

ANNUAL REPORT 2017
**BUILDING A WORLD CLASS
SECURITIES EXCHANGE**





TABLE OF CONTENTS

4

MISSION
VISION
& VALUE
STATEMENTS

6

BSE
OVERVIEW

7

OUR MAIN
COMMITTEE

9

CORPORATE
GOVERNANCE

14

MANAGEMENT
TEAM

19

CHAIRMAN'S
STATEMENT

21

CEO'S
REVIEW

24

CEO'S REVIEW
EQUITY
MARKET
PERFORMANCE

35

CEO'S REVIEW
THE EXCHANGE
TRADED FUND
(ETF) MARKET
PERFORMANCE

41

CEO'S REVIEW
BOND
MARKET
PERFORMANCE

44

CEO'S REVIEW
DEMUTUA-
LISATION AND
THE EVOLUTION
OF STOCK
EXCHANGES

48

CEO'S REVIEW
MARKET
INDICATORS

51

CEO'S REVIEW
COMPARISON
WITH SELECTED
MARKETS

56

CEO'S REVIEW
PRIMARY
MARKET

57

CEO'S REVIEW
DEPARTMENTAL
REVIEWS

62

CEO'S REVIEW
INTERNATIONAL
PARTICIPATION

65

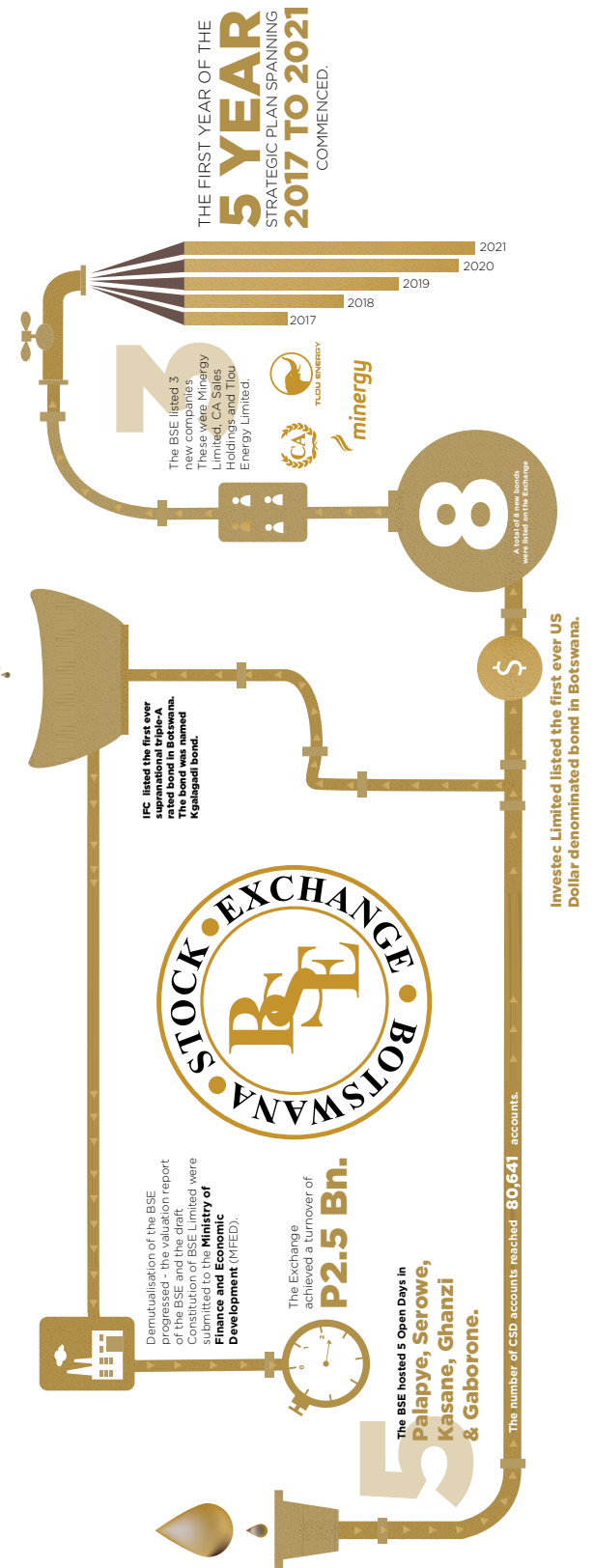
GRAPHICAL
REVIEW

69

MARKET
STATISTICS

77

FINANCIAL
STATEMENTS



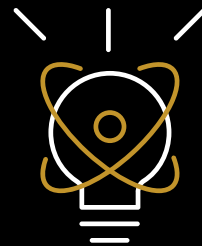


MISSION, VISION & VALUE STATEMENTS



MISSION STATEMENT

To drive sustainable economic growth by providing a gateway for raising capital and accessing investment opportunities.



VISION STATEMENT

To be a world-class securities exchange delivering innovative products and services.



OUR VALUES

INTEGRITY

We are professional and accountable for our actions, and uphold the highest ethical conduct in our execution and adhere to the highest standards of corporate governance.

SUSTAINABILITY

We will employ business methods that adhere to the proper use of financial and human resources as well as the environment we operate in.

INNOVATION

We are committed to continually re-inventing products and services by adopting the best technology and practices.

COMMERCIAL FOCUS

We are geared towards revenue maximization for the company and stakeholders.

TEAM WORK

We are collaborative with internal and external stakeholders to ensure excellent returns and delivery.

EFFICIENCY

We endeavour to accomplish more with the available resources and time.

BOTSWANA STOCK EXCHANGE (BSE) OVERVIEW

The Botswana Stock Exchange (BSE) is Botswana's sole stock exchange given the responsibility to operate and regulate the securities market in Botswana. The formation of the BSE can be traced back to 1989 when it was then 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. At the time, there were only 5 listed entities with a single broking firm.

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 & 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, the BSE discontinued the secretarial role of Ernst & 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 capital. The BSE plays host to the most pre-eminent companies doing business in Botswana, Africa and the world at large. These companies represent a spectrum of industries and commerce; being Banking, Financial Services, Wholesaling & Retailing, Tourism, Energy, Mining & Materials, Property & Trust, Security and Telecommunications. There are 35 listed companies on the BSE which comprise of 24 domestic companies and 11 foreign companies.

Further, the BSE has 43 listed bonds and 4 Exchange Traded Funds.

OUR PRODUCTS

Currently, the products listed on the BSE are Equities, Bonds and Exchange Traded Funds.

THE REGULATORY ENVIRONMENT

The BSE is regulated by the Non-Bank Financial Institutions Regulatory Authority (NBFIRA) and is governed by three pieces of legislations. These are the BSE Act of 1994, the BSE Transition Act of 2015 and the Securities Act of 2014. The BSE Transition Act commenced on 1 December 2015, paving way for the demutualisation of the BSE which is ongoing. The Securities Act commenced in April 2017.

For regulating the affairs of the members, the BSE has promulgated the 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-listings and post-listings requirements to be observed by the issuers of listed securities. The emphasis is to make sure that issuers disclose adequate information to the public and investors to facilitate informed investment decision making.

OUR MAIN COMMITTEE





CORPORATE GOVERNANCE

MAIN COMMITTEE

The Main Committee of the BSE established in terms of the BSE Act comprises of 3 members appointed by the Minister of Finance and Economic Development (MFED) 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 Main 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. T. Masire*	Chairman	Re-elected in May 2017
Mr. P. O'Flaherty**	Vice-Chairman	Re-elected in May 2017
Mr. K. Mohohlo	Treasurer	Re-elected in 2017
Mr. M. Makgatlhe	Member	Re-elected in May 2017
Mr. W. Mokgatlhe	Member	Elected May 2017
Mr. G. Matsake ***	Member	Elected in May 2017
Ms. G. Kgaodi****	Member	Re-elected May 2016

APPOINTED MEMBERS		
Mr. N. Letshwene	Member	Re-Appointed in May 2017
Ms. I. Magama	Member	Re-Appointed in May 2017
Mr. B. Bogopa	Member	Appointed in May 2017

*First Elected in May 2015

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

*** First Elected in May 2012, assumed office in September 2017

**** Term ended on 31 May 2017

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 constituted by the following members:

The members of the Listings and Trading Sub-Committee are:

MEMBER	ATTENDANCE
Lt. Gen. T. Masire (Chairman)	1/1
Mr. M. Makgatlhe	1/1
Mr. B. Bogopa*	1/1
Mr. P. O'Flaherty	1/1
Mr. K. Mohohlo**	0/1

*Appointed with effect from 31 May 2017

**Term ended on 31 May 2017

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:

MEMBER	ATTENDANCE
Mr. W. Mokgatlhe (Chairman)*	1/4
Mr. G. Matsake**	0/4
Ms. I. Magama	2/4
Mr. N. Letshwene	4/4
Ms. G. Kgaodi****	2/4

*First Elected in May 2015

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

*** First Elected in May 2012, assumed office in September 2017

**** Term ended on 31 May 2017

INVESTIGATIONS AND DISCIPLINARY SUB-COMMITTEE

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

The members of the Investigations and Disciplinary Sub-Committee are:

MEMBER	ATTENDANCE
Mr. N. Letshwene (Chairman)	0/0
Ms. I. Magama	0/0
Mr. B. Bogopa*	0/0
Prof. J. Kiggundu**	0/0

*Appointed with effect from 31 May 2017

**Term ended 31 May 2017

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:

MEMBER	ATTENDANCE
Mr. N. Letshwene (Chairman)	2/2
Ms. I. Magama	1/2
Mr. B. Bogopa*	0/2
Prof. J. Kiggundu**	1/2

*Appointed with effect from 31 May 2017

**Term ended 31 May 2017

BOTSWANA STOCK EXCHANGE BOARD TENDER COMMITTEE

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

The members of the BSE Board Tender Committee are:

MEMBER	ATTENDANCE
Mr. G. Matsake (Chairman)*	1/2
Mr. N. Letshwene	2/2
Mr. K. Mohohlo	1/2
Ms. G. Kgaodi**	1/2

*Appointed with effect from 31 May 2017

**Term ended 31 May 2017

BOTSWANA STOCK EXCHANGE SECURITY FUND BOARD OF TRUSTEES

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

The Botswana Stock Exchange Security Fund Board of Trustees are:

MEMBER	ATTENDANCE
Mr. M. Makgatlhe (Chairman)*	1/1
Mr. K. Mohohlo	0/1
Mr. B. Bogopa	1/1
Prof. J. Kiggundu**	0/1

*Appointed with effect from 31 May 2017

**Term ended 31 May 2017

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	5	1	-	-	-	-	-	1
Mr. P. O'Flaherty	1	1	-	-	-	-	-	0
Mr. M. Mohohlo	4	0	-	-	-	1	0	1
Ms. I. Magama	4	-	2	0	1	-	-	1
Mr. N. Letshwene	5	-	4	-	2	2	-	1
Mr. M. Makgatlhe	6	1	-	-	-	-	1	1
Mr. W. Mokgatlhe	2	-	1	-	-	-	-	0
Mr. G. Matsake	2	-	0	-	-	1	-	0
Prof. J. Kiggundu	2	-	-	0	1	-	0	0
Ms. G. Kgaodi	2	-	2	-	-	1	-	0
Mr. B. Bogopa	3	1	-	0	0	-	1	1

COMMITTEE FEES

The BSE pays Main Committee members a sitting allowance based on the rates set by Government.

The New BSE
Plot 70667,
Fairscapc Precinct
4th Floor, Fairgrounds.



MANAGEMENT TEAM



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



Ms. Pheto joined the BSE in December 2007 as Central Securities Depository Company of Botswana (CSDB) Manager. Prior to joining the BSE she was Market Risk Manager at Stanbic Bank Botswana. Before then, she worked for Bank of Botswana on different units of the Financial Market Department as a Dealer, Settlement Officer and Portfolio Analyst. She graduated with a BA in Economics from the University of Botswana, and holds a MA in Economics from University of Stellenbosch (RSA). Ms. Pheto holds a Diploma in Chartered Institute of Management Accountants (CIMA) and she is currently pursuing Advanced Diploma. She has completed an Executive Development Programme (EDP) at University of Stellenbosch Business School (RSA).



Ms. Mogasha joined the BSE in 2006 as Operations Officer – Finance & Admin, a position she held until July 2013 when she was appointed to the role of Acting Finance & Admin Manager. She assumed the role of Finance & Administration Manager in February 2014. Prior to joining the BSE she worked for Motswedi Securities as Accountant. Before then, she worked for Grunwald Construction as Assistant Accountant. Ms. 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 both the Management Development Programme (MDP) and Executive Development Programme (EDP) at University of Stellenbosch Business School (RSA).



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



ORGANIZATIONAL STRUCTURE



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 from June 2011 to 2013 as the Principal Legal Officer/Company Secretary. Ms. 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 organization that she subsequently rejoined in May 2009 serving as the Senior State Counsel. Ms. Poonyane has a Bachelor of Laws Degree from the University of Botswana. She also holds an MSc in Strategic Management from the University of Derby.



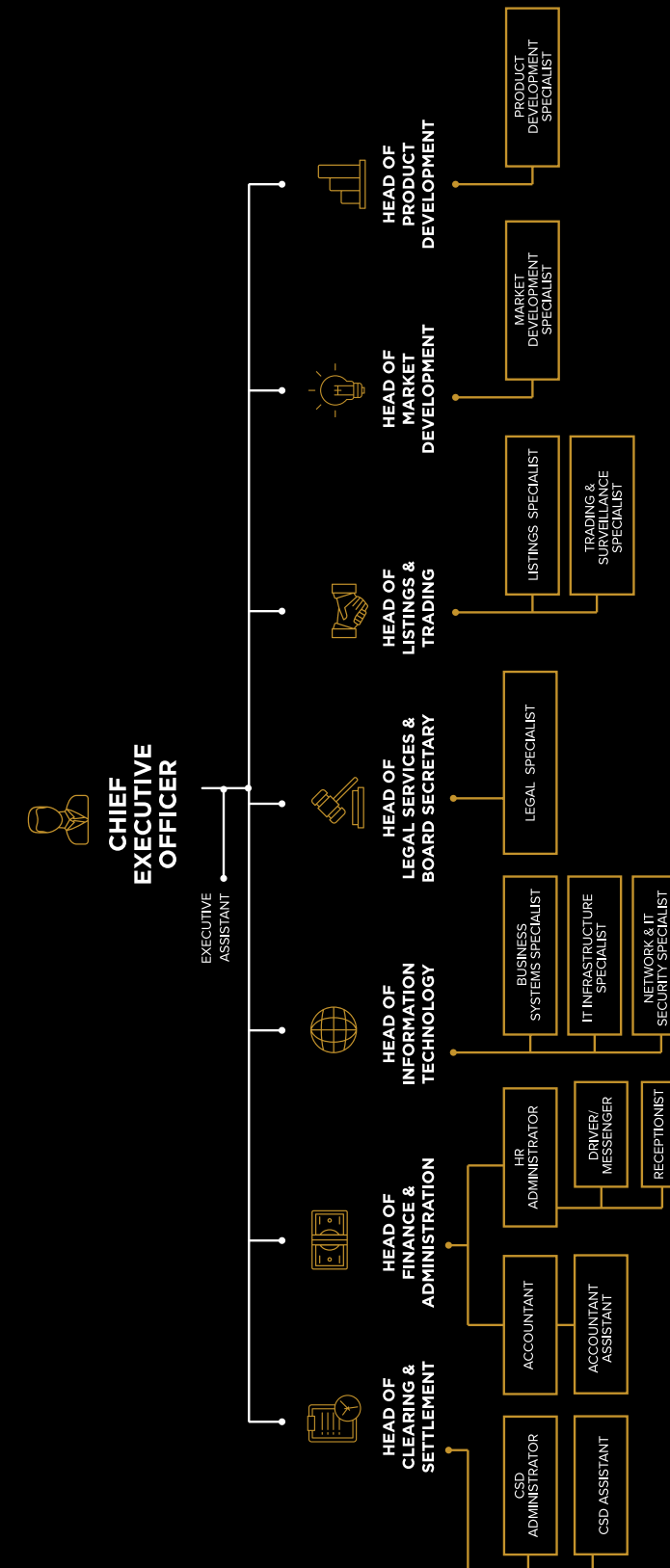
Ms. Moribame joined the BSE in August 2016 as Market Development Manager. Prior to joining the BSE, she was the Marketing Manager at Air Botswana from November 2012 to July 2016. Before joining Air Botswana, she worked at the Local Enterprise Authority as Market Access Specialist from January 2011 to 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 has a Bachelor of Arts in Social Sciences degree from the University of Botswana. She also holds a Master of Commerce in Economics and an Honours Degree in Economics, both from the University of Stellenbosch (RSA).



Mr Tsametse Mmolai started his career at Botswana Insurance Fund Management (BIFM) Limited as an Investment Accountant before joining Metropolitan Life Botswana Limited and thereafter joined the BSE in 2008. Mr Mmolai graduated with a BCom (Finance) from Macquarie University in Sydney, 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 the Management Development Programme (MDP) with University of Stellenbosch Business School (RSA).



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 and a Master of Business Administration (MBA) both from University of Botswana (UB). Further, he is a Chartered Alternative Investment Analyst (CAIA) Charter holder and has completed the Chartered Financial Analyst (CFA) Level II exams. Mr Bolokwe is also a Registered Person (RPE) under the South African Institute of Financial Markets (SAIFM). He has completed a Management Development Programme (MDP) at University of Stellenbosch Business School (RSA).





TEAM





CHAIRMAN'S STATEMENT

Dear Valued Stakeholder,

The year 2017 marked the first year of the BSE's 5 year Strategic Plan which runs until 2021. It therefore was an exciting year for the Main Committee, the staff and the capital market in general.

I should express my gratitude at being voted for the second consecutive year as the Chairman of the BSE Main Committee. It is indeed a heartfelt token of confidence in my stewardship. Looking back to the beginning of the year, I am happy to say that amidst the economic challenges experienced domestically, the Exchange has fared competitively. We have noted that consumer spending was not robust and business confidence was on the downtrend. Notwithstanding, trading activity remained stable relative to the previous year.

The Exchange experienced a considerable number of listings in terms of equities and fixed income and history was made when the first ever supranational bond and the first ever foreign currency denominated bond listed on the BSE. All these were the fruits of the dedication of our workforce, and our alignment with new and envisaged opportunities within the country, the region and globally. We therefore remain convinced that 2017 has elevated the confidence that the investing community has in the BSE and this will continue to oil our machinery as we progress with the strategic plan.

I am privileged to mention that we continued to build our Governance capabilities as we were joined by new members whom I can attest have contributed immensely towards harnessing our role to provide strategic guidance to the BSE. On behalf of the Main Committee, I am proud to welcome Mr. Willie Mokgatlhe and Mr. Basimane Bogopa who joined the Main Committee as Non-Executive Members upon the retirement of Ms. Goitseone Kgaodi and Prof. Kiggundu. Mr. Mokgatlhe is the Chief Executive Officer of Botswana Oil and Mr. Bogopa is the Managing Partner of Bogopa Manewe Attorneys.

As we strive to build a world class securities exchange, we continue to give a renewed focus to our contribution to the Sustainable Development Goals (SDGs) and our role to the community at large. The BSE tabled before us their first ever Corporate and Social Investment (CSI) policy, the "Dipolelo Programme", which we approved. The essence of this policy is primarily to give guidance to the BSE about the strategic areas to which their resources can be allocated as contribution towards achieving the nations aspirations enshrined in Vision 2036. This is also in sync with the ideals of the National Development Plan (NDP) 11, particularly the thematic areas of Social Upliftment, Economy and Employment as well as Sustainable Environment.

History was made when the first ever supranational bond and the first ever foreign currency denominated bond listed on the BSE.

In closing, let me thank our stakeholders for the continued support and acknowledge my fellow Main Committee members for trusting me to steer the Exchange forward one more time. To staff, continue to believe in your capabilities to deliver this strategy in this challenging environment and leverage your strengths to build a world class and sustainable securities exchange going into the future.

Thank you.



**LIEUTENANT GENERAL
TEBOGO CARTER MASIRE**
CHAIRMAN OF
BSE MAIN COMMITTEE



CEO's REVIEW



THEME - BUILDING A WORLD CLASS SECURITIES EXCHANGE

This year marks my second year at the helm of the BSE and my tenth year with the Exchange.

By and large I am privileged to have been with the Exchange through a ten year cycle that commenced with the slump in the domestic market in 2007 and following a bullish year of 2006 that saw the DCI and the FCI reaching all-time highs of 74.1% and 78.0% respectively. Recovery has not been easy since then and yield has been hard to find. Notably, the onset of the financial crisis eroded a lot of the gains of pre-financial crisis years and introduced significant volatility in the behaviour of the domestic market, although the domestic and foreign counters have recovered by 45.9% and 44.8% respectively from the trough emanating from the impact of the financial crisis. It is pleasing that 64% of the time since 2007, the domestic market has been on the rise. Since 2007, we count only 4 years in which the DCI was in the red.

On the operational front, there has been an overhaul in many facets of the business over the past decade; from the regulatory standpoint, infrastructure point of view to market and product development. Our financial viability has also improved over the years. Notably the BSE has continued to be financially self-sustaining since 2011 on the back of significant growth in the top line and prudent management of expenditure.

Fast forward, a new era that is worthy of note unveiled in 2017 to signify another face of transformation of the BSE and the capital market at large. In an environment that is challenging economically, there has had to be a need to introspect and strategize in a manner that safeguards and upholds our viability as a business whilst pioneering the next phase of the development of the domestic capital market.

When formulating our Strategic Plan, we took into consideration that our strategy must focus on harnessing the values of the organisation to propel the BSE towards its long term aspiration of driving sustainable economic growth by providing a gateway for raising capital and accessing investment opportunities. Already, the BSE is a critical catalyst to the economy of Botswana given its strategic positioning within the economy with respect to the value of the companies listed on the Exchange. Therefore, we conceded that 2017 had to set the tone for a five year period of transformation and should lay a foundation for building a world class securities exchange.

Internally our focus has, among others, been to improve the skills of the organization's workforce, optimize the cost of doing business whilst expanding revenue channels, and most importantly embark on a commercialisation drive by advancing the demutualisation of the Exchange.

Externally, we continue to bring down the perceived boundaries that have branded us inaccessible to both the investor and issuer community for many years in the past. We invested in harnessing stakeholder relations and engaging, through high impact initiatives, with issuers, potential issuers, and professional advisors as well the investors. This was underscored by our conviction that it is the effort of the collective that can bring about the envisioned transformation of the capital market.

Incidentally, the NDP 11 commenced in the same year as our five year Strategic Plan. Our renewed mission statement encapsulates the spirit of NDP 11 with respect to entrepreneurship development. Our flagship Annual Listings and Investment Conference thrives to bring the businesses closer to the Exchange and it is pleasing to reflect on the momentum created by this initiative in 2017 which resulted in additional listings in the year.

The BSE continues to promote its international presence by optimizing opportunities presented

CEO's Review (continued)

by its global alliances. Within the SADC continent, through the Committee of SADC Stock Exchanges (CoSSE), we have been steering developments on the bond market as I chair the Product Development Committee of CoSSE.

In the continent, through African Securities Exchanges Association (ASEA) where I am the Executive Committee Member and the Chairman of the ASEA Market Development Working Group, we completed and launched the joint report by African Development Bank (AfDB) and ASEA titled "AfDB Local Currency Bond Issuance on African Capital Markets" in Egypt in November 2017.

We joined the Green Finance Advisory Group of the United Nations Sustainable Stock Exchanges (SSE) initiative to propel our proximity to issues of green finance. Further, we partnered with the UNDP office in Gaborone to profile sustainability practices of listed companies with a view to showcase their implementation of Sustainable Development Goals (SDGs) to ultimately further capacitate them and perhaps consider an incentive tool in the near future, such as a Sustainability Index.

The SSE coordinated a research report, published jointly by United Nations UNCTAD and the World Federation of Exchanges (WFE) titled "The Role of Stock Exchanges in Fostering Economic Growth and Sustainable Development" to which we made a contribution and showcased our initiatives towards promoting the inclusion of Small Medium Enterprises (SMEs) in the capital market.

These milestones, and many others not here mentioned, are important for us to remain relevant, learn from our global peers and play an active role in influencing the development of the domestic, regional and global securities market. Without a doubt, these initiatives are crucial constituents of our commitment to positioning the BSE as a world class securities exchange.

It is my belief that the groundwork has been laid. The staff and the stakeholders have bought into our vision and alignment of priorities is unquestionable. It is only fair that we can look to the future with optimism and harness our competitive advantages to take this country forward.



GLOBAL MARKET HIGHLIGHTS

The latest global market highlights for 2017 published by the World Federation of Exchanges (WFE) depicted an exceptionally strong year for the stock exchanges worldwide. Stock market valuations continued to rise amid a sustained period of low volatility. Globally, many indices climbed to record peaks, new listings were up 47.8% and capital raised through IPOs increased by 50.6%. Despite this growth, turnover levels were 2.6% lower than in 2016.

In the domestic market, a picture similar to the global trend was observed. Whilst 2017 globally experienced the highest number of listings since 2007, the BSE equally experienced the highest number of listings since 2012. As global indices surged, the Domestic Company Index (DCI) fared better compared to 2016 and turnover levels moved in line with global trend with a slight decline of 2.5% compared to 2016.

It is however noted that information emanating from domestic companies painted a gloomy picture about the business environment in 2017, which in part explains the slowdown in the equity market on the BSE.

Although the Bank of Botswana (BoB) continued to maintain accommodative monetary policy to encourage borrowing for investments purposes, the confidence of the business community shifted marginally from optimism to pessimism in between the first half of 2017 and second half of 2017. This is extracted from the March 2017 and the September 2017 editions of the BoB Business Expectations Surveys. However, expectations about a positive economic environment are projected going into 2018.

In some of the annual reports published in 2017, listed companies alluded to a challenging economic environment in 2017 compared to the other years, citing constrained demand as a major contributor to the difficult business environment.

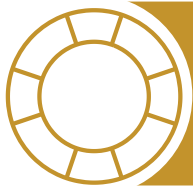


GLOBAL ECONOMIC HIGHLIGHTS

The Global economy continued to strengthen, with global output estimated to have grown by 3.7% in 2017. This is according to the International Monetary

Fund's (IMF) World Economic Outlook report published in January 2018. The IMF expects the growth momentum to carry into 2018 with a projected growth rate of 3.9%.

The Sub-Saharan region is estimated to have expanded in line with global output, registering a pickup of 2.7% in 2017 with projected expansion of 3.3% in 2018. The Southern African Development Community (SADC) region is expected to grow by 3.3% in 2017 in line with the rising global economic activity.



DOMESTIC ECONOMIC HIGHLIGHTS & IMPLICATIONS FOR THE CAPITAL MARKET

The recovery of the world economy is projected to have positively impacted the domestic economy in 2017, and similar impact is projected for 2018. Exports are expected to continue to benefit from accommodative financial conditions and strong consumer confidence which has fuelled demand and production in advanced economies.

According to the 2018 Budget Speech, the domestic economy is expected to register growth rates of 4.7% in 2017 and 5.3% in 2018. In 2016, the domestic economy had expanded by 4.3% following a contraction of 1.7% in 2015. The positive economic outlook is on account of recovery in the global economy which is expected to boost the mining sector, with the non-mining sector expected to benefit from continued economic diversification interventions by the Government. To support this, the Minister of Finance and Economic Development (MFED) has estimated an increase in fiscal expenditure in 2018/19 amounting to 13.9% which is double the increase in Government expenditure in the 2017/18 fiscal year.

The outlook of the equity market remains challenging to opine about given the mixed bag of sentiments from the business community on one hand and the optimism by Government on the other hand. However, given that Government is the leading spender in the domestic economy, and that the budget expenditure is projected to register a reasonable increase, it can be expected that there will be some positive trickle effects to businesses and households. As a result, a revived confidence about the domestic economy should be expected in the next instalment of the Business Confidence Expectations Survey.

**It is my belief
that the
groundwork has
been laid. The
staff and the
stakeholders
have bought
into our vision
and alignment
of priorities is
unquestionable.**

**It is only fair
that we can look
to the future
with optimism
and harness our
competitive
advantages to
take this country
forward.**

CEO's Review (continued)

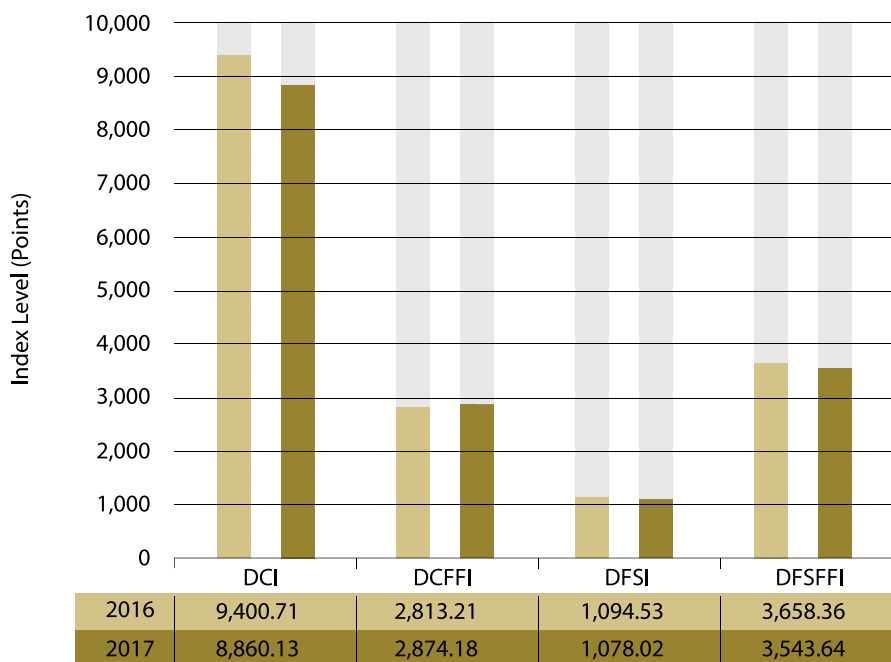
1. EQUITY MARKET PERFORMANCE

Analysis Of Equity Indices

1.1. Indices Computed on Domestic Companies

The performance of the equity market broadly reflected the slowdown in corporate earnings across the bourse on the back of a more challenging economic environment coupled with reduced business optimism about the economic outlook. This had an adverse impact of the movement of the Domestic Company Index (DCI). However, on a comparative basis the DCI performed better relative to 2016, registering a lesser depreciation of 5.8% in comparison to a depreciation of 11.3% in 2016.

Figure 1: Performance of Indices Computed on Domestic Companies



As illustrated in Figure 1, the Domestic Companies Free Float Index (DCFFI) is the only index computed on domestic companies that recorded a positive growth in 2017. The DCFFI appreciated by 2.2%, while the Domestic Financial Sector Index (DFSI) and the Domestic Financial Sector Free Float Index (DFSFFI) declined by 1.5% and 3.1%, respectively.

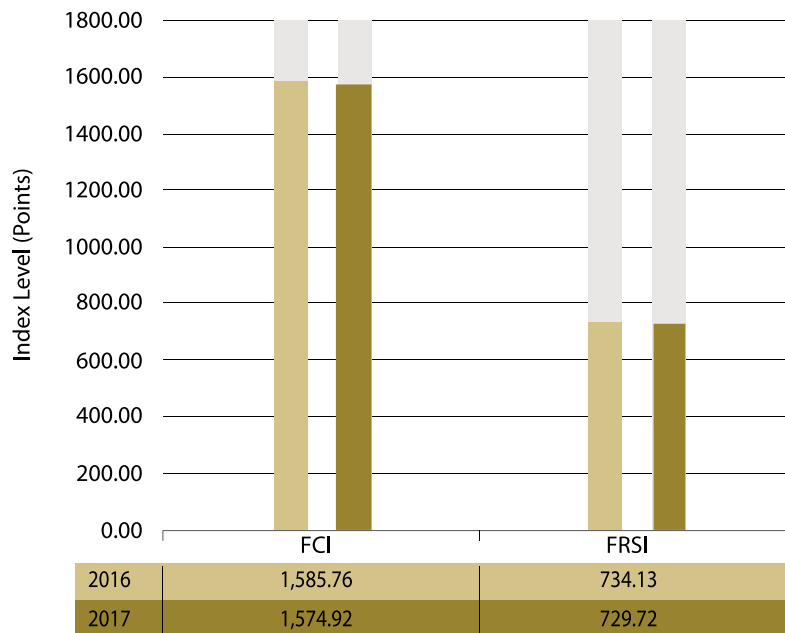
CEO's Review (continued)

1.2 Indices Computed on Foreign Companies

The Foreign Company Index (FCI) closed the year at 1,574.92 points, registering a marginal decrease of 0.7% and winding down the 0.8% appreciation of the FCI registered in 2016.

Similarly, the Foreign Resources Sector Index (FRSI), which tracks the total performance of the mining and minerals companies, closely reflected the growth pattern followed by the FCI, as it marginally declined by 0.6% in 2017 relative to appreciation of 1.1% in 2016.

Figure 2: Performance of Indices Computed on Foreign Companies

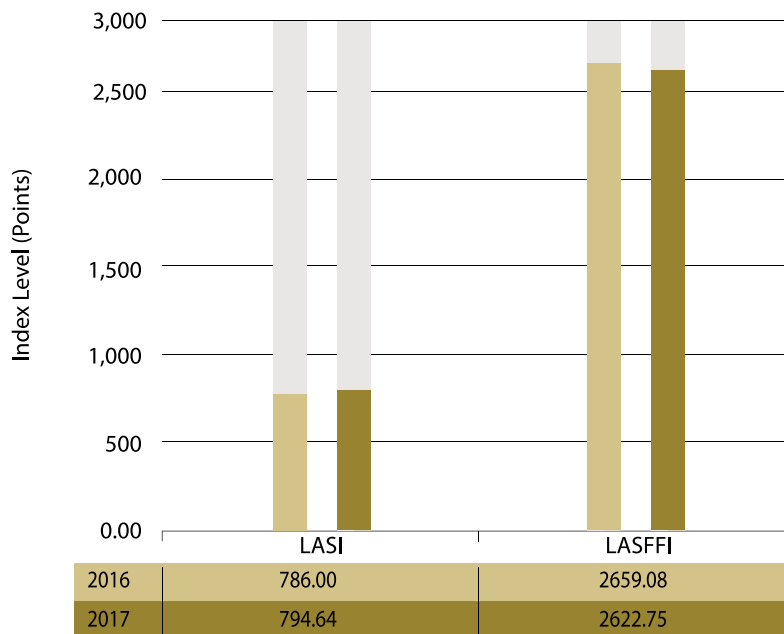


1.3 Indices Computed on Local Asset Status Companies

In 2017, the Local Asset Status Index (LASI) appreciated by 1.1% compared to the 1.4% decline recorded in 2016. Conversely, the Local Asset Status Free Float Index (LASFFI) depreciated by 1.4% in 2017, compared to the decline of 10.8% in 2016.

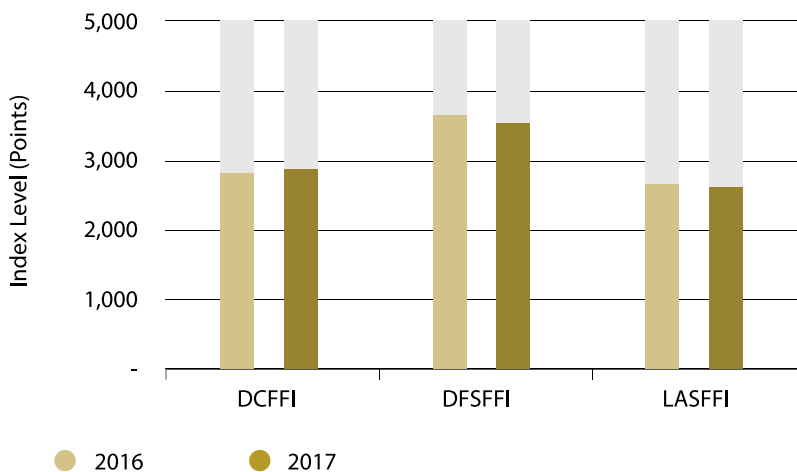
CEO’s Review (continued)

Figure 3: Performance of Indices Computed on Local Asset Companies



1.4 Indices Computed on Free Float Number of Securities

Figure 4: Performance of Indices Computed on Free Float Number of Securities



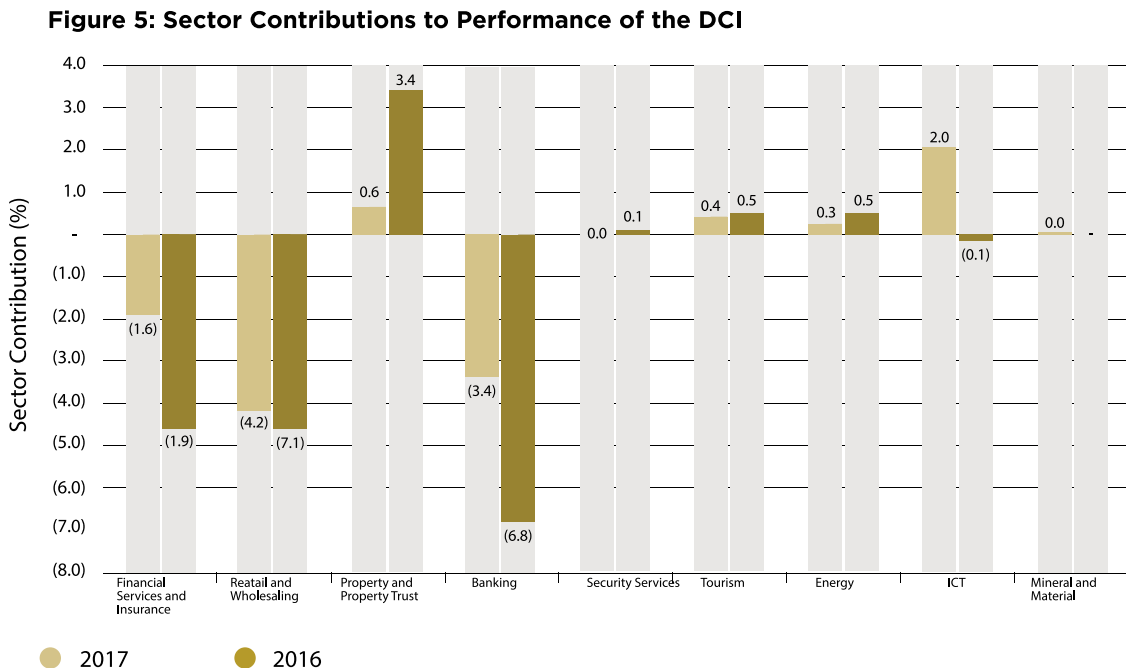
CEO’s Review (continued)

Figure 4 illustrates the performance of indices calculated using the Free Float number of securities. Unlike Price Indices which measure the change in the total market capitalization of constituent companies, Free Float Indices measure the change in market capitalization of shares that are readily available to trade in the market. The DCFFI is the only Free Float index to have appreciated in 2017, increasing by 2.2%. Inversely, the DFSSI and the LASFFI depreciated by 3.1% and 1.4% in 2017, respectively.

It is noted that the last date of computation and publication of free float indices was 29 December, 2017. Henceforth, the indices will be discontinued. This followed the Main Committee approval of the recommendation to discontinue them on the basis of the prevailing limitations with regards to the computations. The BSE Indices Surveys conducted in 2015 and 2016 revealed that the free float indices were perceived not “useful” by the market participants. This was attributed to the limited ability to independently replicate the computation of the indices due to the limited accuracy of the computation methodology. In particular, the computation methodology estimates the free float number of securities based on a constituent’s historical liquidity levels and not the actual free float number of securities.

1.5 Sector Contributions to Performance of the DCI

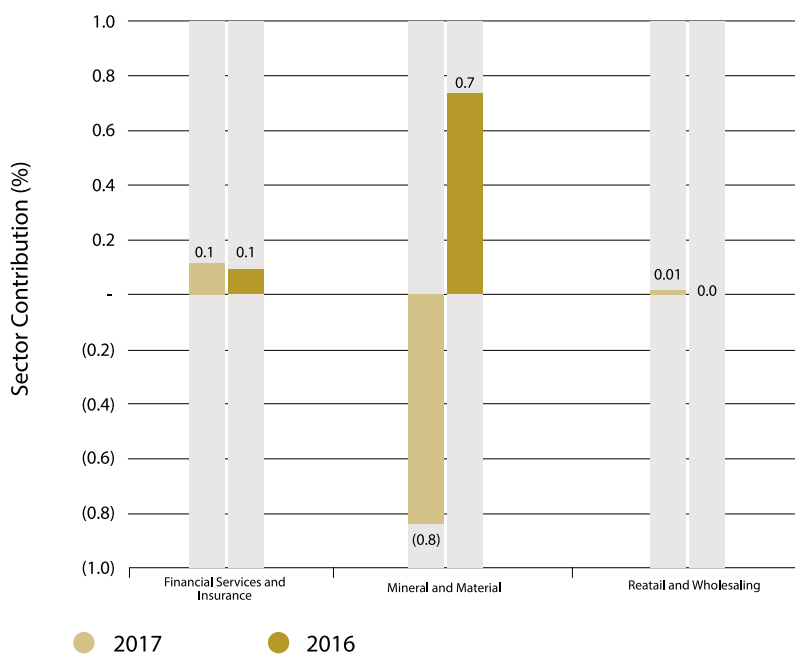
An analysis of sector contributions to the performance of the DCI is presented in Figure 5. The DCI's decline of 5.8% in 2017 was attributable to the negative performance of the Retail & Wholesaling, Banking, Financial Services & Insurance as well as the Security Services sectors. In aggregate, the four sectors contributed 9.2 percentage points to the depreciation of the DCI. The sectors that contributed positively to the DCI performance were the Information & Communications Technology (ICT), Property & Property Trust, Tourism and Energy sectors with an aggregate contribution of 3.4 percentage points.



1.6 Sector Contributions to Performance of the FCI

Figure 6 below shows the sector contribution to performance of the FCI. The Foreign Equity Board continues to be dominated by the Mining & Minerals sector. This sector accounted for 94.4% of the foreign companies' market capitalisation in 2017 and contributed 0.84% percentage points to the FCI's depreciation. The balance is accounted for by the Financial Services sector and the Retail & Wholesale sector with the latter being on account of CA Sales Holdings which listed in the last quarter of 2017.

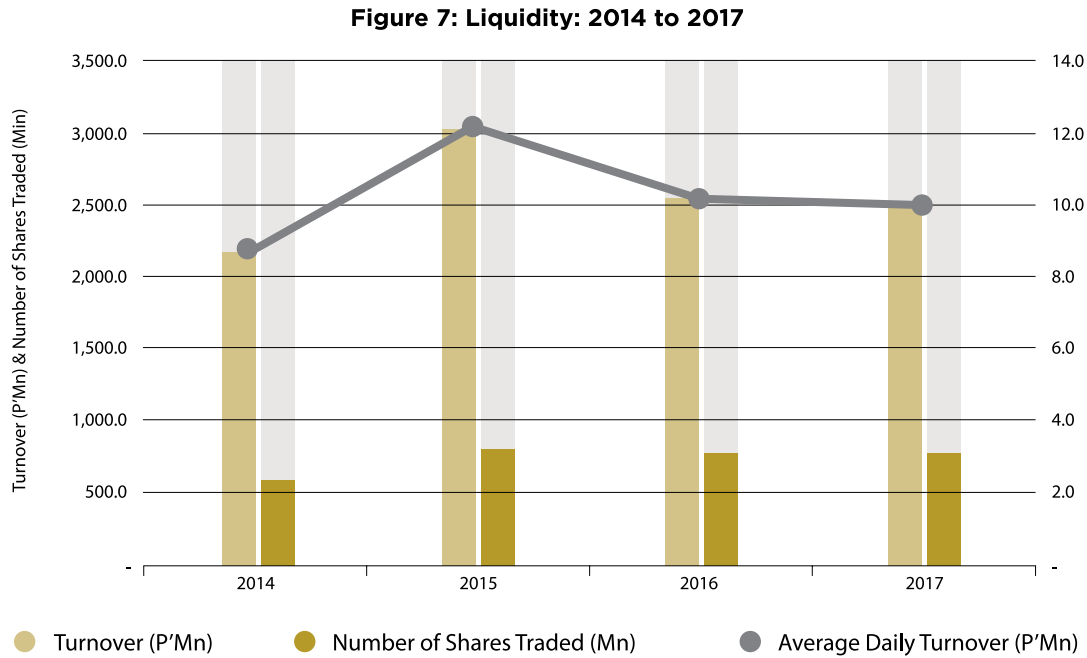
Figure 6: Sector Contributions to Performance of the FCI



1.7 Liquidity and Stability of Turnover

Figure 7 gives a four year review of turnover on the BSE. The BSE realised a turnover of P2,476.7 Mn in 2017, a slight decrease from the P2,541.2 Mn in 2016. The average daily turnover for 2017 amounted to P10.0 Mn relative to P10.2 Mn in 2016.

The volume of shares traded in 2017 was 775.0 Mn in comparison to 778.2 Mn shares in 2016. The marginal slowdown in trading activity could partly be explained by the disruptions in the operations of fund managers following the loss of key personnel among local fund management companies, especially in the last quarter of 2017. The market statistics show that the average daily turnover actually reached very low levels in quarter 4 of 2017, relative to the other quarters, on the back of a significant slowdown in trading activity.



As can be noted from Figure 8, the stability of turnover in 2017 was correspondingly similar to that in 2016. However, the slight difference in the coefficient of variation of 3.4% in 2017 compared to 3.3% in 2016 was as a result of increased activity in quarter 3 of 2017, which registered a significantly higher average daily turnover of P20.0 Mn, compared to relatively stable daily turnover levels in quarters 1, 2 and 4 of P8.5 Mn, P6.1 Mn and P5.4 Mn respectively.

Figure 8: Indicators of Liquidity: 2013 to 2017

Indicators	2013	2014	2015	2016	2017
Turnover/ Average Market Cap (%)	5.9	4.9	6.3	5.3	5.4
Standard Deviation	15.9	18.6	17.9	33.8	33.5
Coefficient of Variation (CoV)	1.7	2.1	1.5	3.3	3.4
Shares Traded/Shares Listed (%) ^{Note 1}	8.8	5.2	7.0	6.4	5.9

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

A quarterly analysis of turnover reveals that the highest turnover in 2017 was generated in quarter 3 which was more than the turnover realised in all the other three quarters combined.

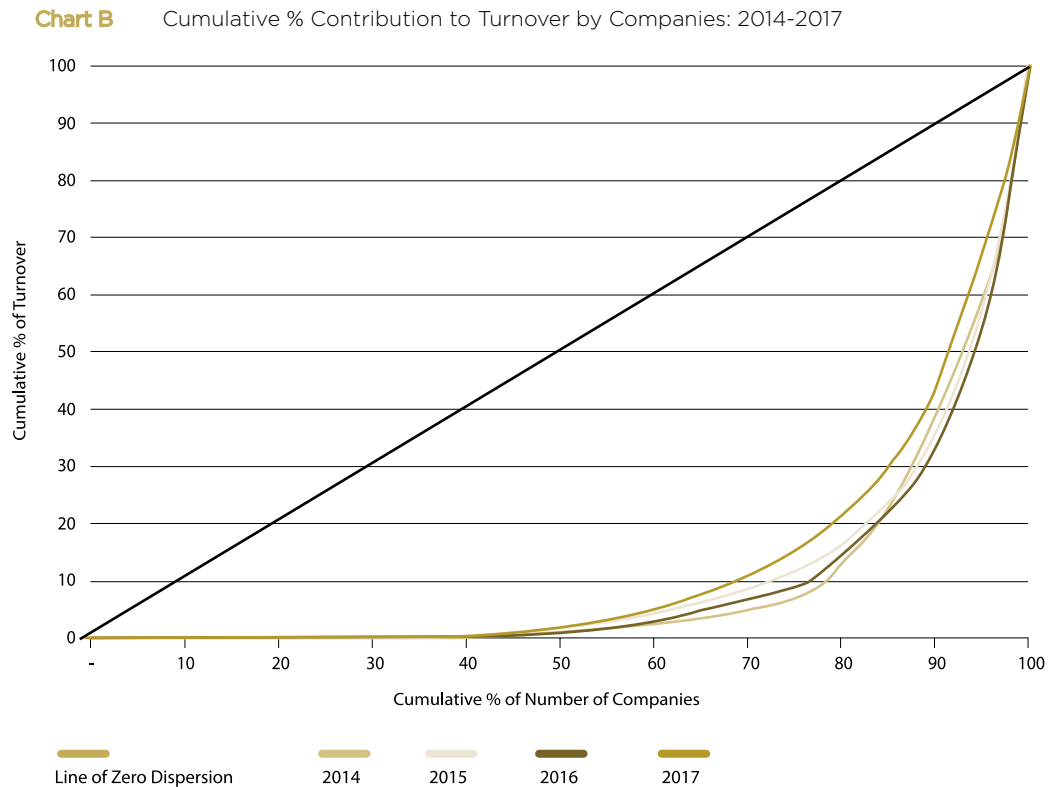
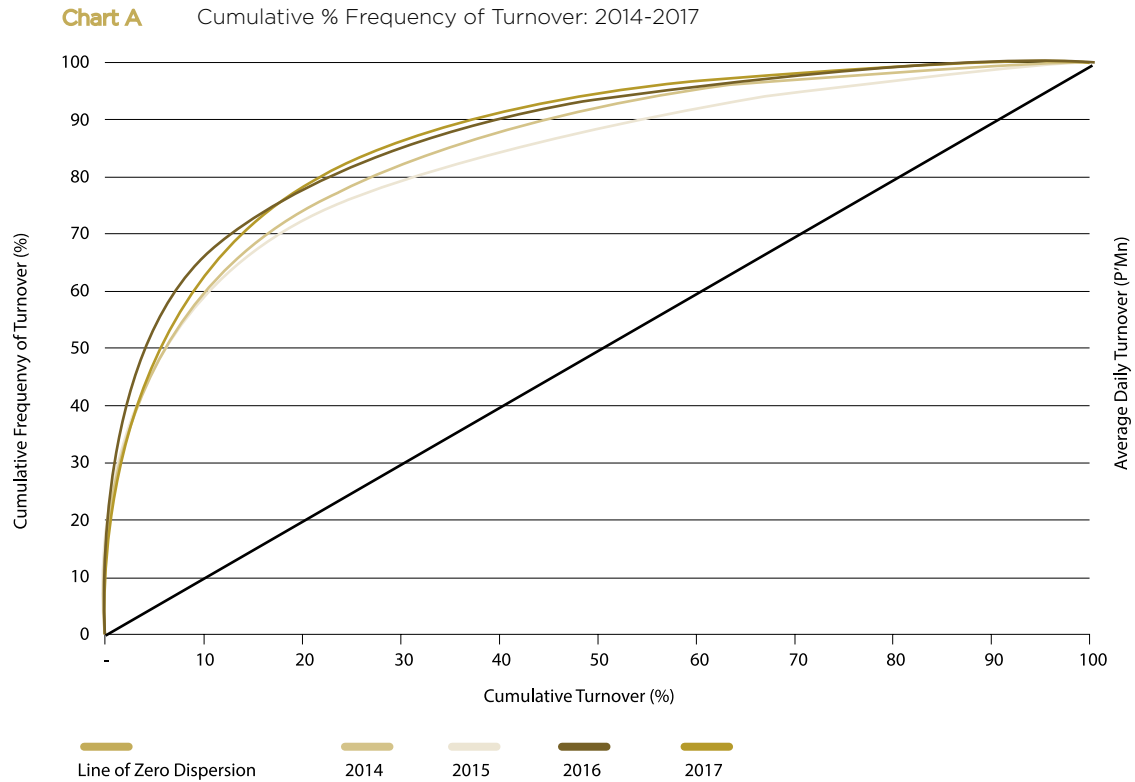
Figure 9: Quarterly Market Turnover: 2017

Indicators	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Turnover (P' Mn)	532.8	371.1	1,240.5	332.3
Average Daily Turnover (P 'Mn)	8.5	6.1	20.0	5.4
Turnover/ Average Market Cap (%)	1.2	0.8	2.7	0.7
Standard Deviation	17.4	10.1	62.2	10.7
Coefficient of Variation	2.1	1.7	3.1	2.0
No. of Shares Traded (Mn)(domestic)	172.0	115.3	363.9	110.0
Shares Traded/Average Shares Listed (%)Note	1.3	0.9	2.7	0.8

The Lorenz Curve analysis presented in Figure 10 provides further insight into the stability of turnover for the years 2014 through to 2017. It can be noted from Chart A of Figure 10 that turnover was relatively widely dispersed in 2017 compared to the other years.

However, an analysis of the distribution of turnover contributed by companies as depicted in Chart B of Figure 10 illustrates a lesser turnover concentration in the market during 2017 compared to the previous three years. This shows that a relatively higher number of companies accounted for the turnover recorded in 2017.

Figure 10: Analysis of the Stability of Turnover using the Lorenz Curve



1.8 Sector Contributions to Liquidity

Figure 11 shows the various sectors on the BSE and their liquidity metrics. Domestic counters continue to be more traded relative to foreign counters.

On the domestic board, Property & Property Trust sector was the most traded sector followed by the Retail & Wholesaling sector, with contributions of 1.58% and 1.33% respectively in 2017.

In respect of the number of shares traded as a percentage of the number of shares listed, the Property sector led the pack as it traded 11.08% of the shares listed in that sector, followed by the Financial Services sector at 7.63%.

Figure 11: Sector Contributions to Liquidity: 2016 and 2017

Sector	2016				2017			
	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	1.88	0.22	335.13	12.70	1.14	0.13	201.42	7.63
Retail	1.34	0.15	119.25	5.41	1.33	0.15	98.19	4.63
Property	1.18	0.14	198.44	10.31	1.58	0.18	271.37	11.08
Banking	0.33	0.04	43.73	1.18	0.76	0.09	127.63	3.44
Security Services	0.01	0.00	1.26	1.57	0.01	0.00	1.09	1.36
Tourism	0.35	0.04	35.15	6.95	0.10	0.01	7.48	1.46
Energy	0.08	0.01	3.98	2.49	0.08	0.01	3.83	2.40
ICT	0.07	0.01	33.82	6.44	0.14	0.02	49.95	4.76
Mining	-	-	-	-	0.00	0.00	0.18	0.05
FOREIGN								
Financial Services	0.00	0.00	0.00	0.00	0.000	0.000	0.00	0.00
Mining	0.003	0.003	7.46	0.20	0.003	0.003	4.94	0.10
Retail	-	-	-	-	0.008	0.007	8.92	2.12

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

As was the case in 2017, New African Properties and Letshego contributed the most to the liquidity on the BSE as the two counters each contributed 20.3% to overall volume of shares traded in 2017. Other liquid stocks included FNBB and Choppies which accounted for 15.1% and 9.1% of volume traded respectively.

1.9 Investor Contribution to Equity Turnover

As noted in Figure 12, local institutional investors (local companies) dominated trading activity in 2017. Trades by local companies accounted for 58.3% of the total turnover whereas foreign companies contributed 34.4% to total turnover in 2017. Local individuals registered an increase from 4.1% to 5.7% between 2016 and 2017.

Figure 12: Investor Contribution to Turnover: 2013 to 2017

Investors	Turnover (%)					% Contribution to Liquidity: 2017
	2013	2014	2015	2016	2017	
Foreign Companies	29.0	48.0	33.8	35.8	34.4	1.9
Foreign Individuals	2.2	1.5	2.0	1.3	1.3	0.1
Local Individuals	8.7	3.7	2.4	4.1	5.7	0.3
Local Companies	59.8	46.7	61.6	58.6	58.3	3.1
Brokers	0.3	0.2	0.2	0.3	0.3	0.0
TOTAL	100.0	100.0	100.0	100.0	100.0	5.4

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	2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Foreign Companies	43.9	40.4	29.8	18.2	30.5	35.1	39.6	20.5
Foreign Individuals	0.7	1.3	1.8	2.1	2.2	2.5	0.3	2.5
Local Individuals	3.6	3.6	4.2	5.9	4.8	7.4	4.5	9.9
Local Companies	51.6	54.5	63.7	73.5	62.2	54.6	55.4	66.7
Brokers	0.2	0.2	0.5	0.3	0.4	0.4	0.1	0.5
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

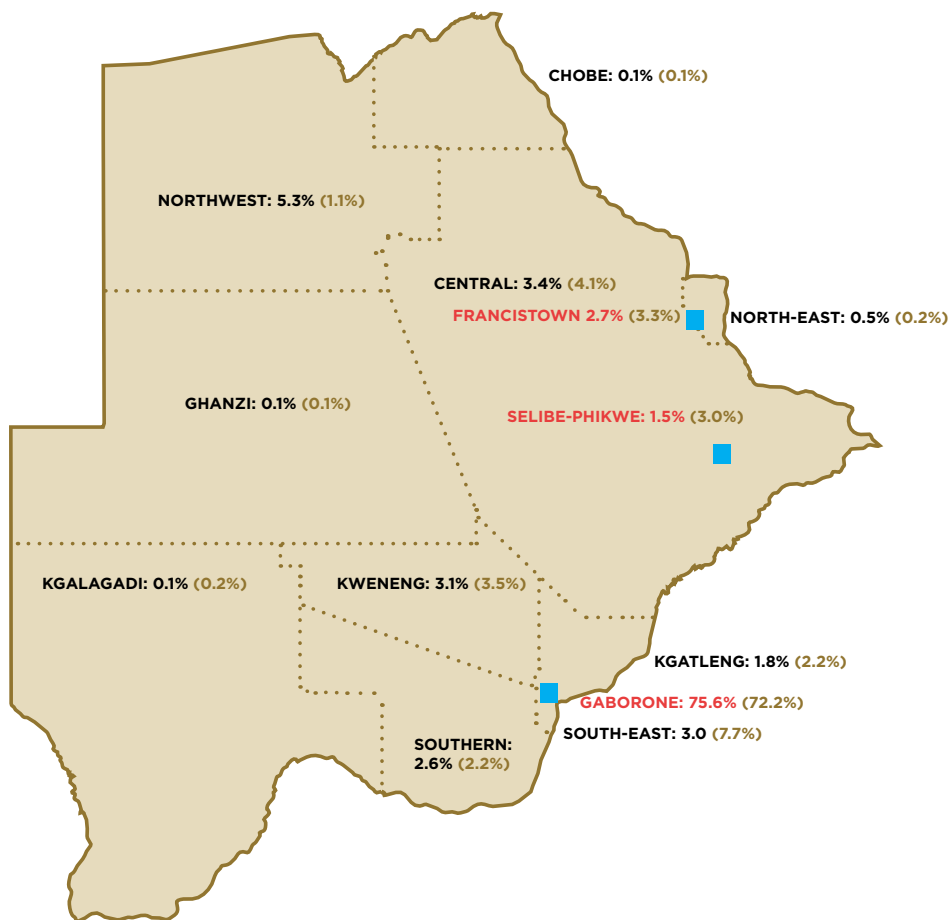
1.10 Geographical Distribution of Retail Investor Turnover

Over the past 6 years, the BSE has been studying the geographic distribution of retail investor activity in the stock market to gauge the extent to which the market development initiatives and investor outreach programmes translate into investor participation in the stock market. On the same vein, this was to make a basis for revamping the outreach programmes, an approach which culminated in the introduction of countrywide Open Days in 2016. The BSE Open Days are scheduled to occur every year over the five year strategy period spanning 2017 to 2021 with a view that all the districts in Botswana will be covered and that as many villages as possible within the districts will be attended to.

On an annual basis, the BSE hosts 5 Open Days with attendance amounting to over 1,300 people per year. Counting attendance in 2016 and 2017 and further projecting until 2021, the BSE would have, and is aiming to have, reached out to more than 10% of the current investor population on the BSE. On this note, the Open Days are a key strategic initiative deployed to enable the Exchange to reach the target of 100, 000 investors by 2021. Over and above the Open Days, Initial Public Offering (IPOs) are crucial for attracting a larger population of first time investors the stock market. As such, the Open Days are not only targeted towards investors, but are also targeted towards companies with the potential to list in the short, medium and long term.

Figure 14 presents the distribution of retail investor turnover by districts and major towns and cities across Botswana in 2017 and 2016. The figure depicts that the majority of the trading activity is on account of investors based in Gaborone. The North-West District has become a notable contributor over the past 6 years, having reached contribution levels of 6.9% in 2015, and in 2017 registering a contribution of 5.3% (compared to 1.1% in 2016). In other parts of the country, retail investor participation still remains very low and the Exchange has responded by prioritising these areas for Open Days. Following the two Open Days held in Francistown and Maun in 2016, the BSE hosted additional five Open Days in 2017 in Ghanzi, Kasane, Palapye, Serowe, and Gaborone which were attended by more than 1,300 members of the public.

Figure 14: Local Retail Investor Contribution to Turnover by Districts in Botswana: 2016 and 2017



Source: CSDB

Note 1: The Contribution to turnover in 2016 is indicated in parenthesis

Note 2: Blue box depicts major cities/towns

2. THE EXCHANGE TRADED FUND (ETF) MARKET PERFORMANCE

2.1 Global ETF Landscape

ETFs and the broader Exchange Traded Products (ETPs) family continued to grow in popularity during 2017. According to BlackRock Global ETP Report (December 2017) investment inflows into ETPs increased to US\$633.0 billion in 2017 from US\$378.4 billion in 2016. Subsequently, this increased the global Assets Under Management (AUM) of ETPs from US\$3,502 billion in 2016 to US\$4,758 billion in 2017. This growth was realized across all ETP asset classes with Equity and Fixed Income being the leaders.

Despite the buoyancy of ETPs on the global arena, the BSE experienced net outflows on the ETF board. The AUM of ETFs on the BSE register decreased by 22.7% in 2017 to end the year at P627.2 million. Similarly, trading activity declined during 2017 compared to 2016. The value of ETFs traded on the Exchange decreased to P144.7 million, a 31.5% decrease from the levels attained in 2016.

2.2 Performance of the NewGold ETF

Figure 15 presents trade statistics of the NewGold ETF on the BSE. The turnover levels of the ETF on the BSE declined from 1,020,489 units traded in 2016 to 80,300 units traded in 2017. Similarly, the value of the NewGold ETF traded decreased from P137.6 Mn to P10.0 Mn during 2017.

However, the price of the NewGold ETF on the BSE closed the year with an appreciation of 2.0% having traded at prices ranging between P119.40 and P128.85 per unit.

Figure 15: Trading Activity of the NewGold ETF: 2013 to 2017

NewGold ETF	2013	2014	2015	2016	2017
Turnover (P)	131,174,999	5,944,159	30,035,381	137,570,634	9,993,373
Units Traded	1,156,555	54,405	265,452	1,020,489	80,300
Unit Price (Pula)	103.70	110.10	115.10	117.20	119.50

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: 2017

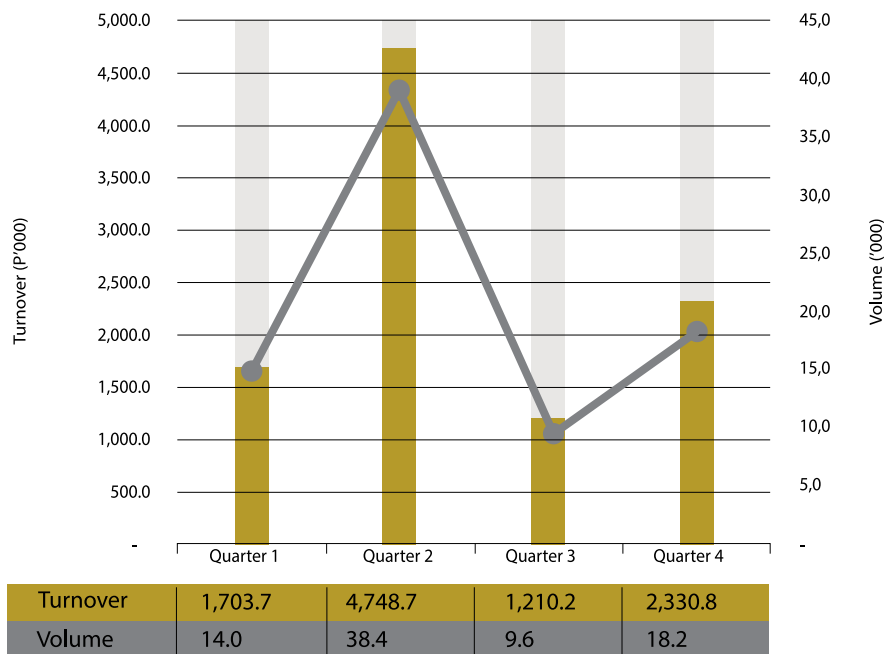
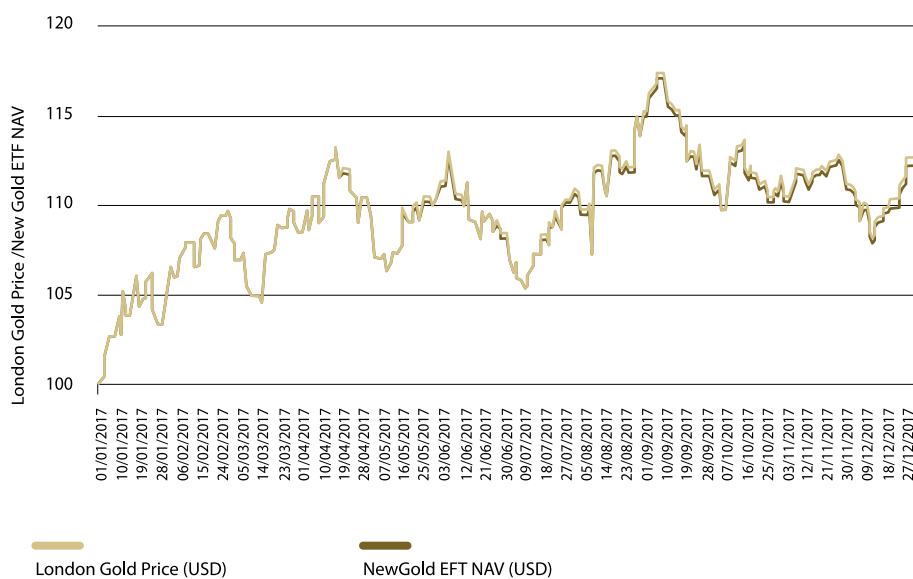


Figure 17 below shows the performance of the NewGold ETF NAV against the Gold Bullion price in the London Market, both in USD terms. It can be noted that the efficiency of price discovery in the NewGold ETF and Gold price is very high based on the 100.00% correlation between the two.

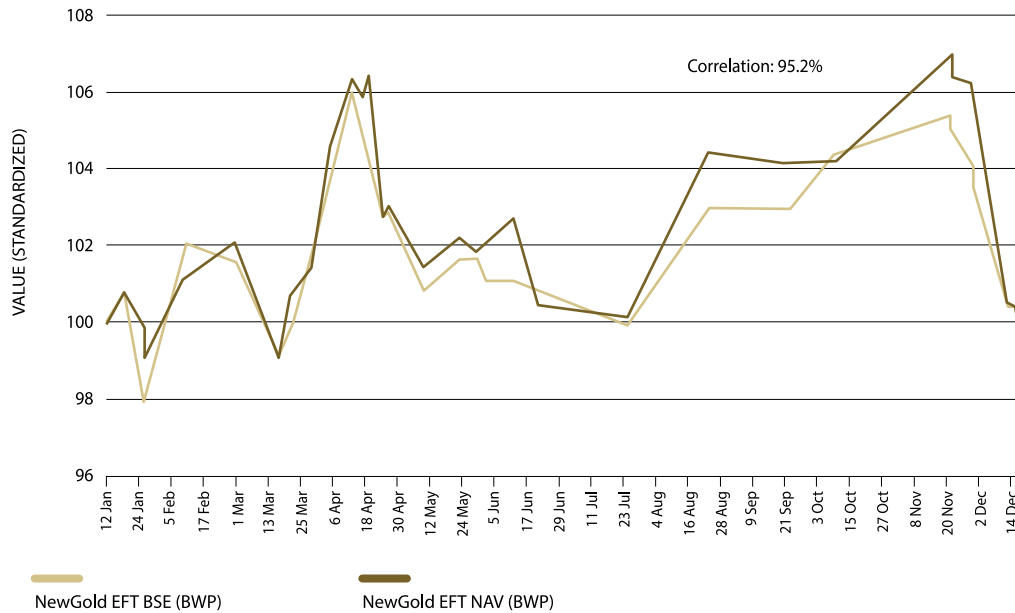
Figure 17: London Gold Price and NewGold NAV (In USD terms) 2017



London Gold Price (USD) NewGold EFT NAV (USD)

Figure 18 below shows a graphical presentation of the price of the NewGold ETF on the BSE and its NAV in Pula terms on the days that the ETF traded on the BSE. As can be seen, the correlation between the two prices was 95.2% in comparison to 97.4% observed in 2016.

Figure 18: Price Discovery in the NewGold ETF on the BSE and the NAV of the ETF (BWP) standardized as at 1 January 2017



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

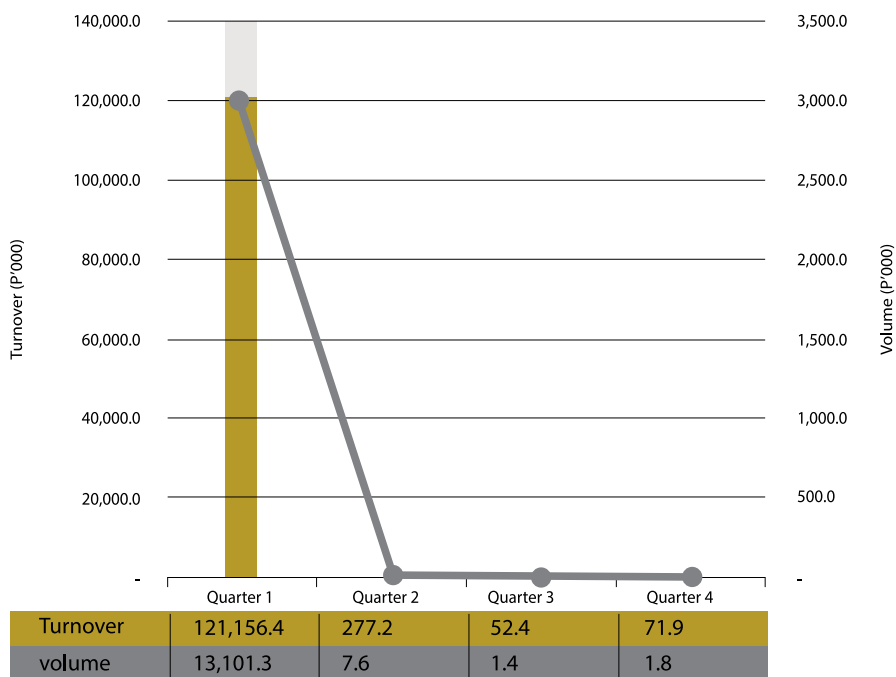
In 2017, the CoreShares EWT40 ETF traded P121.6 Mn from a volume of 3,112,021 units and majority of this trading activity (99.7% of the turnover) was recorded in quarter 1. This was a sharp increase compared to the 2016 turnover of P589,244 generated from a total of 15,539 Mn units in 2016. The ETF traded at prices ranging between P36.66 and P41.00 per unit.

Figure 19: Trading Activity of the CoreShares EWT40 ETF: 2013 to 2017

CoreShares EWT40 ETF ^{Note 1}	2013	2014	2015	2016	2017
Turnover (P)	774,890	170,253,020	427,688,318	589,244	121,557,938
Units Traded	20,519	4,023,278	10,439,416	15,539	3,112,021
Unit Price (Pula)	37.15	38.55	37.70	36.70	41.00

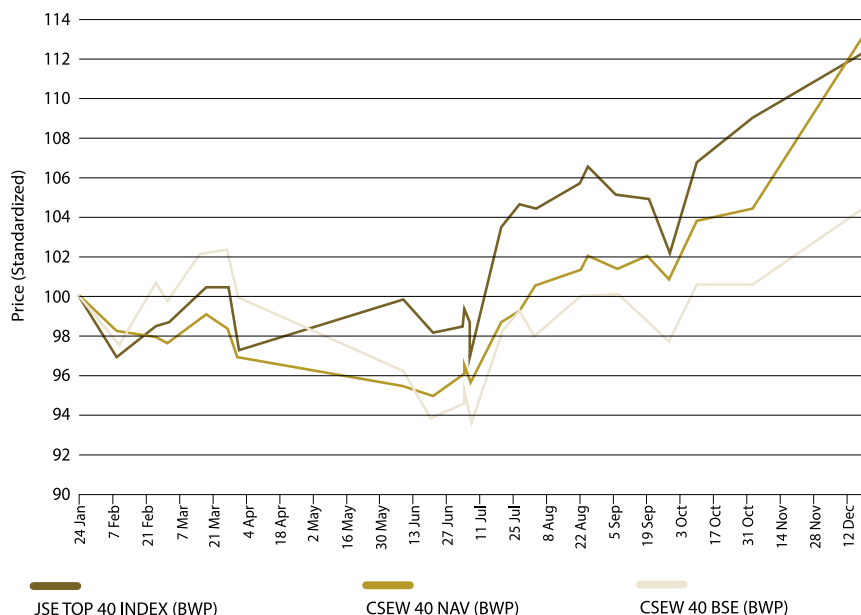
The quarterly performance of the CoreShares EWT40 ETF is presented in Figure 20 below.

Figure 20: Quarterly Trading Activity of the CoreShares EWT40 ETF: 2017



The performance of the price of the CoreShares EWT40 on the days that it traded on the BSE is depicted on Figure 21 below. On the days that the ETF traded on the BSE, the correlation between the BSE price of the ETF and its NAV in Pula terms 70.7%.

Figure 21: Performance of the CoreShares ETF (BSE Price), the CoreShares ETF NAV and the JSE Top40 Index in Pula term (standardized as at 1 January 2017)



Note: The graph in Chart B is based only on dates on which the BetaBeta ETF traded on the BSE
 Source: BoB, BSE, Iress

2.4 Performance of the NewPlat ETF

The NewPlat ETF registered a turnover of P13.1 Mn and recorded a volume of 137,018 units. The ETF traded at prices ranging between P93.10 and P97.75 a unit. On the BSE, the ETF price depreciated by 11.2% in 2017 compared to the 8.1% appreciation in 2016.

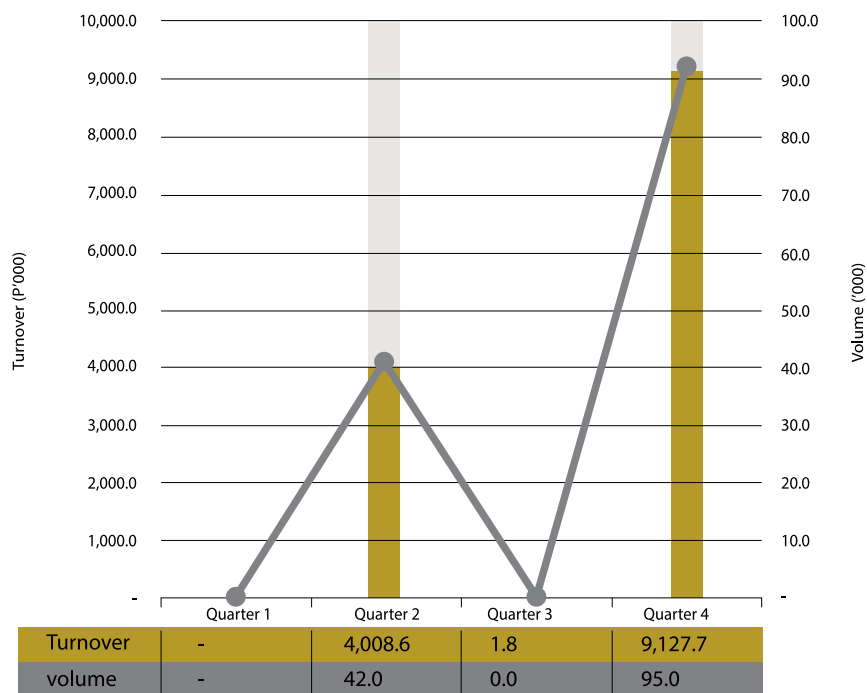
Figure 22: Trading Activity of the NewPlat ETF: 2014 to 2017

NewPlat ETF	2013	2014	2015	2016	2017
Turnover (P)	26,507,435	61,859,814	95,726,798	13,138,060	121,557,938
No. of Units Traded	215,088	554,504	898,418	137,018	3,112,021
NewPlat Price (BWP)	111.20	97.00	104.90	93.10	41.00

Source: BSE
The NewPlat was listed on 29 August 2014 at P126.60 a unit

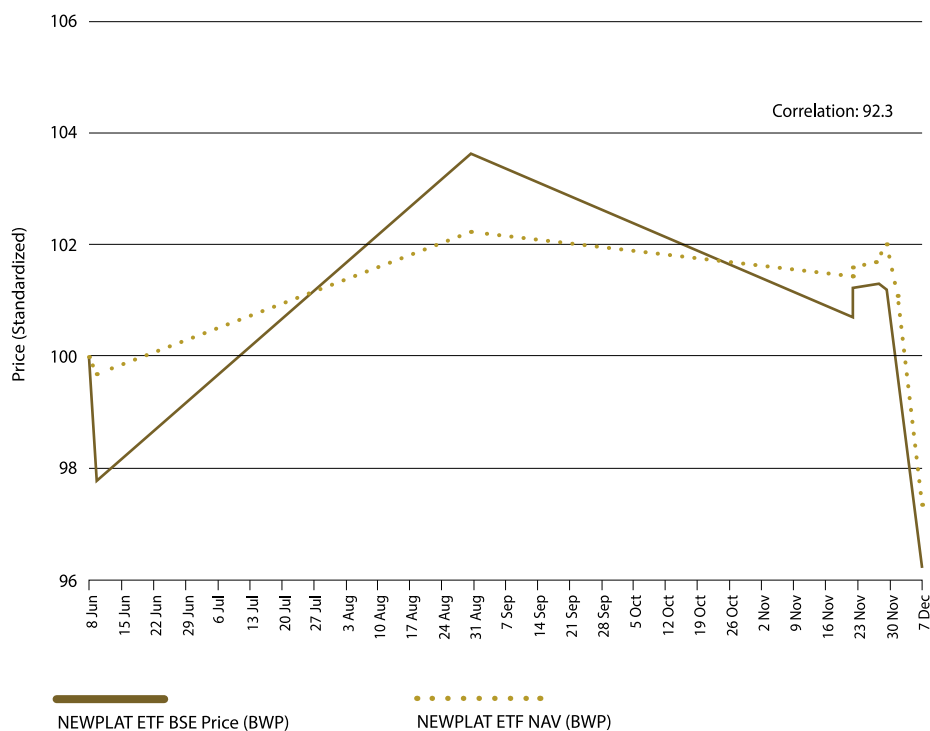
The quarterly trading activity of the NewPlat ETF is presented in Figure 23 below.

Figure 23: Quarterly Trading Activity of the NewPlat ETF: 2017



The performance of the price of the NewPlat ETF on days that it traded on the BSE is depicted in Figure 24 below. On the days that the ETF traded on the BSE, the correlation between the BSE price and NAV of the ETF amounted to 92.3%.

Figure 24: Performance of the NewPlat ETF BSE Price (BWP) and NewPlat ETF NAV (BWP)



2.5 Performance of the NewFunds ILBI ETF

The NewFunds Inflation-Linked Bond Index (ILBI) ETF tracks an index that consists of Inflation-Linked Bonds issued by the South African Government. However, events leading to and including the downgrading of the South African Government's domestic and foreign currency sovereign credit ratings diminished its attractiveness to investors. Consequently, the ETF has not traded on the BSE since listing on the BSE on 18 November 2015.

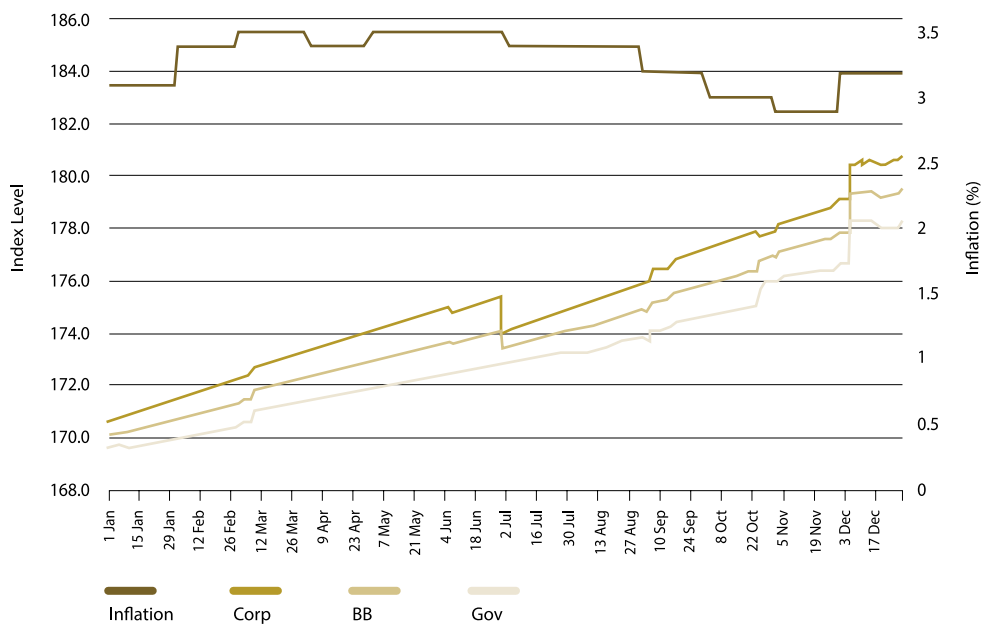
In 2017, the price of the NewFunds ILBI ETF increased by 1.9% on the JSE, and this could have translated into a 3.7% Pula price increase on the BSE. It must be noted that the total returns of the NewFunds ILBI ETF would have been greater than the aforementioned as the ETF declares interest monthly.

3. BOND MARKET PERFORMANCE

3.1 Performance of the Botswana Stock Exchange Bond Index Series (BBIS)

During 2017, the BBI (a Composite Bond Index) appreciated by 5.5% whereas the GovI (a Government Bond Index) and Corpl (a Corporate Bond Index) registered returns of 6.0% and 5.1% 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 3.3% during 2017. The performance of the indices is detailed in Figure 25.

Figure 25: Performance of the BBIS versus Inflation: 2017



During 2017, inflation was fairly stable and within the Bank of Botswana (BoB) objective range of 3%-6%, only breaching the lower limit of the objective range once in November when inflation was 2.9%. The BoB Monetary Policy Committee (MPC) adjusted the Bank rate once during 2017. The adjustment was a 50 basis points (0.50%) cut on 24 October 2017 that took the Bank Rate to 5.0%.

3.2 Bond Market Turnover

As illustrated in Figure 26, bond market activity improved in 2017 compared to 2016. The value of bonds traded increased from P483.8 Mn in 2016 to P535.6 Mn in 2017. Government Bonds continued to dominate liquidity of the market accounting for 90.5% of total turnover. Encouragingly, the trading of corporate bonds increased from P37.2 Mn in 2016 to P50.8 Mn in 2017.

	2016	2017
Liquidity (P'Mn)		
Government Bonds	446.7	484.9
Corporate Bonds	37.2	50.8
TOTAL	483.8	535.6
Market Capitalisation (P' Bn)		
Government Bonds	8.3	9.1
Corporate Bonds	3.9	5.2
TOTAL	12.2	14.3
Number of Bonds Listed		
Government Bonds	6	5
Corporate Bonds	35	38
TOTAL	41	43

3.3 Bond Market Capitalisation and Issuer Profile

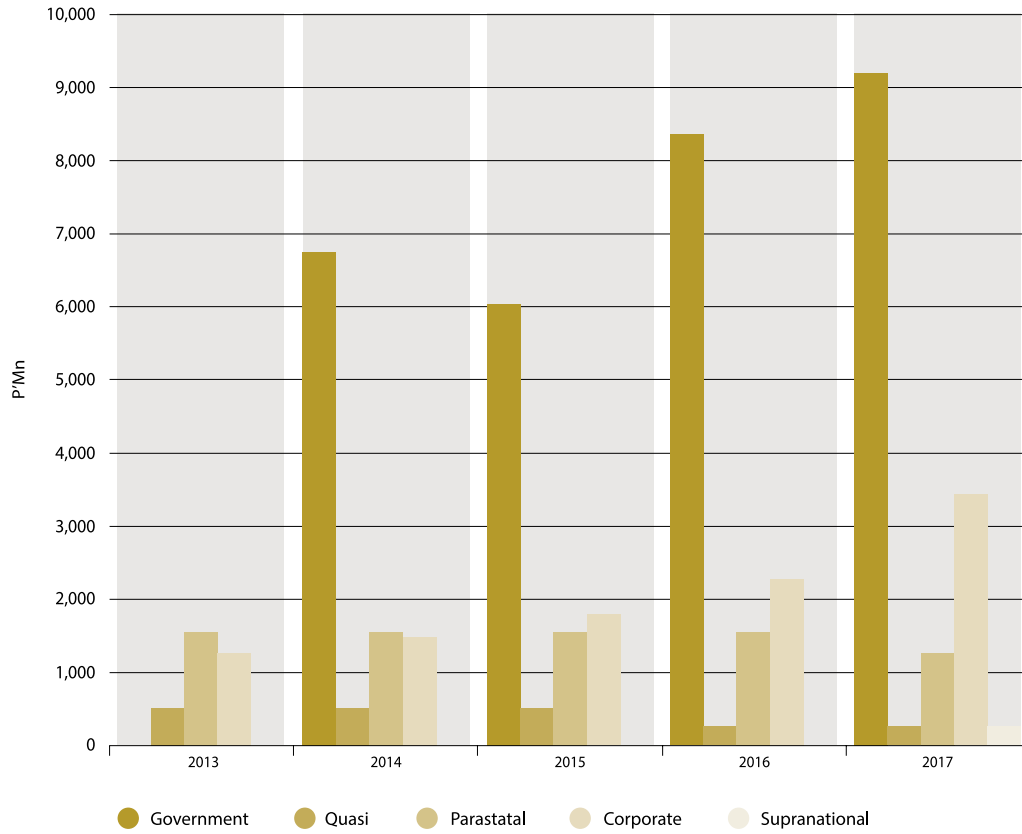
There were 43 bonds listed on the BSE as at the end of 2017, an increase from the 41 bonds as at the end of 2016. The total nominal debt market capitalisation amounted to P14.3 Bn in 2017 in comparison to P12.2 Bn in 2016, an increase of 17.2%.

This increase in market capitalisation was attributable to the listing of 8 bonds (7 corporate bonds and 1 supranational bond) as well as the tap issuances of the Government bonds. Further, the International Finance Corporation (IFC) listed the first ever supranational bond, IFC001 with a nominal value of P260 Mn on 13 December 2017 and Investec Limited listed the first ever foreign currency bond, INB001, amounting to \$113.4 Mn on 28 December 2017. The IFC bond was named Kgalagadi in line with IFC's capital markets tradition that the first international issuer in a market (not just IFC) gets the onus of coming up with a name for that type of bond that the market then adopts. Kgalagadi is the western part of Botswana that covers the famous Kalahari Desert and the Central Kalahari Game Reserve.

Government of Botswana also issued a new bond, BW013 valued at P250 Mn, on 1 December 2017 but as at the close of 2017 the bond was not yet listed on the Exchange. The BW013 bond is a five and half year bond paying a coupon of 4.5% semi-annually.

Figure 27 below details the growth of the debt market analysed by issuer profile since 2013. It can be noted that in 2017 Government accounted for 63.7% of the total bond market capitalisation whereas Quasi-Government, Parastatals, Corporates and Supranationals accounted for 1.3%, 8.9%, 24.3% and 1.8% respectively.

Figure 27: Debt Market Capitalisation (Nominal Values) by Issuer Category: 2013 – 2017



4. DEMUTUALISATION AND THE EVOLUTION OF STOCK EXCHANGES

4.1 Introduction

Stock Exchanges are vital enablers of economies in that they facilitate the transfer of capital from economic agents with excess to those with deficit to create economic activity. In other words, stock exchanges provide a platform on which Governments and Corporates can issue securities in exchange for capital (primary market) as well as serve as a market on which these issued securities can be traded (secondary market).

4.2 Evolution of Stock Exchanges

Typically, stock exchanges evolved through three distinct stages. The initial stage was characterized by an informal network of brokers who would meet at a physical place and match orders from the public. This meeting of the brokers to match the order constituted a market.

The second stage of the evolution came when these networks of brokers gradually formalized into not-for-profit mutual or member-owned organizations that employed governance structures akin to those of associations or cooperatives. This stage brought about the earliest version of the modern-day stock exchange. Then, the Exchanges were established using the capital of the members (stock brokers) and in some instances with assistance of Government. During this stage the stock brokers owned the exclusive rights to trade on the stock exchange as well as the ownership rights.

As the stock exchanges grew in relative importance to their host economies, capital markets regulation strengthened, primarily to protect the interests of the investing public. Consequently, it was recognized that the brokers' exclusive rights to trade on the market ought to be separated from their ownership rights. This ushered in the third and the current stage of the evolution of stock exchanges: the

age of demutualised securities exchanges. Most stock exchanges have transformed from mutual or member-owned organisation to companies limited by shares.

In Botswana, the modern BSE traces its origins from the Botswana Share Market (BSM) that was established in 1989. Back then there was only one stock broker and it created the market by matching orders from the public on the shares of the then five listed companies. The buoyancy of Botswana's economy led to more companies and stock brokers coming to the market and to the ultimate creation of the BSE in 1994 through an Act of Parliament.

Currently, the BSE is owned by its members (stock brokers) through ownership of Proprietary Rights as well as the Government of Botswana. Government has provided majority of the financing targeted at developing the BSE infrastructure and the market whereas the brokers played a significant role of investor outreach along with the Exchange.

Jointly, Government and brokers have played a meaningful role of developing various facets of the market.

In 2017, the BSE made significant strides towards its journey of demutualisation:

1. An independent consultant was appointed to conduct a valuation of the BSE and compile a valuation and a value attribution report;
2. The valuation and the value attribution report was submitted to the Honourable Minister of Finance and Economic Development in November 2017 for his ruling on value attribution and the accompanying recommendations of the independent consultant;
3. At the same time, the BSE submitted the draft Constitution of BSE Limited to the Minister.

The pace of development in this regard was satisfactory and this was mainly due to the level of support and cooperation provided by the brokers and also the guidance of the BSE Main Committee throughout this process.

4.3 History of Stock Exchange Demutualisation

Demutualisation can be traced to a number of events paramount of which was the liberation of EU capital markets' regulation as prescribed in the European Union Council Directive 93/22/CEE of 10 May 1993 on investment services in the securities field. The directive opened up access to stock exchange membership and financial markets in the EU to authorised firms other than stock brokers. That is, stock exchanges could also be owned by regulated market participants. As a result, this led to the demutualisation of the Stockholm Stock Exchange in 1993, the first Exchange to do so. More stock exchanges have since followed suite.

4.4 Reasons for Demutualisation

Broadly speaking stock exchanges demutualise because of the following reasons:

a. Improvement of governance structures

– streamlining decision making by separating trading and ownership rights as well adopting international best practise with regards to the constitution of the board of directors.

b. Access to capital – broadening access to capital needed for investment in ever improving technology (electronic trading and clearing and settlement systems), seek innovation in technology and services as well as acquire other markets, products and service.

The turn of the 20th century brought with it the dot-com bubble that coincided with rapid progress in the development of technology. Consequently, stock exchange looked towards electronic trading and settlement platforms. It was then that the open outcry trading method began to be replaced by the automatic

trading system (ATS). This, coupled with the strides in the telecommunications, meant that stock exchanges could serve customers from outside their countries. Stock exchanges could list companies (primary or secondarily) from anywhere in the world and investors from anywhere in the world could trade on any exchange without having to be at the market physically.

Competition amongst stock exchanges increased and they had to evolve and adapt in order to survive. This meant that Exchanges had to adopt corporate governance structures that rendered them agile enough to manoeuvre the competitive environment. Moreover, stock exchanges also needed to broaden their access to capital needed for investment. Before demutualisation, stock exchanges depended on the capital of their limited members, and that of Government. It is through demutualisation, and sometimes self-listing, that the stock exchanges ensured access to greater capital necessary for their growth and commercial survival.

4.5 Social Consequences of Demutualisation

Traditionally, Stock Exchanges are institutions for public good. Rydzewska (2014) asserts that Exchange exist to provide three functions to the public. These are:

a. Allocation – stock exchanges are a platform on which limited capital is allocated to worthy investments.

b. Evaluation – stock exchanges assist in the price discovery of listed securities. This is achieved by ensuring transparency and nurturing liquidity in the market.

c. Control – stock exchanges are also tasked with ascertaining that shareholders have meaningful control of their companies. This is done by ensuring the rights of the minority shareholders.

These three functions ought to be equally pursued by the exchanges, because if there is inefficiency in one function there will be market

imbalances. An analogy would be an instance where there is poor disclosure by issuers (because of lax regulation by the Exchange) which leads to inaccurate market pricing, which in turn leads to inefficient allocation of resources on the market. Such has the risk of distorting rewards in the market and further threaten the stability of the market.

Demutualisation poses one fundamental challenge in that Exchanges have to reconcile being responsible for providing a public good with maximizing profit for its shareholders. The primary sources of income for Exchanges are listings & annual sustaining fees and trading fees. If the Exchange is to impose the burden of responsibilities and obligations on its issuers in favour of protecting the investors, it may crowd out the issuers and therefore lose out on the listings & annual sustaining fees, and therefore failing to maximize shareholder return. On the flip side, there is a possibility that the Exchange might relax its regulation so as to attract and keep issuers for their fees, much to the detriment of the investors.

As such, it is important that demutualisation efforts are preceded by bolstering and adequately capitalizing the supervision of the capital markets. Most markets have set up standalone public agencies, regulatory authorities and securities exchange commissions that regulate the capital markets. Some stock exchanges have since sought to increase profitability by expanding their product offering to include post-trade services, information & data services and trading.

Figure 28 below outlines the demutualisation status of select stock exchanges in Africa and around the world. It is evident that the stock exchanges in developed markets have demutualised and have since leveraged on their new corporate structure to grow in leaps and bounds.

Figure 28: Demutualisation Status of Select Stock Exchanges

COUNTRY	EXCHANGE	DEMUTUALISED (DATE)	SELF LISTED	REGULATOR
Botswana	Botswana Stock Exchange (BSE)	No	N/a	Non-Bank Financial Institutions Regulatory Authority (NBFIRA)
Egypt	Egyptian Exchange (EGX)	No	N/a	Egyptian Financial Supervision Authority (EFSA)
Ghana	Ghana Stock Exchange (GSE)	No. It's a private company limited by guarantee.	N/a	Securities and Exchange Commission (SEC)
Kenya	Nairobi Securities Exchange (NSE)	Yes (2014)	Yes. In 2014.	Capital Markets Authority (CMA)
Lesotho	Maseru Securities Market (MSM)	From the onset it was registered as a company.	N/a	Central Bank of Lesotho (CBL)
UK	London Stock Exchange (LSE)	Yes (2010)	Yes	Financial Conduct Authority (FCA)
Malawi	Malawi Stock Exchange	No	N/a	Reserve Bank of Malawi
Mauritius	Stock Exchange of Mauritius (SEM)	Yes (2000)	No	Financial Services Commission (FSC)
Morocco	Bourse de Casablanca	Yes (2016)	No	AMMC
Mozambique	Bolsa De Valores De Mocambique (BVM)	No	N/a	Ministry of Finance and Privatisation
Namibia	Namibia Stock Exchange (NSX)	No. Not for profit members association.	N/a	Namibia Financial Institutions Supervisory Authority (NAMFISA)
USA	New York Stock Exchange (NYSE)	Yes (2005)	Yes .	U.S. Securities and Exchange Commission (SEC)

³ NYSE merged with EuroNext in 2007 to form NYSE EuroNext. NYSE EuroNext was acquired by Intercontinental Exchange (ICE) in 2013. Intercontinental Exchange (ICE) listed on the NYSE in 2000.

COUNTRY	EXCHANGE	DEMUTUALISED (DATE)	SELF LISTED	REGULATOR
Nigeria	Nigeria Stock Exchange (NgSE)	Not For profit, limited by guarantee with no shareholding structure	N/a	Securities and Exchange Commission (SEC)
Rwanda	Rwanda Stock Exchange Ltd	From the onset it was registered as a company. Incorporated in 2005, launched in 2011.	No	Capital Markets Authority (CMA)
Seychelles	Trop-X	From the onset it was registered as a company. Incorporated in 2011, launched in 2013.	No	Financial Services Authority (FSA)
South Africa	JSE Ltd	Yes (2005)	Yes. In 2006.	Financial Services Board (FSB)
Swaziland	Swaziland Stock Exchange (SSX)	No	N/a	Financial Services Regulatory Authority (FSRA)
Tanzania	Dar Es Salaam Stock Exchange DSE)	Yes (2015)	Yes. 2016	Capital Markets and Securities Authority (CMSA)
Zambia	Lusaka Stock Exchange (LuSE)	No. It's a private company limited by guarantee.	N/a	Securities and Exchange Commission, Zambia (SEC)
Zimbabwe	Zimbabwe Stock Exchange (ZSE)	Yes (2016)	No	Securities and Exchange Commission of Zimbabwe (SEZ)

5. MARKET INDICATORS

5.1 Indicators of Value

In 2017, the Price-to-Earnings (P/E) ratio closed at 13.3 times compared to 13.4 times in 2016. The Price-to-Book Value ratio also tilted marginally to 1.7 times whereas the Dividend Yield edged to 5.1%. This is presented in Figure 29.

Figure 29: Market Indicators for Domestic Companies: 2013 to 2017

Domestic Companies	2013	2014	2015	2016	2017
Market indicators					
P/E Ratio (times)	11.5	13.2	12.3	13.4	13.3
Dividend Yield (%)	4.1	2.2	4.0	4.4	5.1
Price/Book Value (times)	2.7	1.9	2.2	1.8	1.7

5.2 Equity Market Capitalisation

The BSE's domestic companies' market capitalisation stood at P44.4 Bn as at the end of 2017 in comparison to P46.6 Bn in 2016, a reduction of 4.6%. As a result, the ratio of market capitalisation to GDP decreased to 26.4% in 2017 from 29.6% in 2016. However, the ratio of turnover to market capitalisation improved from 5.3% in 2016 to 5.4% in 2017.

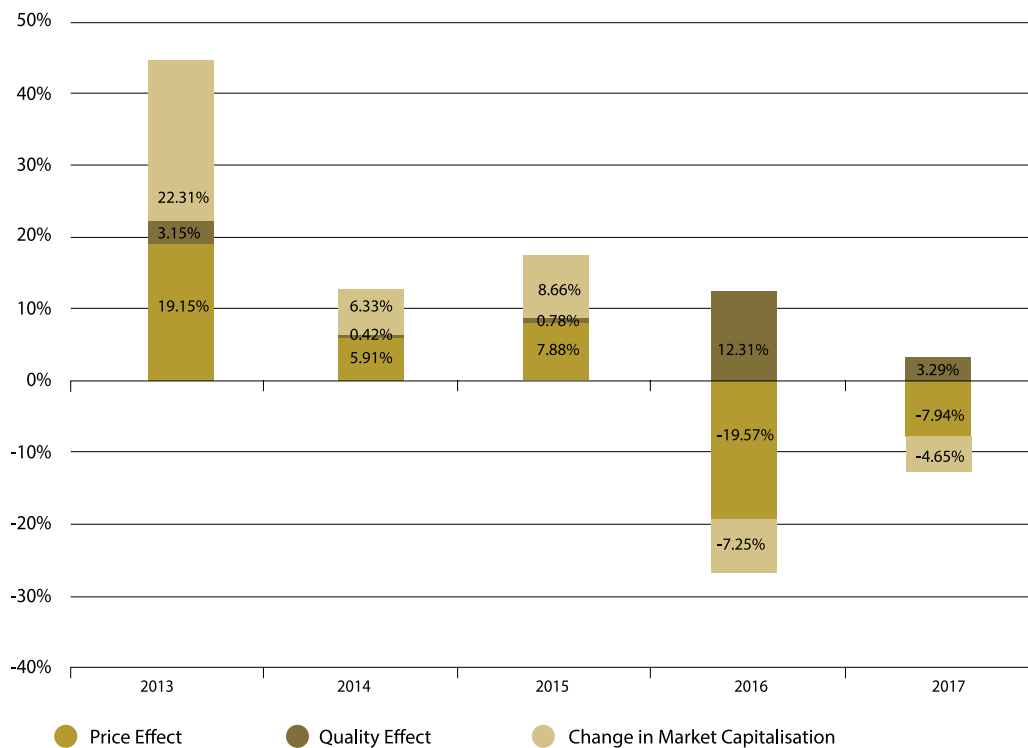
Figure 30: Market Capitalisation and Relative Performance: 2013 – 2017

	2013	2014	2015	2016	2017
Market Capitalisation					
Domestic Companies (P'Mn)	43,457.6	46,209.9	50,213.9	46,571.96	44,408.06
Foreign Companies (P'Mn)	373,132.8	371,946.8	370,885.3	374,741.23	373,735.71
Total (P'Mn)	413,741.5	418,156.7	421,099.2	421,313.19	418,143.76
Relative Performance					
Domestic Market Cap/GDP (%) ^{Note 1}	36.9	34.5	34.3	29.6	26.4
Turnover/Avg. Domestic Co Mkt Cap (%)	5.7	4.9	6.3	5.3	5.4
Turnover/ Avg. All Co Market Cap (%)	0.6	0.5	0.7	0.6	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

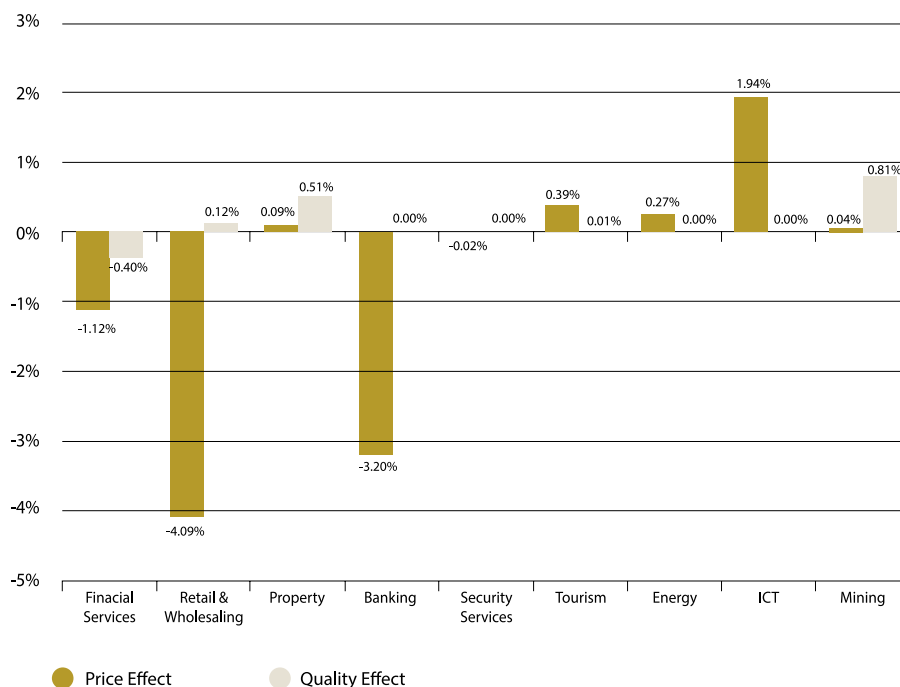
As can be seen in Figure 31, the increase in market capitalisation in 2017 is attributed to the impact of a price effect of negative 7.64% and a quantity effect of positive 3.29%. The impact of falling prices outweighed the impact of the three securities listings that happened in 2017.

Figure 31: Estimated Price and Quantity Effect on the Growth of Domestic Market Capitalisation (Equity): 2013 – 2017

The Price and Quantity effects analysis was also done at sector level in order to study the impact of price and quantity of shares in each sector on the change in market capitalisation. At sector level, the ICT and Tourism sectors contributed the largest price effects, of 1.9% and 0.4% respectively, to the change in the domestic market capitalisation. On the contrary, Retail & Wholesaling (-4.1%) and Banking (-3.2%) sectors contributed the least price effects to the growth of domestic market capitalisation.

On the other hand, the Mining and Property sectors provided the largest quantity effects with the former contributing 0.8% and the latter contributing 0.5% to the change of domestic market capitalization. These contributions were attributable to the listing of Minergy Limited (Mining) and the rights issue of PrimeTime Property Holdings Limited (Property) during 2017.

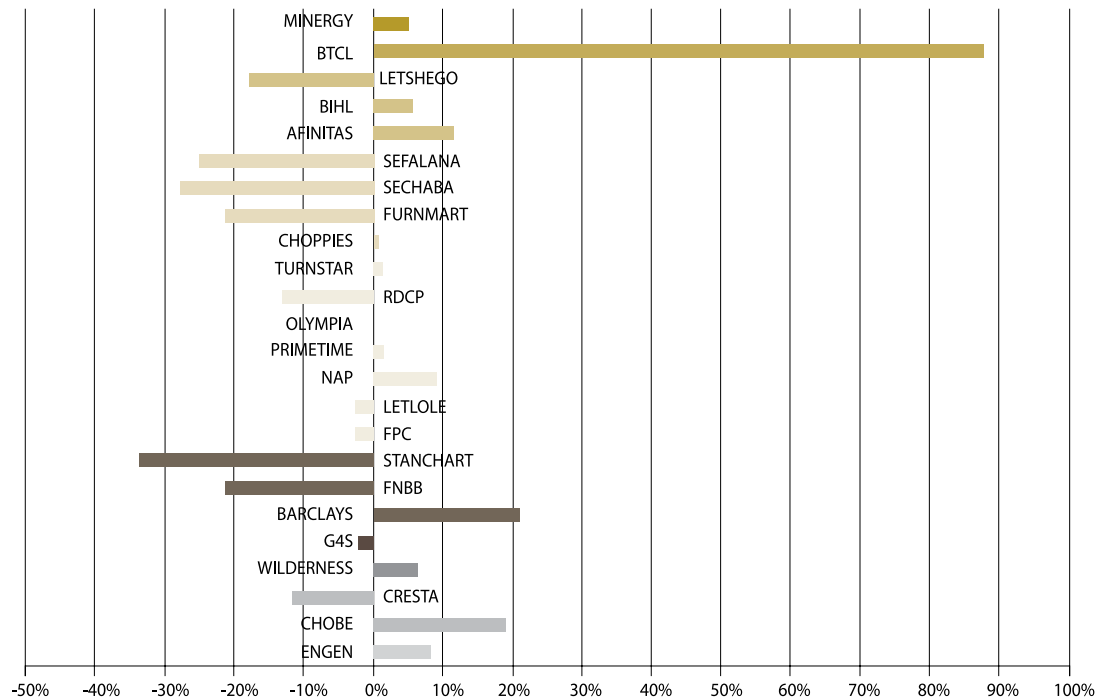
Figure 32: Sector Analysis of Estimated Price and Quantity Effects on the Growth of Domestic Market Capitalisation (Equity): 2017



5.3 Price Changes of Domestic Companies

As was the case in 2016, the share prices of twelve (12) domestic companies appreciated in 2017 whereas eleven (11) companies recorded declines in share prices while the price of one (1) remained unchanged.

BTCL was the biggest gainer year-on-year with the share price appreciating by 87.8% in 2017.

Figure 33: Price Changes of the Domestic Companies: 2017

6. COMPARISON WITH SELECTED MARKETS

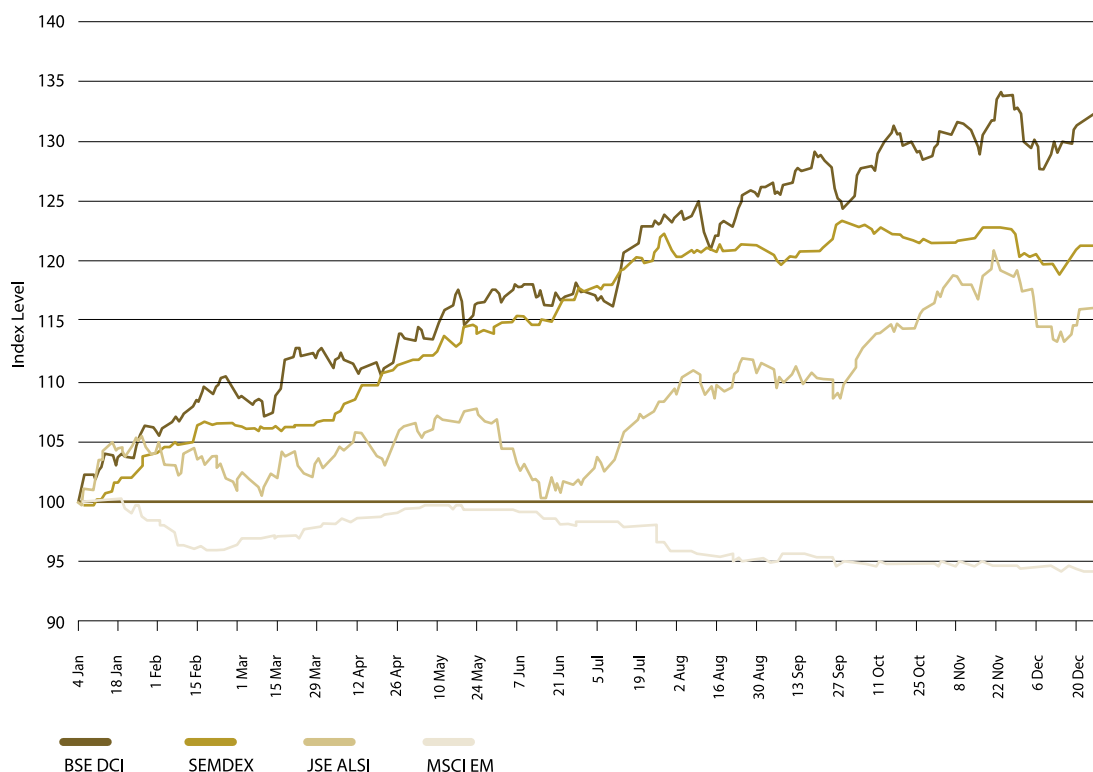
6.1 Relative Valuations

As already alluded to, the BSE's P/E ratio decreased slightly from 13.4 times to 13.3 times in 2017. The P/E ratios of both the JSE and the SEM also decreased over the past year to 21.2 times and 12.5 times respectively. As such, in relative terms the BSE closed the year comparatively cheaper than the JSE though relatively expensive than SEM.

Figure 34: Comparative Performance with Other SADC Stock Exchanges: 2016 and 2017

Domestic Companies	Index Change (%)		P/E Ratio (times)	
	2016	2017	2016	2017
Johannesburg Stock Exchange (JSE)	(0.1)	17.5	22.8	21.2
Stock Exchange of Mauritius (SEM)	(0.1)	21.8	16.4	12.5
Botswana Stock Exchange	(11.3)	(5.8)	13.4	13.3

Figure 35: Comparative Performance of DCI with other African Markets and MSCI Emerging Markets Index standardised as at 1 January 2017: (Domestic Currencies)

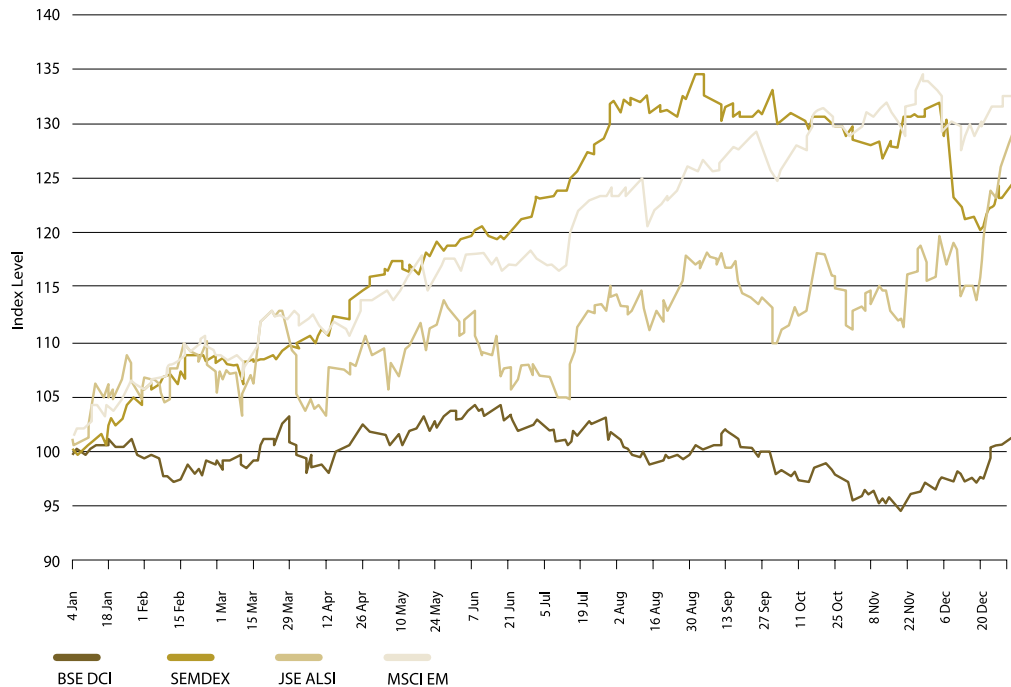


As shown in Figure 35, the MSCI Emerging Markets index (MSCI EM) outperformed the other three indices during 2017.

The MSCI EM appreciated by 34.4% in 2017 while the JSE ALSI and the SEMDEX increased by 17.5% and 21.8%, respectively.

Figure 34 below outlines the comparative performance, in US dollar terms, of the BSE and its regional counterparts. Owing to the Pula's 7.9% appreciation against the US dollar in 2017, the DCI registered a 1.7% appreciation in US Dollar terms. Similarly, the JSE ALSI and SEMDEX also benefited from the 9.6% and 2.2% strengthening of the Rand and Rupee against the US Dollar in 2017. As a result, in 2017 the JSE ALSI and SEMDEX increased by 29.9% and 24.6% in US Dollar terms, respectively.

Figure 36: Comparative Performance of DCI with other African Markets and MSCI Emerging Markets Index standardized as at 1 January 2017: (US Dollar)



As detailed in Figure 37, the DCI has recovered 45.9% since 13 May 2009, the point at which the index bottomed subsequent to the financial crisis.

Figure 37: Comparative Performance of Indices since the Financial Crisis

INDEX	Steepest Decline since 13-Sep-2008		Recovery to 31-Dec-17		13-Sep-08 to 31-Dec-17	Jan-Dec 2017
	% Change	2013	% Change	% Change	% Change	% Change
JSE ALSI	↓ 32.0	20 -Nov-08	↑ 234.0	127.5	17.5	
SEMDEX	↓ 44.4	03-Mar-09	↑ 139.4	33.1	21.8	
DCI	↓ 24.4	13-May-09	↑ 45.9	9.6	(5.8)	
FCI	↓ 57.6	12-May-09	↑ 44.8	(38.2)	(0.7)	

6.2 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 2012 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 2012 is presented in Figure 38 and Figure 39.

Figure 38: BSE Footprint in Relation to 2012

	2012	2013	2014	2015	2016	2017
Market Cap/GDP (%)	1.00	0.99	0.99	1.06	0.86	0.93
Turnover/Mkt Cap (%)	1.00	2.17	1.80	2.43	1.87	1.90
E/P Ratio (x)	1.00	0.80	0.70	0.75	0.69	0.69
Average Daily Turnover (P)	1.00	2.57	2.42	3.36	2.81	2.75
Area of footprint	2.00	4.24	3.58	5.25	3.61	3.77
Relative Area of Footprint in relation to 2012 (x)	1.00	2.12	1.79	2.63	1.81	1.88

As can be seen from Figure 38 and Figure 39, the BSE's performance improved slightly in 2017 compared to 2016. All the variables, except the earning yields which remained constant, used in the computation of liquidity registered an increase in 2017 relative to 2016. Compared to 2012, the base year used in these computations, it is the size of the market relative to the economy and the earnings yield that declined. This reflects an economy growing faster than market prices (as shown by the market capitalisation), which are in turn increasing at a rate faster than that of company earnings in 2017 relative to 2012.

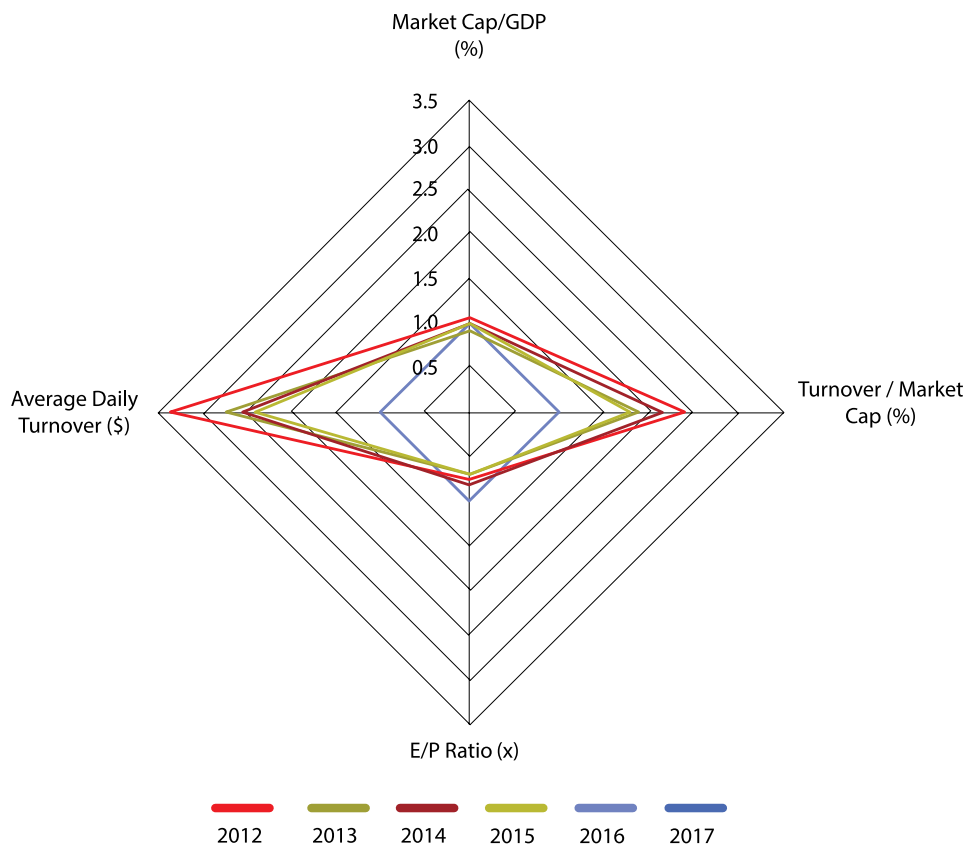
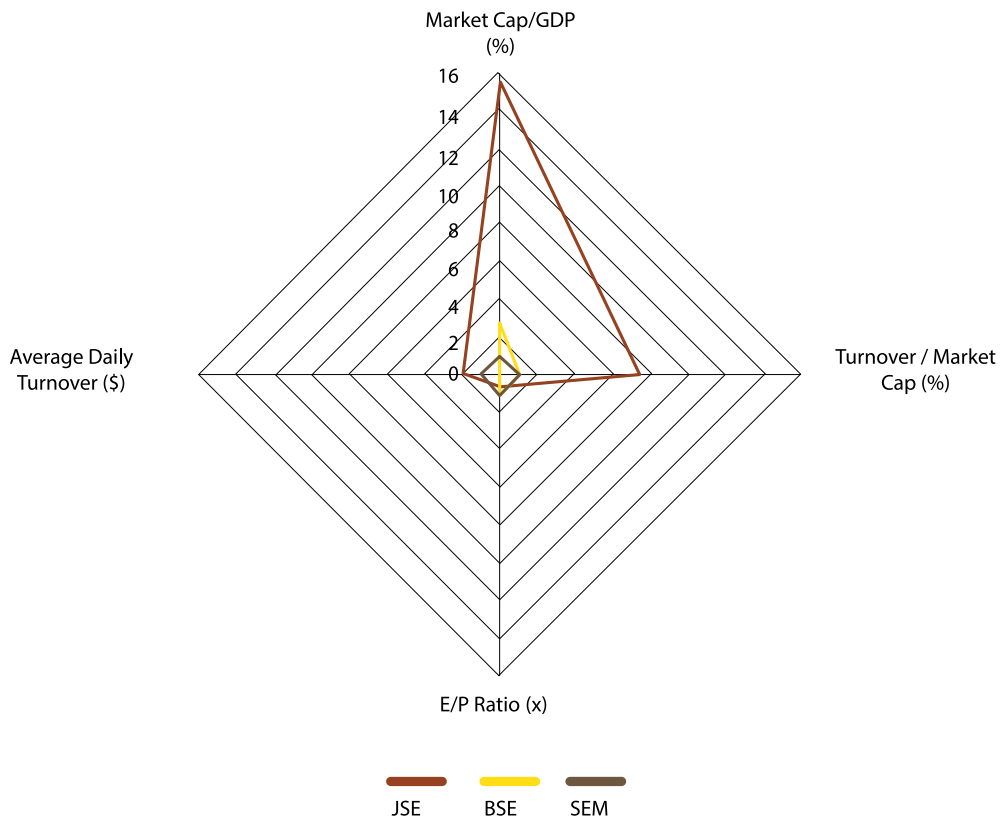
Figure 39: BSE Footprint: 2012 to 2017

Figure 40: BSE Footprint Relative to JSE & SEM: 2017

	BSE	JSE	SEM
Market Cap/GDP (%)	1.00	15.49	2.73
Turnover/Mkt Cap (%)	1.00	7.41	1.03
E/P Ratio (x)	1.00	0.63	1.06
Average Daily Turnover (\$)	1.00	1,847.60	1.95
Area of footprint	2.00	14,945.54	5.66
BSE footprint in relation to JSE and SEM (%)	100.00	0.01	35.34

Figure 41: BSE Footprint Relative to JSE & SEM: 2017



As illustrated in Figure 42 below, the percentage footprint of the BSE was 35.34% in 2017, decreasing from 56.96% in 2016, relative to the footprint of SEM. Similarly, the percentage footprint of the BSE relative to the JSE decreased from 0.02% in 2016 to 0.01% in 2017.

Figure 42: BSE Footprint in Relation to JSE & SEM: 2012 to 2017

	2012	2013	2014	2015	2016	2017
BSE relative to SEM (%)	35.07	72.76	34.72	53.97	56.96	35.34
BSE relative to JSE (%)	0.01	0.03	0.03	0.04	0.02	0.01

Source: BSE, Statistics Botswana

7. PRIMARY MARKET

7.1 Equities

In a year that has been relatively challenging for Initial Public Offerings (IPOs) in Africa's frontier markets, the BSE has made a remarkable achievement by listing three companies in 2017 compared to two companies in 2016.

Minergy Limited, a coal mining company, listed on the domestic main board of the BSE on 27 April 2017 after raising P71.9 Mn. On the foreign main board, BSE welcomed two companies being CA Sales Holdings Limited, a fast moving consumer goods company, and Tlou Energy, a CBM Gas exploration company, on 9 November 2017 and 13 December 2017 respectively. CA Sales Holdings raised P469.7 Mn while Tlou Energy raised P33.0 Mn.

CA Sales Holdings is headquartered in South Africa and its primary listing is on 4 Africa Exchange (4AX) in South Africa. Tlou Energy is listed on the Australian Stock Exchange (ASX) and the Alternative Investment Market (AIM) of the London Stock Exchange. These three listings offset the voluntary delisting of Imara Holdings (on 31 March 2017) and the unilateral termination of listing by BSE of Galane Gold Limited (on 14 August 2017) to leave the total number of listed companies at 35.

These new listings, especially those that had an IPO element, also contributed in terms of attracting new investors to the BSE.

7.2 Fixed Income

In 2017, Bank of Botswana (BoB) conducted its quarterly auctions as follows:

Quarter 1: On 3 March, 2017 the Bank raised P1, 162.00 Mn by additional tranches of the BW005 (P100 Mn), BW007 (P42 Mn), BW008 (P150 Mn) and BW012 (P100 Mn) bonds and a Treasury Bill (T-Bill) of P770 Mn.

Quarter 2: At the auction held on 2 June, 2017 during which P901 Mn was raised, four bonds were re-opened and a P500 Mn T-Bill was allotted. The amounts allotted P50 Mn for the BW005, P26 Mn for the BW007, P183 Mn for the BW008 and P142 Mn for the BW012.

Quarter 3: On 1 September 2017, the Bank raised P1, 000.00 Mn on a P500 Mn T-Bill along with additional tranches of five Government bonds being BW005 (P50 Mn), BW007 (P100 Mn), BW008 (P100 Mn), BW011 (P150 Mn) and BW012 (P100 Mn).

Quarter 4: At the last auction of the year held on 1 December 2017, the T-Bill (P500 Mn) and a new bond, BW013 (P250 Mn), were issued and three bonds re-opened. The re-opened bonds were BW007 (P100 Mn allotted), BW008 (P50 Mn allotted) and BW012 (P100 Mn allotted). All of the paper on offer was oversubscribed with only the T-Bill not being fully allotted. The BW013 only listed on the BSE on 24 January 2018.

On the corporate bonds side, there were eight new corporate bonds listed in 2017. The first five were GetBuck's GBL001 (P50 Mn) and GBL002 (P21.8 Mn); Stanbic Bank Botswana Limited's SBBL066 (P140 Mn) and SBBL067 (P60 Mn); and Botswana Development Corporation Limited's BDCL002 (P131.5 Mn). Three more bonds were listed in December, being International Finance Corporation's IFC001 (P260 Mn), Investec Limited's INB001 (US\$113.4 Mn) and First National Bank Botswana's FNBB009 (P126.35 Mn).

On the back of the Government bond auctions and new issuances of the corporate bonds, the market capitalisation of listed bonds increased by 17.2% from P12.2 Bn in 2016 to P14.3 Bn in 2017. In terms of delistings, six bonds exited the bourse on account of maturities and early redemptions and the Exchange closed the year with a total 43 bonds listed.

8. DEPARTMENTAL REVIEWS

8.1 CENTRAL SECURITIES DEPOSITORY (CSD)

8.1.1 Drafting of Securities Borrowing and Lending (SBL) Rules

In quarter 2 of 2017, the CSDB in conjunction with Standard Bank Group hosted an SBL education session attended by market participants including brokers, custodians and transfer secretaries. The workshop was part of the preliminary stages of the implementation of SBL and was followed by development of draft rules and guidelines which are to be presented to the CSDB Board. CSDB envisages to introduce SBL and short-selling by end of 2018. SBL is vital for supporting market-making and promoting liquidity in listed securities.

8.1.2 Progress on Account Opening

Owing to the BSE's market development initiatives and the IPO of CA Sales Holdings, the number of authorised accounts opened by clients in the CSD increased by 2.3% from 78,837 in 2016 to 80,641 in 2017. Local individuals make up 91.0% of the total number of accounts opened and the percentage attributable to foreign individuals increased to 2.9% in 2017 from 2.7% in 2016.

Figure 43: Status of CSD Accounts as at December 2016 and 2017

Client Classification	2016		2017	
	Total	% of Total	Total	% of Total
Foreign Companies	3,840	4.9	3,989	4.9
Foreign Individuals	1,434	1.8	1,506	1.9
Foreign Residents	639	0.8	743	0.9
Foreign Juniors	74	0.1	80	0.1
Local Companies	853	1.1	922	1.1
Local Individuals	64,006	81.2	65,407	81.1
Local Juniors	7,991	10.1	7,994	9.9
Total	78,837	100.0	80,641	100.00

8.1.3 CSDB Client Holdings

Figure 44 illustrates that local companies which are largely local institutional investors continue to dominate the holdings on the CSD. However, their holdings decreased slightly from 69.4% as at the end of 2016 to 69.0% at the end of 2017.

Figure 44: CSDB Client Holdings by Client Category

Client Suffix	2016	2017
Local Company	69.4%	69.0%
Foreign Company	20.6%	19.2%
Local Individual	8.8%	10.7%
Other Clients	1.2%	1.1%
Total	100.0%	100.0%

As detailed in Figure 45, local citizens dominated the overall holdings on the CSD. The discerning trend is that holdings by the foreign investors have declined across the board.

Figure 45: CSDB Client Holdings by Geography

Client Domicile	2016	2017
Local Citizens	79.2%	79.7%
US Citizens	2.0%	1.4%
UK Citizens	3.1%	2.4%
SADC Region	7.4%	6.8%
Other Regions	8.2%	9.7%
Total	100.0%	100.0%

8.2 MARKET DEVELOPMENT

8.2.1 Open Days

Open Days have helped to increase the reach and accessibility of the BSE to promote stock market education as well as promote the listing value proposition. Continuing from the two Open Days held in 2016, the BSE hosted five other Open Days during 2017 under the theme “Your Partner in Wealth Creation”. These were in Serowe, Palapye, Kasane, Ghanzi and Gaborone and were attended by more than 1,300 members of the public in total. The initiative is conducted with the support of the broker community and other investment management firms. This initiative is in line with the BSE’s effort to develop Botswana’s financial literacy levels and investor participation in the stock market.



Gaborone Open Day



2017 Senior Secondary Schools Competition

8.2.2 Senior Secondary Schools Finance & Investment Competition

The BSE held the fifth annual Senior Secondary Schools Finance & Investment Competition in August 2017. Invitations were extended to all senior secondary schools, both private and public, in Botswana. In 2017 10 schools participated in the finals of the competition in comparison to 10 and 12 schools that made it to the finals in 2015 and 2016 respectively. The competition was intended to instil and nurture financial literacy from an early age. Going forward, the BSE intends to lobby for the inclusion of the capital market subjects in both the primary and secondary school curriculum.

8.2.3 Annual BSE Listings and Investment Conference

On 9 March 2017, the BSE successfully held the 2nd Annual BSE Listings and Investment Conference under the theme “The BSE as a Gateway to Raising Capital” which was attended by more than 400 delegates, majority of whom were entrepreneurs from unlisted companies. The conference underscored the BSE’s mission to drive sustainable economic growth by providing a gateway for raising capital and accessing investment opportunities. It is used as an opportunity to educate the companies with the potential to list in the short, medium and long term about the importance of the stock exchange as an avenue for capital raising to expand products and services. The benefits of this event are already being noticed given the companies that have listed and that have submitted applications to list as well as the general interest shown by potential issuers.



Listings & Investment Conference 2017

8.3 INFORMATION TECHNOLOGY

8.3.1 Development of an Integrated Data Analysis and Reporting System (DARS)

The Exchange has undertaken a project to build the Integrated Data Analysis and Reporting System (DARS) which will feed into the envisaged revamped website. The DARS which 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. Completion of this project will enable 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 was conducted throughout 2017 and is expected to conclude in mid-2018.

8.4 PRODUCT DEVELOPMENT

8.4.1 Bond Market Roundtable Discussions

As a follow up to the Botswana Bond Market Conference held on 6 October 2016, the Botswana Bond Market Association (BBMA) conducted the Bond Market Roundtable Discussions in June 2017 whose aim was to convene bond market participants, including BSE, to have highly focused discussions on key issues that were highlighted during the conference as well as to map and commit to progressive resolutions to the issues. The Roundtable Discussions were attended by a good mix of bond issuers, fund managers, professional advisors, the Ministry of Finance and Economic Developments, Bank of Botswana and NBFIRA.

8.4.2 Centralisation of Trading, Clearing and Settlement of Bonds at the BSE

The business case for the centralisation of trading and the establishment of a single CSD was completed in 2017, with implementation of the project earmarked for 2018. Some of the recommendations in the business case are that the CSDB platform should form the basis for the establishment of a single CSD as it is technologically advanced and is aligned with the Principles for Financial Markets Infrastructure (PFMIs). However, the status of the CSD system will have to be strengthened particularly with respect to connection to the Botswana Interbank Settlement System (BISS) for settlement in Central Bank Money (CeBM) and for attainment of Delivery-versus-Payment (DVP) Model 1. The BSE has prioritised the acquisition of a new CSD system in 2018 in order to, among others, ensure connection of the CSD system to BISS to attain settlement in CeBM. These developments are also expected to increase the CSD rating by Thomas Murray and further improve compliance with PFMIs.

8.4.3 Financial Markets Courses

The BSE conducted a course titled "Understanding Financial Markets" in April and October 2017. In the April and October instalments, the courses was attended by fifteen (15) and seventeen (17) participants respectively. The courses were conducted in conjunction with Geometric Progression, a training institution accredited by the Botswana Qualifications Authority (BQA). The response from market participants has been positive and the courses are scheduled to continue in 2018.

8.4.4 BSE and UNDP Collaboration on Sustainability Initiatives

The BSE is among the 80% of stock exchanges that have joined the United Nations Sustainable Stock Exchanges (SSE) initiative following its admission in April 2016. In June 2017, the BSE and the

United Nations Development Programme (the Gaborone office) kick-started a collaborative project to profile and showcase sustainability practices by BSE listed companies. Beyond profiling and cataloguing, the BSE and UNDP will facilitate capacity building and these efforts are anticipated to culminate in a formation of a reward system that encourages peer-to-peer learnings and commitment to governance, environmental and societal welfare by listed companies. The profiling was completed in December 2017 with a breakfast seminar held to discuss initial findings. The final report is scheduled to be launched on 8 March 2018 at the 3rd Annual BSE Listings and Investment Conference.

8.5 LEGISLATION AND REGULATION

8.5.1 Revision of Equity Listing Requirements and Drafting of Tshipidi SME Rules

In March 2017, the BSE announced that a new board will be formulated to enable the Small to Medium Enterprises (SMEs) to raise capital on the BSE under listing requirements that are less stringent compared to the existing ones. The rules for this board have been approved by the BSE Main Committee at its December 2017 meeting along with the New Equity Listing Requirements. These have been submitted to the Non-Bank Financial Institutions Regulatory Authority (NBFIRA) for final approval.

8.5.2 Demutualisation of the BSE and CSDB

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. In September 2017, the BSE achieved its milestone in as far its demutualisation is concerned. This was with respect to the completion of the “valuation of the BSE” which was carried out by an independent consultant. The valuation report was noted by the BSE Main Committee at its December 2017 meeting. The report and the draft Constitution of BSE Limited were submitted in November 2017 to the Minister of Finance and Economic Development for final attribution of shareholding in the BSE and for approval to register the BSE as a company limited by shares. The BSE expects demutualisation to conclude in 2018.

8.5.3 Market Making Rules

In January 2017, NBFIRA submitted comments to the draft market-making rules and the BSE has since finalised on the comments and re-submitted the draft rules to NBFIRA.

8.5.4 Commencement of Securities Act

The Securities Act commenced in April 2017. As a result of this, the BSE will be required to apply for an exchange license in 2018.

8.6 HUMAN RESOURCE DEVELOPMENT

8.6.1 Human Capital Development

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

8.6.2 Staff Turnover and Staff Retention

The BSE 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 the BSE competitive. This exercise was successfully completed and implemented in 2017. Consequently, the staff turnover decreased from 15.8% in 2016 to 3.8% in 2017. As a knowledge based organisation, it has become important to run with robust human capital policies that ensure that the Exchange is able to attract the right calibre of employees, remunerate them competitively and retain them in order to be able to deliver on its long term strategic initiatives.

8.7 RELOCATION OF THE BSE

On 15 December 2017, the BSE relocated from Plot 64511 Exchange House, Fairgrounds to Plot 70667, Fairscape Precinct 4th Floor, Fairgrounds. The relocation was financed by internal revenues.

9. INTERNATIONAL PARTICIPATION

2nd Pension Funds & Alternative Investment Africa (PIAfrica) Conference, 15 – 16 March 2017, Mauritius

The objective of the PIAfrica conference was to promote interactive discussions with Governments and Pension Funds from across Africa for them to play a role in unlocking institutional investments to close the infrastructure funding gap in Africa. The BSE was represented by the CEO who delivered the official conference remarks on behalf of the African Securities Exchanges Association (ASEA), and as a member of the ASEA Executive Committee. The conference was held under the theme “Institutional Investments in Emerging Economies”. During the Conference, the BSE emphasized the need for African countries to optimize growth opportunities presented by the avalanche of institutional funds.

World Exchange Congress, 29 - 30 March 2017, Hungary

Budapest Stock Exchange hosted the annual World Exchange Congress (WEC) which brought together top representatives of various exchanges, clearing houses, supranational institutions, industry experts and consultants as well as a plethora of technology companies that continuously innovate and reshape the global financial ecosystem. The BSE is a regular participant at the conference and was represented in a panel discussion titled “Alternative Exchanges and Connecting the African Market: What do you need to know”, a topic that unpacked the complexities of the African continent and how integrated markets can catalyze further growth of small-scale economies.

Africa & Middle East Depository Association (AMEDA) 24th Annual Meeting, 22 – 25 April, 2017, South Africa

The BSE & CSDB participated at the 24th Annual Meeting of AMEDA held in Cape Town, South Africa. AMEDA is a non-profit organization for CSDs and Clearing Houses in Africa & the Middle East. AMEDA's objective is to offer solutions and provide advice at international level on technical, economical, financial, legal & regulatory matters to reduce risk and increase efficiency in custody, pre-settlement and settlement arrangements for securities and related payments across Africa & the Middle East for the benefit of issuers, investors and market participants.

African Property Investment Summit & Expo, 24 -25 August, 2017, South Africa

The BSE participated and led the discussions on how Botswana listed property vehicles and pension funds have largely shaped the local real estate market over the last 10 years and how the BSE has contributed to the burgeoning of this sector as well as key learnings from Botswana that other African countries can implement to allow for broader access to capital markets. The conference was held in Johannesburg under the theme “Developing Africa’s New Reality”.

2nd Africa Structured Products & Alternative Investment (SRP) Conference, 1-3 November 2017, South Africa

The SRP Conference is an interactive conference focusing on structured products and Exchange Traded Funds (ETFs) through accredited workshops blended with presentations and panel discussions on practical issues relating to development of products and alternative investments. The BSE participated in a panel discussion themed “What are Exchanges Doing for your Market” during which the BSE discussed several aspects of the role of regulated exchanges, highlighting that “the potential for regulated exchanges remains largely untapped especially in mutualized exchanges and those operating as utilities with a limited scope to extract additional value along the financial intermediation value chain in areas such as monetizing post-trade service”.

World Forum of CSDs (WFC) 2017, 14 – 17 November 2017, Hong Kong

The BSE & CSDB attended the Global Conference of Central Securities Depositories (CSDs) hosted by the World Forum of CSDs, which is composed of five regional CSDs, including AMEDA, which together represent around 135 member CSDs. The WFC provides a forum for regional CSD associations to exchange information, discuss issues of common interest and increase their influence and engagement on cross-regional and global developments. The conference was held at Kowloon Shangri-La in Hong Kong.

21st Annual African Securities Exchanges Association (ASEA) Conference, 20 -21 November 2017, Egypt

The 21st Annual ASEA Conference was hosted by the Egyptian Exchange (EGX) in Cairo under the theme “Africa Mapping the Future”, a timely topic that sought to reemphasise the importance of the continent in shaping the global future. The conference equally saw the launch of a local bond issuance case study report by ASEA and the African Development Bank (AfDB) which was developed by the ASEA Market Development Working Group chaired by the BSE. Speaking at the launch the CEO of BSE, Mr. Tsheole, noted that the report is an important preliminary study that provides insights into the successes, challenges, procedures and best practices related to AfDB’s local currency bond issuances on African markets, as well as to highlight the impact these bond issues have in terms of market development. “Having highlighted the bottlenecks faced by African domestic markets and also by AfDB in promoting issuances, this report presents an opportunity to engage in dialogue with the capital markets ecosystem with a view to resolve these structural impediments. This goes as far as refining our strategic technical assistance projects to achieve higher rates of take-off and success”, Mr. Tsheole noted while making his official launch remarks. The BSE participated in a panel discussion themed “New Financial Instruments Introduced by African Exchanges” in which it emphasized the need to explore creation of financial instruments backed by local assets.

10. CEO's APPRECIATION

It has been a fruitful year for the BSE in its inaugural year of the five year strategic plan. The organisation has made remarkable achievements as articulated in this review. I am impressed with the alignment of mindset and the evident overhaul in the corporate culture that I continue to witness among the staff members. In addition, the support from the Main Committee has been unquestionable and their strategic guidance has been motivating and inspirational.

I would like to acknowledge the brokers, custodians, professional advisors, institutional investors, retail investors and the general public for rallying behind us in our initiatives in 2017. We continue to receive positive feedback about our visibility, the impact of our initiatives and our openness to the community. This is encouraging and will fuel us for the next coming years.

Gratitude goes to the Ministry of Finance and Economic Development (MFED), the Non-Bank Financial Institutions Regulatory Authority (NBFIRA) and Bank of Botswana (BoB) for the heart-warming professional interactions that we continue to cultivate.

Let me also extend my gratitude to our regional, continental and international alliances; the Committee of SADC Stock Exchanges (CoSSE), African Securities Exchanges Association (ASEA), Africa Middle East Depositories Association (AMEDA), the World Federation of Exchanges (WFE), World Forum of CSDs (WFC) and the Sustainable Stock Exchanges (SSE) initiative.

It gives me great honour to announce that the BSE will be hosting the 27th Annual Meeting of AMEDA at Mowana Safari Lodge in Kasane from the 10 - 13 April, 2018. We look forward to showcasing not only our strides in the capital market, but also our beautiful award winning tourism sector to the rest of the world.

In parting, let me reiterate to my team that we need to pride ourselves in the contribution we make to the development of our country. Therefore, we need to continue to rise above all situations in our lives, including our work life to contribute to the pride of this nation. As I always say, the BSE shall become an exemplary and a model organisation and in my stay at the Exchange, this is the vision I am determined to realise.

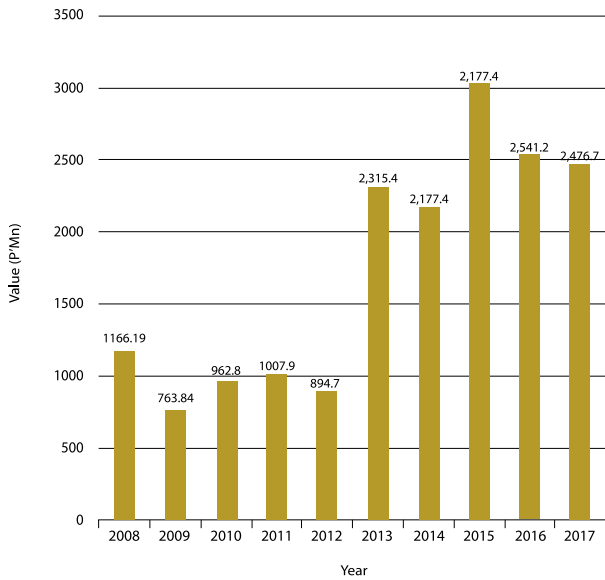
Best wishes for the future and gratitude to you all.



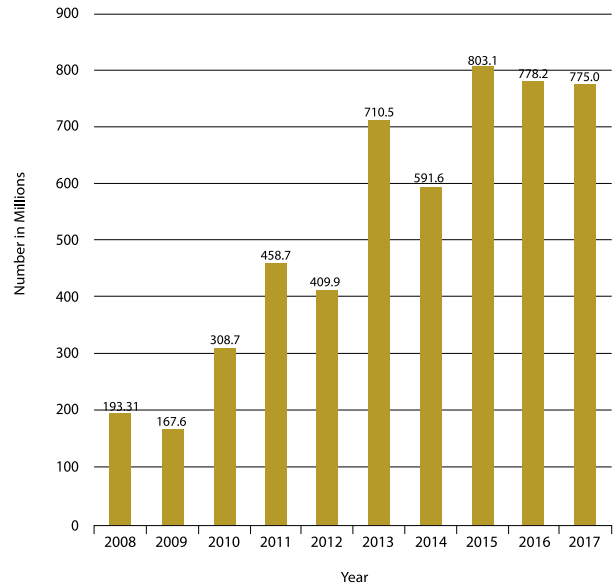
THAPELO TSHEOLE
CHIEF EXECUTIVE OFFICER

GRAPHICAL REVIEW

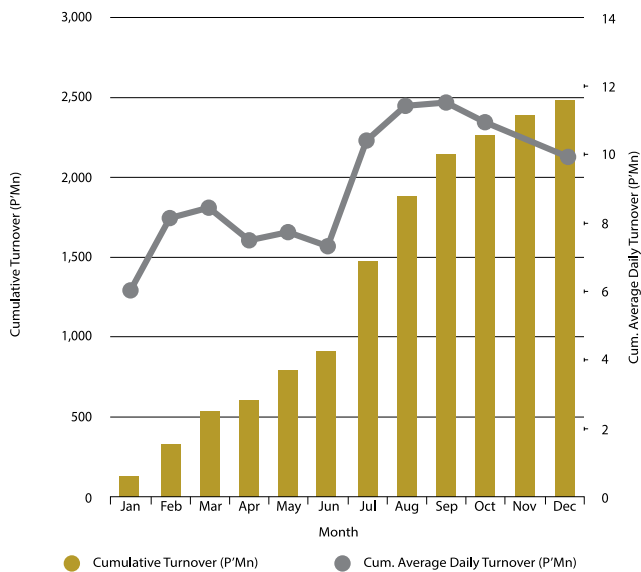
Value of Shares Traded



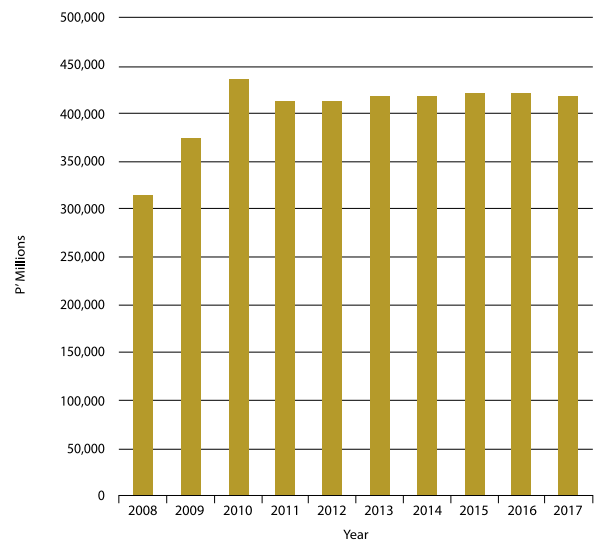
Volume of Shares Traded



Cumulative Turnover and Monthly Average Turnover

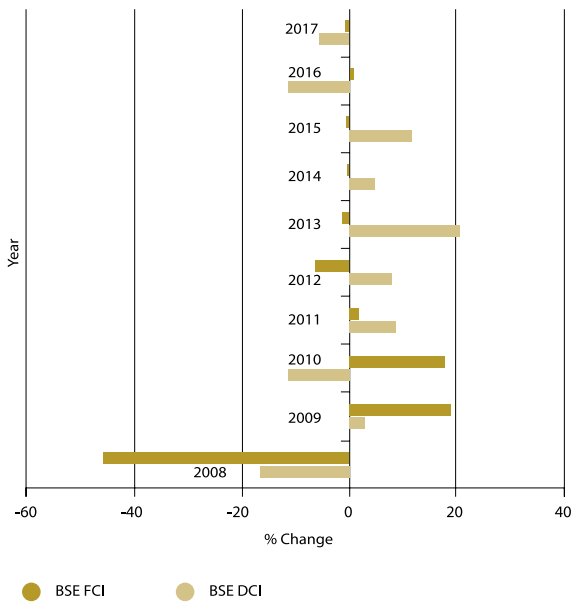


Annual Volume of Shares Traded

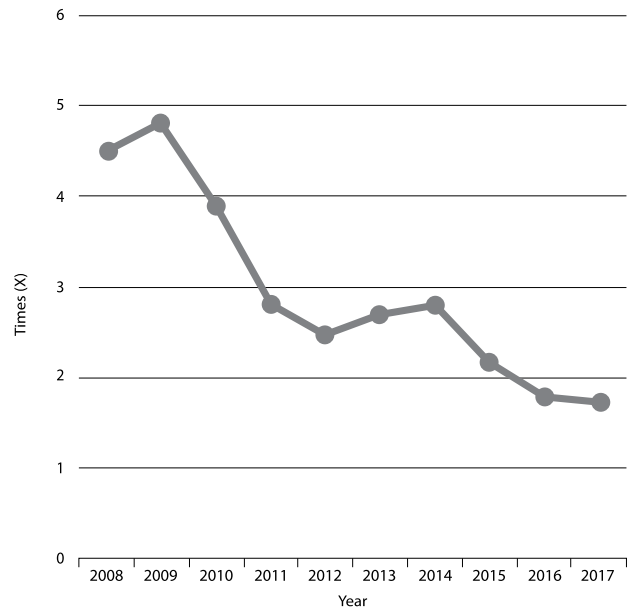


GRAPHICAL REVIEW

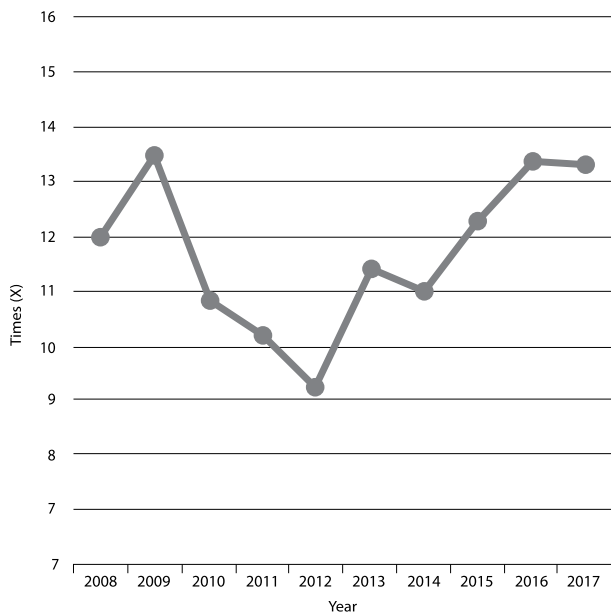
DCI & FCI Yearly % Change



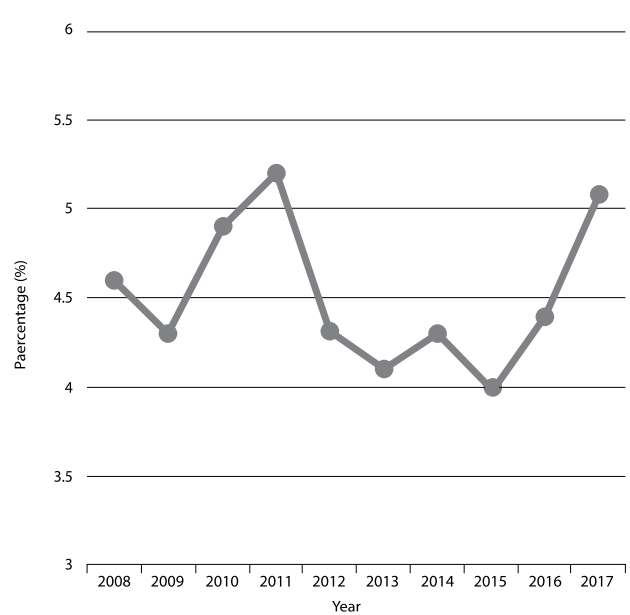
Market Price to Book Value



Price Earnings Ratio

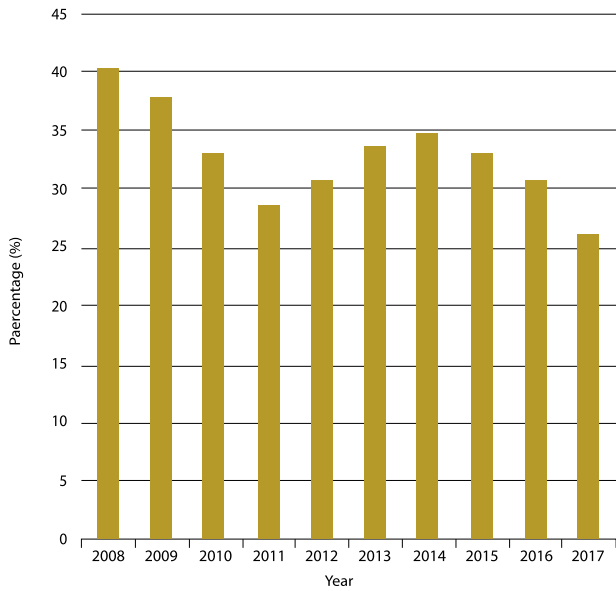


Dividend yield

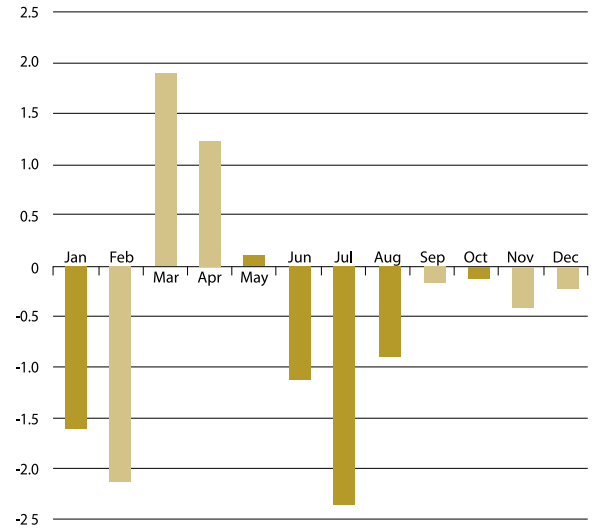


GRAPHICAL REVIEW

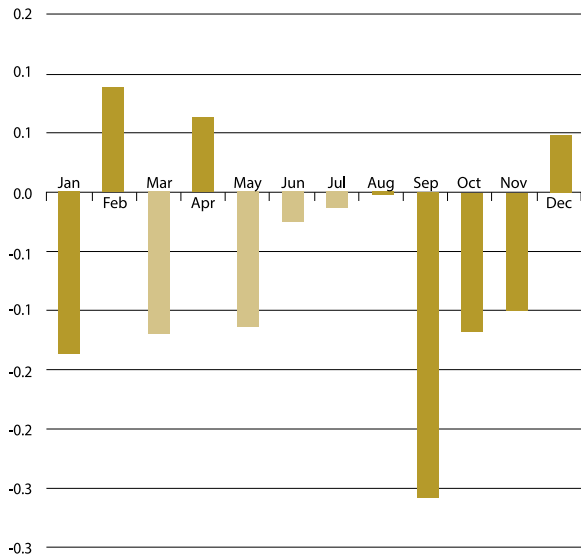
Domestic Market Capitalization as % of GDP



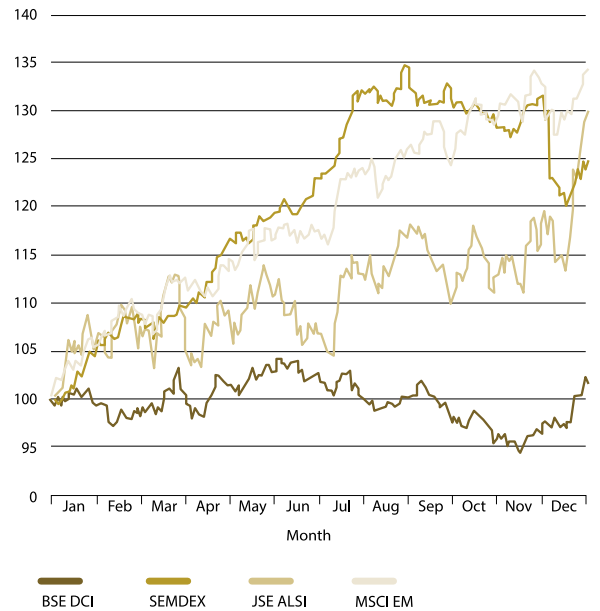
DCI % Change



FCI % Change

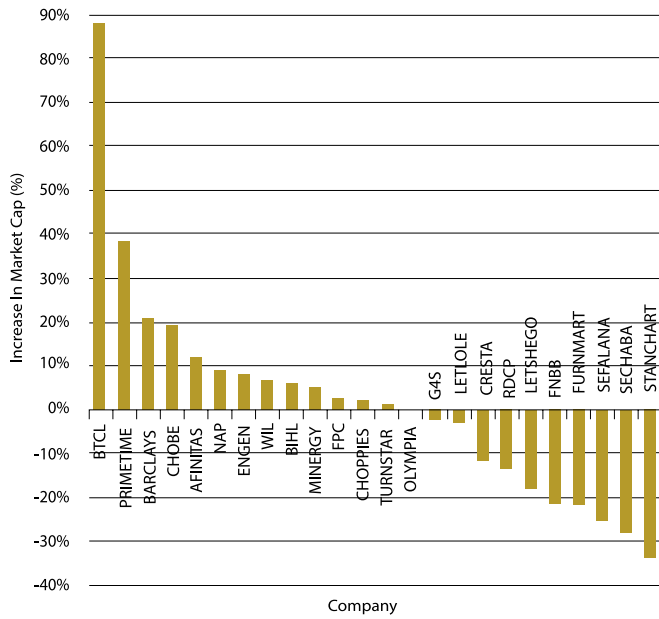


Comparative Performance of DCI with Other Indices

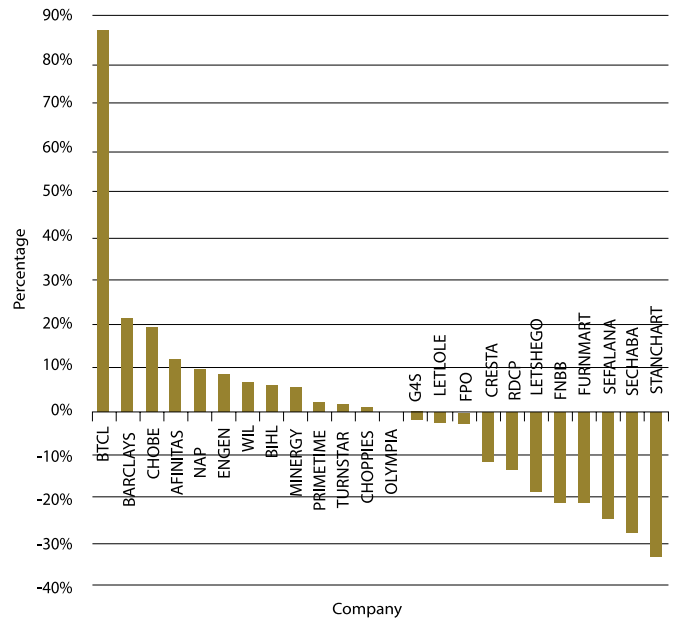


GRAPHICAL REVIEW

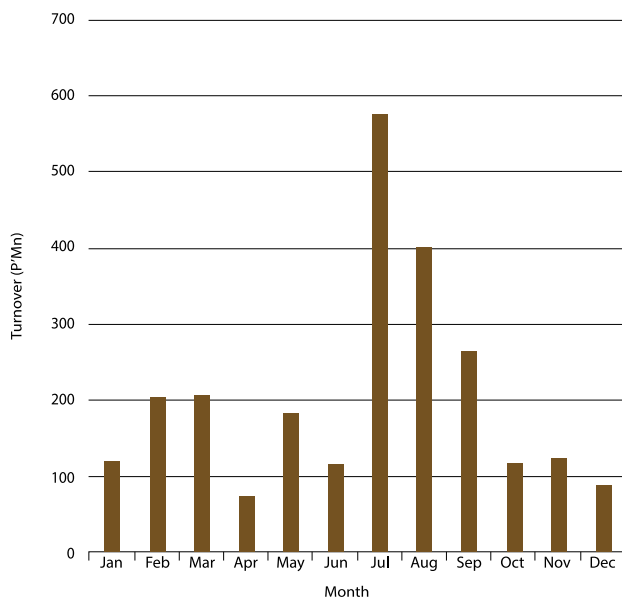
Domestic Companies: % Gains in Market Capitalization



Domestic Companies: % Gains in Share Price



Monthly Turnover (P'Min)



MARKET STATISTICS

Table 1: Number of Companies Listed

	2010	2011	2012	2013	2014	2015	2016	2017
Number of New Listings	2	6	3	1	1	1	2	3
Number of De-listings	3	1	1	3	1	4	0	2
Foreign Listings	9	12	13	12	12	10	10	11
Domestic Listings	21	23	24	23	23	22	24	24
Total	30	35	37	35	35	32	34	35

Table 2: Market Capitalisation of BSE Listings: 2017

	Number of Shares	Price Per Share (P)	Market Capitalisation (P)
New Domestic Listings			
Minergy Limited	376,024,867	1.00	376,024,867.00
New Foreign Listings			
CA Sales Holdings Limited	419,893,554	3.45	1,448,632,761.30
Tlou Energy	327,196,693	1.56	510,426,841.08

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

	2011	2012	2013	2014	2015	2016	2017
Domestic Market Capitalisation	30,694.26	35,530.83	43,457.57	46,209.87	50,213.85	46,571.96	44,408.06
Foreign Market Capitalisation	380,909.51	376,818.18	373,132.84	371,946.84	370,885.33	374,741.23	373,735.71
Total Market Capitalisation	411,603.77	412,349.01	416,590.41	418,156.71	421,099.19	421,313.19	418,143.76

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

	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17	Dec 17
Domestic Market Capitalisation	48,233.24	49,609.89	48,217.47	46,571.96	45,619.24	46,255.18	44,741.47	44,408.06
Foreign Market Capitalisation	371,587.37	376,035.14	377,407.55	374,741.23	374,110.26	374,307.94	372,272.08	373,735.71
Total Market Capitalisation	419,820.61	425,645.03	425,625.02	421,313.19	419,729.50	420,563.12	417,013.55	418,143.76

MARKET STATISTICS (CONTINUED)

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

	2010	2011	2012	2013	2014	2015	2016	2017
Banking	12,953.8	16,116.8	16,674.8	19,815.1	17,815.3	17,005.4	14,195.7	12,705.1
Financial Services & Insurance	21,353.5	21,574.8	24,560.7	25,958.9	27,087.9	29,222.2	28,967.5	28,772.5
Retailing & Wholesaling	2,617.5	3,098.3	6,099.8	8,884.8	11,859.5	13,322.2	10,381.0	10,002.3
Property & Property Trust	1,083.7	2,788.2	3,180.4	3,603.8	4,022.4	5,321.7	6,727.9	7,010.4
Mining & Materials	393,608.9	365,238.4	359,135.9	355,342.4	354,005.3	352,642.5	355,972.3	353,374.8
Security Services	263.0	480.0	465.6	246.4	229.2	289.6	326.4	319.2
Information Technology	7.6	7.9	11.0	0.0	0.0	0.0	1,029.0	1,932.0
Funeral Services	224.4	175.2	157.1	297.4	285.3	0.0	0.0	0.0
Energy	1,022.2	881.7	983.9	1,296.9	1,517.4	1,357.6	1,565.3	1,693.1
Tourism	1,491.5	1,242.6	1,079.9	1,144.8	1,264.5	1,938.1	2,148.2	2,334.5

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

	2010	2011	2012	2013	2014	2015	2016	2017
Banking	16,272.44	15,078.73	14,284.94	14,195.66	14,100.38	13,909.24	12,757.15	12,705.12
Financial Services & Insurance	28,561.09	29,075.82	28,985.86	28,967.46	28,829.18	29,321.46	28,805.13	28,772.46
Retailing & Wholesaling	12,692.45	12,624.51	12,085.99	10,380.99	9,168.32	9,165.29	8,909.84	10,002.27
Property & Property Trust	5,436.85	6,672.10	6,679.61	6,727.87	6,861.54	7,078.35	7,176.32	7,010.35
Mining & Materials	353,344.51	357,426.79	358,799.22	355,972.31	355,341.35	355,557.77	353,521.91	353,374.84
Security Services	289.60	291.20	308.00	326.40	320.00	320.00	320.00	319.20
Information Technology	0.00	1,144.50	892.50	1,029.00	1,344.00	1,491.00	1,564.50	1,932.00
Funeral Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Energy	1,277.78	1,277.78	1,469.44	1,565.28	1,574.86	1,579.65	1,677.08	1,693.06
Tourism	1,945.91	2,053.59	2,119.47	2,148.23	2,189.70	2,230.36	2,281.61	2,334.47

MARKET STATISTICS (CONTINUED)

Table 7: Trading Statistics as at Year ended December

	2011	2012	2013	2014	2015	2016	2017
Volume Traded (Mn)	458.70	409.91	710.50	591.60	803.10	778.23	775.01
Value Traded (P'Mn)	1,007.90	894.70	2,315.40	2,177.40	3,032.40	2,541.16	2,476.65
No. of Deals	5,022	6,488	12,029	11,139	12,730	13,707	13,707
Liquidity Ratio	3.5	2.7	5.9	4.9	6.3	5.2	5.4

Table 8: Trading Statistics as at Quarter ended

	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17	Dec 17
Volume Traded (Mn)	187.0	296.1	170.0	125.1	173.9	117.5	364.2	119.4
Value Traded (P'Mn)	701.9	933.0	503.7	402.5	532.8	371.1	1,240.5	332.3
No. of Deals	2,799	3,026	4,066	3,816	4,551	3,499	3,906	3,080

Table 9: BSE Indices as at Year ended December

	2010	2011	2012	2013	2014	2015	2016	2017
DCI	6,412.9	6,970.9	7,510.2	9,053.4	9,501.6	10,602.3	9,400.7	8,860.1
FCI	1,673.9	1,703.9	1,599.5	1,583.5	1,577.6	1,572.4	1,585.8	1,574.9
LASI	776.2	795.3	752.7	760.8	781.0	797.3	786.0	794.6
DFSI	771.9	862.5	911.8	1,067.1	1,090.4	1,212.4	1,094.5	1,078.0
FRSI	776.3	790.1	731.9	720.3	729.2	726.3	734.1	729.7
DCFFI	2,014.6	1,904.7	2,143.7	2,643.7	2,926.2	3,376.7	2,813.2	2,874.2
DFSFFI	3,034.1	2,825.0	3,199.1	3,901.3	4,092.4	4,363.0	3,658.4	3,543.6
LASFFI	1,760.5	1,677.5	1,892.1	2,315.3	2,575.3	2,979.5	2,659.1	2,622.8

MARKET STATISTICS (CONTINUED)

Table 10: BSE Indices as at Quarter ended

	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17	Dec 17
DCI	10,202.6	10,081.3	9,796.7	9,400.7	9,225.2	9,244.2	8,930.4	8,860.1
FCI	1,578.3	1,595.6	1,601.4	1,585.8	1,583.1	1,581.9	1,577.6	1,574.9
LASI	790.2	796.7	796.6	786.0	795.1	796.4	792.8	794.6
DFSI	1,186.9	1,140.3	1,100.9	1,094.5	1,120.1	1,136.5	1,077.8	1,078.0
FRSI	730.5	738.9	741.8	734.1	733.5	733.0	730.9	729.7
DCFFI	3,189.2	3,164.0	3,060.5	2,813.2	2,891.8	2,953.7	2,877.6	2,874.2
DFSFFI	3,987.2	3,890.4	3,723.3	3,658.4	3,494.9	3,490.3	3,213.2	3,543.6
LASFFI	2,864.2	2,883.3	2,808.3	2,659.1	2,652.2	2,708.4	2,638.1	2,622.8

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

2016		2017	
Company	Value	Company	Value
Letshego	326.2	NAP	157.5
NAP	160.2	Sechaba	157.1
Choppies	98.1	Letshego	117.1
Sefalana	37.7	FNBB	70.8
Wilderness Safaris	33.8	Choppies	50.0
FNBB	28.1	BIHL	41.9
BIHL	16.7	Turnstar	36.2
Sechaba	13.6	Sefalana	32.8
Engen	10.6	Imara	24.8
BTCL	8.8	BTCL	17.3

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

2016		2017	
Company	Value	Company	Value
Letshego	792.7	NAP	505.1
NAP	469.0	Sechaba	353.1
Choppies	333.9	Letshego	319.2
Sefalana	221.7	FNBB	296.4
Wilderness Safaris	145.1	Choppies	176.4
FNBB	127.7	BIHL	145.7
BIHL	113.8	Turnstar	106.9
Sechaba	89.9	Sefalana	100.3
Engen	36.5	Imara	76.1
BTCL	33.4	BTCL	67.2

MARKET STATISTICS (CONTINUED)

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

2016		2017	
Company	Value	Company	Value
Shumba	5.173	Ca Sales	8.917
Magnum	1.243	Shumba	3.441
BOD	0.817	Magnum	0.753
Lucara	0.198	Bod	0.325
A Cap	0.027	Lucara	0.301
African Energy	0.001	African Energy	0.123
Shumba	5.173	A Cap	0.000
Magnum	1.243		

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

2016		2017	
Company	Value	Company	Value
Shumba	6.080	CA Sales	30.779
Lucara	5.903	Lucara	6.676
BOD	0.155	Shumba	4.023
Magnum	0.056	BOD	0.068
A Cap	0.008	Magnum	0.038
African Energy	0.001	African Energy	0.035
		A Cap	0.000

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

2016		2017	
Company	Market Cap	Company	Market Cap
FNBB	7,588.6	FNBB	5,973.4
BIHL	4,932.8	BIHL	5,235.2
Barclays	4,294.9	Barclays	5,198.2
Sechaba	3,591.4	Letshego	4,030.8
Sefalana	3,259.5	Choppies	3,154.8
Choppies	3,099.9	Sechaba	2,589.8
StanChart	2,312.2	Sefalana	2,444.6
Turnstar	1,859.5	NAP	1,940.1

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

2016		2017	
Company	Market Cap	Company	Market Cap
Anglo	344,268.7	Anglo	344,268.7
Investec	16,163.5	Investec	16,676.5
Lucara	9,563.8	Lucara	7,269.8
Blue	2,605.4	Blue	2,605.4
GG	1,048.3	Ca Sales	1,473.8
African Energy	322.8	Tlou Energy	510.4
A Cap	300.7	Shumba	306.9
Shumba	290.1	A Cap	305.2

MARKET STATISTICS (CONTINUED)

Table 17: Bond Market Statistics: 2017

Bond Code	Maturity Date	Nominal Amount (P)	Coupon Rate %	Trade (P)
BW005	12-Sep-18	2,008,000,000	10.00	71,975,290.79
BW007	10-Mar-25	1,897,000,000	8.00	214,068,677.98
BW008	8-Sep-20	2,047,000,000	7.75	103,752,605.95
BW011	10-Sep-31	1,803,000,000	7.75	69,270,000.12
BW012	13-Jun-40	1,328,000,000	6.00	25,715,771.14
DPCF005	2-Jun-19	100,000,000	10.60	105,651.00
DPCF006	2-Jun-22	55,000,000	10.75	-
DPCF007	2-Jun-25	35,000,000	10.90	-
BBB016	31-Oct-19	156,000,000	8.00	1,091,625.50
BBS004	26-Nov-19	75,000,000	11.10	56,640.00
BBS005	3-Dec-23	150,000,000	11.20	41,168.00
BBS006	4-Aug-18	110,000,000	Floating	115,000.00
BHC020	10-Dec-20	103,000,000	10.10	-
BVI001	7-May-18	70,000,000	11.23	109,020.00
FML025	23-Oct-25	150,000,000	8.20	555,600.00
FNBB005	11-Nov-20	125,590,000	Floating	500,256.00
FNBB006	11-Nov-20	112,120,000	Floating	999,800.00
FNBB007	6-Dec-26	161,840,000	Floating	-
FNBB008	6-Dec-26	40,000,000	7.48	299,560.00
FNBB009	8-Dec-24	126,350,000	Floating	-
GBL001	24-Feb-22	50,000,000	18.00	-
GBL002	24-Feb-20	21,800,000	15.00	-
IFCO01	20-Sep-24	260,000,000	Floating	-
INB001	30-Dec-27	US\$113,376,758.07	Floating	-
LHL005	8-Nov-17	Matured by end of 2017	8.25	310,620.00
LHL006	8-Nov-23	200,000,000	10.50	20,924,381.00
LHL007	8-Nov-25	75,000,000	10.50	-
LHL008	8-Nov-27	28,500,000	11.00	397,212.00

MARKET STATISTICS (CONTINUED)

Bond Code	Maturity Date	Nominal Amount (P)	Coupon Rate %	Trade (P)
NDB001	1-Aug-17	Matured by end of 2017	11.25	326,725.70
SBBL062	15-Oct-17	Matured by end of 2017	Floating	1,200,010.00
SBBL063	15-Oct-19	98,600,000	7.54	1,138,618.00
SBBL064	18-Jun-20	128,400,000	Floating	40,000.00
SBBL065	18-Jun-20	153,100,000	8.00	72,229.00
SBBL066	15-Jun-27	140,000,000	Floating	40,000.00
SBBL067	16-Jun-27	60,000,000	7.80	114,977.00
SCBB003	20-Dec-20	50,000,000	10.50	-
SCBB006	12-May-21	70,000,000	Floating	69,993.00
SCBB007	27-Jun-22	50,000,000	Floating	-
SCBB008	27-Jun-22	127,260,000	8.20	252,160.00
BDC001	9-Jun-29	225,260,000	Floating	12,379,181.00
BDCL002	16-Aug-22	131,500,000	Floating	-
PTP021	10-Jun-21	96,000,000	Floating	7,824,068.00
PTP024	10-Jun-24	59,000,000	8.5	1,367,180.00
PTP026	29-Nov-26	70,000,000	9.0	-
WUC001	26-Jun-18	195,000,000	10.65	272,725.00
WUC002	26-Jun-26	205,000,00	10.60	174,594.00
TOTAL		14,266,537,750.00		535,561,340.18

MARKET STATISTICS (CONTINUED)

Table 18: Bond Market Capitalisation By Sector: 2017

Bond Code	Maturity Date	Nominal Amount (P)	Bond Code	Maturity Date	Nominal Amount (P)
Bonds	Maturity Date	Issue Size (P)	Corporate		
			BBB016	31-Oct-19	156,000,000
Government			FML025	23-Oct-25	150,000,000
BW005	12-Sep-18	2,008,000,000	FNBB005	11-Nov-20	125,590,000
BW007	10-Mar-25	1,897,000,000	FNBB006	11-Nov-20	112,120,000
BW008	8-Sep-20	2,047,000,000	FNBB007	6-Dec-26	161,840,000
BW011	10-Sep-31	1,803,000,000	FNBB008	6-Dec-26	40,000,000
BW012	13-Jun-40	1,328,000,000	FNBB009	8-Dec-24	126,350,000
		9,083,000,000	GBL001	24-Feb-22	50,000,000
Quasi			GBL002	24-Feb-20	21,800,000
DPCF005	2-Jun-19	100,000,000	INB001	30-Dec-27	USD113,376,758.07
DPCF006	2-Jun-22	55,000,000	LHL006	8-Nov-23	200,000,000
DPCF007	2-Jun-25	35,000,000	LHL007	8-Nov-25	75,000,000
		190,000,000	LHL008	8-Nov-27	28,500,000
Supranational			PTP021	10-Jun-21	96,000,000
IFCO01	20-Sep-24	260,000,000	PTP024	10-Jun-24	59,000,000
		260,000,000	PTP026	29-Nov-26	70,000,000
Parastatals			SBBL063	15-Oct-19	98,600,000
BBS004	26-Nov-19	75,000,000	SBBL064	18-Jun-20	128,400,000
BBS005	3-Dec-23	150,000,000	SBBL065	18-Jun-20	153,100,000
BBS006	4-Aug-18	110,000,000	SBBL066	15-Jun-27	140,000,000
BDC001	9-Jun-29	225,260,000	SBBL067	16-Jun-27	60,000,000
BDCL002	16-Aug-22	131,500,000	SCBB003	20-Dec-20	50,000,000
BHC020	10-Dec-20	103,000,000	SCBB006	12-May-21	70,000,000
BVIO01	7-May-18	70,000,000	SCBB007	27-Jun-22	50,000,000
NDB001	26-Jun-18	195,000,000	SCBB008	27-Jun-22	127,260,000
WUC001	26-Jun-26	205,000,000			3,468,777,750
WUC002	26-Nov-19	75,000,000			
		1,264,760,000	TOTAL		14,266,537,750



BOTSWANA STOCK EXCHANGE

& ITS SUBSIDIARY GROUP ANNUAL FINANCIAL
STATEMENTS & ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017



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:

Mr. Nelson Letshwene
 Ms. Itumeleng Magama
 Mr. Basimane Bogopa (Appointed May 2017)
 Professor John Kiggundu (Resigned in May 2017)

Elected Members:

General Tebogo Masire (Chairman, appointed May 2017)
 Mr. Patrick O' Flaherty
 Mr. Gregory Matsake (Appointed May 2017)
 Ms. Goitseone Kgaodi (Resigned in May 2017)
 Mr. Martin Makgatlhe
 Mr. Willie Mokgatlhe (Appointed May 2017)
 Mr. Kabelo Mohohlo

Membership of Sub-Committees:

Listings and trading

Gen. Tebogo C. Masire (Chairmann)
 Mr. Patrick O'Flaherty
 Mr. Basimane Bogopa
 Mr. Martin Makgatlhe
 Mr. Kabelo Mohohlo (Resigned in May 2017)

Audit

Mr. Willie Mokgatlhe (Chairman)
 Mr. Gregory Matsake
 Ms. Itumeleng Magama
 Mr. Nelson Letshwene
 Ms. Goitseone Kgaodi (Resigned in May 2017)

Investigations and disciplinary

Mr. Nelson Letshwene(Chairman)
 Ms. Itumeleng Magama
 Mr. Basimane Bogopa
 Professor John Kiggundu (Resigned in May 2017)

GENERAL INFORMATION

Governance & Remuneration

Mr. Nelson Letshwene (Chairman)
Ms. Itumeleng Magama
Mr. Basimane Bogopa
Professor John Kiggundu (Resigned in May 2017)

Board Tender Committee

Mr. Gregory Matsake (Chairman)
Mr. Nelson Letshwene
Mr. Kabelo Mohohlo
Ms. Goitseone Kgaodi (Resigned in May 2017)

Chief Executive Officer

Mr. Thapelo Tsheole

Secretary to the Main Committee

Ms. Tidimalo Poonyane

Regulator

Non-Bank Financial Institution Regulatory Authority (NBFIRA)
3rd Floor Exponential Building
Plot 54351 new CBD
Private Bag 00314
Gaborone

Postal address

Private Bag 00417
Gaborone

Independent auditors

KPMG
Plot 67977, Off Tlokweng Road
Fairgrounds Office Park
Gaborone, Botswana

Bankers

Barclays Bank of Botswana Limited
Standard Chartered Bank of Botswana Limited
First National Bank of Botswana Limited

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

FINANCIAL STATEMENTS

TABLE OF CONTENTS

82

STATEMENT
OF MAIN
COMMITTEE'S
RESPONSIBILITIES

83

REPORT OF THE
INDEPENDENT
AUDITORS

85

STATEMENTS
OF PROFIT OR
LOSS AND OTHER
COMPREHENSIVE
INCOME

86

STATEMENTS
OF FINANCIAL
POSITION

87

STATEMENTS
OF CHANGES
IN EQUITY

89

STATEMENTS
OF CASH
FLOWS

90

SIGNIFICANT
ACCOUNTING
POLICIES

100

NOTES TO THE
FINANCIAL
STATEMENTS

120

DETAILED STATEMENT
OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE
INCOME

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY STATEMENT OF THE MAIN COMMITTEE'S RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2017

The Main Committee of Botswana Stock Exchange (the "Exchange") is responsible for the preparation and fair presentation of the annual group financial statements annual financial statements of the Exchange comprising of the statements of financial position at 31 December 2017, 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, including a summary of significant accounting policies, prepared in accordance with International Financial Reporting Standards.

The Main Committee/members are also responsible for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management as well as the preparation and presentation of the supplementary schedules included in the financial statements.

The Main Committee/members have made an assessment of the Exchange's ability to continue as a going concern and have no reason to believe the operations will not be a going concern in the year ahead.

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

The annual financial statements set out on pages 81 to 119 and the supplementary information on page 120 to 121 were authorised for issue by the Main Committee on 27 April 2018 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 and separate financial statements of Botswana Stock Exchange (together the "Exchange") set out on pages 85 to 119 which comprise the consolidated and separate statement of financial position as at 31 December 2017, the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, a summary of accounting policies and notes to the consolidated and separate financial statements.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Botswana Stock Exchange as at 31 December 2017 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 Main Committee members are responsible for the other information. The other information comprises the General information, detailed statement of profit or loss and other comprehensive income, and the Statement of Main Committee's responsibilities. Other information does not include the consolidated and separate 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.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate 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 the consolidated and separate financial statements in accordance with International Financial Reporting Standards, and for such internal control as the committee determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 management.
- 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 and its subsidiary's ability to continue as going concerns. 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 consolidated and separate 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 and its subsidiary to cease to continue as going concerns.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Exchange to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with 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.

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY
**STATEMENTS OF PROFIT OR LOSS
 AND OTHER COMPREHENSIVE INCOME**
 FOR THE YEAR ENDED 31 DECEMBER 2017

		GROUP		EXCHANGE	
		2017	2016	2017	2016
		P	P	P	P
Revenue	1	33 749 202	31 700 826	26 819 631	24 530 467
Government subvention	15(c)	2 200 000	746 251	2 200 000	-
Other income		1 705 230	1 684 084	1 705 230	1 684 084
Income		37 654 432	34 131 161	30 724 861	26 214 551
Administrative expenses	2	(32 240 217)	(28 512 005)	(25 969 370)	(22 310 176)
Operating profit		5 414 215	5 619 156	4 755 491	3 904 375
Finance income	4	3 030 760	2 788 696	2 089 855	1 963 663
Profit before income tax		8 444 975	8 407 852	6 845 346	5 868 038
Income tax expense	5	-	-	-	-
Profit for the year		8 444 975	8 407 852	6 845 346	5 868 038
Other comprehensive income		-	-	-	-
Total comprehensive Income for the year		8 444 975	8 407 852	6 845 346	5 868 038

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY
**STATEMENTS OF
 FINANCIAL POSITION**
 FOR THE YEAR ENDED 31 DECEMBER 2017

		GROUP		EXCHANGE	
		2017	2016	2017	2016
		P	P	P	P
ASSETS					
Non-current assets					
Plant and equipment	7	9 960 933	6 086 125	9 799 433	5 798 642
Investment in subsidiary	6	-	-	100	100
		9 960 933	6 086 125	9 799 533	5 798 742
Current assets					
Trade and other receivables	8	5 597 301	1 169 032	5 633 037	1 288 494
Money market investments	9.1	77 916 606	80 850 617	51 682 519	55 046 282
Cash and bank balances	9.2	7 012 548	2 663 854	4 437 970	1 819 716
		90 526 455	84 683 503	61 753 526	58 154 492
Total assets		100 487 388	90 769 628	71 553 059	63 953 234
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		17 163 365	13 476 959	13 663 365	11 726 959
Retained earnings		76 086 832	69 593 530	49 670 361	44 776 688
		94 032 873	83 853 165	64 116 402	57 286 323
Current liabilities					
Deferred lease liability	13	-	1 340	-	1 340
Trade and other payables	11	4 502 842	3 981 104	5 484 984	3 731 552
Amounts due to the Botswana Stock Exchange Security Fund	12	1 951 673	2 934 019	1 951 673	2 934 019
		6 454 515	6 916 463	7 436 657	6 666 911
Total equity and liabilities		100 487 388	90 769 628	71 553 059	63 953 234

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY
STATEMENTS OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 31 DECEMBER 2017

	Proprietary rights capital	Rights premium	Unutilised capital grants	Retained income	Total
	P	P	P	P	P
GROUP					
Year ended 31 December 2016					
Balance at 1 January 2016	5 200	777 476	5 000 000	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
Year ended 31 December 2017					
Balance at 1 January 2017	5 200	777 476	13 476 959	69 593 530	83 853 165
Profit for the year	-	-	-	8 444 975	8 444 975
Capital grant received	-	-	4 250 000	-	4 250 000
Amortisation of capital grant	-	-	(563 594)	-	(563 594)
Transfer to the Botswana Stock Exchange Security Fund (note 12)	-	-	-	(1 951 673)	(1 951 673)
Balance at 31 December 2017	5 200	777 476	17 163 365	76 086 832	94 032 873

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

STATEMENTS OF CHANGES

IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

	Proprietary rights capital	Rights premium	Unutilised capital grants	Retained income	Total
	P	P	P	P	P
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
Capital grant received	-	-	6 726 959	-	6 726 959
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	11 726 959	44 776 688	57 286 323
Year ended 31 December 2017					
Balance at 1 January 2017	5 200	777 476	11 726 959	44 776 688	57 286 323
Profit for the year	-	-	-	6 845 346	6 845 346
Transfer to the Botswana Stock Exchange Security Fund	-	-	-	(1 951 673)	(1 951 673)
Capital grant received	-	-	2 500 000	-	2 500 000
Amortisation of capital grant	-	-	(563 594)	-	(563 594)
Balance at 31 December 2017	5 200	777 476	13 663 365	49 670 361	64 116 402

In terms of the Botswana Stock Exchange Act, 1994, section (72)(3), the Exchange is required to transfer annually, the greater of P5,000 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 market development and capital expenditure. 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.

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY
**STATEMENTS
 OF CASHFLOWS**
 FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	GROUP		EXCHANGE	
		2017 P	2016 P	2017 P	2016 P
Cash generated from operating activities	14	2 329 974	10 884 287	2 860 687	9 158 481
Cash flows from investing activities					
Purchase of plant and equipment	7	(5 439 802)	(1 058 264)	(5 439 802)	(1 058 264)
Proceeds from disposal of plant and equipment		177 770	-	177 770	-
Interest received	4	3 030 760	2 788 696	2 089 855	1 963 663
Net cash (used in)/generated from investing activities		(2 231 272)	1 730 432	(3 172 177)	905 399
Cash flows from financing activities					
Capital grant received		4 250 000	4 247 000	2 500 000	2 497 000
Amounts paid to Botswana Stock Exchange Security Fund	12	(2 934 019)	(2 883 164)	(2 934 019)	(2 883 164)
Net cash generated from/(used in) financing activities		1 315 981	1 363 836	(434 019)	(386 164)
Movement in cash and cash equivalents		1 414 683	13 978 555	(745 509)	9 677 716
Cash and cash equivalents at beginning of year		83 514 471	69 535 916	56 865 998	47 188 282
Cash and cash equivalents at the end of year		84 929 154	83 514 471	56 120 489	56 865 998
Cash and cash equivalents comprise:					
-Cash on hand and cash at bank		7 012 548	2 663 854	4 437 970	1 819 716
-Money market investments		77 916 606	80 850 617	51 682 519	55 046 282
		84 929 154	83 514 471	56 120 489	56 865 998

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2017

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.

Basis of preparation

Statement of compliance

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

Basis of measurement

The financial statements are prepared on a historical costs basis.

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.

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 judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment 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 judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

New standards and interpretations not yet effective

Standard/Interpretation		Impact
IAS 7 amendments	Disclosure Initiative	No impact on these financial statements
IAS 12 amendments	Recognition of Deferred Tax Assets for Unrealised Losses	No impact on these financial statements

At the date of authorisation of the financial statements the following standards and interpretations, relevant to the Exchange and Group in future reporting periods, were in issue but not yet effective:

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.

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

New standards and interpretations not yet effective (continued)

IFRS 15: Revenue from Contracts with Customers (continued)

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 the Group's annual financial statements ending 31 December 2018. The current recognition and measurement of the Group's principal revenue streams are substantially in line with those of the new standard. Therefore management does not expect the implementation of IFRS 15 to have a significant impact on the Exchange and Group's financial results or position.

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 applies for the Group's annual financial statements ending 31 December 2018 with retrospective application. The current recognition and measurement of financial instruments are substantially in line with that of the new standard. Therefore management does not expect the implementation of IFRS 9 to have a significant impact on the Exchange and Group's results. The majority of revenue is from cash sales or short-term accounts and a high recovery rate is maintained on overdue accounts receivable. Therefore, the implementation of the expected credit loss model is not estimated to have a significant impact on the recognition of revenue. The presentation and disclosure of financial assets and liabilities will change in terms of the classification of these under the new standard.

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 Group has not yet quantified the impact on its reported assets and liabilities of adoption of IFRS 16. The quantitative effect will depend on, inter alia, the transition method chosen, the extent to which the Group uses the practical expedients and recognition exemptions, and any additional leases that the Group enters into. The Exchange expects to disclose its transition approach and quantitative information before adoption.

IFRIC 22: Foreign Currency Transactions and Advance Considerations

When foreign currency consideration is paid or received in advance of the item it relates to - which may be an asset, an expense or income - IAS 21 The Effects of Changes in Foreign Exchange Rates is not clear on how to determine the transaction date for translating the related item.

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

New standards and interpretations not yet effective (continued)

IFRIC 22: Foreign Currency Transactions and Advance Considerations (continued)

This has resulted in diversity in practice regarding the exchange rate used to translate the related item. IFRIC 22 clarifies that the transaction date is the date on which the entity initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The interpretation applies for annual reporting periods beginning on or after 1 January 2018. The standard is not expected to have a significant impact on the Group's financial statements due to the limited number of foreign denominated transactions it incurs on an annual basis.

Amendments to IAS 40: Transfers of Investment property

The IASB has amended the requirements in IAS 40 Investment property on when an entity should transfer a property asset to, or from, investment property.

The amendments apply for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The standard is not expected to have any impact on the Group's financial statements.

Amendment to IAS 28: Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate and joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The amendments apply for annual periods beginning on or after 1 January 2019. Early adoption is permitted. The standard is not expected to have any impact on the Group's financial statements.

IFRIC 23: Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements. IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

- judgments made;
- assumptions and other estimates used; and
- the potential impact of uncertainties that are not reflected.

IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Early adoption is permitted. This standard is not expected to have a significant impact on the Group's financial statements because it is exempt from paying income taxation.

Amendment to IAS 28: Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate and joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The amendments apply for annual periods beginning on or after 1 January 2019. Early adoption is permitted. The standard is not expected to have any impact on the Group's financial statements.

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

New standards and interpretations not yet effective (continued)

Amendments to IFRS 9: Prepayment Features with Negative Compensation

The amendments clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

The amendments apply for annual periods beginning on or after 1 January 2019 with retrospective application. Early adoption is permitted. This standard is not expected to have any impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised. The IASB has decided to defer the effective date for these amendments indefinitely. Adoption is still permitted.

IFRS 17: Insurance Contracts

IFRS 17 supersedes IFRS 4 *Insurance Contracts* and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model ("general model") for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as:

- Reinsurance contracts held;
- Direct participating contracts; and
- Investment contracts with discretionary participation features.

Under the new standard, investment components are excluded from insurance revenue and service expenses. Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or other comprehensive income. The new standard includes various new disclosures and requires additional granularity in disclosures to assist users to assess the effects of insurance contracts on the entity's financial statements. The standard is effective for annual periods beginning on or after 1 January 2021. Early adoption is permitted. The standard is not expected to have an impact on the Group's financial statements.

Clarifying share-based payment accounting (Amendments to IFRS 2)

Currently, there is ambiguity over how an entity should account for certain types of share-based payment arrangements. The IASB has responded by publishing amendments to IFRS 2 *Share-based Payments*. The amendments cover three accounting areas:

Measurement of cash-settled share-based payments –The new requirements do not change the cumulative amount of the expense that is ultimately recognised, because the total consideration for a cash-settled share-based payment is still equal to the cash paid on settlement.

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

New standards and interpretations not yet effective (continued)

Clarifying share-based payment accounting (Amendments to IFRS 2) (continued)

Classification of share-based payments settled net of tax withholdings – The amendments introduce an exception stating that, for classification purposes, a share-based payment transaction with employees is accounted for as equity-settled if certain criteria are met.

Accounting for a modification of a share-based payment from cash-settled to equity-settled – The amendments clarify the approach that entities are to apply.

These amendments are effective for annual periods commencing on or after 1 January 2018 and are not expected to have any impact on the Group's financial statements.

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 recognised 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.

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:

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

Plant and equipment (continued)

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

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

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

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

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.

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.

Proprietary rights

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

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 AON Botswana (Pty) Ltd, who administers a pension insurance plan for the group. The regular contributions are recognised in profit or loss as incurred.

Employee entitlements to annual leave and gratuity are recognised when they accrue to employees and an accrual 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.

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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.

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.

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.

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 Listing 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.

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

Revenue recognition (continued)

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.

Government subvention

Monetary Government subventions are recognised at their fair value where there is reasonable assurance that the Group 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 prior 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.

Financial Instruments

Financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised on the trade date, which is the date when the Group becomes party to the contractual provisions of the instrument. The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses.

The Group's loans and receivables comprise cash and cash equivalents, trade and other receivables, including amounts due from related parties.

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

Financial Instruments (continued)

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, cash at bank, demand deposits and short-term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Trade and other receivables, including amounts due from related parties

Trade and other receivables, including amounts due from related parties, are amounts due for goods provided in the normal course of business. These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an impairment accrual. An accrual for impairment 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 these receivables. Significant financial difficulties of a debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that a balance is impaired.

The amount of the impairment accrual is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. When an amount is considered uncollectible, it is written off against the allowance account. The movement in the allowance account is recognised in profit or loss. Subsequent recoveries of amounts previously written off are recognised in profit or loss.

Financial liabilities

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

The Group 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, including amounts due to related parties and finance lease liabilities.

Trade and other payables, including amounts due to related parties

Trade and other payables, including amounts due to related parties, 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.

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. This amount/profit excludes receipts from government subvention and donations.

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

Financial Instruments (continued)

Financial liabilities (continued)

Borrowings

Interest bearing borrowings are initially recognised at cost, being the fair value of the consideration received and include acquisition charges associated with these borrowings.

After initial recognition, all interest bearing borrowings, other than liabilities held for trading, are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on settlement.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial instruments are recognised in profit or loss in the period in which the change arises.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

EXCHANGE 2017

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	
	2017 P	2016 P	2017 P	2016 P
Financial assets				
Trade receivables	1 115 641	685 012	1 069 316	534 845
Other receivables	2 319 427	159 660	2 240 287	128 713
Receivables from related party	1 612 500	-	1 806 181	300 576
Cash and cash equivalents	84 929 154	83 514 471	56 120 489	56 865 998
	89 976 722	84 359 143	61 236 273	57 830 132
Financial liabilities				
Trade and other payables	2 226 730	2 194 162	2 008 872	2 019 334
Amount due to Botswana Stock Exchange Fund	1 951 673	2 934 019	1 951 673	2 934 019
Amounts due to Central Securities Depository Company of Botswana	-	-	1 200 000	-
	4 178 403	5 128 181	5 160 545	4 953 353

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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	
	2017	2016	2017	2016
	P	P	P	P
Trade receivables	1 115 641	685 012	1 069 316	534 845
Other receivables	2 319 427	159 660	2 240 287	128 713
Receivables from related party	1 612 500	-	1 806 181	300 576
Cash and cash equivalents	84 929 154	83 514 471	56 120 489	56 865 998
	89 976 722	84 359 143	61 236 273	57 830 132

Group impairment of P358 572 (Exchange P358 572) was recognised for long outstanding fee receivables (2016: P411 750, both group and exchange).

GROUP

Counterparty	Rating	31-Dec-17		31-Dec-16	
		Credit limit	Balance P	Credit limit	Balance P
Barclays Bank of Botswana	N/A	N/A	1 642 110	N/A	1 472 666
Stanlib Investment Management Services	N/A	N/A	17 283 057	N/A	22 685 386
African Alliance Asset Management	N/A	N/A	20 752 411	N/A	23 173 065
Botswana Insurance Fund	N/A	N/A	39 881 139	N/A	34 992 166
Standard Chartered Bank Botswana	N/A	N/A	4 369 515	N/A	1 191 188
First National Bank of Botswana	N/A	N/A	1 000 922	N/A	-

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

EXCHANGE

Counterparty	Rating	31-Dec-17		31-Dec-16	
		Credit limit	Balance P	Credit limit	Balance P
Barclays Bank of Botswana	N/A	N/A	1 642 110	N/A	1 472 666
Stanlib Investment Management Services	N/A	N/A	7 514 499	N/A	12 773 301
African Alliance Asset Management	N/A	N/A	14 186 849	N/A	16 827 625
Botswana Insurance Fund	N/A	N/A	29 981 172	N/A	25 445 356
First National Bank	N/A	N/A	1 000 922	N/A	-
Standard Chartered Bank	N/A	N/A	1 794 937	N/A	347 050

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.

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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	
	Contractual cash-flows	Carrying amount due within 6 months	Contractual cash-flows	Carrying amount due within 6 months
2017				
Trade and other payables	2 226 730	2 226 730	2 008 872	2 008 872
Amount due to Botswana Stock Exchange Fund	1 951 673	1 951 673	1 951 673	1 951 673
Amounts due to Central Securities Depository Company of Botswana	-	-	1 200 000	1 200 000
	4 178 403	4 809 584	5 160 545	5 160 545
2016				
Trade and other payables	2 194 162	2 194 162	2 019 334	2 019 334
Amount due to Botswana Stock Exchange 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

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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	
	2017	2016	2017	2016
Variable rate instruments				
Money market investments	77 916 606	80 850 617	51 682 519	55 046 282

The average interest rates per annum applicable to these financial instruments

	3.33%	3.55%	3.33%	3.55%
--	-------	-------	-------	-------

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	389 583	404 253	258 413	275 231
Decrease of 50 basis points				
Money market investment	(389 583)	(404 253)	(258 413)	(275 231)

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 who provides the necessary support to sustain the operations of the group.

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

	GROUP		EXCHANGE	
	2017 P	2016 P	2017 P	2016 P
1 Revenue				
Listing and annual sustaining fees	19 456 203	17 007 291	19 456 203	17 007 291
Commission income	12 563 529	12 575 248	6 581 678	6 697 176
Members' fees	766 000	810 000	766 000	810 000
X-News Publications	15 750	16 000	15 750	16 000
Miscellaneous fees	947 720	1 292 287	-	-
	33 749 202	31 700 826	26 819 631	24 530 467
2 Administrative expenses				
Internal audit fees	361 752	185 682	217 051	110 080
External audit fees	169 906	160 408	108 060	104 200
Employee benefit expenses (note 3)	16 674 964	13 578 289	13 169 460	9 887 428
Advertising costs	2 439 021	2 417 032	2 363 725	2 304 827
Depreciation (note 7)	1 107 752	1 270 494	981 769	735 586
Rentals	986 164	857 278	860 373	705 097
Bad debt impairment	358 572	212 750	358 572	199 000
Computer expenses	4 024 117	4 719 749	2 801 209	3 300 188
Consulting fees	1 346 196	907 965	1 346 196	829 329
Seminars and conferences	390 838	371 140	205 965	279 849
Travelling and accommodation expenses	786 303	495 863	776 120	464 145
Training expenses	155 714	142 647	155 714	142 647
Members' sitting allowances	208 380	140 490	122 430	94 710
Relocation expenses	94 709	-	94 709	-
Other expenses	3 135 829	3 052 218	2 408 017	3 153 090
	32 240 217	28 512 005	25 969 370	22 310 176
3 Employee benefit expenses				
Salaries and other terminal benefits	14 274 674	11 258 450	11 352 614	8 043 981
Pension costs and gratuity	2 300 540	1 984 485	1 816 846	1 607 911
Other benefits	-	335 354	-	235 536
	16 575 214	13 578 289	13 169 460	9 887 428
Average number of persons employed during the year	24	23	19	18

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

	GROUP		EXCHANGE	
	2017 P	2016 P	2017 P	2016 P
4 Finance income				
Interest income on short term investments	3 030 760	2 788 696	2 089 855	1 963 663
5 Income tax expense				
The Botswana Stock Exchange is exempt from income tax in accordance with the Income Tax Act.				
6 Investment in subsidiary				
Cost of shares	-	-	100	100

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

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

7 Plant and equipment

	Capital Work In Progress	Leasehold Improvements	Office Equipment	Furniture & Fittings	Motor Vehicles	Total
GROUP		P	P	P	P	P
Cost						
Balance at 31 December 2015	-	598 067	6 009 592	728 263	912 955	8 248 877
Additions	-	-	4 352 844	35 379	900 000	5 288 223
Disposals	-	-	-	-	-	-
Balance at 31 December 2016	-	598 067	10 362 436	763 642	1 812 955	13 537 100
Additions	730 839	2 445 225	1 430 155	833 583	-	5 439 802
Disposals	-	(598 067)	(2 749 879)	(432 958)	(531 402)	(4 312 306)
Balance at 31 December 2017	730 839	2 445 225	9 042 712	1 164 267	1 281 553	14 664 596
Accumulated depreciation						
Balance at 31 December 2015		(416 371)	(4 357 172)	(493 983)	(912 955)	(6 180 481)
Depreciation (note 2)	-	(48 443)	(1 034 416)	(75 135)	(112 500)	(1 270 494)
Disposals	-	-	-	-	-	-
Balance at 31 December 2016	-	(464 814)	(5 391 588)	(569 118)	(1 025 455)	(7 450 975)
Depreciation (note 2)	-	(44 402)	(768 324)	(70 026)	(225 000)	(1 107 752)
Disposals	-	509 216	2 434 774	379 672	531 402	3 855 064
Balance at 31 December 2017	-	-	(3 725 138)	(259 472)	(719 053)	(4 703 663)
Carrying value at 31 December 2016	-	133 253	4 970 848	194 524	787 500	6 086 125
Carrying value at 31 December 2017	730 839	2 445 225	5 317 574	904 795	562 500	9 960 933

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

7 Plant and equipment (continued)	Capital Work In Progress	Leasehold Improvements	Office Equipment	Furniture & Fittings	Motor Vehicles	Total
EXCHANGE		P	P	P	P	P
Cost						
Balance at 31 December 2015	-	598 067	3 201 083	687 820	912 955	5 399 925
Additions	-	-	4 352 844	35 379	900 000	5 288 223
Disposals	-	-	-	-	-	-
Balance at 31 December 2016	-	598 067	7 553 927	723 199	1 812 955	10 688 148
Additions	730 839	2 445 225	1 430 155	833 583	-	5 439 802
Disposals	-	(598 067)	(2 749 879)	(432 958)	(531 402)	(4 312 306)
Balance at 31 December 2017	730 839	2 445 225	6 234 203	1 123 824	1 281 553	11 815 644
Accumulated depreciation						
Balance at 31 December 2015	-	(416 371)	(2 341 423)	(483 171)	(912 955)	(4 153 920)
Depreciation (note 2)	-	(48 443)	(503 552)	(71 091)	(112 500)	(735 586)
Disposals	-	-	-	-	-	-
Balance at 31 December 2016	-	(464 814)	(2 844 975)	(554 262)	(1 025 455)	(4 889 506)
Depreciation (note 2)	-	(44 402)	(646 385)	(65 982)	(225 000)	(981 769)
Disposals	-	509 216	2 434 774	379 672	531 402	3 855 064
Balance at 31 December 2017	-	-	(1 056 586)	(240 572)	(719 053)	(2 016 211)
Carrying value at 31 December 2016	-	133 253	4 708 952	168 937	787 500	5 798 642
Carrying value at 31 December 2017	730 839	2 445 225	5 177 617	883 252	562 500	9 799 433

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2017

	GROUP		EXCHANGE	
	2017	2016	2017	2016
	P	P	P	P
8 Trade and other receivables				
Receivables from related party	1 612 500	-	1 806 181	300 576
Fee receivables	1 115 641	685 012	1 069 316	534 845
Other receivables	2 319 427	484 020	2 240 287	453 073
VAT receivable	549 733	-	517 253	-
	5 597 301	1 169 032	5 633 037	1 288 494

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 2017, fee receivables of P1 115 641 (2016: P685 012) and other receivables of P1 069 316 (2016: P 534 845) were fully performing for the group and exchange respectively.

The aging of these receivables is as follows:

	GROUP		EXCHANGE	
	2017	2016	2017	2016
	P	P	P	P
Up to 3 months	1 115 641	641 941	1 069 316	534 845
>3 to 6 months	-	43 071	-	-
	1 115 641	685 012	1 069 316	534 845

Bad debts were provided as follows:

	GROUP		EXCHANGE	
	2017	2016	2017	2016
	P	P	P	P
Fee and other receivables	358 572	212 750	358 572	212 750

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2017

	GROUP		EXCHANGE	
	2017 P	2016 P	2017 P	2016 P
9 Cash and cash equivalents				
<i>9.1 Money market investments</i>				
Stanlib Investment Management Services	17 283 056	22 685 386	7 514 499	12 773 301
Botswana Insurance Fund	39 881 139	34 992 166	29 981 171	25 445 356
African Alliance Liquidity Fund	20 752 411	23 173 065	14 186 849	16 827 625
	77 916 606	80 850 617	51 682 519	55 046 282

The short term investments are unsecured, earns average interest of 3.33% (2016: 3.55%) 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

Cash on hand and at bank	7 012 548	2 663 854	4 437 970	1 819 716
--------------------------	-----------	-----------	-----------	-----------

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	77 916 606	80 850 617	51 682 519	55 046 282
Cash and bank balances	7 012 548	2 663 854	4 437 970	1 819 716
	84 929 154	83 514 471	56 120 489	56 865 998

	GROUP		EXCHANGE	
	2017 P	2016 P	2017 P	2016 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.

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2017

	GROUP		EXCHANGE	
	2017 P	2016 P	2017 P	2016 P
11 Trade and other payables				
Trade payables	2 226 730	2 194 162	2 008 872	2 019 334
VAT payable	-	74 724	-	-
Payroll accrual	2 276 112	1 712 218	2 276 112	1 712 218
Amounts due to Central Securities Depository Company of Botswana	-	-	1 200 000	-
	4 502 842	3 981 104	5 484 984	3 731 552

12 Amounts due to the Botswana Stock Exchange Security Fund

Balance at 1 January	2 934 019	2 883 164	2 934 019	2 883 164
Statutory transfer for the year	1 951 673	2 934 019	1 951 673	2 934 019
Settled during the year	(2 934 019)	(2 883 164)	(2 934 019)	(2 883 164)
Balance at 31 December	1 951 673	2 934 019	1 951 673	2 934 019
13 Deferred lease liability				
Balance at 31 December	-	1 340	-	1 340

The group leases its office premises under 2 operating lease facilities. The leases ran from February 2013 and April 2012 respectively and both expired in March 2017. Both leases have a renewal option upon expiry. Management did not utilise this renewal option and if moved into a new property where the rental escalation is linked to consumer price index or 5%, whichever one is lower.

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

	GROUP		EXCHANGE	
	2017 P	2016 P	2017 P	2016 P
Less than one year	-	229 605	-	229,605
Between one and five years	-	-	-	-
Total	-	229 605	-	229,605

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2017

	GROUP		EXCHANGE	
	2017	2016	2017	2016
14 Cash generated from operations				
Profit for the year	8 444 975	8 407 852	6 845 346	5 868 038
Adjustment for:				
- Depreciation (note 7)	1 107 752	1 270 494	981 769	735 586
- Amortisation of capital grant	(563 594)	-	(563 594)	-
- Finance income (note 4)	(3 030 760)	(2 788 696)	(2 089 855)	(1 963 663)
- Bad debts written off and movement in provision for bad debts	358 572	212 750	358 572	199 000
- Loss on disposal of plant and equipment	279 472	-	279 472	-
Changes in working capital				
- Trade and other receivables	(4 786 841)	3 426 930	(4 703 115)	2 939 024
- Deferred lease liability	(1 340)	(92 381)	(1 340)	(92 381)
- Trade and other payables	521 738	447 338	(1 753 432)	1 472 877
Cash generated from operations	2 329 974	10 884 287	2 860 687	9 158 481

15 Related party transactions

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

The following transactions were carried out with related parties.

a) Membership fees

- Stockbrokers Botswana (Pty) Ltd	3 750	4 000	3 750	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	3 750
- Motswedi Securities (Pty) Ltd	3 750	4 000	3 750	3 750
	15 750	16 500	15 750	16 000

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2017

15 Related party transactions (continued)	GROUP		EXCHANGE	
	2017	2016	2017	2016
<i>b) Listing and annual sustaining fees on Government bonds (at 0.125% on nominal value of Government bonds)</i>	12 251 250	7 945 000	12 251 250	7 945 000
<i>c) Government Subvention</i>				
Government of the Republic of Botswana:				
- Capital grant	4 250 000	4 247 000	2 500 000	2 497 000
- Transfer of ATS system	-	4 229 959	-	4 229 959
- Subvention income	2 200 000	746 251	2 200 000	-
	6 450 000	9 223 210	4 700 000	6 726 959
<i>d) Transfer to the Botswana Stock Exchange Security Fund</i>	1 951 673	2 934 019	1 951 673	2 934 019
<i>e) Sitting allowances by the Committee members</i>	208 380	140 490	122 430	94 710
<i>f) Remuneration for senior managers</i>	7 424 916	6 243 972	5 898 002	5 279 304
<i>g) Year end balances</i>				
<i>Receivables</i>				
- Government of the Republic of Botswana	1 612 500	-	1 175 000	-
- Central Securities Depository Company of Botswana Limited	-	300 576	631 181	300 576
	1 612 500	300 576	1 806 181	300 576
<i>Payables</i>				
- Botswana Stock Exchange Security Fund	1 951 673	2 834 019	1 951 673	2 934 019
- Central Securities Depository	-	-	1 200 000	-
	1 951 673	2 834 019	3 151 673	2 934 019

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY
**NOTES TO THE FINANCIAL
 STATEMENTS (CONTINUED)**
 FOR THE YEAR ENDED 31 DECEMBER 2017

16 Commitments

No significant capital commitments are planned at year end.

17 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.

18 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:

	2017	2016
	P	P
Favourable bank balances	1 407 154	6 381 756

19 Fair values

Financial instruments measured at fair value are categorised in three levels by valuation method. The different levels are defined as follows:

- 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 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.

The company had no financial instruments measured at fair value through profit or loss at the current or previous reporting date.

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2017

19. Fair values (continued)

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

Group - 2017

	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	9 960 933	-	-	-	9 960 933	-	9 960 933
Trade and other receivables	5 597 301	-	5 047 568	-	549 733	5 597 301	-
Money market investment	77 916 606	-	77 916 606	-	-	77 916 606	-
Cash on hand and at bank	7 012 548	-	7 012 548	-	-	7 012 548	-
	100 487 388	-	89 976 722	-	10 510 666	90 526 455	9 960 933
Liabilities							
Trade and other payables	4 502 842	-	-	2 226 730	2 276 112	4 502 842	-
Amounts due to the Botswana Stock Exchange Security Fund	1 951 673	-	-	1 951 673	-	1 951 673	-
	6 454 515	-	-	4 178 403	2 276 112	6 454 515	-

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2017

19. Fair values (continued)

Group - 2016	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	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 Exchange Security Fund	2 934 019	-	-	2 934 019	-	2 934 019	-
	6 916 463	-	-	5 128 181	1 788 282	6 916 463	-

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2017

19. Fair values (continued)

Exchange 2017	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	9 799 433	-	-	-	9 799 433	-	9 799 433
Investment in subsidiary	100	-	-	-	100	-	100
Trade and other receivables	5 633 037	-	5 115 784	-	517 253	5 633 037	-
Money market investment	51 682 519	-	51 682 519	-	-	51 682 519	-
Cash on hand and at bank	4 437 970	-	4 437 970	-	-	4 437 970	-
	71 553 059	-	61 236 273	-	10 316 786	61 753 526	9 799 533
Liabilities							
Trade and other payables	5 484 984	-	-	3 208 872	2 276 112	5 484 984	-
Amounts due to the Botswana Stock Exchange Security Fund	1 951 673	-	-	1 951 673	-	1 951 673	-
	7 436 657	-	-	5 160 545	2 276 112	7 436 657	-

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2017

19. Fair values (continued)

Exchange 2016	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	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 Exchange Security Fund	2 934 019	-	-	2 934 019	-	2 934 019	-
	6 666 911	-	-	4 953 353	1 713 558	6 665 571	1 340

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY DETAILED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

Revenue

	2017 P	2016 P
Commission income	6 581 678	6 697 176
Listing and annual sustaining fees	19 456 203	17 007 291
Members' fees	15 750	16 000
X-News Publication	766 000	810 000
Government subvention	2 200 000	-
Training income	350 429	357 412
Other income	1 354 801	1 326 672
Total income	30 724 861	26 214 551

Administrative expenses

Advertising	2 363 725	2 304 827
Internal audit fees	217 051	110 080
External audit fees	108 060	104 200
Relocation fees	94 709	-
Bank charges	54 782	55 539
Bad debts	358 572	199 000
Cleaning	69 421	69 333
Communication expenses	346 912	387 911
Computer expenses	2 801 209	3 300 188
Consulting fees	1 346 196	829 329
Recruitment expenses	11 348	67 372
Legal fees	-	1 212 204
Depreciation	981 769	735 586
Electricity	126 798	132 771
Entertainment	107 888	90 130
Insurance	175 002	193 372
Library expenses	4 389	6 310
Members' sitting allowances	122 430	94 710
Motor vehicle expenses	104 437	71 180
Office expenses	163 899	131 180
Printing and stationery	96 172	55 662
Rent	860 373	705 097
Repairs and maintenance	51 669	75 468
Salaries and wages	13 169 460	9 887 428
Security costs	76 624	87 696
Training Levy	32 043	27 320
Seminars and conferences	205 965	279 849
Staff welfare	512 048	381 886
Subscriptions	188 739	100 207
Training expenses	155 714	142 647
Travelling and accommodation	776 120	464 145
	25 683 524	22 302 627

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY
**DETAILED STATEMENT OF PROFIT OR LOSS
 AND OTHER COMPREHENSIVE INCOME**
 FOR THE YEAR ENDED 31 DECEMBER 2017

Administrative expenses (continued)

Loss on disposal
 Water

Total administration expenses

Operating profit

Finance income

Interest income


Profit for the year

	2017 P	2016 P
Loss on disposal	279 472	-
Water	6 374	7 549
Total administration expenses	25 969 370	22 310 176
Operating profit	4 755 491	3 904 375
Finance income		
Interest income	2 089 855	1 963 663
Profit for the year	6 845 346	5 868 038

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 5 – 7.



Botswana Stock Exchange
Plot 70667, Fairscapc Precinct
4th Floor, Fairgrounds, Gaborone
Private Bag 00417
Gaborone Botswana
Telephone: +267 367 4400 , Fax: +267 318-0175
www.bse.co.bw

 Botswana Stock Exchange

 @TheOfficeBSE

 Botswana Stock Exchange

 Botswana Stock Exchange