



2016 Annual Report
Botswana Stock Exchange

Venturing into New Grounds





2016 Milestones

BSE holds the Inaugural Annual Listings & Investment Conference under the theme “ Opening the BSE to the Business Community – Creating Value through Listing”.

01

BSE & Botswana Bond Market Association (BBMA) holds the Bond Market Conference under the theme “The Bond Market – A Pillar of the Economy”.

02

Botswana Telecommunications Corporation Limited (BTCL) successfully lists through an IPO on the BSE.

03

The Far Property Company lists through an IPO on the BSE.

04

The total number of investors on the BSE exceed 78, 000.

05

BSE develops a 5 Year Strategic Plan.

06

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➔ Mission & Vision Statements



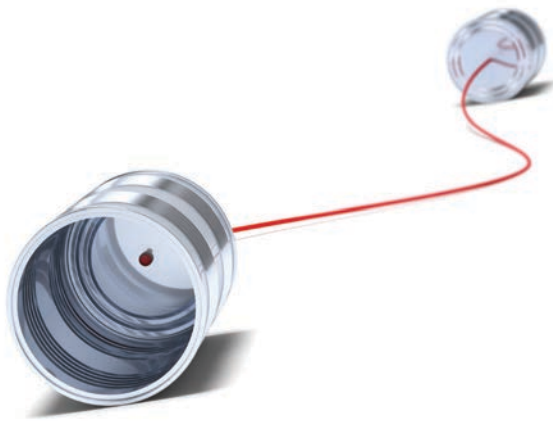
MISSION

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 the 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 realising value and converting value to competitive advantage
- Committed to continuous improvement

Execution



- Achievement Driven
- Excellence
- Results Focused

EXCHANGE HOUSE





⇒ 2016 Highlights

DCI DEPRECIATED BY



11.3%

NUMBER OF ACCOUNTS
OPENED IN CSD INCREASED
FROM 28,122 TO



78,837

CUMULATIVE ETFs TRADES
EXCEEDED



1.1Bn

P2.5Bn

TURNOVER ACHIEVED

100%

DEMATERIALIZATION OF SHARES
IN THE CSDB ACHIEVED

BSE BECAME AN AFFILIATE
MEMBER OF THE WORLD
FEDERATION OF EXCHANGE
(WFE)

BSE BECAME A PARTNER
EXCHANGE OF THE UNITED
NATIONS SUSTAINABLE
STOCK EXCHANGES (SSE)
INITIATIVE

SUCCESSFULLY HELD 2 OPEN
DAYS IN FRANCISTOWN AND
MAUN





➔ Botswana Stock Exchange Overview

The Botswana Stock Exchange (BSE) is Botswana's national stock exchange given the responsibility to operate and regulate the equity and the fixed interest securities market. Formally established in 1989, the BSE traces its humble beginnings to when it was known as Botswana Share Market (BSM). At that time there was no formal stock exchange in Botswana and the BSM traded as an informal market. There were only 5 listed entities with a single broking firm i.e. Stockbrokers 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 Officer of SBB, the Permanent Secretary of the then Ministry of Finance, and the Deputy Director of the Bank Supervision at Bank of Botswana. The committee had the power to list and to delist 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 Botswana took the full administration of the BSE. With effect from July 2001, a full time Chief Executive Officer was appointed with the aim of making the BSE completely independent. In April 2003, in order to better execute the affairs of the Exchange, better serve stakeholder, and be more responsive to global events and to remain competitive, the BSE discontinued the secretarial role of Ernst and Young Botswana to become a fully independent entity.

The BSE continues to be pivotal to Botswana's financial system, and in particular the capital market, as an avenue on which government, quasi- government and the private sector can raise debt and equity capital. The BSE plays host to the most prominent companies doing business in Botswana. These companies represent a spectrum of industries and commerce being; Banking, Financial Services, Wholesaling & Retailing, Tourism, Mining, Energy, Property & Trust, Security and ICT. There are 34 listed entities on the BSE comprising of 24 domestic and 10 foreign companies. The BSE also has 41 listed bonds and 4 Exchange Traded Funds.

OUR PRODUCTS

Currently, products that can be listed include Equities, Corporate Bonds, Government Bonds and Exchange Traded Products.

BOTSWANA STOCK EXCHANGE REGULATORY ENVIRONMENT

The BSE is governed by the BSE Act no.11 of 1994 and is regulated by the Non-Bank 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 BSE has promulgated Members Rules which 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 and post-listing requirements to be observed by the issuers of listed securities. The emphasis is to make sure issuers disclose as much information to the public and investors so that the latter can make informed investment decisions.

CORPORATE INFORMATION

BSE Office:
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



➔ Our Main Committee



01



02



03



04



05



06



07



08



09

- 01** Lt. General Tebogo C. Masire
Chairman
- 02** Ms. Goitseone Kgaodi
Vice Chairman
- 03** Mr. Martin Makgatlhe
Treasurer
- 04** Prof. John Kiggundu
Member
- 05** Mr. Nelson Letshwene
Member
- 06** Mrs. Itumeleng Magama
Member
- 07** Mr. Kabelo Mohohlo
Member
- 08** Mr. Patrick O'Flaherty
Member
- 09** Mrs. Oosi Lemo
Member

➔ Our Management Team



Thapelo Tsheole
Chief Executive Officer

Mr. Tsheole was appointed CEO of the BSE in January 2016. Prior to that, he was the Deputy CEO since February 2014. Tsheole joined BSE in February 2007 as Product Development Manager. He 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). Tsheole has also completed several financial markets programmes, which include Registered Person Examination (RPE) conducted by South African Institute of Financial Markets (SAIFM) and SAFEX, and the Enforcement and Market Oversight programme by the United States Securities and Exchange Commission (SEC), inter alia. He has also attended a Leadership Development Programme at the University of Stellenbosch Business School (RSA).



Mpho Mogasha
Finance and Administration
Manager

Ms. Mogasha joined BSE in 2006 as Operations Officer – Finance and Administration, 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 and Administration Manager in February 2014. Prior to joining the BSE, Mogasha worked for Motswedi Securities as an Accountant. Before then, she worked for Grunwald Construction as Assistant Accountant. 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 has completed a Management Development Programme (MDP) with Stellenbosch University (RSA).



➔ Our Management Team *(Continued)*



Masego P. Pheto
Central Securities Depository
(CSD) Manager

Ms. Pheto joined the BSE in December 2007 as CSD Manager. Prior to joining the BSE she was Market Risk Manager at Stanbic Bank Botswana. Before then, she worked for Bank of Botswana in 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 holds a Diploma in Chartered Institute of Management Accountants (CIMA) and currently pursuing CIMA Management Level.



Kopano Mogorosi
Information Technology
Manager

Mr. Mogorosi joined the BSE in January 2008 as a Systems 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, Mogorosi worked for Rural Industries Promotions Company Botswana (RIPCO) as Systems Administrator. He has also worked for DCDM Consulting as an Analyst/Programmer. Mogorosi holds a BSc in Computer Engineering from the University of Miami, FL (USA). He has completed a Management Development Programme (MDP) with Stellenbosch University (RSA).

➔ Our Management Team *(Continued)*



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. Mmolai graduated with a BCom (Finance) from Macquarie University in Australia and is an Accredited Member of the Compliance Institute of Southern Africa. He has also attended Compliance and Financial Regulation courses at reputable institutions such as the U.S. Securities and Exchange Commission, the International Centre for Parliamentary Studies in London, England as well as the University of Cape Town. He has completed a Management Development Programme (MDP) with Stellenbosch University (RSA).



Kopano J. Bolokwe
Product Development Manager

Mr. Bolokwe joined the BSE in May 2011 as Product Development Operations Officer. Whilst in this role, he was appointed to the role of Acting Market Development Manager in November 2015 for 3 months, subsequent to which he assumed the role of Acting Product Development Manager in February 2016. Prior to joining the BSE, Mr Bolokwe worked for STANLIB as an Investment Analyst and for Imara Capital Securities as a Private Clients Broker. He holds a Degree in Finance from University of Botswana (UB), he is a Chartered Alternative Investment Analyst (CAIA) charter holder, a Chartered Financial Analyst (CFA) Level III candidate and also holds an MBA from University of Botswana. Bolokwe is a Registered Person (RPE) under the South African Institute of Financial Markets (SAIFM). He has completed a Management Development Programme (MDP) with Stellenbosch University (RSA).



➔ Our Management Team *(Continued)*



Thapelo Moribame
Market Development Manager

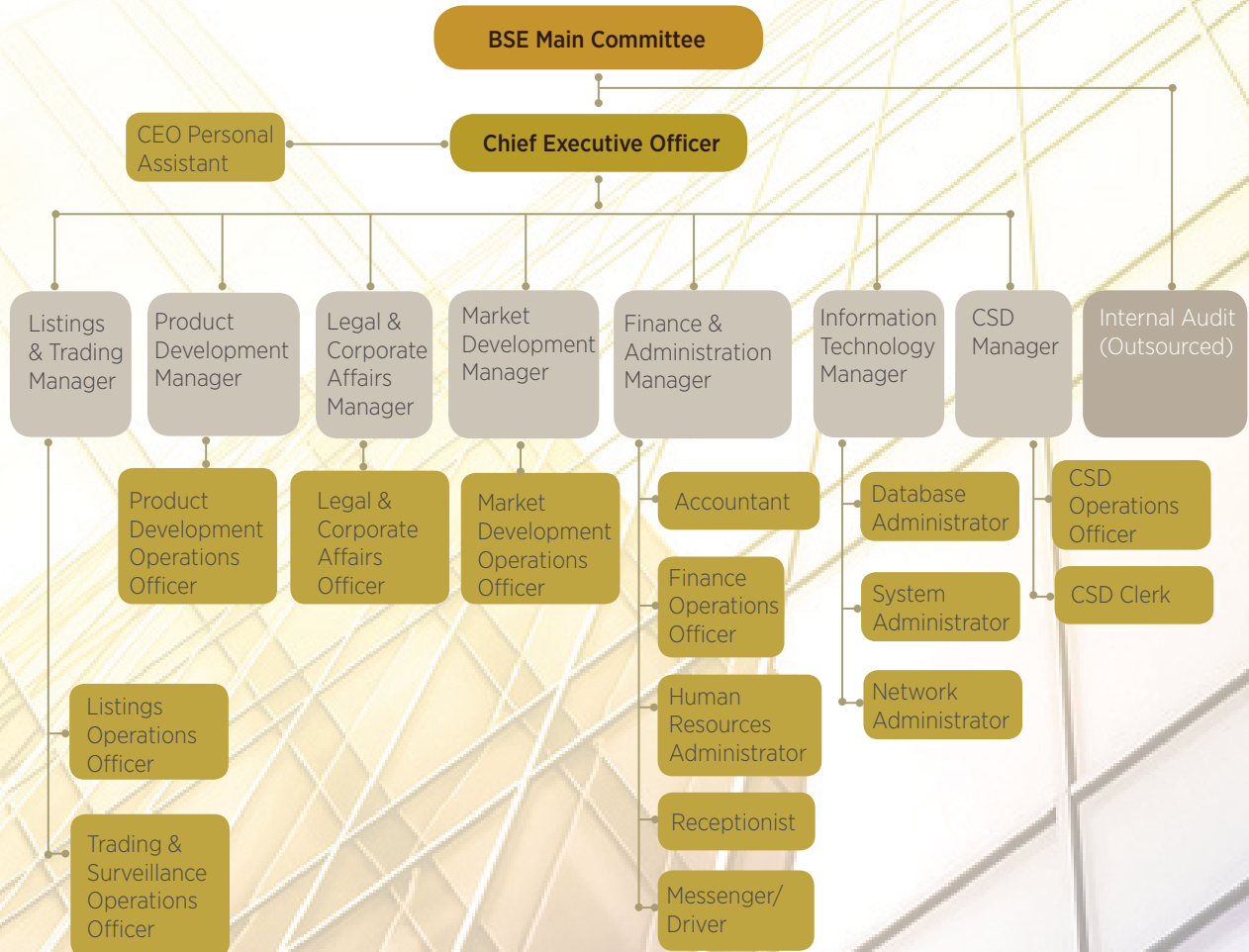
Ms. Moribame joined the BSE in August 2016 as Market Development Manager. Prior to joining the BSE, she was the Marketing Manager at Air Botswana from November 2012 to July 2016. Before joining Air Botswana, she worked at the Local Enterprise Authority (LEA) as Market Access Specialist from January 2011 to October 2012. Her career began at the Ministry of Investments, Trade and Industry as Assistant Trade Officer between October 2006 and December 2010. Ms. Moribame holds a Master of Commerce in Economics and an Honours Degree in Economics, both from the Stellenbosch University in South Africa. She also has a Bachelor of Arts in Social Sciences Degree from the University of Botswana.



Tidimalo Poonyane
Legal and Corporate Affairs Manager

Ms. Poonyane joined the BSE in October 2016 as the Corporate Affairs Manager. Prior to joining the BSE, she was Corporate Counsel and Board Secretary for Botswana Oil Limited from February 2014 to September, 2016. Before joining Botswana Oil, she worked at the Botswana Examinations Council as the Legal Services Manager/Board Secretary from August 2013 to January 2014, as well as Botswana Development Corporation Limited (BDC) from June 2011 to 2013 as the Principal Legal Officer/Company Secretary. Poonyane worked for the Debswana Diamond Company (Pty) Ltd as the Contracts Administrator from January 2003 to December 2007. Her career began at the Attorney General's Chambers in June 2002, an organisation that she subsequently rejoined in May 2009 serving as the Senior State Counsel. Poonyane holds an MSc in Strategic Management from the University of Derby. She also has a Bachelor of Laws Degree from the University of Botswana.

➔ Organizational Structure





➔ Our Staff







➔ Chairman's Statement

Dear Valued Stakeholder,

The year 2016 has clearly enabled BSE to transcend new territories and we are encouraged to heighten the momentum particularly with the commencement of the 5 Year Strategic Plan in 2017.

Lieutenant General Tebogo C. Masire
CHAIRMAN OF THE BSE MAIN COMMITTEE



It is with the benefit of hindsight that we can appreciate that 2016 was a difficult year for the global economy and capital markets in general. The International Monetary Fund's (IMF) World Economic Outlook (WEO) that was released in October 2015 had projected the global economy to grow by 3.6% in 2016. This projection was later adjusted downwards to 3.4% in the January 2016 update of the WEO.

In part, the low unexpected growth was driven by the subdued global commodity prices. Subsequently, the slowdown was passed through to capital markets globally as shown by the statistics published by the World Federation of Exchanges (WFE). African countries, including Botswana, were no exception to the slowdown in economic activity. As a result, most African stock exchanges did not yield favourable returns. The MSCI Frontier Markets Africa Index registered a negative return of 11.2% in 2016. Likewise, BSE's Domestic Companies Index (DCI) declined by 11.3% during the period under review. Notwithstanding the decline in the DCI, the BSE successfully increased the number of listings on both its debt and equity boards, defying the trend of declining Initial Public Offerings (IPOs) that was observed across several stock exchanges around the world.

After years of extensive deliberations, it was an important milestone to have received the Botswana Telecommunications Corporation Limited (BTCL) IPO; a landmark achievement for the country given the nature, size and the intent of the transaction. The stock exchange is a crucial platform for promotion of Citizen Economic Empowerment and financial inclusion. It was therefore befitting that the Government of the Republic of Botswana utilised this platform when privatising BTCL. The privatisation and subsequent listing of BTCL has generated substantial learnings with respect to privatisation transactions. It is our hope that the Government will leverage on these learnings and successes when considering future divestitures with a view to deepen and broaden the size of the domestic capital market.

Our efforts to develop the capital market were significantly ramped up in 2016. Since the existence of the stock exchange is underpinned by continued supply and liquidity of instruments, it became imperative for the BSE to mobilise the supply side of the market to increase listings. In our assessment, entrepreneurship in Botswana has grown to an extent where most companies are

ripe enough to list on the BSE. The bourse offers companies an opportunity to expand and broaden their offerings. It therefore became the impetus for us to bridge the knowledge gap in relation to the importance of value creation through listing.

The BSE Listings and Investment Conference held on 10 March, 2016 was an important milestone for the Exchange. It occurred with the ascension of new leadership and presented an opportunity for the BSE, the Government and other stakeholders to revitalise and reaffirm their commitment to growing the capital market. The same can be said about the Bond Market Conference that was held on 6 of October, 2016. The one-day conference offered us a perfect platform to advance the BSE's relations with international development finance institutions in the continent and across the world. It is my belief that the fruits of these magnificent initiatives will positively impact the landscape of our securities market progressively.

Generally, the year 2016 has clearly enabled the BSE to transcend new territories, and we are encouraged to heighten the momentum particularly with the commencement of the 5 Year Strategic Plan in 2017. We look forward to more impactful contribution of the Exchange to the transformation of Botswana's economy over the next 50 years.

Let me take this opportunity to recognise the BSE CEO, Mr. Thapelo Tsheole, for his tremendous work at the helm of the BSE in his inaugural year following his appointment in January, 2016. Sincere appreciation also goes to BSE staff, a relatively small team, but driven and tenacious in delivery.

I would also like to thank the BSE Main Committee for their strategic stewardship of the Exchange.

Thank you.

Lieutenant General Tebogo C. Masire
Chairman of the BSE Main Committee

“The year 2016 has clearly enabled BSE to transcend new territories and we are encouraged to heighten the momentum particularly with the commencement of the 5 year Strategic Plan in 2017”.

Lieutenant General Tebogo C. Masire
Chairman of the BSE Main Committee





➔ CEO's Review



Thapelo Tsheole
CHIEF EXECUTIVE OFFICER

The theme for this year's Annual Report, "Venturing into New Grounds", is befitting of the groundwork that has been laid to transform the BSE into a world class securities exchange. With this transformation, the BSE's mission is to drive sustainable economic growth by providing a gateway for raising capital and accessing investment opportunities. On the international scene, cognisance is given to positioning the BSE as a preferred destination for frontier and emerging markets investment mandates.

1. THEME - VENTURING INTO NEW GROUNDS

Inarguably, the role of stock exchanges has evolved rapidly in the 21st century and in the context of sustainability a common topic is the role of stock exchanges in promoting Sustainable Development Goals (SDGs). This directly speaks to stock exchanges being uniquely positioned to influence investor and company behaviour and in supporting regulators in promoting adoption of market standards related to sustainable investment and financing.

For the BSE, it is a question of our contribution in creating a more sustainable capital market and fostering green finance, which are new territories for the BSE. This has culminated in the BSE aligning with strategic institutions and undertakings that demonstrate commitment to sustainability and green capital markets. In this regard, the BSE became a Partner Exchange of the United Nations Sustainable Stock Exchanges (SSE) Initiative in April 2016. Further, the BSE signed the Marrakech Pledge on "Fostering Green Capital Markets in Africa" in November 2016. In the medium to long term, our intention is to learn from our peers, inculcate sustainability and green finance in the domestic capital market and also play a leading role in Botswana's pathway to climate-compatible sustainable development.

Additionally, the internationalisation of the BSE became a priority as the Exchange traversed new grounds that are aimed at positioning BSE within the global securities markets. Therefore, in June 2016 the BSE was admitted as an Affiliate of the World Federation of Exchanges (WFE), the global industry association for securities exchanges and clearing houses. We consider WFE a robust platform through which the BSE can promote its visibility, embrace international best practise and expand its network of stakeholders. Further, with the advent of the new CEO in January 2016, it became imperative for the BSE to refresh its strategic thinking and this resulted in the formulation of a 5-year BSE Strategy (2017 – 2021) that was commenced and completed towards the end of 2016. It was also a critical undertaking in the context of the ongoing process of demutualisation which is expected to change the business model of the BSE after it is completed.

Generally, at a macro level, a foundation was laid in 2016 for the transformation and revitalisation of the Exchange to elevate its significance in Botswana's economy and also garner a competitive position in the global securities industry. These are indeed new grounds for the exchange. We have chartered strategies and initiatives to manoeuvre these paths at a micro level leveraging on our core values being teamwork, innovation, integrity, efficiency, sustainability and commercial focus.

2. GLOBAL MARKET HIGHLIGHTS

According to the World Federation of Exchanges (WFE)'s report titled "2016 Market Highlights", markets were subdued globally in 2016 relative to the exceptional performance registered in 2015 with most regions showing only modest increases on 2015 figures across the major primary and secondary market indicators, coupled with a number of more significant decreases.

The report's full year statistics highlighted the following key trends:

- Global equity market capitalisation was up 4.4% with Americas and Europe, Middle East and Africa (EMEA) regions registering growth of 10.9% and 0.9% respectively.
- Turnover levels declined by 26.9%, mostly reflecting the influence of key events in the Asia-Pacific such as the sharp sell-off and trading halts on Chinese exchanges in early January 2016. This also contributed to a reduction of 15.5% in the number of trades registered globally.
- The number of newly listed companies and capital raised through IPOs were down 35.8% and 36.8% respectively. All regions experienced a decline in investment flows, with more impact being pronounced in America, the main driver of this trend in that region being the US election year and uncertainty over regime change and consequential shifts in policy. In the EMEA region particularly Europe, the backlash was a result of sluggish economic momentum, concerns of the banking system and uncertainty in the region following Brexit.



CEO's Review (continued)

- Summarily, the overall slowdown in world markets reflected the global uncertainty triggered by events such as Brexit and the US election.

In the African continent, the year was characterised by a slowdown in global commodity prices, drought and weakening current accounts, events which affected investment outlook and economic output with spill-over effects into the securities markets. As a result, majority of composite and all-share indices across African ended the year in the red zone.

At the domestic level, BSE's Domestic Company Index (DCI) and the turnover levels reflected the impact of the sluggish growth in the domestic economy on the performance of listed companies. This was very much in line with the trend in Africa and across the world. However, positives were recorded in other areas such as the number of IPOs which have defied the global trends highlighted above. The succeeding sections of this review provide more insight into the performance of the BSE in 2016.

3. ECONOMIC OVERVIEW

3.1 Overview of the World Economy

In the January 2017 update of the World Economic Outlook (WEO), the International Monetary Fund (IMF) estimated the global economy to have grown by 3.1% in 2016, a slight decline from 3.2% recorded in 2015. It is however pleasing that following a year of subdued growth in Advanced Economies and Emerging Markets, Sub-Saharan Africa (SSA) included, global economic activity is projected to recover in 2017 with a growth rate of 3.4%.

3.2 Overview of the Botswana Economy

The economic data published by Statistics Botswana for 2016 indicated that Botswana's economy grew by 4.3% following a contraction of 1.7% in 2015. This growth was mainly driven by the Trade, Hotels & Restaurants sector which grew by 13.5% in 2016, as well as accounted for 59.4% of the economic growth in 2016. Further, the Value Added of the non-mining private sector accelerated from a 1.4% expansion in 2015 to 7.2% during 2016.

In the Budget Speech for 2017/18, the Minister of Finance and Economic Development (MFED) forecasted the domestic economy to grow by 4.2% in 2017. This growth will be supported by increased production in the diamonds sub-sector as well as the continued stable supply of water and electricity.

On the monetary policy side, the average headline inflation rate remained below the Bank of Botswana's (BoB) objective range of 3% to 6% at 2.8% in 2016, allowing the BoB to cut the Bank

rate by 50 basis points once in 2016, to 5.5%. This also coincided with commercial bank credit expanding by 6.2% to P51.3 billion in 2016. At fiscal policy level, Government highlighted in the Budget Speech for 2017/18 a budget deficit of P1.1 billion in 2016/17 which is expected to rise to a P2.4 billion deficit during the 2017/18 fiscal year. Interestingly, the 2017/2018 fiscal year coincides with the beginning of the National Development Plan (NDP) 11.

3.3 Implications for the Domestic Capital Market

From the recent national budget cycles, there are indications that pressure on public finances is mounting. Government has run deficits in the immediate past two (2) fiscal years which are projected to run into the first three (3) fiscal years of the 2017-2023 NDP 11 period. This position may give Government an impetus to issue bonds to plug the financing gap. At the Bond Market Conference, co-hosted by BSE and the Botswana Bond Market Association (BBMA) in October 2016, Government was encouraged to explore Retail Savings and Infrastructure Bonds to fund development projects. We believe this can diversify the offerings of debt instruments on the BSE.

Within the private sector, indications are that businesses and corporates will continue to diversify their sources of funding by accessing the stock market particularly given the preliminary signs of lower levels of liquidity in the banking sector and the rising level of awareness amongst corporate regarding value creation through the stock market. Following the Inaugural BSE Listings and Investment Conference held in March 2016, a number of private companies have shown interest in listing. A handful are expected to list by the end of 2017. Moreover, the current environment of low interest rates and low inflation may be conducive for debt issuances by the private sector.

4. EQUITY MARKET PERFORMANCE

4.1 Analysis of Equity Indices

4.1.1 Indices Computed on Domestic Companies

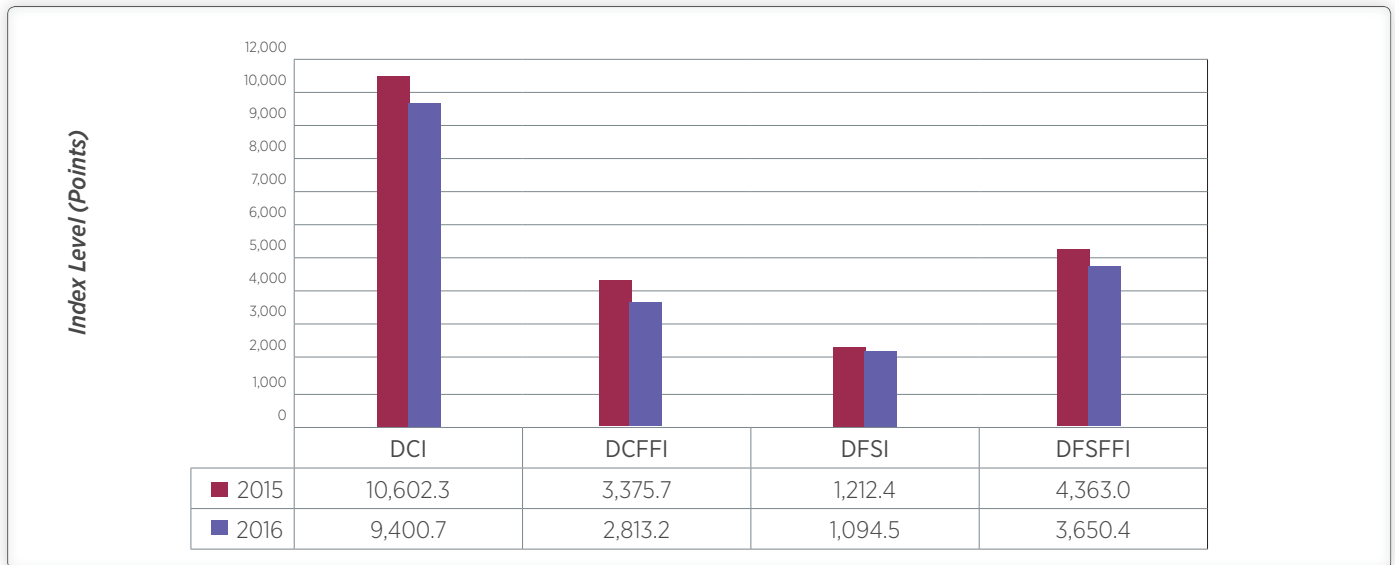
During 2016, the DCI depreciated by 11.3% to close the year at 9,400.7 points, down from 10,602.3 points at the end of 2015. The decline in the DCI in 2016 reversed most of the increase in the index in 2015 where it had appreciated by 11.6%.

The decline in the DCI in 2016 was explained by the overall performance of the domestic companies, particularly the general slowdown in share prices due to the subdued operational and financial performance of some of the listed companies. Our analysis indicate that out of the 24 listed domestic companies as at the end of 2016, 12 registered share price appreciation, 10 registered share price depreciation and 2 were unchanged.



CEO's Review (continued)

Figure 1: Performance of Indices Computed on Domestic Companies



Source: BSE

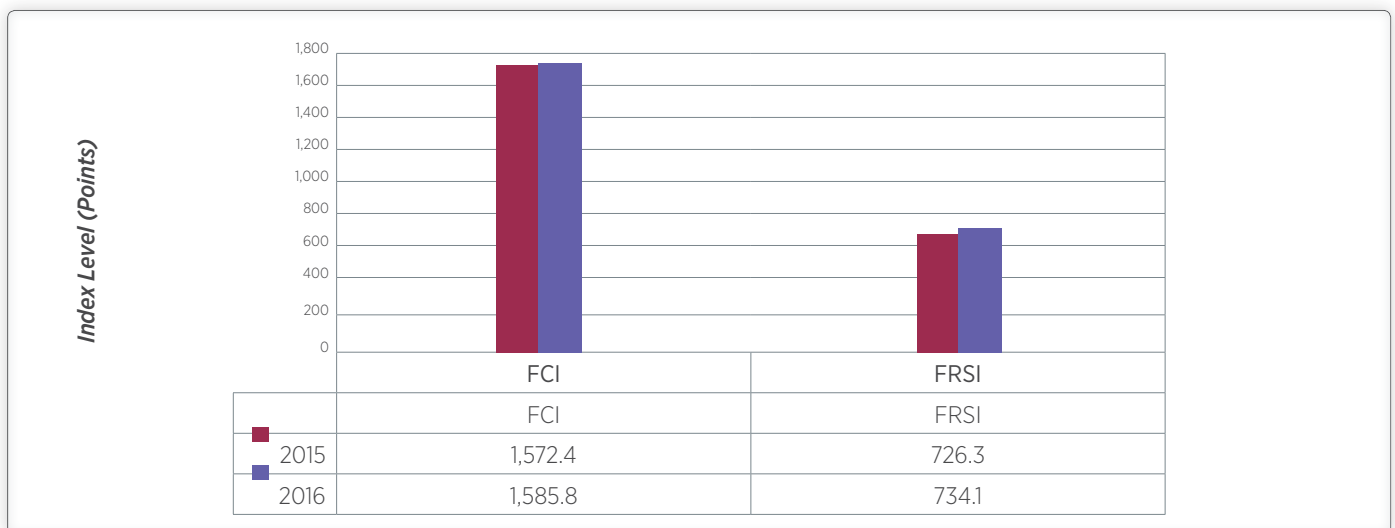
As illustrated in Figure 1, all the other indices computed on domestic companies recorded negative growth. The Domestic Companies Free Float Index (DCFFI) depreciated by 16.7%, the Domestic Financial Sector Index (DFSI) lost 9.7% and the Domestic Financial Sector Free Float Index (DFSFFI) declined by 16.1%.

4.1.2 Indices Computed on Foreign Companies Indices

The Foreign Company Index (FCI) closed the year at 1,585.7 points, a marginal increase of 0.8% in comparison to a depreciation of 0.3% in 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 grew by 1.1% in 2016 relative to depreciation of 0.4% in 2015. 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 of Foreign Companies



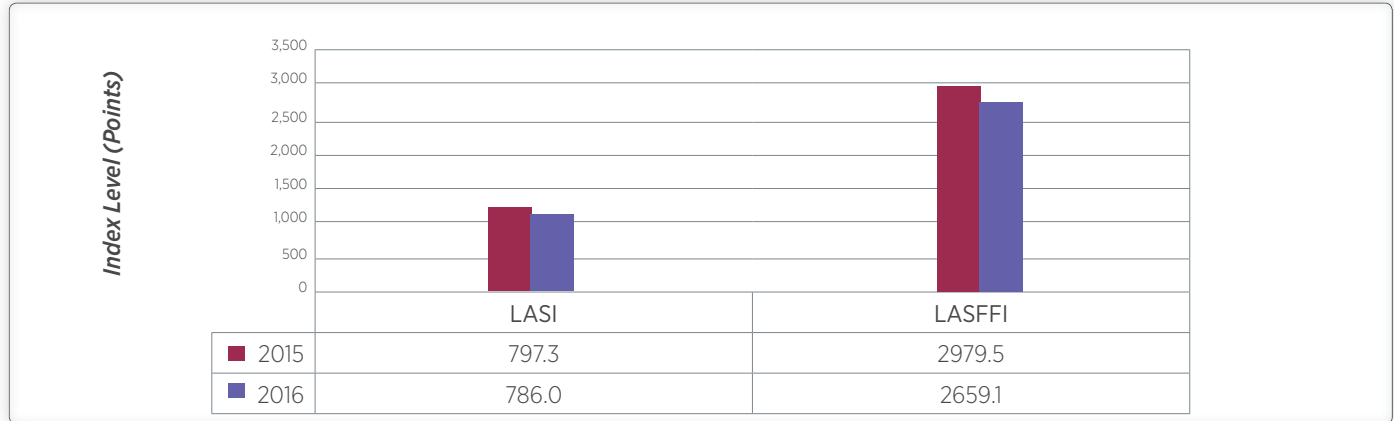
Source: BSE

CEO's Review (continued)

4.1.3 Indices Computed on Local Asset Sector Companies

In 2016, the Local Asset Status Index (LASI) and Local Asset Status Free Float Index (LASFFI) depreciated by 1.4% and 10.8% respectively, compared to the growth of 2.1% and 15.7% in 2015.

Figure 3: Performance of Indices Computed on Local Asset Companies

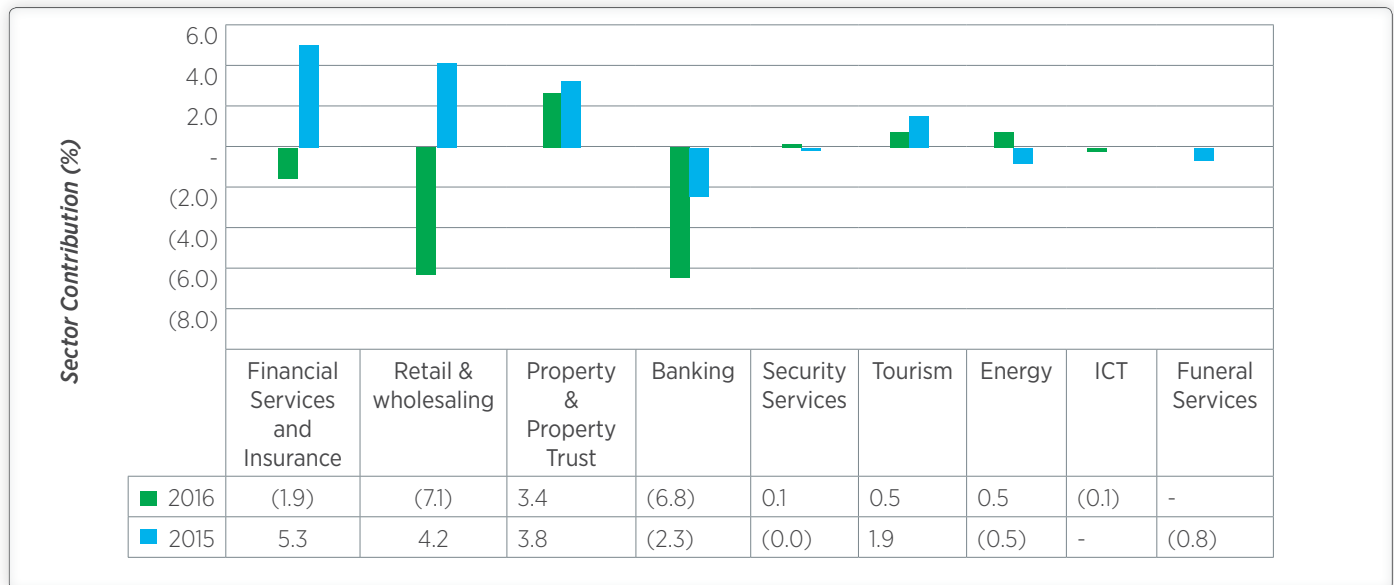


Source: BSE

4.1.4 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 decline of 11.3% in 2016 was predominantly attributable to the negative performance of the Retail & Wholesaling and the Banking sectors as well as the Financial Services & Insurance and the Information & Communications Technology (ICT) sectors. In aggregate, the four sectors contributed 15.8 percentage points to the depreciation of the DCI. The sectors that contributed positively to the DCI performance were the Property & Property Trust, Energy, Security and Tourism sectors with an aggregate contribution of 4.5 percentage points.

Figure 4: Sector Contributions to Performance of the DCI



Source: BSE

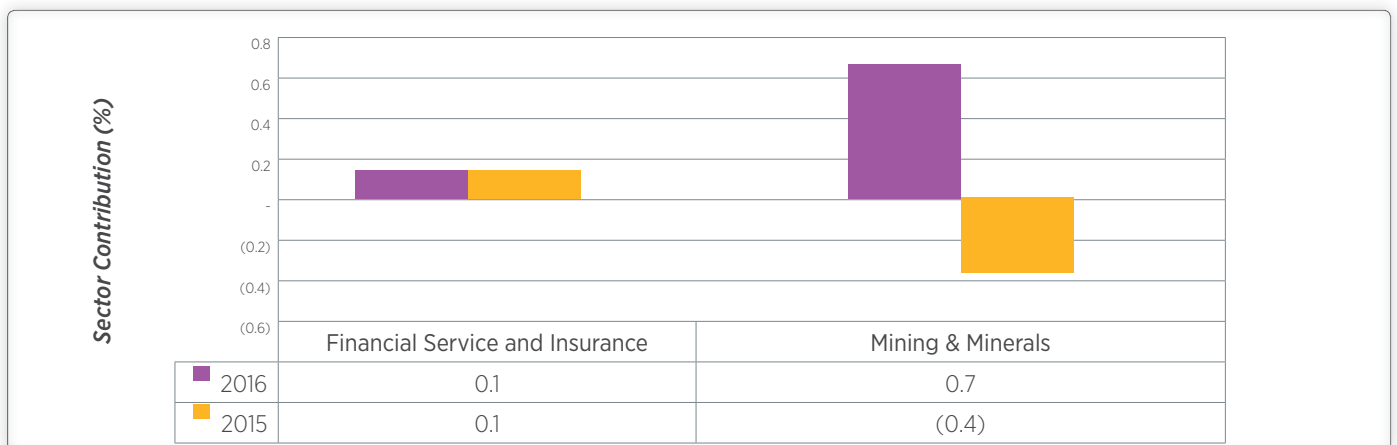


CEO's Review (continued)

Historically, the DCI has been heavily influenced by the Banking sector. However, the market capitalisation of the Banking sector relative to total domestic market capitalisation has declined from 46.9% in 2012 to 30.5% in 2016 primarily due to additional listings in other sectors as Retail & Wholesaling and ICT over the years. This has helped to reduce the reliance of the DCI on Banking sector's performance which is ideal given that the index should to a larger extent be representative of the overall performance of all companies listed on the Exchange.

Figure 5 below shows the sector contributions to the performance of the FCI and it underscores the dominance of the Mining & Minerals sector on the Foreign Equity Board. This sector accounted for 95.0% of the foreign companies' market capitalisation in 2016. Anglo American alone accounted for 91.9% of the total foreign companies' market capitalisation in 2016 and was thus a primary driver of the FCI's inertia in 2016.

Figure 5: Sector Contribution to Performance of the FCI



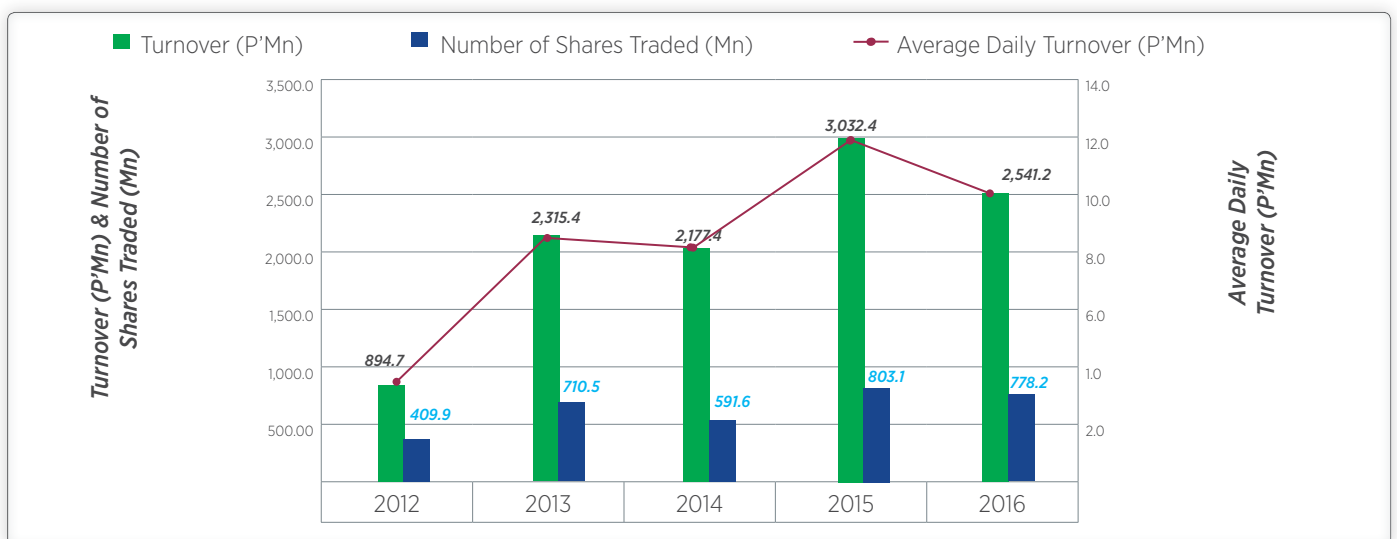
Source: BSE

4.2 Liquidity and Stability of Turnover

Figure 6 gives a five-year review of turnover on the BSE. Following a record turnover of P3.0 billion in 2015, the BSE registered a turnover of P2.5 billion in 2016. The average daily turnover for 2016 amounted to P10.2 million relative to P12.2 million per day in 2015.

The volume of shares traded in 2016 was 778.2 million in comparison to 803.1 million shares in 2015. The decline in trading activity could be partly attributable to the adjustment of the brokerage commission structure in April 2016 that introduced a floor of 0.60% on commission charged by Brokers. The BSE will continue to observe the extent to which the change in brokerage commission will affect trading activity going forward, but is thus far of the view that this is not a prominent factor.

Figure 6: Liquidity: 2012 to 2016



Source: BSE



CEO's Review (continued)

As can be noted from Figure 7, turnover was relatively unstable in 2016 in comparison to the other years as can be deduced from the Coefficient of Variation (CoV) which widened more in 2016 and amounted to 3.3% compared to 1.5% in 2015.

Further, the liquidity ratio decreased from 6.3% in 2015 to 5.3% in 2016. On 15 June 2016, the BSE recorded the highest amount of turnover ever recorded on the BSE in a single day amounting to P494.3 million. Prior to this record amount and even subsequently, the Exchange has not traded near these levels on any day and the closest amount to this was P107.2 million in June 2016. This explains the significant variation in turnover noted in 2016. Ideally, the CoV would be lower and stability of turnover higher if consistent levels of turnover are being generated each day.

Figure 7: Indicators of Liquidity: 2010 to 2016

Indicators	2012	2013	2014	2015	2016
Turnover/ Average Market Cap (%)	2.7	5.9	4.9	6.3	5.3
Standard Deviation	6.9	15.9	18.6	17.9	33.8
Coefficient of Variation (CoV)	1.9	1.7	2.1	1.5	3.3
Shares Traded/Shares Listed (%) ^{Note 1}	4.3	8.8	5.2	7.0	6.4

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

Source: BSE

A quarterly analysis of turnover reveals that the highest turnover in 2016 was generated in Quarter 2, the quarter during which the BSE recorded the highest turnover of shares ever traded in any single day (P494.3 million).

Figure 8: Quarterly Market Turnover: 2016

Indicators	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Turnover (P' Mn)	701.9	933.0	503.7	402.5
Average Daily Turnover (P 'Mn)	11.3	14.8	8.3	6.4
Turnover/ Average Market Cap (%)	1.4	1.9	1.0	0.8
Standard Deviation	15.1	62.2	18.5	10.3
Coefficient of Variation	1.3	4.2	2.2	1.6
No. of Shares of Traded (Mn)	186.2	290.9	169.3	124.4
Shares Traded/Average Shares Listed % ^{Note 1}	1.6	2.4	1.3	1.0

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

Source: BSE

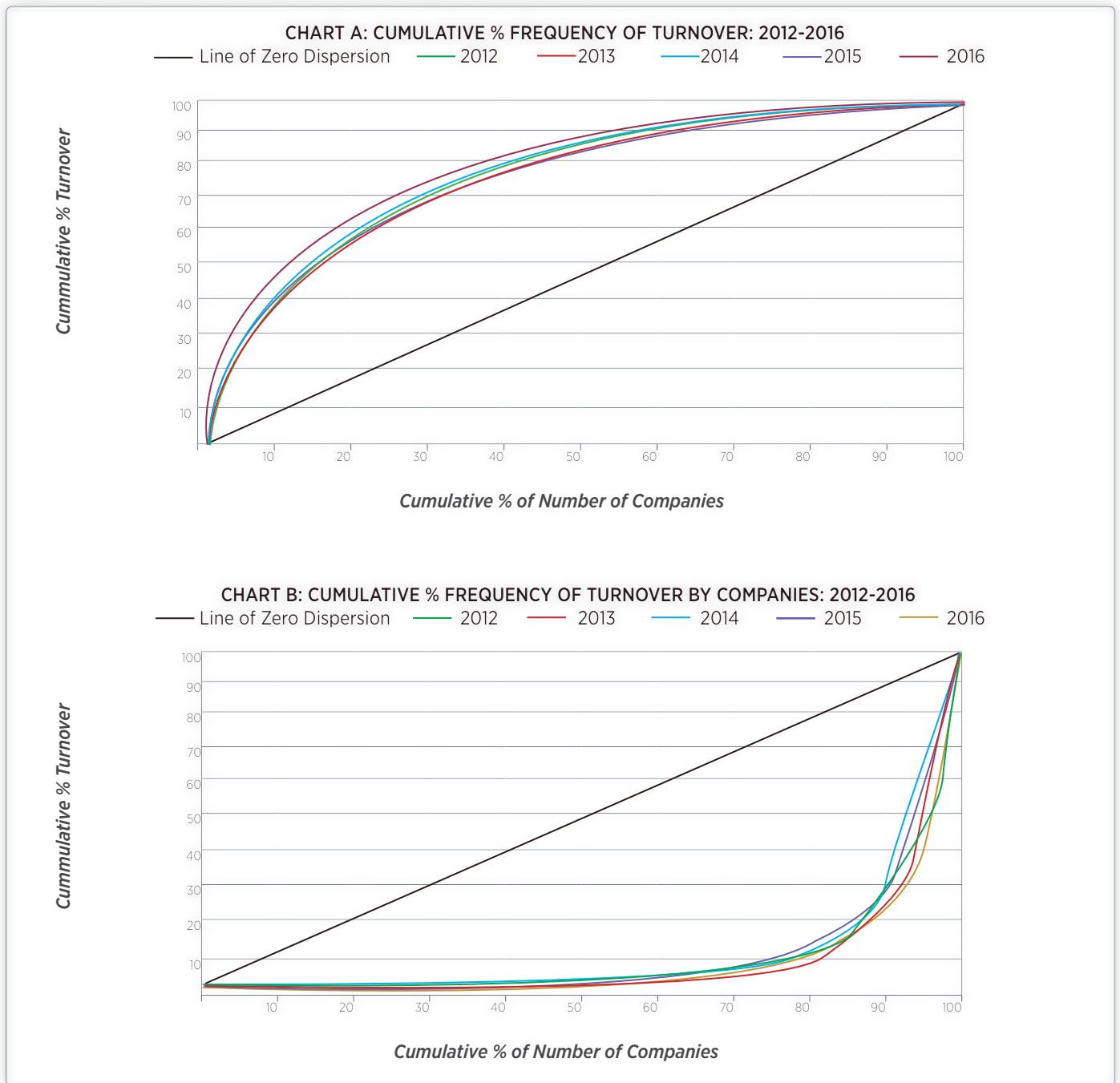
From a different perspective, the stability of turnover can be analysed using the Lorenz Curve analysis and the results are presented in Figure 9 for the years 2012 to 2016. The further the line is from the line of zero dispersion, the widely dispersed the turnover is and we can infer from Chart A of Figure 9 that the turnover in 2016 was more dispersed in comparison to the other years.

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 the least evenly distributed in 2016 in comparison to recent years.



CEO's Review (continued)

Figure 9: Analysis of the stability of turnover using the Lorenz Curve



Source: BSE



CEO’s Review (continued)

4.3 Trends in Turnover

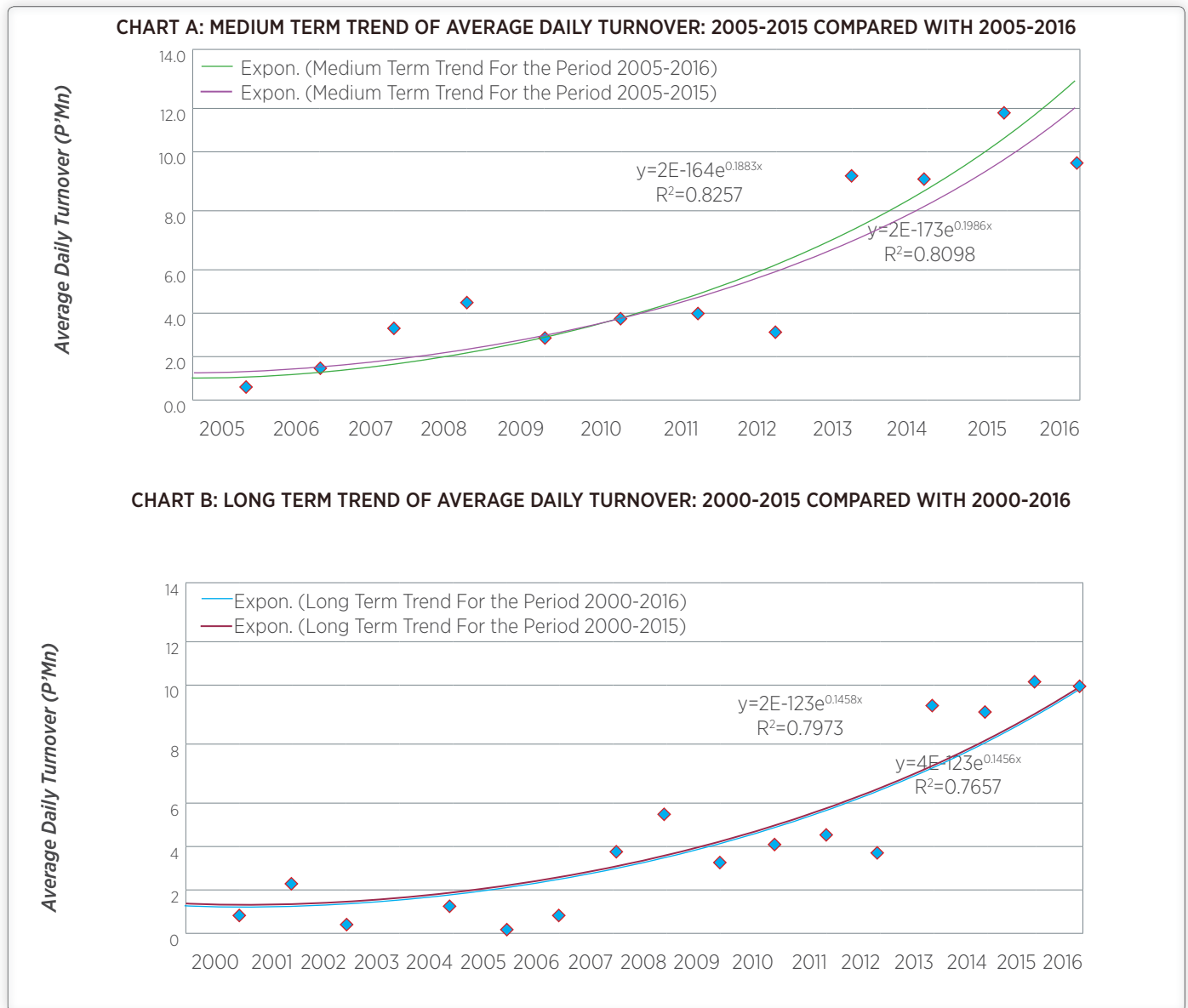
Figure 10 presents an analysis of the medium term trend forecasts for the turnover recorded in 2016. This is to indicate the impact the actual turnover of P10.2 million has had on the turnover trend.

4.3 Trends in Turnover (continued)

Based on Chart A of Figure 10, the medium term trend computed using the average daily turnover for the period 2005 to 2015 would have forecasted an average daily turnover of P13.4 million in 2016 whereas the medium term trend computed using figures for the period 2005 to 2016 would have predicted an average daily turnover of P12.3 million. Both forecasts are above the actual average daily turnover for 2016, and this goes to show that the actual average daily turnover of P10.2 million achieved had a negative downward 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 2016. Results of this analysis indicate that the average daily turnover of P10.2 million in 2016 coincides with the long term trend forecast.

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



Source: BSE



CEO's Review (continued)

4.4 Sector Contributions to Liquidity

Figure 11 shows the liquidity of various sectors on the BSE computed using various metrics. As it has been the case historically, domestic counters accounted for a greater portion of liquidity during the year under review.

The Financial Services sector contributed the highest to market liquidity on account of the liquidity ratio followed by the Retail & Wholesaling sector. The two sectors contributed 1.88% and 1.34% during the year under review. 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 12.35% of the shares listed in that sector, followed by the Property & Property Trust sector at 9.13%.

Figure 11: Sector Contributions to Liquidity: 2015 and 2016

Sector	2015				2016			
	Turnover/Avg Market Cap (%)		Shares Traded (Mn)	Shares Traded/Avg Shares Listed (%)	Turnover/Avg Market Cap (%)		Shares Traded (Mn)	Shares Traded/Avg Shares Listed (%)
	Note 1	Note 2A	Note 1	Note 2B	Note 1	Note 2A	Note 1	Note 2B
DOMESTIC								
Financial Services	2.18	0.23	306.98	11.68	1.88	0.22	335.13	12.35
Retail	2.61	0.28	168.85	7.59	1.34	0.15	119.25	5.19
Property	0.51	0.05	162.98	8.48	1.18	0.14	198.44	9.13
Banking	0.99	0.11	99.01	2.58	0.33	0.04	43.73	1.18
Security Services	0.01	0.00	1.66	2.07	0.01	0.00	1.26	1.57
Tourism	0.18	0.02	24.91	4.93	0.35	0.04	35.15	6.92
Energy	0.05	0.00	2.43	1.52	0.08	0.01	3.98	2.49
Funeral Services	0.03	0.00	4.57	7.56	-	-	-	-
ICT	-	-	-	-	0.07	0.01	33.82	6.44
FOREIGN								
Financial Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mining	0.03	0.02	31.70	0.60	0.0033	0.0029	7.46	0.16

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

Letshego continued to dominate the liquidity on the BSE as its contribution to overall volume of shares traded (domestic companies) increased from 34.4% in 2015 to 42.3% in 2016. Other liquid stocks included New African Properties (NAP) and Choppies which accounted for 20.8% and 12.7% of volume traded respectively.



CEO's Review (continued)

4.5 Investor Contribution to Equity Turnover

Compared to the Johannesburg Stock Exchange (JSE) and Stock Exchange of Mauritius (SEM), the BSE's Price to Earnings ratio showed relative cheapness of our market in 2016. Therefore, it is not surprising that despite the depreciation of the DCI in 2016, the BSE was seen as offering comparative value by international investors judging from the improved levels of their participation in BSE listed stocks.

As it can be seen from Figure 12, international institutional investors accounted for 35.8% of total turnover in 2016 from 33.8% in 2015. In 2016, there was also an increase in the level of participation by local individual investors who registered an increase from 2.4% to 4.1% between 2015 and 2016. Therefore, local retail investors accounted for P103.4 million of the total turnover registered on the BSE in 2016, compared to P72.0 million in 2015.

The listing of Botswana Telecommunications Corporation Limited (BTCL) contributed positively to the improvement in retail investor participation in the stock market.

Figure 12: Investor Contribution to Turnover: 2013 to 2016

Investors	Turnover (%)					% Contribution to Liquidity: 2016
	2012	2013	2014	2015	2016	
Foreign Companies	39.0	29.0	48.0	33.8	35.8	1.9
Foreign Individuals	2.5	2.2	1.5	2.0	1.3	0.1
Local Individuals	10.6	8.7	3.7	2.4	4.1	0.2
Local Companies	47.5	59.8	46.7	61.6	58.6	3.1
Brokers	0.3	0.3	0.2	0.2	0.3	0.0
TOTAL	100.0	100.0	100.0	100.0	100.0	5.3

Source: BSE, CSDB

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	2015				2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Foreign Companies	46.4	18.7	71.3	36.3	43.9	40.4	29.8	18.2
Foreign Individuals	1.2	3.1	1.6	1.4	0.7	1.3	1.8	2.1
Local Individuals	3.4	2.1	2.7	2.1	3.6	3.6	4.2	5.9
Local Companies	48.9	76.1	23.7	59.8	51.6	54.5	63.7	73.5
Brokers	0.1	0.1	0.7	0.4	0.2	0.2	0.5	0.3
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: BSE, CSDB



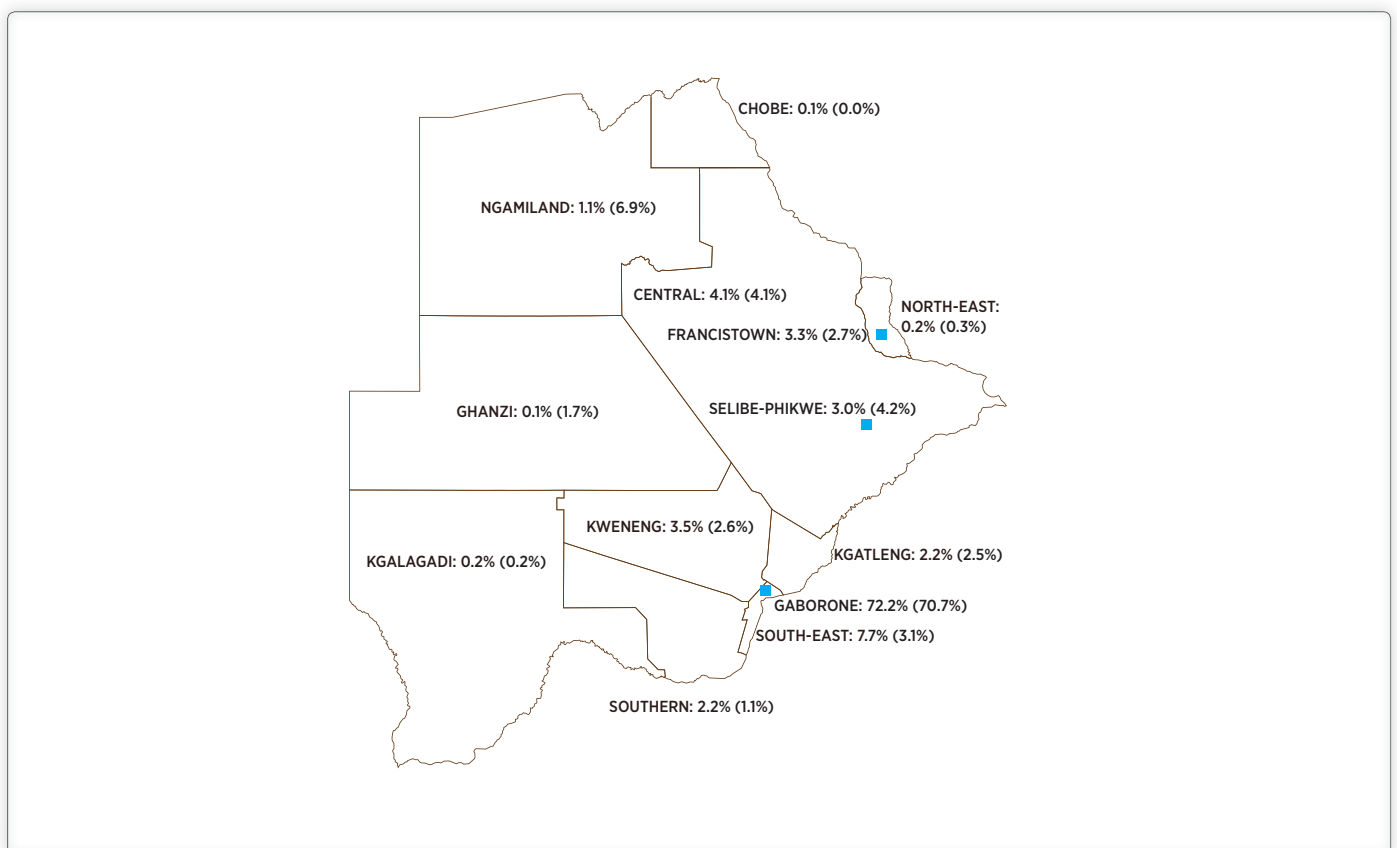
CEO's Review (continued)

4.6 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. The contribution of retail investors based in Gaborone has increased from 70.7% in 2015 to 72.2% in 2016. The second largest contribution came from the South-East district based retail investors, whose contribution more than doubled from 3.1% in 2015 to 7.7% in 2016. Notably, trading is still concentrated in the Southern and Eastern parts of the country. Districts such as Chobe, Ghanzi, Kgalagadi and North-East are the least contributors to turnover with each of them accounting for less than 0.3% of total retail investor turnover.

In response to the skewed concertation, BSE decided to take its services to the rest of the country. In the 3rd quarter of 2016 the BSE hosted two (2) Open Days in Francistown and Maun respectively. It was during these Open Days that Batswana were educated about BSE products and services. Attendants were also made aware of its listing value proposition. The BSE will continue to host more Open Days in other parts of Botswana and in the coming years.

Figure 14: Retail Investor (Resident in Botswana) Contribution to Turnover by Districts in Botswana: 2015 and 2016



Source: CSDB
 Note: The Contribution to turnover in 2015 is indicated in parenthesis
 Note: Blue box depicts major cities

CEO's Review (continued)

5. THE EXCHANGE TRADED FUNDS (ETFs) MARKET

The BSE registered significant improvement in trading activity in the NewGold and NewPlat ETFs as well as a reduction in CoreShares Equally Weighted Top 40 (EWT40) ETF in comparison to 2015. Coincidentally, there were also increases in prices of the ETFs save for CoreShares which recorded a marginal decline in price. As for the NewFunds Inflation-Linked Bond Index (ILBI) ETF, there were no inflows in 2016 and this has been the case since its listing in November 2015.

As a way of promoting awareness and trading activity in ETFs, the BSE commenced a monthly newspaper column in two local newspapers from June 2016 until December 2016. The column, titled "ETF Watch – Understanding ETFs", extensively covered topics ranging from the creation of ETFs, performance analysis of listed ETFs, their importance in portfolio management and also covered other forms of Exchange Traded Products (ETPs) such as Exchange Traded Notes (ETNs) that the BSE can accommodate. The BSE continues to assess and adopt various strategies in order to increase the uptake of ETFs on the Exchange.

5.1 Performance of the NewGold ETF

Despite the continued depression of commodity prices globally, 2016 was a great year for Gold Bullion as its price increased on the London market. The Dollar price of the Bullion closed 2016 up by 7.3%, in comparison to the 11.0% Dollar price loss in 2015. On the BSE, the price of the NewGold ETF increased by 1.8% and the ETF traded at prices ranging between P116.00 and P142.20 per unit before closing the year at P117.20 per unit.

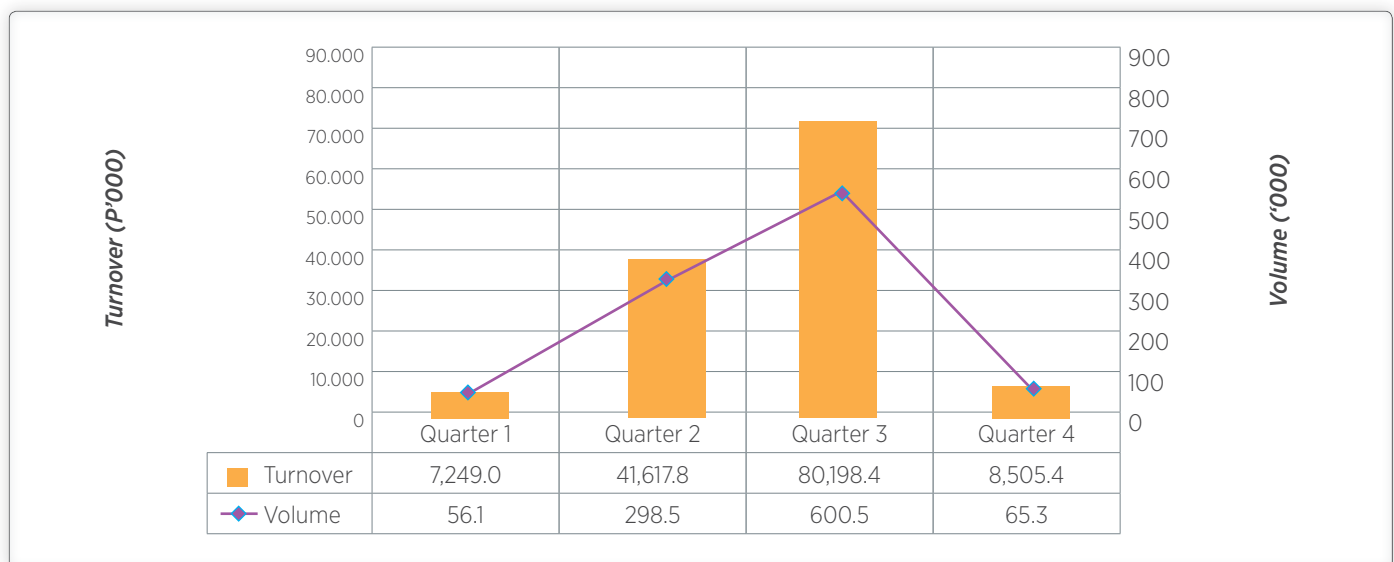
Figure 15: Trading Activity of the NewGold ETF: 2012 to 2016

NewGold ETF	2012	2013	2014	2015	2016
Turnover (P)	27,607,668	131,174,999	5,944,159	30,035,381	137,570,634
Units Traded	223,026	1,156,555	54,405	265,452	1,020,489
Unit Price (Pula)	125.30	103.70	110.10	115.10	117.20

Source: BSE

Figure 16 presents a bar chart of the quarterly trade statistics of the NewGold ETF on the BSE.

Figure 16: Quarterly Trading Activity of the NewGold ETF: 2016



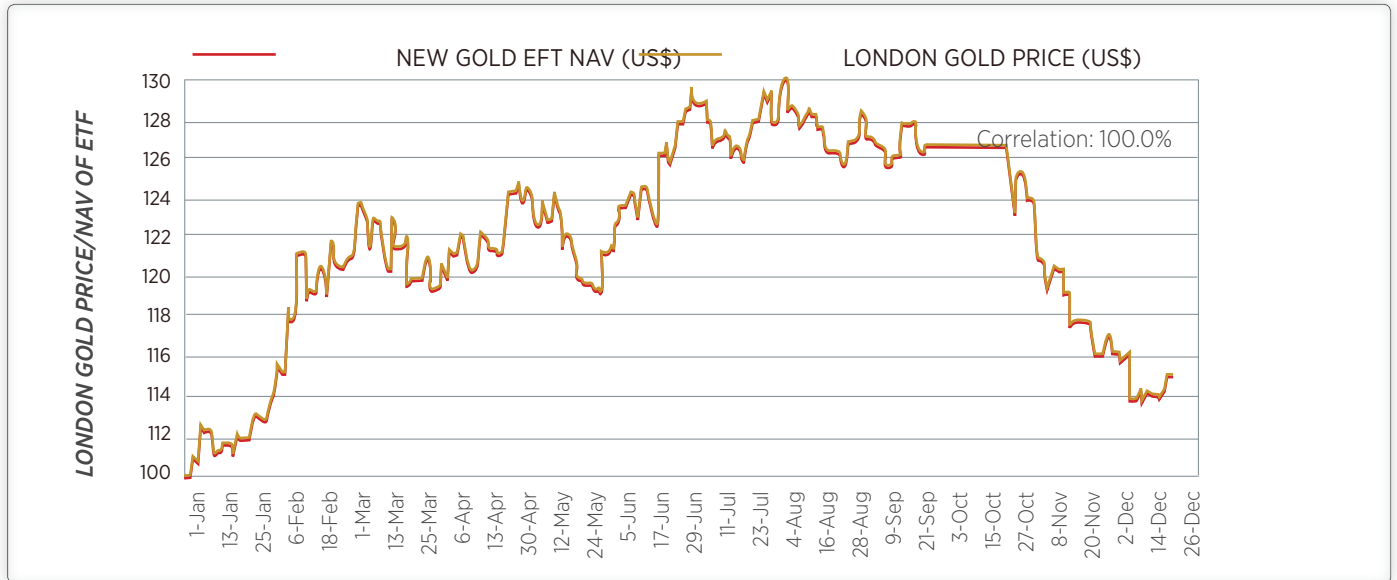
Source: BSE



CEO's Review (continued)

Figure 17 below shows the performance of the NewGold ETF NAV against the Gold Bullion Price in the London Market, both in USD terms. It can be noted from Figure 17 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.

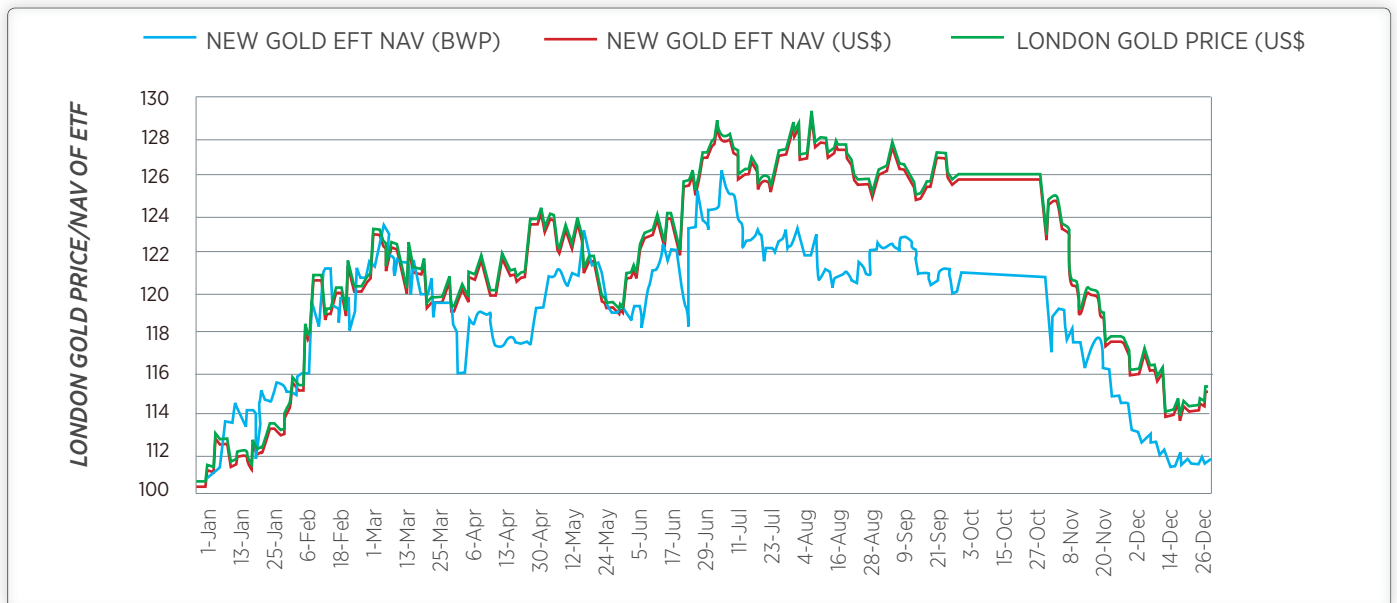
Figure 17: London Gold Price and NAV (in USD Terms): 2016



Source: BSE, Absa Capital

Figure 18 illustrates that the USD price of the Gold Bullion and the NAV of the NewGold ETF in both Pula and USD terms, have increased in 2016. The Pula and USD NAV of NewGold ETF appreciated by 1.6% and 6.9% respectively. As previously noted, the price London price of Gold Bullion appreciated by 7.3% in 2016.

Figure 18: Standardized Price Performance of NewGold NAV (BWP & USD Terms) and the London Gold Price: 2016



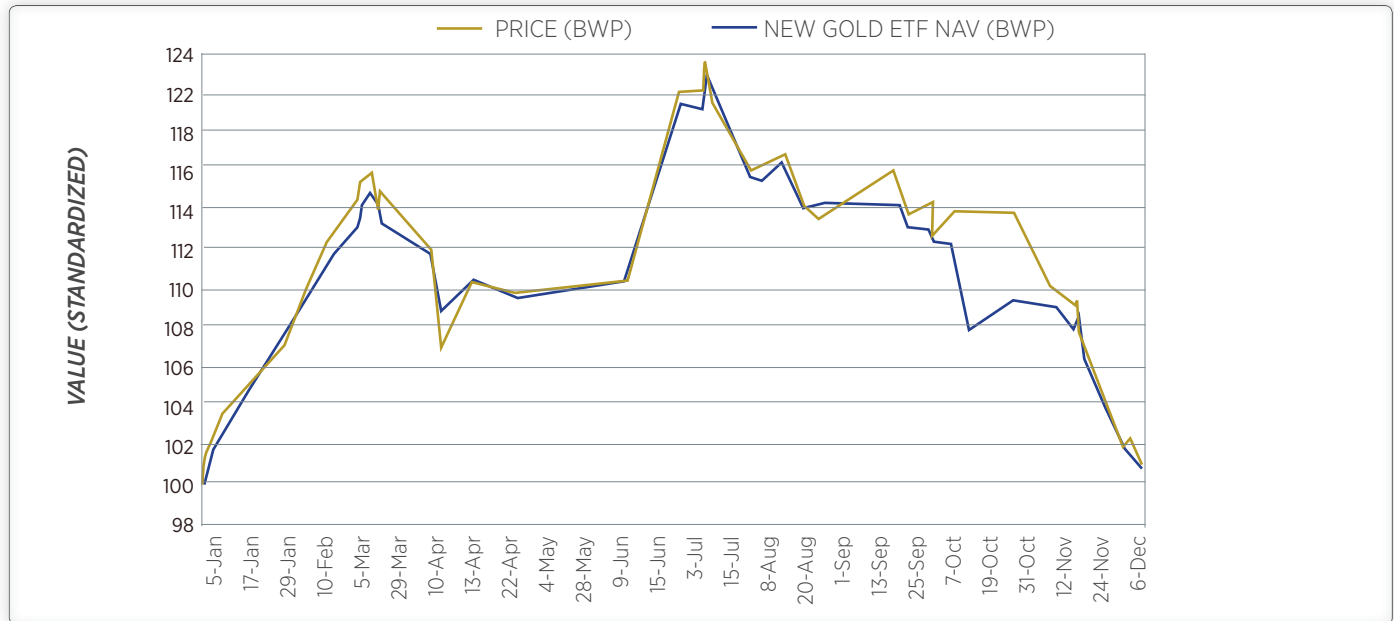
Source: BSE, Absa Capital



CEO's Review (continued)

Figure 19 shows a graphical presentation of the price of the NewGold ETF on the BSE and its 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 during 2016 was 97.4%, an improvement from 87.1% in 2015. This increased correlation may be attributable to higher trading levels of the NewGold EFT on the BSE in 2016 relative to 2015 which could have improved the price discovery.

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



Note: The graph is based only on dates on which the NewGold ETF traded

Source: BSE, Absa Capital

Performance of the CoreShares Equally Weighted Top 40 (EWT40) ETF

In 2016, the CoreShares EWT40 ETF (previously known as BettaBeta) recorded P589, 244 from 15,539 units traded. This was a serious drop compared to the record annual turnover of P427.7 million generated from a total of 10.4 million units in 2015. The reduction in trading activity of the ETF was accompanied by 2.7% depreciation in the price of the ETF on the BSE. The ETF traded at prices ranging between P30.85 and P41.82 per unit.

Figure 20: Trading Activity of the CoreShares EWT40 ETF: 2012 to 2016

CoreShares EWT40 ETF ^{Note}	2012	2013	2014	2015	2016
Turnover (P)	38,876,378	774,890	170,253,020	427,688,318	589,244
Units Traded	1,121,502	20,519	4,023,278	10,439,416	15,539
Unit Price (Pula)	39.35	37.15	38.55	37.70	36.70

Note: The CoreShares EWT40 ETF was previously called the BettaBeta ETF and it was listed in May 2011

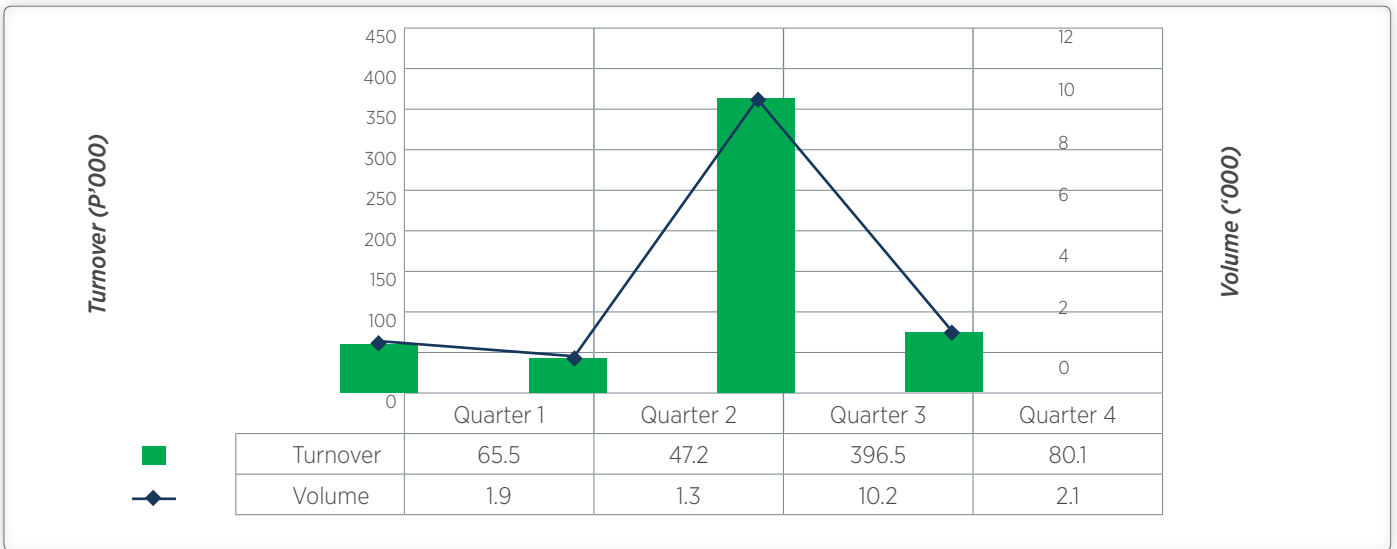
Source: BSE

The quarterly performance of the CoreShares EWT40 ETF is presented in Figure 21.



CEO's Review (continued)

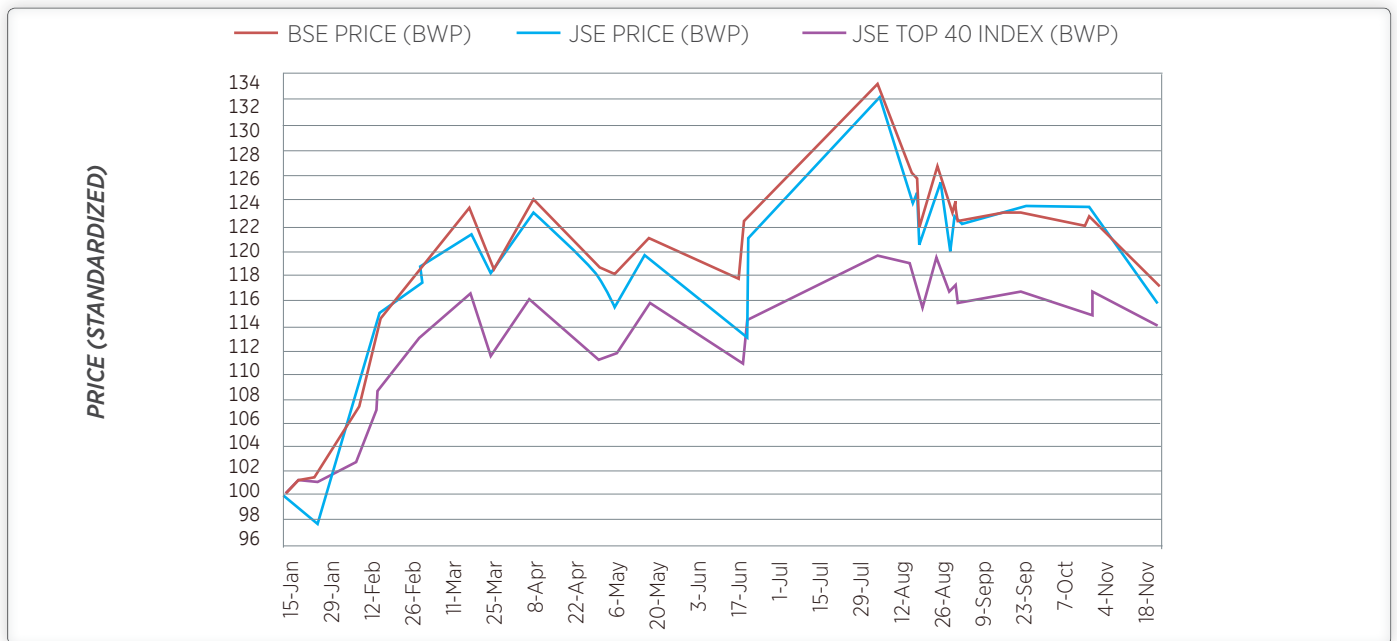
Figure 21: Quarterly Trading Activity of the CoreShares EWT40 ETF: 2016



Source: BSE, Nedbank Capital

The performance of the price of the CoreShares EWT40 on the days that it traded on the BSE is depicted on Figure 22. On the days that the ETF traded on the BSE, the correlation between the BSE price of the ETF and its Pula equivalent price on the JSE amounted to 98.8%. Further, when the BSE price was compared with the JSE Top 40 Index and the Pula equivalent price on the JSE, their correlation amounted to 95.8% as illustrated in Figure 22.

Figure 22: Performance of the CoreShares ETF (BSE Price), the CoreShares ETF (JSE Price) and the JSE Top40 Index (BWP), (in BWP terms)



Source: BSE, I-Net BFA

CEO's Review (continued)

Performance of the NewPlat ETF

During the year under review, the NewPlat ETF registered a turnover of P95.7 million and recorded a volume of 898,418 units. The ETF traded at prices ranging between P97.00 and P112.50 a unit and appreciated by 8.1% in 2016 compared to a depreciation of 12.8% in 2015.

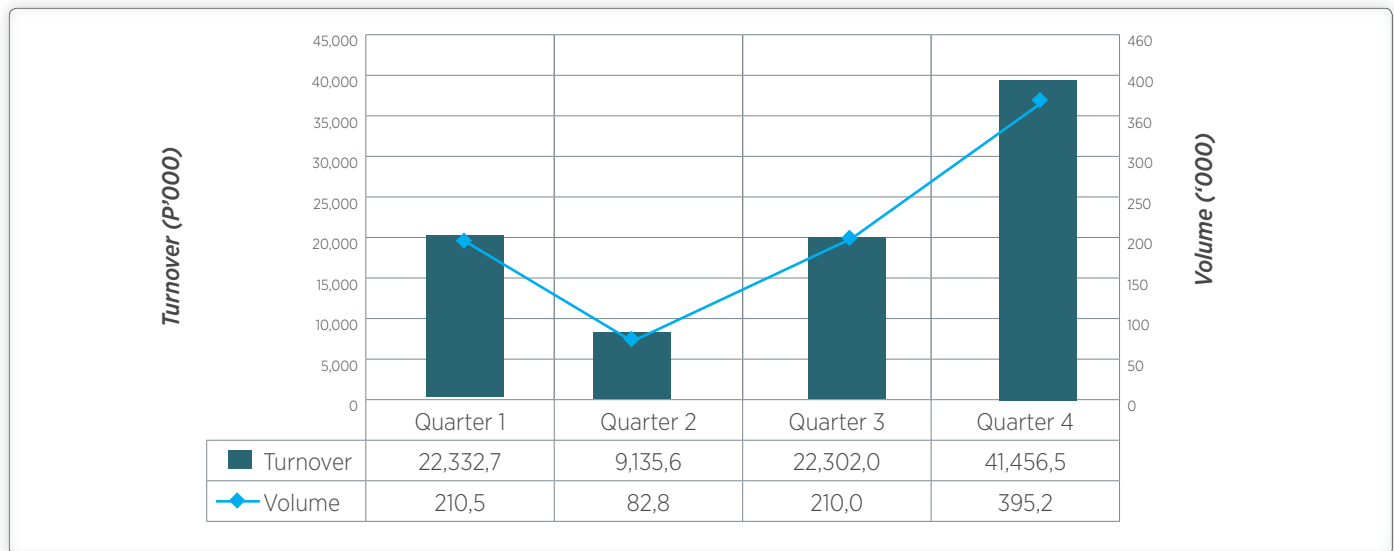
Figure 23: Trading Activity of the NewPlat ETF: 2014 to 2016

NewPlat ETF	2014	2015	2016
Turnover (P)	26,507,435	61,859,814	95,726,798
No. of Units Traded	215,088	554,504	898,418
NewPlat Price (BWP)	111.20	97.00	104.90

Source: BSE

The quarterly trading activity of the NewPlat ETF is presented in Figure 24.

Figure 24: Quarterly Trading Activity of the NewPlat ETF: 2016



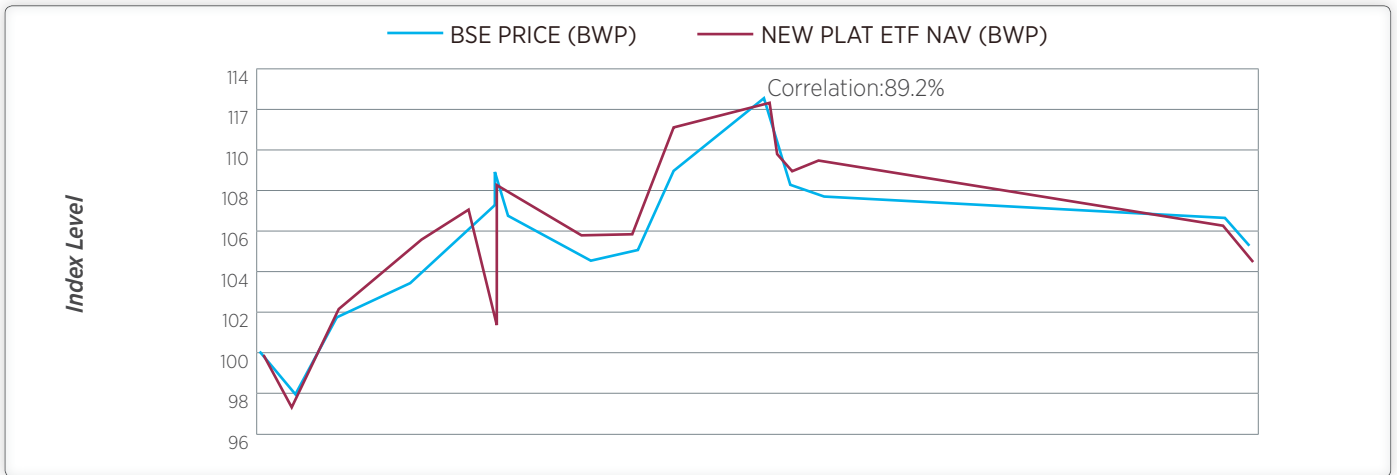
Source: BSE, Absa Capital

The performance of the price of the NewPlat ETF on days that it traded on the BSE is depicted in Figure 25. 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 89.2% in 2016, down from 99.3% in 2015.



CEO's Review (continued)

Figure 25: Performance of the NewPlat NAV (BWP) and BSE Price



Source: BSE, Absa Capital

5.4 Performance of the NewFunds ILBI ETF

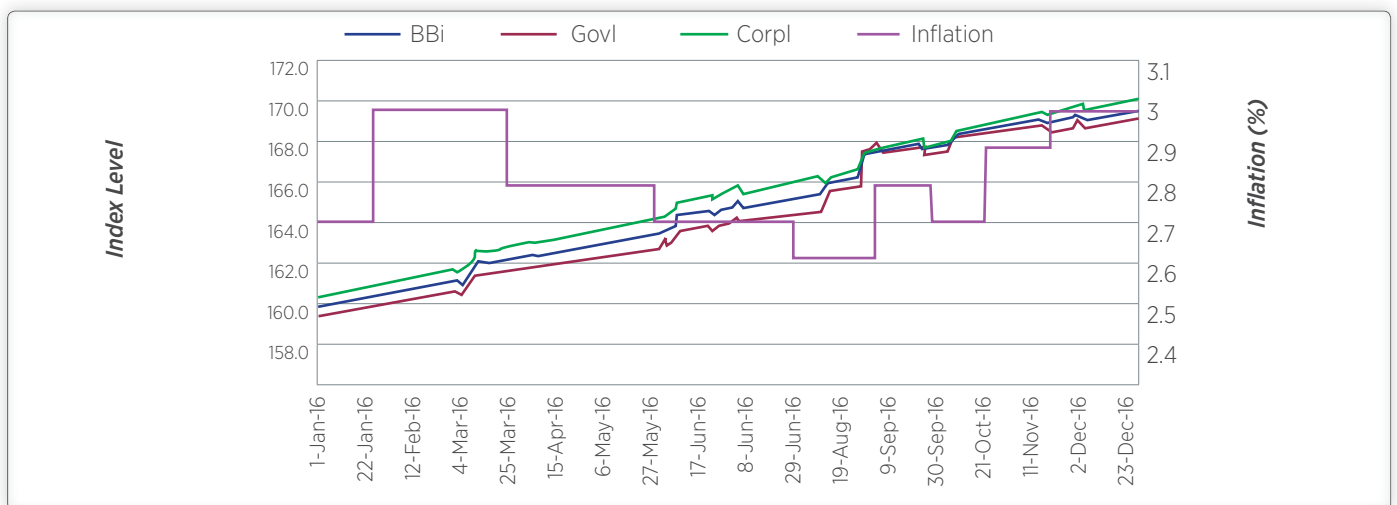
The lack of activity on the NewFunds ILBI ETF which listed on 18 November 2015, on the back of institutional investor demand, is a serious concern for the BSE. The NewFunds ILBI ETF tracks an index that consists of Inflation-Linked Bonds issued by the Republic South African (RSA) Government and therefore gives investors an opportunity to hedge exposure against RSA inflation because its returns always adjust to inflation. This is an attractive feature of the instrument as Botswana imports a significant amount of its tradeables from RSA. Despite this attractive feature of imported inflation protection, particularly to pension funds, the ETF has not yet traded on the BSE. Notwithstanding, the NewFunds ILBI ETF returned 6.6% on the JSE, its primary market, during 2016 which could have translated into an impressive return of 15.3% on the BSE. Our analysis point out that since the ETF gives local investors credit exposure to RSA Government debt, the appetite for the instrument could have been dampened by the political events which followed soon after its listing on the BSE in November 2015 that negatively affected the South African Rand and the economy's sovereign credit outlook.

6. BOND MARKET PERFORMANCE

6.1 Performance of the Botswana Bond Index Series (BBIS)

During 2016, the BBI (a Composite Bond Index) appreciated by 6.1% whereas the GovI (a Government Bond Index) and Corpl (a Corporate Bond Index) registered returns of 6.1% and 6.2% respectively. This was mainly on account of adjustments to the bond yields on government bonds partly due to the reduction of the policy rate. The 3 indices have all outperformed the monthly average inflation rate of 2.8% during 2016. The performance of the indices is detailed in Figure 26.

Figure 26: Performance of the BBIS versus Inflation: 2016



Source: BSE, BoB



CEO's Review (continued)

During 2016, inflation was fairly stable and remained below the Bank of Botswana (BoB) objective range of 3% to 6%. Inflation increased from 2.7% in January 2016 and ended the year at 3.0%. The BoB's Monetary Policy Committee (MPC) adjusted the Bank rate once during 2016. The adjustment was a 50 basis points (0.50%) cut on 12 August 2016 which reduced the Bank Rate to 5.5%.

6.2 Bond Market Turnover

As illustrated in Figure 27, activity in the bond market experienced a decline in 2016 when compared to 2015. The value of bonds traded declined from P858.0 million in 2015 to P483.8 million in 2016. On the brighter side, there was some trading of corporate bonds in 2016 (P37.2 million). This was an improvement when compared to 2015 where corporate bonds had not traded at all.

Figure 27: Analysis of Bond Trades: 2015 and 2016

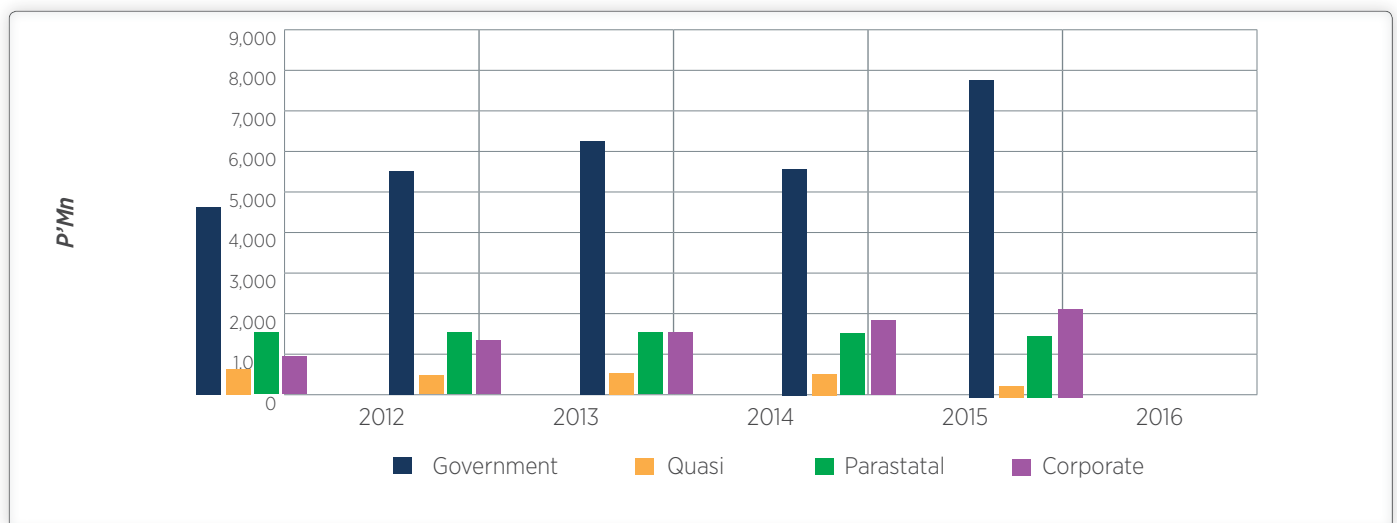
Liquidity (P'Mn)	2015	2016
Government Bonds	858.0	446.7
Corporate Bonds	-	37.2
TOTAL	858.0	483.8
Market Capitalisation (P' Bn)		
Government Bonds	7.6	8.3
Corporate Bonds	2.5	3.9
TOTAL	10.1	12.2
Number of Bonds Listed		
Government Bonds	6	6
Corporate Bonds	32	35
TOTAL	38	41

Source: BSE

6.3 Bond Market Capitalisation and Issuer Profile

There were 41 bonds listed on the BSE as at the end of 2016. This was an increase from the 38 bonds as at the end of 2015. Figure 28 details the growth of the debt market analysed by issuer profile since 2012. The total nominal debt market capitalisation amounted to P12.2 billion in 2016 in comparison to P10.1 billion in 2015. This increase in market capitalisation was attributable to the listing of 6 corporate bonds as well as the tap issuances of the government bonds.

Figure 28: Debt Market Capitalisation (Nominal Values) by Issuer Category: 2012 – 2016



Source: BSE



CEO's Review (continued)

7. MARKET INDICATORS

7.1 Indicators of Value

Commonly used indicators of value in a stock market include the Price Earnings (P/E) ratio, Dividend Yield and Price to Book Value ratio. As it can be seen from Figure 29, the market P/E ratio of the BSE increased in 2016 to 13.4 times from 12.3 times in 2015. Further, the Dividend Yield for the market increased to 4.4% in 2016 from 4.0% in 2015, while the Price to Book ratio declined from 2.2 times in 2015 to 1.8 times in 2016.

Figure 29: Market Indicators Based on Domestic Companies: 2012 - 2016

Domestic Companies	2012	2013	2014	2015	2016
Market indicators					
P/E Ratio (times)	9.2	11.5	13.2	12.3	13.4
Dividend Yield (%)	4.9	4.1	2.2	4.0	4.4
Price/Book Value (times)	2.5	2.7	1.9	2.2	1.8

Source: BSE

7.2 Equity Market Capitalisation

The BSE's domestic companies' market capitalisation stood at P46.6 billion as at the end of 2016, in comparison to P50.2 billion in 2015. This represented a reduction of 7.3%. As a result, the ratio of market capitalisation to Gross Domestic Product (GDP) decreased to 29.6% in 2016 from 34.3% in 2015. Similarly, the ratio of turnover to market capitalisation declined from 6.3% in 2015 to 5.2% in 2016.

Figure 30: Market Capitalization and Relative Performance: 2012 - 2016

	2012	2013	2014	2015	2016
Market Capitalisation					
Domestic Companies (P'Mn)	35,530.8	43,457.6	46,209.9	50,213.9	46,571.96
Foreign Companies (P'Mn)	376,818.2	373,132.8	371,946.8	370,885.3	374,741.23
Total (P'Mn)	412,349.0	413,741.5	418,156.7	421,099.2	421,313.19
Relative Performance					
Domestic Market Cap/GDP (%) ^{Note 1}	32.0	36.9	34.5	34.3	29.6
Turnover/Avg. Domestic Co Mkt Cap (%)	2.6	5.7	4.9	6.3	5.2
Turnover/ Avg. All Co Market Cap (%)	0.2	0.6	0.5	0.7	0.6

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

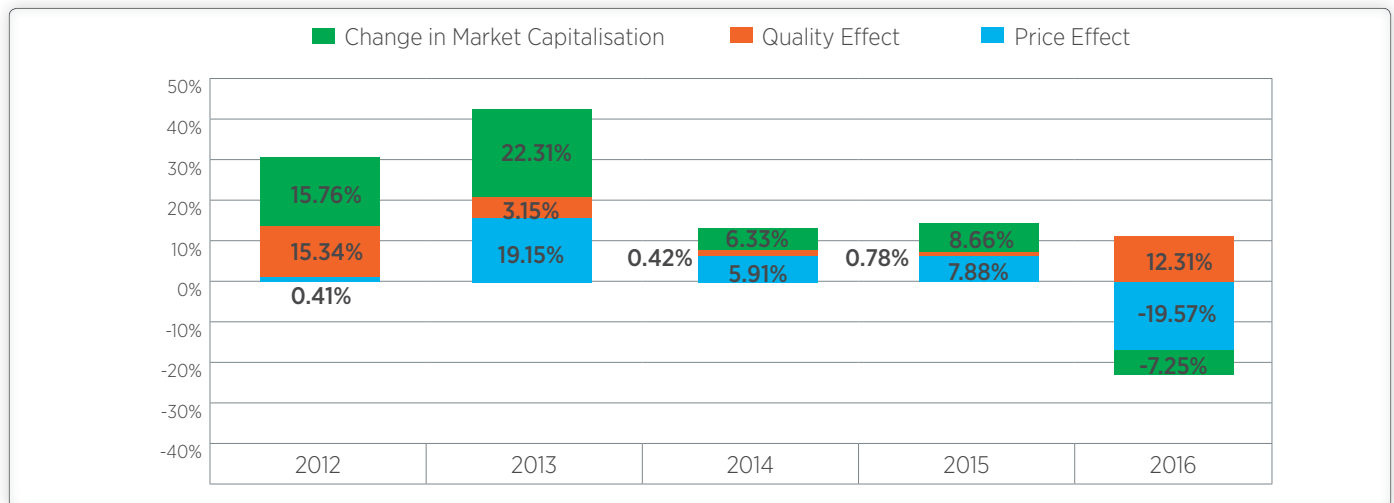
Source: BSE, Statistics Botswana

As can be seen in Figure 31, the increase in market capitalisation in 2015 is attributed to the impact of a price effect of negative 19.6% and a quantity effect of 12.3%. The impact of falling prices outweighed the impact of the two listings that happened in 2016 as well as the impact of additional shares arising from corporate actions.

The price effect contributed 61.4% of the percentage change in market capitalisation in 2016 in comparison to a contribution of 90.7% to the change in market capitalisation in 2015.

CEO's Review (continued)

Figure 31: Estimated Price and Quantity Effect on the Growth of Domestic Market Capitalisation for Equity: 2012 - 2016



Price Effect=Current Quantity* Change in Price/Base Market Capitalisation %

Quantity Effect=Change in Quantity* Base Price/Base Market Capitalisation %

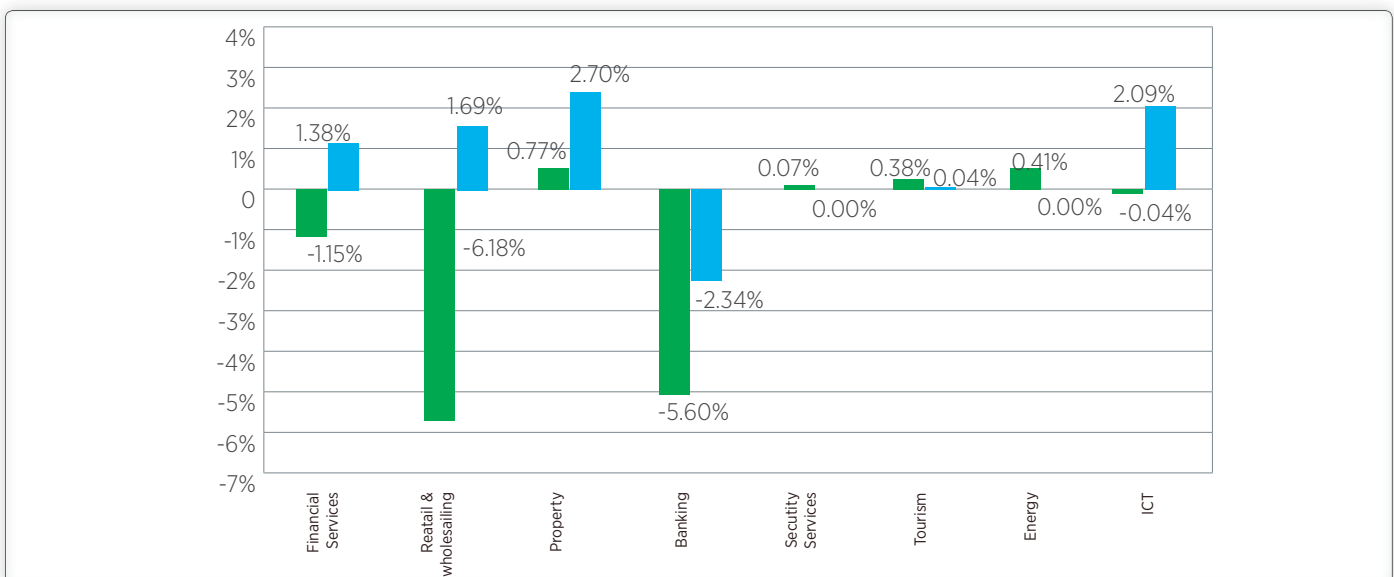
% Change in Market Capitalisation= Price Effect+ Quantity Effect

Source: BSE

The Price and Quantity effects analysis was also done at sector level. This is done 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. At sectoral level, the Property and Energy sectors contributed the largest positive price effects, of 0.8% and 0.4% respectively, to the change in the domestic market capitalisation. On the contrary, Retail & Wholesaling (negative 6.2%) and Banking (negative 5.6%) sectors contributed the least price effects to the growth of domestic market capitalisation.

On the other hand, the Property and ICT sectors provided the largest quantity effects with the former contributing 2.7% and the latter contributing 2.1% to the change of domestic market capitalisation. These contributions were attributable to the listing of BTCL (ICT) and FaR Property Company (Property).

Figure 32: Sectoral Analysis of Estimated Price and Quantity Effect on the Growth of Domestic Market Capitalisation for Equity: 2016



Price Effect=Current Quantity* Change in Price/Base Market Capitalisation %

Quantity Effect=Change in Quantity* Base Price/Base Market Capitalisation %

% Change in Market Capitalisation= Price Effect+ Quantity Effect

Source: BSE



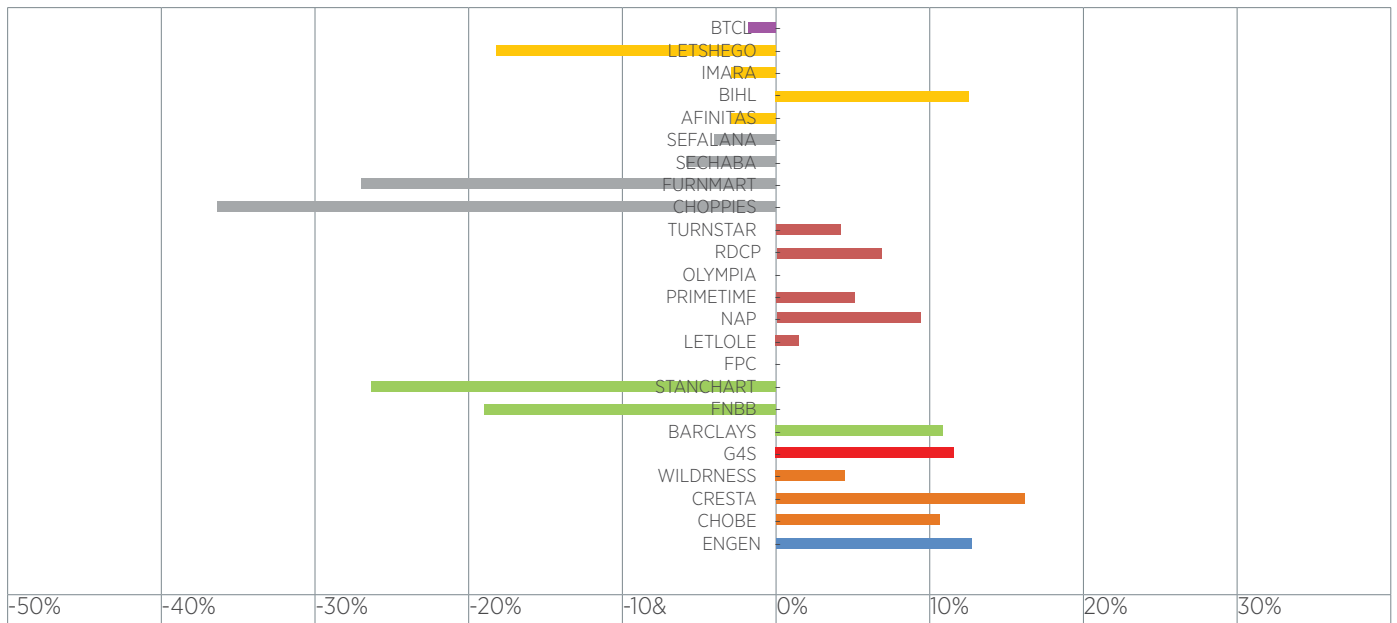
CEO's Review (continued)

7.3 Price Changes for Domestic Companies

As illustrated in Figure 33, the share prices of twelve (12) domestic companies appreciated compared to the sixteen (16) companies in 2015. Further, ten (10) domestic companies recorded declines in share prices in 2016 while the price of two (2) companies remained unchanged.

The Energy, Tourism and Security Services sectors ended the year with all constituent stocks recording gains in share prices. Notably, all the companies in the Retail and Wholesaling sector registered a decline in their share prices. This is consistent with the illustration in Figure 32. Cresta was the highest gainer in 2016 with a share price appreciation of 19.6% in 2016.

Figure 33: Price Changes of the Domestic Companies: 2016



Source: BSE

8. COMPARISON WITH SELECTED MARKETS

8.1 Relative Valuations

As already alluded to, the BSE's Price Earnings ratio (P/E Ratio) closed the year 2016 at 13.4 times, an increase from 12.3 times in 2015. The P/E ratios of both the JSE and the SEM also increased over the past year to 22.8 times and 16.4 times, respectively. Compared to the two stock exchanges, the BSE is cheaper on relative terms using the P/E ratio as a basis for comparison.

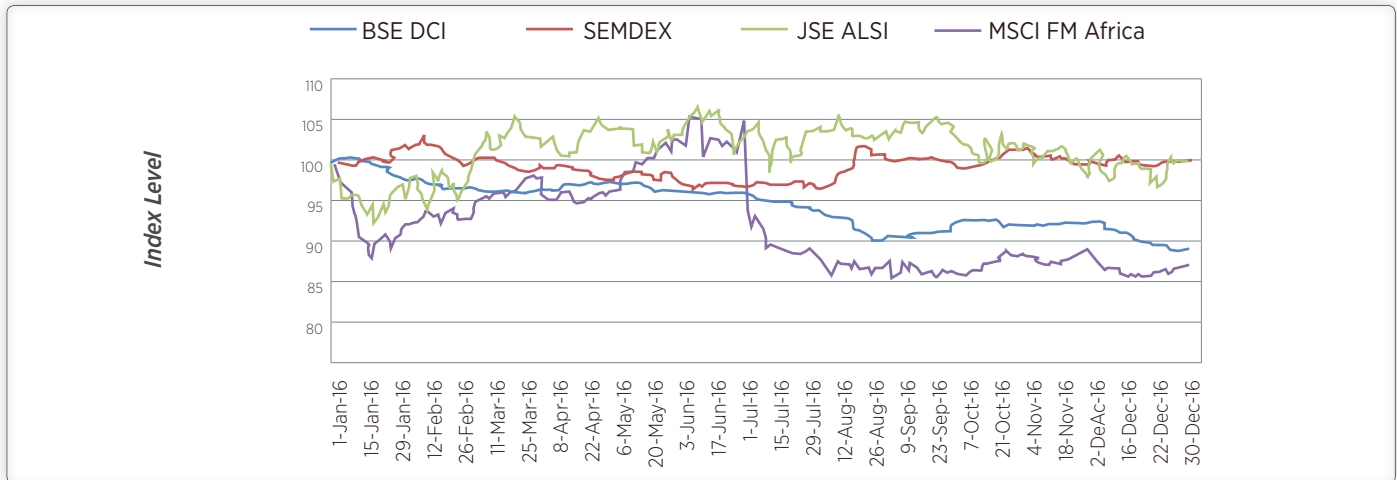
Figure 34: Comparative Performance with other SADC Stock Exchanges: 2015 and 2016

	Index Change (%)		P/E Ratio (times)	
	2015	2016	2015	2016
Johannesburg Stock Exchange	1.9	(0.1)	19.3	22.8
Stock Exchange of Mauritius	(12.7)	(0.1)	11.8	16.4
Botswana Stock Exchange	11.6	(11.3)	12.3	13.4

Source: BSE, I-Net BFA

CEO's Review (continued)

Figure 35: Comparative Performance of DCI with other African Markets and MSCI Frontier Markets Africa Index standardised as at 1 January 2016: (Domestic Currencies)

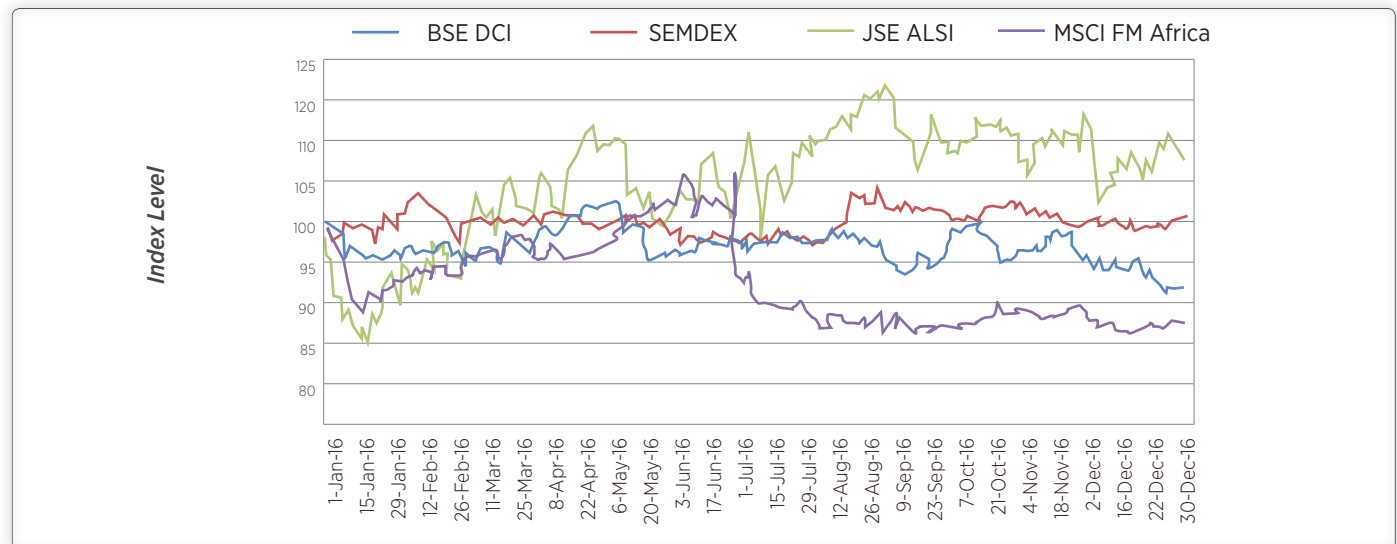


Source: BSE, I-Net BFA

As shown in Figure 35, it can be seen that 2016 was generally not a good year for the indices under review. The MSCI Frontier Markets (FM) Africa index depreciated by 11.2% in 2016 while the DCI lost 11.3%. On the other hand, the JSE ALSI and the SEMDEX both declined by 0.1%.

Figure 36 depicts the comparative performance, in US dollar terms, of the BSE and its regional counterparts. Owing to the Rand's 12.9% appreciation against the US Dollar in 2016, the JSE ALSI benefited solely from the Rand movement and appreciated by 12.9% in US Dollar terms while the SEMDEX registered a 0.4% loss in US Dollar terms. Further, owing to the Pula's 5.5% appreciation against the US dollar in 2016, the DCI registered a 6.5% loss in US Dollar terms ahead of the 11.2% depreciation of the MSCI FM Africa index.

Figure 36: Comparative Performance of DCI with other African Markets and MSCI Frontier Markets Africa Index standardized as at 1 January 2016: (US Dollar)



Source: BSE, I-Net BFA

As detailed in Figure 37, the DCI has recovered 54.8% since 13 May 2009, the point at which the index bottomed subsequent to the financial crisis.



CEO's Review (continued)

Figure 37: Comparative Performance of Indices since the Financial Crisis

INDEX	Steepest Decline since 13-Sep-2008		Recovery to 30-Dec-16		13-Sep-08 to 30-Dec-16	Jan-Dec 2016
JSE ALSI	↓ 32.0	20-Nov-08	↑ 184.3		93.7	(0.1)
SEMDEX	↓ 44.4	03-Mar-09	↑ 96.6		9.3	(0.1)
DCI	↓ 24.4	13-May-09	↑ 54.8		16.3	(11.3)
FCI	↓ 57.6	12-May-09	↑ 45.8		(38.7)	(0.3)

Source: BSE, I-Net BFA

8.2 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 2011 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 2011 is presented in Figure 38 and Figure 39.

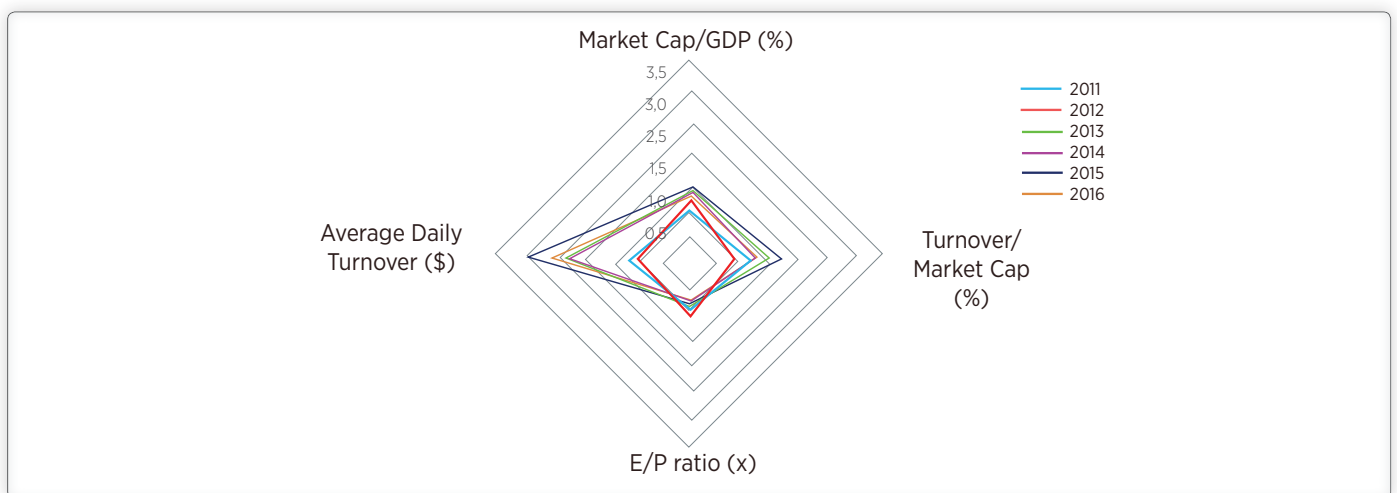
Figure 38: BSE Footprint in Relation to 2011

INDICATOR	2011	2012	2013	2014	2015	2016
Market Cap/GDP (%)	1.00	1.16	1.15	1.16	1.24	1.08
Turnover/Mkt Cap (%)	1.00	0.79	1.70	1.41	1.91	1.47
E/P Ratio (x)	1.00	1.10	0.88	0.77	0.83	0.76
Average Daily Turnover (P)	1.00	0.89	2.30	2.17	3.01	2.51
Area of footprint	2.00	1.90	4.07	3.45	5.07	3.66
Relative Area of Footprint in relation to 2009 (x)	1.00	0.95	2.03	1.72	2.54	1.83

Source: BSE, Statistics Botswana

As can be seen from Figure 38 and Figure 39, the BSE's footprint for 2016 relative to 2011 was lower than the footprint for 2015 relative to 2011. A lower growth was registered across all the variables used in the computation.

Figure 39: BSE Footprint: 2011 to 2016



Note : 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

CEO's Review (continued)

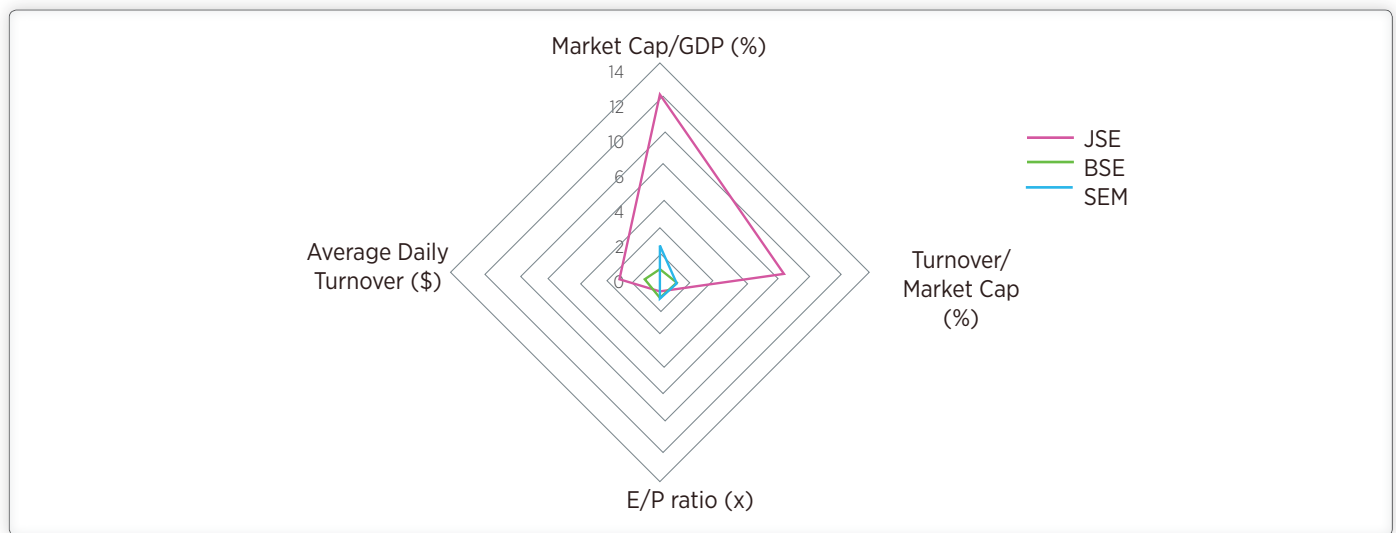
Figure 40 and Figure 41 detail the footprint of the BSE in relation to the footprint of the JSE and SEM in 2016. Owing to the continued upward trend of the BSE's turnover, we continue to see consistent improvement in the footprint of the BSE relative to the SEM. Given the relative strength of the turnover in 2015, it is not surprising that the size of the SEM relative to the size of the BSE has reduced substantially. In 2016, the SEM was 3.51 times the size of the BSE, down from 3.71 times in 2015.

Figure 40: BSE Footprint Relative to JSE & SEM: 2016

INDICATOR	BSE	JSE	SEM
Market Cap/GDP (%)	1.00	12.16	2.17
Turnover/Mkt Cap (%)	1.00	8.45	0.95
E/P Ratio (x)	1.00	0.59	0.82
Average Daily Turnover (\$)	1.00	1,666.02	1.40
Area of footprint	2.00	10,668.99	3.51
BSE footprint in relation to JSE and SEM (%)	100.00	0.02	56.96

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

Figure 41: BSE Footprint in Relation to JSE & SEM: 2016



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

As illustrated in Figure 42 below, the percentage footprint of the BSE relative to the footprint of SEM was 56.96% in 2016, an increase from 53.97% in 2015. Conversely, the percentage footprint of the BSE relative to the JSE decreased from 0.04% in 2015 to 0.02% in 2016.

Figure 42: BSE Footprint in Relation to JSE & SEM: 2011 to 2016

	2011	2012	2013	2014	2015	2016
BSE relative to SEM (%)	24.44	35.07	72.76	34.72	53.97	56.96
BSE relative to JSE (%)	0.01	0.01	0.03	0.03	0.04	0.02

Note: GDP figures for South Africa and Mauritius are based on International Monetary Fund (IMF) revised GDP estimates for the respective countries

Source: BSE, Statistics Botswana



CEO's Review (continued)

9. PRIMARY MARKET

9.1. Equity

Two of the major achievements in 2016 with respect to the domestic equity market were the successful IPOs and subsequent listing of Botswana Telecommunications Corporation Limited (BTCL) and Far Property Company Limited (FaR) on the domestic main board where the companies raised P462.0 million and P205.6 million respectively.

BTCL listed on 8 April 2016 whereas FaR listed on 4 May 2016. These two listings increased the number of listed domestic companies to 24 bringing the total number of listed companies to 34. The listing of BTCL, which is owned 49% by Batswana including BTCL employees, marked the first successful privatisation of a State Owned Entity (SOE). The IPO attracted a record number of new local investors amounting to over 48,000, a majority of whom were first time retail investors on the BSE. As a result, the number of investors on the BSE amounted to 78,837 as at the end of December 2016. This is evidence of increasing participation of local investors in the stock market.

During the period under discussion, no company delisted from BSE.

9.2. Bonds

During the year 2016, BoB, on behalf of Government, held four bond auctions.

At the bond auction on 4 March, additional tranches of the BW005 (P50 million), BW007 (P87 million), BW008 (P100 million), BW011 (P150 million) and BW012 (P100 million) bonds and a Treasury Bill of P500 million were offered. All of these tranches were oversubscribed and fully allotted.

At 3 June Government bond auction, during which P90 million was raised, four bonds were reopened and a P500 million Treasury Bill was issued. The bonds reopened were BW005 (P100 million allotted), BW007 (P99 million allotted), BW008 (P108 million allotted) and BW012 (P100 million allotted).

On 2 September 2016, a T-Bill was issued along with additional tranches of five Government bonds. The T-Bill offered amounted to P500 million and it was fully allotted. The reopening of the five Government bonds were on account of BW005 (P200 million), BW007 (P33 million), BW008 (P145 million), BW011 (P87 million) and BW012 (P99 million) and were all oversubscribed although only the BW005 was fully allotted.

On 4 December 2016, Government raised P944 million after issuing a T-Bill (P500 million) and additional tranches of four bonds, all of which were oversubscribed. However, only the BW012 was fully allotted. The Government bonds reopened were BW005 (P120 million), BW008 (P128 million), BW011 (P46 million) and BW012 (P150 million).

Furthermore, six new corporate bonds from three issuers were listed on the BSE in 2016. These raised a total of P652.1 million. The issuers were PrimeTime Property Holding Limited, Botswana Development Corporation and First National Bank Botswana.

PrimeTime Property Holding Limited (PTP) listed three bonds in 2016. Two of these, PTP021 (P56 million) and PTP024 (P49 million), were listed on 29 June 2016. The PTP021 is a floating rate bond that pays a semi-annual coupon of Prime Lending Rate plus 50 basis points (0.50%) while the PTP024 carry an 8.50% fixed rate coupon. Moreover, the PTP021 and PTP024 were reopened on 10 December where an additional P40 million and P10 million were issued, respectively. Lastly, a 10 year bond, PTP026 was issued on 29 November 2016 and it carries a fixed coupon rate of 9.0% and the coupon is paid semi-annually.

Botswana Development Corporation (BDC) raised P225.26 million when it issued the BDC001. The BDC001 was issued on 9 June 2016 but was listed on the BSE on 30 June 2016. The bond is a floating rate that pays a coupon of Prime Lending Rate plus 2.25%.

First National Bank Botswana (FNBB) also listed two bonds on 6 December 2016, the FNBB007 (P161.84 million) and FNBB008 (P40 million), both maturing on 1 December 2026. The FNBB007 is a floating rate bond that pays a quarterly interest of Bank Rate plus 1.80% whereas FNBB008 carries a fixed coupon rate of 7.48% that is paid semi-annually.

Two bonds matured during the year, being the Quasi-Government bond DPCF004 (P220 million) and Botswana Building Society's BBS02 (P140 million), while the SBBL056 (P50 million) issued by Stanbic Bank Botswana Limited was redeemed on 1 August 2016 due to its call feature ahead of its maturity date of 13 June 2021.

On the back of the tap issuances and new bond issuances, the market capitalization of BSE listed bonds increased to P12.2 billion compared to P10.1 billion as at the end of 2015. Further, the number of listed bonds increased from 38 in 2015 to 41 bonds in 2016.

CEO's Review (continued)

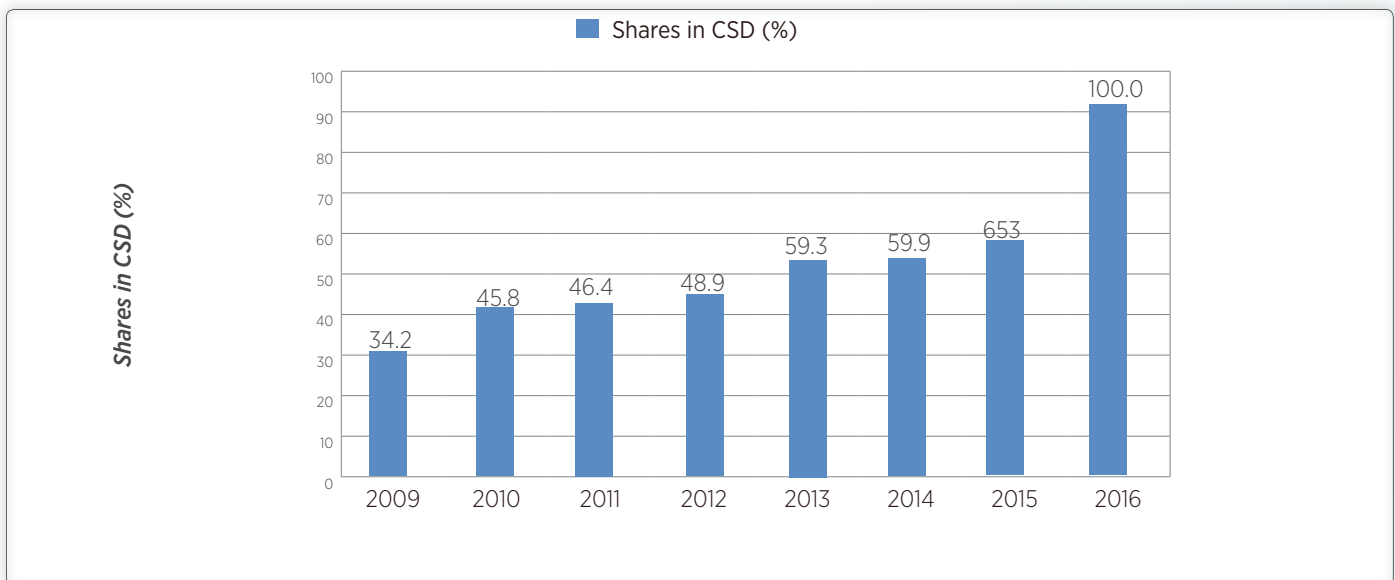
10. DEPARTMENTAL REVIEWS

10.1 Central Securities Depository Botswana (CSDB)

10.1.1 Dematerialisation Status of Shares

As at 30 December 2016, 100.0% of shares of domestic companies were deposited into the CSD system compared to 65.3 % in 2015.

Figure 43: Dematerialisation Status of Domestic Companies: 2009 to 2016



Source: CSDB

Following the lapse of the extension of the dematerialisation deadline on 31 March 2016, all the outstanding shares were deposited and dematerialised into a non-trading omnibus CSD account under the issuer's name in line with the regulator's (NBFIRA) directive to achieve 100% dematerialisation. From now on, the respective shareholder will have to open CSD accounts in order to be able to trade in these shares.



CEO's Review (continued)

The dematerialisation status of domestic companies and foreign companies are outlined in Figure 44 and Figure 45 below.

Figure 44: Dematerialisation Status of Domestic Companies: 2015 and 2016

Security	2015	2016		
	% of Shares in CSD	Number of Shares in Issue	Number of Shares Deposited into CSD	% of Shares in CSD
Barclays	30.1%	852,161,252	852,161,252	100.0%
BIHL	98.0%	281,070,652	281,070,652	100.0%
BTCL	Not listed	1,050,000,000	1,050,000,000	100.0%
Chobe	50.6%	89,439,642	89,439,642	100.0%
Choppies	98.5%	887,816,299	1,291,628,341	100.0%
Cresta	94.0%	184,634,944	184,634,944	100.0%
Engen	29.2%	159,722,220	159,722,220	100.0%
FNBB	29.0%	2,563,700,000	2,563,700,000	100.0%
FPC	Not listed	380,000,000	380,000,000	100.0%
Furnmart	23.0%	606,446,080	606,446,080	100.0%
G4S	28.0%	80,000,000	80,000,000	100.0%
Letshego	98.7%	2,134,763,925	2,134,763,925	100.0%
Olympia	15.8%	28,600,000	28,600,000	100.0%
Primetime	77.4%	179,890,200	179,890,200	100.0%
RDCP	99.6%	347,547,222	347,547,222	100.0%
Sechaba	81.3%	133,014,875	133,014,875	100.0%
Sefalana	95.0%	250,726,709	250,726,709	100.0%
StanChart	97.8%	298,350,611	298,350,611	100.0%
Turnstar	94.2%	572,153,603	572,153,603	100.0%
Imara	93.7%	59,494,301	59,494,301	100.0%
Wilderness	98.6%	106,235,260	106,235,260	100.0%
NAP	20.0%	604,397,124	604,397,124	100.0%
Letlole	98.8%	280,000,000	280,000,000	100.0%
Afinitas	100.0%	213,946,250	213,946,250	100.0%
NewGold	100.0%	2,250,000	2,250,000	100.0%
Coreshares	100.0%	3,830,000	3,830,000	100.0%
NewPlatinum	100.0%	2,100,000	1,900,000	100.0%
NewFunds	100.0%	1,000,000	4,400,000	100.0%
MARKET	65.3%	12,354,066,225	12,354,066,225	100.0%

Source: CSDB



CEO's Review (continued)

Figure 45: Dematerialisation Status of Foreign Companies: 2015 and 2016

Security	2015	2016		
	% of Shares in CSD	Number of Shares on Botswana Registry	Number of Shares Deposited into CSD	% of Shares in CSD
A-Cap Resources	65.0	663,327	663,327	100.0
Botswana Diamonds	82.1	4,327,870	4,327,870	100.0
Galane Gold	100.0	130	130	100.0
Lucara Diamonds	99.4	15,807,970	15,807,970	100.0
African Energy	86.1	1,966,492	1,966,492	100.0
Shumba	88.4	229,270,843	229,270,843	100.0
Magnum	100.0	5,300,000	5,300,000	100.0
MARKET	89.7	257,336,632	257,336,632	100.0

Source: CSDB

As at the end of 2016 dematerialisation of foreign company shares in the Botswana registry was 100.0% in comparison to 89.7% in 2015.

10.1.2 Progress on Account Opening

Owing to the contribution of the IPO of BTCL, the number of authorised accounts opened by clients in the CSD more than doubled from 28,122 in 2015 to 78,837 in 2016. The IPO attracted over 48,000 new investors to the BSE, most of which are Botswana retail investors. This development led to an increase of more than 227% in the total number of local retail investors from a total of 21,980 to 71,997 investors.

Figure 46: Status of CSD Accounts as at December: 2015 and 2016

Client Classification	2015		2016	
	Total	% of Total	Total	% of Total
Foreign Companies	2,505	8.9	3,840	4.9
Foreign Individuals	546	4.6	639	1.8
Foreign Residents	1,298	1.9	1,434	0.8
Foreign Juniors	73	0.3	74	0.1
Local Companies	1,720	6.1	853	1.1
Local Individuals	20,667	73.5	64,006	81.2
Local Juniors	1,313	4.7	7,991	10.1
Total	28,122	100.0	78,837	100.0

Source: CSDB



CEO's Review (continued)

10.1.3 CSDB Client Holdings

Figure 47 illustrates that local companies which are largely local institutional investors continue to dominate the holdings on the CSD. Their holdings increased from 66.0% as at the end of 2015 to 69.4% at the end of 2016.

Figure 47: CSDB Client Holdings by Client Category

Client Suffix	2015	2016
Local Company	66.0%	69.4%
Foreign Company	23.7%	20.6%
Local Individual	8.9%	8.8%
Other Clients	1.4%	1.2%
Total	100.0%	100.0%

Source: CSDB

As detailed in Figure 48, local citizens dominated the overall holdings on the CSD. Compared to US citizens, UK citizens invested more on the local bourse, a trend that was also prevalent in 2015.

Figure 48: CSDB Client Holdings by Geography

Client Domicile	2015	2016
Local Citizens	74.9%	79.2%
US Citizens	3.6%	2.0%
UK Citizens	6.3%	3.1%
SADC Region	3.9%	7.4%
Other Regions	11.3%	8.2%
Total	100.0%	100.0%

Source: CSDB

10.2 MARKET DEVELOPMENT

10.2.1 Market Development Strategies to Attract Local Retail Investors

BSE undertook the following initiatives in 2016 which were aimed at improving investor participation in the stock market by way of enhancing financial literacy and raising awareness about investment opportunities on the BSE.

- 1. Publication of an educational brochure:** The brochure titled *"How to invest on the Botswana Stock Exchange" / "Mefuta ya Dipeeletso mo Botswana Stock Exchange"* is written in both Setswana and English.
- 2. Open Days:** These were held in Francistown and Maun on 4 of August, 2016 and 1 of September 2016, respectively. The two events collectively attracted over 900 members of the public and were a platform for BSE to interact with and educate members of the public about BSE products and the listings value proposition.





CEO's Review (continued)

3. Public presentations at various institutions, exhibitions and trade fairs around the country.

As detailed in Figure 49, 2,988 members of the public attended the public events conducted by BSE in 2016, including the 2 Open Days. These outreach initiatives have certainly yielded positive results as the contribution to turnover by local retail investors has increased from 2.4% in 2015 to 4.1% in 2016 as already alluded to.

Figure 49: Presentations Conducted by the BSE: 2016

Date	Organisation	Place	No. of Participants
24/Feb/2016	Botswana Qualifications Authority	Gaborone	31
18/Mar/2016	Stepping Stones	Gaborone	62
22/Mar/2016	Ministry of Finance and Development Planning Workshop	Gaborone	45
05/Apr/2016	Botswana Defence Force (BDF)	Gaborone	37
06/Apr/2016	University of Botswana - Market Expo	Gaborone	289
26/Apr/2016	Diamond Trading Company Botswana (DTCB)	Gaborone	47
19-20 /May/2016	Diamond Trading Company Botswana (DTCB) Workshop Day 1 and 2	Gaborone	206
23-27 /May/2016	Youth Business Expo	Gaborone	364
30/May/2016	The Brighter Side Life Coaching Men's Empowerment Workshop	Jwaneng	38
04/Aug/2016	BSE Open Day	Francistown	642
22-28 /Aug/2016	Consumer fair	Gaborone	94
01/Sep/2016	BSE Open Day	Maun	334
22/Nov/2016	Botswana Defence Force (BDF)	Gaborone	26
07/Dec/2016	St. Joseph's College Boot Camp	Gaborone	773
TOTAL			2,988

Source: BSE

10.2.2 Radio Programmes and Social Media

In the just ended year, BSE continued to reach out to the public through available platforms such as newspapers, radio and social media to educate, engage and disseminate information. Some of the platforms are as follows:

- 1. Radio Programmes:** BSE conducted a programme called "*Understanding the Stock Market*" on RB2 every Thursday between 1830 hours and 1845 hours for the whole year. Further, the BSE presented market performance on RB1 (*Sefalana Sa Papadi* - every Monday at 630am, *Tsele le Tsele* - every Friday at 5pm), RB2 (on *The Easy Drive* - every Friday at 4pm) and on Gabz FM's *Business Show* every Wednesday at 6pm.
- 2. Social Media platforms:** Facebook (Botswana Stock Exchange), Twitter (@TheOfficialBSE), YouTube (Botswana Stock Exchange) and LinkedIn (Botswana Stock Exchange) were launched in 2016. These are aimed at promoting further reach and promoting accessibility of information to investors whilst also enhancing the connectivity of BSE with the investor community. Botswana continue to satisfactorily interact with BSE through these platforms, with the Facebook page being the most popular platform. By the end of 2016 the page had 11,124 likes.



CEO's Review (continued)

10.2.3 Finance and Investment Senior Secondary Schools Competition

BSE held the 4th annual Finance and Investment Senior Secondary Schools Competition in August 2016. Invitations were extended to all senior secondary schools, both private and public, in Botswana. During the competitions, 12 schools participated in the finals of the competition in comparison to 8 and 10 schools that made it to the finals in 2014 and 2015 respectively. The competition is intended to instill and nurture financial literacy from an early age. Going forward, BSE intends to lobby for the inclusion of the capital market subjects in both the primary and secondary school curriculum.



10.2.4 Corporate Social Investment (CSI)

The BSE CSI Policy strives to drive the BSE closer to the people in a bid to generate much needed publicity and brand equity. We recognise that the achievements of the organisation do not only hinge on realising its long-term vision to strategically position itself as world-class securities exchange, but to also foster the right partnerships from a corporate social investment standpoint in order to enhance our standing within the community in which we operate. To achieve this, the BSE has incorporated a number of initiatives that focus on five (5) key areas; Education, Entrepreneurship, Community Development, Health and Environmental/Sustainability issues. In 2016, the following CSI initiatives were pursued:

1. **The inaugural annual Health, Fitness and Investment Drive:** This was held under the theme *"Investing in your Wealth and your Health"* and was co-hosted in partnership with the Ministry of Youth Empowerment, Sport and Culture Development. The overall aim of the BSE Health, Fitness and Investment Drive was to engage with the nation and celebrate the momentous achievements Botswana has made since Independence during the Golden Jubilee year. The Health, Fitness and Investment Drive sought to also educate the public about the importance of investing, as the well to teach participants about the significance of one's health.



CEO's Review (continued)

- 2. Adopt-A-School initiatives:** BSE continued to assist its adopted schools, being Boitumelo Primary school in Sebele and Xakao Primary School in Shakawe through sponsoring their end of year prize-giving ceremonies. For these events, BSE purchased gifts for the best performing students in each grade and also provided meals and refreshments for the student body, parents and other distinguished guests who attended the respective ceremonies.



10.2.5 Attracting Companies to List on the BSE

In an effort to attract and increase the number of listings, the BSE undertook the following initiatives:

- 1. The inaugural Listings and Investment Conference:** The Conference was held on 10 March, 2016. The aim of the Conference was to open up BSE to the business community and attract private companies with the potential to list on the BSE, listed companies and experts in the capital market to discuss the value added to a private company by a listing on a stock exchange, the listing process and listings requirements. The Conference also availed a platform for listed companies to share lessons on how they created value through listing and how they leveraged on their listing to expand their services and product offerings to markets outside Botswana. The Conference was attended by over 250 delegates including 130 small, medium, and large enterprises that are not listed but have the potential to list in the short, medium to long term.
- 2. Listings Seminars:** As a follow up to the Conference, the BSE held a Listings Seminar in August 2016 which was attended by 80 delegates. The attendants included representatives from 27 companies with the potential to list on the bourse. The aim of the seminar was to further educate companies about the benefits of listing on the BSE and give them an opportunity to engage very closely with capital market intermediaries such as lawyers, brokers and investment banks. The companies also got the opportunity meet the Chief Executive Officers (CEOs) of listed companies and obtain first-hand experience and insights about the transition from a private to a publicly-listed company.

Certainly, the Conference and the follow up seminar have started bearing fruits as companies are showing interest to list. Furthermore, the BSE has put together a Listings Task Force that is responsible for interacting with many other potential candidates for listing at a more strategic and impact-oriented level. The Task Force is also looking across other products such as debt instruments and exchange traded products as well as necessary reforms to create an enabling environment.





CEO's Review (continued)

10.3 INFORMATION TECHNOLOGY

10.3.1 Business Continuity Plan

Business Continuity Management (BCM) has become an essential management practice in today's business world. Amongst other elements, a successful BCM programme includes the development and testing of well-defined and structured business continuity strategies and associated plans.

During the year under review, the BSE developed and concluded its consolidated Business Continuity Plan (BCP) to provide guidance in terms of the processes and procedures needed for BSE urgent/critical management operations following an unplanned business disruption. The plan was approved by the BSE Main Committee on 2 December 2016 and it specifically caters for a worst-case scenario affecting the following critical business enablers:

- Resources;
- Equipment;
- Site (Buildings);
- Computing (i.e. IT systems/applications/data);
- Utilities; and
- External (Third parties)

Plans are underway to conduct the live testing of the BCP at the BSE's disaster recovery site in Phakalane. The BCP will facilitate the BSE's response to and recovery from unforeseen disasters or emergencies as effectively as possible. The Plan is expected to improve the Thomas Murray Ratings of the CSDB. It is also expected to improve the CSDB's compliance with IOSCO Principles or Principles for Financial Markets Infrastructure (PFMIs) due to a reduction in operational risk and a subsequent improvement in operational viability.

10.3.2 Revamping of BSE Website and the Development of an Integrated Data Analysis and Reporting (DARS)

The Exchange is undertaking a project to revamp the website and this will help promote information reach and visibility of the BSE and its listed issuers. Furthermore, the BSE intends to build the Integrated Data Analysis and Reporting System (DARS) around the new website. The DARS will aggregate data from other systems as well as from manual sources and then feed this data into the revamped website and other digital delivery channels, including RSS (live website feeds), email and SMS. This project includes the creation of a Market Data Mobile Application (Android and iOS compliant) that will be used to disseminate different market related information to investors and institutions. The project is expected to conclude in the second half of 2017.

10.4 PRODUCT DEVELOPMENT

10.4.1 Membership of World Federation of Exchanges (WFE)

The BSE became an Affiliate Exchange of the WFE effective June 2016 and this membership is an important element of the BSE's internationalisation strategy that aims to position the BSE as a world class Stock Exchanges in line with its 5 year Strategic plan. The affiliation with the WFE will help the BSE promote the integrity of the domestic capital market and align our domestic capital market standards with international best practice. Furthermore, the BSE intends to utilise its affiliation with the WFE to position the BSE as the ideal investment destination leveraging on Botswana's competitive advantages and to lure global fund managers and sovereign wealth funds with frontier and emerging market investment strategies. As time goes on, the BSE will apply for full membership of WFE and this is contingent on NBFIRA becoming a full member of the IOSCO. Currently, NBFIRA is an Affiliate Member of IOSCO.

10.4.2 Commitment to the United Nations Sustainable Stock Exchanges (SSE) Initiative

In July 2016, the BSE was officially announced as a Partner Exchange of the United Nations Sustainable Stock Exchange (SSE) initiative at the World Investment Forum on Green Finance that took place in Nairobi, Kenya. In the current era, there is an increasing pool of global investors with mandates for sustainable investments and this is one way of affirming to all investors that we are indeed a platform for raising funds for sustainable development projects. The SSE initiative is a peer-to-peer learning platform for exploring how exchanges, in collaboration with investors, regulators, and companies, can enhance corporate transparency and ultimately performance on Environmental, Social and Corporate Governance (ESG) issues and encourage sustainable investment. In the coming year, the BSE will develop strategies to promote sustainability in the domestic capital market. In October 2016, the BSE signed the Marrakech Pledge for "Fostering Green Capital Markets in Africa" along with other stock exchanges and regulators in Africa.

CEO's Review (continued)

10.4.3 Developing the Bond Market

The BSE undertook the following initiatives that are instrumental in progressing development of the bond market:

1. **The Bond Market Conference 2016:** The BSE partnered with the Botswana Bond Market Association (BBMA) to co-host the Bond Market Conference which was held on 6 October 2016 under the theme "The Bond Market-A Pillar of the Economy". The Conference attracted over 200 delegates, including local and international bond market participants, who discussed topical issues about the domestic bond market as well as formulated solutions to the issues unique to the market. The common standpoint shared by the delegates was that there is need to address the inefficiencies brought about by having two bond market platforms in one small



economy.

2. **Centralisation of Trading, Clearing and Settlement of Bonds at the BSE:** The BSE, Bank of Botswana (BoB), Ministry of Finance and Economic Development (MFED) and Non-Bank Financial Institutions Regulatory Authority (NBFIRA) progressed with the project to centralize the trading, clearing and settlement of debt instruments at the BSE and CSDB. In 2016, a business case was developed by the three parties. The project intends to leverage on the BSE's existing infrastructure (ATS and CSD) which have both been funded by Government of Botswana to improve efficiencies, reduce costs, manage risk and improve the attractiveness of the domestic securities market to international investors. The project is expected to conclude in 2017.

10.4.4 Fixed Income Courses

The BSE conducted a course titled "Understanding Financial Markets" in June and again in September 2016. During the June and September instalments, the course was attended by nine (9) and fifteen (15) participants respectively. The courses were conducted in conjunction with Geometric Progression, a skills development company specialising 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 2017.

10.4.5 Development of New Products to Promote Liquidity and Depth of the Market

Following the successful listing of the fourth Exchange Traded Fund (ETF), the NewFunds ILBI ETF, on the BSE on 18 November 2015 the BSE looked to tap on this experience to attract and list new products on the bourse.

As a result, the BSE completed the drafting on the revised debt listing rules that will not only make it easier and clearer to issue and list bonds, but will also explicitly cater for commercial paper, a short term debt instrument that is vital for raising working capital. However, these rules are to be approved by the BSE Main Committee and subsequently by the Non-Bank Financial Institutions Regulatory Authority (NBFIRA) in 2017. Moreover, the BSE has completed the draft Depository Receipts (DRs) Listing Rules with the intent to submit them for approval by NBFIRA during the first quarter of 2017. The DRs, particularly inbound DRs, will assist in importing the much needed liquidity from more developed stock exchanges. These DRs are based on shares of companies from outside Botswana that will trade on the BSE like ordinary shares.

Also, the BSE is currently in the early stages of finalising an agreement with an international bank, Saxo Bank, which will give local institutional investors access to international investment products via the BSE.



CEO's Review (continued)

10.5 LEGISLATION AND REGULATION

10.5.1 Revision of Equity Listing Requirements

During the first half of 2016, the BSE conducted consultative workshops on its New Equity Listing Requirements that were approved by NBFIRA in December 2015. It was during these workshops that different market participants were engaged on salient changes to the regulations. One of the key amendments relates to the increase in the public shareholder threshold.

The public float for companies on the main board was intended to increase to 25% on 30 June 2017 and subsequently to 30% on the 31 December 2017. On the other hand, the public float on the venture capital board was intended to increase to 10% on 31 December 2017 and the number of public shareholders has been revised to 100% effective 31 December 2017. However, owing to the feedback from BSE stakeholders, the effective date of the New Equity Listing Requirements has been postponed. The BSE has incorporated the feedback and resubmitted to NBFIRA following which it will communicate the effective date of implementation.

10.5.2 Demutualisation of the BSE

The demutualisation of the BSE is in line with global trends of leading exchanges in the world. Governance structures of several exchanges around the world have undergone significant changes and transformation from being member-controlled to demutualised entities. Additionally, demutualisation has enabled stock exchanges to raise capital and pursue a commercially focused mandate.

Following the commencement of the BSE Transition Act on 1 December 2015, the BSE has since completed the Constitution of the BSE Limited and the Constitution was approved by the BSE Main Committee on 8 April 2016. This represented an important milestone in the BSE's demutualisation plan. At present, the BSE is evaluating a tender for the valuation of the BSE, another milestone which when completed will, along with the BSE Transition Act, be used to determine the shareholding structure of BSE Limited.

10.5.3 Introduction of Market-Making in Listed Securities

The Market-Making Draft Rules were initially completed in January 2015, discussed with relevant stakeholders and subsequently submitted to NBFIRA for approval. As a means of ensuring protection of investors and integrity of the market, the BSE and NBFIRA are still engaged in a dialogue to close issues surrounding technicalities on Market-Making.

10.6 FINANCE AND ADMINISTRATION

10.6.1 Development of a 5 year Strategic Plan for the years 2017 -2021

The BSE formulated its 5 year Strategic plan in November 2016 and the plan was presented and approved by the BSE Main Committee on 2 December 2016. The plan is expected to drive sustainable economic growth by providing a gateway for raising capital and accessing diverse investment opportunities.

The Strategy for the period 2017 to 2021 includes the following targets:

- To grow the ratio of the BSE's market capitalisation to GDP from 34% to 40% by 2021
- To increase the number of domestic companies listed from 24 to 30 by 2021
- To increase the number of foreign companies listed from 10 to 15 by 2021
- To increase the number of bonds listed from 39 to 50 by 2021
- To increase the number of Exchange Traded Products (ETPs), such as Exchange Traded Funds (ETFS), listed on the BSE from the current 4 to 10 by 2021
- To increase the number of asset classes available on the BSE from the current 3 to 6 by 2021
- To increase the average daily turnover levels to P18.0 Million per day by 2021
- To increase the number of investors on the BSE to 100,000 by 2021.

10.7 HUMAN RESOURCE DEVELOPMENT

10.7.1 Human Capital Development

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

10.7.2 Performance Management System

In a bid to improve the measurement and enhancement of productivity levels amongst BSE staff, a consultant was engaged in 2016 to facilitate the introduction of a Performance Management System (PMS) for BSE. The PMS has since been approved by BSE Main Committee and has been rolled effective 2017. The Policy is aligned to the Balanced Scorecard framework for 2017.

10.7.3 Challenges of High Staff Turnover

BSE has had challenges with regards to human resource. The challenges were mainly on retaining staff and attracting the right calibre of staff. The staff turnover levels in the past two years have been very high. BSE has since engaged a consultant to conduct a job evaluation, grading and salary review exercise to assist in developing a remuneration strategy and structure that will make BSE competitive. The exercise commenced in April 2016 and it is expected to be completed in the next financial year.

11. APPRECIATION

The year 2016 marked the first year of my tenure as the CEO of the BSE. It also marked the commencement of a new era that aims to demutualise BSE. With the demutualisation plan, the ultimate goal is for BSE to become a for-profit entity. As such, there has been substantial overhauling in many aspects of the organisation in 2016 in order to make this evolution a success.

CEO's Review (continued)

I am happy that towards the end of 2016, BSE had completed the formulation of its 5 year Strategic Plan that was subsequently approved by BSE Main Committee in January 2017. The Strategic plan intends to position the BSE as a world class securities exchange delivering innovative products and services. It obviously requires a drastic change in mind-set and culture for the BSE to achieve what it has set out to accomplish. However, I am pleased that this is a plan that the entire organisation buys into and a plan that has the support of the BSE Main Committee. We have also ensured that it is well communicated to the stakeholders because our belief is that it takes the entire capital market industry value chain for the plan to be achieved.

The support we have received from our stakeholders such as the Ministry of Finance and Economic Development (MFED), Non-Bank Financial Institutions Regulatory Authority (NBFIRA) and Bank of Botswana (BoB) has been phenomenal in 2016. I trust that the visionary leadership deployed by all stakeholders in positioning the capital market as an economic driver will be sustained in the coming years.

I acknowledge the contribution of other industry players; the brokers, advisors, other intermediaries, CSDB participants, the asset managers, pension funds, investments banks, listed companies and investors.

Let me also thank the BSE Main Committee for their support and guidance in my first year at the helm of the Botswana Stock Exchange, and for their belief in our 5-year Strategic plan.

Gratitude also goes to the African Securities Exchanges Association (ASEA) who elected me into the Executive Committee in November 2016 at the 20th Annual ASEA Conference held in Kigali, Rwanda.

Let me also extend my appreciation to our regional and international affiliates; the World Federation of Exchanges (WFE), World Federation of CSDs (WFC), Africa Middle East Depository Association (AMEDA) and Committee of SADC Stock Exchanges (CoSSE).

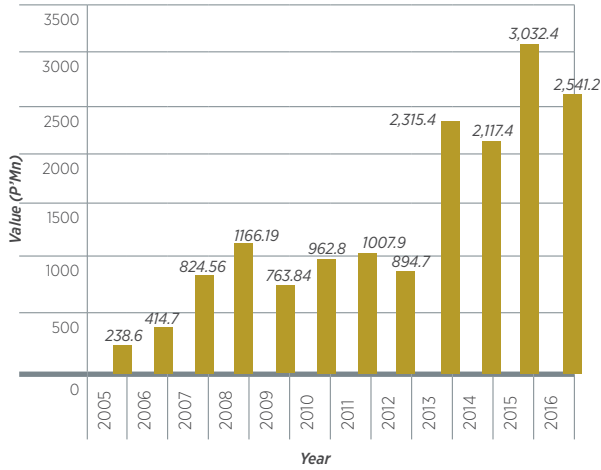
To my team, I wish to remind you that *"just as established products and brands need updating to stay alive and vibrant, you periodically need to refresh or reinvent yourself"*. As such, I challenge you to take this new era to venture into new grounds and charter innovative ways to unleash the best talent out of each one of you.

THAPELO TSHEOLE
CHIEF EXECUTIVE OFFICER

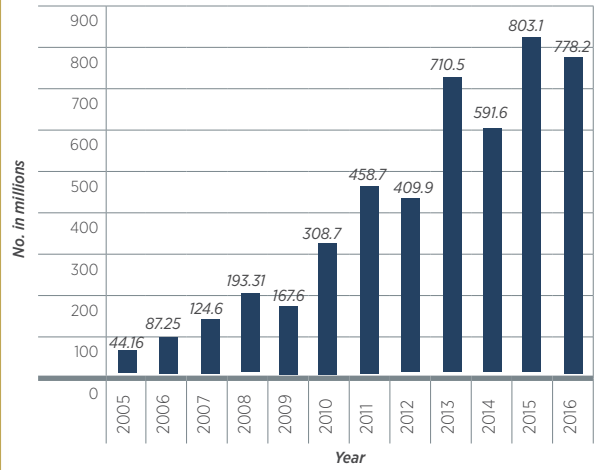


➔ Graphical Review

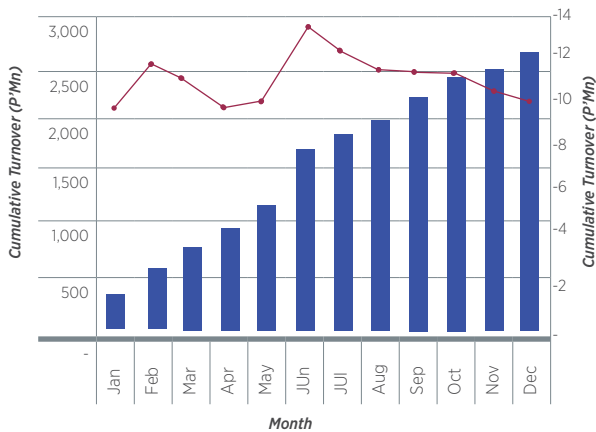
Value of Shares Traded



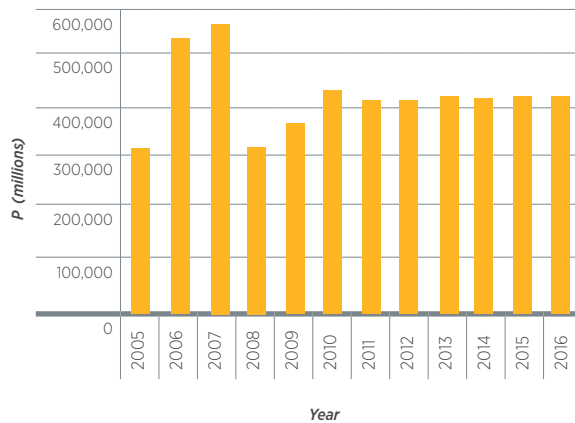
Value of Shares Traded



■ Cumulative Turnover (P'Mn)
● Cum.Average Daily Turnover (P'Mn)



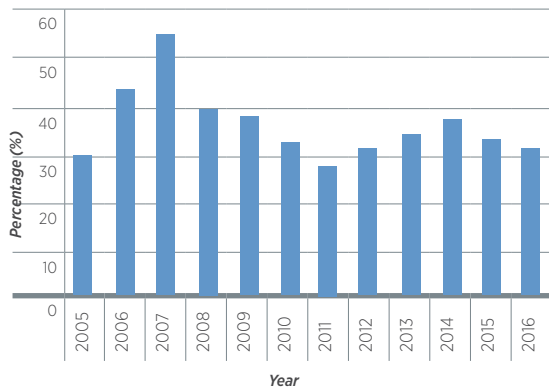
Total Market Capitalisation



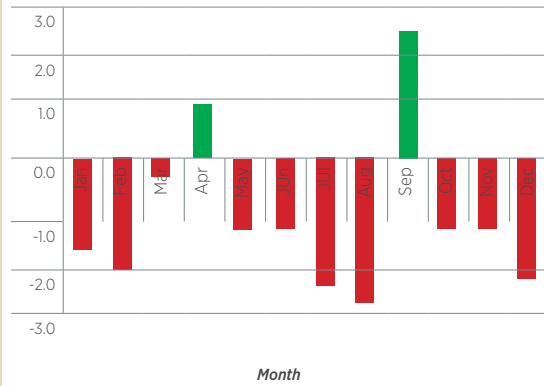


Graphical Review (continued)

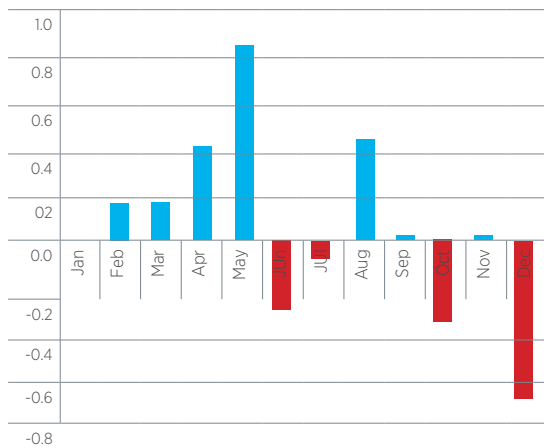
Domestic Market Capitalisation as % of GDP



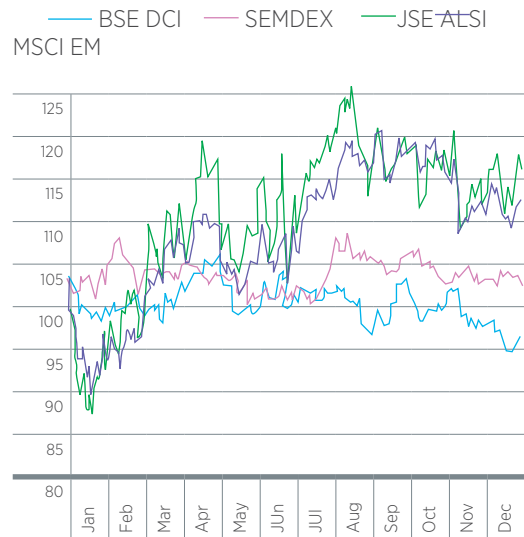
DCI % Change



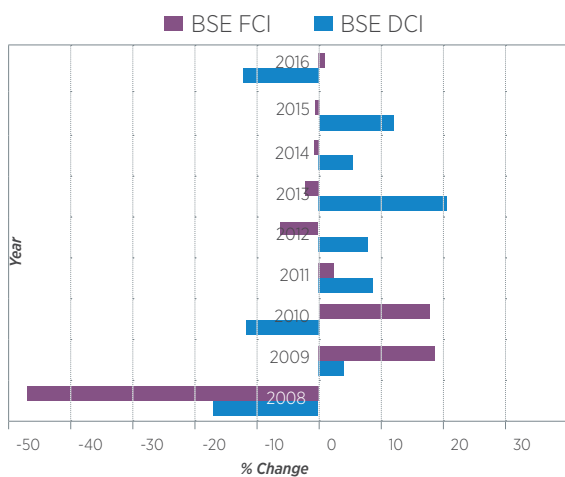
FCI % Change



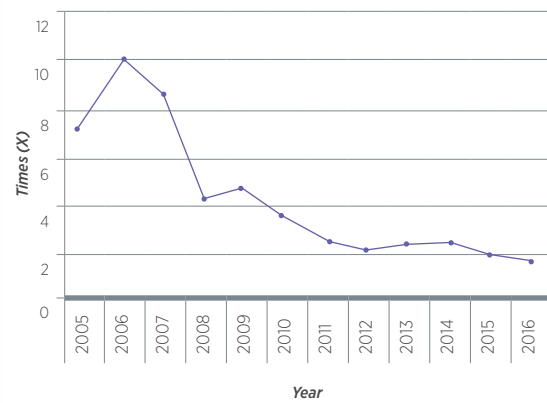
MSCI EM



DCI & FCI Yearly % Change



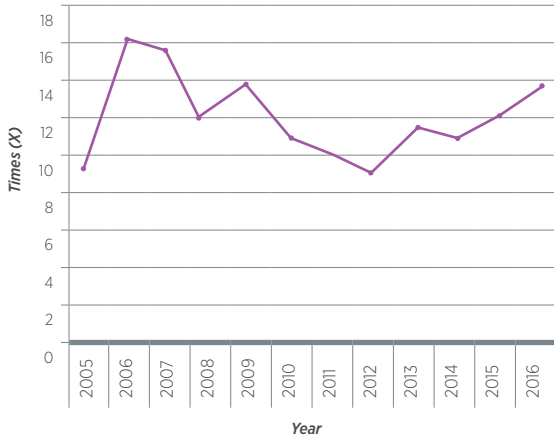
Market Price to Book Value



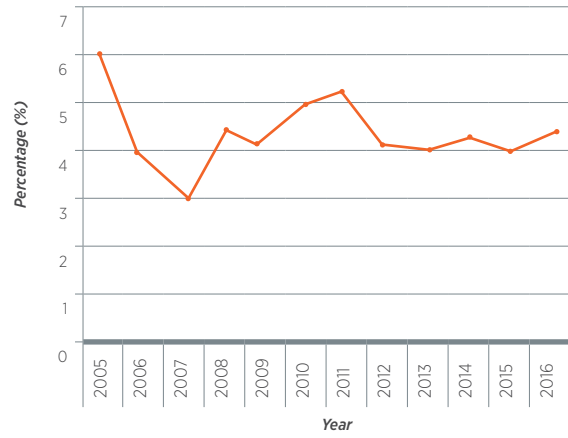


Graphical Review (continued)

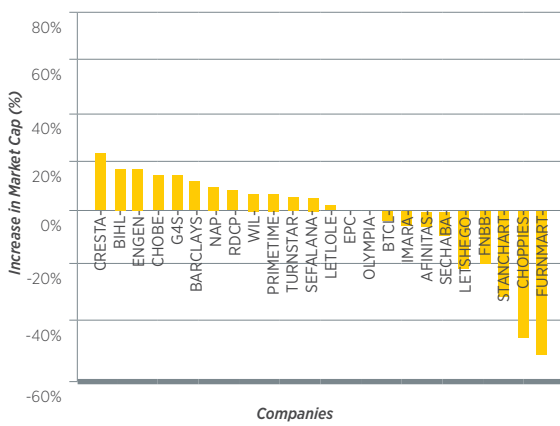
Price Earnings Ratio



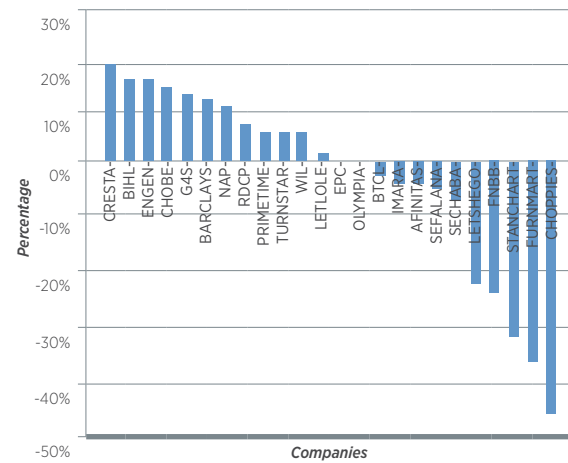
Dividend yield



Domestic Companies: % Gains in Market Capitalisation



Domestic Companies: % Gains in Share Price



Monthly Turnover (P'Mn)







➔ Market Statistics



Table 1: Number of Companies Listed

	2009	2010	2011	2012	2013	2014	2015	2016
Number of New Listings	0	2	6	3	1	1	1	2
Number of De-listings	0	3	1	1	3	1	4	0
Foreign Listings	11	9	12	13	12	12	10	10
Domestic Listings	20	21	23	24	23	23	22	24
Total	31	30	35	37	35	35	32	34

Table 2: Market Capitalisation of BSE Listings: 2016

	Number of Shares	Price Per Share (P)	Market Capitalisation (P)
New Domestic Listings (IPOs)			
Botswana Telecommunications Corporation Limited	1,050,000,000	1.00	1,050,000,000.00
The FaR Property Company Limited	380,000,000	2.57	976,600,000.00

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

	2010	2011	2012	2013	2014	2015	2016
Domestic Market Capitalisation	26,245.68	30,694.26	35,530.83	43,457.57	46,209.87	50,213.85	46,571.96
Foreign Market Capitalisation	408,380.29	380,909.51	376,818.18	373,132.84	371,946.84	370,885.33	374,741.23
Total Market Capitalisation	434,625.97	411,603.77	412,349.01	416,590.41	418,156.71	421,099.19	421,313.19

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

	Mar 15	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16
Domestic Market Capitalisation	45,279.00	50,461.58	50,362.63	50,213.85	48,233.24	49,609.89	48,217.47	46,571.96
Foreign Market Capitalisation	370,418.23	370,671.79	368,674.55	370,885.33	371,587.37	376,035.14	377,407.55	374,741.23
Total Market Capitalisation	415,697.23	421,133.37	419,037.18	421,099.18	419,820.61	425,645.03	425,625.02	421,313.19

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



Market Statistics (continued)

For the Year Ended 31 December 2016

	2009	2010	2011	2012	2013	2014	2015	2016
Banking	16,858.3	12,953.8	16,116.8	16,674.8	19,815.1	17,815.3	17,005.4	14,195.7
Financial Services & Insurance	20,466.1	21,353.5	21,574.8	24,560.7	25,958.9	27,087.9	29,222.2	28,967.5
Retailing & Wholesaling	3,134.7	2,617.5	3,098.3	6,099.8	8,884.8	11,859.5	13,322.2	10,381.0
Property & Property Trust	944.7	1,083.7	2,788.2	3,180.4	3,603.8	4,022.4	5,321.7	6,727.9
Mining & Materials	331,978.3	393,608.9	365,238.4	359,135.9	355,342.4	354,005.3	352,642.5	355,972.3
Security Services	188.8	263.0	480.0	465.6	246.4	229.2	289.6	326.4
Information Technology	7.9	7.6	7.9	11.0	0.0	0.0	0.0	1,029.0
Funeral Services	187.2	224.4	175.2	157.1	297.4	285.3	0.0	0.0
Energy	586.2	1,022.2	881.7	983.9	1,296.9	1,517.4	1,357.6	1,565.3
Tourism	185.1	1,491.5	1,242.6	1,079.9	1,144.8	1,264.5	1,938.1	2,148.2

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

	Mar 15	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16
Banking	16,757.88	17,477.13	17,347.57	17,005.39	16,272.44	15,078.73	14,284.94	14,195.66
Financial Services & Insurance	26,681.44	29,271.11	29,536.75	29,222.16	28,561.09	29,075.82	28,985.86	28,967.46
Retailing & Wholesaling	12,236.54	13,733.96	13,001.95	13,322.15	12,692.45	12,624.51	12,085.99	10,380.99
Property & Property Trust	4,141.57	4,535.84	4,854.81	5,321.68	5,436.85	6,672.10	6,679.61	6,727.87
Mining & Materials	352,476.73	352,428.93	350,431.69	352,642.46	353,344.51	357,426.79	358,799.22	355,972.31
Security Services	268.80	280.00	288.00	289.60	289.60	291.20	308.00	326.40
Information Technology	0.00	0.00	0.00	0.00	0.00	1,144.50	892.50	1,029.00
Funeral Services	296.14	302.19	327.57	0.00	0.00	0.00	0.00	0.00
Energy	1,515.76	1,352.85	1,364.03	1,357.64	1,277.78	1,277.78	1,469.44	1,565.28
Tourism	1,322.37	1,751.37	1,884.81	1,938.10	1,945.91	2,053.59	2,119.47	2,148.23

Table 7: Trading Statistics as at Year ended December

	2011	2012	2013	2014	2015	2016
Volume Traded (Mn)	458.70	409.91	710.50	591.60	803.10	778.23
Value Traded (P'Mn)	1,007.90	894.70	2,315.40	2,177.40	3,032.40	2,541.16
No. of Deals	5,022	6,488	12,029	11,139	12,730	13,707
Liquidity Ratio	3.5	2.7	5.9	4.9	6.3	5.3

Table 8: Trading Statistics as at Quarter ended

	Mar 15	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16
Volume Traded (Mn)	154.7	241.0	151.2	256.2	187.0	296.1	170.0	125.1
Value Traded (P'Mn)	557.8	944.8	707.0	822.8	701.9	933.0	503.7	402.5
No. of Deals	2,384	3,767	3,310	3,269	2,799	3,026	4,066	3,816



Market Statistics (continued)

For the Year Ended 31 December 2016

Table 9: BSE Indices as at Year ended December

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
DCI	8,421.6	7,035.5	7,241.9	6,412.9	6,970.9	7,510.2	9,053.4	9,501.6	10,602.3	9,400.7
FCI	2,201.0	1,192.0	1,418.3	1,673.9	1,703.9	1,599.5	1,583.5	1,577.6	1,572.4	1,585.8
LASI		558.7	670.5	776.2	795.3	752.7	760.8	781.0	797.3	786.0
DFSI		835.7	911.9	771.9	862.5	911.8	1,067.1	1,090.4	1,212.4	1,094.5
FRSI		536.5	654.5	776.3	790.1	731.9	720.3	729.2	726.3	734.1
DCFFI				2,014.6	1,904.7	2,143.7	2,643.7	2,926.2	3,376.7	2,813.2
DFSFFI				3,034.1	2,825.0	3,199.1	3,901.3	4,092.4	4,363.0	3,658.4
LASFFI				1,760.5	1,677.5	1,892.1	2,315.3	2,575.3	2,979.5	2,659.1

Table 10: BSE Indices as at Quarter ended

	Mar 15	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16
DCI	9,693.9	10,690.1	10,624.3	10,602.3	10,202.6	10,081.3	9,796.7	9,400.7
FCI	1,571.1	1,571.9	1,562.9	1,572.4	1,578.3	1,595.6	1,601.4	1,585.8
LASI	787.2	797.3	793.2	797.3	790.2	796.7	796.6	786.0
DFSI	1,110.0	1,241.4	1,238.0	1,212.4	1,186.9	1,140.3	1,100.9	1,094.5
FRSI	726.0	725.7	721.7	726.3	730.5	738.9	741.8	734.1
DCFFI	2,879.0	3,428.3	3,492.1	3,376.7	3,189.2	3,164.0	3,060.5	2,813.2
DFSFFI	3,910.5	4,773.6	4,612.3	4,363.0	3,987.2	3,890.4	3,723.3	3,658.4
LASFFI	2,530.5	3,000.3	3,061.8	2,979.5	2,864.2	2,883.3	2,808.3	2,659.1

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

2015		2016	
Company	Volume	Company	Volume
Letshego	276.5	Letshego	326.2
Choppies	123.8	NAP	160.2
FNBB	80.7	Choppies	98.1
RDCP	80.5	FNBB	37.7
Turnstar	51.8	BTCL	33.8
Sefalana	30.6	Wilderness	28.1
Imara	17.9	Sefalana	16.7
Letlole	16.5	Letlole	13.6
Wilderness	11.6	RDCP	10.6
Barclays	10.9	Turnstar	8.8

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

2015		2016	
Company	Value	Company	Value
Letshego	796.8	Letshego	792.7
Choppies	585.8	NAP	469.0
Sefalana	361.2	Choppies	333.9
FNBB	306.0	Sefalana	221.7
Sechaba	210.4	Wilderness	145.1
Turnstar	134.0	FNBB	127.7
BIHL	129.0	BIHL	113.8
StanChart	92.9	Sechaba	89.9
Wilderness	52.5	Engen	36.5
Imara	47.2	BTCL	33.4



Market Statistics (continued)

For the Year Ended 31 December 2016

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

2015		2016	
Company	Volume	Company	Volume
Shumba	21.930	Shumba	5.173
Lucara	4.290	Magnum	1.243
Magnum	3.510	BOD	0.817
African Copper	1.000	Lucara	0.198
Discovery Metals	0.520	A Cap	0.027
Botswana Diamonds	0.400	African Energy	0.001
A-Cap	0.030		
African Energy	0.010		

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

2015		2016	
Company	Value	Company	Value
Lucara	65.170	Shumba	6.080
Shumba	29.840	Lucara	5.903
Magnum	0.230	BOD	0.155
Botswana Diamonds	0.090	Magnum	0.056
Discovery Metals	0.090	A Cap	0.008
African Copper	0.020	African Energy	0.0005
African Energy	0.010		
A-Cap	0.010		

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

2015		2016	
Company	Market Cap	Company	Market Cap
FNBB	9,793.3	FNBB	7,588.6
Letshego	6,336.2	BIHL	4,932.8
Choppies	5,437.8	Barclays	4,294.9
BIHL	4,272.3	Sechaba	3,591.4
Sechaba	3,990.5	Sefalana	3,259.5
Barclays	3,834.7	Choppies	3,099.9
StanChart	3,377.3	StanChart	2,312.2
Sefalana	3,075.6	Turnstar	1,859.5
Turnstar	1,745.1	NAP	1,776.9
NAP	1,589.6	Engen	1,565.3

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

2015		2016	
Company	Market Cap	Company	Market Cap
Anglo	344,269.4	Anglo	344,268.7
Investec	15,637.5	Investec	16,163.5
Lucara	6,579.3	Lucara	9,563.8
Blue	2,650.4	Blue	2,605.4
African Energy	824.6	GG	1,048.3
Galane Gold	355.6	African Energy	322.8
A-Cap	290.0	A Cap	300.7
Shumba	267.6	Shumba	290.1
Magnum	34.0	BOD	135.4
Botswana Diamonds	22.0	Magnum	42.5



Market Statistics (continued)

For the Year Ended 31 December 2016

Table 17: Bond Market Statistics: 2016

Bond Code	Maturity Date	Nominal Amount (P)	Coupon Rate %	Trade (P)
BW005	12/09/2025	1,838,000,000	10.00	302,632,787.70
BW007	10/03/2025	1,629,000,000	8.00	5,751,393.54
BW008	08/09/2020	1,564,000,000	7.75	68,940,582.67
BW010	14/03/2017	718,000,000	7.75	63,272,177.19
BW011	10/09/2031	1,653,000,000	7.75	4,380,929.40
BW012	13/06/2040	886,000,000	6.00	1,674,988.93
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	-
BBS004	26/11/2019	75,000,000	11.10	-
BBS005	03/12/2023	150,000,000	11.20	10,009.15
BBS006	04/08/2018	110,000,000	Floating	-
BDC001	09/06/2029	225,260,000	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	34,001,370.00
NDB001	01/08/2017	165,000,000	11.25	-
WUC001	26/06/2018	195,000,000	10.65	224,780.00
WUC002	26/06/2026	205,000,000	10.60	1,064,480.00
BBB016	31/10/2019	156,000,000	0.00	-
FML025	23/10/2025	150,000,000	8.20	114,851.90
FNBB005	11/11/2020	125,590,000	Floating	50,100.00
FNBB006	11/11/2022	112,120,000	Floating	-
FNBB007	06/12/2026	161,840,000	Floating	-
FNBB008	06/12/2026	40,000,000	7.48	-
LHL05	08/11/2017	50,000,000	8.25	515,850.00
LHL06	08/11/2023	200,000,000	10.50	1,079,400.00
LHL07	08/11/2025	75,000,000	10.50	-
LHL08	08/11/2027	25,000,000	11.00	-
PTP021	10/06/2021	96,000,000	Floating	-
PTP024	10/06/2024	59,000,000	8.50	-
PTP026	29/11/2026	70,000,000	9.00	-
SBBL003	01/06/2017	100,000,000	10.50	-
SBBL062	15/10/2017	66,600,000	Floating	49,975.97
SBBL063	15/10/2019	98,600,000	7.54	52,290.90
SBBL064	18/06/2020	128,400,000	Floating	-
SBBL065	18/06/2020	153,100,000	8.00	-
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	-
TOTAL		12,226,770,000		483,815,967.35



Market Statistics (continued)

For the Year Ended 31 December 2016

Table 19: Bond Market Capitalisation By Sector: 2016

Bonds	Maturity Date	Issue Size (P)
Government		
BW005	12/09/2025	1,838,000,000
BW007	10/03/2025	1,629,000,000
BW008	08/09/2020	1,564,000,000
BW010	14/03/2017	718,000,000
BW011	10/09/2031	1,653,000,000
BW012	13/06/2040	886,000,000
Total		8,288,000,000
Quasi		
DPCF005	02/06/2019	100,000,000
DPCF006	02/06/2022	55,000,000
DPCF007	02/06/2025	35,000,000
Total		190,000,000
Parastatals		
BBS004	26/11/2019	75,000,000
BBS005	03/12/2023	150,000,000
BBS006	04/08/2018	110,000,000
BDC001	09/06/2029	225,260,000
BHC017	10/12/2017	286,000,000
BHC020	10/12/2020	103,000,000
BVI001	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
Total		1,584,260,000



Market Statistics (continued)

For the Year Ended 31 December 2016

Table 20: Bond Market Capitalisation By Sector: 2016 (continued)

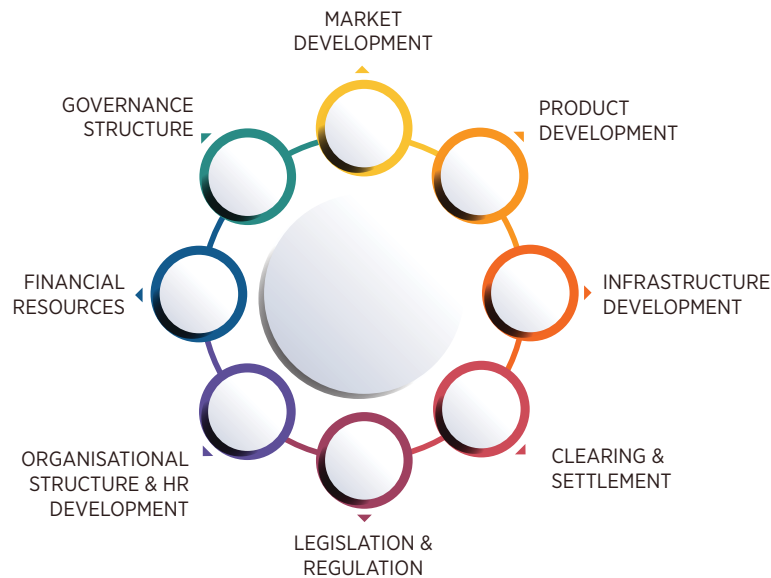
Corporate		
BBB016	31/10/2019	156,000,000
FML025	23/10/2025	150,000,000
FNBB005	11/11/2020	125,590,000
FNBB006	11/11/2022	112,120,000
FNBB007	06/12/2026	161,840,000
FNBB008	06/12/2026	40,000,000
LHL05	08/11/2017	50,000,000
LHL06	08/11/2023	200,000,000
LHL07	08/11/2025	75,000,000
LHL08	08/11/2027	25,000,000
PTP021	10/06/2021	96,000,000
PTP024	10/06/2024	59,000,000
PTP026	29/11/2026	70,000,000
SBBL003	01/06/2017	100,000,000
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
Total		2,164,510,000
TOTAL		12,226,770,000





➔ BSE Strategy

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
- 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 78,837 accounts in 2016
- 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
- Commencement of Market Data Handler project
- Completion of the Business Continuity Plan

1.2 LEGISLATION & 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 on 4 November in 2013
- Digitisation of listing files in progress
- New Equity Listing Rules approved by Main Committee 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 demutualisation
- Securities Act approved in 2014, awaiting Commencement Order

BSE Strategy (continued)

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 Twighlight”* 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 BSE by putting up 7 billboards in various places in Botswana in 2013
- 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 in August 2016
- Inaugural Listings & Investment Conference in March 2016
- Two Open days held in Francistown and Maun in 2016

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 and 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 held in 2015
- NewFunds ILBI ETF listed in November 2015
- Bond Market Conference held in October 2016

BSE Strategy (continued)

1.5 ORGANISATIONAL STRUCTURE AND HUMAN RESOURCE DEVELOPMENT

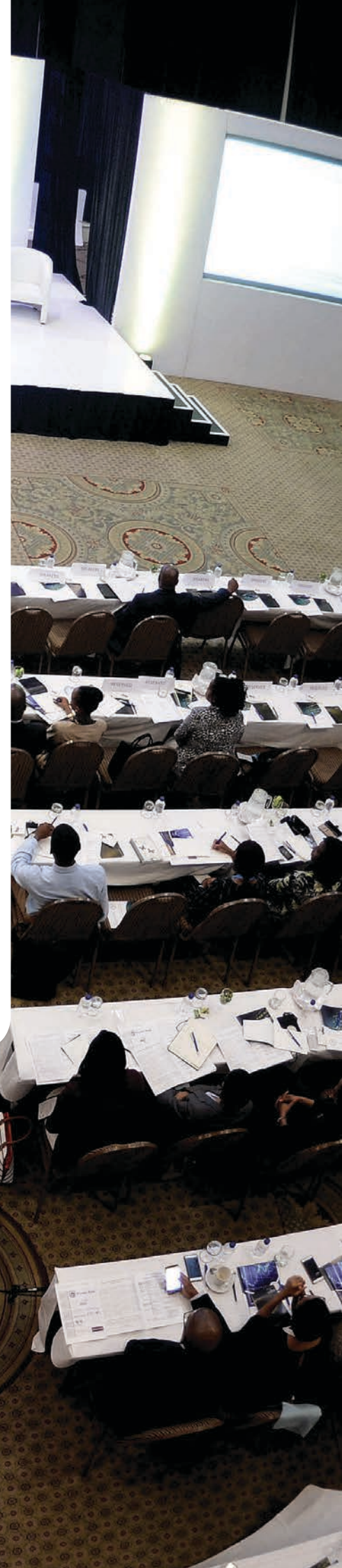
- Performance appraisal system for staff implemented
- BSE continued to train staff through workshops, conferences and courses on operations of the stock exchange
- BSE continues to offer internship to graduates under the government's internship programme
- A project about evaluating BSE's organisation 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
- Balanced scorecard reporting framework adopted in 2015

1.6 GOVERNANCE STRUCTURE

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

1.7 FINANCIAL RESOURCES

- BSE fees on transactions rationalised to reduce dependence on government subvention 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



➔ 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 Economic Development 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 Main Committee for the year was constituted by the following members:

MEMBER	POSITION	DATE AND PERIOD OF APPOINTMENT
Elected Members		
Lt. Gen. Tebogo C. Masire**	Chairman	Elected in May 2016
Goitseone Kgaodi	Vice-Chairman	Re-elected in May 2016
Martin Makgatlhe	Treasurer	Re-elected in 2016
Kabelo Mohohlo	Member	Re-elected in May 2016
Patrick O'Flaherty***	Member	Elected in May 2016
Oosi Lemo*	Member	Elected in May 2016
Appointed Members		
Nelson Letshwene	Member	Re-Appointed in May 2016
Prof. John Kiggundu	Member	Re-Appointed in May 2016
Itumeleng Magama	Member	Re-Appointed in May 2016

*Term ended December 2016

** First Appointed in May 2015

*** Re-Elected in May 2016 and assumed office in October 2016



Corporate Governance (continued)

2. Board Sub-Committees

2.1 Listings and Trading Sub-Committee

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

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

MEMBER	ATTENDANCE
Lt. Gen. Tebogo C. Masire (Chairman)*	0/0
Martin Makgatlhe**	0/0
Prof. John Kiggundu**	0/0
Patrick O'Flaherty***	0/0
Kabelo Mohohlo	0/0

*Appointed Chairman with effect from 30 May 2016

**Re-appointed on 30 May 2016

***Appointed on 30 May 2016 and assumed office in October 2016

2.2 Audit Sub-Committee

The Audit sub-committee assists the Main Committee in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards.

The members of the Audit sub-committee are:

MEMBERS	ATTENDANCE
Goitseone Kgaodi (Chairperson)	3/4
Oosi Lemo*	2/2
Nelson Letshwene	4/4
Gregory Matsake**	2/2
Itumeleng Magama	4/4

* Term ended December 2016

**Term ended May 2016

2.3 Investigations and Disciplinary Sub-Committee

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

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

MEMBERS	ATTENDANCE
Prof. John Kiggundu (Chairperson)	0/1
Nelson Letshwene	1/1
Itumeleng Magama	1/1

Corporate Governance (continued)

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 Main Committee and sub-committees as well as terms and conditions of employment for management of the BSE.

The members of Governance and Remuneration sub-committee are:

MEMBERS	ATTENDANCE
Nelson Letshwene (Chairperson)	11/11
Prof. John Kiggundu	9/11
Itumeleng Magama	11/11

2.5 Botswana Stock Exchange Security Fund Sub-Committee

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

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

MEMBERS	ATTENDANCE
Prof. John Kiggundu (Chairperson)	1/1
Kabelo Mohohlo	1/1
Martin Makgatlhe	1/1

2.5 Botswana Stock Exchange Board Tender Committee

The BSE 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.

MEMBERS	ATTENDANCE
Nelson Letshwene (Chairperson)	4/4
Oosi Lemo*	2/2
Goitseone Kgaodi	2/2
Kabelo Mohohlo**	3/4

*Term ended December 2016





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
Lt. Gen. T. C. Masire	4							
G. Kgaodi	5		3			2		1
M. Makgatlhe	5						1	0
I. Magama	3		4	1	11			1
N. Letshwene	5		4	1	11	4		1
Prof. J. Kiggundu	3			0	9	0	1	0
K. Mohohlo	5					3	1	1
O. Lemo *	3		2			2		
P. O'Flaherty **	0							
R. Vaka***	2							1
G. Matsake ****	2		2					1

* Re-elected on the 13 May 2016

** Re-elected on the 13 May 2016 but assumed office in October 2016

*** Term ended on the 13 May 2016

**** Term ended on the 13 May 2016

Committee Fees

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



Ⓢ BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY ANNUAL FINANCIAL STATEMENTS

For the Year Ended 31 December 2016



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:
Nelson Letshwene	Lt. Gen. Tebogo C. Masire (Chairman, appointed May 2016)
Itumeleng Magama	Regina Vaka (Former Chairman, resigned May 2016)
Prof. John Kiggundu	Patrick O' Flaherty (Appointed July 2016)
	Gregory Matsake (Resigned May 2016)
	Goitseone Kgaodi
	Martin Makgatlhe
	Kabelo Mohohlo
	Oosi Lemo (Appointed May 2016 and resigned December 2016)
MEMBERSHIP OF SUB COMMITTEES:	
1. Listings and trading	2. Audit
Lt. Gen. Tebogo C. Masire (Chairman, appointed May 2016)	Goitseone Kgaodi (Chairperson)
Regina Vaka (Former Chairman, resigned May 2016)	Gregory Matsake (Resigned May 2016)
Patrick O' Flaherty (Appointed July 2016)	Oosi Lemo (Appointed May 2016 and resigned December 2016)
Martin Makgatlhe	Nelson Letshwene
Prof. John Kiggundu	Itumeleng Magama
Kabelo Mohohlo	
3. Investigations and disciplinary	4. Governance & Remuneration
Prof. John Kiggundu (Chairperson)	Nelson Letshwene (Chairperson)
Nelson Letshwene	Prof. John Kiggundu
Itumeleng Magama	Itumeleng Magama
CHIEF EXECUTIVE OFFICER	SECRETARY TO THE MAIN COMMITTEE
Thapelo Tsheole	Tidimalo Poonyane (Appointed October 2016)
	Latelang Chakalisa (Resigned July 2016)
REGULATOR	POSTAL ADDRESS
Non-Bank Financial Institutions Regulatory Authority (NBFIRA), 3 rd Floor, Exponential Building, Plot 54351, new CBD, Private Bag 00314, Gaborone	Private Bag 00417 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



➔ Contents

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Statement Of Main Committee's Responsibilities

For The Year Ended 31 December 2016

The Main Committee of Botswana Stock Exchange (the "Exchange") is responsible for the preparation and fair presentation of the annual group financial statements of the Exchange comprising of the statements of financial position at 31 December 2016, 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 exchange's assets. The Main Committee is also responsible for the design, implementation, maintenance and monitoring of these systems of internal financial control. Nothing has come to the attention of the Main Committee 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. There is 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 80 to 105 and the supplementary information on page 106 to 107, were authorised for issue by the Main Committee on 5 May 2017 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

Opinion

We have audited the consolidated ("The Group") and separate financial statements ("The Exchange") of Botswana Stock Exchange, which comprise the statements of financial position at 31 December 2016 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 information, as set out on pages 80 to 105.

In our opinion, the financial statements give a true and fair view of the consolidated and separate financial position of Botswana Stock Exchange at 31 December 2016 and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Exchange in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The members of the Main Committee are responsible for other information.

The other information comprises the Statement of Main Committee's responsibilities, General Information and Detailed statement of profit or loss and other comprehensive income. Other information does not include the financial statements and our Auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

In connection with our audit of the financial statements, our responsibility is to read other information and, in doing so, consider whether other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed we conclude that there is a material misstatement of this other information we are required to report that fact. We have nothing to report in this regard.

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 determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

In preparing the financial statements, the main committee is responsible for assessing the Exchange's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the Exchange or to cease operations or have no realistic alternative but to do so.



Independent Auditor's Report (continued)

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Exchange's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Main Committee.
- Conclude on the appropriateness of the members of the Main Committee's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Exchange's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Exchange to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the members of the Main Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

Certified Auditors

Practicing member: AG Devlin (19960060)

Gaborone
30 May 2017



Statements Of Profit Or Loss and Other Comprehensive Income

For The Year Ended 31 December 2016

	NOTES	GROUP		EXCHANGE	
		2016	2015	2016	2015
		P	P	P	P
Revenue	1	31 700 826	34 074 779	24 530 467	23 599 879
Government subvention	15(c)	746 251	4 906 285	-	2 342 689
Other income		1 684 084	462 617	1 684 084	462 617
Income		34 131 161	39 443 681	26 214 551	26 405 185
Administrative expenses	2	(28 512 005)	(26 287 556)	(22 310 176)	(20 663 428)
Operating profit		5 619 156	13 156 125	3 904 375	5 741 757
Finance income	4	2 788 696	3 133 768	1 963 663	2 367 259
Profit before income tax		8 407 852	16 289 893	5 868 038	8 109 016
Income tax expense	5	-	-	-	-
Profit for the year		8 407 852	16 289 893	5 868 038	8 109 016
Other comprehensive income		-	-	-	-
Total comprehensive Income for the year		8 407 852	16 289 893	5 868 038	8 109 016



Statements Of Financial Position

As At 31 December 2016

NOTES	GROUP		EXCHANGE		
	2016	2015 P	2016	2015 P	
ASSETS					
Non-current assets					
Plant and equipment	7	6 086 125	2 068 396	5 798 642	1 246 005
Investment in subsidiary	6	-	-	100	100
		6 086 125	2 068 396	5 798 742	1 246 105
Current assets					
Trade and other receivables	8	1 169 032	4 808 712	1 288 494	4 426 518
Money market investments	9.1	80 850 617	62 898 134	55 046 282	44 424 567
Cash and bank balances	9.2	2 663 854	6 637 782	1 819 716	2 763 715
		84 683 503	74 344 628	58 154 492	51 614 800
Total assets		90 769 628	76 413 024	63 953 234	52 860 905
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		13 476 959	5 000 000	11 726 959	5 000 000
Retained earnings		69 593 530	64 119 697	44 776 688	41 842 669
		83 853 165	69 902 373	57 286 323	47 625 345
Non-current liabilities					
Deferred lease liability	13	-	93 721	-	93 721
Current liabilities					
Deferred lease liability	13	1 340	-	1 340	-
Trade and other payables	11	3 981 104	3 533 766	3 731 552	2 258 675
Amounts due to the Botswana Stock Exchange Security Fund	12	2 934 019	2 883 164	2 934 019	2 883 164
		6 916 463	6 416 930	6 666 911	5 141 839
Total equity and liabilities		90 769 628	76 413 024	63 953 234	52 860 905



Statements of Changes in Equity

For The Year Ended 31 December 2016

	Proprietary rights capital	Rights premium	Unutilised capital grants	Retained income	Total
	P	P	P	P	P
GROUP					
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
Year ended 31 December 2016					
Balance at 1 January 2016	5 200	777 476	-	64 119 697	69 902 373
Profit for the year	-	-	-	8 407 852	8 407 852
Capital grant received	-	-	8 476 959	-	8 476 959
Transfer to the Botswana Stock Exchange Security Fund (note 12)	-	-	-	(2 934 019)	(2 934 019)
Balance at 31 December 2016	5 200	777 476	13 476 959	69 593 530	83 853 165



Statements of Changes in Equity (continued)

For The Year Ended 31 December 2016

EXCHANGE					
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
Year ended 31 December 2016					
Balance at 1 January 2016	5 200	777 476	5 000 000	41 842 669	47 625 345
Profit for the year	-	-	-	5 868 038	5 868 038
Transfer to the Botswana Stock Exchange Security Fund	-	-	-	(2 934 019)	(2 934 019)
Capital grant received	-	-	6 726 959	-	6 726 959
Balance at 31 December 2016	5 200	777 476	11 726 959	44 776 688	57 286 323

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 and the Surveillance system. In addition, capital grants received during the year of includes the Automated Trading System transferred from the government at a fair value of P4 226 959. 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 fully 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 2016

	NOTES	GROUP		EXCHANGE	
		2016	2015 P	2016	2015 P
Cash generated from					
Operating activities	14	10 884 287	16 138 532	9 158 481	5 694 617
Cash flows from investing activities					
Purchase of Property, Plant and Equipment	7	(1 058 264)	(814 326)	(1 058 264)	(481 125)
Interest received	4	2 788 696	3 133 768	1 963 663	2 367 259
Net cash generated from investing activities		1 730 432	2 319 442	905 399	1 886 134
Cash flows from financing activities					
Capital grant received		4 247 000	5 000 000	2 497 000	5 000 000
Amounts paid to Botswana Stock Exchange Security Fund	12	(2 883 164)	(2 411 424)	(2 883 164)	(2 411 424)
Net cash generated from/(used in) financing activities		1 363 836	2 588 576	(386 164)	2 588 576
Increase in cash and cash equivalents		13 978 555	21 046 550	9 677 716	10 169 327
Cash and cash equivalents at beginning of year		69 535 916	48 489 366	47 188 282	37 018 955
Cash and cash equivalents at the end of year	9	83 514 471	69 535 916	56 865 998	47 188 282
Cash and cash equivalents comprise:					
-Cash on hand and cash at bank		2 663 854	6 637 782	1 819 716	2 763 715
-Money market investments		80 850 617	62 898 134	55 046 282	44 424 567
		83 514 471	69 535 916	56 865 998	47 188 282



Accounting Policies

For The Year Ended 31 December 2016

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 2016. 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.

Amendments to IAS 7: Disclosure Initiative

The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities. The amendments apply for annual periods beginning a significant or after 1 January 2017 and early application is permitted. These amendments will require additional disclosures in respect of movements in the Exchange's financial liabilities.

IFRS 15: Revenue from Contracts with Customers

This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The standard applies for annual periods beginning on or after 1 January 2017. The standard is however not expected to have a significant impact on the Exchange's financial statements due to the nature of its revenue transactions.

IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard will have an impact on the measurement bases of an entity's assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application. Early adoption is permitted. The standard may have an impact on the classification and measurement of the company's financial instruments.



Accounting Policies (continued)

For The Year Ended 31 December 2016

3. New standards and interpretations not yet effective (continued)

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised.

Guidance is provided where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this.

Guidance is provided for deductible temporary differences related to unrealised losses that are not assessed separately for recognition. These are assessed on a combined basis, unless a tax law restricts the use of losses to deductions against income of a specific type.

The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted. These amendments are not expected to have any impact on the Exchange's financial statements because it is exempt from income tax.

IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial Position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors.

The standard, which becomes effective of the Exchange's 2019 financial statements, will have an impact on the measurement, presentation and disclosure of operating leases in the Exchange's financial statements.

4. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Exchange and entity controlled by the Exchange (its subsidiary) (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. Transaction costs are recognized in profit or loss as incurred except if it relates to the issue of debt or equity instruments.

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.

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



Accounting Policies (continued)

For The Year Ended 31 December 2016

5. Plant and equipment (continued)

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 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. 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.

9. Proprietary rights

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

10. 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 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.

11. 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.

12. 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.

13. 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 recognised in 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.



Accounting Policies (continued)

For The Year Ended 31 December 2016

14. 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 0.12% 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.

15. 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 took ownership of the automated trading system to Botswana Stock Exchange during the current financial year. The ownership rights to the automated trading system are 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.

16. 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 members of the main committee, an impairment in value has occurred.

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 re-organisation, 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. 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 recognised in profit or loss.

Financial liabilities

The company initially recognises financial liabilities on the trade date, which is the date that the company becomes party to the contractual provisions of the instrument.

The company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. Financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method.

Financial liabilities comprise trade and other payables and amounts due to Botswana Stock Exchange Security Fund

Trade and other payables

Trade and other payables, are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. These amounts are classified as current liabilities if payment is due within twelve months (or in the normal operating cycle of the business, if longer). If not they are presented as non-current liabilities.



Accounting Policies (continued)

For The Year Ended 31 December 2016

16. Financial instruments (continued)

Financial liabilities (continued)

Amounts due to 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.

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.



Financial Risk Management

For The Year Ended 31 December 2016

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	
	2016	2015	2016	2015
	P	P	P	P
Financial assets				
Trade receivables	685 012	436 457	534 845	343 570
Other receivables	159 660	63 466	128 713	63 466
Receivables from related party	-	2 485 348	300 576	2 196 041
Cash and cash equivalents	83 514 471	69 535 916	56 865 998	47 188 282
	84 359 143	72 521 187	57 830 132	49 791 359
Financial liabilities				
Trade and other payables	2 194 162	3 294 535	2 019 334	2 179 431
Amount due to Botswana Stock				
Exchange Security Fund	2 934 019	2 883 164	2 934 019	2 883 164
	5 128 181	6 177 699	4 953 353	5 062 595



Financial Risk Management (continued)

For The Year Ended 31 December 2016

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 company,
- 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	
	2016	2015	2016	2015
	P	P	P	P
Trade receivables	685 012	436 457	534 845	343 570
Other receivables	159 660	63 466	128 713	63 466
Receivables from related party	-	2 485 348	300 576	2 196 041
Cash and cash equivalents	83 514 471	69 535 916	56 865 998	47 188 282
	84 359 143	72 521 187	57 830 132	49 791 359

Group impairment of P212 750 (Exchange P199 000) was recognised for long outstanding fee receivables (2015: P412 456, both group and exchange).

GROUP	31-Dec-16		31-Dec-15	
	Rating	Credit limit	Balance	Credit limit
			P	P
Barclays Bank of Botswana	N/A	N/A	1 472 666	N/A
Stanlib Investment Management Services	N/A	N/A	22 685 386	N/A
African Alliance Asset Management	N/A	N/A	23 173 065	N/A
Botswana Insurance Fund Management	N/A	N/A	34 992 166	N/A
Standard Chartered Bank Botswana	N/A	N/A	1 191 188	N/A
First National Bank of Botswana	N/A	N/A	-	N/A



Financial Risk Management (continued)

For The Year Ended 31 December 2016

EXCHANGE			31-Dec-16		31-Dec-15
Counterparty	Rating	Credit limit	Balance	Credit limit	Balance
			P		P
Barclays Bank of Botswana	N/A	N/A	1 472 666	N/A	9 008 364
Stanlib Investment Management Services	N/A	N/A	12 773 301	N/A	5 513 642
African Alliance Asset Management	N/A	N/A	16 827 625	N/A	5 918 171
Botswana Insurance Fund Management	N/A	N/A	25 445 356	N/A	9 592 754
First National Bank	N/A	N/A	-	N/A	7 200 000
Standard Chartered Bank	N/A	N/A	347 050	N/A	9 955 351

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties. 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.

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

	GROUP		EXCHANGE	
2016	Contractual cash-flows	Carrying amount due within 6 months	Contractual cash-flows	Carrying amount due within 6 months
Trade and other payables	2 194 162	2 194 162	2 019 334	2 019 334
Amount due to Botswana Stock Exchange Security Fund	2 934 019	2 934 019	2 934 019	2 934 019
	5 128 181	5 128 181	4 953 353	4 953 353
2015				
Trade and other payables	3 294 535	3 294 535	2 179 431	2 179 431
Amount due to Botswana Stock Exchange Security Fund	2 883 164	2 883 164	2 883 164	2 883 164
	6 177 699	6 177 699	5 062 595	5 062 595



Financial Risk Management (continued)

For The Year Ended 31 December 2016

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	
	2016	2015	2016	2015
Variable rate instruments				
Money market investments	80 850 617	62 898 134	55 046 282	44 424 567
The average interest rates per annum applicable to these financial instruments	3.55%	4.98%	3.55%	5.33%
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	404 253	314 491	275 231	227 123
Decrease of 50 basis points				
Money market investment	(404 253)	(314 491)	(275 231)	(227 123)

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 current and previous financial year. The group is supported by the Government of Botswana which provides the necessary support to sustain the operations of the group.



Critical Accounting Estimates and Judgements

For The Year Ended 31 December 2016

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.



Notes To The Financial Statements

For The Year Ended 31 December 2016

	GROUP		EXCHANGE	
	2016 P	2015 P	2016 P	2015 P
1 Revenue				
Listing and annual sustaining fees	17 007 291	15 087 735	17 007 291	15 087 735
Commission income	12 575 248	14 279 868	6 697 176	8 073 644
Members' fees	810 000	422 000	810 000	422 000
X-News Publications	16 000	16 500	16 000	16 500
Miscellaneous fees	1 292 287	4 268 676	-	-
	31 700 826	34 074 779	24 530 467	23 599 879
2 Administrative expenses				
Internal audit fees	185 682	261 750	110 080	168 330
External audit fees	160 408	154 883	104 200	107 910
Employee benefit expenses (note 3)	13 578 289	14 645 907	10 514 256	11 846 658
Advertising costs	2 417 032	1 439 837	2 304 827	1 299 154
Depreciation (note 7)	1 270 494	1 184 256	735 586	540 199
Operating lease costs	857 278	933 768	705 097	786 126
Bad debt impairment	212 750	412 456	199 000	412 456
Computer expenses	4 719 749	3 712 770	3 300 188	2 529 817
Consulting fees	907 965	539 069	829 329	539 069
Seminars and conferences	371 140	212 512	279 849	212 512
Travelling and accommodation expenses	495 863	453 180	464 145	453 180
Training expenses	142 647	269 106	142 647	269 106
Members' sitting allowances	140 490	117 810	94 710	70 980
Other expenses	3 052 218	1 950 252	2 526 262	1 427 931
	28 512 005	26 287 556	22 310 176	20 663 428
3 Employee benefit expenses				
Salaries and other termination benefits	11 258 450	12 099 542	8 670 809	9 660 675
Pension costs and gratuity	1 984 485	2 198 817	1 607 911	1 838 435
Other benefits	335 354	347 548	235 536	347 548
	13 578 289	14 645 907	10 514 256	11 846 658
Average number of persons employed during the year	23	22	18	18



Notes To The Financial Statements (continued)

For The Year Ended 31 December 2016

	GROUP		EXCHANGE	
	2016	2015	2016	2015
	P	P	P	P
4 Finance income				
Interest income on short term investments	2 788 696	3 133 768	1 963 663	2 367 259

5 Income tax expense

The Botswana Stock Exchange is exempt from income tax in accordance with the Income Tax Act.

6 Investment in subsidiary

	2016	2015	2016	2015
	P	P	P	P
Cost of shares	-	-	100	100

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

7 Plant and equipment

GROUP	Leasehold Improvements	Office Equipment	Furniture & Fittings	Motor Vehicles	Total
	P	P	P	P	P
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
Year ended 31 December 2016					
Opening net book amount	181 696	1 652 420	234 280	-	2 068 396
Additions	-	122 885	35 379	900 000	1 058 264
Transfer of ATS system	-	4 229 959	-	-	4 229 959
Disposals	-	-	-	-	-
Depreciation (note 2)	(48 443)	(1 034 416)	(75 135)	(112 500)	(1 270 494)
Closing net book amount	133 253	4 970 848	194 524	787 500	6 086 125
At 31 December 2016					
Cost	598 067	10 362 436	763 642	1 812 955	13 537 100
Accumulated depreciation	(464 814)	(5 391 588)	(569 118)	(1 025 455)	(7 450 975)
Net book amount	133 253	4 970 848	194 524	787 500	6 086 125



Notes To The Financial Statements (continued)

For The Year Ended 31 December 2016

7 Plant and equipment (continued)

	Leasehold Improvements	Office Equipment	Furniture & Fittings	Motor Vehicles	Total
EXCHANGE	P	P	P	P	P
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
Year ended 31 December 2016					
Opening net book amount	181 696	859 660	204 649	-	1 246 005
Additions	-	122 885	35 379	900 000	1 058 264
Transfer of ATS system	-	4 229 959	-	-	4 229 959
Disposals	-	-	-	-	-
Depreciation (note 2)	(48 443)	(503 552)	(71 091)	(112 500)	(735 586)
Closing net book amount	133 253	4 708 952	168 937	787 500	5 798 642
At 31 December 2016					
Cost	598 067	7 553 927	723 199	1 812 955	10 688 148
Accumulated depreciation	(464 814)	(2 844 975)	(554 262)	(1 025 455)	(4 889 506)
Net book amount	133 253	4 708 952	168 937	787 500	5 798 642



Notes To The Financial Statements (continued)

For The Year Ended 31 December 2016

	GROUP		EXCHANGE	
	2016	2015	2016	2015
	P	P	P	P
8 Trade and other receivables				
Receivables from related party	-	2 485 348	300 576	2 196 041
Fee receivables	685 012	436 457	534 845	343 570
Other receivables	484 020	1 886 907	453 073	1 886 907
	1 169 032	4 808 712	1 288 494	4 426 518

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 2016, fee receivables and other receivables of P685 012 (2015: P436 457) and P534 845 (2015: P 343 570) were fully performing for the group and exchange respectively.

The aging of these receivables is as follows:

	GROUP		EXCHANGE	
	2016	2015	2016	2015
	P	P	P	P
Up to 3 months	641 941	129 625	534 845	52 075
>3 to 6 months	43 071	306 832	-	291 495
	685 012	436 457	534 845	343 570

Bad debts were written off as follows:

	GROUP		EXCHANGE	
	2016	2015	2016	2015
	P	P	P	P
Fee and other receivables	212 750	412 456	212 750	412 456

No provision for doubtful debts was recognised at the current or previous reporting date because the write offs made during the year were deemed sufficient.



Notes To The Financial Statements (continued)

For The Year Ended 31 December 2016

	GROUP		EXCHANGE	
	2016 P	2015 P	2016 P	2015 P
9 Cash and cash equivalents				
9.1 Money market investments				
Stanlib Investment Management				
Services	22 685 386	8 826 937	12 773 301	5 513 642
Botswana Insurance Fund Management	34 992 166	13 321 065	25 445 356	9 592 754
African Alliance Liquidity Fund	23 173 065	8 250 132	16 827 625	5 918 171
Barclays Bank Botswana	-	10 000 000	-	7 200 000
Standard Chartered Bank	-	12 500 000	-	9 000 000
First National Bank	-	10 000 000	-	7 200 000
	80 850 617	62 898 134	55 046 282	44 424 567

The short term investments are unsecured, earns average interest of 3.55% (2015: 4.19%) per annum and has no fixed maturity date. The investments can be liquidated subject to an average notice period of 48 hours to the investee company.

9.2 Cash and bank balances

	2016 P	2015 P	2016 P	2015 P
Cash on hand and at bank	2 663 854	6 637 782	1 819 716	2 763 715

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	80 850 617	62 898 134	55 046 282	44 424 567
Cash and bank balances	2 663 854	6 637 782	1 819 716	2 763 715
	83 514 471	69 535 916	56 865 998	47 188 282



Notes To The Financial Statements (continued)

For The Year Ended 31 December 2016

	GROUP		EXCHANGE	
	2016 P	2015 P	2016 P	2015 P
10 Proprietary rights capital				
Issued proprietary rights capital	5 200	5 200	5 200	5 200

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

11 Trade and other payables				
Trade payables	2 194 162	482 933	2 019 334	429 329
VAT payable	74 724	239 231	-	79 244
Other payables	1 712 218	2 811 602	1 712 218	1 750 102
	3 981 104	3 533 766	3 731 552	2 258 675

12 Amounts due to the Botswana Stock Exchange Security Fund				
Balance at 1 January	2 883 164	2 411 424	2 883 164	2 411 424
Statutory transfer for the year	2 934 019	2 883 164	2 934 019	2 883 164
Settled during the year	(2 883 164)	(2 411 424)	(2 883 164)	(2 411 424)
Balance at 31 December	2 934 019	2 883 164	2 934 019	2 883 164

13 Deferred lease liability				
Balance at 31 December	1 340	93 721	1 340	93 721

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 (management is currently in the process of negotiation for renewal). 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	229 605	912 166	229 605	912 166
Between one and five years	-	229 605	-	229 605
Total	229 605	1 141 771	229 605	1 141 771



Notes To The Financial Statements (continued)

For The Year Ended 31 December 2016

	GROUP		EXCHANGE	
	2016 P	2015 P	2016 P	2015 P
14 Cash generated from operations				
Profit for the year	8 407 852	16 289 893	5 868 038	8 109 016
Adjustment for:				
- Depreciation (note 7)	1 270 494	1 184 256	735 586	540 199
- Finance income (note 4)	(2 788 696)	(3 133 768)	(1 963 663)	(2 367 259)
- Bad debts written off and movement in provision for bad debts	212 750	412 456	199 000	412 456
Changes in working capital				
- Trade and other receivables	3 426 930	(661 026)	2 939 024	(1 896 770)
- Deferred lease liability	(92 381)	(93 410)	(92 381)	(93 410)
- Trade and other payables	447 338	2 140 131	1 472 877	990 385
Cash generated from operations	10 884 287	16 138 532	9 158 481	5 694 617

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.

<i>a) Membership fees</i>				
- Stockbrokers Botswana (Pty) Ltd	4 000	4 000	4 000	4 000
- Imara Capital Securities (Pty) Ltd	4 500	4 500	4 500	4 500
- African Alliance Securities Botswana Limited	3 750	4 000	3 750	4 000
- Motswedi Securities (Pty) Ltd	3 750	4 000	3 750	4 000
	16 000	16 500	16 000	16 500



Notes To The Financial Statements (continued)

For The Year Ended 31 December 2016

	GROUP		EXCHANGE	
	2016 P	2015 P	2016 P	2015 P
15 Related party transactions (continued)				
<i>b) Listing and annual sustaining fees on Government bonds (at 0.125% on nominal value of Government bonds)</i>	7 945 000	8 155 000	7 945 000	8 155 000
<i>c) Government Subvention</i>				
Government of the Republic of Botswana:				
- Capital grant	4 247 000	5 000 000	2 497 000	5 000 000
- Transfer of ATS system	4 229 959	-	4 229 959	-
- Subvention income	746 251	4 906 285	-	2 342 689
	9 223 210	9 906 285	6 726 959	7 342 689
<i>d) Transfer to the Botswana Stock Exchange Security Fund</i>	2 934 019	2 883 164	2 934 019	2 883 164
<i>e) Sitting allowances by the Committee members</i>	140 490	117 810	94 710	70 980
<i>f) Remuneration for senior managers</i>	6 243 972	6 668 536	5 279 304	4 942 240
<i>g) Year end balances</i>				
Receivables				
- Government of the Republic of Botswana	-	2 477 556	-	1 836 120
- Central Securities Depository Company of Botswana Limited	300 576	-	300 576	359 921
	300 576	2 477 556	300 576	2 196 041
Payables				
- Botswana Stock Exchange Security Fund	2 834 019	2 883 164	2 934 019	2 883 164



Notes To The Financial Statements (continued)

For The Year Ended 31 December 2016

16. Commitments

No significant capital commitments are planned at year end.

17. Contingent liabilities

There are no significant contingent liabilities identified at year end. The prior year labour dispute relating to a former employee on allegations of unfair dismissal resulted in an accrual of P1 212 204 included in payables. The amount accrued is per court order granted subsequent to year end and was settled subsequent to year end.

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:

	2016	2015
	P	P
Favourable bank balances	6 381 756	3 635 580

20. Categorisation of assets and liabilities

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

GROUP - 2016	Total	Financial assets and liabilities			Non-financial instruments	Current/non-current	
		At fair value through profit and loss	Loans and receivables	Amortised cost		Current	Non-current
Assets							
Property, plant and equipment	6 086 125	-	-	-	6 086 125	-	6 086 125
Trade and other receivables	1 169 032	-	844 672	-	324 360	1 169 032	-
Money market investment	80 850 617	-	80 850 617	-	-	80 850 617	-
Cash on hand and at bank	2 663 854	-	2 663 854	-	-	2 663 854	-
	90 769 628	-	84 359 143	-	6 410 485	84 683 503	6 086 125
Liabilities							
Deferred lease liability	1 340	-	-	-	1 340	1 340	-
Trade and other payables	3 981 104	-	-	2 194 162	1 786 942	3 981 104	-
Amounts due to the Botswana Stock	2 934 019	-	-	2 934 019	-	2 934 019	-
	6 916 463	-	-	5 128 181	1 788 282	6 916 463	-



Notes To The Financial Statements (continued)

For The Year Ended 31 December 2016

20. Categorisation of assets and liabilities (continued)

GROUP - 2015	Total	Financial assets and liabilities			Non-financial instruments	Current/non-current	
		At fair value through profit and loss	Loans and receivables	Amortised cost		Current	Non-current
Assets							
Property, 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 on 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	3 533 766	-
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	6 416 930	93 721

EXCHANGE 2016	Total	Financial assets and liabilities			Non-financial instruments	Current/non-current	
		At fair value through profit and loss	Loans and receivables	Amortised cost		Current	Non-current
Assets							
Property, plant and equipment	5 798 642	-	-	-	5 798 642	-	5 798 642
Investment in subsidiary	100	-	-	-	100	-	100
Trade and other receivables	1 288 494	-	964 134	-	324 360	1 288 494	-
Money market investment	55 046 282	-	55 046 282	-	-	55 046 282	-
Cash on hand and at bank	1 819 716	-	1 819 716	-	-	1 819 716	-
	63 953 234	-	57 830 132	-	6 123 102	58 154 492	5 798 742
Liabilities							
Deferred lease liability	1 340	-	-	-	1 340	-	1 340
Trade and other payables	3 731 552	-	-	2 019 334	1 712 218	3 731 552	-
Amounts due to the Botswana Stock	2 934 019	-	-	2 934 019	-	2 934 019	-
	6 666 911	-	-	4 953 353	1 713 558	6 665 571	1 340



Notes To The Financial Statements (continued)

For The Year Ended 31 December 2016

20. Categorisation of assets and liabilities (continued)

EXCHANGE 2015	Financial assets and liabilities				Current/non-current		
	Total	At fair value through profit and loss	Loans and receivables	Amortised cost	Non-financial instruments	Current	Non-current
Assets							
Property, 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 on 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	2 883 164	-	-	2 883 164	-	2 883 164	-
Stock Exchange Security Fund	5 235 560	-	-	5 062 595	172 965	2 883 164	93 721



Detailed Statement Of Profit Or Loss And Other Comprehensive Income

For The Year Ended 31 December 2016

	2016 P	2015 P
Revenue		
Commission income	6 697 176	8 073 644
Listing and annual sustaining fees	17 007 291	15 087 735
Members' fees	16 000	16 500
X-News Publication	810 000	422 000
Government subvention	-	2 342 689
Training income	357 412	317 179
Other income	1 326 672	145 438
Total income	26 214 551	26 405 185
Administrative expenses		
Advertising	2 304 827	1 299 154
Internal audit fees	110 080	168 330
Audit fees	104 200	107 910
Bank charges	55 539	63 180
Bad debts	199 000	412 456
Cleaning	69 333	74 843
Communication expenses	387 911	406 309
Computer expenses	3 300 188	2 529 817
Consulting fees	829 329	539 069
Recruitment expenses	67 372	56 143
Legal fees	1 212 204	-
Depreciation	735 586	540 199
Electricity	132 771	101 666
Entertainment	90 130	49 013
Insurance	193 372	193 100
Internship allowances	96 257	51 064
Library expenses	6 310	5 393
Members' sitting allowances	94 710	70 980
Motor vehicle expenses	71 180	48 222
Office expenses	131 180	69 296
Printing and stationery	55 662	48 115
Rent	705 097	786 126
Repairs and maintenance	75 468	71 432
Salaries and wages	9 791 171	11 499 110
Security costs	87 696	96 122
Training Levy	27 320	27 502
Seminars and conferences	279 849	212 512
Staff welfare	381 886	347 548
Subscriptions	100 207	59 782
Training expenses	142 647	269 106
Travelling and accommodation	464 145	453 180
Water	7 549	6 749
	22 310 176	20 663 428



And Other Comprehensive Income (Continued)

For The Year Ended 31 December 2016

	2016 P	2015 P
Operating profit	3 904 375	5 741 757
Finance income		
Interest income	1 963 663	2 367 259
Profit for the year	5 868 038	8 109 016

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 78.



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