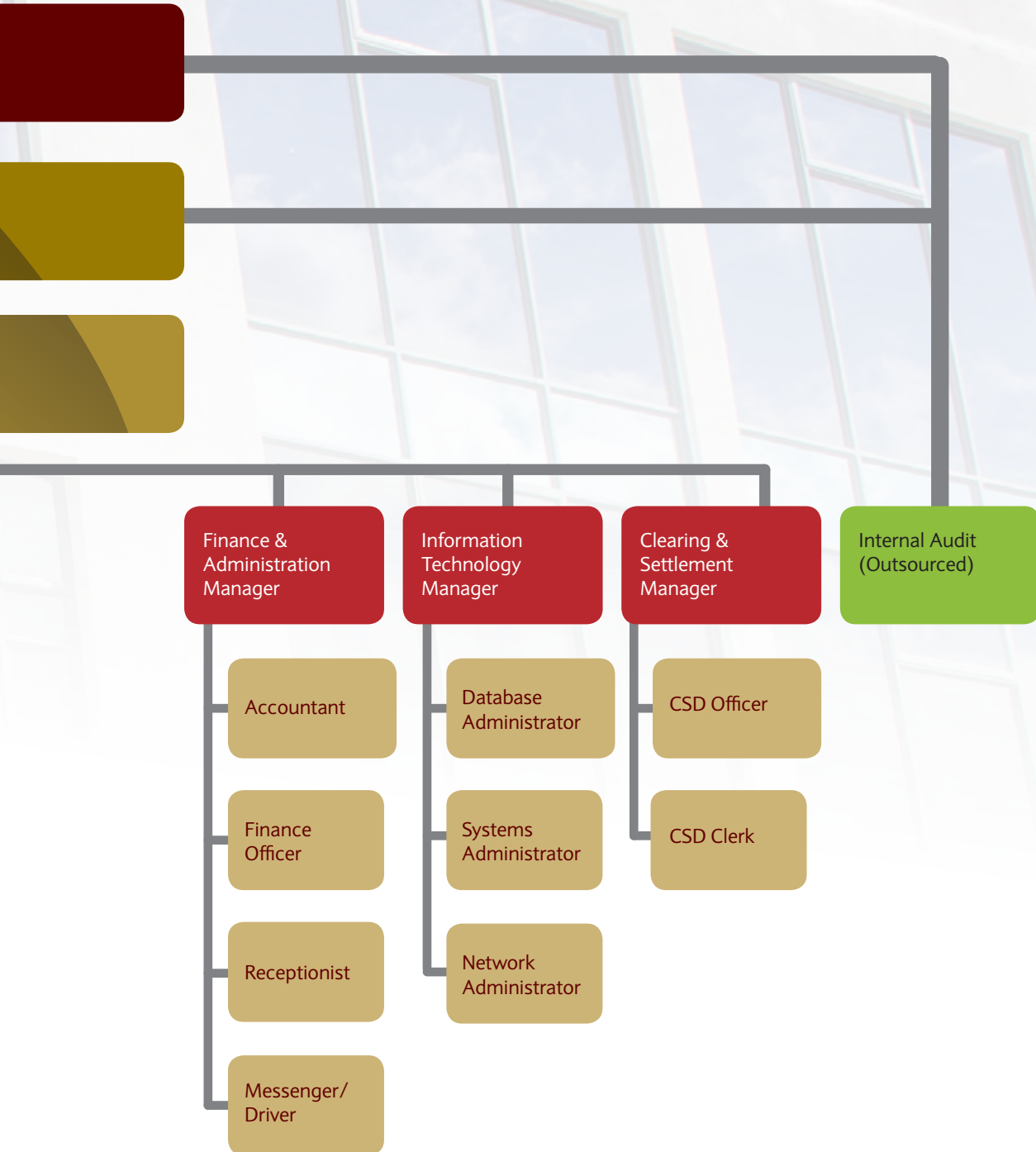
Mr. Bolokwe joined the BSE in May 2011 as Product Development Operations Officer and was appointed Acting Product Development Manager in February 2016. Prior to joining the BSE, Mr Bolokwe worked for STANLIB as an Investment Analyst and for ImaraCapital Securities as a Private Clients Broker. He holds a Degree in Finance from University of Botswana (UB), he has completed the Chartered Alternative Investment Analyst (CAIA) programme, he is a Chartered Financial Analyst (CFA) Level III candidate and a final year MBA student at University of Botswana. Mr Bolokwe is also a Registered Person (RPE) under the South African Institute of Financial Markets (SAIFM).



COMPANY STRUCTURE



EXCHANGE HOUSE



OUR STAFF



EXCHANGE HOUSE

REACHING GREATER HEIGHTS





CHAIRPERSON'S STATEMENT

Dear Stakeholder

The theme for this year's financial and operational report "*Reaching Greater Heights*" paints a good picture and adds strides to the momentum generated in the previous year. I am convinced that there could not have been a more fitting theme to encapsulate the accolades of 2015 by the Botswana Stock Exchange (BSE) than this one.

The year 2015 was an excellent year for the BSE despite the challenging global environment that was characterised by high levels of volatility in equities markets, a slump in commodities markets and sharp fall in currency values, particularly in Emerging Markets.

At the 19th Annual Conference of African Securities Exchanges Association (ASEA) held in November 2015 in South Africa, it was noted that the volatility in most African equities markets and the accompanying economic slowdown resulted in stock indices of a majority of stock exchanges that are members of ASEA experiencing a decline in value. By any measure, this occurrence is a negative for African markets but it largely reflects the susceptibility of the African continent to developments in more developed economies and to tying its success to markets such as China, which unfortunately delivered lacklustre performance in 2015.

As noted in several reviews and in succeeding sections of this report, Botswana's economy also reflected the overall commodity-led slowdown in African economies, primarily due to a decline in diamond revenues. Notwithstanding, the BSE's performance and the investor confidence in the domestic equity market reached greater heights against this backdrop.

The BSE registered a record turnover of P3.0 Bn in 2015, translating into P12.2 Mn worth of shares traded daily. This was an improvement from a turnover of P2.2Bn and an average daily turnover of P8.8 Mn in 2014. In addition, the Domestic Company Index (DCI) more than doubled its growth and ended the year with an appreciation of 11.6% in comparison to 5.0% in 2014. Interestingly, growth in the Exchange was broad-based as Bonds also traded an unprecedented turnover of P858.0 Mn whereas Exchange Traded Funds (ETFs) also performed well, trading the highest yearly turnover of P519.6 Mn. This stellar synopsis is as a result of greater effort from BSE Management and stakeholders, including market participants.



CHAIRPERSON'S STATEMENT [CONTINUED]
for the year ended 31 December 2015

We recognize the fact that the sustainability of the BSE is underpinned by a more robust and heterogeneous demand side of the market and also by the attractiveness of the Exchange to issuers of securities.

On the financial front, the BSE delivered excellent financial results, growing the Group's consolidated revenues by 40.0% to P37.7 Mn (2014: P26.4 Mn), and the after tax profit (prior to subvention) by 149.9% to P11.3 Mn from P4.6 Mn in 2014.

One of the highlights of the year was the commencement of the legislation enabling the Demutualization of the BSE, being the BSE Transition Act which commenced in December 2015. I am pleased that the new journey that the BSE has embarked on is expected to yield greater benefits for the market as a whole once Demutualization has happened. Whilst there, the Regulations to another landmark piece of legislation, the Securities Act, are being drafted by the Attorney General, pursuant to which the Ministry of Finance and Development Planning will issue a Commencement Order. The change in the securities landscape in Botswana arising from the change in the aforementioned Acts will be instrumental in enabling the BSE to offer services and products, conduct business and compete at an international level.

During the year, we made accomplishments with respect to several initiatives that cemented our position as one of the region's leading Stock Exchanges. These initiatives include the approval of the New Equity Listing Requirements that will commence on 1 June 2016, the submission of Draft

Market-Making Rules, the listing of the fourth ETF called NewFunds Inflation-Linked Bond Index ETF, the listing of an Africa-focused pure start-up company on the Domestic Venture Capital Board in the name of Afinitas Limited and the announcement of commencement of the Initial Public Offering (IPO) of Botswana Telecommunications Corporation Limited (BTCL). Let me highlight the announcement of the commencement of the BTCL IPO as a landmark transaction that has been met with great enthusiasm and excitement by the market. This is the first privatization of a State Owned Entity (SOE) after some years of negotiations and relentless groundwork and we are certain that it brings with it the "economies of knowledge" that can be applied in the future to bring more SOEs to the stock market through privatization.

We recognize the fact that the sustainability of the BSE is underpinned by a more robust and heterogeneous demand side of the market and also by the attractiveness of the Exchange to issuers of securities. Also, we hold in high esteem our commitment to investing in our society. In this respect, we continued to advance our financial literacy programs, promoting a wider reach through several media platforms and we also conceptualised strategies to attract companies to list on the Exchange. In as far as financial literacy is concerned, our commitment to cultivating a much more informed Youth through the Annual High School competition still

persists. The competition ran for the third consecutive year with increased participation by several schools from various parts of Botswana. Similarly, our Corporate Social Investment (CSI) initiatives also continued to touch many lives of Botswana in key areas such as health, education and general welfare.

The Exchange continues to maintain its positive growth momentum and grow from strength to strength. This is largely a reflection of immense support from our stakeholders, and I would like to extend my sincere acknowledgement to our stakeholders, our clients, the market participants and our strategic partners for their continued support.

Let me conclude by thanking Mr. Hiran Mendis, the former Chief Executive Officer (CEO), who ended his employment with the BSE on 31st December 2015. Mr. Mendis joined the BSE in 2006 as CEO and we acknowledge the contribution he has made to the organization and to the development of the capital market over the past decade. Mr. Mendis is succeeded by Mr. Thapelo Tsheole who was his Deputy since 2014. I would like to take this opportunity to congratulate Mr. Tsheole on his new appointment as CEO and also wish him well in this new journey as he takes the organization to even greater heights. Let me also thank my colleagues in the BSE Main Committee and the BSE staff for their continued resilience and support.

I would like to close by saying that the next year, the year 2016, is a momentous year for the Republic of Botswana as it celebrates 50 years of Independence, so let us immerse ourselves in strategic success and more accomplishments to add to the country's growth story. I wish you great success with revamped perspectives in the year ahead.



Regina Vaka

Chairperson



CHIEF EXECUTIVE OFFICER'S STATEMENT

for the year ended 31 December 2015

1. THEME – REACHING GREATER HEIGHTS

The theme of this year's Annual Report, "Reaching Greater Heights", is an overarching recognition of a multi-faceted escalation of the performance of the BSE. In respect of liquidity, we stretched and reached greater heights and pleasantly this was across the board – Equities, Bonds and ETFs. A record turnover of P12.2 Mn per day in Equities was registered in 2015.

In 2013, the BSE experienced phenomenal increase in trading activity which culminated in average daily turnover reaching P9.3 Mn from P3.6 Mn in 2012. It was a great achievement and a reflection of the successful implementation of the Automated Trading System (ATS) which was commissioned in August 2012 and it indeed established "new heights" for the BSE.

Despite our excitement with this experience we were alive to the fact that it could be too premature to declare success until we have established a consistent increase in turnover levels as well as sustainability of such high turnover levels as those for 2013.

In 2014, it became imperative that we continue to elevate liquidity in the market, more so that in the same year, the BSE laid the foundation for its transition to a commercial entity through the process of Demutualization.

The theme of this year's Annual Report, "*Reaching Greater Heights*", is an overarching recognition of a multi-faceted escalation of the performance of the BSE. In respect of liquidity, we stretched and reached greater heights and pleasantly this was across the board – Equities, Bonds and ETFs. A

record turnover of P12.2 Mn per day in Equities was registered in 2015.

Despite these levels being the highest ever in the history of the BSE we are positively looking forward to breaking new ground. The approval of the New Equity Listings Requirements will help generate more liquidity in a good way through the change in the public float from 20% to 25% effective June 2017, increasing to 30% in December 2017 for domestic counters. In addition, the coming on board of BTCL in April 2016 will not only add diversity to the bourse but will also enhance heterogeneity in the investor base. It will also generate an impetus for the BSE to provide as many products and services to an expected broader citizen investor base comprising largely of retail investors.

In summation, the outlook for the BSE is very positive. Whilst we progress with Demutualization, we have equally developed strategies that will escalate the performance of the Exchange, create value for our stakeholders, enhance our regulatory competitiveness and make the Exchange a significant global competitor. We do not only strive to be a success, but additionally and more importantly, to be of value.



CHIEF EXECUTIVE OFFICER'S STATEMENT [CONTINUED]
for the year ended 31 December 2015

It is pleasing to note that there is a continuing trend among listed companies to expand beyond Botswana. This trend can be emulated by other businesses in Botswana seeking growth capital by listing on the exchange in order to support regional expansion strategies.

2. ECONOMIC BACKDROP

2.1 Overview of the World Economy

The slowdown and rebalancing of the Chinese economy, lower commodity prices, and strains in some large emerging market economies will continue to weigh on growth prospects in 2016, this is according to the International Monetary Fund's (IMF) World Economic Outlook update released in January 2016. As a result, global growth is forecast to rise moderately from 3.1% in 2015 to 3.4% in 2016.

According to IMF, growth in advanced economies is projected to be 2.1% in 2016 which is an appreciation from a 1.9% growth estimate for 2015. Overall activity remains resilient in the United States, while Japan is also expected to firm in 2016 on the back of fiscal support, low oil prices, accommodative financial conditions and rising income.

Growth in emerging markets and developing economies is projected to increase from 4% in 2015 to 4.3% in 2016. The slow rate of growth is mainly attributed to the slowdown in China as the economy continues to rebalance.

Given that economies are to a large extent integrated, the weak global economic prospects have impacted negatively on the performance of sub-Saharan Africa, including Botswana. Consequently, growth in sub-Saharan Africa is expected to have declined to 3.5% in 2015, from 5.0% in 2014, reflecting the declining commodity prices, higher borrowing costs and increasing financial markets volatility. The IMF expects a slow pickup in growth in sub-Saharan Africa as these factors continue to weigh heavily on some of the region's largest economies as well as a number of smaller commodity exporters.

2.2 Overview of the Botswana Economy

The continued slowdown in the major markets for Botswana's diamonds has had profound impact on the domestic economy. The latest economic estimates from Statistics Botswana indicate that the domestic economy declined by 3.5% in the third quarter of 2015. As a result, the growth estimate for 2015 has been revised downwards from 2.6% to 1.0%. This compares to the growth rate of 3.2% recorded in 2014. Contributing to the slow growth in the domestic economy in 2015 was the Mining sector, which

declined by 14.0% in 2015 due to the reduction of diamond production. Water and Electricity sector also registered a decline of 104% due to continued water and electricity supply challenges. Growth in other non-mining sectors was also estimated to have slowed down during the year, reflecting the effect of the water and electricity shortages on domestic economic activities.

Inflation was fairly stable in 2015, having declined from 3.6% in January 2015 to 3.1% in December 2015. This was largely due to the suppressed global oil prices and benign inflation pass-through from Botswana's major trading partners. Throughout the year, inflation was around the 3.0% mark. On the back of a stable inflation outlook, the Bank of Botswana (BoB) continued to maintain an accommodative monetary policy stance and adjusted the Bank Rate downward by a cumulative 150 basis points from 7.5% to 6.0% in 2015. Consequently, commercial bank credit expanded by 8.2% from P44.9 billion in November 2014 to P48.6 billion in November 2015, which was supportive to the non-mining sector.

The 2016 Budget Speech highlighted that the economy faces challenges emanating from lower external demand caused by the continued weak recovery of the global economy due to low commodity prices and persisting electricity and water shortages.

Notwithstanding, Government expects economic growth to hasten from the estimated 1.0% during 2015 to a projected 4.2% growth in 2016. With the woes of the diamond sector expected to continue in the short to medium term, Government has launched the Economic Stimulus Package (ESP) with a bid to diversify and boost economic growth while spurring job creation. Further, Botswana's macroeconomic fundamentals remain desirable. The country has low debt levels as confirmed by external organisations such as Moody's Investors Service (which reaffirmed Botswana's A2 rating in December 2015, with a stable outlook) indicating that prudent economic management still persists. These provide a positive basis to attracting foreign investment into the country. These, undoubtedly, are the pillars for sustainable development of the domestic capital market as noted in past reviews.

2.3 Implications for Domestic Capital Market

It has been documented in past economic reviews that Botswana's prudent approach to fiscal policy management has helped cushion the economy from severe external shocks over the years. In turn, the impact of the domestic economic slowdown has not been severe on the domestic private

sector. The continued deepening of the capital market is equally vital to support Government and private institutions during times of fiscal pressures. Despite the declining economic growth, the prevailing economic environment still bodes well for the private sector given the accommodative monetary policy and the stimulatory policies put in place to alleviate adverse economic impact. Further, the growth in the efficiencies of the BSE, both in respect of infrastructure and regulation, are some of the factors that will help breathe life into the domestic economy as companies turn to the stock market to raise growth capital.

The year 2015 was a historic year for the domestic capital market. The long awaited privatization of Botswana Telecommunication Corporation Limited (BTCL) finally commenced, and the Initial Public Offering (IPO) was launched in December 2015 and opened on 11 January 2016. The IPO process, which ensures that BTCL shares are offered to citizens will contribute towards citizen economic empowerment and will enhance the financial inclusion of Botswana. This milestone event will have far reaching results on the growth of the bourse and the capital market. The listing of BTCL is expected to be finalised in April 2016.

In light of the slow pace of privatization of Government-owned entities, the BSE has also taken it upon itself to attract listings. In this regard, the BSE began the preparations to host the Inaugural BSE Listings Conference scheduled for 10 March 2016. The event will bring together the BSE listed companies to share lessons and experiences with the

private unlisted businesses as to how they utilised a listing to create value and grow beyond borders. It is also an opportunity for the BSE to create relationships with companies that can potentially list in the short, medium to long term.

Under the current economic climate, it is important for businesses to diversify across geographies. In that sense, Botswana businesses need to begin to look for growth opportunities across the region. It is pleasing to note that there is a continuing trend among listed companies to expand beyond Botswana. This trend can be emulated by other businesses in Botswana seeking growth capital by listing on the exchange in order to support regional expansion strategies.

CHIEF EXECUTIVE OFFICER'S STATEMENT [CONTINUED]
for the year ended 31 December 2015

3 EQUITY MARKET PERFORMANCE

3.1 Analysis of Equity Indices

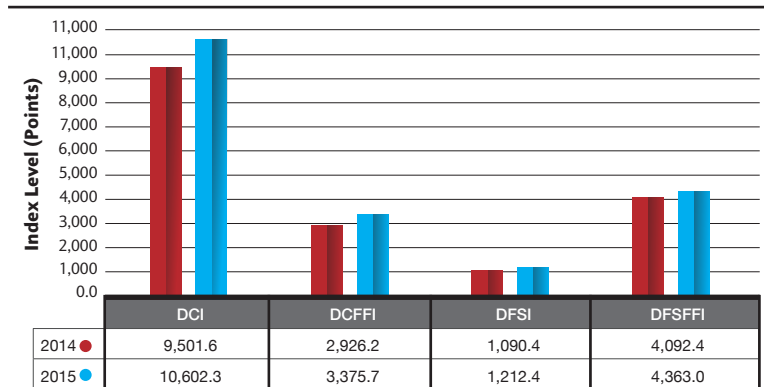
3.2.1 Indices Computed on Domestic Companies

The Domestic Company Index (DCI) continued to strengthen in 2015 and closed the year at 10,602.3 points recording an increase of 11.6% over the year. In 2014, the DCI had appreciated by 5.0%. The momentum sustained by the DCI in 2015 continues to signal increased confidence in the domestic companies amid a period of subdued overall economic climate wherein Botswana's Gross Domestic Product (GDP) was projected to grow at a revised rate of 2.6% in 2015, according to the 2016 Budget Speech by the Minister of Finance and Development Planning (MFDP).

On a quarterly basis, the DCI registered growth of 2.0% and 10.3% in Quarter 1 and Quarter 2 of 2015 respectively. In the last two quarters of the year the DCI depreciated by a marginal 0.6% and 0.2% in Quarters 3 and 4 respectively. From an analysis of the quarterly DCI performance, it can be noted that the growth in Quarter 2 contributed significantly to the DCI's overall yearly performance.

As can be seen in Figure 1, other indices computed on domestic companies in addition to the DCI, being the total return indices, recorded positive growth. The Domestic Companies Free Float Index (DCFFI) appreciated by 15.4%, the Domestic Financial Sector Index (DFSI) recorded gains of 11.2% and the Domestic Financial Sector Free Float Index (DFSFFI) rose by 6.6%. Total return indices capture both the share price performance and the dividend payout.

Figure 1: Performance of Indices Computed on Domestic Companies



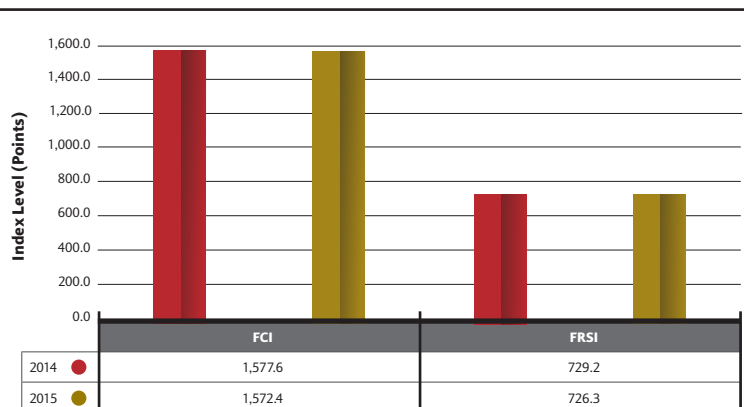
Source: BSE

3.2.2 Indices Computed on Foreign Companies Indices

The Foreign Company Index (FCI) closed the year at 1,572.4 points, a marginal depreciation of 0.3% in comparison to a depreciation of 0.4% in 2014. The depreciation of 0.3% was as a result of a depreciation of 0.4% in Quarter 1, and the negative growth of 0.6% in Quarter 3 which was recouped after a rebound of the FCI by 0.6% in Quarter 4 of 2015.

The Foreign Resources Sector Index (FRSI), which tracks the performance of the Mining and Minerals companies, closely reflected the growth pattern followed by the FCI, as it depreciated by 0.4% in 2015 relative to growth of 1.2% in 2014. The Mining and Minerals sector is the largest component in the FCI, hence its noticeable influence on the FCI.

Figure 2: Performance of Indices Computed on Foreign Companies

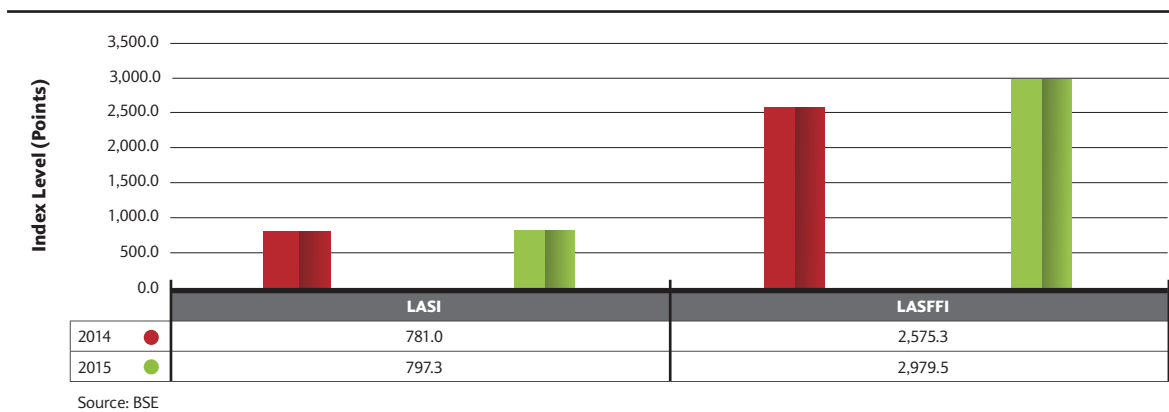


Source: BSE

3.2.3 Indices Computed on Local Asset Sector Companies

The Local Asset Status Index (LASI) and the Local Asset Status Free Float Index (LASFFI) are total return indices comprising all domestic and foreign companies that have been awarded local asset status. The difference between the performances of the 2 indices is solely explained by the weighting methodology. In 2015, both the LASI and LASFFI recorded positive growth of 2.1% and 15.7% respectively, compared to an annual appreciation of 2.7% and 11.2% in 2014.

Figure 3: Performance of Indices Computed on Local Asset Companies



3.2.4 Sector Contributions to Performance of the DCI

An analysis of sector contributions to the performance of the DCI is presented in Figure 4. The DCI's growth of 11.6% in 2015 can be attributed to the positive performance of the Financial Services & Insurance sector, Retail & Wholesaling, Property & Trust as well as the Tourism sectors. These four sectors contributed 15.2 percentage points to the appreciation of the DCI and the balance of negative 3.7 percentage points came from the Banking, Security Services, Energy and Funeral Services sectors.

Figure 4: Sector Contributions to Performance of the DCI



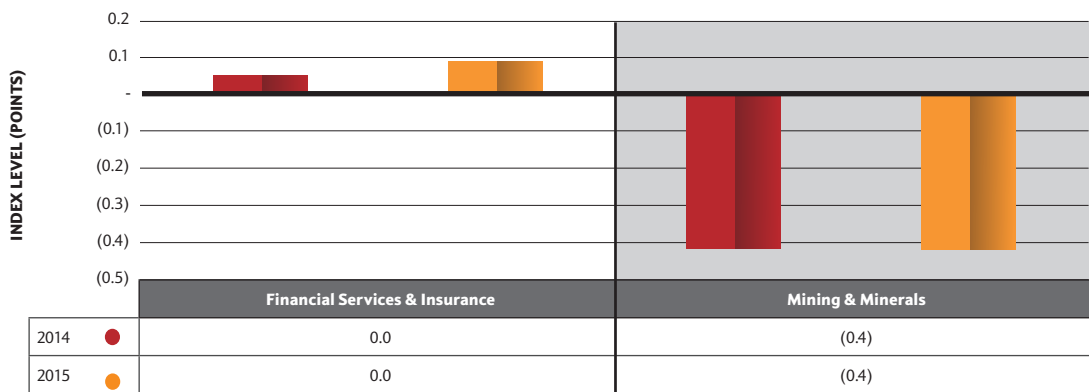


CHIEF EXECUTIVE OFFICER’S STATEMENT [CONTINUED]
for the year ended 31 December 2015

It is good to note that the degree of influence by the Banking sector on the DCI has dissipated over the years, primarily due to the emergence and strengthening of other sectors, particularly the Retail & Wholesaling sector. The listing of Choppies Enterprises in 2012 has made the entity the biggest component by market capitalisation within the Retail & Wholesaling sector and as at 31 December 2015, the sector was the second largest after the Banking sector, followed by the Financial Services & Insurance sector and the Property & Trust sector. In the past the DCI was known to be heavily influenced by the Banking sector and this arose as a result of limited sectoral diversity within the bourse. The contribution to the DCI by more sectors than one is good and demonstrates broader representation by all companies listed on the Exchange.

Figure 5 below shows the sector contribution to performance of the FCI and it underscores the dominance of the Mining & Minerals sector on the Foreign Equity Board. This sector, which accounted for 95.1% of the foreign companies’ market capitalisation in 2015 almost solely accounted for the overall performance of the FCI. In 2015, the sector contributed a negative 0.42% and outweighed the Financial Services sector’s contribution on the FCI of a positive 0.09%, resulting in the FCI depreciating by 0.3%.

Figure 5: Performance of Indices Computed on Foreign Companies



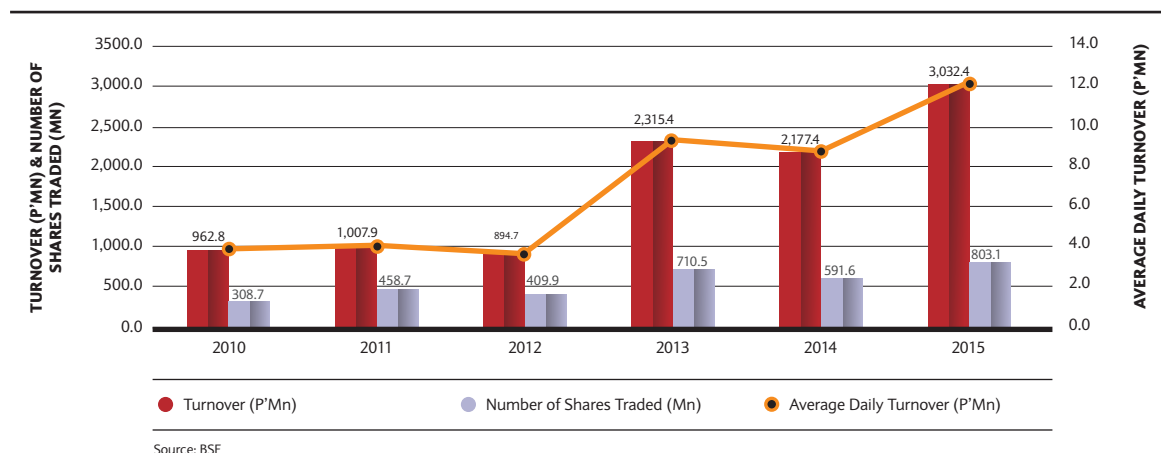
Source: BSE

3.3 Liquidity and Stability of Turnover

Figure 6 gives a five year review of turnover on the BSE. The BSE registered a record turnover of P3.0 Bn in 2015 in comparison to P2.2 Bn in 2014. This amount is the highest ever recorded since the inception of the BSE in 1989. The average daily turnover for 2015 amounted to P12.2 Mn relative to P8.8 Mn per day in 2014.

The volume of shares traded in 2015 was 803.1 Mn shares in comparison to 591.6 Mn shares in 2014 and it also represents the highest number of shares ever traded in any given year since the inception of the BSE.

Figure 6: Liquidity: 2010 to 2015



Even in terms of liquidity and stability of turnover, 2015 was the best year for the BSE. As can be noted from Figure 7, liquidity ratio increased from 4.9% in 2014 to 6.3% in 2015. Similarly, the variation of turnover lessened in 2015, contributing to a lower coefficient of variation of 1.5% in 2015. These indicators are testimony to stability having improved and the primary factor to this improvement is the increased contribution by companies to turnover and the reduced concentration of certain companies in respect of contribution to turnover.

Figure 7: Indicators of Liquidity: 2011 to 2015

Indicators	2011	2012	2013	2014	2015
Turnover/ Average Market Cap (%)	3.5	2.7	5.9	4.9	6.3
Standard Deviation	13.5	6.9	15.9	18.6	17.9
Coefficient of Variation (CoV)	3.3	1.9	1.7	2.1	1.5
Shares Traded/Shares Listed (%) Note 1	4.8	4.3	8.8	5.2	7.0

Note 1: For Domestic Companies and based on average shares listed
Source: BSE

A quarterly analysis of turnover reveals that the highest turnover in 2015 was generated in Quarter 2, and coincided with the highest quarterly performance of the DCI in 2015 which amounted to 10.3%. Notably, this was a very good quarter for most companies across the bourse also in respect of price performance as in that Quarter only one sector on the bourse, the Energy sector, registered negative contribution to the DCI performance.

Figure 8: Quarterly Indicators of Liquidity: 2015

Indicators	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Turnover (P' Mn)	557.8	944.8	707.0	822.8
Average Daily Turnover (P 'Mn)	9.0	15.5	11.4	13.3
Turnover/ Average Market Cap (%)	1.2	2.0	1.4	1.6
Standard Deviation	16.3	21.1	15.3	18.3
Coefficient of Variation	1.8	1.4	1.3	1.4
No. of Shares Traded (Mn)	177.0	126.4	126.3	162.0
Shares Traded/Average Shares Listed (%)Note 1	1.4	2.0	1.3	2.2

Note 1: For Domestic Companies and based on average shares listed
Source: BSE



CHIEF EXECUTIVE OFFICER’S STATEMENT [CONTINUED]
for the year ended 31 December 2015

The Lorenz Curve analysis presented in Figure 9 provides insight into the stability of turnover for the years 2012 through to 2015. Based on the illustration from Chart A of Figure 9, the Lorenz Curve provides further support to the conclusion that turnover was highly stable in 2015 in comparison to the other years. This can be deduced from the relative closeness of the average daily turnover for 2015 to the line of zero dispersion.

An analysis of the distribution of turnover contributed by companies

as depicted in Chart B of Figure 9 also supports the deduction that turnover distribution was more evenly distributed in 2015 in comparison to the other years. This is indeed a welcome development as it indicates that more companies have been comparatively liquid in 2015 and that concentration or dominance of a few stocks has lessened. In 2014, the observation was very marginal and it is good to witness an improving positive trend of the manner in which investments are broad based across the bourse. This improvement is also in line with the observed increase in the

liquidity ratio which rose significantly from 4.9% in 2014 to 6.3% in 2015.

The contribution to increased turnover and stability of turnover can be mainly attributed to the introduction of the Automated Trading System (ATS) in 2012. The ATS has helped to broaden the BSE’s market reach and improve efficiencies in the trading of securities. However, other initiatives also contributed to the increase in turnover, e.g. introduction of new products and marketing activities.

3.4 Trends in Turnover

Figure 9: Analysis of the Stability of Turnover using the Lorenz Curve

Chart A: Cumulative % Frequency of turnover: 2012 - 2015

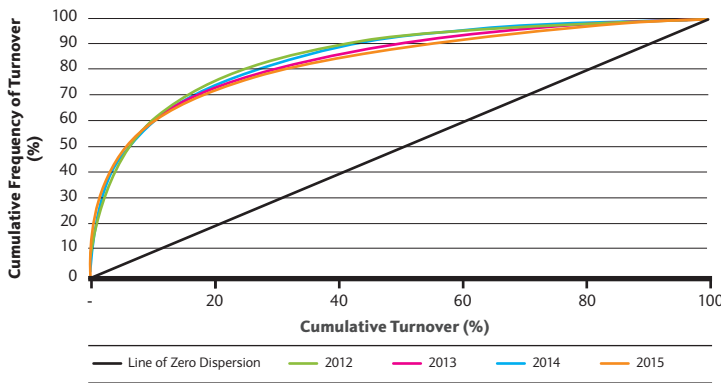


Chart B: Cumulative % Contribution to Turnover by Companies: 2012 - 2015

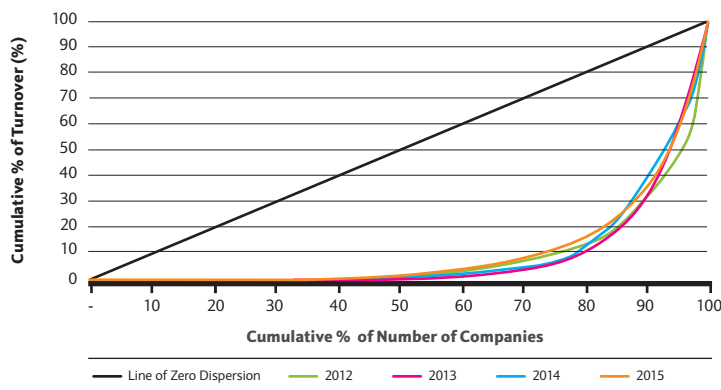


Figure 10 presents an analysis of the medium term trend forecasts for the turnover recorded in 2015. This is to indicate the impact the actual turnover of P12.2 Mn has had on the turnover trend.

Based on Chart A of Figure 10, the medium term trend computed using the average daily turnover for the period 2005 to 2014 would have forecasted an average daily turnover of P10.2 Mn in 2015 whereas the medium term trend computed using figures for the period 2005 to 2015 would have predicted an average daily turnover of P10.5 Mn. Both forecasts are below the actual average daily turnover for 2015 but are above the actual average daily turnover for 2014, and this goes to show that the actual average daily turnover of P12.2 Mn achieved in 2015 had a positive upward impact on the medium term trend.

Chart B of Figure 10 presents the trend lines over the long term where the long term is defined as the period 2000 to 2015. Results of this analysis indicate that the average daily turnover of P12.2 Mn in 2015 has resulted in a shift in the long term trend from P6.9 Mn per day to P8.4 Mn per day.

When projecting the medium term trend to 2016, the BSE is required to achieve a turnover of at least P12.6 Mn per day in order for the medium term trend to be sustained. This works out to a turnover to market capitalisation ratio of 6.5% compared to 6.3% as at 31 December 2015. This implies that the total turnover

has to reach levels of around P3.1 Bn. It is anticipated that the privatization of BTCL and its subsequent listing in April 2016 will add tremendously to the sustainability of turnover in 2016 and this will help the BSE maintain its growth and momentum in respect of turnover and liquidity.

Using the long term trend, the analysis shows that over the long term, the BSE will have to register a minimum average daily turnover of P10.1 Mn per day in 2016 in order to sustain the long term trend of average daily turnover.

Figure 10: Analysis of Medium and Long Term Average Daily Turnover Trend

Chart A: Medium Term Trend of Average Daily Turnover: 2005 - 2014 compared with 2005 - 2015

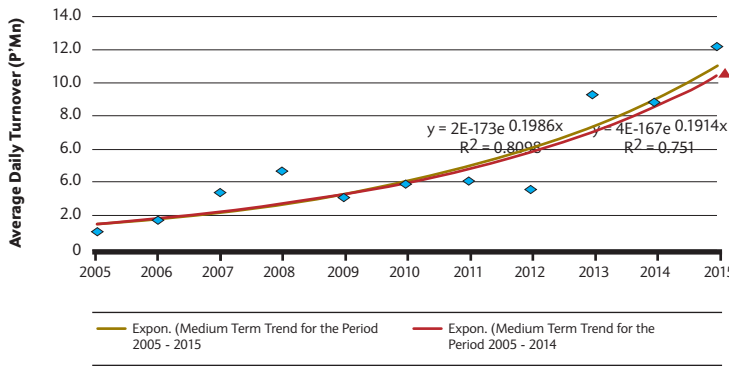
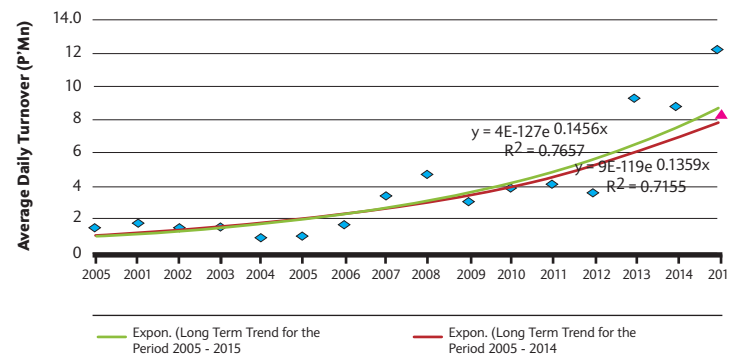


Chart A: Long Term Trend of Average Daily Turnover: 2005 - 2014 compared with 2005 - 2015



3.5 Sector Contributions to Liquidity

Figure 11 shows the liquidity of various sectors on the BSE computed using different metrics. It can be noted that domestic counters accounted for a greater portion of liquidity as has been the trend from the inception of the BSE.

As previously noted, liquidity has been concentrated in the Financial Services sector year after year since 2010 but the trend changed in 2015 with the Retail & Wholesaling sector accounting for the highest portion of liquidity on account of the liquidity ratio. The Retail & Wholesaling sector accounted for 2.61% whereas the Financial Services sector, which came second, accounted for 2.18%.

In respect of the number of shares traded as a percentage of the number of shares listed, the Financial Services sector led the pack as it traded 11.68% of the shares listed in that sector, followed by the Property & Trust sector at 8.48%.



CHIEF EXECUTIVE OFFICER'S STATEMENT [CONTINUED]
for the year ended 31 December 2015

Figure 11: Sector Contributions to Liquidity: 2014 and 2015

Sector	2014				2015			
	Turnover/Avg Market Cap (%)		Shares Traded (Mn)	Shares Traded/Avg Shares Listed (%)	Turnover/Avg Market Cap (%)		Shares Traded	Shares Traded/Avg Shares Listed (%)
	Note 1	Note 2 ^A	Note 1	Note 2 ^B	Note 1	Note 2 ^A	Note 1	Note 2 ^B
DOMESTIC								
Financial Serv.	1.91	0.20	287.43	11.44	2.18	0.23	306.98	11.68
Retail	1.49	0.16	98.65	4.60	2.61	0.28	168.85	7.59
Property	0.44	0.05	99.93	5.38	0.51	0.05	162.98	8.48
Banking	0.86	0.09	77.27	1.95	0.99	0.11	99.01	2.58
Security Serv.	0.01	0.00	1.28	1.60	0.01	0.00	1.66	2.07
Tourism	0.06	0.01	9.27	1.84	0.18	0.02	24.91	4.93
Energy	0.03	0.00	1.46	0.91	0.05	0.00	2.43	1.52
Funeral Serv.	0.01	0.00	1.53	1.26	0.03	0.00	4.57	7.56
FOREIGN								
Financial Serv.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mining	0.01	0.01	14.83	0.26	0.03	0.02	31.70	0.60

Note 1: Computed separately for the domestic & foreign board.

Note 2A: Computed for all shares listed on the BSE

Note 2B: Computed for separately for each sector

It is worth noting that the dominance of certain liquid stocks continues to reduce over the years, particularly that of Letshego. In 2014, Letshego accounted for 45.9% of overall volume of shares traded in domestic companies but this reduced to 34.4% in 2015. This can be attributed to the improving liquidity in other stocks on the bourse that has resulted in increased trades in such stocks.

As an example, Choppies, whose significance in terms of the number of shares traded was much more noticeable in 2015 as it accounted for 15.4% of total volume from 12.2% of total volume in

2014. RDC Properties's share of total volume has shot from 1.3% in 2014 to 10.0% in 2015, and that of Sefalana has risen from 2.3% in 2014 to 3.8% in 2015, amongst other stocks. This kind of spread is important for stability of turnover as already mentioned.

The pending implementation of Market-Making, whose rules are before the Non-Bank Financial Institutions Regulatory Authority (NBFIRA) for approval, will help to further promote liquidity across several stocks.

3.6 Investor Contribution to Equity Turnover

Unlike in 2014 when trading activity was dominated by foreign institutional investors (foreign companies), local institutional investors (local companies) took the lead in 2015 as can be noted from Figure 12. Trades by local companies accounted for 61.6% of the total turnover whereas foreign companies contributed 33.8% to total turnover in 2015. Foreign individuals registered an increase from 1.5% to 2.0% between 2014 and 2015 whereas local individuals recorded a decline of 1.3 percentage points over the same period to account for 2.4% of turnover in 2015.

Figure 12: Investor Contribution to Turnover: 2012 to 2015

Investors	Turnover (%)				(% Contribution to Liquidity: 2015)
	2012	2013	2014	2015	
Foreign Companies	39.0	29.0	48.0	33.8	2.1
Foreign Individuals	2.5	2.2	1.5	2.0	0.1
Local Individuals	10.6	8.7	3.7	2.4	0.2
Local Companies	47.5	59.8	46.7	61.6	3.9
Brokers	0.3	0.3	0.2	0.2	0.0
TOTAL	100.0	100.0	100.0	100.0	6.3

Source: CSD Botswana

An analysis of investor contribution to turnover on a quarterly basis is shown in Figure 13.

Figure 13: Investor Contribution to Turnover on a Quarterly Basis

Investors	2014				2015			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Foreign Companies	43.5	52.7	43.2	51.5	46.4	18.7	71.3	36.3
Foreign Individuals	0.9	1.0	0.9	2.9	1.2	3.1	1.6	1.4
Local Individuals	2.2	3.8	3.8	5.0	3.4	2.1	2.7	2.1
Local Companies	53.1	42.3	51.9	40.4	48.9	76.1	23.7	59.8
Brokers	0.4	0.2	0.2	0.1	0.1	0.1	0.7	0.4
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: CSD Botswana

3.7 Geographical Distribution of Retail Investor Turnover

An analysis of the distribution of retail investor turnover by districts and major towns and cities across Botswana is presented in Figure 14. Notably, the contribution of retail investors based in Gaborone has declined from 78.5% in 2014 to 70.7% in 2015. On the other hand, contribution of the Ngamiland district based retail investors jumped from 0.8% to 6.9% in 2014 and 2015, respectively. This is encouraging as it

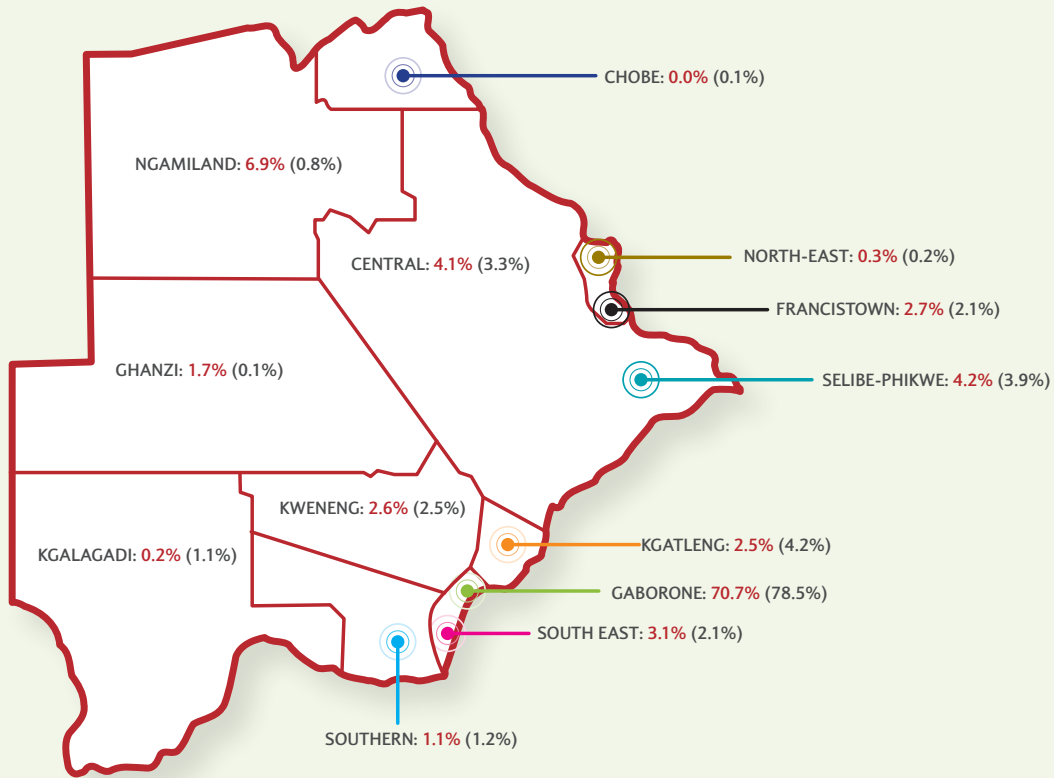
illustrates that turnover distribution is somewhat improving. Owing to the structure of Botswana's economy and demographics, much activity has been concentrated in the Southern and Eastern parts of the country. As such, local retail investors' turnover has largely originated from the South-Eastern part of the country.

Notwithstanding the improvement in distribution, more effort is still needed to improve the situation in peripheral districts. These are namely the Chobe, North-East and Kgalagadi districts. The

BSE continues to use several platforms such as radio, television, newspapers and public presentations, radio shows to disseminate market information and updates. These initiatives will continue in 2016 as they are important in increasing retail investor participation on the BSE.

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for the year ended 31 December 2015

Figure 14: Retail Investor (Resident in Botswana) Contribution to Turnover by Districts in Botswana: 2014 and 2015



* FIGURES IN PARENTHESIS ARE FOR 2014

4. THE EXCHANGE TRADED FUNDS (ETFs) MARKET

4.1 ETFs Landscape on the BSE

Whilst it has been noted that the year 2015 was a great year for equities, it also was a year of reckon for ETFs on the BSE. Looking back to 2010, the BSE was the first stock exchange to introduce ETFs outside of the Johannesburg Stock Exchange (JSE), with the introduction of the NewGold ETF in July 2010. In May 2011, the BSE set the pace again by dual listing the BettaBetta ETF which is primarily listed on the JSE. The NewPlat ETF followed in August 2014.

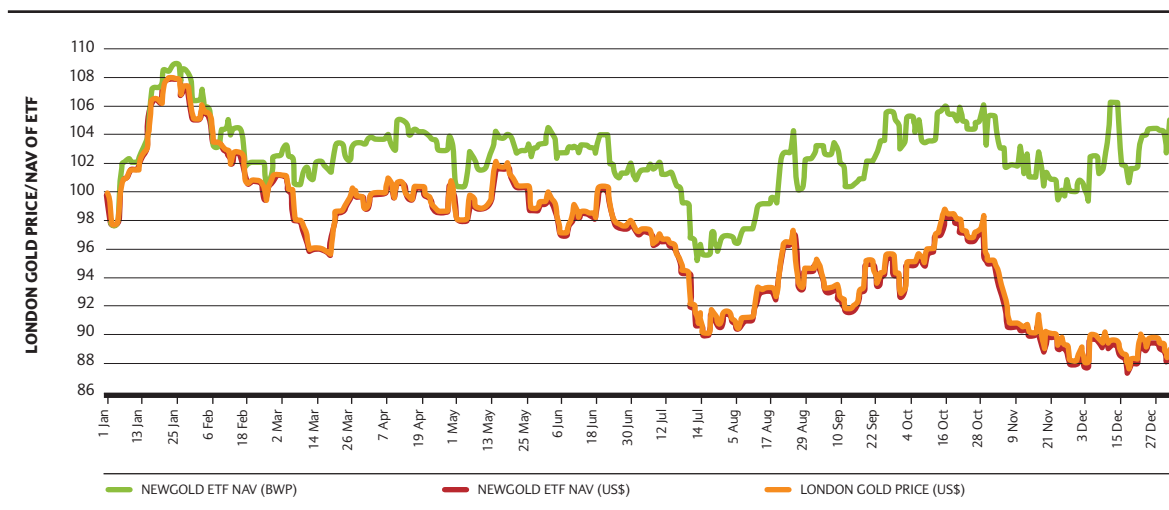
Continuing on this development, and with a view of promoting liquidity and diversifying the product base, the BSE, in conjunction with Absa Capital of South Africa, listed the NewFunds Inflation Linked Bond Index (ILBI) ETF on 18 November 2015. The ETF was primarily listed on the JSE in January 2012. NewFunds ILBI ETF tracks the performance of South African Government Inflation Linked Bond benchmark index. The South African Government Inflation-Linked Bonds Index is a total return index comprising bonds issued by the South African government that are linked to the Consumer Price Index (CPI) of South Africa. This ETF is the fourth to be listed on the BSE.

Since the first ETF was listed in July 2010, the total cumulative turnover in ETFs amounted to P1.1 Bn as at 31 December 2015. This represents value creation by excess capital in the local market which in most cases struggles to find investible assets. This also gives an indication of the economic activity generated by these dual listed securities and their economic contribution to diversification of the capital market. As one of our strategic initiatives, the BSE will continue to leverage on Botswana's competitive advantages such as liberal exchange controls to pursue initiatives to dual list ETFs and global securities on the BSE and to endeavour to position the BSE as an attractive investment destination to domestic and international investors.

4.2 Performance of the NewGold ETF

The year 2015 was yet another jittery year for the Gold Bullion although the relative performance was better than in 2014. The price of the Bullion continued to drop in the London Metals Exchange in 2015, closing the year with losses of 11.0% relative to losses of 27.8% in 2014. The NewGold ETF NAV (in USD terms) depreciated by 11.3% whereas the NAV (in Pula terms) appreciated by 5.0%. On the BSE, the price of the NewGold ETF retracted from the global trend, moving in line with the NAV (in Pula terms) and registered an appreciation of 4.5% in 2015 in comparison to an appreciation of 6.2% in 2014. This is denoted in Figure 15 below.

Figure 15: Performance of NewGold ETF NAV (BWP & USD Terms) and the London Gold Price (Standardized) as at 1 January 2015



Source: BSE and Absa Capital

The positive performance in Pula terms is attributed mainly to the weakness of the Pula against the Dollar. In 2015, the Pula depreciated by 15.3% against the greenback. The depreciation of the Pula against the USD had a positive effect on the price observed on the BSE and confirms that the NewGold ETF can be used as a hedge against the USD as noted in past reviews.

Figure 16 presents trade statistics of the NewGold ETF on the BSE.

Figure 16: Performance of the NewGold ETF: 2010 to 2015

NewGold ETF	2010	2011	2012	2013	2014	2015
Turnover (P)	123,354,809.0	53,694,824.5	27,607,668.2	131,174,999.3	5,944,159.1	30,035,381.1
Units Traded	1,493,241	542,740	223,026	1,156,555	54,405	265,452
Unit Price (Pula)	89.20	118.70	125.30	103.70	110.10	115.10

Source: BSE



CHIEF EXECUTIVE OFFICER'S STATEMENT [CONTINUED]
for the year ended 31 December 2015

Figure 17 presents a bar chart of the quarterly trade statistics of the NewGold ETF on the BSE.

Figure 17: Quarterly Performance of the NewGold ETF: 2015

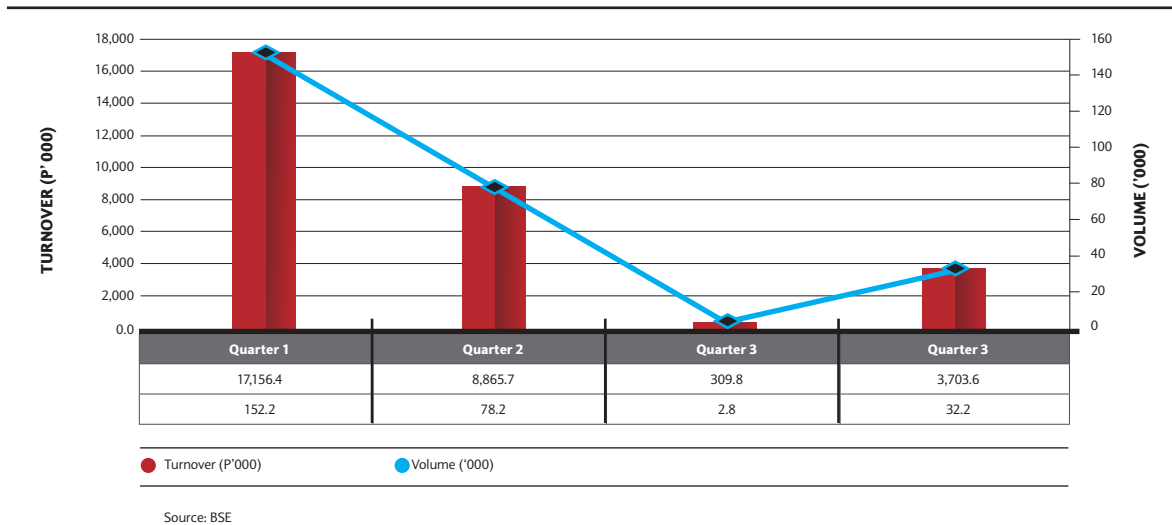


Figure 18 below shows the performance of the NewGold ETF NAV against the Gold Bullion Price in the London Metals Exchange, both in USD terms. It can be noted from Figure 18 that the efficiency of price discovery in the NewGold ETF and the Gold price is very high based on the 100.0% correlation between the two.

Figure 18: London Gold Price and NAV (in USD Terms): 2015

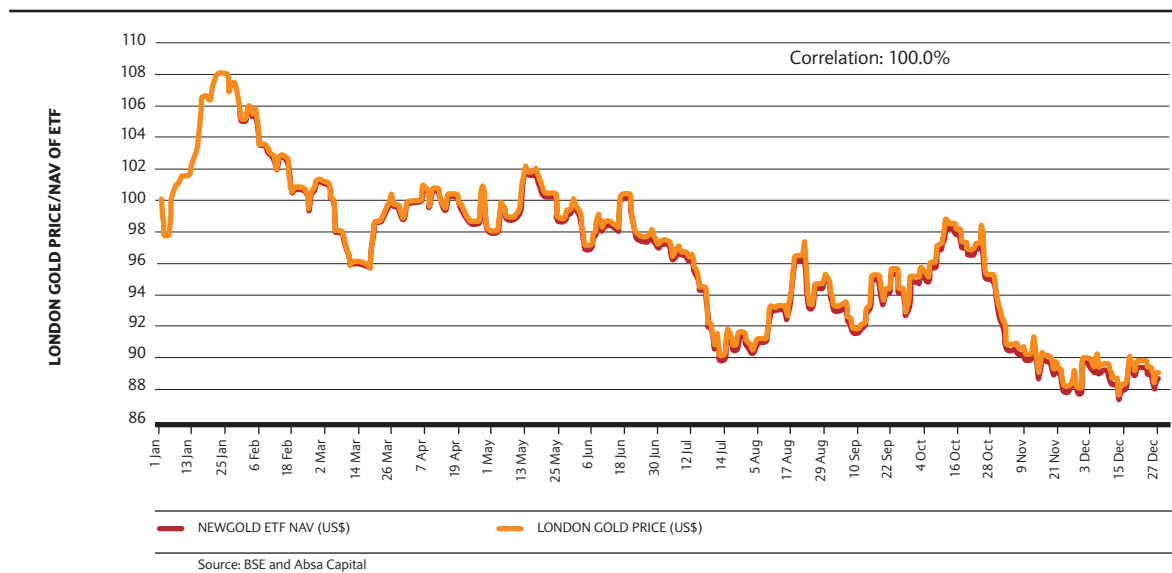
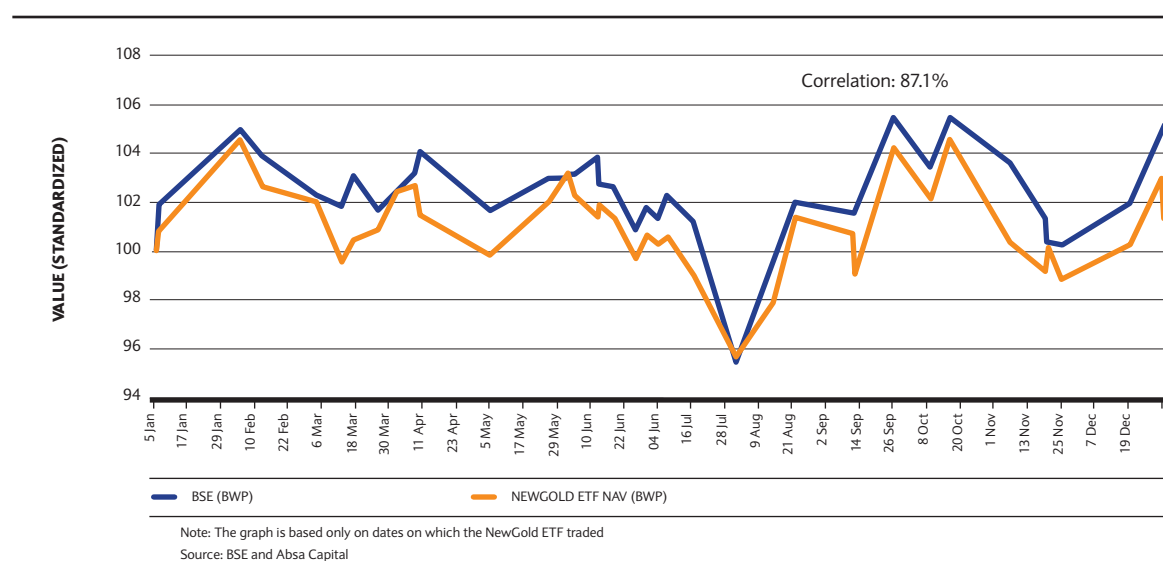


Figure 19 below shows a graphical presentation of the price of the ETF on the BSE and the NAV in Pula (BWP) terms on the days that the ETF traded on the BSE. As can be seen, the correlation between the NAV in BWP and the price of the ETF in BWP is relatively low at 87.1% in comparison to 95.6% in 2014. This is attributed to variables such as market-makers costs and discrepancies in applying exchange rates as well as the manner in which the closing price of the ETF is computed on the BSE.

Figure 19: Price Discovery in the NewGold ETF on the BSE and the NAV of the ETF (BWP)



4.3 Performance of the BettaBeta ETF

The BettaBeta ETF traded a record annual turnover of P427.7 Mn generated from a total of 10.4 Mn units with unit prices ranging between P37.70 and P45.30 per unit during 2015.

Figure 20: Performance of the BettaBeta ETF: 2011 to 2015

BetterBeta ETF Note	2011	2012	2013	2014	2015
Turnover (P)	37,229,615	38,876,378	774,890	170,253,020	427,688,318.4
Units Traded	1,143,370	1,121,502	20,519	4,023,278	10,439,416
Unit Price (Pula)	31.10	39.35	37.15	38.55	37.70

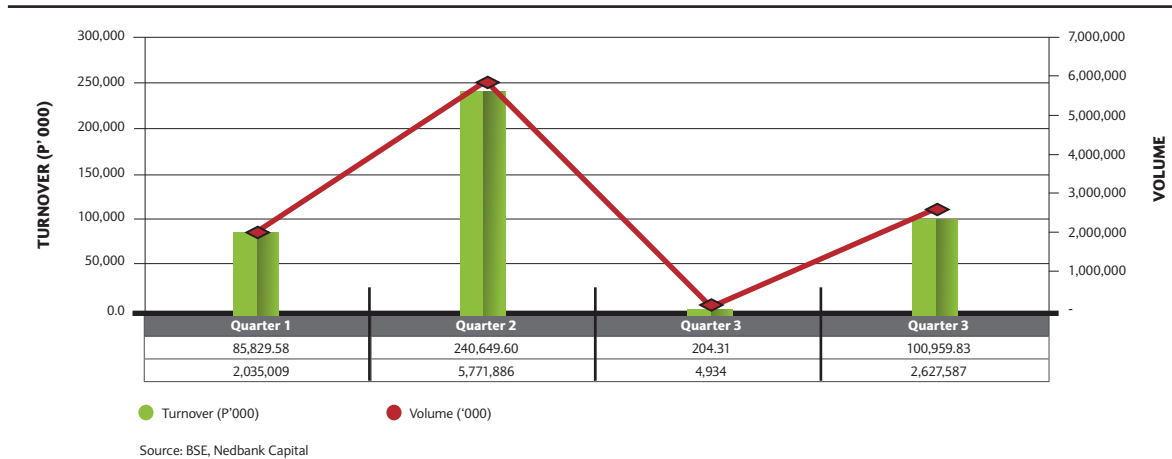
Note 1: The BettaBeta ETF was listed in May 2011
Source: BSE



CHIEF EXECUTIVE OFFICER'S STATEMENT [CONTINUED]
for the year ended 31 December 2015

The quarterly performance of the BetaBeta ETF is presented in Figure 21 below.

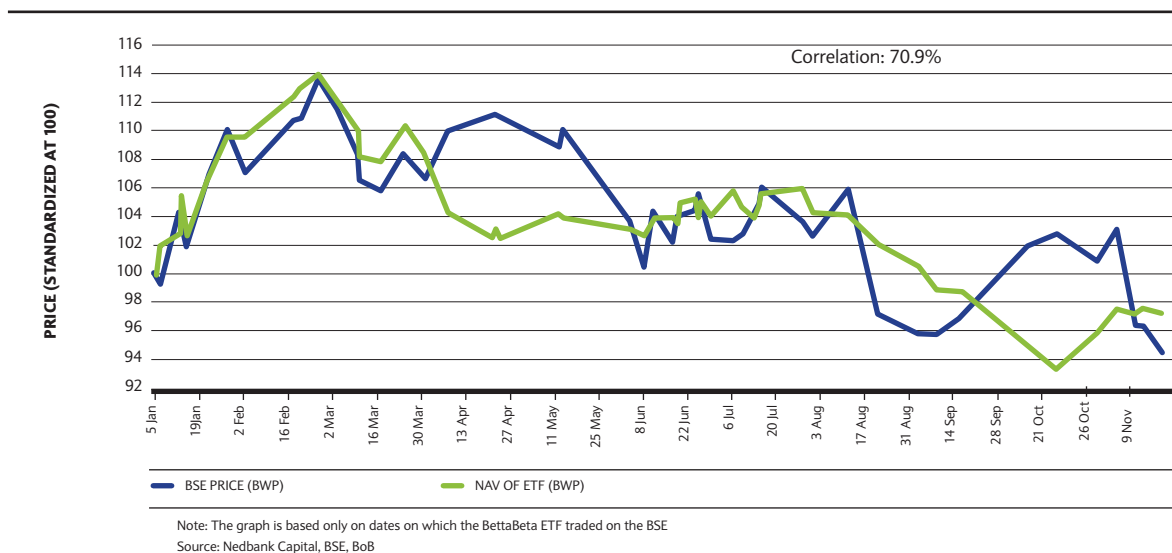
Figure 21: Quarterly Performance of the BetaBeta ETF: 2015



From a record high of P43.25 a unit in 2014, the BetaBeta ETF achieved another record in 2015 reaching the highest unit price of P45.30 at the end of February 2015. Although the price lingered on the green for most of 2015, the ETF slipped into the red towards the end of 2015 to close the year with a depreciation of 2.2% in comparison to an appreciation of 3.8% in 2014.

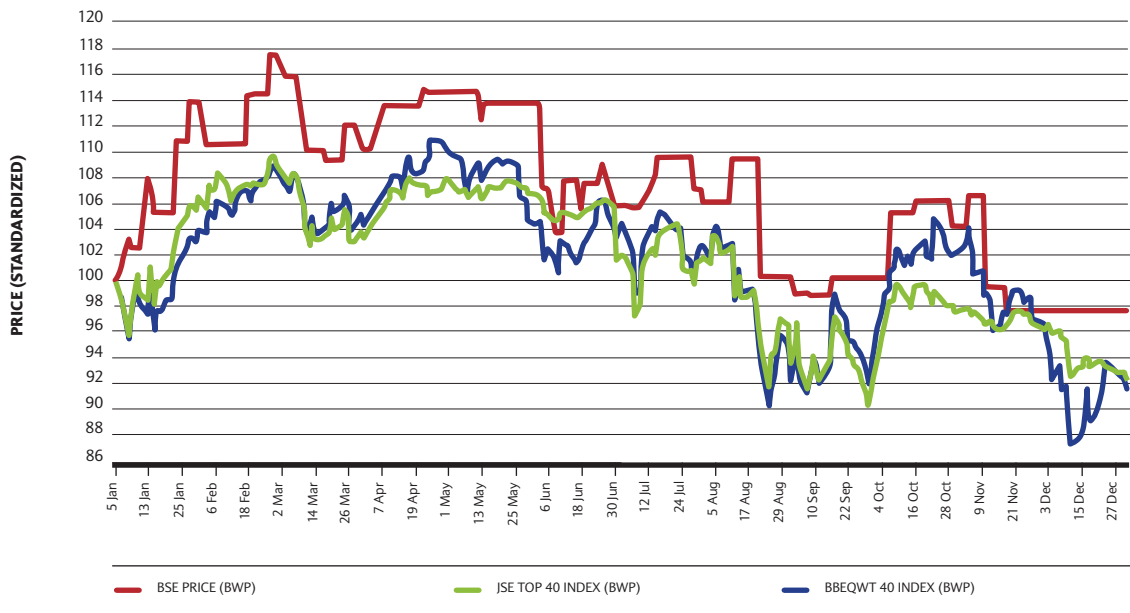
The performance of the price of the BetaBeta ETF on days that it traded on the BSE is depicted in Figure 22. On the days that the ETF traded on the BSE, the correlation between the NAV of the ETF and its price on the BSE amounted to 70.9% in 2015, down from 97.8% in 2014.

Figure 22: Performance of the BetaBeta ETF NAV (BWP) and BSE Price



When compared with the JSE Top 40 Index and the BetaBeta Equally Weighted Top 40 Index (BBEQWT40) in Pula terms, the price of the BetaBeta ETF on the BSE outperformed the two indices in 2015. This is illustrated in Figure 23 below.

Figure 23: Performance of the BetaBeta ETF (BSE Price), the JSE Top40 Index (BWP) and the BBEQWT40 Index (BWP): 2015



Source: Nedbank Capital, BSE

The BetaBeta ETF derives its price on the BSE from the price of the BetaBeta ETF listed on the JSE and quoted in South African Rands (ZAR). The price traded on the JSE is converted to Pula at prevailing exchange rates. As such, the ETF can act as a hedge against the Rand because an appreciation of the Rand against the Pula will positively affect the price of the ETF on the BSE. On the contrary, an appreciation of the Pula against the ZAR will have an adverse impact.

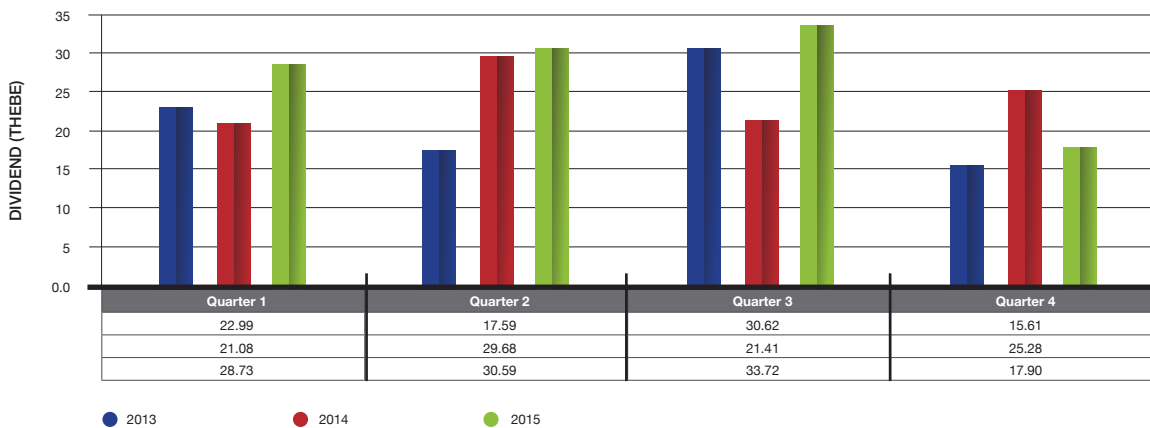
In ZAR terms, the NAV closed the year unchanged while it depreciated by 2.2% in Pula terms. This was as a result of the strengthening of the Pula against the ZAR by 13.4% in 2015.

The BetaBeta ETF, which follows the index that tracks the Top 40 companies listed on the JSE, derives its returns from price movement as well as dividend income. The quarterly dividends paid by the ETF in 2015 are presented in Figure 24. It can be noted that the total quarterly dividends paid out in 2015 amounted to 111 thebe in comparison to 97 thebe paid out in the whole of 2014. This gives a dividend yield of 2.7% based on the average price of P41.19 per unit in 2015. Therefore, on a total return basis it is estimated that the BetaBeta ETF returned 0.5% to unit holders in 2015 compared to 6.2% in 2014, while the JSE All Share Index gained 1.9%.



CHIEF EXECUTIVE OFFICER'S STATEMENT [CONTINUED]
for the year ended 31 December 2015

Figure 24: Dividends Paid by the BetaBeta ETF: 2014 and 2015



Source: BSE, Nedbank Capital

4.4 Performance of the NewPlat ETF

The NewPlat ETF registered a turnover of P61.9 Mn and recorded a volume of 554,504 units. The ETF traded at prices ranging between P89.80 and P117.00 a unit. The ETF depreciated by 12.8% in 2015 compared a depreciation of 12.2% in 2014.

Figure 25: Quarterly Performance of the NewPlat ETF: 2015

NewPlat ETF ^{Note 1}	2014	2015
Turnover (P)	26,507,435	61,859,814
Average Daily Turnover (P)	315,565	249,434.7
No. of Units Traded	215,088	554,504
NewPlat Price (BWP)	111.20	97.00

Note 1: The NewPlat ETF was listed on 29 August 2014 at P126.60 per unit

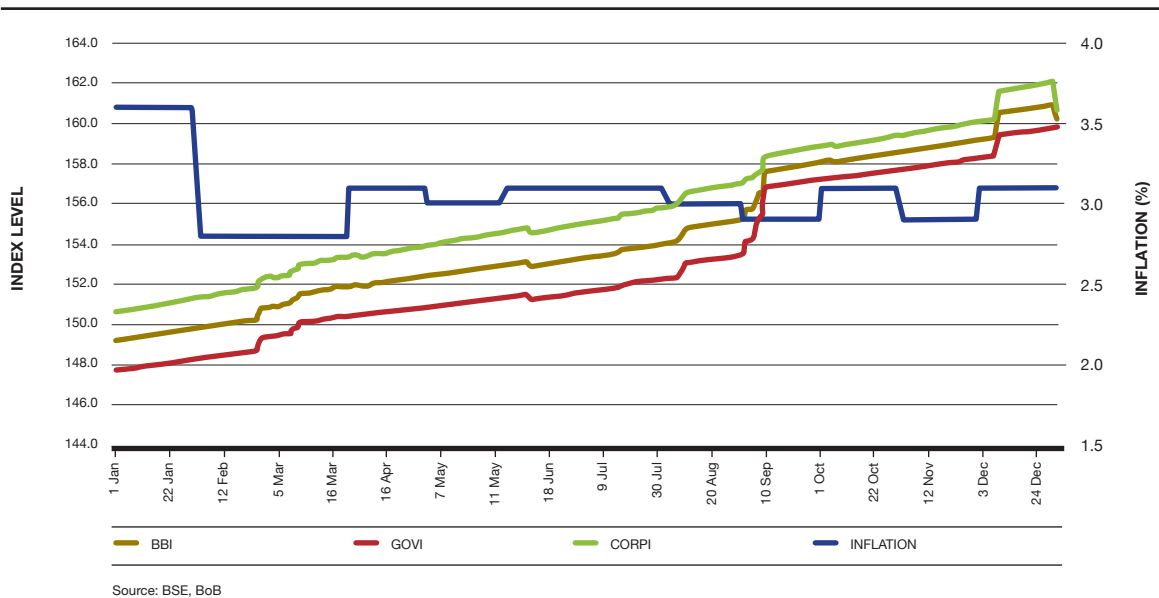
Source: BSE

5 BOND MARKET PERFORMANCE

5.1 Performance of the Botswana Bond Index Series (BBIS)

During 2015, the BBI (a Composite Bond Index) appreciated by 6.4% whereas the GovI (a Government Bond Index) and Corpl (a Corporate Bond Index) registered returns of 8.2% and 6.4% respectively. This was mainly on account of adjustments to the bond yields quoted by primary dealers largely due to the reduction of the interest rates. The 3 indices have outperformed the monthly average inflation rate of 3.0% in 2015. The performance of the indices is detailed in Figure 26.

Figure 26: Performance of the BBIS versus Inflation: 2015



During 2015, inflation was within the Bank of Botswana (BoB) objective range of 3%-6%, albeit breaching the lower bound on some occasions. Inflation reduced from 3.6% in January 2015 to 2.9% at the end of the year. The BoB Monetary Policy Committee (MPC) adjusted the Bank rate twice during 2015. The initial adjustment was a 100 basis points (1.00%) cut on the 2nd of February 2015 and another was a 50 basis points (0.50%) reduction on the 6th of August 2015. Overall, these two adjustments reduced the Bank rate by a cumulative 150 basis points or 1.5% from 7.5% to 6.0%.

During its last meeting of 2015 in December, the MPC maintained that the medium term outlook for inflation was positive, with inflation forecast to remain within and closer to the lower bound of its 3% - 6% objective range. As a result, the Bank Rate was maintained at 6.0%.

Changes to the constituents of the indices were experienced during the year. The Debt Participation Capital Funding Limited bond (DPCF004) and the Standard Chartered Bank Botswana bond (SCBB006) exited the Corpl and BBI on 31 March 2015, while the Botswana Building Society bond (BBS002) exited the Corpl and the BBI on the 30 September 2015 as their maturity at the quarterly rebalancing date had fallen to below the stipulated 15 months.

As per the BBIS Ground Rules, BW012 became an eligible constituent of the GovI and the BBI when it was listed on the BSE on 18 August 2015, while SBBL064 (24 June 2015), SBBL065 (24 June 2015), FNBB005 (11 November 2015) and FNBB006 (11 November 2015) also became constituents of the Corpl and BBI during 2015.

5.2 Bond Market Turnover

2015 was undoubtedly a remarkable year in respect of liquidity in the bond market. The turnover of P858.0 Mn recorded in 2015 is the highest ever recorded over a calendar year since the inception of the BSE. However, the trades were solely on account of Government bonds and there was no liquidity in Corporate bonds. Further, 78.8% of the trades were generated by the BW003 bond which matured on 31 October 2015. The bond's nominal amount was P1,642.0 Mn.



CHIEF EXECUTIVE OFFICER’S STATEMENT [CONTINUED]
for the year ended 31 December 2015

Figure 27: Quarterly Analysis of Bond Trades: 2015

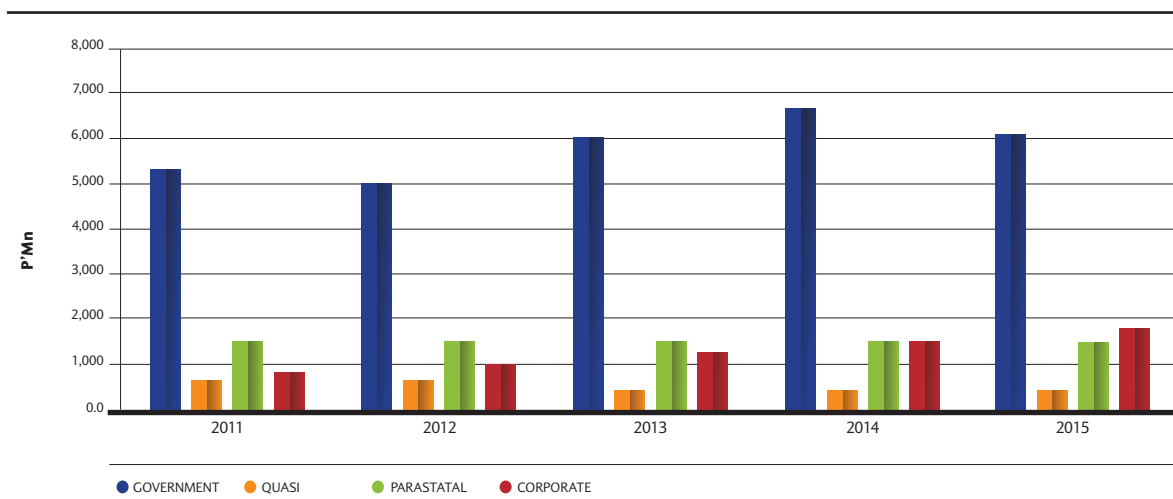
	Quarter 1	Quarter 2	Quarter 3	Quarter 4
	Value (P'Mn)	Value (P'Mn)	Value (P'Mn)	Value (P'Mn)
Government				
BW 003	604.0	17.1	55.0	-
BW 005	0.7	21.4	0.4	27.4
BW 007	-	-	30.3	-
BW 008	4.8	-	0.4	22.8
BW 010	2.2	-	0.1	56.7
BW 011	14.3	-	0.2	-
BW 012	-	-	-	-
TOTAL	626.0	38.6	86.5	106.9

Source: BSE

5.3 Bond Market Capitalisation and Issuer Profile

There were 38 bonds listed on the BSE as at the end of 2015, a marginal increase from the 37 in 2014. Figure 28 below details the growth of the debt market analysed by issuer category since 2011. The total nominal debt market capitalisation amounted to P10.0 Bn in 2015 in comparison to P10.1 Bn in 2014.

Figure 28: Debt Market Capitalisation (Nominal Values) by Issuer Category: 2011 – 2015



Source: BSE

6 MARKET INDICATORS

6.1 Indicators of Value

Commonly used indicators of value in a stock market include the Price Earnings (P/E) Ratio, Dividend Yield (DY) and Price to Book (P/B) Value Ratio.

The P/E ratio for the market is computed by dividing market capitalisation by total earnings (profits) of listed companies. As can be seen from Figure 29, the market P/E ratio of the BSE decreased in 2015 to 12.3 times from 13.2 times in 2014. Notwithstanding, this P/E ratio was still above the 5-year average of 11.3 times.

Inversely, the DY for the market increased further to 4.0 in 2015 from 2.2 in 2014, while the P/B ratio increased from 1.9 times in 2014 to 2.2 times in 2015.

Figure 29: Market Indicators for Domestic Companies Listed on the BSE: 2011 to 2015

Domestic Companies	2011	2012	2013	2014	2015
Market indicators					
Price/Earnings Ratio (times)	10.2	9.2	11.5	13.2	12.3
Dividend Yield (%)	5.2	4.9	4.1	2.2	4.0
Price/Book Value (times)	2.8	2.5	2.7	1.9	2.2

Source: BSE

6.2 Equity Market Capitalisation

The BSE's domestic market capitalisation for equity was P50.2 Bn as at the end of 2015, an increase of 8.7% in comparison to P46.2 Bn in 2014. However, the ratio of market capitalisation to GDP decreased slightly to 34.3% in 2015 from 34.5% in 2014. Notwithstanding, the ratio of turnover to market capitalisation improved from 4.9% in 2014 to 6.2% in 2015.

Figure 30: Market Capitalisation and Relative Performance: 2011 – 2015

	Quarter 1	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Market Capitalisation					
Domestic Companies (P'Mn)	30,694.3	35,530.8	43,457.6	46,209.9	50,213.9
Foreign Companies (P'Mn)	380,909.5	376,818.2	373,132.8	371,946.8	370,885.3
Total (P'Mn)	411,603.8	412,349.0	413,741.5	418,156.7	421,099.2
Relative Performance					
Domestic Market Cap/GDP (%) ^{Note 1}	31.5	32.0	36.9	34.5	34.3
Turnover/Avg. Domestic Co Mkt Cap (%)	3.4	2.6	5.7	4.9	6.2
Turnover/ Avg. All Co Market Cap (%)	0.2	0.2	0.6	0.5	0.7

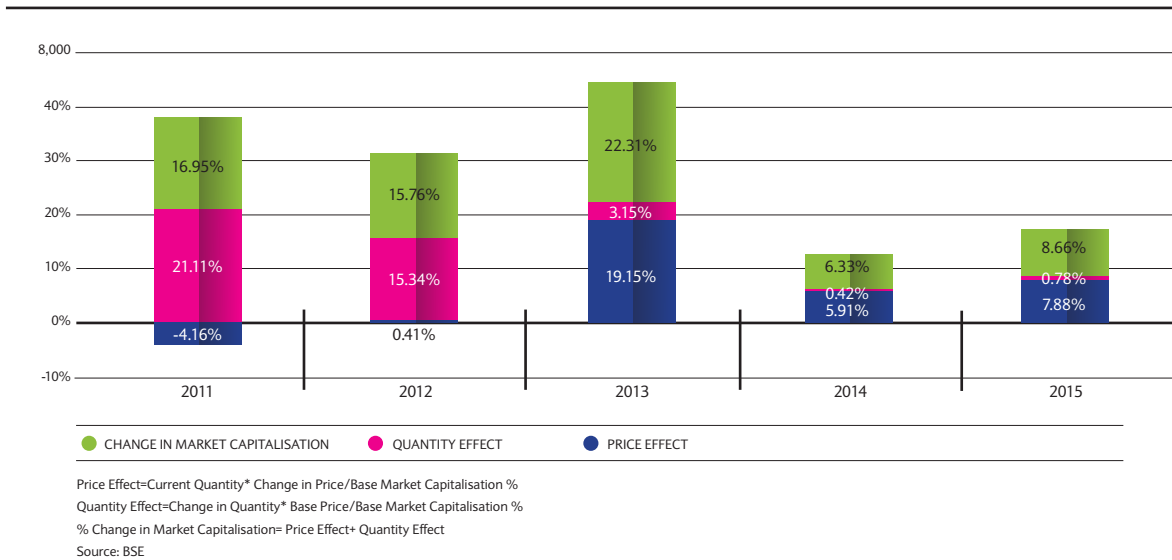
Note 1: Cumulative GDP (at current prices) from Quarter 3 of the previous year to Quarter 2 of the current year subsequent to the rebasing of economic statistics by Statistics Botswana

Source: BSE, Statistics Botswana

As can be seen in Figure 31, the increase in market capitalisation in 2015 is attributed to the impact of a price effect of 7.9% and a quantity effect of 0.8%. This is consistent with the developments in the market in 2015 where overall share prices grew modestly, outweighing the impact of the two delistings that occurred in 2015. The price effect contributed 90.7% of the percentage change in market capitalisation in 2015 in comparison to a contribution of 93.3% to the change in market capitalisation in 2014.

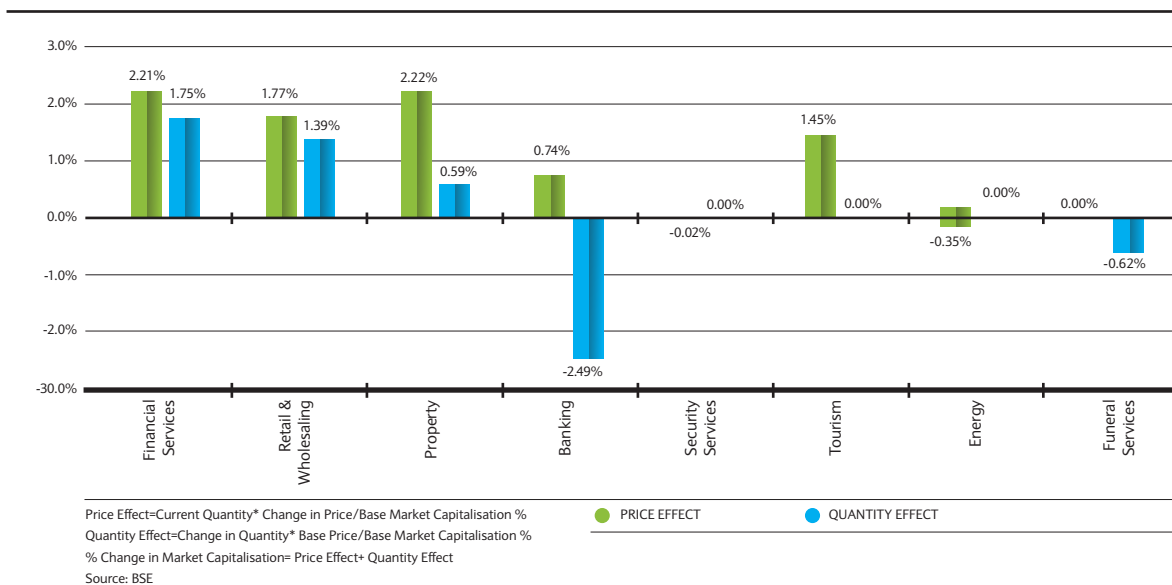
CHIEF EXECUTIVE OFFICER'S STATEMENT [CONTINUED]
for the year ended 31 December 2015

Figure 31: Estimated Price and Quantity Effect on the Growth of Domestic Market Capitalisation for Equity: 2011 to 2015



A similar analysis can be done at sector level by estimating the price of each sector from the sector's total securities and total market capitalisation in order to study the impact of price and quantity of shares in each sector on the change in market capitalisation (see Figure 32 below). At sector level, the Property and the Financial Services sectors contributed largest price effects (of 2.2% and 2.1%, respectively) to the change in the domestic market capitalisation. This is attributed to the positive impact of price changes of the sector constituents. The constituents of the aforementioned sectors performed very well in terms of share price movements as illustrated in Figure 33. The Banking and the Funeral Services sectors were sectors that had a negative quantity effect on the change in the domestic companies' market capitalisation. This is largely attributable to the delisting of ABC Holdings and FSG during 2015.

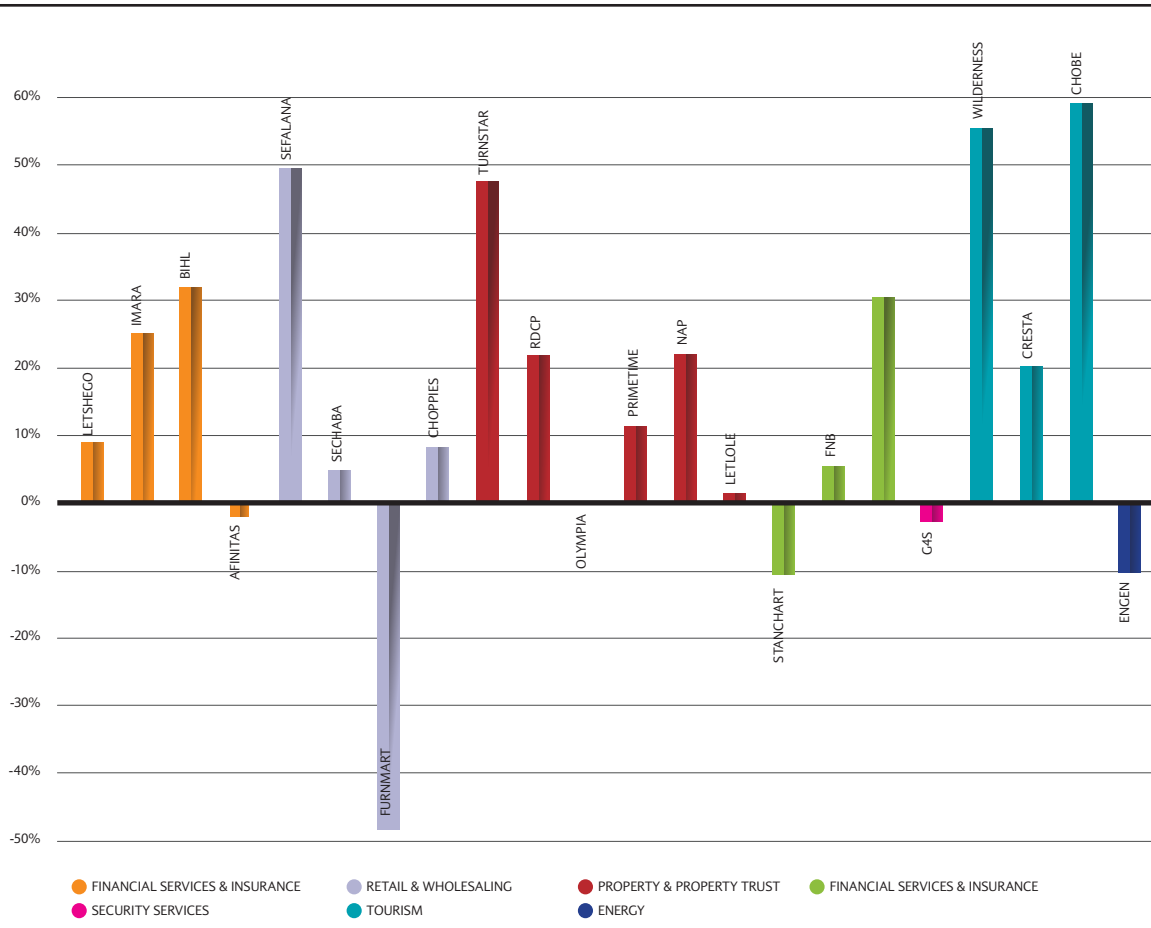
Figure 32: Sectoral Analysis of Estimated Price and Quantity Effect on the Growth of Domestic Market Capitalisation for Equity: 2015



In 2015, the share prices of 16 companies appreciated compared to the 17 companies in 2014. Figure 33 shows that prices of 5 companies recorded declines in share prices in 2015 and 1 remained unchanged.

The Property and the Financial Services sectors ended the year with all constituent stocks recording gains in share prices. In the Banking sector, only Standard Chartered Bank Botswana registered a decline in its share price. Chobe was the highest gainer with the share price appreciating by 59.3% in 2015. It is noted that in 2014 the highest gainer was Sechaba whose share price appreciated by 47.9%.

Figure 33: Price Changes of the Domestic Companies: 2015



CHIEF EXECUTIVE OFFICER'S STATEMENT [CONTINUED]
for the year ended 31 December 2015

7 COMPARISON WITH SELECTED MARKETS

7.1 Relative Valuations

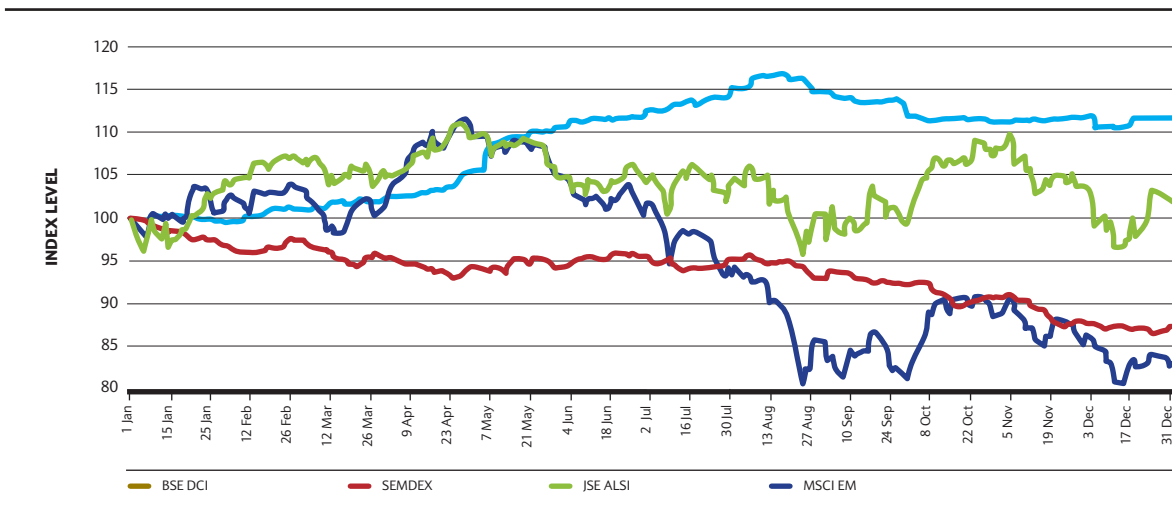
The BSE's market Price to Earnings Ratio (P/E Ratio) closed the year 2015 at 12.3 times, down from 13.2 times in 2014. The P/E Ratios of both the JSE and the SEM have increased over the past year to 19.3 times and 11.8 times, respectively.

Figure 34: Comparative Performance with Other SADC Stock Exchanges: 2014 and 2015

	Index Change (%)		P/E Ratio (times)	
	2014)	2015	2014)	2015
Johannesburg Stock Exchange	7.6	1.9	17.0	19.3
Stock Exchange of Mauritius	(1.0)	(12.7)	9.9	11.8
Botswana Stock Exchange	5.0	11.6	13.2	12.3

Source: BSE & I-Net BFA

Figure 35: Comparative Performance of DCI with other SADC Markets and MSCI Emerging Markets Index standardised as at 1 January 2015 (Domestic Currencies)

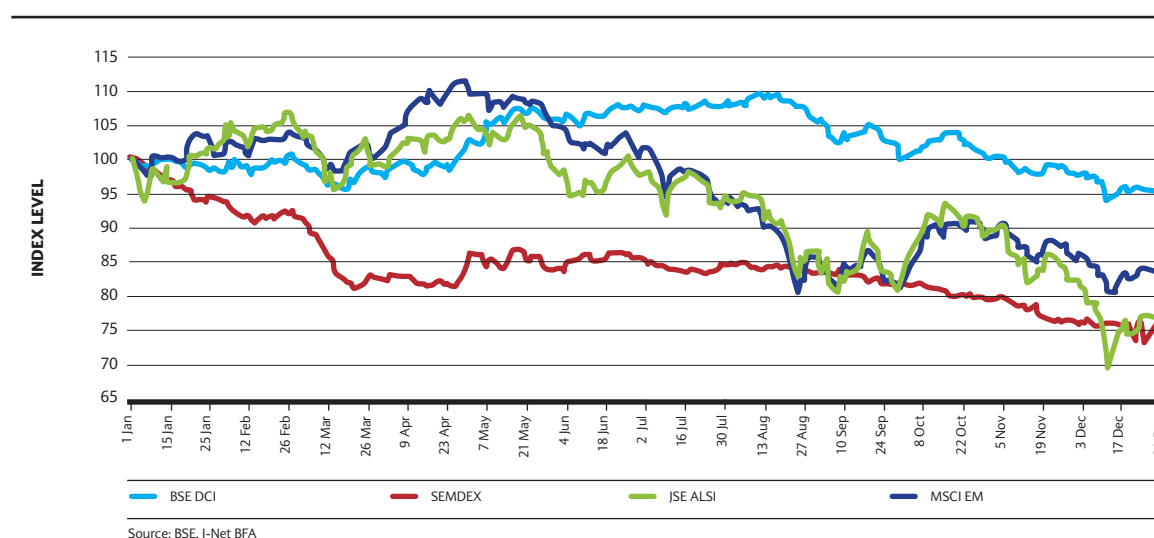


Source: BSE, I-Net BFA

As shown in Figure 35, the DCI outperformed all of its counterparts during the period under review. In 2015, The DCI gained 11.6% while the JSE ALSI appreciated by 1.9%. Inversely, the SEMDEX and the MSCI Emerging Markets Index lost 12.7% and 17.0%, respectively.

Figure 36 below outlines the comparative performance, in US dollar terms, of the BSE and its regional counterparts in 2015. Owing to the Pula's 15.3% depreciation against the US dollar in 2015, the DCI registered a 5.5% loss in US Dollar terms. Similarly, SEMDEX depreciated by 23.4% while the JSE ALSI and MSCI Emerging Markets Index lost 24.6% and 17.0% respectively.

Figure 36: Comparative Performance of DCI with other SADC Markets and MSCI Emerging Markets Index standardized as at 1 January 2015 (US Dollar)



As detailed in Figure 37, the DCI has recovered 74.6% since 13 May 2009, the point at which the index bottomed subsequent to the global financial crisis.

Figure 37: Comparative Performance of Indices since the Financial Crisis

Index	Steepest Decline since 13-Sept-2008		Recovery to 31-Dec-15		13-Sep-08 to 31-Dec-15	Jan-Dec
	% Change	Date	% Change	% Change	% Change	
JSE ALSI	32.0	20 -Nov-08	184.6	93.8	1.9	
SEMDEX	44.4	03-Mar-09	96.9	9.5	-12.7	
DCI	24.4	13-May-09	74.6	31.1	11.6	
FCI	57.6	12-May-09	44.6	(38.5)	0.3	

Source: BSE & I-Net BFA

7.2 Footprints

In order to assess the development of the BSE over time and in comparison to peer markets the BSE has plotted its “footprint” from 2010 by making reference to 4 variables.

The footprint for the purpose of the analysis is computed taking into account the relative size of the market (measured by Market Capitalisation/GDP), turnover (measured by Average Daily Turnover), liquidity (measured by Turnover/Market Capitalisation) and value (measured by the Earnings Yield - the reciprocal of the P/E ratio). The footprint of the BSE relative to 2010 is presented in Figures 38 and 39.

CHIEF EXECUTIVE OFFICER'S STATEMENT [CONTINUED]
for the year ended 31 December 2015

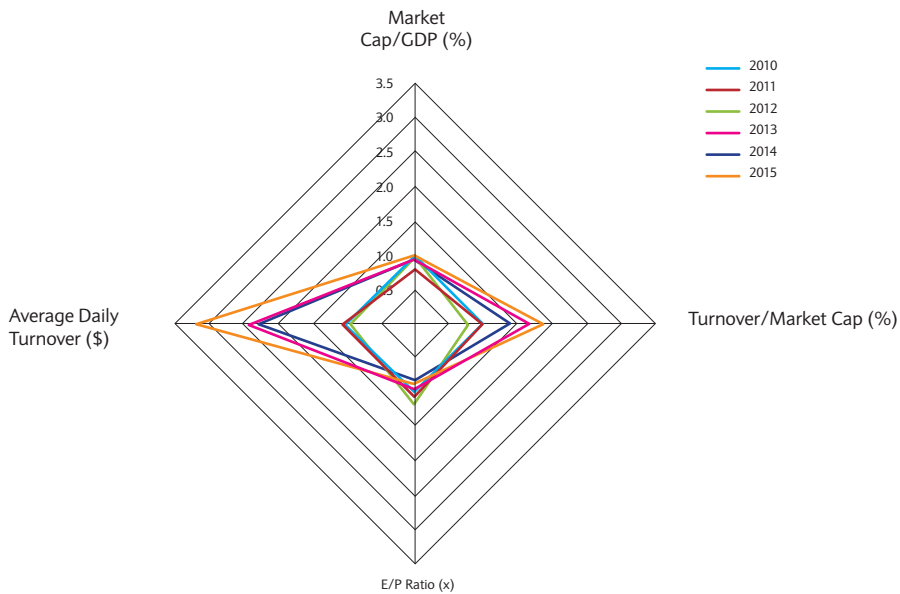
Figure 38: BSE Footprint in Relation to 2010

	2010	2011	2012	2013	2014	2015
Market Cap/GDP (%)	1.00	0.82	0.95	0.94	0.94	1.01
Turnover/Mkt Cap (%)	1.00	0.99	0.77	1.68	1.39	1.88
E/P Ratio (x)	1.00	1.06	1.17	0.94	0.82	0.88
Average Daily Turnover (P)	1.00	1.06	0.94	2.42	2.29	3.18
Area of footprint	2.00	1.91	1.82	3.84	3.24	4.76
Relative Area of Footprint in relation to 2009 (x)	1.00	0.96	0.91	1.92	1.62	2.38

Source: BSE & I-Net BFA

As can be seen from Figures 38 and 39, the BSE's performance in 2015 was the best year of the last six, and in fact since inception as already alluded to. All the variables used in the computation of liquidity registered an increase in 2015 relative to 2014. Compared to 2010, the base year used in these computations, it is only the earnings yield that declined. This reflects a faster rate of increase in prices as shown by the market capitalisation in comparison to the rate of increase in company earnings in 2015 relative to 2010.

Figure 39: BSE Footprint: 2010 to 2015



Note 1: Market Capitalisation/ GDP, Turnover/ Market Capitalisation, E/P ratio and Average daily turnover for 2010 were standardized to 1 and the BSE's footprint for 2011 to 2015 was compared to the standardized footprint for 2010

Source: BSE, Statistics Botswana

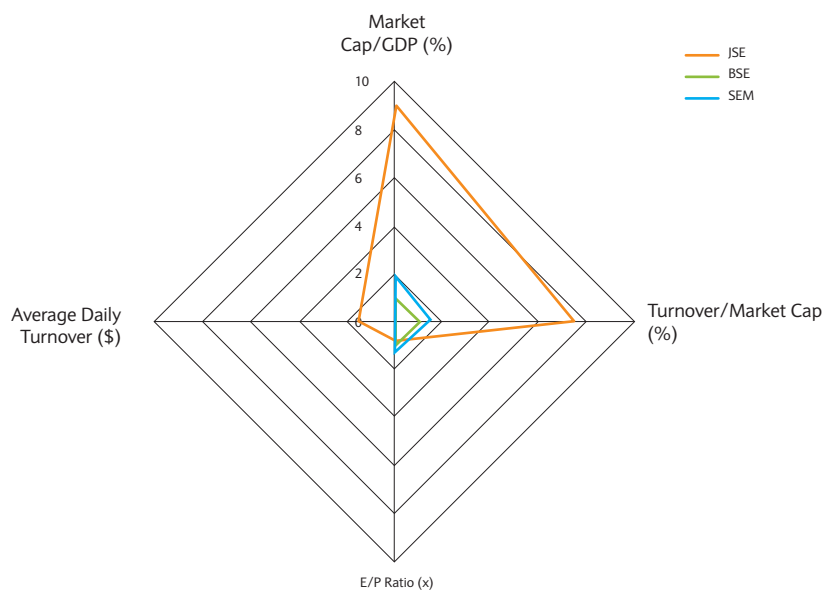
Figures 40 to 41 detail the footprint of the BSE in relation to the footprint of the JSE and SEM in 2015. There has been substantial improvement in the footprint of the BSE relative to the SEM as BSE turnover increased over the years. Given the strength of the turnover in 2015, it is not surprising that the size of the SEM relative to the size of the BSE has reduced substantially. In 2015, the SEM was 3.7 times the size of the BSE, an improvement from 5.76 times in 2014.

Figure 40: BSE Footprint Relative to JSE & SEM: 2015

2015	BSE	JSE	SEM
Market Cap/GDP (%)	1.00	7.49	1.49
Turnover/Mkt Cap (%)	1.00	6.51	1.28
E/P Ratio (x)	1.00	0.64	1.04
Average Daily Turnover (\$)	1.00	1,1167.58	1.66
Area of footprint	2.00	4,771.17	3.71
BSE footprint in relation to JSE and SEM (%)	100.00	0.04	53.97

Source: Statistics Botswana, BSE, JSE, SEM, IMF

Figure 41: BSE Footprint in Relation to JSE & SEM: 2015



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

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

Source: Statistics Botswana, BSE, JSE, SEM, IMF



CHIEF EXECUTIVE OFFICER’S STATEMENT [CONTINUED]
for the year ended 31 December 2015

As can be seen from Figures 42, the percentage footprint of the BSE was 53.97% in 2015, increasing from 34.72% in 2014, relative to the footprint of SEM. This can be majorly attributed to the BSE’s 22.5% increase in turnover in 2015 from 2014.

Figure 42: BSE Footprint in Relation to JSE & SEM: 2010 to 2015

	2010	2011	2012	2013	2014	2015
BSE relative to SEM (%)	33.41	24.44	35.07	72.76	34.72	53.97
BSE relative to JSE (%)	0.02	0.01	0.01	0.03	0.03	0.04

Source: BSE, Statistics Botswana
GDP figures for South Africa and Mauritius are based on IMF revised GDP estimates for the respective countries

The foregoing illustrations show that the BSE’s vision to become the leading exchange in Africa is not far-fetched and it is indeed attainable. However, in order for the BSE to achieve this feat and continue to compete at a continental and global level, its liquidity has to be increased substantially.

8.0 PRIMARY MARKET

8.1. Equity

During 2015, four companies delisted from the BSE while there was one new listing. ABC Holdings (2 February 2015) and FSG (24 December 2015) delisted from the Domestic Main Board while African Copper (28 August 2015) and Discovery Metals (1 December 2015) delisted from the Foreign Venture Capital Board.

Afinitas Limited, a financial services pure start-up company, listed on the BSE’s Foreign Venture Capital Board on 27 July 2015. The company listed 213.9 Mn shares at offer price of P1.00 per share. Afinitas Limited raised P91.2 Mn through Private Placement and P2.7 Mn through an offer to the public.

8.2. Bonds

During the year 2015, Bank of Botswana held four bond auctions on 6 March, 5 June, 4 September and on 4 December 2015.

In the first auction, the Bank offered a 6 month Treasury bill (T-Bill) worth P340 Mn of which P339 Mn was allotted. The T-Bill was 1.6 times oversubscribed. Also on offer were additional tranches of two bonds, BW008 and BW011, at P100 Mn each. Only the BW011 was fully allotted after it was 2.2 times oversubscribed whereas the BW008 was not allotted although it was 1.1 times oversubscribed. In total P439 Mn was raised from this auction.

On 5 June 2015, another 6 month T-Bill was issued with 3 bonds reopening and a new bond issuance. The T-Bill issuance amounted to P340 Mn and was fully allotted with the bids 2.7 times in excess of the offer. The three existing bonds which were reopening, BW005 (P50 Mn), BW007 (P50 Mn) and BW011 (P150 Mn) were 0.8 times, 1.2 times and 1.6 times oversubscribed respectively with allotments of P5 Mn, P15 Mn and P150 Mn, respectively. The new bond, BW012 (P249 Mn), was 1.9 oversubscribed and P249 Mn of the bond was allotted. The BW012 pays a fixed coupon rate of 6% annually and will mature on 13 June 2040. Interest on the bond is paid semi-annually.

On 4 September 2015, yet another 6 month T-Bill was issued along with additional tranches of four Government bonds. The T-Bill offered amounted to P500 Mn and it was fully allotted. Similarly, the reopening of the 3 Government bonds BW007 (P50 Mn), BW008 (P50 Mn) and BW011 (P100 Mn) were also fully allotted. An additional issuance of the BW012 (P100 Mn) was allotted up to P88 Mn despite the bond being 1.9 oversubscribed.

On 4 December 2015, Government raised P840 Mn after issuing a 6 month T-Bill (P340 Mn) and additional tranches of five bonds, all of which were oversubscribed and subsequently fully allotted. The Government bonds issued were; BW005 (P100 Mn), BW007 (P50 Mn), BW008 (P100 Mn), BW011 (P150 Mn) and BW012 (P100 Mn).

Stanbic Bank Botswana Limited (SBBL) listed two corporate bonds on 24 June 2015, the SBBL064 (P128.4 Mn) and the SBBL065 (P153.1 Mn), that will both mature on 18 June 2020. The SBBL064 bond carries a fixed coupon rate of 8% and the coupon is paid semi-annually. The SBBL065 bond is a floating rate bond that pays a quarterly coupon rate of Prime Lending Rate minus 50 basis points (0.50%). The SBBL048 (P175 Mn) which was issued by Stanbic Bank Botswana Limited on 11 June 2008 matured on 11 June 2015.

First National Bank Botswana (FNBB) also listed two bonds on 11 November 2015, the FNBB005 (P125.59 Mn) and FNBB006 (P112.12 Mn), both maturing on 11 November 2020. Both are floating bonds linked to the Bank Rate. FNBB005 pays a quarterly interest of Bank Rate plus 0.75% whereas FNBB006 pays a quarterly interest of Bank Rate plus 1.00%.

As at 31 December 2015, the total market capitalisation of bonds listed on the BSE was P10.0 Bn in comparison to P10.1 Bn at the end of 2014.



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for the year ended 31 December 2015

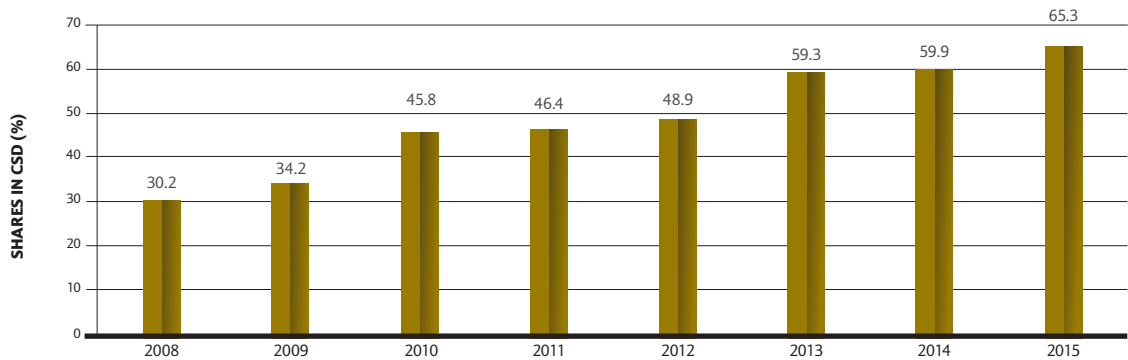
9. DEPARTMENTAL REVIEWS

9.1 Central Securities Depository (CSD)

9.1.1 Dematerialization Status of Shares

Since the introduction of the CSD system in 2008, the rate of dematerialization of securities has increased steadily over the years as can be seen from Figure 43 below. As at 31 December 2015, 65.3% of shares of domestic companies were deposited into the CSD system compared to 59.9% in 2014.

Figure 43: Dematerialization Status of Domestic Companies: 2008 to 2015



Source: CSD Botswana

Following the approval of compulsory dematerialization of securities by the Non-Bank Financial Institutions Regulatory Authority (NBFIRA) which effected in February 2015, the BSE and CSDB conducted education campaigns to sensitize the market and investors about dematerialization. Between 16 April 2015 and 30 April 2015, the BSE physically visited 10 places in Botswana which are Maun, Letlhakane, Serowe, Francistown, Selebi-Phikwe, Mahalapye, Lobatse, Mochudi, Kanye and Molepolole. The message was also spread through radio announcements and newspapers in order to reach the nation at large. The modest increase in the rate of dematerialization in 2015 could be attributed to the education campaigns held in 2015 in addition to the opening of new accounts by new investors.

It is good to note that the campaigns helped in terms of mobilizing the public to open CSD accounts to deposit their shares into the CSD system. Investors have been given up to 31 March 2016 to have dematerialized their shares. In the interim, CSDB will dematerialize shares held in physical form using “Omnibus account” in respect of each company until investors come forth to deposit their shares in their own CSD accounts or open them by handing over the share certificate.

It can be noted from Figure 44 that the increase in the number of shares dematerialized was experienced across the board. There was a modest improvement of 5.4 percentage points in respect of the percentage shares of domestic companies held in the CSD system.

Figure 44: Dematerialization Status of Domestic Companies: 2014 and 2015

Security	2014	2015		
	% of Shares in CSD	Number of Shares in Issue	Number of Shares Deposited into CSD	% of Shares in CSD
ABCH	31.6%	Delisted	Delisted	Delisted
Barclays	29.7%	852,161,252	256,690,340	30.1%
BIHL	97.3%	281,070,652	275,383,844	98.0%
Chobe	40.2%	89,405,139	45,273,723	50.6%
Choppies	98.1%	876,282,172	863,460,947	98.5%
Cresta	26.9%	184,634,944	173,623,970	94.0%
Engen	29.0%	159,722,220	46,653,239	29.2%
FNBB	28.6%	2,563,700,000	743,351,307	29.0%
FSC	93.5%	Delisted	Delisted	Delisted
Furnmart	22.8%	606,446,080	139,249,530	23.0%
G4S	27.5%	80,000,000	22,386,100	28.0%
Letshego	97.8%	2,184,901,665	2,157,191,934	98.7%
Olympia	15.8%	28,600,000	4,531,187	15.8%
Primetime	77.2%	179,890,200	139,297,887	77.4%
RDCP	98.8%	347,547,222	346,115,768	99.6%
Sechaba	81.0%	133,014,875	108,190,831	81.3%
Sefalana	94.0%	222,868,186	211,660,863	95.0%
Stanchart	22.5%	298,350,611	291,869,590	97.8%
Turnstar	93.9%	572,153,603	538,706,840	94.2%
Imara	69.2%	59,904,301	56,126,146	93.7%
Wilderness	41.4%	97,251,145	95,851,636	98.6%
NAP	15.6%	604,397,124	120,847,673	20.0%
Letlole	98.3%	280,000,000	276,544,962	98.8%
NewGold	100.0%	2,250,000	2,250,000	100.0%
BettaBeta	100.0%	6,450,000	6,450,000	100.0%
NewPlatinum	100.0%	1,900,000	1,900,000	100.0%
NewFunds	Not Listed	4,400,000	4,400,000	100.0%
MARKET	59.9%	72.76	34.72	53.97

Source: CSD Botswana

Figure 45: Dematerialization Status of Foreign Companies: 2014 and 2015

Security	2014	2015		
	% of Shares in CSD	Number of Shares on Botswana Registry	Number of Shares Deposited into CSD	% of Shares in CSD
A-Cap Resources	60.6%	663,327	431,443	65.0%
Botswana Diamonds	87.1%	4,539,654	3,728,275	82.1%
Lucara Diamonds	99.2%	28,485,752	28,318,827	99.4%
African Energy	86.1%	1,966,492	1,692,171	86.1%
Galane Gold	100.0%	130	130	100.0%
Shumba	82.6%	212,005,676	187,445,017	88.4%
Magnum	100.0%	5,300,000	5,300,000	100.0%
Discovery Metals	67.3%	Delisted	Delisted	Delisted
MARKET	82.4%	252,961,031	226,915,863	89.7%

Source: CSD Botswana

As at the end of 2015 dematerialization of foreign company shares in the Botswana registry was 89.7% in comparison to 82.4% in 2014.



CHIEF EXECUTIVE OFFICER'S STATEMENT [CONTINUED]
for the year ended 31 December 2015

9.1.2 Progress on Account Opening

The number of authorised accounts opened by clients in the CSD (excluding joint accounts) was 28,122 as at December 2015, an increase of 29.8% in comparison to 2014. The number of accounts is expected to rise further due to the extension of the deadline to dematerialize shares and also because of the IPO of Botswana Telecommunications Company Limited (BTCL) which is exclusive to the citizens of Botswana.

Figure 45: Status of CSD Accounts as at December: 2014 and 2015

Client Classification	2014	2015							
	TOTAL	SBB	MOTS	CAPS	AA	SCBB	STAN	FNBB	TOTAL
Foreign Companies	2,198	40	102	33	6	1,996	326	2	2,505
Foreign Individuals	1,026	471	500	270	57	0	0	0	1,298
Foreign Residents	427	229	225	71	21	0	0	0	546
Foreign Juniors	53	13	38	12	10	0	0	0	73
Local Companies	1,538	481	279	421	238	178	50	73	1,720
Local Individuals	15,422	8,345	5,659	5,296	1,367	0	0	0	20,667
Local Juniors	999	482	398	357	76	0	0	0	1313
Total	21,663	10,061	7,201	6,460	1,775	2,174	376	75	28,122

Source: CSD Botswana

9.1.3 CSDB Client Holdings

Figure 46: CSDB Client Holdings by Client Category

Client Suffix	2014				2015			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Local Company	61.2%	62.0%	62.2%	61.8%	60.8%	65.3%	65.1%	66.0%
Foreign Company	26.3%	25.6%	25.5%	26.3%	27.2%	24.9%	25.1%	23.7%
Local Individual	11.3%	11.1%	11.0%	10.9%	10.7%	8.7%	8.9%	8.9%
Other Clients	1.2%	1.3%	1.3%	1.0%	1.3%	1.1%	0.9%	1.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: CSD Botswana

As detailed in Figure 47, local citizens dominated the overall holdings on the CSDB. Compared to US citizens, UK citizens invested more on the local bourse, a trend that was also prevalent in 2014.

Figure 47: CSDB Client Holdings by Geography

Domiciles of Clients	2014				2015			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Local Citizens	72.5%	73.1%	73.3%	72.7%	71.6%	74.0%	74.1%	74.9%
US Citizens	5.4%	5.0%	4.9%	5.0%	4.5%	4.2%	3.9%	3.6%
UK Citizens	5.8%	6.7%	7.4%	7.6%	6.1%	7.2%	6.7%	6.3%
SADC Region	7.8%	5.4%	6.3%	6.3%	5.5%	4.0%	3.9%	3.9%
Other Regions	8.5%	9.8%	8.1%	8.4%	12.3%	10.6%	11.5%	11.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: CSD Botswana

9.2 MARKET DEVELOPMENT

9.2.1 Marketing Strategies to Attract Local Retail Investors

The BSE continued to pursue its market development initiatives which are aimed at promoting awareness about investment opportunities on the BSE in order to improve retail investor participation in the stock market. The BSE conducted public presentations to various institutions and participated in a number of exhibitions and trade fairs to further this objective. As detailed in Figure 55, 1,730 members of the public attended the presentations conducted by the BSE in 2015. Majority of the road shows were with regards to the dematerialization campaign. The campaigns were held in high foot count areas such as bus ranks and shopping mall and announcement of the schedule was publicised in print media and through radio stations.

Figure 48: Presentations Conducted by the BSE: 2015

Date	Organisation	Place	No. of Participants
5/2/2015	NBFIRA Fair	Serowe	150
6/2/2015	NBFIRA Fair	Letlhakane	100
10/2/2015	St. Joseph's College Staff Fair Day	Kgale	31
3/3/2015	UBFS Finance & Banking Week	Gaborone	88
16/4/2015	CSDB Dematerialization Roadshow	Maun	104
17/4/2015		Letlhakane	61
18/4/2015		Serowe	32
20/4/2015		Francistown	197
21/4/2015		Selibe - Phikwe	32
22/4/2015		Mahalapye	89
27/4/2015		Lobatse	9
28/4/2015		Mochudi	37
29/4/2015		Kanye	37
30/4/2015		Molepolole	126
10/6/2015		Deeds Registry Office	Gaborone
18/6/2015	Marang C.J.S.S	Gaborone	24
28/07/15	NBFIRA Roadshow	Ghanzi	26
29/07/15	NBFIRA Roadshow	Hukuntsi	51
30/07/15	NBFIRA Roadshow	Kang	24
17 to 23/08/15	Consumer Fair	Gaborone	287
22/09/15	Botswana College of Agriculture	Sebele	39
21/11/2015	DTC Mens day	Gaborone	100
1/12/2015	BDF (BSE Offices)	Gaborone	29
15/12/15	Out of School Education & Training	Gaborone	21
		TOTAL	1,730

Source: BSE



CHIEF EXECUTIVE OFFICER'S STATEMENT [*CONTINUED*]
for the year ended 31 December 2015

9.2.2 Social Media, Radio and Television Programmes

The BSE also used other platforms to disseminate market information and updates. A programme called "First Issues" featured the BSE's market performance update every Tuesday evening on BTV, on RB1 the information was broadcast through "Sefalana sa Papadi" every Monday and "Tsele le Tsele" every Friday and again on RB2 "Business Fit In" every Friday. The BSE also presented market updates on Yarona FM and Gabz FM as and when requested. Throughout 2015, the BSE also maintained an interactive Facebook page and Twitter page.

9.2.3 Senior Secondary Schools Finance & Investment Competitions

In 2013, the BSE commenced a project to promote financial literacy and awareness amongst students, culminating in the inaugural Finance & Investment Senior Secondary Schools Competition in November 2013. The competition was open to all senior secondary schools in Gaborone in 2013, and was rolled out to six districts in 2014.

The BSE held the third annual Finance & Investment Senior Secondary Schools Competition in November 2015. Invitation to the competition was extended all senior secondary schools, both private and public, in Botswana. All 43 Senior Secondary Schools were invited and only 10 schools made it to the finals of the competition. This was an improvement from the 4 and 8 schools that made it to the final in 2013 and 2014, respectively. With this initiative, the BSE is inculcating a culture of investing from a young age as we strongly believe that students are investors of tomorrow. As such, initiatives such as this go a long way in increasing financial awareness at grassroot level.

9.2.4 Corporate Social Investment (CSI)

The BSE CSI policy prescribes that CSI initiatives taken up should be done with a medium to long term view. These initiatives are limited to 3 areas; education, job creation and community development. Moreover, the BSE CSI initiatives are undertaken in a manner that is not self-serving – not for the BSE to receive mileage – but rather in a way that makes meaningful contributions to receiving communities.

In 2013, the BSE took custody of Boitumelo Primary School in Sebele and Xakao Primary School in Shakawe under the Government's "Adopt a School" project. The focus of the BSE activities in respect of this project has been to undertake initiatives that improve the learning environment, with the expected outcome of improving the schools' academic performance. In 2015, the BSE continued to assist the two adopted primary schools by stocking their libraries with new books and computers.

Further, the BSE partnered with the Botswana Retired Nurses Society (BORNUS) in their Old Naledi Teenage Pregnancy Prevention Project. The project comprised counselling and education seminars and was aimed at trying to curb further teenage pregnancies in the area through community mobilization and youth empowerment. The BSE assisted by funding resources required for the counselling and peer education seminars.

9.2.5 Investor Awareness Survey

The BSE conducted an investor awareness survey between 12th and 20th September 2015 across 14 places in Botswana. The aim of the survey was to gauge the level of awareness about the BSE, its services and products among the public and the level of participation in the stock market. Generally, the results indicated that a larger percentage of the participants did not know about the BSE and therefore do not invest in the BSE. The primary reason was the lack of knowledge about the BSE and the lack of understanding about the products on the BSE.

It is worth noting that the low financial literacy level in Botswana has been identified as one of the impediments of liquidity on the BSE. For many years, the BSE has deployed several market development initiatives to promote awareness about the stock market. Based on the findings of the survey, there is strong indication that perhaps these initiatives have to be ramped up and have to be segmented across various target markets to try and address identified gaps in an effective manner.

9.2.6 Attracting Companies to List on the BSE

As one of the strategies to increase liquidity by way of attracting more companies to list, the BSE will be hosting an Inaugural BSE Listings Conference at the Gaborone International Convention Centre (GICC) on 10th March 2016 under the theme “Opening the BSE to the business community – creating value through listing”. The overall aim of the Inaugural BSE Listings Conference is to bring together the BSE, private companies, listed companies and experts in capital markets to discuss the value added to a private company by a listing on a stock exchange, and the listing process and requirements. This will be a platform for listed companies to share lessons on how they created value through listing and how they leveraged on their listing to expand to markets outside Botswana. The BSE has mainly invited over 130 small, medium, and large enterprises that are not listed to get to hear experiences of listed companies and how they used their listing to grow their companies. Follow up workshops will be held with selected private companies after the conference to sell the proposition at a one-to-one level.

9.3 PRODUCT DEVELOPMENT

9.3.1 Inclusion of BSE Listed Bonds in AfDB Bloomberg® African Bond Index

In October 2015, Botswana became the latest entrant into the African Development Bank (AfDB/AFMISM) Bloomberg® African Bond Index (ABABI). Calculated by Bloomberg, the composite index comprises the Bloomberg South Africa, Egypt, Nigeria, Kenya, Namibia local currency sovereign indices and now Government bonds issued by the Republic of Botswana and listed on the BSE. This is in line with the plans of the AFMI to provide transparent and credible benchmark indices that give investors a tool with which to measure and track the performance of Africa’s bond markets. For the BSE, this development gives more visibility to the domestic bond market and it gives credit to the developments of the local bond market.

Further, the BSE contributed to a Call for Proposals submitted to AfDB’s African Financial Market Initiative (AFMI) by the Product Development Committee of the Committee of SADC Stock Exchange (CoSSE). The purpose of the proposal was to evaluate possible areas of intervention for local currency bond market development. The BSE highlighted certain areas of intervention including the support to the development of bond market indices, bond market association, retail investor development, centralized bond markets, development of repo markets and financial literacy projects. Driving these initiatives from a regional body such as CoSSE provides a platform for the different members to benchmark from each other as well as monitor and review each member’s progress in implementing the identified areas of intervention and the initiatives.

9.3.2 Listing of the NewFunds ETF

The BSE, in conjunction with Absa Capital (South Africa), listed the NewFunds Inflation Linked Bonds Index (ILBI) Exchange Traded Fund (ETF) on the BSE on 18 November 2015. The ETF was primarily listed on the JSE in January 2012. NewFunds ILBI ETF tracks performance of a benchmark index that tracks performance of the South African Government Inflation-Linked Bonds which comprises bonds issued by the South African government that are linked to the South African Consumer Price Index (CPI). This ETF is the fourth to be listed on the BSE following the success of the NewGold ETF, BetaBeta ETF and NewPlat ETF which were listed in July 2010, May 2011 respectively and August 2014.

It is a valuable addition to the product base as it helps cushion investors in Botswana against adverse effects of imported inflation (from South Africa) that culminate in high inflation in Botswana. With Inflation-Linked Bonds, the principal amount is always adjusted for changes in inflation to protect it against erosion of purchasing power. In the long run, it is also advisable and in the best interest of capital market development for Government of Botswana to also consider issuing Inflation-Linked Bonds as other countries like Namibia are also issuing such bonds to raise funds as well as to develop capital markets.



CHIEF EXECUTIVE OFFICER'S STATEMENT [*CONTINUED*]
for the year ended 31 December 2015

9.3.3 Fixed Income Courses

The BSE conducted a course titled "Understanding Financial Markets" in April 2015 was attended by 16 participants. A course on "Introduction to Money Markets and Bonds" was conducted in August 2015 and 15 candidates participated. The course on "Introduction to Money Markets and Bonds" is part of the BSE debt market development strategy and is primarily aimed at promoting skills development amongst market participants. The course on "Understanding Financial Markets" was again conducted in November 2015.

The courses were conducted in conjunction with Geometric Progression, a skills development company specializing in providing finance related services, registered in Botswana and accredited by the Botswana Qualifications Authority (BQA) as a training institution. The response from market participants has been positive and the courses are scheduled to continue in 2016.

9.3.4 Centralization of Bond Trading, Clearing and Settlement

The BSE is firmly of the view that Botswana's bond market can be further developed by centralizing the trading of both Government and corporate bonds on the BSE using the functionalities provided in the ATS and the CSD system. When implementing the ATS the BSE formulated pricing conventions and calculation methodologies for the Botswana market in consultation with bond market participants. These conventions and methodologies have been incorporated into the ATS.

At present, the trading of bonds is fragmented resulting in inefficiencies in pricing, transparency and access. Whereas listed Government bonds are traded on an Over-The-Counter (OTC) basis and reported to the BSE by the Bank of Botswana (BoB), corporate bonds are traded on the BSE by its Brokers. The present arrangement has many shortcomings:

- a) The bond market as a whole is fragmented leading to inefficiencies in trading, clearing and settlement of bond trades
- b) Primary Dealers who are bond market specialists are not provided the opportunity of trading in corporate bonds
- c) The ATS and CSD have the capacity to trade, clear and settle bonds which is not being utilized at present
- d) Bond pricing conventions and calculation methodologies across the corporate and Government bond markets are not uniform
- e) The present system limits the accessibility of the Government bond market

The aforementioned Bond Market Development Strategy underscores the point that, "it is quite important that the BSE pushes to have the trades captured into a central capture point". It also notes that, "bonds need to be settled on a DVP process through the CSD". The interaction between the BSE's Brokers and Primary Dealers would make bonds, which are presently mainly accessible to institutional investors, easily available to foreign investors and retail investors in an efficient and effective manner.

The BSE has communicated its thinking on the centralization of the trading, clearing and settlement of bonds to Bank of Botswana (BoB). BoB has communicated to the BSE that the issue is being considered under the National Payment Strategy and that BoB acknowledges the importance of creating an efficient and liquid bond market.

9.3.5 Establishing Botswana as a Regional Financial Hub

The BSE intends to optimise Botswana's competitive advantages by establishing Botswana as a regional financial hub. The strategic intent is to position the BSE as a gateway to regional and international financial markets given its many competitive advantages. The strategy underscores the need to utilize the BSE as a platform for the trading of international financial instruments. This strategy is sound given that there is excess liquidity in domestic capital markets relative to existing investment opportunities.

As such it will assist local fund managers optimize risk and returns given that Botswana presently exports 60% to 70% of contractual savings without creating significant value locally. Thus, the creation of efficient, deep and broader financial markets is imperative in order for this capital to create value domestically before it can be exported to investment securities in offshore markets. Discussions in relation to creating a partnership between Saxo Bank and the BSE are still on-going. The BSE has shared the initiative with local fund managers and the preliminary feedback is positive, subject to more discussions with Trustees.

On another project, the BSE explored the feasibility of implementing Contracts for Difference (CFDs) in conjunction with ACM Gold of South Africa. Following the cost benefit analysis and due diligence of ACM Gold, the BSE has decided that it will not go ahead to implement the project in partnership with ACM Gold. The plan is to continue to search for strategic partnerships with established CFDs providers from outside Botswana taking into the need to balance costs with benefits of market development.

On another project, the BSE explored the feasibility of implementing Contracts for Difference (CFDs) in conjunction with ACM Gold of South Africa. Following the cost benefit analysis and due diligence of ACM Gold, the BSE has decided that it will not go ahead to implement the project in partnership with ACM Gold. The plan is to continue to search for strategic partnerships with established CFDs providers from outside Botswana taking into the need to balance costs with benefits of market development.

9.4 LEGISLATION AND REGULATION

9.4.1 Approval of the New BSE Equity Listing Requirements

The New Requirements which were approved by the Non-Bank Financial Institutions Regulatory Authority (NBFIRA) in November 2015 will become effective on 01 June 2016. One of the key amendments relates to the increase in the public shareholder threshold which has increased to 30%. However, the BSE Main Committee has authorized that the new minimum public shareholding structure requirements for listed companies (public float threshold) shall be phased in to assist listed companies to transition smoothly as follows:

Public Float threshold	Latest Date for full compliance
Main Board	
25%	30 June 2017
30%	31 December 2017
Venture Capital Board	
10%	31 December 2017
100 Public Shareholders	31 December 2017

The new rules will go a long in promoting the vibrancy and liquidity of the BSE as well as promoting economic empowerment amongst the investors, prospects and existing.

9.4.2 Securities Act and BSE Transition Act

The Securities Act was approved by Parliament on 28 July 2014 and is currently awaiting a Commencement Order. The BSE Transition Act was approved by Parliament in November 2014 and subsequently commenced on 1 December 2015. Both Acts will have a positive and far reaching impact on the functionality of the capital market and the BSE itself as an organization.

The Securities Act is expected to commence once the Regulations referred to in the Act have been drafted. Following the commencement of the BSE Transition Act, the Constitution of the Exchange is being reviewed. Further, the model to convert Proprietary Rights held by Brokers and the Government subvention received by the Exchange into shares in the new company to be known as BSE Limited is still under discussion.



CHIEF EXECUTIVE OFFICER’S STATEMENT [CONTINUED]
for the year ended 31 December 2015

9.4.5 Introduction of Market –Making in Listed Securities

The Draft Rules with regards to Market-Making were completed in January 2015, which was followed by a period of consultation with external stakeholders, which included market participants and institutions identified as potential market-makers. The BSE has submitted to NBFIRA for approval.

9.5 FINANCE & ADMINISTRATION

The Group (BSE & CSDB) revenue increased by 40.0% in 2015. This was mainly due to the increase in turnover that was experienced in 2015 in comparison to 2014. The average daily turnover was P12.2 Mn in 2015 in comparison to P8.8 Mn recorded in 2014.

The assets of the Group grew by 37.7% in 2015. This was due to profits earned in 2015. BSE’s capital from inception was limited to Proprietary Rights issued to Brokers and has had to be bolstered with subventions from Government. However, since 2011 BSE has not had to depend on the subvention given that revenue earned from operations has been adequate to meet its expenses.

However, the operation of the CSDB has had to be supported by a subvention from its inception in 2008 with the exception of 2013 and 2015 in which years the expenditure of the CSDB was met from revenue generated.

The Group’s administrative expenses increased by 17.6% in 2015. Information Technology and Market Development which are regarded as development expenditure accounted for 19.6% of the total costs in 2015. The BSE embarked on marketing campaigns aimed at encouraging holders of physical share certificates to dematerialize their share certificates into electronic form. The BSE also made changes to the CSD system to prepare for the BTCL listing.

As a result of its financial performance, the Group’s cash position increased by an impressive 43.4%.

Figure 49: Financial Performance of the BSE: 2010 to 2015

	2010			2011			2012			2013			2014			2015		
	P'000			P'000			P'000			P'000			P'000			P'000		
	BSE	CSDB	CONSOL	BSE	CSDB	CONSOL	BSE	CSDB	CONSOL	BSE	CSDB	CONSOL	BSE	CSDB	CONSOL	BSE	CSDB	CONSOL
INCOME																		
Commission Income	2,620	1,940	4,560	2,699	2,092	4,791	2,507	1,813	4,320	6,192	4,667	10,859	5,840	4,407	10,247	8,074	6,206	14,280
Listings and Annual Sustaining fees	8,335	-	8,335	12,635	-	12,635	16,777	-	16,777	13,048	-	13,048	13,325	-	13,325	15,088	-	15,088
Other Income	360	304	664	751	441	1,192	529	512	1,041	1,386	648	2,034	2,482	849	3,331	3,267	5,037	8,304
Total Income from Operations	11,315	2,244	13,559	16,085	2,533	18,618	19,813	2,325	22,138	20,626	5,315	25,941	21,647	5,256	26,903	26,429	11,243	37,672
EXPENDITURE																		
Development Expenditure	1,356	633	1,990	799	746	1,545	1,492	741	2,233	1,643	975	2,618	3,313	1,079	4,392	3,829	1,324	5,153
Administrative Expenditure	10,318	2,810	13,128	11,762	3,074	14,836	10,277	3,463	13,740	13,596	4,150	17,746	13,511	4,444	17,955	16,834	4,301	21,135
Total Expenditure	11,674	3,443	15,117	12,561	3,820	16,381	11,769	4,204	15,973	15,239	5,125	20,364	16,824	5,523	22,347	20,663	5,625	26,288
Profit / (Loss) Prior to Subvention	(359)	(1,199)	(1,558)	3,524	(1,287)	2,237	8,044	(1,879)	6,165	5,387	190	5,577	4,823	(267)	4,556	5,766	5,618	11,384
Subvention required to break even	359	1,199	1,558	-	1,287	-	-	1,879	1,879	-	-	-	-	267	-	-	-	-
Subvention received	1,591	934	2,525	4,039	3,037	7,075	3,145	4,143	7,288	5,025	4,263	9,288	5,700	7,300	13,000	2,343	2,563	4,906
Profit	1,232	(265)	967	7,563	1,750	9,312	11,189	2,264	13,453	10,412	4,453	14,865	10,523	7,033	17,556	8,109	8,181	16,290
Extent to which Income from operations meet administrative expenses	100%	80%	100%	100%	82%	100%	100%	67%	100%	100%	100%	100%	100%	95%	100%	100%	100%	100%

9.6 HUMAN RESOURCE DEVELOPMENT

9.6.1 Human Capital Development

Members of staff were sent on several courses and conferences in the year under review in order to develop their understanding on capital markets and stock exchange operations.

9.6.2 Corporate Culture Index

The BSE conducted an external survey to formulate a corporate culture index. The survey was intended to gauge external stakeholders' perception of the BSE. The results of the survey indicated that our external stakeholders have concerns with regards to particularly two areas; the BSE's community involvement and creativity and innovation. Concerns with community involvement showed that whilst the BSE actually is involved in community development initiatives, which is through its CSI policy, there is less publicity about the extent to which it does so. This implies that the BSE does not communicate to the public its involvement in corporate social investment. Stakeholders attached a very high regard to the importance of creativity and innovation for the BSE.

From these findings, the BSE intends to develop initiatives to address the gaps in order to improve its perception by stakeholders. The corporate culture index constructed from the initial survey constituted the base index of 100. On a yearly basis, the BSE will undertake the survey and assess improvement and evaluate the effectiveness of the initiatives deployed to address some gaps.

9.7 REGIONAL COOPERATION AND PARTICIPATION AT CONFERENCES

The Committee of Southern African Exchanges (CoSSE) held several meeting in 2015. The BSE participated in meetings held in April in Livingstone, Zambia and in Johannesburg in September 2015.

BSE was represented at the ASEA Conference and the IMN Africa Debt Capital Market Conference which were both held in November 2015, in Johannesburg and Cape Town respectively.

CSDB was represented at the World Federation of CSDs (WFC) in Mexico in April 2015 and again at the African and Middle East Depository Association (AMEDA) meeting in Abu Dhabi in November 2015.



CHIEF EXECUTIVE OFFICER'S STATEMENT [*CONTINUED*]
for the year ended 31 December 2015

10. APPRECIATION

I would like to express my sincere gratitude to Mr. Hiran Mendis, who was the CEO of the BSE from 2006 until the end of 2015, for his contribution to the development of the BSE and Botswana's capital market. It is during his tenure that the BSE metamorphosed to become one of the leading stock exchanges in Africa. The intention is to continue in the same trajectory and take the BSE to greater heights.

Further, I wish to appreciate the leadership and direction provided by the Chairperson, BSE Main Committee and Sub-Committees in 2015. It was through their guidance that the BSE was able to achieve its strategic initiatives.

Moreover, I acknowledge both the Ministry of Finance & Development (MFDP) and the Non-Bank Financial Institutions Regulatory Authority (NBFIRA) for their stewardship and oversight. I am happy to say their collaborative efforts are instrumental in promoting a robust regulatory framework within which the BSE operates and in promoting effective responsiveness to market dynamics.

To my team, the BSE staff, I commend you for your continued dedication and hard work throughout the years. The onus is upon us to develop the organisation even further, and elevate it to "Greater Heights."

I recognize the contribution and support of the BSE Members, CSDB Participants, Nominated Transfer Secretaries, Listed Companies, Investors and other stakeholders in the development of the BSE.

There is an old African proverb that reads "if you want to go fast go alone, if you want to go far go together." Hence, I urge all the stakeholders in the capital market to continue to be innovative and to engage collectively for the sustainable development of the market.

A handwritten signature in black ink, appearing to read 'Thapelo Tsheole'.

Mr Thapelo Tsheole
Chief Executive Officer



The 2015 BSE sports day



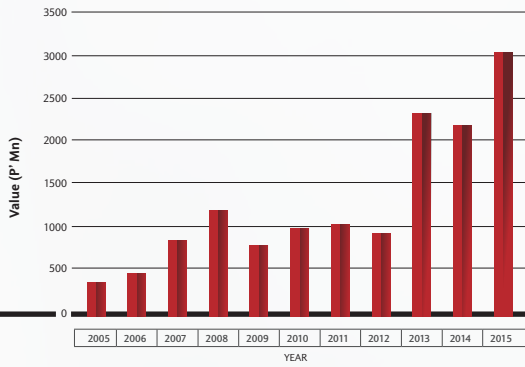


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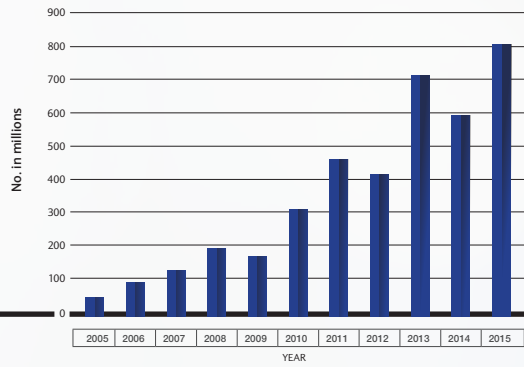
GRAPHICAL REVIEW

EQUITIES

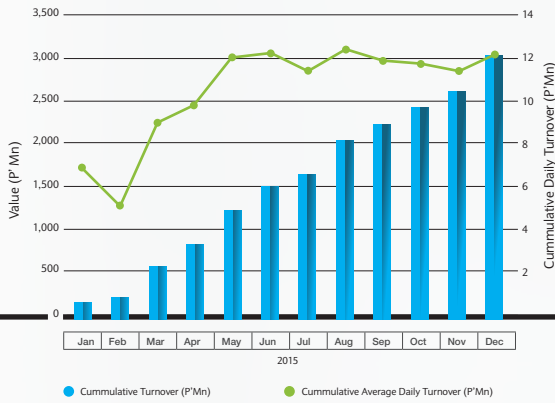
Value of Shares Traded



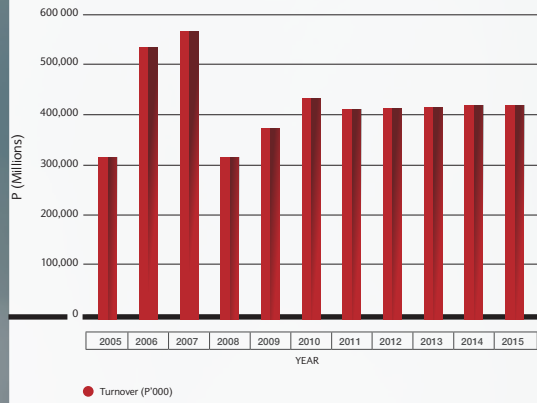
Volume of Shares Traded



Cummulative Monthly Turnover

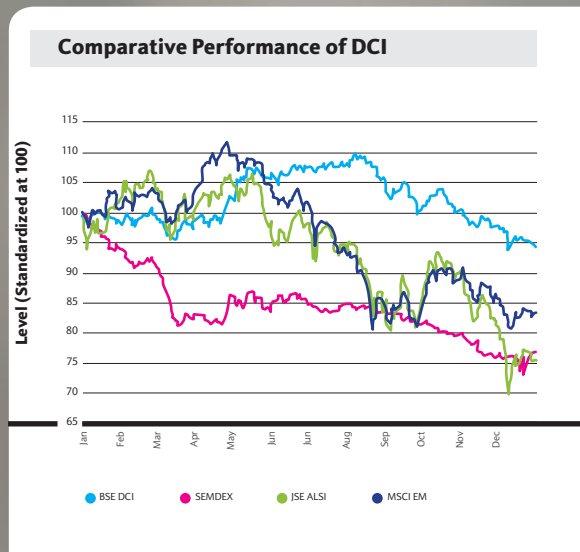
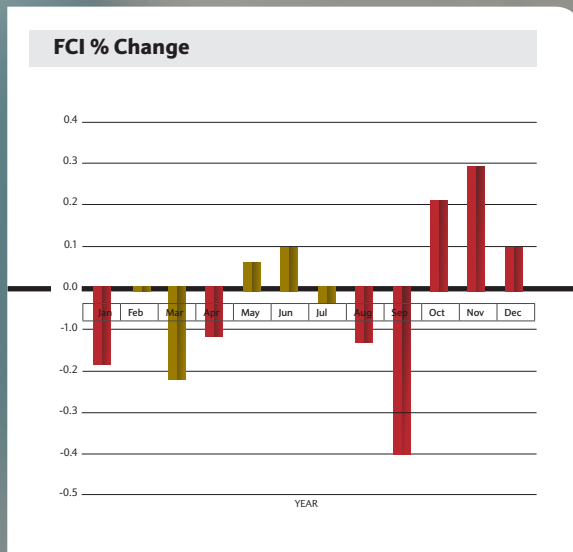
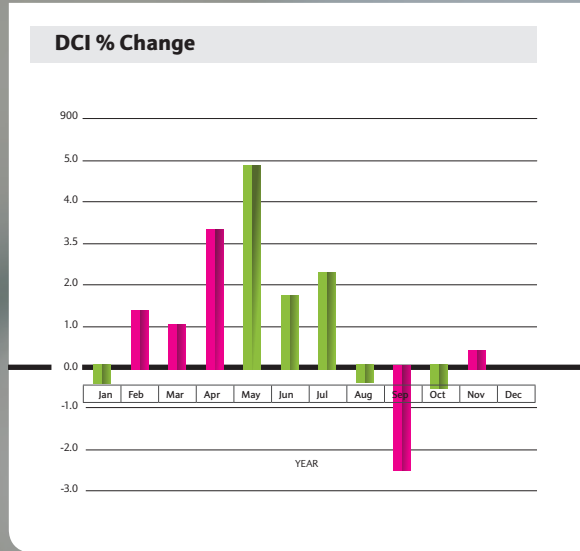


Total Market Capitalisation

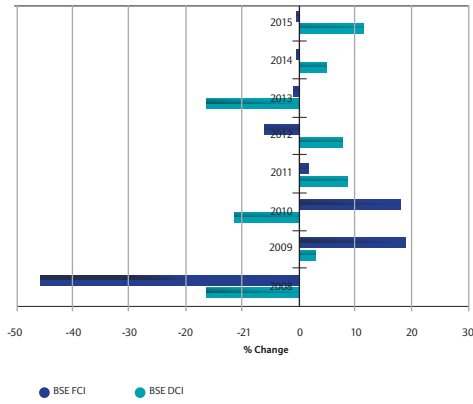




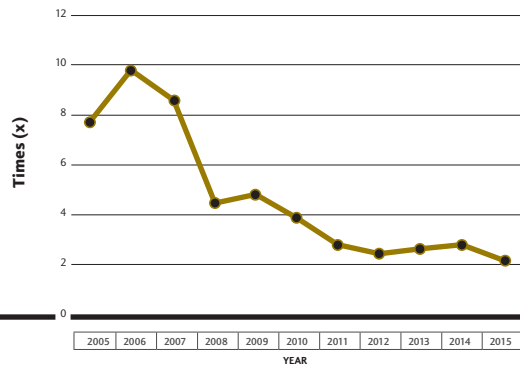
GRAPHICAL REVIEW [CONTINUED]



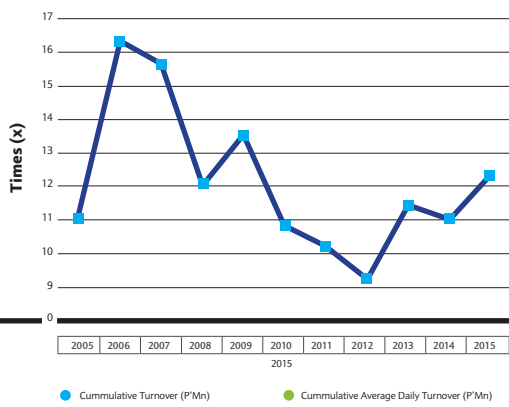
DCI & FCI Yearly % Change



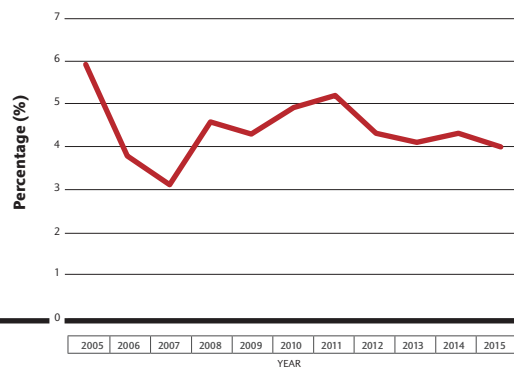
Market Price to Book Value



Price Earnings Ratio

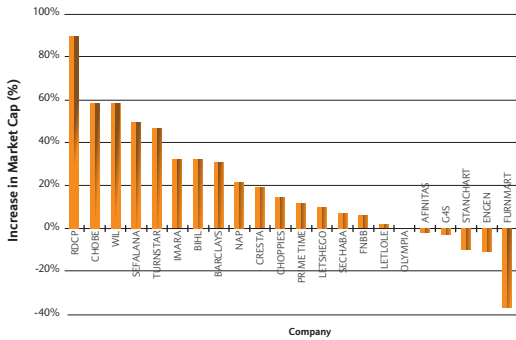


Dividend Yield

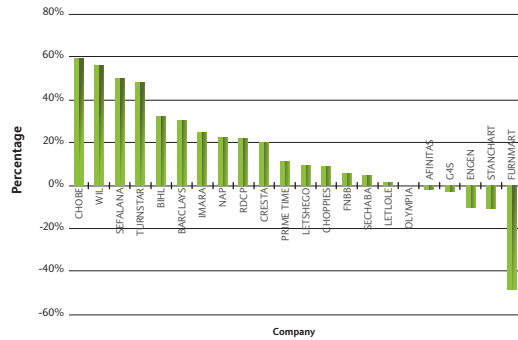


GRAPHICAL REVIEW [CONTINUED]

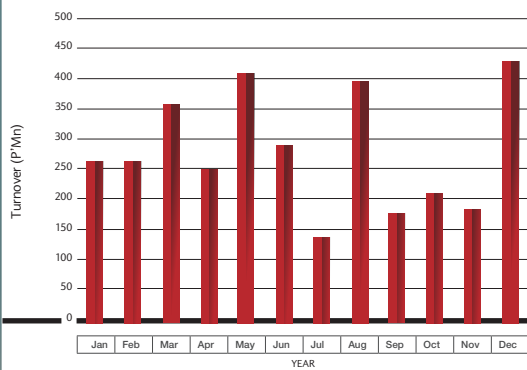
Domestic Companies: % Gains in Market Capitalisation



Domestic Companies: % Gains in Share Price



Monthly Turnover (P'Mn)



Featuring 10 finalist Senior Secondary Schools from across the country: Logea Academy (Defending Champions), St Josephs College, Rainbow High School, Matsiha College, Marwepula School, Livingstone Kolobeng College, Lobatse Senior Secondary School, Francistown Senior Secondary School, Moding College & Swaneng Hill School

Prizes

	Prize Value	Individual Breakdown
1 st Prize	P25,000.00	P2,500.00 Share Portfolio
2 nd Prize	P 9,000.00	P1,500.00 Share Portfolio
3 rd Prize	P 4,000.00	P1,000.00 Share Portfolio

For more information contact:

The Competition Committee - Botswana Stock Exchange
Plot 64511, Fairgrounds Tel: 3674400 Fax: 3180175



BOTSWANA STOCK EXCHANGE



Lobatse Senior Secondary School, winners of the 2015 Senior Secondary Schools Finance & Investment Competition, with BSE CEO, Mr Thapelo Tsheole



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MARKET STATISTICS

Market Statistics

Table 1: Number of Companies Listed

Date	2009	2010	2011	2012	2013	2014	2015
Number of New Listings	0	2	6	3	1	1	1
Number of De-listings	0	3	1	1	3	1	4
Foreign Listings	11	9	12	13	12	12	10
Domestic Listings	20	21	23	24	23	23	22
Total	31	30	35	37	35	35	32

Table 2: Market Capitalisation of BSE Listings: 2015

New Domestic Listings (IPOs)	Number of Shares	Price Per Share (P)	Market Capitalisation (P)
Afnitas	213,946,250	1.00	213,946,250.00

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

Date	2009	2010	2011	2012	2013	2014	2015
Domestic Market Capitalisation	28,536.15	26,245.68	30,694.26	35,530.83	43,457.57	46,209.87	50,213.85
Foreign Market Capitalisation	346,001.07	408,380.29	380,909.51	376,818.18	373,132.84	371,946.84	370,885.33
Total Market Capitalisation	374,537.22	434,625.97	411,603.77	412,349.01	416,590.41	418,156.71	421,099.19

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

Market Capitalisation	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15
Domestic Market Capitalisation	42,989.66	44,419.62	45,929.47	46,209.87	45,279.00	50,461.58	50,362.63	50,213.85
Foreign Market Capitalisation	372,823.25	373,800.19	372,152.92	371,946.84	370,418.23	370,671.79	368,674.55	370,885.33
Total Market Capitalisation	415,812.91	418,219.81	418,082.71	418,156.71	415,697.23	421,133.37	419,037.18	421,099.18



MARKET STATISTICS [CONTINUED]
for the year ended 31 December 2015

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

Date	2009	2010	2011	2012	2013	2014	2015
Banking	16,858.3	12,953.8	16,116.8	16,674.8	19,815.1	17,815.3	17,005.4
Financial Services & Insurance	20,466.1	21,353.5	21,574.8	24,560.7	25,958.9	27,087.9	29,222.2
Retailing & Wholesaling	3,134.7	2,617.5	3,098.3	6,099.8	8,884.8	11,859.5	13,322.2
Property & Property Trust	944.7	1,083.7	2,788.2	3,180.4	3,603.8	4,022.4	5,321.7
Mining & Materials	331,978.3	393,608.9	365,238.4	359,135.9	355,342.4	354,005.3	352,642.5
Security Services	188.8	263.0	480.0	465.6	246.4	229.2	289.6
Information Technology	7.9	7.6	7.9	11.0	0.0	0.0	0.0
Funeral Services	187.2	224.4	175.2	157.1	297.4	285.3	0.0
Energy	586.2	1,022.2	881.7	983.9	1,296.9	1,517.4	1,357.6
Tourism	185.1	1,491.5	1,242.6	1,079.9	1,144.8	1,264.5	1,938.1

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

Market Capitalisation	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15
Banking	17,711.80	18,228.40	17,922.70	17,815.30	16,757.88	17,477.13	17,347.57	17,005.39
Financial Services & Insurance	8,190.80	8,146.10	8,992.00	9,146.40	26,681.44	29,271.11	29,536.75	29,222.16
Retailing & Wholesaling	10,359.60	11,071.40	11,748.70	11,859.50	12,236.54	13,733.96	13,001.95	13,322.15
Property & Property Trust	3,702.00	3,757.20	3,910.50	4,022.40	4,141.57	4,535.84	4,854.81	5,321.68
Mining & Materials	355,032.80	355,858.70	354,211.40	354,005.30	352,476.73	352,428.93	350,431.69	352,642.46
Security Services	225.60	199.20	297.60	299.20	268.80	280.00	288.00	289.60
Information Technology	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Funeral Services	288.90	286.50	284.10	285.30	296.14	302.19	327.57	0.00
Energy	1,435.90	1,595.60	1,610.00	1,517.40	1,515.76	1,352.85	1,364.03	1,357.64
Tourism	1,075.10	1,075.30	1,167.20	1,264.50	1,322.37	1,751.37	1,884.81	1,938.10

Table 7: Trading Statistics as at Year ended December

Statistic	2011	2012	2013	2014	2015
Volume Traded (Mn)	458.70	409.91	710.50	591.60	803.10
Value Traded (P'Mn)	1,007.90	894.70	2,315.40	2,177.40	3,032.40
No. of Deals	5,022	6,488	12,029	11,139	12,730
Liquidity Ratio	3.5	2.7	5.9	4.9	6.3

Table 8: BSE Indices as at Year ended December

Statistic	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15
Volume Traded (Mn)	177.0	126.4	126.3	162.0	154.7	241.0	151.2	256.2
Value Traded (P'Mn)	650.6	394.7	552.1	580.1	557.8	944.8	707.0	822.8
No. of Deals	2,635	3,015	2,683	2,806	2,384	3,767	3,310	3,269

Table 9: BSE Indices as at Year ended December

Index	2008	2009	2010	2011	2012	2013	2014	2015
DCI	7,035.5	7,241.9	6,412.9	6,970.9	7,510.2	9,053.4	9,501.6	10,602.3
FCI	1,192.0	1,418.3	1,673.9	1,703.9	1,599.5	1,583.5	1,577.6	1,572.4
LASI	558.7	670.5	776.2	795.3	752.7	760.8	781.0	797.3
DFSI	835.7	911.9	771.9	862.5	911.8	1,067.1	1,090.4	1,212.4
FRSI	536.5	654.5	776.3	790.1	731.9	720.3	729.2	726.3
DCFFI			2,014.6	1,904.7	2,143.7	2,643.7	2,926.2	3,376.7
DFSFFI			3,034.1	2,825.0	3,199.1	3,901.3	4,092.4	4,363.0
LASFFI			1,760.5	1,677.5	1,892.1	2,315.3	2,575.3	2,979.5



MARKET STATISTICS [CONTINUED]

for the year ended 31 December 2015

Table 10: BSE Indices as at Quarter ended

Index	2008	2009	2010	2011	2012	2013	2014	2015
DCI	7,035.5	7,241.9	6,412.9	6,970.9	7,510.2	9,053.4	9,501.6	10,602.3
FCI	1,192.0	1,418.3	1,673.9	1,703.9	1,599.5	1,583.5	1,577.6	1,572.4
LASI	558.7	670.5	776.2	795.3	752.7	760.8	781.0	797.3
DFSI	835.7	911.9	771.9	862.5	911.8	1,067.1	1,090.4	1,212.4
FRSI	536.5	654.5	776.3	790.1	731.9	720.3	729.2	726.3
DCFFI			2,014.6	1,904.7	2,143.7	2,643.7	2,926.2	3,376.7
DFSFFI			3,034.1	2,825.0	3,199.1	3,901.3	4,092.4	4,363.0
LASFFI			1,760.5	1,677.5	1,892.1	2,315.3	2,575.3	2,979.5

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

2014		2015	
Company	Volume	Company	Volume
Letshego	265.0	Letshego	276.5
Choppies	72.0	Choppies	123.8
FNBB	59.2	FNBB	80.7
Turnstar	53.2	RDCP	80.5
Letlole	26.9	Turnstar	51.8
BIHL	19.5	Sefalana	30.6
Sefalana	13.6	Imara	17.9
StanChart	12.1	Letlole	16.5
Sechaba	10.9	Wilderness	11.6
RDCP	1.9	Barclays	10.9

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

2014		2015	
Company	Value	Company	Value
Letshego	631.7	Letshego	796.8
Choppies	297.1	Choppies	585.8
Sechaba	261.3	Sefalana	361.2
BIHL	217.7	FNBB	306.0
FNBB	217.0	Sechaba	210.4
StanChart	145.3	Turnstar	134.0
Sefalana	104.6	BIHL	129.0
Turnstar	104.6	StanChart	92.9
Letlole	51.5	Wilderness	52.5
Chobe	23.0	Imara	47.2

Table 13: Top Ten Foreign Companies by Volume Traded (Mn)

2014		2015	
Company	Volume	Company	Volume
Shumba	11.959	Shumba	21.930
Magnum	1.167	Lucara	4.290
Lucara	0.645	Magnum	3.510
Discovery Metals	0.552	African Copper	1.000
Botswana Diamonds	0.457	Discovery Metals	0.520
African Copper	0.039	Botswana Diamonds	0.400
A-Cap	0.005	A-Cap	0.030
Anglo	0.0001	African Energy	0.010

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

2014		2015	
Company	Value	Company	Value
Shumba	13.154	Lucara	65.170
Lucara	8.661	Shumba	29.840
Botswana Diamonds	0.189	Magnum	0.230
Discovery Metals	0.174	Botswana Diamonds	0.090
Magnum	0.068	Discovery Metals	0.090
Anglo	0.022	African Copper	0.020
African Copper	0.005	African Energy	0.010
A-Cap	0.003	A-Cap	0.010

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

2014		2015	
Company	Volume	Company	Volume
FNBB	9,280.6	FNBB	9,793.3
Letshego	5,789.4	Letshego	6,336.2
Choppies	4,767.3	Choppies	5,437.8
Stanchart	3,750.3	BIHL	4,272.3
Sechaba	3,737.7	Sechaba	3,990.5
BIHL	3,235.1	Barclays	3,834.7
Barclays	2,940.0	StanChart	3,377.3
Sefalana	2,057.1	Sefalana	3,075.6
ABCH	1,844.4	Turnstar	1,745.1
Engen	1,517.4	NAP	1,589.6

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

2014		2015	
Company	Volume	Company	Volume
Anglo	344,269.4	Anglo	344,269.4
Investec	15,336.1	Investec	15,637.5
Lucara	6,961.4	Lucara	6,579.3
Blue	2,605.4	Blue	2,650.4
African Energy	1,641.8	African Energy	824.6
Galane Gold	355.6	Galane Gold	355.6
Shumba	216.7	A-Cap	290.0
African Copper	178.2	Shumba	267.6
A-Cap	168.8	Magnum	34.0
Discovery Metals	96.9	Botswana Diamonds	22.0

Table 17: Bond Market Statistics: 2015

Bond Code	Maturity Date	Nominal Amount (P)	Coupon Rate %	Trade (P)
BW003*	31/10/2015	-	-	676,173,633
BW005	12/09/2025	1,338,000,000	10.00	49,968,626
BW007	10/03/2025	1,410,000,000	8.00	30,333,881
BW008	08/09/2020	1,083,000,000	7.75	27,972,846
BW010	14/03/2017	718,000,000	7.75	59,006,829
BW011	10/09/2031	1,370,000,000	7.75	14,516,917
BW012	13/06/2040	437,000,000	6.00	-
DPCF004	02/06/2016	220,000,000	10.45	-
DPCF005	02/06/2019	100,000,000	10.60	-
DPCF006	02/06/2022	55,000,000	10.75	-
DPCF007	02/06/2025	35,000,000	10.90	-
BBB016	31/10/2019	156,000,000	floating	-
BBS002	15/12/2016	140,000,000	12.00	-
BBS004	26/11/2019	75,000,000	11.10	-
BBS005	03/12/2023	150,000,000	11.20	-
BBS006	04/08/2018	110,000,000	floating	-
BHC017	10/12/2017	286,000,000	floating	-
BHC020	10/12/2020	103,000,000	10.10	-
BVI001	07/05/2018	70,000,000	11.23	-
FML025	23/10/2025	150,000,000	8.20	-
FNBB005	11/11/2020	125,590,000	floating	-
FNBB006	11/11/2022	112,120,000	floating	-
LHL05	08/11/2017	50,000,000	8.25	-

**MARKET STATISTICS [CONTINUED]**
for the year ended 31 December 2015

Table 17: Bond Market Statistics: 2015 (continued)

Bond Code	Maturity Date	Nominal Amount (P)	Coupon Rate %	Trade (P)
LHL06	08/11/2023	200,000,000	10.50	-
LHL07	08/11/2025	75,000,000	10.50	-
LHL08	08/11/2027	25,000,000	11.00	-
NDB001	01/08/2017	165,000,000	11.25	-
SBBL003	01/06/2017	100,000,000	10.50	-
SBBL056	13/06/2021	50,000,000	floating	-
SBBL062	15/10/2017	66,600,000	floating	-
SBBL063	15/10/2019	98,600,000	floating	-
SBBL064	18/06/2020	128,400,000	floating	-
SBBL065	18/06/2020	153,100,000	floating	-
SCBB003	20/12/2020	50,000,000	10.50	-
SCBB006	12/05/2021	70,000,000	floating	-
SCBB007	27/06/2022	50,000,000	floating	-
SCBB008	27/06/2022	127,260,000	8.20	-
WUC001	26/06/2018	195,000,000	10.65	-
WUC002	26/06/2026	205,000,000	10.60	-
TOTAL		10,052,670,000		857,972,731

* BW003 matured before end of 2015

Table 18: Bond Market Capitalization by Sector: 2015

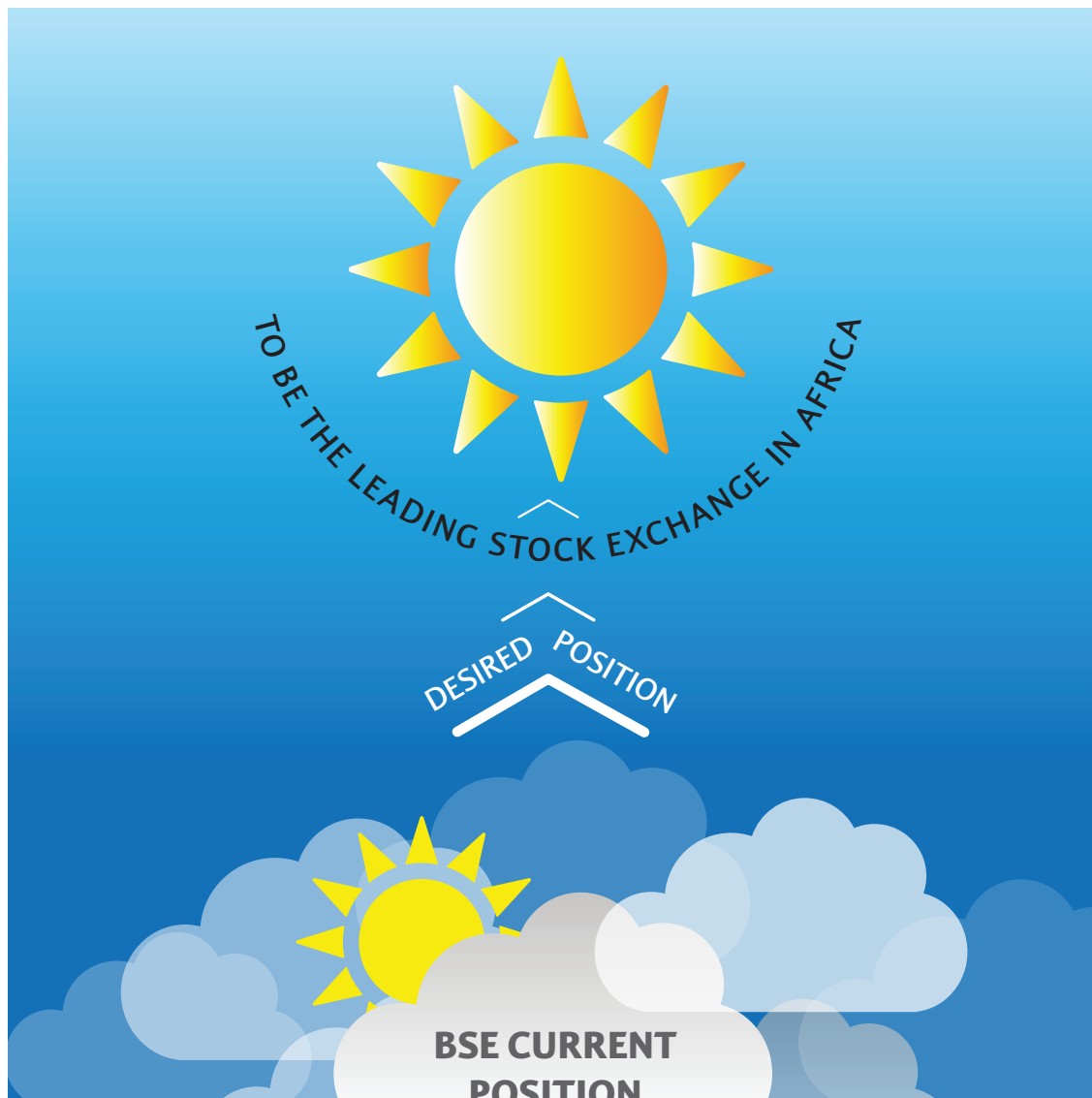
Bonds	Maturity Date	Issue Size (P)
Government		
BW005	12/09/2025	1,338,000,000
BW007	10/03/2025	1,410,000,000
BW008	08/09/2020	1,083,000,000
BW010	14/03/2017	718,000,000
BW011	10/09/2031	1,370,000,000
BW012	13/06/2040	437,000,000
		6,356,000,000
Quasi		
DPCF004	02/06/2016	220,000,000
DPCF005	02/06/2019	100,000,000
DPCF006	02/06/2022	55,000,000
DPCF007	02/06/2025	35,000,000
		410,000,000
Parastatals		
BBS002	15/12/2016	140,000,000
BBS004	26/11/2019	75,000,000
BBS005	03/12/2023	150,000,000
BBS006	04/08/2018	110,000,000
BHC017	10/12/2017	286,000,000
BHC020	10/12/2020	103,000,000
BV1001	07/05/2018	70,000,000
NDB001	01/08/2017	165,000,000
WUC001	26/06/2018	195,000,000
WUC002	26/06/2026	205,000,000
		1,499,000,000
Corporate		
BBB016	31/10/2019	156,000,000
FML025	23/10/2025	150,000,000
FNBB005	11/11/2020	125,590,000
FNBB006	11/11/2022	112,120,000
LHL05	08/11/2017	50,000,000
LHL06	08/11/2023	200,000,000
LHL07	08/11/2025	75,000,000
LHL08	08/11/2027	25,000,000
SBBL003	01/06/2017	100,000,000
SBBL056	13/06/2021	50,000,000
SBBL062	15/10/2017	66,600,000
SBBL063	15/10/2019	98,600,000
SBBL064	18/06/2020	128,400,000
SBBL065	18/06/2020	153,100,000
SCBB003	20/12/2020	50,000,000
SCBB006	12/05/2021	70,000,000
SCBB007	27/06/2022	50,000,000
SCBB008	27/06/2022	127,260,000
		1,787,670,000
TOTAL		10,052,670,000



ANNUAL REPORT 2015

BSE STRATEGY

BSE STRATEGIC VISION



BSE MISSION

To provide and operate a fair, transparent and efficient stock market for all stakeholders in order to optimise national economic empowerment.





BSE STRATEGIC PILLARS

1. PROGRESS ON THE BSE STRATEGY

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

1.1 INFRASTRUCTURE DEVELOPMENT

- CSD implemented in May 2008, followed by subsequent shares dematerialisation
- Dematerialisation of shares continuing satisfactorily in the CSD System
- Electronic CSD account statements launched in 2010
- Dematerialisation of bonds into the CSD System commenced in 2011
- Compulsory dematerialisation of listed securities commenced in 2015
- Number of Accounts opened in CSD stood at 28,222 accounts in 2015
- Automated Trading System (ATS) was implemented in August 2012
- ATS was successfully upgraded in June 2013
- Systems have been implemented to disseminate online information to data vendors
- Upgrade of IT infrastructure completed in 2014
- Implementation of a data mining system completed in 2015



BSE STRATEGY [CONTINUED]

1.2 REGULATION

- Code on corporate governance for listed companies implemented in 2008
- CSD rules drafted by BSE and implemented in 2008
- Settlement cycle of transactions in the BSE reduced from T+5 to T+4, and T+3 effective 2012
- Strategies implemented to improve compliance by listed companies
- ATS Trading Rules for Debt and Equity instruments implemented in 2012
- Trading in the ATS extended by one hour effective 4 November in 2013
- Digitization of listing files in progress
- New Equity Listing Rules approved in 2015
- Market-Making Rules submitted to NBFIRA in 2015
- X- News launched in 2014
- OTC Serala Board approved in 2014
- BSE Transition Act commenced in 2015, paving the way for demutualization
- Securities Act approved in 2014, awaiting Commencement Order

1.3 MARKET DEVELOPMENT

- Improvements made to BSE publications
- Selected BSE publications translated into Setswana
- Series of road shows held nationwide to educate general public about the BSE
- BSE also participated at exhibitions and fairs around the country
- Continued awareness creation campaigns conducted targeting retail investors
- Commenced awareness creation on the listing process targeted at companies with the potential to list
- Promoted publicity of the BSE operations by inviting the public to view live BSE trading sessions
- Held Conferences and workshops to market the BSE brand, product development and strategy. These conferences are; Creating Wealth for Batswana in 2007, Exchange Traded Funds in 2008, Securitisation and the Bond Market in 2008, Credit Rating Workshop in 2008.
- Strategic alliances with key institutions fostered
- Partnered with Botswana Television to sponsor the business segment of the “Daily Breakfast Show”
- Partnered with the media by contributing articles and

taking part in radio and television talk shows

- BSE conducting market performance presentations on RB1 programmes of “Tsele le Tsele” and “Sefalana Sa Papadi” and the RB2 programme of “Business Twilight” every year
- BSE conducting market performance presentations on BTV programme of “First Issues”
- BSE published a cartoon strip booklet titled “Sheleng”
- ETFs snippets on Yarona FM aired to advertise ETFs
- Inaugural BSE Senior Secondary Schools Finance and Investment Quiz in 2013
- Increased visibility of the BSE by putting up 7 billboards in various places in Botswana in 2013
- Re-vamping of the BSE website to start in 2014
- Corporate Social Investment initiative successfully undertaken with adoption of two primary schools in 2013; Sebele Primary School and Xakao Primary School
- The BSE’s 2013 Annual Report won the prize for the best report in the Not-for-Profit category at the Price Waterhouse Coopers Annual Report Awards
- Third Annual Senior Secondary Schools’ BSE Finance and Investment Quiz successfully hosted

1.4 PRODUCT DEVELOPMENT

- Series of indices constructed using “total return” methodology
- Series of indices based on “free float” constructed
- Library to assist research established
- Strategic Alliances formed with Absa Capital SA & Nedbank Capital to implement ETFs in the BSE
- Dual listed the NewGold Exchange Traded Fund in July 2010 in partnership with Absa Capital
- Nedbank Capital made several presentations to fund managers, brokers and other interested parties to raise aware on the BettaBeta ETF in 2011
- Dual listed the Bettabeta Equally Weighted Top 40 ETF in May 2011 in conjunction with Nedbank Capital
- Held several meetings with strategic partners to appraise them of the BSE’s plans to introduce Contract for Difference (CFDs)
- Partnered with Geometric Progression CC of South Africa to conduct financial market courses since 2010
- Bond Market Association established in 2010, with representation from several market participants

- Consolidated the Bond Market Development Strategy Paper in 2011
- Bond Market Association officially registered with the Registrar of Societies to become a full-fledged Association
- Concept papers on CFDs approved by BSE Board
- Compiled a research paper aiming at providing findings and recommendations for promoting the trading, clearing and settlement of government bonds through the BSE to enhance liquidity, price discovery and the development of a market determined yield curve.
- Amended Debt Listing and Trading Rules in 2012
- BSE currently revising Debt Listing Requirements
- Three bond indices launched in 2013 in conjunction with Nedbank Capital
- 3 Bond Indices launched in 2013
- Held a workshop on Global Depository Receipts (GDRs) and another one on ETFs in 2013
- BSE drafted listing rules for GDRs
- Brochures for ETFs and debt instruments completed
- Contract negotiation with international data vendors for dissemination of trading data secured, negotiations with other on-going
- NewPlat ETF, that tracks price of Platinum, listed in August
- Three financial markets courses conducted: Introduction to Financial Markets, Introduction to Money Markets, Money Markets and Bond Valuation and Bonds & Yield Curves and Swap Spreads
- NewFunds ILBI ETF listed in November

1.5 ORGANISATION STRUCTURE AND HUMAN RESOURCE DEVELOPMENT

- Performance appraisal system for staff implemented
- BSE continued to train staff through workshops, conferences and courses on operations of the stock exchange
- The BSE continues to offer internship to graduates under the government's internship programme
- A project about evaluating the BSE's organisation structure, job profiles, HR policies and procedures, Code of Conduct as well as succession and retention plans completed in 2012

- Internal audit function implemented
- Internal Audit function is being reviewed with the intention to internalise it in future
- Team building exercises being done annually
- Staff welfare and wellness activities hosted

1.6 GOVERNANCE STRUCTURE

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

1.7 FINANCIAL RESOURCES

- BSE Board Charter adopted
- Differentiation between "independent" and "non-independent" committee members made in the constitution of sub-committees
- BSE fees on transactions rationalised to reduce dependence on government subvention as well as rationalisation of expenditure by benchmarking against other exchanges
- BSE Strategic plan review in progress aimed at Commercialisation of the Exchange
- Breakeven levels of turnover and level of dependence on government computed
- Implementation of activity based management systems is in progress



ANNUAL REPORT 2015

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

1. Main Committee

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

The functions of the main Committee are to set the strategic direction of the BSE and to ensure that the BSE is being managed in line with policies set by the committee.

The BSE Board for the year was constituted by the following members:

MEMBER	POSITION	DATE AND PERIOD OF APPOINTMENT
Elected Members		
Patrick O'Flaherty*	Member	First elected in 2010
Martin Makgatlhe	Member	First elected in 1998
Kabelo Mohohlo**	Member	Elected in May 2011
Gregory Matsake	Vice-Chairperson	Elected in May 2012
Goitseone Kgaodi	Treasurer	Elected in May 2012
Oosi Lemo*	Member	Elected in May 2014
Appointed Members		
Nelson Letshwene	Member	Appointed in May 2014
Elaina Gonsalves***	Member	First appointed in October 2011
Regina Vaka****	Chairperson	First appointed in June 2013
Prof. John Kiggundu	Member	First appointed in June 2013
Gen. Tebogo C. Masire*****	Member	Appointed in May 2015
Itumeleng Magama*****	Member	Appointed in September 2015

*Term ended on 29 May 2015

** Re-elected on 29 May 2015 but assumed office on 11 August 2015

*** Term ended on 31 August 2015

****First appointed Chairperson on 25 July 2014 and subsequently on 27 November 2015

***** Appointed on 29 May 2015 but assumed office on 11 August 2015

***** Appointed to Committee with effect from 1 September 2015 but assumed office on 15 December 2015



CORPORATE GOVERNANCE [CONTINUED]

2. BOARD SUB-COMMITTEES ^{Note 1}

2. Listings and Trading Sub-Committee

The Listings and Trading sub-committee sets policy and formulates rules with regard to listings and trading matters. It approves listing applications that require special dispensation from the listing rules referred to them by the Executive Committee.

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

MEMBER	ATTENDANCE
Regina Vaka* (Chairperson)	0/0
Gen. Tebogo C. Masire**	0/0
Prof. John Kiggundu	0/0
Martin Makgatlhe	0/0
Oosi Lemo*	Elected in May 2014

*Appointed Chairperson with effect from 25 July 2014 and subsequently on 27 November 2015

** Term ended on 31 August 2015

*** Appointed to Committee with effect from 1 September 2015 but assumed office on 15 December 2015

2.3 Investigations and Disciplinary Sub-Committee

The Investigations and Disciplinary sub-committee hears complaints made against any broker or broking firm (trading participant) referred to it by the BSE or any member of the public and determines its findings following a hearing; including, if applicable, pronouncement of sanctions.

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

MEMBER	ATTENDANCE
Prof. John Kiggundu (Chairperson)	0/0
Elaina Gonsalves*	0/0
Nelson Letshwene	0/0
Itumeleng Magama**	0/0

* Term ended 31 August 2015

** Appointed to Committee with effect from 1 September 2015 but assumed office on 15 December 2015

2.4 Governance and Remuneration Sub-Committee

Governance and Remuneration sub-committee is responsible for all matters relating to corporate governance and practices of the BSE, nominations of members to be appointed to the BSE Committee and sub-committees as well as terms and conditions of employment for management of the BSE.

Note 1: 0/0 means there were no scheduled meetings or the members were elected after the scheduled meetings

The members of Governance and Remuneration sub-committee are:

MEMBER	ATTENDANCE
Elaina Gonsalves *	2/2
Nelson Letshwene (Chairperson)	4/4
Prof. John Kiggundu	4/4
Itumeleng Magama**	0/0
Itumeleng Magama**	0/0

* Term ended 31 August 2015

** Appointed to Committee with effect from 1 September 2015 but assumed office on 15 December 2015

2.5 Botswana Stock Exchange Security Fund Sub-Committee

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

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

MEMBER	ATTENDANCE
Prof. John Kiggundu (Chairperson)	0/0
Kabelo Mohohlo***	0/0
Regina Vaka	0/1
Oosi Lemo*	1/1
Elaina Gonsalves**	1/1

*Term ended on 29 May 2015

** Term ended 31 August 2015

*** Re-elected on 29 May 2015 but assumed office on 11 August 2015

2.5 Botswana Stock Exchange Board Tender Committee

Botswana Stock Exchange Board Tender Committee was established to be the body responsible to approve procurement of supplies, works and services in line with the BSE Procurement Procedures.

MEMBER	ATTENDANCE
Nelson Letshwene (Chairperson)	2/2
Oosi Lemo*	0/0
Goitseone Kgaodi	2/2
Kabelo Mohohlo**	1/1
Elaina Gonsalves**	1/1

*Term ended on 29 May 2015

** Re-elected on 29 May 2015 but assumed office on 11 August 2015



CORPORATE GOVERNANCE [CONTINUED]

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

Members	Main Comm.	Listings Trading & Audit	Invest. & Discip.	Gov. & Renum	Board Tender	Security Fund	BSE AGM
R. Vaka	5/6	-	-	-	-	0/1	0/1
M. Makgatthe	5/6	-	-	-	-	-	1/1
E. Gonsalves*	3/5	1/3	2/2	2/2	-	1/1	1/1
P. O'Flaherty**	2/3	-	-	-	-	-	0/1
G. Kgaodi	6/6	4/4	-	-	2/2	-	0/1
N. Letshwene	6/6	4/4	4/4	4/4	2/2	-	1/1
C. Matsake	6/6	4/4	-	-	-	-	1/1
K. Mohohlo***	1/1	-	-	-	2/2	0/0	0/0
Prof. J. Kiggundu*	4/6	-	4/4	4/4	-	-	1/1
Oosi Lemo*	2/3	-	-	-	-	1/1	0/1
Gen. T. C. Masire***	3/3	-	-	-	-	-	0/0
I. Magama****	0/0	-	0/0	0/0	-	-	0/0

* Term ended 31 August 2015

** Term ended on 29 May 2015

*** Appointed on 29 May 2015 but assumed office on 11 August 2015

**** Appointed with effect from 1 September 2015 but assumed office on 15 December 2015

COMMITTEE FEES

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



Thapelo Tsheole
Deputy Chief Executive Officer
Botswana Stock Exchange



BSE CEO (then the Deputy CEO), Mr Thapelo Tsheole,
giving remarks at the Afinitas Limited Listing Ceremony

CORPORATE SOCIAL RESPONSIBILITY



BSE GIVES BACK: BSE sponsors the Botswana Retired Nurses Society (BORNUS) Teenage Pregnancy Prevention Project to curb teenage pregnancies in the Old Naledi community.



BSE GIVES BACK: Adopt - a - School Program: In 2015, the BSE refurbished libraries of the 2 adopted schools, Xakau and Boitumelo Primary Schools, with new computers and books.



**Botswana Stock Exchange
and its subsidiary**

ANNUAL GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015



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GENERAL INFORMATION

GENERAL INFORMATION

Principal activities

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

Committees of the Botswana Stock Exchange

Main Committee	
Ministerial appointees:	Elected Members:
Elaina Gonsalves (<i>resigned August 2015</i>)	Regina Vaka (<i>Chairperson</i>)
Professor John Kiggundu	Patrick O' Flaherty (<i>resigned May 2015</i>)
Nelson Letshwene	Gregory Matsake
Itumeleng Magama	Goitseone Kgaodi
	Gen. Tebogo Masire (<i>appointed May 2015</i>)
	Kabelo Mohohlo
	Martin Makgatlhe

Membership of Sub Committees:	
(1) Listings and trading	(2) Audit
Regina Vaka (<i>Chairperson</i>)	Goitseone Kgaodi (<i>Chairperson</i>)
Patrick O' Flaherty (<i>resigned May 2015</i>)	Elaina Gonsalves (<i>resigned August 2015</i>)
Martin Makgatlhe	Gregory Matsake
Professor John Kiggundu	Itumeleng Magama
Gen. Tebogo Masire (<i>appointed May 2015</i>)	Nelson Letshwene

(3) Investigations and disciplinary	(4) Governance & Remuneration
Professor John Kiggundu (<i>Chairperson</i>)	Elaina Gonsalves (<i>Chairperson</i>) (<i>resigned August 2015</i>)
Elaina Gonsalves (<i>resigned August 2015</i>)	Professor John Kiggundu
Itumeleng Magama	Itumeleng Magama
Nelson Letshwene	Nelson Letshwene

Chief Executive Officer	Secretary to the Board of Directors
Hiran Mendis (<i>resigned December 2015</i>)	Latelang Chakalisa
Thapelo Tsheole (<i>appointed January 2016</i>)	

Regulator	Postal address
Non-Bank Financial Institution Regulatory Authority (NBFIRA)	Private Bag 00417
3rd Floor Exponential Building	Gaborone
Plot 54351, New CBD	
Private Bag 00314	
Gaborone	

Independent auditors	Bankers
KPMG	Barclays Bank of Botswana Limited
	Standard Chartered Bank of Botswana Limited

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

STATEMENT OF THE MAIN COMMITTEE'S RESPONSIBILITIES

for the year ended 31 December 2015

The Main Committee of Botswana Stock Exchange (the "Exchange") is responsible for the preparation and fair presentation of the annual group financial statements, comprising of the Exchange and group statements of financial position at 31 December 2015 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information, in accordance with International Financial Reporting Standards.

The Exchange maintains systems of internal control, which are designed to provide reasonable assurance that the records accurately reflect its transactions and to provide protection against serious misuse or loss of company assets. The Main Committee is also responsible for the design, implementation and maintenance and monitoring of these systems of internal financial control. Nothing has come to the attention of the Main Committee to indicate that any significant breakdown in the functioning of these systems has occurred during the year under review.

The Main Committee has performed an assessment of the group's ability to continue as a going concern based on the group's budgets and available cash resources and have no reason to believe that the group will not be a going concern in the foreseeable future.

The external auditor is responsible for reporting on whether the annual group financial statements are fairly presented in accordance with International Financial Reporting Standards. The external auditors have unrestricted access to the Main Committee.

The financial statements set out on pages 97 to 124 and the supplementary information on page 125 to 126 were authorised for issue by the Main Committee on and are signed on its behalf by:



MEMBER



MEMBER



INDEPENDENT AUDITOR'S REPORT

to the Members of the Main Committee of the Botswana Stock Exchange

We have audited the group and separate financial statements of Botswana Stock Exchange (the "Exchange"), which comprise the statements of financial position at 31 December 2015 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 97 to 124.

Main Committee's responsibility for the financial statements

The Main Committee is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the committee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present a true and fair view of the group and separate financial position of Botswana Stock Exchange at 31 December 2015 and its group and separate financial performance and group and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Certified Auditors
Practicing member: AG Devlin (1996006023)

Gaborone
25 April 2016

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2015

	Notes	GROUP		EXCHANGE	
		2015 P	2014 P	2015 P	2014 P
Revenue	1	34 074 779	24 274 793	23 599 879	19 335 858
Government subvention	15 (c)	4 906 285	13 000 000	2 342 689	5 700 000
Other income		462 617	435 216	462 617	435 216
Income		39 443 681	37 710 009	26 405 185	25 471 074
Administrative expenses	2	(26 287 556)	(22 346 676)	(20 663 428)	(16 823 841)
Operating profit		13 156 125	15 363 333	5 741 757	8 647 233
Finance income	4	3 133 768	2 193 211	2 367 259	1 875 614
Profit before income tax		16 289 893	17 556 544	8 109 016	10 522 847
Income tax expense	5	-	-	-	-
Profit for the year		16 289 893	17 556 544	8 109 016	10 522 847
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		16 289 893	17 556 544	8 109 016	10 522 847



STATEMENTS OF FINANCIAL POSITION

as at 31 December 2015

	Notes	GROUP		EXCHANGE	
		2015 P	2014 P	2015 P	2014 P
ASSETS					
Non-current assets					
Plant and equipment	7	2 068 396	2 438 326	1 246 005	1 305 079
Investment in subsidiary	6	-	-	100	100
		2 068 396	2 438 326	1 246 105	1 305 179
Current assets					
Trade and other receivables	8	4 808 712	4 560 142	4 426 518	2 942 204
Money market investments	9	62 898 134	45 827 774	44 424 567	35 476 882
Cash and bank balances	9	6 637 782	2 661 592	2 763 715	1 542 073
		74 344 628	53 049 508	51 614 800	39 961 159
Total assets		76 413 024	55 487 834	52 860 905	41 266 338
EQUITY					
Capital and reserves					
Proprietary rights capital	10	5 200	5 200	5 200	5 200
Rights premium		777 476	777 476	777 476	777 476
Unutilised capital grant		5 000 000	-	5 000 000	-
Retained earnings		64 119 697	50 712 968	41 842 669	36 616 817
		69 902 373	51 495 644	47 625 345	37 399 493
Non-current liabilities					
Deferred lease liability	13	93 721	187 131	93 721	187 131
Current liabilities					
Trade and other payables	11	3 533 766	1 393 635	2 258 675	1 268 290
Amounts due to the Botswana Stock Exchange Security Fund	12	2 883 164	2 411 424	2 883 164	2 411 424
		6 416 930	3 805 059	5 141 839	3 679 714
Total equity and liabilities		76 413 024	55 487 834	52 860 905	41 266 338

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2015

	Proprietary rights capital P	Rights premium P	Unutilised capital grants P	Retained income P	Total P
GROUP					
Year ended 31 December 2014					
Balance at 1 January 2014	5 200	777 476	-	35 567 848	36 350 524
Profit for the year	-	-	-	17 556 544	17 556 544
Transfer to the Botswana Stock Exchange Security Fund (note 12)	-	-	-	(2 411 424)	(2 411 424)
Balance at 31 December 2014	5 200	777 476	-	50 712 968	51 495 644
Year ended 31 December 2015					
Balance at 1 January 2015	5 200	777 476	-	50 712 968	51 495 644
Profit for the year	-	-	-	16 289 893	16 289 893
Capital grant received	-	-	5 000 000	-	5 000 000
Transfer to the Botswana Stock Exchange Security Fund (note 12)	-	-	-	(2 883 164)	(2 883 164)
Balance at 31 December 2015	5 200	777 476	5 000 000	64 119 697	69 902 373
EXCHANGE					
Year ended 31 December 2014					
Balance at 1 January 2014	5 200	777 476	-	28 505 394	29 288 070
Profit for the year	-	-	-	10 522 847	10 522 847
Transfer to the Botswana Stock Exchange Security Fund (note 12)	-	-	-	(2 411 424)	(2 411 424)
Balance at 31 December 2014	5 200	777 476	-	36 616 817	37 399 493
Year ended 31 December 2015					
Balance at 1 January 2015	5 200	777 476	-	36 616 817	37 399 493
Profit for the year	-	-	-	8 109 016	8 109 016
Capital grant received	-	-	5 000 000	-	5 000 000
Transfer to the Botswana Stock Exchange Security Fund (note 12)	-	-	-	(2 883 164)	(2 883 164)
Balance at 31 December 2015	5 200	777 476	5 000 000	41 842 669	47 625 345

In terms of the Botswana Stock Exchange Act, 1994, section 72(3), the Exchange is required to transfer annually, the greater of P 5 000 or half of its annual profit to the Botswana Stock Exchange Security Fund (note 12).

The Exchange received grants from the Government of Botswana towards the acquisition of internet trading facilities. These grants do not carry any terms of repayment and ownership vests with the Exchange until such time as decided by the Government. The capital grant was not yet utilised as at the reporting date. The utilised capital grants will be amortised to the profit or loss on a straight-line basis over the expected useful life of the related asset.



STATEMENTS OF CASH FLOWS

for the year ended 31 December 2015

	Notes	GROUP		EXCHANGE	
		2015 P	2014 P	2015 P	2014 P
ASSETS					
Cash flows from operating activities					
Cash generated from operations	14	16 138 532	14 051 592	5 694 617	7 544 000
Taxation refund		-	276 603	-	-
Cash generated from operating activities		16 138 532	14 328 195	5 694 617	7 544 000
Cash flows from investing activities					
Purchase of property, plant and equipment	7	(814 326)	(383 893)	(481 125)	(383 893)
Sale of property, plant and equipment		-	17 000	-	17 000
Interest received	4	3 133 768	2 193 211	2 367 259	1 875 614
Net cash generated from investing activities		2 319 442	1 826 318	1 886 134	1 508 721
Cash flows from financing activities					
Capital grant received		5 000 000	-	5 000 000	-
Amounts paid to Botswana Stock Exchange Security Fund	12	(2 411 424)	(2 693 608)	(2 411 424)	(2 693 608)
Net cash generated from/(used in) financing activities		2 588 576	(2 693 608)	2 588 576	(2 693 608)
Increase in cash and cash equivalents		21 046 550	13 460 905	10 169 327	6 359 113
Cash and cash equivalents at beginning of year		48 489 366	35 028 461	37 018 955	30 659 842
Cash and cash equivalents at the end of year	9	69 535 916	48 489 366	47 188 282	37 018 955
Cash and cash equivalents comprise:					
- Cash on hand and cash at bank		6 637 782	2 661 592	2 763 715	1 542 073
- Money market investments		62 898 134	45 827 774	44 424 567	35 476 882
		69 535 916	48 489 366	47 188 282	37 018 955

ACCOUNTING POLICIES

for the year ended 31 December 2015

1. Reporting entity

Botswana Stock Exchange is involved in the regulation and promotion of listing and dealing of shares and other securities listed on the Stock Exchange. The principal accounting policies applied in the preparation of these group financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2. Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with IFRS and its interpretations adopted by the International Accounting Standards Board (“IASB”).

2.2 Basis of measurement

The financial statements are prepared on a historical costs basis.

2.3 Functional and presentation currency

The group’s financial statements are presented in and rounded to the nearest Pula, which is the group’s functional currency.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the group’s financial statement are disclosed in the “Critical accounting estimates and assumptions” section of these financial statements.

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

3. New standards and interpretations not yet effective

In the current year, the group has adopted all the new and revised Standards and Interpretations issued by the IASB and the IFRIC of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2015. The adoption of these standards has not resulted in changes to the group’s accounting policies.

At the date of authorisation of the financial statements the following relevant standards and interpretations were in issue but not yet effective at the reporting date:

IAS 1 (amended 2014) Presentation of Financial Statements - The amendments clarify the application of the materiality guidelines in the Standard; aggregation and disaggregation of items in the financial statements; and flexibility regarding the order and structure of notes to the financial statements – The amendments are effective for annual periods commencing on or after 1 January 2016 and is not expected to have material impact on the group’s financial statements.

IAS 16 and IAS 38 (amended 2014) Clarification of Acceptable Methods of Depreciation and Amortisation - The amendments to IAS 16 Property, Plant and Equipment state that revenue-based methods of depreciation cannot be used for these assets. The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods is inappropriate unless revenue and the consumption of the economic benefits of these assets are highly correlated - Effective annual periods commencing on or after 1 January 2016, which will impact the financial statements for the first time in the financial year ending 31 December 2016.



ACCOUNTING POLICIES *[continued]*

for the year ended 31 December 2015

3. New standards and interpretations not yet effective *[continued]*

IAS 16 and IAS 38 (amended 2014) Clarification of Acceptable Methods of Depreciation and Amortisation - The amendments to IAS 16 *Property, Plant and Equipment* state that revenue-based methods of depreciation cannot be used for these assets. The amendments to IAS 38 *Intangible Assets* introduce a rebuttable presumption that the use of revenue-based amortisation methods is inappropriate unless revenue and the consumption of the economic benefits of these assets are highly correlated. The amendments are effective for annual periods commencing on or after 1 January 2016 and are not expected to have any impact on the group's financial statements as the group does not have any assets which are depreciated on revenue based methods.

IFRS 9 Financial Instruments - New standard on Financial Instruments to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. The standard is effective for annual periods commencing on or after 1 January 2018. The standard will result in changes in the classification, measurement and disclosure of financial instruments in the group's 2018 financial statements.

IFRS 15 Revenue from Contracts with Customers - New standard on revenue that replaces IAS 18 *Revenue* as well as other IFRS dealing with revenue recognition. Entities will apply a five-step model to determine when to recognise revenue and the amount thereof. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer, being either over time or at a point in time. New qualitative and quantitative disclosure requirements aim to enable financial statement users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard, which becomes effective for the group's 2017 financial statements, with early adoption permitted, is not expected to have a significant impact on its current financial statements. The standard will however be considered for future contracts with customers and may have an impact on the timing and amount of revenue to be recognised by the group.

The group has evaluated the effect of all new standards, amendments and interpretations that have been issued prior to 31 December 2014, which would be effective for the group's accounting periods on or after 1 January 2015. The full implications of the requirements of IFRS 9 *Financial Instruments (effective 2018)* and IFRS 15 *Revenue from Contracts with Customers (effective 2017)* are in the process of being evaluated. Based on management's evaluation of other standards, amendments and interpretations issued but not yet effective, these are not expected to have a significant impact on the group's results.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in its separate financial statements to account for its investments in subsidiaries, associates and joint ventures. The amendments apply retrospectively for annual periods beginning on or after 1 January 2017 and early adoption is permitted. These amendments, which become effective for the group's 2017 financial statements, are not expected to have any impact on its financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities - Applying the Consolidation Exception

The amendment to IFRS 10 *Consolidated Financial Statements* clarifies which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit and loss. The amendment also modifies the condition in the general consolidation exemption that requires an entity's parent or ultimate parent to prepare consolidated financial statements. The amendment clarifies that this condition is also met where the ultimate parent or any intermediary parent of a parent entity measures subsidiaries at fair value through profit or loss in accordance with IFRS 10 and not only where the ultimate parent or intermediate parent consolidates its subsidiaries.

ACCOUNTING POLICIES [continued]

for the year ended 31 December 2015

3. New standards and interpretations not yet effective [continued]

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities -Applying the Consolidation Exception

The amendment to IFRS 10 *Consolidated Financial Statements* clarifies which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit and loss. The amendment also modifies the condition in the general consolidation exemption that requires an entity's parent or ultimate parent to prepare consolidated financial statements. The amendment clarifies that this condition is also met where the ultimate parent or any intermediary parent of a parent entity measures subsidiaries at fair value through profit or loss in accordance with IFRS 10 and not only where the ultimate parent or intermediate parent consolidates its subsidiaries.

The amendment to IFRS 12 *Disclosure of Interests in Other Entities* requires an entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss in accordance with IFRS 10 to make disclosures required by IFRS 12 relating to investment entities.

The amendment to IAS 28 *Investments in Associates and Joint Ventures* modifies the conditions where an entity need not apply the equity method to its investments in associates or joint ventures to align these to the amended IFRS 10 conditions for not presenting consolidated financial statements. The amendments introduce relief when applying the equity method which permits a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries.

These amendments, which become effective for the group's 2016 financial statements, are not expected to have a significant impact on its financial statements.

4. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Exchange and entities controlled by the Exchange (its subsidiaries) (collectively referred to as the "Group").

The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

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

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

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



ACCOUNTING POLICIES *[continued]*

for the year ended 31 December 2015

5. Plant and equipment

Items of plant and equipment are measured at historical cost less accumulated depreciation and impairments losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent expenditure relating to an item of plant and equipment is capitalised only when it is probable that future economic benefits associated with the use of the asset will flow to the group and its cost can be measured reliably. All other subsequent expenditure is recognised as an expense in profit or loss as incurred.

Depreciation is based on cost of an asset less its residual value. Depreciation on assets is calculated using the straight-line method over their estimated useful lives as follows:

Leasehold improvements	the lower of period of lease and ten years
Office equipment	4 years
Motor vehicles	4 years
Furniture and fittings	10 years

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

When the carrying amount of the assets exceeds its recoverable amount, the carrying value of the asset is adjusted to its recoverable amount through profit or loss.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are recognised in profit or loss.

6. Foreign currency translation

Transactions in currencies other than the group's functional currency (Pula) are recorded at the rate of exchange prevailing at the time of the transaction. Monetary assets and liabilities in other currencies are translated at rates of exchange ruling at the end of the financial year. Exchange gains or losses arising on translation are recognised in profit or loss except in the case of exchange gains or losses in respect of foreign financing specifically arranged for capital projects where differences are included in the costs of the assets concerned until the commissioning of such assets.

7. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within the current liabilities on the statement of financial position.

8. Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within 'administrative expenses'. When a trade receivable is uncollectible, it is written off against the administrative account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in profit or loss.

ACCOUNTING POLICIES *[continued]*

for the year ended 31 December 2015

9. Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

10. Provisions

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

11. Employee benefits

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The group pays contributions to Glenrand MIB (Botswana) (Proprietary) Limited, who administers a pension insurance plan for the group. The regular contributions are recognised in profit or loss as incurred.

Employee entitlements to annual leave and gratuity are recognised when they accrue to employees and a provision is made for the estimated liability as a result of services rendered by employees up to the statement of financial position date. Contract staff are paid terminal gratuities in accordance with their respective employment contract.

12. Taxation

The group is exempt from income taxation in accordance with paragraph XV of part 1 of the second schedule to the Income Tax Act (Chapter 52:01) therefore, no provision for current and deferred taxation have been recognised in the financial statements.

The Exchange is expected to transition into a company during the following financial year. The company will initially be exempt from income tax for a period of five years following the Exchange's demutualisation.

13. Proprietary rights

Proprietary rights capital is recognised at the fair value of the consideration received by the group.

14. Botswana Stock Exchange Security Fund

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

For the purpose of this transfer, profits exclude any donations, grant or other financial support received from the Government of Botswana.



ACCOUNTING POLICIES *[continued]*

for the year ended 31 December 2015

15. Leases

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

Leases of property, plant and equipment where the group assumes substantially all risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at values underlying estimated present value of the lease payments. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The interest is recognised in the profit and loss over the period of the lease. The asset is depreciated over its useful life.

16. Revenue recognition

Revenue comprises the invoiced value for services rendered, net of value added tax. The following specific recognition criteria is adopted for the specific revenue stream:

i. Botswana Stock Exchange fees

In terms of the Botswana Stock Exchange Members Rules, 0.12% - 0.15% of the transaction value for trades on the Stock Exchange is due to the Exchange on both the buy and sell sides. Revenue is recognised on trading date unless collectability is in doubt.

ii. Interest

Interest revenue is accrued by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

iii. Listing fees

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

iv. Annual sustaining fees

Annual sustaining fees are invoiced in advance for the year unless collection is in doubt.

v. Member fees

Annual member/dealer fees are invoiced in advance for the year unless collection is in doubt.

vi. Central Securities Depository (CSD) fees

CSD fee is charged on the transactions (for both the buyer and the seller) at 0.1% on the transaction value. Revenue is recognised on the trading date unless collectability is in doubt.

vii. Other income

Revenue is recognised on an accrual basis in accordance with the substance of the underlying transaction.

ACCOUNTING POLICIES *[continued]*

for the year ended 31 December 2015

17. Government subvention

Monetary Government subventions are recognised at their fair value where there is reasonable assurance that the company will comply with all attached conditions. Grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate.

Non-monetary subventions are recognised at nominal amounts incurred to obtain such subventions. The Botswana Stock Exchange expects the Ministry of Finance to bestow ownership of the automated trading system to Botswana Stock Exchange in the coming year. The ownership rights to the automated trading system will be assigned on condition that the value of the automated trading system be converted into government equity in the Botswana Stock Exchange upon corporatisation of the Exchange.

18. Financial instruments

Financial assets and liabilities are recognised on the group's statement of financial position when the group becomes party to the contractual provisions of instruments as follows.

Financial assets

Financial assets are classified as 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and determined at the time of initial recognition.

Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost. Provision is made, where in the opinion of the directors, an impairment in value has occurred.

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with the interest expense recognised on an effective yield basis.

Fair value hierarchy

The group measures fair values using the following fair value hierarchy which reflects the significance of the inputs in making the measurements:

Level 1: Quoted market price in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.



ACCOUNTING POLICIES [continued]

for the year ended 31 December 2015

18. Financial instruments [continued]

The group's assets and liabilities are analysed as follows:

GROUP - 2015		Financial assets and liabilities				Current/non-current	
		Total	At fair Value through profit and loss	Loans and receivables	Armotised cost	Non-Financial Instruments	Current
Assets							
Plant and equipment	2 068 396	-	-	-	2 068 396	-	2 068 396
Trade and other receivables	4 808 712	-	2 985 271	-	1 823 441	4 808 712	-
Money market investment	62 898 134	-	62 898 134	-	-	62 898 134	-
Cash in hand and at bank	6 637 782	-	6 637 782	-	-	6 637 782	-
	76 413 024	-	72 521 187	-	3 891 837	74 344 628	2 068 396
Liabilities							
Deferred lease liability	93 721	-	-	-	93 721	-	93 721
Trade and other payables	3 533 766	-	-	3 294 535	239 231	3 294 535	-
Amounts due to the Botswana Stock Exchange Security Fund	2 883 164	-	-	2 883 164	-	2 883 164	-
	6 510 651	-	-	6 177 699	332 952	6 177 699	93 721
GROUP - 2014							
Assets							
Plant and equipment	2 438 326	-	-	-	2 438 326	-	2 438 326
Trade and other receivables	4 560 142	-	4 290 663	-	269 479	4 560 142	-
Money market investment	45 827 774	-	45 827 774	-	-	45 827 774	-
Cash in hand and at bank	2 661 592	-	2 661 592	-	-	2 661 592	-
	55 487 834	-	52 780 029	-	2 707 805	53 049 508	2 438 326
Liabilities							
Deferred lease liability	187 131	-	-	-	187 131	-	187 131
Trade and other payables	1 393 635	-	-	1 265 973	127 662	1 265 973	-
Amounts due to the Botswana Stock Exchange Security Fund	2 411 424	-	-	2 411 424	-	2 411 424	-
	3 992 190	-	-	3 677 397	314 793	3 677 397	187 131

ACCOUNTING POLICIES [continued]

for the year ended 31 December 2015

18. Financial instruments [continued]

The group's assets and liabilities are analysed as follows:

EXCHANGE - 2015		Financial assets and liabilities				Current/non-current	
		Total	At fair Value through profit and loss	Loans and receivables	Armotised cost	Non-Financial Instruments	Current
Assets							
Plant and equipment	1 246 005	-	-	-	1 246 005	-	1 246 005
Investment in subsidiary	100	-	-	-	100	-	100
Trade and other receivables	4 426 518	-	2 603 077	-	1 823 441	4 426 518	-
Money market investment	44 424 567	-	44 424 567	-	-	44 424 567	-
Cash in hand and at bank	2 763 715	-	2 763 715	-	-	2 763 715	-
	52 860 905	-	49 791 359	-	3 069 546	51 614 800	1 246 105
Liabilities							
Deferred lease liability	93 721	-	-	-	93 721	-	93 721
Trade and other payables	2 258 675	-	-	2 179 431	79 244	-	-
Amounts due to the Botswana Stock Exchange Security Fund	2 883 164	-	-	2 883 164	-	2 883 164	-
	5 235 560	-	-	5 062 595	172 965	2 883 164	93 721
EXCHANGE - 2014							
Assets							
Plant and equipment	1 305 079	-	-	-	1 305 079	-	1 305 079
Investment in subsidiary	100	-	-	-	100	-	100
Trade and other receivables	2 942 204	-	1 118 763	-	1 823 441	2 942 204	-
Money market investment	35 476 882	-	35 476 882	-	-	35 476 882	-
Cash in hand and at bank	1 542 073	-	1 542 073	-	-	1 542 073	-
	41 268 388	-	38 137 718	-	3 128 620	39 961 159	1 305 179
Liabilities							
Deferred lease liability	187 131	-	-	-	187 131	-	187 131
Trade and other payables	1 268 290	-	-	1 221 640	46 650	1 221 640	-
Amounts due to the Botswana Stock Exchange Security Fund	2 411 424	-	-	2 411 424	-	2 411 424	-
	3 866 845	-	-	3 633 064	233 781	3 633 064	187 131



FINANCIAL RISK MANAGEMENT

for the year ended 31 December 2015

EXCHANGE 2015

Overview

The group has exposure to credit risk, liquidity risk, interest rate risk, foreign currency and market risk that arises in the normal course of the group's business. This note presents information about the group's exposure to each of these risks, the group's objectives, policies and processes for measuring and managing these risks, and the group's management of capital. Further quantitative disclosures are included.

The Main Committee have overall responsibility for the establishment and oversight of the group's risk management framework.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

The Main Committee oversee how management monitors compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group.

The following table indicates the carrying amounts of the financial instruments at the reporting date. The financial instruments are short term in nature and are subject to an insignificant risk of change in value therefore their carrying amounts are deemed to approximate their fair values.

	GROUP		EXCHANGE	
	2015 P	2014 P	2015 P	2014 P
Financial assets				
Cash generated from operations	436 457	963 770	343 570	906 323
Cash generated from investment activities	63 466	76 893	63 466	76 893
Cash generated from financing activities	2 485 348	3 250 000	2 196 041	1 723 447
Taxation refund	69 535 916	48 489 366	47 188 282	37 018 955
	72 521 187	52 780 029	49 791 359	39 725 618
Financial liabilities				
Trade payables	482 933	475 121	429 329	430 788
Other payables	2 811 602	790 852	1 750 102	790 852
Other payables	3 294 535	1 265 973	2 179 431	1 221 640

FINANCIAL RISK MANAGEMENT *[continued]*

for the year ended 31 December 2015

Credit risk

The group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the group is exposed to credit risk are:

- amounts due from group companies,
- amounts due from trade and other receivables, and
- investments in cash and cash equivalents.

Exposure to third parties is monitored as part of the credit control process.

The maximum exposure to credit risk is presented by the carrying amount of each financial asset in the statement of financial position.

Reputable banks and financial institutions are used for investing and cash handling purposes. All money market instruments and cash equivalents are placed with financial institutions registered in Botswana. Banks in Botswana are not rated but each of the banks concerned are regulated by Bank of Botswana.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is analysed as follows:

	GROUP		EXCHANGE	
	2015 P	2014 P	2015 P	2014 P
Trade receivables	436 457	963 770	343 570	906 323
Other receivables	63 466	76 893	63 466	76 893
Receivables from related party	2 485 348	3 250 000	2 196 041	1 723 447
Cash and cash equivalents	69 535 916	48 489 366	47 188 282	37 018 955
	72 521 187	52 780 029	49 791 359	39 725 618

Impairment of P412 456 was recognised for long outstanding fee receivables (2014: P' NIL)



FINANCIAL RISK MANAGEMENT *[continued]*

for the year ended 31 December 2015

GROUP

Counterparty	Rating	Credit limit	31-Dec-15		31-Dec-14	
			Balance	Credit limit	Balance	
			P		P	
Barclays Bank of Botswana	N/A	N/A	15 682 431	N/A	134 964	
Stanlib Investment Management Services (Pty) Ltd	N/A	N/A	8 826 937	N/A	15 259 962	
African Alliance Asset Management Botswana	N/A	N/A	8 250 132	N/A	30 567 812	
Botswana Insurance Fund Management	N/A	N/A	13 321 065	N/A	-	
First National Bank Botswana	N/A	N/A	10 000 000	N/A	-	
Standard Chartered Bank Botswana	N/A	N/A	13 455 351	N/A	1 402 606	

EXCHANGE

Counterparty	Rating	Credit limit	31-Dec-15		31-Dec-14	
			Balance	Credit limit	Balance	
			P		P	
Barclays Bank of Botswana	N/A	N/A	9 008 364	N/A	134 964	
Stanlib Investment Management Services (Pty) Ltd	N/A	N/A	5 513 642	N/A	15 259 962	
African Alliance Asset Management Botswana	N/A	N/A	5 918 171	N/A	20 216 920	
Botswana Insurance Fund Management	N/A	N/A	9 592 754	N/A	-	
First National Bank Botswana	N/A	N/A	7 200 000	N/A	-	
Standard Chartered Bank Botswana	N/A	N/A	9 955 351	N/A	1 402 606	

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties. There are no credit ratings available in Botswana. The carrying amounts of the financial instruments approximate their fair value as they are subject to an insignificant risk of change in value.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing its liquidity is to ensure, as far as possible, that it has sufficient liquid funds available to meet its liabilities when due, both under normal and adverse economic conditions, without incurring unacceptable losses or risking damage to its reputation.

The group ensures that it has sufficient cash on demand to meet its expected operational expenses for a period of 30 days, including the servicing of any financial obligations. This excludes the potential impact of extreme circumstances which cannot be reasonably predicted, for example natural disasters.

FINANCIAL RISK MANAGEMENT [continued]

for the year ended 31 December 2015

The maturity profile of the group's financial liabilities based on contractual cash flow is summarised as follows:

	GROUP		EXCHANGE	
	Contractual cash-flows	Carrying amount due within 6 months	Contractual cash-flows	Carrying amount due within 6 months
2015				
Trade receivables	3 294 535	3 294 535	2 179 431	2 179 431
2014				
Cash and cash equivalents	1 265 973	1 265 973	1 221 640	1 221 640

Interest rate risk

Financial instruments subject to variable interest rates consists of positive cash balances held with financial institutions. Interest rates applicable to these balances fluctuate with movements in the Botswana prime lending rates, and are comparable with rates currently available in the market. The group's variable interest rates instruments are analysed as follows:

	GROUP		EXCHANGE	
	2015	2014	2015	2014
Variable rate instruments				
Money market investment	62 898 134	45 827 774	44 424 567	35 476 882

The average interest rates per annum applicable to these financial instruments

	4.19%	5.17%	4.19%	5.17%
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A change of 50 basis points in interest rates during the reporting period would have increased/(decreased) the respective group's and exchange's profit before taxation as follows:

Increase of 50 basis points				
Money market investment	314 491	229 139	227 123	177 384
Decrease of 50 basis points				
Money market investment	(314 491)	(229 139)	(227 123)	(177 384)



FINANCIAL RISK MANAGEMENT [continued]

for the year ended 31 December 2015

Market risk

The Group primary revenue is fixed in terms of the Botswana Stock Exchange Act, 1994 and the listing and trading rules and is therefore not significantly susceptible to market risk.

Capital risk management

The group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to perform the mandate for which it was created and benefits for other stakeholders and to maintain an environment of transparency for listed companies, the public and its stakeholders. The group had no borrowings during the years ended 31 December 2014 and 31 December 2015. The group is supported by the Government of Botswana who provides the necessary support to sustain the operations of the group.

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

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

Useful lives and residual values for plant and equipment

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

Impairment of receivables

The group follows the guidance of IAS 39 to determine when a receivable is impaired. This determination requires significant judgement. In making this judgement, the group evaluates, among other factors, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

	GROUP		EXCHANGE	
	2015 P	2014 P	2015 P	2014 P
1 Revenue				
Listing and annual sustaining fees	15 087 735	13 324 727	15 087 735	13 324 727
Commission income	14 279 868	10 247 311	8 073 644	5 840 021
X-News Publications	422 000	155 110	422 000	155 110
Member fees	16 500	16 000	16 500	16 000
Miscellaneous fees	4 268 676	531 645	-	-
	34 074 779	24 274 793	23 599 879	19 335 858
2 Administrative expenses				
Internal audit fees	261 750	304 771	168 330	198 585
External audit fees	154 883	164 708	107 910	94 100
Employee benefit expenses (note 3)	14 645 907	12 605 828	11 846 658	9 504 339
Advertising costs	1 439 837	1 101 094	1 299 154	1 054 935
Depreciation (note 7)	1 184 256	1 144 034	540 199	526 622
Operating lease costs	933 768	936 899	786 126	801 501
Bad debt impairment	234 640	-	234 640	-
Bad debts written off	177 816	-	177 816	-
Computer expenses	3 712 770	3 291 711	2 529 817	2 258 265
Consulting fees	539 069	211 636	539 069	211 636
Seminars and conferences	212 512	227 452	212 512	227 452
Travelling and accommodation expenses	453 180	337 523	453 180	337 523
Training expenses	269 106	364 852	269 106	364 852
Members' sitting allowances	117 810	119 910	70 980	74 340
Other expenses	1 950 252	1 536 258	1 427 931	1 169 691
	26 287 556	22 346 676	20 663 428	16 823 841
3 Employee benefit expenses				
Salaries and other termination benefits	12 099 542	10 555 319	9 660 675	7 854 068
Pension costs and gratuity	2 223 851	1 724 499	1 838 435	1 324 261
Other benefits	347 548	326 010	347 548	326 010
	14 670 941	12 605 828	11 846 658	9 504 339
Average number of persons employed during the year	22	20	18	15



NOTES TO THE FINANCIAL STATEMENTS *[continued]*

for the year ended 31 December 2015

	GROUP		EXCHANGE	
	2015 P	2014 P	2015 P	2014 P
4 Finance income				
Interest income on short term investments	3 133 768	2 193 211	2 367 259	1 875 614
5 Income tax expense				
The Botswana Stock Exchange is exempt from income tax in accordance with the Income Tax Act.				
6 Investment in subsidiary				
Cost of shares	-	-	100	100

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

NOTES TO THE FINANCIAL STATEMENTS [continued]

for the year ended 31 December 2015

7 Plant and equipment

GROUP	Leasehold Improvements	Office Equipment	Furniture & Fittings	Motor Vehicles	Total
	P	P	P	P	P
Year ended 31 December 2014					
Opening net book amount	294 269	2 305 157	350 338	265 703	3 215 467
Additions	-	365 450	18 443	-	383 893
Disposals	(17 000)	-	-	-	(17 000)
Depreciation (note 2)	(47 137)	(893 562)	(70 485)	(132 850)	(1 144 034)
Closing net book amount	230 132	1 777 045	298 296	132 853	2 438 326
At 31 December 2014					
Cost	598 067	5 203 014	720 515	912 955	7 434 551
Accumulated depreciation	(367 935)	(3 425 969)	(422 219)	(780 102)	(4 996 225)
Net book amount	230 132	1 777 045	298 296	132 853	2 438 326
Year ended 31 December 2015					
Opening net book amount	230 132	1 777 045	298 296	132 853	2 438 326
Additions	-	806 578	7 748	-	814 326
Disposals	-	-	-	-	-
Depreciation (note 2)	(48 436)	(931 203)	(71 764)	(132 853)	(1 184 256)
Closing net book amount	181 696	1 652 420	234 280	-	2 068 396
At 31 December 2015					
Cost	598 067	6 009 592	728 263	912 955	8 248 877
Accumulated depreciation	(416 371)	(4 357 172)	(493 983)	(912 955)	(6 180 481)
Net book amount	181 696	1 652 420	234 280	-	2 068 396



NOTES TO THE FINANCIAL STATEMENTS [continued]

for the year ended 31 December 2015

7 Plant and equipment [continued]

EXCHANGE	Leasehold Improvements P	Office Equipment P	Furniture & Fittings P	Motor Vehicles P	Total P
Year ended 31 December 2014					
Opening net book amount	294 269	592 217	312 619	265 703	1 464 808
Additions	-	365 450	18 443	-	383 893
Disposals	(17 000)	-	-	-	(17 000)
Depreciation (note 2)	(47 137)	(280 195)	(66 440)	(132 850)	(526 622)
Closing net book amount	230 132	677 472	264 622	132 853	1 305 079
At 31 December 2014					
Cost	598 067	2 727 706	680 072	912 955	4 918 800
Accumulated depreciation	(367 935)	(2 050 234)	(415 450)	(780 102)	(3 613 721)
Net book amount	230 132	677 472	264 622	132 853	1 305 079
Year ended 31 December 2015					
Opening net book amount	230 132	677 472	264 622	132 853	1 305 079
Additions	-	473 377	7 748	-	481 125
Disposals	-	-	-	-	-
Depreciation (note 2)	(48 436)	(291 189)	(67 721)	(132 853)	(540 199)
Closing net book amount	181 696	859 660	204 649	-	1 246 005
At 31 December 2015					
Cost	598 067	3 201 083	687 820	912 955	5 399 925
Accumulated depreciation	(416 371)	(2 341 423)	(483 171)	(912 955)	(4 153 920)
Net book amount	181 696	859 660	204 649	-	1 246 005

NOTES TO THE FINANCIAL STATEMENTS [continued]

for the year ended 31 December 2015

8 Trade and other receivables

	GROUP		EXCHANGE	
	2015	2014	2015	2014
	P	P	P	P
Receivables from related party	2 485 348	3 250 000	2 196 041	1 723 447
Fee receivables	436 457	963 770	343 570	906 323
Prepayments and deposits	1 823 441	269 479	1 823 441	235 541
Other receivables	63 466	76 893	63 466	76 893
	4 808 712	4 560 142	4 426 518	2 942 204

Prepayments and deposits are excluded from the trade and other receivables balance for fair value purposes, as this analysis is required only for financial instruments.

At 31 December 2015, fee receivables and other receivables of P436 457 (2014: P781 308) and P343 570 (2014: P 733 845) were fully performing for the group and exchange respectively.

The aging of these receivables is as follows:

	GROUP		EXCHANGE	
	2015	2014	2015	2014
	P	P	P	P
Up to 3 months	129 625	963 770	52 075	906 323
>3 to 6 months	306 832	-	291 495	-
	436 457	963 770	343 570	906 323



NOTES TO THE FINANCIAL STATEMENTS [continued]

for the year ended 31 December 2015

9 Cash and cash equivalents

		GROUP		EXCHANGE	
		2015	2014	2015	2014
		P	P	P	P
<i>Money market investments</i>	<i>Interest rate</i>				
Stanlib Investment Management Services	5.58%	8 826 937	15 259 962	5 513 642	15 259 962
Botswana Insurance Fund	5.82%	13 321 065	-	9 592 754	-
African Alliance Liquidity Fund	3.92%	8 250 132	30 567 812	5 918 171	20 216 920
Barclays Bank Botswana	3.60%	10 000 000	-	7 200 000	-
Standard Chartered Bank	4.50%	12 500 000	-	9 000 000	-
First National Bank	2.75%	10 000 000	-	7 200 000	-
		62 898 134	45 827 774	44 424 567	35 476 882

The short term investments are unsecured, earns average interest of 4.19% (2014: 5.61%) per annum and have no fixed maturity date. The investments can be liquidated subject to an average notice period of 48 hours to the investee company

Cash and bank balances

Cash on hand and at bank	6 637 782	1 124 019	2 763 715	4 500
Short-term bank deposits	-	1 537 573	-	1 537 573
Total cash on hand and at bank	6 637 782	2 661 592	2 763 715	1 542 073

For the purpose of the statement of cash flows, cash and cash equivalents at the end of the year comprise the following:

Money market investment	62 898 134	45 827 774	44 424 567	35 476 882
Cash and bank balances	6 637 782	2 661 592	2 763 715	1 542 073
	69 535 916	48 489 366	47 188 282	37 018 955

10 Proprietary rights capital

Issued proprietary rights capital	5 200	5 200	5 200	5 200
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The holders of proprietary rights are entitled to receive interest at a rate fixed by the Exchange in the annual general meeting. Such interest may not exceed the balance available from interest or dividends on invested funds.

NOTES TO THE FINANCIAL STATEMENTS [continued]

for the year ended 31 December 2015

11 Trade and other payables

	GROUP		EXCHANGE	
	2015 P	2014 P	2015 P	2014 P
Trade payables	482 933	475 121	429 329	430 788
VAT payable	239 231	127 662	79 244	46 650
Other payables	2 811 602	790 852	1 750 102	790 852
	3 533 766	1 393 635	2 258 675	1 268 290

12 Amounts due to the Botswana Stock Exchange Security Fund

Balance at 1 January	2 411 424	2 693 608	2 411 424	2 693 608
Statutory transfer for the year	2 883 164	2 411 424	2 883 164	2 411 424
Settled during the year	(2 411 424)	(2 693 608)	(2 411 424)	(2 693 608)
Balance at 31 December	2 883 164	2 411 424	2 883 164	2 411 424

13 Deferred lease liability

Non-current				
Current	93 721	187 131	93 721	187 131
Balance at 31 December	93 721	187 131	93 721	187 131

The group leases its office premises under 2 operating lease facilities. The leases run from February 2013 and April 2012 respectively and both expire in March 2017. Both leases have a renewal option upon expiry. Amounts recognised as an expense in profit or loss in respect of operating leases are disclosed in note 1 to the financial statements. Lease payments are escalated every year by the lower of 7% and the consumer price index.

At the end of the reporting period, the future minimum lease payments under non-cancellable operating leases are payable as follows:

Less than one year	912 166	940 175	912 166	940 175
Between one and five years	229 605	1 261 666	229 605	1 261 666
Total	1 141 771	2 201 841	1 141 771	2 201 841



NOTES TO THE FINANCIAL STATEMENTS *[continued]*

for the year ended 31 December 2015

14 Cash generated from operations

	GROUP		EXCHANGE	
	2015	2014	2015	2014
	P	P	P	P
Profit for the year	16 289 893	17 556 544	8 109 016	10 522 847
Adjustment for:				
- Depreciation (note 7)	1 184 256	1 144 034	540 199	526 622
- Finance income (note 4)	(3 133 768)	(2 193 211)	(2 367 259)	(1 875 614)
- Bad debts written off and movement in provision for bad debts	412 456	-	412 456	-
Changes in working capital				
- Trade and other receivables	(661 026)	(1 354 969)	(1 896 770)	(560 152)
- Deferred lease liability	(93 410)	39 293	(93 410)	39 293
- Trade and other payables	2 140 131	(1 140 099)	990 385	(1 108 996)
Cash generated from operations	16 138 532	14 051 592	5 694 617	7 544 000

15 Related party transactions

Related parties are entities under common control or ownership. The Exchange was set up by the Botswana Stock Exchange Act, 1994, and is therefore related to the Government of Botswana. All stock brokers who are members of the Botswana Stock Exchange are also related parties.

The following transactions were carried out with related parties.

a) Membership fees

- Stockbrokers Botswana (Pty) Ltd	4 000	3 750	4 000	3 750
- Imara Capital Securities (Pty) Ltd	4 500	4 500	4 500	4 500
- African Alliance Securities Botswana Limited	4 000	4 000	4 000	4 000
- Motswedi Securities (Pty) Ltd	4 000	3 750	4 000	3 750
	16 500	16 000	16 500	16 000

NOTES TO THE FINANCIAL STATEMENTS [continued]

for the year ended 31 December 2015

15 Related party transactions [continued]

	GROUP		EXCHANGE	
	2015 P	2014 P	2015 P	2014 P
b) Listing and annual sustaining fees on Government bonds (at 0.125% on nominal value of Government bonds)	8 155 000	9 000 000	8 155 000	9 000 000
c) Government Subvention				
Government of the Republic of Botswana:				
- Capital grant	5 000 000	-	5 000 000	-
- Subvention income	4 906 285	13 000 000	2 342 689	5 700 000
	9 906 285	13 000 000	7 342 689	5 700 000
d) Transfer to the Botswana Stock Exchange Security Fund	2 883 164	2 411 424	2 883 164	2 411 424
e) Sitting allowances by the Committee members	117 810	119 910	70 980	74 340
f) Remuneration for senior managers	6 668 536	7 706 082	4 942 240	6 112 738
g) Year end balances				
Receivables				
- Government of the Republic of Botswana	2 477 556	3 250 000	1 836 120	1 425 000
- Central Securities Depository Company of Botswana Limited	-	-	359 921	298 447
	2 477 556	3 250 000	2 196 041	1 723 447
Payables				
- Botswana Stock Exchange Security Fund	2 883 164	2 411 424	2 883 164	2 411 424



NOTES TO THE FINANCIAL STATEMENTS *[continued]*

for the year ended 31 December 2015

16 Commitments

The Botswana Stock Exchange expects the Ministry of Finance to bestow ownership of the automated trading system to Botswana Stock Exchange in the coming year. The ownership rights to the automated trading system will be assigned on condition that the value of the automated trading system be converted into government equity in the Botswana Stock Exchange upon corporatisation of the Exchange.

17 Contingent liabilities

The Exchange is defending a case in the labour court from a former employee on allegations of unfair dismissal. The proceedings were still pending at reporting date. Management is of the opinion that the employment was terminated in accordance with the employee's contract of employment. The level of compensation, if any, could not be estimated at the reporting date and will be determined upon delivery of judgement.

18 Events after the reporting date

The Government of Botswana intends to repeal the Botswana Stock Exchange Act through the BSE Transition Act. Under the BSE Transition Act, the Exchange will transition into a public company limited by shares under the Companies Act. The Government of Botswana will control the majority shareholding in this company.

19 Fiduciary accounts

The group, through its subsidiary Central Securities Depository Company of Botswana Limited, is the custodian of brokers' liquidity bank accounts. Brokers' liquidity bank accounts are used to mitigate the systemic risk of transactions carried out on the Botswana Stock Exchange. The following were the brokers' liquidity bank balances as at the end of the year:

	2015	2014
	P	P
Favourable bank balances	3 635 580	23 871 953

DETAILED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2015

	2015 P	2014 P
Revenue		
Commission income	8 073 644	5 840 021
Listing and annual sustaining fees	15 087 735	13 324 727
Members' fees	16 500	16 000
X-News Publication	422 000	155 110
Government subvention	2 342 689	5 700 000
Training income	317 179	417 002
Other income	145 438	18 214
Total income	26 405 185	25 471 074
Administrative expenses		
Advertising	1 299 154	1 054 935
Internal audit fees	168 330	198 585
External audit fees	107 910	94 100
Bank charges	63 180	32 530
Bad debts	412 456	-
Cleaning	74 843	71 636
Communication expenses	406 309	257 551
Computer expenses	2 529 817	2 258 265
Consulting fees	539 069	211 636
Recruitment expenses	56 143	14 297
Donations	-	10 000
Depreciation	540 199	526 622
Electricity	101 666	101 456
Entertainment	49 013	68 648
Insurance	193 100	101 269
Internship allowances	51 064	83 423
Library expenses	5 393	926
Members' sitting allowances	70 980	74 340
Motor vehicle expenses	48 222	64 090
Office expenses	69 296	66 022
Printing and stationery	48 115	35 758
Rent	786 126	801 501
Repairs and maintenance	71 432	66 814
Salaries and wages	11 499 110	9 178 329
Security costs	96 122	96 014
Training Levy	27 502	23 332
Seminars and conferences	212 512	227 452
Staff welfare	347 548	326 010
Subscriptions	59 782	64 206
Training expenses	269 106	364 852
Travelling and accommodation	453 180	337 523
Water	6 749	11 719
Total expenses	20 663 428	16 823 841

The detailed statement of profit or loss and other comprehensive income does not form part of the financial statements covered by the audit opinion on page 97.



DETAILED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *[continued]*

for the year ended 31 December 2015

	2015	2014
	P	P
Operating profit	5 741 757	8 647 233
Finance income		
Interest income	2 367 259	1 875 614
Profit for the year	8 109 016	10 522 847

The detailed statement of profit or loss and other comprehensive income does not form part of the financial statements covered by the audit opinion on page 97.



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