BOTSWANA STOCK EXCHANGE ANNUAL REPORT 2012

The theme for the 2012 Annual Report is **"Techno savvy"** This techno savvy theme is based on 2012 marking the year of technology at the BSE. The Botswana Stock Exchange (BSE) began the use of a new system on 24th August, 2012, the Automated Trading System (ATS). The implementation of the ATS is a significant landmark in the history of the Exchange as it is the leap in technology that has seen the BSE join the club of advanced Exchanges.

The new ATS allows trading in Equity, Debt, Exchange Traded Funds (ETF's) and Global Depository Receipts (GDR's) which is expected to boost investment strategies of brokers and investors. The ATS allows for continuous trading and for periodic auctions which will enhance price discovery.

The ATS has resulted in an increase in the visibility and reach of the BSE, thus reinforcing the Market Development initiatives undertaken by the Exchange.

The ATS also assists in more efficient surveillance of the market and enhance market regulation.

The ATS also complements the Central Securities Depository (CSD) infrastructure which was implemented in 2008 and was upgraded along with the implementation of the ATS.

THEME

BOTSWANA STOCK EXCHANGE ANNUAL REPORT 2012

HIGHLIGHTS FOR 2012

DCI appreciated by

7.7%

ATS implemented on 24 August 2012

ATS officially launched by His Honour Dr. Ponatshego H.K. Kedikilwe, Vice President of the Republic of Botswana on 29 October 2012

Trading Rules for both Equity and Debt Instruments amended

Hana Mining and Galane Gold dual listed on the Foreign Venture Board

Bond Index Calculation Methodology finalised after discussion with Bond Market Participants

Choppies listed on the Domestic Equity Main Board and was

400%

oversubscribed

2 Bonds with a Nominal Value of

177 MILLION

were listed

NewGold ETF appreciated by

5.6%

BettaBeta ETF appreciated by 26.5% to reach

P39.35

per unit

Number of accounts opened in CSD increased by 36.9% to

17,638

BOTSWANA STOCK EXCHANGE

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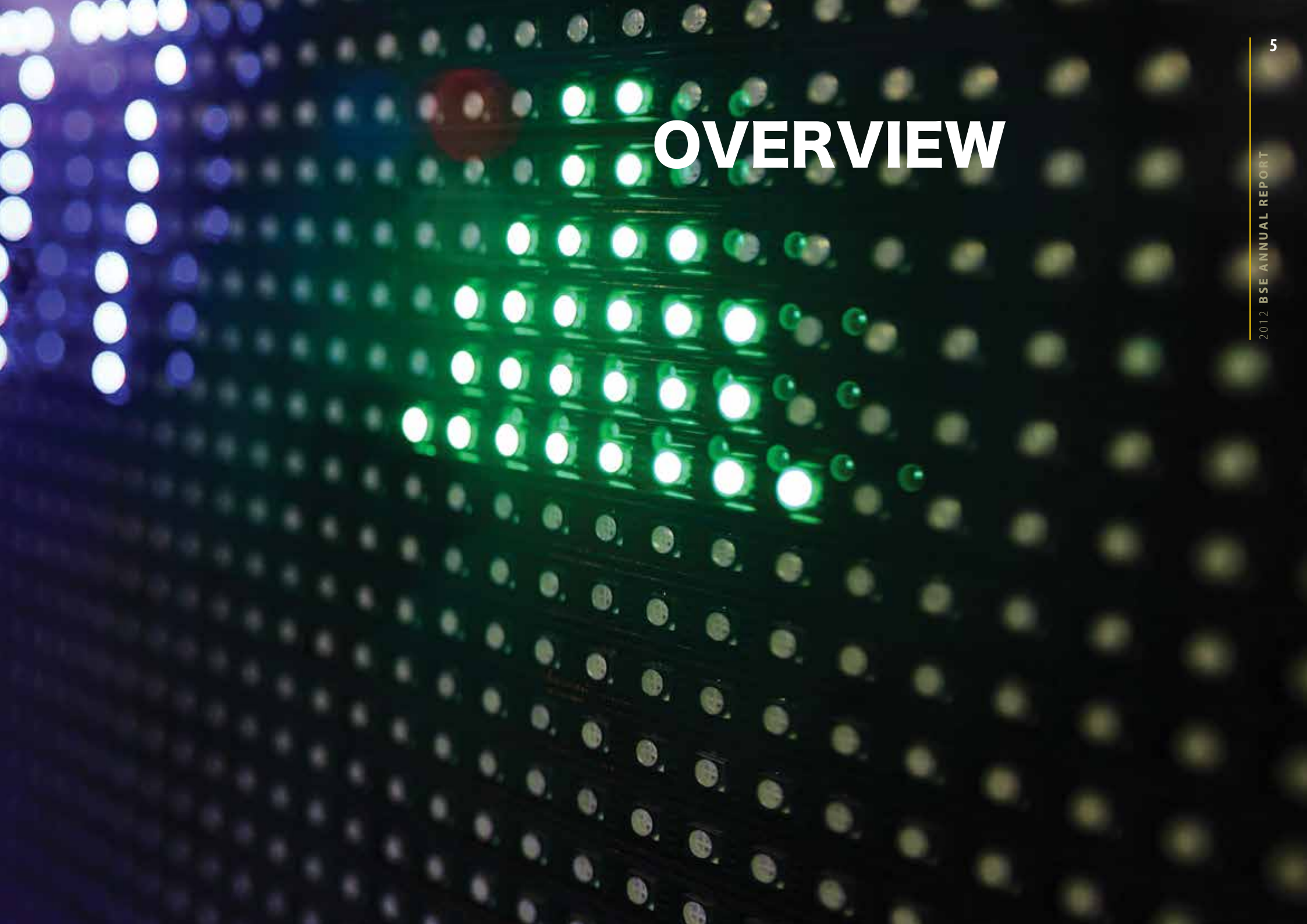


OVERVIEW

OUR MILESTONES

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

1989 > HUMBLE BEGINNINGS

THE BSE TRACES ITS HUMBLE BEGINNINGS TO WHEN IT WAS KNOWN AS THE BOTSWANA SHARE MARKET (BSM) WHEN IT WAS FORMALLY ESTABLISHED. IN 1989, BSM STARTED WITH 5 LISTED ENTITIES.

1994/1995 > NEW LEGISLATION

IN SEPTEMBER 1994, THE LEGISLATION TO TRANSFORM THE BSM INTO A FULL STOCK EXCHANGE WAS PASSED BY PARLIAMENT PAVING THE WAY FOR ESTABLISHMENT OF THE BOTSWANA STOCK EXCHANGE (BSE) WHERE TRADING OPENED IN NOVEMBER 1995.

2001 > FIRST BSE CEO APPOINTED

WITH EFFECT FROM JULY 2001, A FULL TIME CHIEF EXECUTIVE OFFICER WAS APPOINTED WITH THE AIM OF ESTABLISHING AN INDEPENDENT SECRETARIAT.

2003 > FULLY INDEPENDENT ENTITY

IN APRIL 2003, IN ORDER TO BETTER EXECUTE THE AFFAIRS OF THE EXCHANGE, BETTER SERVE STAKEHOLDERS, BE MORE RESPONSIVE TO GLOBAL EVENTS AND TO REMAIN COMPETITIVE, THE BSE DISCONTINUED THE SECRETARIAL ROLE OF ERNST AND YOUNG BOTSWANA TO BECOME A FULLY INDEPENDENT ENTITY.

2006 > DEVELOPING THE CAPITAL MARKET

THE BSE DEVELOPED A STRATEGIC PLAN WITH THE OBJECTIVE OF DEVELOPING THE CAPITAL MARKET. THE BSE ADOPTED SEVEN STRATEGIC PILLARS TO BETTER EXECUTE ITS PLANS AND THESE ARE: INFRASTRUCTURE DEVELOPMENT, MARKET DEVELOPMENT, PRODUCT DEVELOPMENT, REGULATION, GOVERNANCE, HUMAN RESOURCE DEVELOPMENT AND FINANCIAL RESOURCES.

2007 > PUBLICATIONS IMPROVED

IMPROVEMENTS MADE TO BSE PUBLICATIONS. SELECTED BSE PUBLICATIONS ARE PUBLISHED IN SETSWANA.

2008

> BSE BOARD CHARTER

THE CENTRAL SECURITIES DEPOSITORY (CSD) WAS IMPLEMENTED IN MAY 2008 AND SHARE DE-MATERIALISATION HAS BEEN PROGRESSING WELL SINCE. THE BSE ALSO COMMENCED COMPUTATION OF 3 ADDITIONAL INDICES i.e. LOCAL ASSET STATUS INDEX (LASI), FOREIGN RESOURCES SECTOR INDEX (FRSI) AND THE DOMESTIC FINANCIAL SECTOR INDEX (DFSI) WITH EFFECT FROM FEBRUARY 2008. BSE BOARD CHARTER WAS ADOPTED IN 2008.

2009

> ON TRACK

THE STRATEGY TO IMPLEMENT EXCHANGE TRADED FUNDS (ETFs) WAS BEARING FRUIT AS THE BSE HELD DISCUSSIONS WITH POTENTIAL ETF ISSUERS. IN 2009, SELECTED BSE PUBLICATIONS WERE TRANSLATED INTO SETSWANA.

2010

> NEWGOLD ETF

THE NEW GOLD ETF WAS LISTED IN JULY AS THE FIRST ETF IN THE BSE. P123.4 MILLION WORTH OF NEW GOLD TRADED IN THE FIRST SIX MONTHS.

2011

> THE BETTABETA ETF

THE BSE LISTED THE SECOND ETF, THE BETTABETA ETF IN MAY 2011.

ATS CONTRACT AWARDED

2012

> THE ATS

THE BSE IMPLEMENTED THE AUTOMATED TRADING SYSTEM (ATS) IN AUGUST 2012

OVERVIEW

The Botswana Stock Exchange (BSE) is Botswana's national stock exchange given the responsibility to operate and regulate equity and the fixed interest security market. Formally established in 1989, the BSE traces its humble beginnings to when it was known as Botswana Share Market (BSM). At that time there was no formal stock exchange in Botswana and the BSM traded as an informal market. There were only 5 listed entities with a single broking firm i.e. Stock Brokers Botswana Ltd (SBB), which was also charged with facilitating trading on the exchange via the matching of orders. In order to encourage foreign investors to Botswana an interim exchange committee was set up in October 1990 with representatives from the private and public sector, including the secretary of the Zimbabwe Stock Exchange, the chief executive of SBB, the permanent secretary of the ministry of finance, and the Deputy Director of the Bank Supervision. The committee had the power to list and to de-list a stock, and was also responsible for ensuring that the BSE traded ethically [Ruben Lee, 1998]. The necessity to detach the running of the exchange from the broking business set in motion a process for the establishment of an independent exchange.

In September 1994, the legislation to transform the BSM into a full exchange was passed by Parliament paving the way for the establishment of the Botswana Stock Exchange (BSE) where trading opened in November 1995. In March 1998, Ernst and Young took the full administration of the BSE. With effect from July 2001, a full time Chief Executive Officer was appointed with the aim of making the BSE completely independent. In April 2003, in order to better execute the affairs of the Exchange, better serve stakeholder, and be more responsive to global events and to remain competitive, the BSE discontinued the secretarial role of Ernst and Young Botswana to become a fully independent entity.

The BSE continues to be pivotal to Botswana's financial system, and in particular the capital market, as an avenue on which government, quasi- government and the private sector can raise debt and equity capital. The BSE plays host to the most pre-eminent companies doing business in Botswana. These companies represent a spectrum of industries and commerce; these are Banking, Financial Services, Wholesaling and Retailing, Tourism, Energy, Funeral Services, Property, Security and Information Technology. Currently there are 37 listed entities in the BSE and comprise of 24 Domestic and 13 foreign companies.

BOTSWANA STOCK EXCHANGE REGULATORY ENVIRONMENT

The main law which governs all the activities between the Exchange and its members, the proceedings of the Main Committee and its composition; the relationship between the Minister and the Exchange together with the relations between the Registrar, is the Botswana Stock Exchange Act No 11of 1994. The BSE is regulated by the Non Banking Financial Institutions Regulatory Authority.

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

In addition, the Exchange has a set of Listing Requirements which provide the pre-listing requirements and post listing requirements to be observed by the issuers of listed securities. The emphasis is to make sure issuers disclose as much information to the public and investors so that the latter can make informed investment decisions.

OVERVIEW

CORPORATE INFORMATION

BSE Office:

Office Block 6
Plot 64511, Fairgrounds
Private Bag 00417
Gaborone

Independent Auditors:

KPMG

Bankers:

Barclays Bank of Botswana Limited
Standard Chartered Bank of Botswana Limited

VISION

"To be the leading stock exchange in Africa"

MISSION

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

OUR VALUES

P • PASSION
R • RESPECT
I • INTEGRITY
D • DETERMINATION
E • EXECUTION

OUR PRODUCTS

The BSE aim to become a financial supermarket, meaning it aims to provide the right kind of products to suit investor and issuer so that it meets growing customer demands and challenges of globalisation of financial markets. This can be done through product innovation and diversification. Current products that can be listed include Equities, Corporate Bonds, Government Bonds, Exchange Trade Products and Commercial Papers while products being developed are Securitised Products and Derivatives.

MAIN COMMITTEE MEMBERS

1 Patrick O'Flaherty

Chairperson

First elected 2010

2 Martin Makgatlhe

Deputy Chairperson

First elected 1998

3 Seleka Mokama

Treasurer

First elected 2008

4 Elaina Gonsalves

Member

First elected 2012

5 Kabelo Mohohlo

Member

First appointed 2011

6 Iponeng Sennanyana

Member

First appointed 2010

7 Gregory Matsake

Member

First appointed 2005-2011

Reappointed 2012

8 Goitseone Kgaodi

Member

First appointed 2012

EXECUTIVE MANAGEMENT

Mr. H. Mendis | Chief Executive Officer

Mrs. L. Akanyang
Market Development Manager

Mr. M.C.Z. LIbengo
Finance & Administration Manager

Mr. T. Tsheole
Product Development Manager

Mrs. L. Chakalisa
Corporate Affairs Manager

Ms. M. Pheto
Clearing & Settlement Manager

Mr. K. Mogorosi
Information Technology Manager

Mr. T Mmolai
Acting Manager - Listings & Trading

MANAGEMENT PROFILES

Mr. Hiran Mendis
Chief Executive Officer

Mr. Hiran Mendis was appointed CEO of the BSE in July 2006. Prior to joining the BSE he was the Director General of the Colombo Stock Exchange in Sri Lanka for 9 years. Mr Mendis is a Fellow Member of CIMA and holds MBA and MA (Economics) degrees from the University of Colombo having graduated Summa Cum Laude in both Masters degrees. Mr Mendis was Past President of CIMA Sri Lanka Division and has served as a co-opted Member on the Council of CIMA in London and as a Director of the Southern African regional Board of CIMA. He is a recipient of the CIMA Bronze Medal.

Mrs. Lame Akanyang
Market Development Manager

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

Mr. Moshe C. Zila Libengo
Finance and Administration Manager

Mr. Libengo joined the BSE in 2009 as Finance and Administration Manager. His previous experience includes roles at PricewaterhouseCoopers, Stanbic Bank Botswana Limited and Botswana Railways. Mr Libengo is a Fellow member of Association of Accounting Technicians (FMAAT), Fellow member of Association of Certified Chartered Accountants (FCCA) and Fellow Member of Botswana Institute of Chartered Accountants (FCA). He also holds a Masters in Business Administration (MBA) from the University of Derby (UK). He is a Board Member of Botswana Savings Bank.

Mr. Thapelo Tsheole
Product Development Manager

Mr. Tsheole joined the BSE in February 2007 as Product Development Manager. Prior to joining the BSE he worked for Bank of Botswana on different units of the Financial Market Department as a Dealer and Settlement Supervisor. He graduated with a BA in Economics from the University of Botswana, and holds a Master of Commerce in Financial Markets from Rhodes University (RSA). He is a Registered Person (RPE) under the South African Institute of Financial Markets in and Agricultural Product Dealer with Financial Derivatives Division (SAFEX). He is currently pursuing Masters in Business Administration (MBA) with Graduate School of Business, University of Cape Town (2012-13 expected).

Mrs. Latelang Chakalisa
Corporate Affairs Manager

Mrs. Chakalisa joined the BSE in June 2009 as Corporate Affairs Manager. Prior to joining the Botswana Stock Exchange, she was Senior Manager, Securities at Stanbic Bank Botswana Limited. Before then, she worked for the Attorney General's Chambers as a Senior State Counsel in the Civil Litigation Department. She holds an LLB from the University of Botswana and is currently pursuing an MSc Strategic Management through the University of Derby, UK. She is a Board Member of the Botswana Institute of Technology, Research and Innovation.

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

Ms. Pheto joined Botswana Stock Exchange in December 2007 as CSD Manager. Prior to joining the BSE she was Market Risk Manager at Stanbic Bank, Botswana. Before then, she worked for Bank of Botswana 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). She is currently pursuing CIMA.

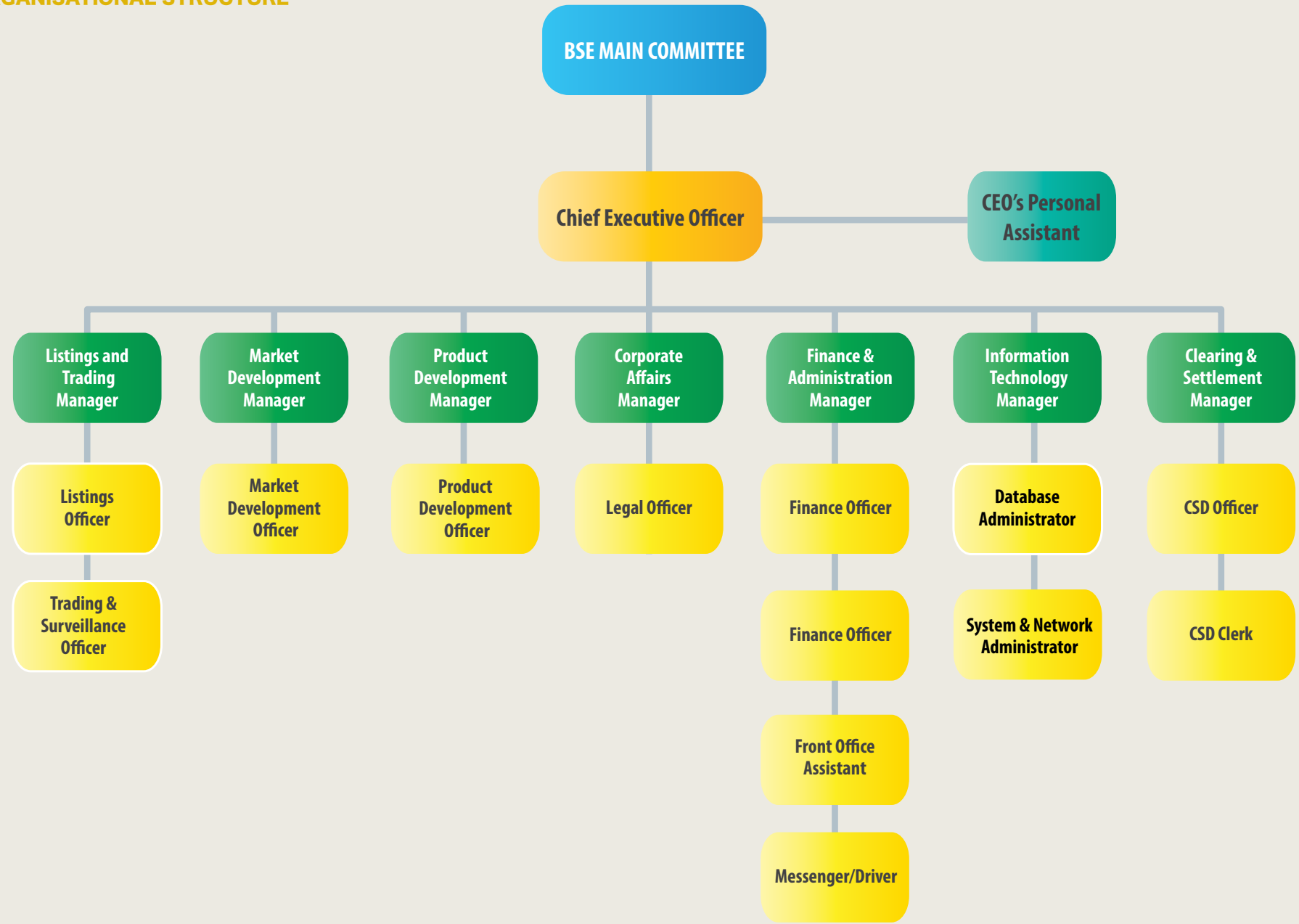
Mr. Kopano Mogorosi
Information Technology Manager

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

Mr. Tsametse Mmolai
Acting Manager-Trading and Listings

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

ORGANISATIONAL STRUCTURE



BOTSWANA STOCK EXCHANGE
EXECUTIVE MANAGEMENT

BOTSWANA STOCK EXCHANGE
STAFF

Dear Stakeholders

I am pleased to present the Botswana Stock Exchange (BSE) highlights and achievements for 2012. The year in review marked a historic milestone for the BSE as it automated its trading system on 24 August 2012. We hope to leverage on technology to deliver more value and services to our customers and stakeholders.

The ATS was officially launched by His Honour, Dr. Ponatshego H. K. Kedikilwe, Vice President of the Republic of Botswana who stated in his address that:

- *The launch of the Botswana Stock Exchange ATS reaffirms the Government's commitment to diversify the economy and contribute towards the economic growth of our country.*
- *This monumental achievement comes at an opportune time when Botswana is rebounding from the effects of the global economic recession.*

Also present at this historic event was Honourable Kenneth Matambo, Minister of Finance and Development Planning who delivered the welcome address.

I would like to thank the Government for its continuing support to fund the development efforts of the BSE in its transformation to become a world class Stock Exchange and assure all stakeholders that the BSE has, and will do whatever it can to create value for all our stakeholders.

I am truly honored to have been the Chairperson of the BSE at this juncture of the BSE's history and would like to take the opportunity to say that the BSE is a dynamic, forward thinking world-class enterprise and I am honoured to be a part of it.

Let's take a closer look at 2012. The effects of the financial crisis could still be felt in the world economy and global economic growth projections remain sluggish for 2013. However, economic output continued to grow in the second half of 2012, albeit at a slower pace.

CHAIRPERSON'S REVIEW

It is encouraging to note that the turnover of the BSE grew in leaps and bounds post the implementation of the ATS, an initiative that has indeed had a positive effect on liquidity. Turnover accounted for by individual investors has grown impressively from 5.9% in 2011 to 10.6% in 2012.

Apart from the implementation of the ATS, 2012 marked another successful year for the BSE in spite of its turnover decreasing from a daily average of P4.1 Mn in 2011 to P3.6 Mn in 2012. (This decrease can be linked to the effects of the global financial crisis on Botswana and the world economy. During such uncertain times, investors will naturally be inclined to shop around seeking value for their investments).

Amidst this unstable environment however, the DCI, which is an indicator of the general price trends in the market, increased by 7.7% in 2012 in comparison to an appreciation of 8.7% previously in 2011.

It is encouraging to note that the turnover of the BSE grew in leaps and bounds post the implementation of the ATS, an initiative that has indeed had a positive effect on liquidity. Turnover accounted for by individual investors has grown impressively from 5.9% in 2011 to 10.6% in 2012. The number of authorised accounts opened by clients in the CSD (excluding joint accounts) reached 17,638 as at December 2012 in comparison to 12,886 in 2011.

The year under review has seen the continued execution of the strategy we articulated a few years ago and revised in December 2012. We have remained focused on several fronts in line with the "Pillars of Development" identified in the strategy. Broadly these include infrastructure, market development, product development, legislation & regulation, human resources, governance, finance and Central Securities Depository (CSD).

On the operational front, the domestic business witnessed growth on the back of a series of initiatives undertaken during the year. It was business as usual as the BSE continued to expand its reach to semi-urban and rural areas through different mediums such as the introduction of a cartoon character "Sheleng" simplifying the process of investing on the BSE.

CHAIRPERSON'S REVIEW (continued)

With a solid post-crisis year behind us, we have created the conditions to capitalize on future opportunities. I would like to extend the BSE's sincere gratitude to all our stakeholders, our customers, our business partners and everybody who has reposed great trust in us and in our products during the year.

On another positive note, we have remained committed to being innovative and made significant inroads with regards to introducing new products and reviving the bond market. The BSE continues to take action on the recommendations made in the Bond Market Development Strategy. A series of bond indices were launched in April 2013. This series comprises of a Government Bond Index (GovI), Corporate Bond Index (CorpI) and a Composite Bond Index (BBI). The bond indices will provide a benchmark for portfolio managers and encourage the development of new bond market related instruments.

The amendments of the BSE listing rules are on-going and the BSE expects to launch the new listing rules in the latter part of 2013.

Our ambitious plans require that we exercise even greater care in developing our human resources, and that our employees understand exactly what the BSE does and why. As part of the review of the BSE Strategy we re-defined the values of the BSE and the corporate culture that we expect they would forge. In a nutshell our values can be expressed by the acronym "PRIDE" - Passion, Respect, Integrity, Determination, and Execution.

We have accomplished much, but there is much that still needs to be done with the assistance of the Government and all stakeholders. We watch with interest the renewed energy on the privatization front with the upcoming privatizations of Botswana Telecommunications Corporation (BTC) and National Development Bank (NDB). Privatization of these institutions will play a significant role in the development of the capital market and the BSE is ready to be a key player in this process.

With a solid post-crisis year behind us, we have created the conditions to capitalize on future opportunities. I would like to extend the BSE's sincere gratitude to all our stakeholders, our customers, our business partners and everybody who has reposed great trust in us and in our products during the year. I hope you will continue to support our endeavors as we look forward to the future with interest.

Finally, I want to thank my fellow Main Committee members for their support, advice and continued hard work during 2012. On behalf of the Board I would also like to thank the BSEs staff and the CEO, Mr. Hiran Mendis for their service to the Exchange, its clients and its stakeholders.

Patrick O'Flaherty
Chairperson

BOTSWANA STOCK EXCHANGE (BSE)
AUTOMATED TRADING SYSTEM (ATS)
WAS OFFICIALLY LAUNCHED
BY

CHIEF EXECUTIVE OFFICER'S REPORT

1. HISTORY IN THE MAKING

The year 2012 will go down in the annals of the Exchange as the year in which the BSE stepped into the world of automated exchanges.

The Automated Trading System (ATS) of the BSE was implemented on 24 August 2012 and was officially declared open by His Honour Dr. Ponatshego H.K. Kedikilwe, Vice President of the Republic of Botswana on 29 October 2012. Honourable Kenneth Matambo, Minister of Finance and Development Planning delivered the welcome address.

With the advent of the ATS, the call over system of trading which was in force from the inception of the BSE was discontinued, with the exception of bonds and 4 equities (in which shares are not yet dematerialized).

The implementation of the state of the art ATS has had a hitherto unprecedented impact on the operations of the BSE and all its stakeholders. The ATS has completely revolutionized the way trading is carried out at the BSE.

As a consequence to implementing the ATS, the Trading Rules of the BSE had to be completely re-engineered, a task which was carried out in-house. The ATS provides for a plethora of methods for placing orders and caters to both continuous trading and periodic auctions to execute trades.

As much as the implementation of the Central Securities Depository (CSD) in 2008 had an enormous impact on the clearing and settlement of transactions and the minimizing of systemic risk, the ATS will help increase liquidity, improve price discovery, make the BSE more visible to local & foreign investors and help expand the reach of brokers more efficiently and cost effectively.

The CSD and ATS are efficient and sophisticated tools that can be used to reach out to investors both within and outside Botswana. However, the responsibility for *reaching out to investors* cannot be shouldered by the BSE alone. Reaching out to investors is all about building relationships. There has to be a joint strategy shared by BSE's key stakeholders i.e. stockbrokers, listed companies and custodian banks, to grow the market using the ATS and CSD. Further, the ATS and CSD will help expand the range of investment products being offered by the BSE.

The BSE is proud to state that the ATS project was completed both on time and within budget. Along with the implementation of the ATS, the CSD system was also upgraded. The implementation of the ATS was a no mean feat given the complexity of the project. The successful implementation of the ATS project was largely due to the unstinted efforts by both the BSE staff and brokers.

Even though the ATS has been in operation for scarcely 4 months, the BSE is happy to note that an analysis of turnover indicates that the ATS has already had a positive impact on the BSE's turnover. Average daily turnover which was P2.9 Mn for the year to date period up to the implementation of the ATS on 24 August 2012, increased to P4.9 Mn post implementation of the ATS. Even though it cannot be deduced that the implementation of the ATS was the only reason for the massive increase in turnover especially in Quarter 4, the contribution the ATS has made to the trading practices of the BSE is likely to have influenced the upwards movement in turnover significantly.

For the ATS to realize its full potential further developments such as the re-design of the BSE's website, information dissemination to data vendors and the introduction of Internet based trading have been planned. The BSE expects to work on these projects commencing from 2013.

The implementation of the state of the art ATS has had a hitherto unprecedented impact on the operations of the BSE and all its stakeholders. The ATS has completely revolutionized the way trading is carried out at the BSE.

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

2. ECONOMIC CLIMATE

2.1 World Economy

According to the revised *World Economic Outlook* projections released by the International Monetary Fund (IMF) in April 2013, the global economy is estimated to have expanded at a slower pace of 3.2% in 2012, compared to 4.0% in 2011 and is projected to grow by 3.3% in 2013. For advanced economies, output growth was estimated to be 1.2% in 2012 compared to 1.6% in 2011. Advanced economies are projected to expand by 1.2% in 2013. Growth in Emerging Markets are forecast to remain healthier than in advanced economies but is expected to be moderate on account of weaker export demand and volatile capital inflows. It is estimated that Emerging Markets slowed down significantly to 5.1% in 2012 from 6.4% in 2011 and are projected to grow at 5.3% in 2013.

2.2 Botswana Economy

The latest economic data for Botswana show that in real terms GDP grew by 3.7% in 2012, which was significantly lower than the 6.1% growth achieved in 2011. According to Statistics Botswana, the deceleration in real GDP growth in 2012 was mainly attributable to the decrease in mining output. In 2012 the value added by the mining sector decreased by 8.1% while diamond production slumped by 14.7% in comparison to an increase of 4.0% in 2011. The 2 fastest growing sectors in 2012 were Construction and Social & Personal Services which grew in real terms by more than 12%. These were followed by Business Services and Transport & Communication which grew by 9.7% and 9.1% respectively. Given the uncertainty surrounding the mining sector, particularly the diamond industry, and the fact that there has been growth in the non-mining sector, Government has noted that it is important that the potential of the non-mining sector be developed.

According to the 2013/2014 Budget Speech, the Ministry of Finance and Development Planning (MFDP) estimates that GDP will grow by 5.9% in real terms in 2013, warning that growth will be subdued and may not reach pre-financial crisis levels in the next few years.

Domestic inflation averaged 7.5% in 2012 in comparison to an average rate of 8.5% in 2011. The bank rate has remained unchanged at 9.5% since December 2010. During 2012, the Pula depreciated by 3.2% and 5.1% against the US Dollar and the Euro respectively and appreciated by 0.4% against the South African Rand.

2.3 Implications for Capital Markets

On the back of sluggish growth in advanced economies, export demand is expected to grow slowly and mining output is likely to be constrained. This is likely to negatively impact on the growth in the mining sector.

It is noted that Government expenditure is expected to increase in 2013 as indicated in the 2013 budget speech. Increased Government spending will motivate private sector economic activity.

With expectations of inflation to be above the targeted range in the near term and interest rates remaining unchanged, real interest rates will continue to be negative in the short term motivating investors to seek inflation beating returns in alternative investments such as equities and ETFs.

Further, the prevailing negative interest rate environment has the potential of motivating listings. However, the challenge facing capital markets and the economy is the ability of the private sector to implement projects which would help diversify the economy. From the BSE's point of view, it can assist in this process by making listings less complicated and more cost effective. This is one of the objectives the BSE wants to achieve through re-drafting listing rules. The BSE is committed to working towards promoting listings which will help in the economic diversification initiative.

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

3. EQUITY MARKET PERFORMANCE

3.1 Indices

The BSE computes a total of 8 indices of which 5 are market capitalisation weighted and 3 are liquidity weighted. Six indices measure movement in total returns and 2 indices compute changes in capital gains or losses. Hence, the performance of each of these indices is influenced by the weighting methodology and the returns of the component securities included in the indices. The charts in Figures 1 to 3 depict the standardised movement of paired indices in 2012, consisting of similar component securities but computed using different methodologies.

3.1.1 Domestic Companies

The Domestic Company Index (DCI) closed the year at 7,510.2 points, registering an increase of 7.7% compared to a growth of 8.7% in 2011 as detailed in Figure 1. This was the first time in the past 5 years that the DCI registered a positive growth in 2 consecutive years signalling a possible recovery from the effects of the financial crisis in 2008. The appreciation in the DCI in 2012 took place amidst an uncertain economic environment.

The reason for the difference in performance between the Domestic Company Free Float Index (DCFFI) and the DCI can be explained by the dividend yield of domestic companies listed on the main board. The dividend yield of these companies in 2012 was 4.9%. Hence, it can be estimated that approximately 4.9 percentage points of the difference of 4.8 percentage points between the DCI and the DCFFI was due to the total returns methodology whereas the balance of negative 0.1 percentage points can be attributed to the different weighing methodologies used i.e. market capitalisation as against free float.

The Domestic Financial Sector Index (DFSI) appreciated by 5.7% in 2012 reflecting the growth of the DCI. It is noted that the Financial Services sector is the largest component in DCI and DCFFI. The Financial Services sector is the most liquid sector on the BSE. An analysis of the performance of the DCI, DCFFI, DFSI and DFSFFI (Domestic Financial Sector Free Float Index) is detailed in Figure 1.

Chart B of Figure 1 further confirms the impact the different index computation methodologies have on the movement of the indices. A comparison of the DFSI to DFSFFI validates the same trend explained by the relationship between DCI and DCFFI. The DFSI appreciated by 5.7% in 2012 in comparison to the DFSFFI which appreciated by 13.2% in the same period. However, in this case the difference can be attributed to the weighing methodologies used since both indices are computed using total returns.

3.1.2 Foreign Companies

The Foreign Company Index (FCI) depreciated by 6.1% to close the year at 1,599.5 points compared to an appreciation of 1.8% in 2011. The performance of the FCI reflected the uncertainty surrounding the recovery of the global economy.

The Foreign Resources Sector Index (FRSI) closely reflected the growth pattern followed by the FCI. The two indices have the Mining and Minerals sector as the largest component. The difference between the FCI's depreciation of 6.1% and the FRSI's depreciation of 7.4% is explained by the return methodology used in the computation as both indices are weighted by market capitalisation.

3.1.3 Local Asset Sector Companies

The Local Asset Status Index (LASI) and the Local Asset Status Free Float Index (LASFFI) comprise of all domestic counters and foreign companies that have been awarded local asset status. Both indices are total return indices and the difference between the performance of the 2 indices is solely explained by the weighting methodology. In 2012, the LASI's depreciation of 5.4% as against the LASFFI's appreciation of 12.8% can be explained by the impact of Anglo American on the LASI.

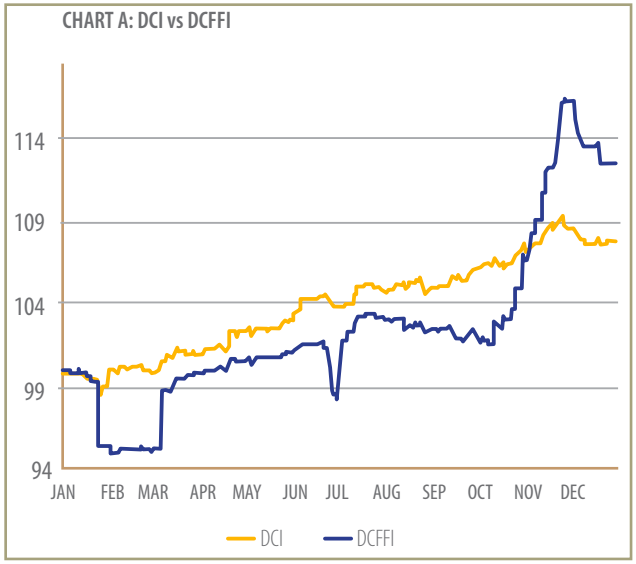
The LASI is influenced largely by Anglo American as it is a market capitalization

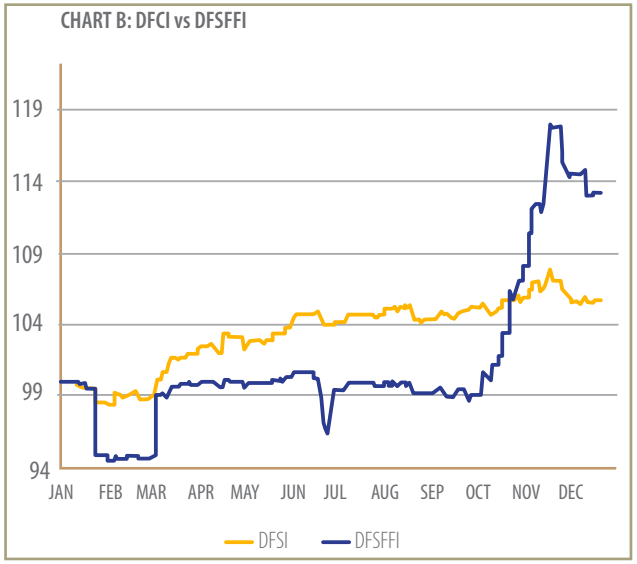
CHIEF EXECUTIVE OFFICER'S REPORT (continued)

Figure 1: Performance of Indices Computed on Domestic Companies

	Weighing		Returns		Annual		2012 Quarterly			
	Market Cap	Liquidity	Capital Gains	Total Return	2011	2012	Q1	Q2	Q3	Q4
DCI	✔		✔		6,970.9	7,510.2	7,037.5	7,238.1	7,389.2	7,510.2
% Change					8.7	7.7	1.0	2.8	2.1	1.6
DCFFI		✔		✔	1,904.6	2,143.7	1,901.0	1,871.9	1,951.7	2,143.7
% Change					(5.5)	12.5	(0.2)	(1.5)	4.3	9.8
DFSI	✔			✔	862.5	911.8	879.4	896.6	905.1	911.8
% Change					11.7	5.7	2.0	2.0	0.9	0.7
DFSFFI		✔		✔	2,825.0	3,199.1	2,820.5	2,723.6	2,809.9	3,199.1
% Change					(6.9)	13.2	(0.2)	(3.4)	3.2	13.8

Source: BSE





CHIEF EXECUTIVE OFFICER'S REPORT (continued)

weighted index and Anglo American accounts for 88.1% of such market capitalization. In comparison, LASFFI effectively neutralizes the impact of Anglo American by using liquidity as the basis for weighting the component securities. Anglo American, which has the largest market capitalization of any security listed on the BSE is also the most illiquid and hence from a liquidity stand point, the impact of Anglo American is minimal on the computation of LASFFI.

3.1.4 Sector Contributions to Performance of the DCI and the FCI

Figure 4 indicates an analysis of sector contributions to the performance of the DCI and the FCI. It can be deduced that all sectors contributed positively to the 7.7% growth in the DCI except for Security Services, Tourism and Funerals Services sectors which contributed negatively to performance.

In 2012 the Retail and Wholesaling sector was the dominant sector and contributed 3.3% to the growth in the DCI. In the past 2 years the performance of the DCI was greatly influenced by the Banking sector. In 2011 the Banking Sector contributed 10.3% to the DCI. The performance of the DCI in 2012 has been more balanced rather than been influenced by one particular sector.

This contribution by the Retail and Wholesaling sector is attributed to the appreciation of the price of Choppies which listed in January 2012. At company level, Choppies was the second best contributor to the performance of the DCI in 2012, with a percentage contribution of 1.85%. Letshego, which was the most liquid stock in 2012, was the highest contributor at 1.89%.

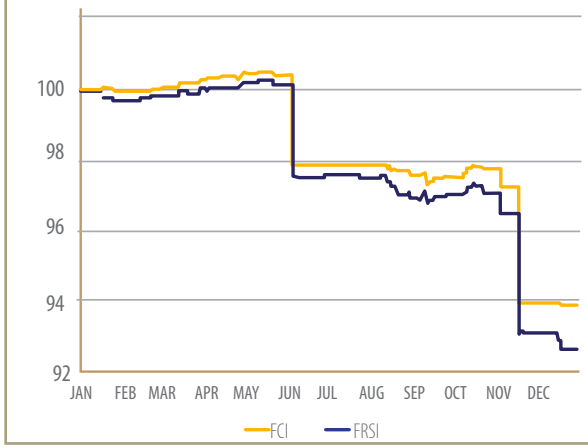
A further analysis of the individual company contribution to the performance of the DCI indicates that the top 5 companies accounted for 86% of the change in the DCI. In addition to Letshego and Choppies, the main contributors to the DCI were Sechaba, FNBB and Turnstar. In 2011, the top 5 companies accounted for 129.1% of the growth in the DCI. The contribution to the growth in the DCI whether it be at the sector level or company level takes into account both positive and negative contributions. Hence, it is possible for the contribution to the DCI to exceed 100% at sector or company level.

Figure 2: Performance of Indices Computed on Foreign Companies

	Weighing		Returns		Annual		2012 Quarterly			
	Market Cap	Liquidity	Capital Gains	Total Return	2011	2012	Q1	Q2	Q3	Q4
FCI	✔		✔		1,703.9	1,599.5	1,709.3	1,668.0	1,661.7	1,599.5
% Change					1.8	(6.1)	(2.4)	(0.4)	(3.7)	(2.4)
FRSI	✔			✔	790.13	731.86	790.47	770.7	766.2	731.9
% Change					1.8	(7.4)	(2.5)	(0.6)	(4.5)	(2.5)

Source: BSE

CHART C: FCI vs FRSI



CHIEF EXECUTIVE OFFICER'S REPORT (continued)

Figure 3: Performance of Indices Computed on Local Asset Companies

	Weighing		Returns		Annual		2012 Quarterly			
	Market Cap	Liquidity	Capital Gains	Total Return	2011	2012	Q1	Q2	Q3	Q4
LASI	✔			✔	795.3	752.7	797.9	781.4	779.3	752.7
% Change					2.5	(5.4)	(2.1)	(0.3)	(3.4)	(2.1)
LASFFI		✔		✔	1,677.5	1,892.1	1,676.9	1,649.1	1,719.8	1,892.1
% Change					(4.7)	12.8	(1.7)	4.3	10.0	(1.7)

Source: BSE

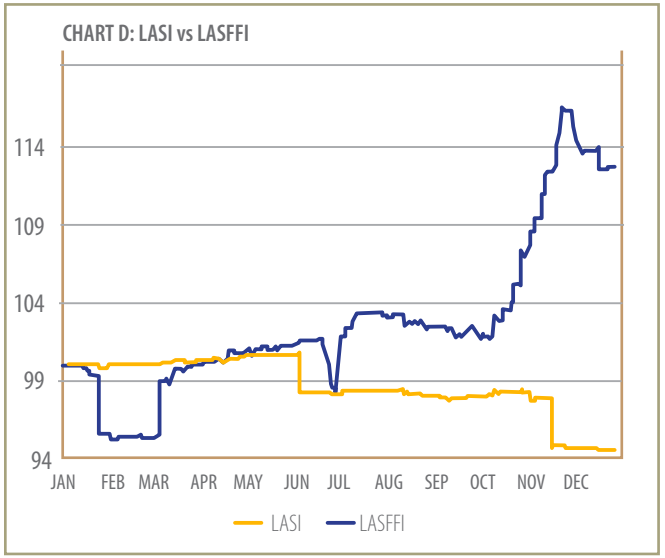


Figure 4: Sector Contributions to Performance of the DCI and the FCI

			2012			
Domestic Board	2011 Note 1	2012	Q1	Q2	Q3	Q4
Banking	10.25	1.35	0.41	1.91	1.12	-2.64
Financial Services	-2.20	2.36	0.29	-0.75	0.00	3.03
Retail & Wholesaling	1.56	3.29	-0.01	0.87	1.20	1.28
Property	-0.19	0.95	0.26	1.02	-0.31	0.15
Security Services	0.70	-0.03	0.02	-0.05	0.00	-0.03
Information Technology	0.00	0.01	0.00	0.01	0.00	0.00
Energy	-0.46	0.25	0.00	0.00	0.22	-0.04
Tourism	-0.81	-0.39	0.01	-0.21	-0.16	-0.04
Funeral Services	-0.16	-0.04	-0.03	0.05	0.01	-0.07
DCI	8.70	7.74	0.95	2.85	2.09	1.64
Foreign Board						
Financial Services	-0.05	3.03	0.07	0.09	-0.01	0.69
Mining & Minerals	1.84	-9.16	0.25	-2.50	-0.37	-4.43
FCI	1.79	-6.13	0.32	-2.42	-0.38	-3.74

Note 1: Restated to adjust for base market capitalization of listings during the year

Source: BSE

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

On the Foreign Equity Board the Mining & Minerals sector continued its dominant influence on the performance of the FCI. This sector contributed a negative 9.2% and outweighed the Financial Services sector's contribution of a positive 3.0%. This resulted in the FCI depreciating by 6.1%.

This is not surprising given that the market capitalisation of the of the Mining & Minerals sector accounted for 95.3% of total foreign companies' market capitalisation in 2012, and that the FCI is a market capitalization weighted index.

3.2 Liquidity

Figure 5 details the turnover and liquidity in the BSE since 2008. The average daily turnover for 2012 was P3.6 Mn per day in comparison to P4.1 Mn in 2011 and P3.9 Mn in 2010. The volume of shares traded in 2012 was 409.9 Mn shares in comparison to 458.7 Mn shares in 2011 and 308.7 Mn shares in 2010. The main contributors to turnover in 2012 were Letshego and Barclays.

Figure 5: Indicators of Liquidity: 2008 to 2012

Indicators	2008	2009	2010	2011	2012
Turnover (P' Mn)	1,166.2	763. 8	962.8	1,007.9	894.7
Average Daily Turnover (P 'Mn)	4.7	3.1	3.9	4.1	3.6
Turnover/ Average Market Cap (%)	3.9	2.7	3.5	3.5	2.7
Standard Deviation	9.7	7.7	8.6	13.5	6.9
Coefficient of Variation (CoV)	2.1	2.5	2.2	3.3	1.9
No. of Shares Traded (Mn)	193.3	167.6	308.7	458.7	409.9
Shares Traded/Shares Listed (%)	3.4	2.9	3.9	4.8	3.7

Source: BSE

As much as 2008 stands out as the year in which turnover was highest and 2011 stands out as the year in which volume of shares transacted peaked, 2012 can be described as the year in which turnover was more stable in comparison to previous years. The deviation of turnover from the mean daily turnover in 2012 as measured by the standard deviation was the lowest in comparison to the past 4 years. More importantly, the coefficient of variation recorded its lowest reading in 2012 leading to the deduction that stability of turnover has indeed improved. From the BSE's point of view this is a welcome development since turnover generated in a more consistent manner is an indication of sustainability in liquidity.

Quarterly analysis of market liquidity reveals a zig-zag like movement in the BSE trading activities. It can also be observed that trading activity in terms of volume and value of shares traded was highest in Quarter 4 in comparison to the other quarters in 2012. Total volume of shares traded increased by 148.5% from 70.7 Mn shares in Quarter 3 to 175.7 Mn shares in Quarter 4.

The average daily turnover of P6.3 Mn per day achieved in Quarter 4 of 2012 is the highest turnover achieved in any Quarter over the past 6 years. This was largely due to the turnover generated from transactions in Letshego. Letshego generated a turnover of P200.1 Mn in Quarter 4 through the transaction of 112.7 Mn shares.

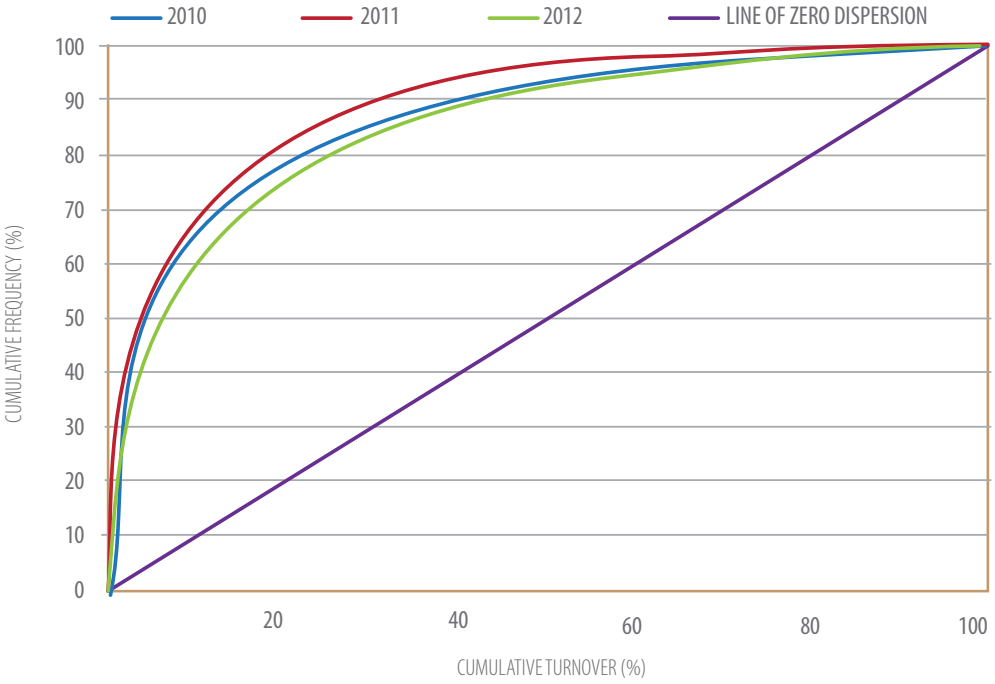
Figure 6: Quarterly Market Turnover: 2012

Indicators	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Turnover (P' Mn)	171.6	195.6	146.3	381.3
Average Daily Turnover (P 'Mn)	2.7	3.2	2.4	6.3
Turnover/ Average Market Cap (%)	3.0	2.4	2.4	2.5
Standard Deviation	4.9	6.2	4.3	10.0
Coefficient of Variation	1.8	1.9	1.8	1.6
No. of Shares Traded (Mn)	75.1	88.4	70.7	175.7
Shares Traded/Shares Listed (%)	0.7	0.8	0.6	1.6

Source: BSE

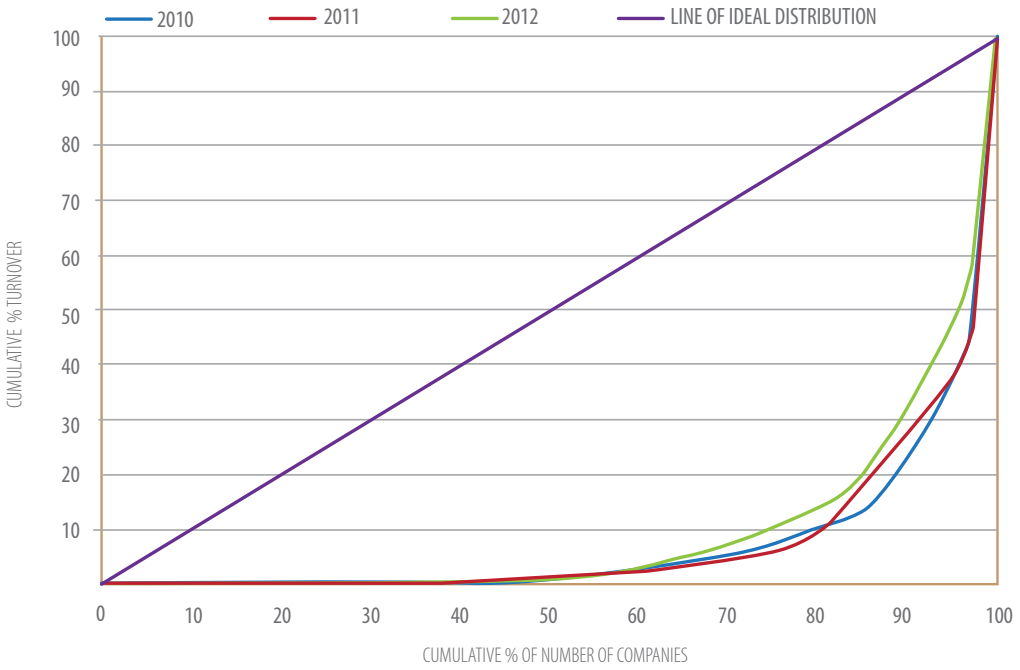
CHIEF EXECUTIVE OFFICER'S REPORT (continued)

Figure 7: Analysis of the Stability of Turnover using the Lorenz Curve



Source: BSE

Figure 8: Companies Contribution Turnover: 2010 to 2012



Source: BSE

Figure 7 shows the Lorenz Curve analysis for turnover for the years 2010, 2011 and 2012. In this context the Lorenz Curve analysis is used to illustrate the relative dispersion of turnover from the average daily turnover for these years. The less convex the curve relative to the line of zero dispersion, the lower is the dispersion and consequently the more stable the turnover. The Lorenz Curve provides further support to the deduction that turnover was more stable in 2012 as seen in Figure 7.

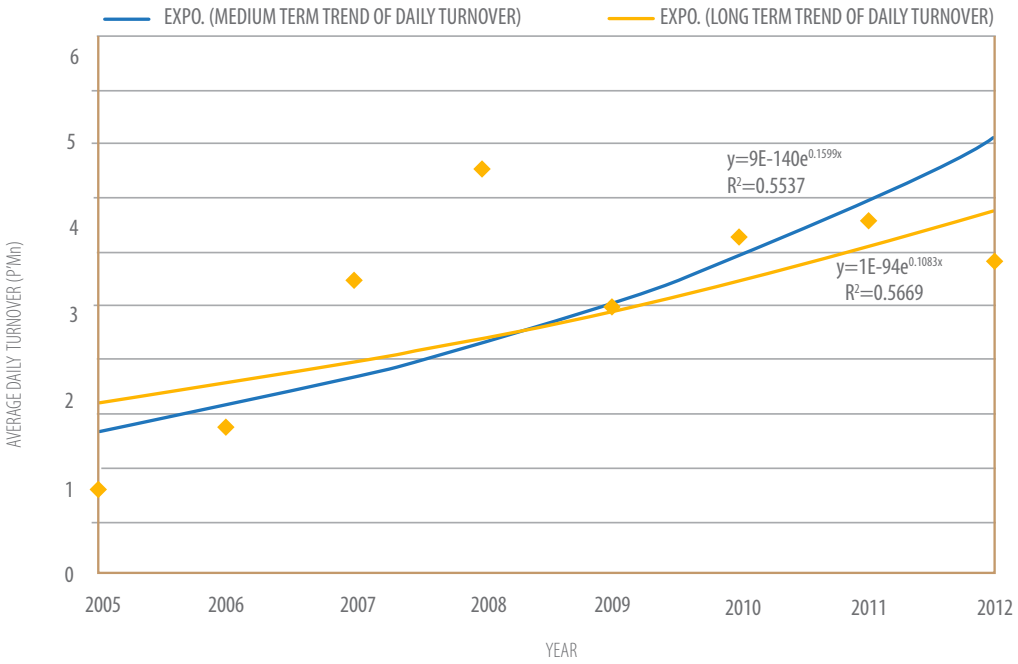
From another point of view, ideally the percentage contribution to turnover by companies on a cumulative basis should reflect the percentage of the number of companies from which such turnover is generated.

The Lorenz Curve analysis in Figure 8 details the contribution by listed companies to turnover from 2010 to 2012. On a cumulative basis as can be seen from Figure 8 the contribution to turnover was more evenly distributed in 2012 in comparison to 2011 and 2010. Although the Financial Services sector continues to be the dominant sector in this regard, it is noted that the turnover contribution of other sectors have improved. This is a welcome development.

Figure 9 shows the trend in daily average turnover over the long term period and the medium term period. For the purpose of this analysis, the long term trend was computed for the period 2000 to 2012 whereas the medium term trend took into account the

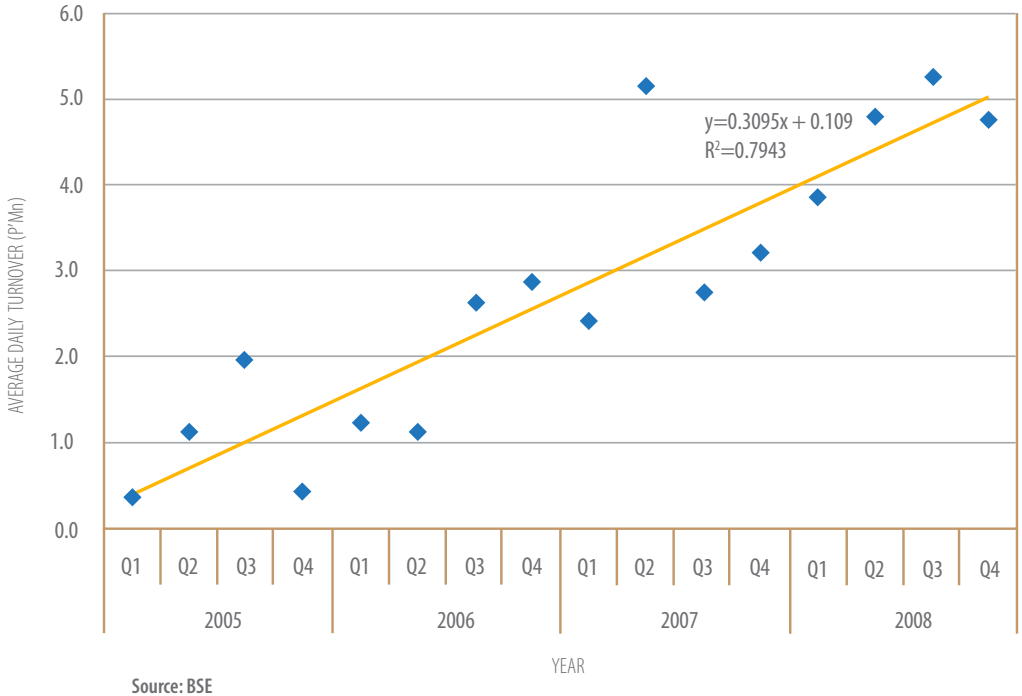
CHIEF EXECUTIVE OFFICER'S REPORT (continued)

Figure 9: Average Daily Turnover and Trend



Source: BSE

Figure 10: Average Daily Turnover and Trend: 2005 to 2008



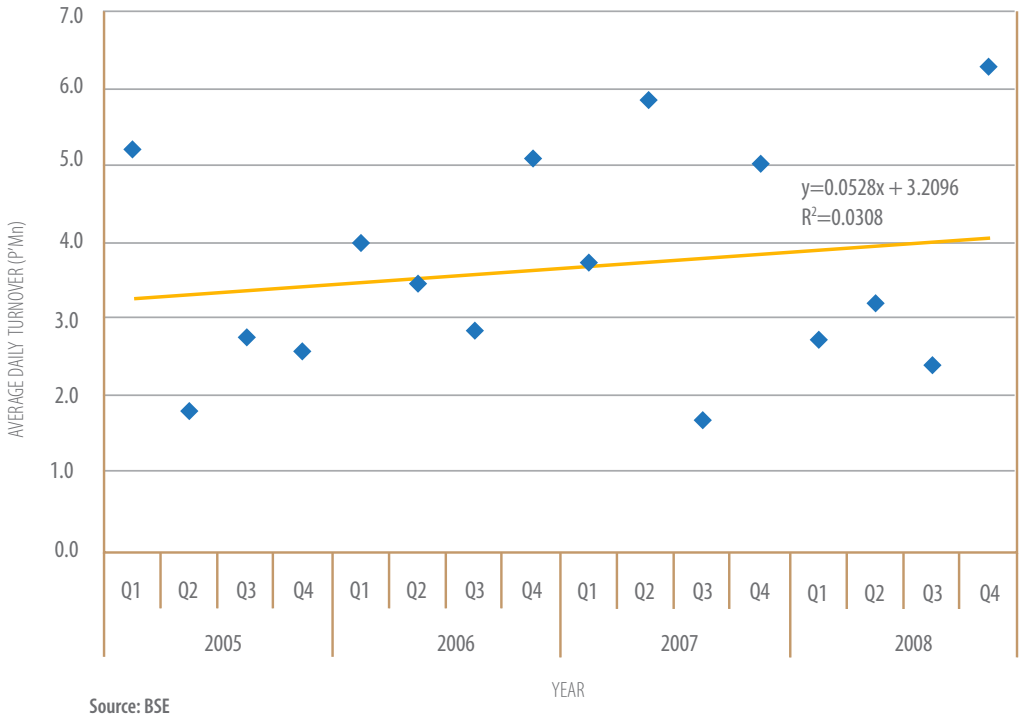
Source: BSE

period 2005 to 2012. As can be seen from Figure 9, the medium term trend curve has moved above the long term trend curve from 2009. This indicates that the growth in turnover in the medium term has outperformed the long term trend. A further analysis of Figure 9 indicates that the average daily turnover of the BSE for 2012 has fallen short of both the medium and long term trend lines. This is not a welcome development and is a trend that needs to be monitored more closely.

Figure 10 shows the trend line for quarterly turnover from 2005 to the start of the financial crisis in 2008. The trend line for quarterly turnover post - financial crisis is shown in Figure 11. As can be seen from Figures 10 and 11 the growth in average daily turnover on a quarterly basis was more stable and consistent pre financial crisis. In comparison, no discernible trend can be noticed in quarterly turnover subsequent to the financial crisis.

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

Figure 11: Average Daily Turnover and Trend: 2009 to 2012



Source: BSE

3.3 Sector Contributions to Liquidity

As can be seen from Figure 12 the liquidity of the BSE is highly concentrated on domestic counters. The Financial Services sector was the most liquid sector on the BSE for the third year running as measured by the number of shares traded. A total of 230.0 Mn shares were traded in the Financial Services sector of which 97.4% were trades on account of Letshego. As stated in Section 3.2 the stability of turnover in 2012 has improved. However, Letshego has accounted for 54.7% of all shares traded on the Domestic Board. In comparison Letshego accounted for 68.7% of shares traded on the Domestic Board in 2011.

The main reason for the decline in turnover in 2012 is due to the decline in the turnover of Letshego in 2012. The turnover of Letshego which was P551.6 Mn in 2011 declined to P359.2 Mn in 2012. There was also a corresponding decline in the number of shares traded in 2012. This indicates that even though the stability of turnover in 2012 has improved the sustainability of such stability would depend on a more even distribution of turnover over more counters.

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

Figure 12: Sector Contributions to Liquidity: 2011 and 2012

	2011				2012			
	Turnover/Avg Market Cap		Shares Traded (Mn)	Shares Traded/ Shares Listed (%)	Turnover/Avg Market Cap (%)		Shares Traded (Mn)	Shares Traded/ Shares Listed (%)
	Note 1	Note 2	Note 1	Note 2	Note 1	Note 2	Note 1	Note 2
DOMESTIC								
Financial Services	2.10	0.16	323.94	13.94	1.26	0.10	229.99	9.83
Retail	0.23	0.02	18.64	1.96	0.37	0.03	50.96	2.39
Property	0.21	0.02	42.23	2.84	0.29	0.02	57.28	3.43
Banking	0.62	0.05	52.07	1.35	0.63	0.05	46.35	1.17
IT	0.01	0.00	6.84	21.72	0.00	0.00	1.53	4.85
Security Serv.	0.03	0.00	0.77	0.96	0.03	0.00	1.49	1.86
Tourism	0.02	0.00	3.41	0.68	0.02	0.00	4.65	0.92
Energy	0.01	0.00	0.71	0.44	0.02	0.00	1.26	0.79
Funeral Serv.	0.02	0.00	3.93	3.27	0.06	0.00	13.32	11.02
FOREIGN								
Financial Serv.	0.00	0.00	2.12	0.09	0.00	0.00	0.56	0.01
Mining	0.00	0.00	4.06	0.10	0.00	0.00	2.54	0.06

Note 1: Computed separately for the domestic & foreign board.
Note 2: Computed for all shares listed on the BSE.
Source: BSE

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

3.4 ATS Impact on Liquidity

As noted in Section 1 the ATS has played a role in improving liquidity on the BSE as was anticipated. This indeed has been the experience of other markets that have automated trading. In order to gauge the impact of the ATS on turnover, a comparison of turnover and volume traded was made on a period to date basis over a 4 month period immediately prior to the implementation of the ATS and after the implementation of the ATS.

As detailed in Figure 13, during the 87 market days of trading after the ATS was implemented, 200.1 Mn shares worth P429.2 Mn were traded. In comparison 129.4 Mn shares amounting to P281.0 Mn were traded over a similar period immediately prior to the implementation of the ATS. On a year to date basis average daily turnover which was P2.9 Mn up to the implementation of the ATS, increased substantially to P4.9 Mn per day post implementation of the ATS. As can be seen both volume and turnover increased by over 50% in the 87 days following the implementation of the ATS.

Figure 13: Liquidity Indicators Pre & Post ATS Implementation: 2012

	Pre-ATS		Post-ATS
	04 Jan- 22 Aug	17 Apr - 22 Aug	24 Aug - 31 Dec
Volume	209,810,602	129,360,080	200,099,106
Turnover (P)	465,518,108	280,994,750	429,186,305
Number Trading Days	159	87	87
Average Daily Turnover (P)	2,927,787	3,229,825	4,933,176
Standard Deviation	5,530,212	6,177,102	8,764,236
Coefficient of Variation	1.89	1.91	1.78

Source: BSE

Volatility in turnover, as measured by the coefficient of variation (CoV), was observed to be marginally lower following the implementation of the ATS in comparison to the same period prior to the ATS implementation. The coefficient of variation subsequent to the implementation of the ATS was 1.78 as against 1.89 prior to the ATS being implemented. A Lorenz Curve study carried out to ascertain stability of turnover has revealed that stability may have increased marginally if the impact of Letshego on turnover is neutralized.

It is also noted that the average number of counters traded per day increased modestly from 9 companies pre-ATS to 11 companies post-ATS.

Thus the analysis carried out indicates that whilst turnover has increased post-ATS, the impact the ATS has had on the stability of turnover is, if at all, marginal in the 87 market days subsequent to its implementation.

Despite these developments, it is noted that the ATS is still in its infancy and it will take time before its impact on liquidity is truly reflected and a more conclusive determination can be made on the impact of the ATS. Further, as noted previously in this review downstream developments such as information dissemination, Internet-based trading and website development will have to be implemented prior to the ATS reaching its full potential.

3.5 Investor Contribution to Turnover

Local institutional investors have maintained their dominant contribution to turnover over the years. Local institutional investors accounted for 44.7% of turnover in 2011 and 47.5% in 2012. Local individuals' contribution to turnover increased significantly from 5.9% in 2011 to 10.6% in 2012. There was a decrease of 7.2 percentage points in foreign companies' contribution to turnover during the year, while foreign individual participation remained constant.

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

Figure 14: Investor Contribution to Turnover: 2010 to 2012

Investors	Turnover (%) 2010	Turnover (%) 2011	Turnover (%) 2012	% Contribution to Liquidity
Foreign Companies	39.1	46.2	39.0	1.1
Foreign Individuals	2.3	2.5	2.5	0.1
Local Individuals	7.1	5.9	10.6	0.3
Local Companies	49.2	44.7	47.5	1.3
Brokers	2.3	0.7	0.3	0.0
TOTAL	**100.0**	**100.0**	**100.0**	**2.7**

Source: CSD Botswana

On a quarterly basis, local companies dominated turnover in the first half of 2012 while foreign companies accounted for a higher percentage of turnover in the second half of the year.

Growth in retail investor participation is desirable. Contribution to turnover by local individuals was volatile in 2012 and shared a zig-zag pattern. In Quarter 4 of 2012, local individuals' contribution to turnover increased by 2.1 percentage points whereas the turnover in Quarter 3 in comparison to Quarter 2 declined by 6.7% percentage points. As noted in Section 1, the ATS will help increase the reach of the BSE and make the market readily accessible to both retail and institutional investors. Further, subsequent developments such as introduction of Internet-based trading will also improve connectivity with both domestic and foreign investors.

Figure 15: Investors Contribution to Turnover on a Quarterly basis (%): 2012

Investors	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Foreign Companies	31.0	28.6	47.1	44.8
Foreign Individuals	2.4	2.2	3.2	2.4
Local Individuals	7.1	15.3	8.6	10.7
Local Companies	58.8	53.5	40.8	42.0
Brokers	0.8	0.4	0.3	0.1
TOTAL	**100.0**	**100.0**	**100.0**	**100.0**

Source: CSD Botswana

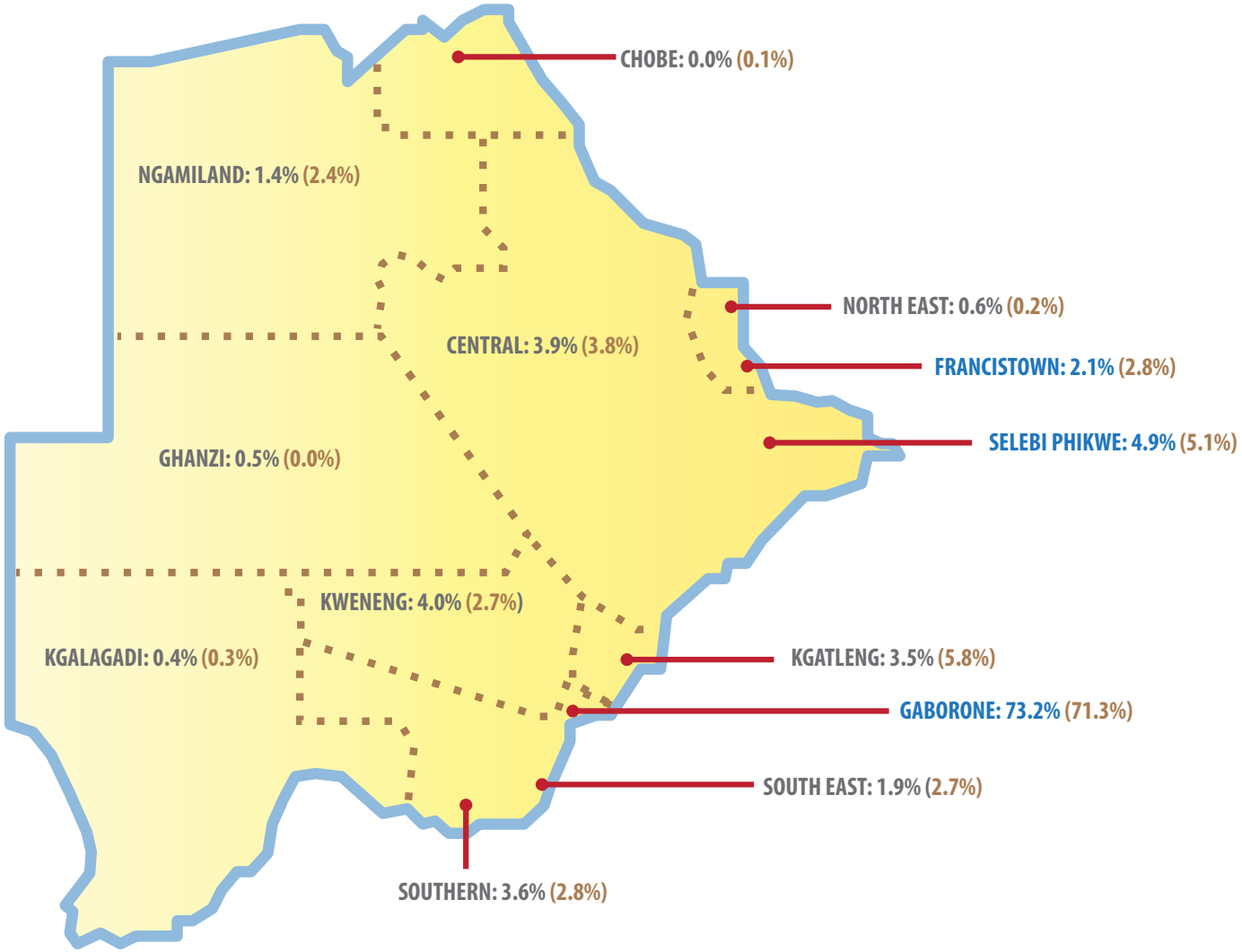
3.6 Geographical Distribution of Retail Investor Turnover

Figure 16 shows the distribution of retail investor turnover analysed by districts in Botswana. Turnover for major towns is shown separately to avoid distortion of total turnover by districts in which these towns are located. As can be seen from Figure 16 no major change in the contribution to turnover analysed by district is seen when compared with 2011. Turnover is highly concentrated in Gaborone which generated 73.2% of the total turnover, an increase of 1.9 percentage points in comparison to 2011. Selibe-Phikwe and Francistown recorded declines of 0.7 and 0.2 percentage points respectively in retail investor contribution to turnover in comparison to 2011.

It can be noted from this analysis that Kweneng District, Kgatleng District and Central District were major contributors to turnover, independent of towns. It can also be deduced from this analysis that turnover is more concentrated on the South and Eastern parts of Botswana which comprise semi-urban villages.

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

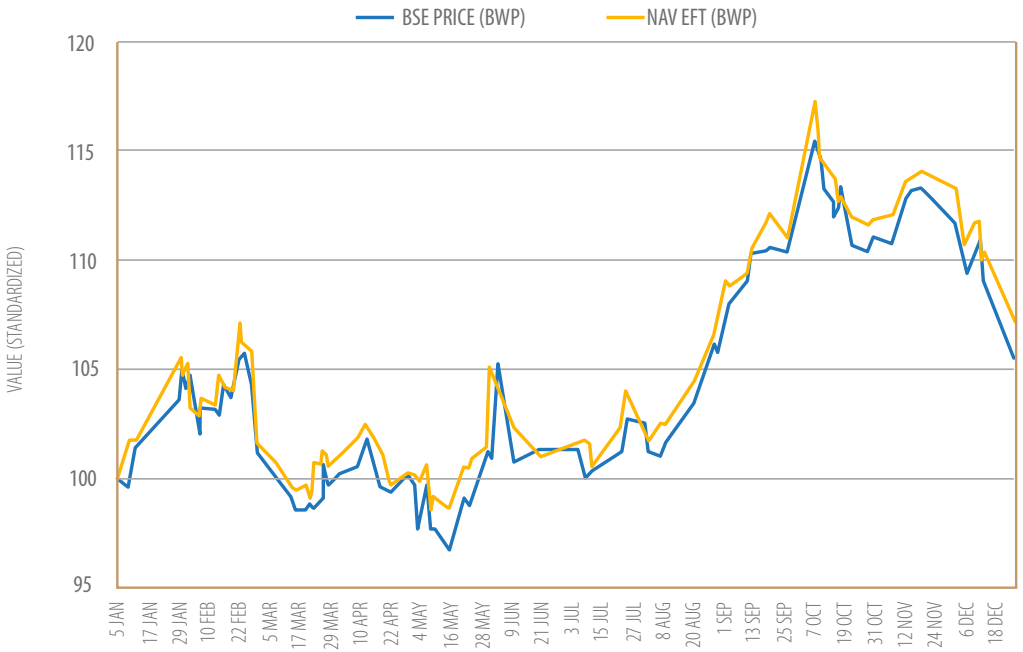
Figure 16: Retail Investor Contribution to Turnover by Districts in Botswana: 2011 and 2012



Note: The contribution to turnover in 2011 is indicated in parenthesis
Source: CSD Botswana

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

Figure 17: Performance of the NewGold ETF on the BSE and the NAV of the ETF (BWP)



Note: The graph is based only on dates on which the NewGold ETF traded
Source: BSE, Absa Capital

4. THE EXCHANGE TRADED FUND (ETF) MARKET

4.1 Global ETF Landscape

Over the recent years, the ETF industry has grown in leaps and bounds. A research study by BlackRock, an investment bank based in London and specialising in Exchange Traded Products (ETPs) has attributed this growth to several developing trends observed in the global -ETP market. The observed trends include the disinvestment in Equity Mutual Funds and the inflow of those investments into Equity ETPs. Another notable trend is the increase in assets in Emerging Markets Debt ETPs which has doubled to US$20 Bn in 2012.

It is worth noting that Gold accounted for 8% of global ETP assets (total global ETP assets amounted to US$1.9 trillion in November 2012), 70% of total commodity ETP assets (which amount to US$206 Bn) and 83% of investments in commodities for the year to date period ended November 2012. Gold ETP assets have grown from US$20 Bn in 2007 to US$144 Bn in November 2012. Gold ETFs, such as the NewGold ETF are a component of the Gold ETP category.

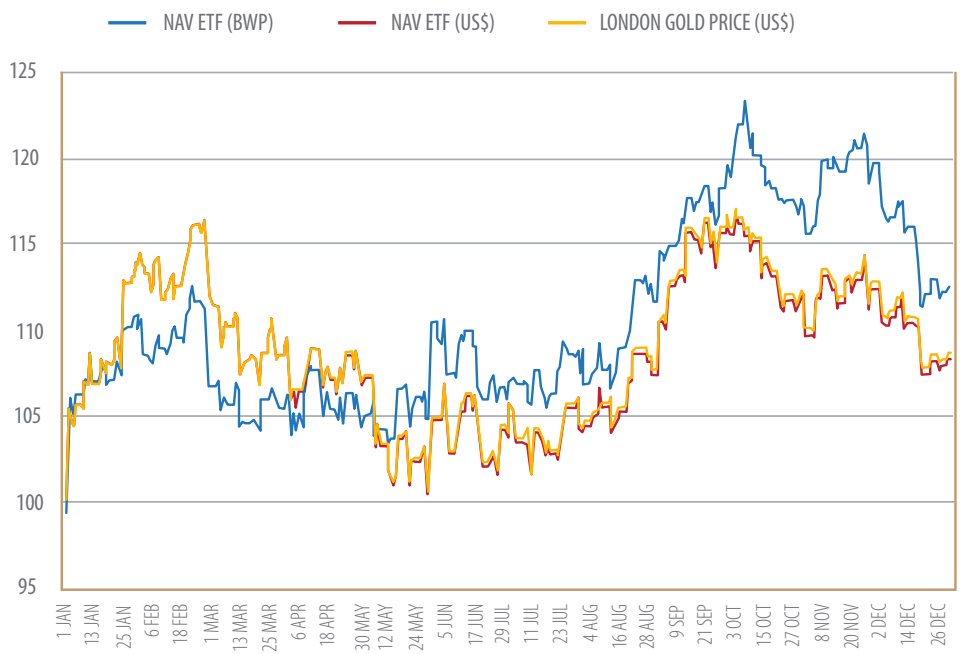
The BSE listed the NewGold ETF in July 2010 and subsequently listed the BettaBeta ETF in May 2011. Both securities are primarily listed on the JSE.

4.2 Performance of the NewGold ETF

Gold Bullion in the London market reached its highest price for 2012 of US$ 1,791.75 per ounce on 4 October. Consequentially, the Net Asset Value (NAV) of the NewGold ETF in US$ terms also reached its all time high on the same date. The price of NewGold ETF on the BSE reached an all time high of P136.50 on 8 October 2012 after a lag of 2 market days. This represented an appreciation of 64.5% in Pula terms on the price of P83.00 per unit at the point of listing.

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

Figure 18: Performance of NewGold ETF NAV (BWP & US$ terms) and the Gold Bullion Standardized as at 1 January 2012



Note 1: London Gold Price per troy ounce of Gold (US$)
Note 2: NAV of ETF per troy ounce of Gold net of management fees (US$)
Source: BSE and Absa Capital

The price of Gold declined gradually from its 2012 high to close the year with an overall gain of 8.7%. The NAV in Pula terms of the NewGold ETF appreciated by 12.5% and the price on the BSE by 5.6% in 2012.

The difference in the appreciation of the BSE price of 5.6% and the increase in the NAV (in Pula terms) of 12.5% as at end December 2012 was primarily due to the manner in which the BSE determines closing price, which is defined as the last traded price.

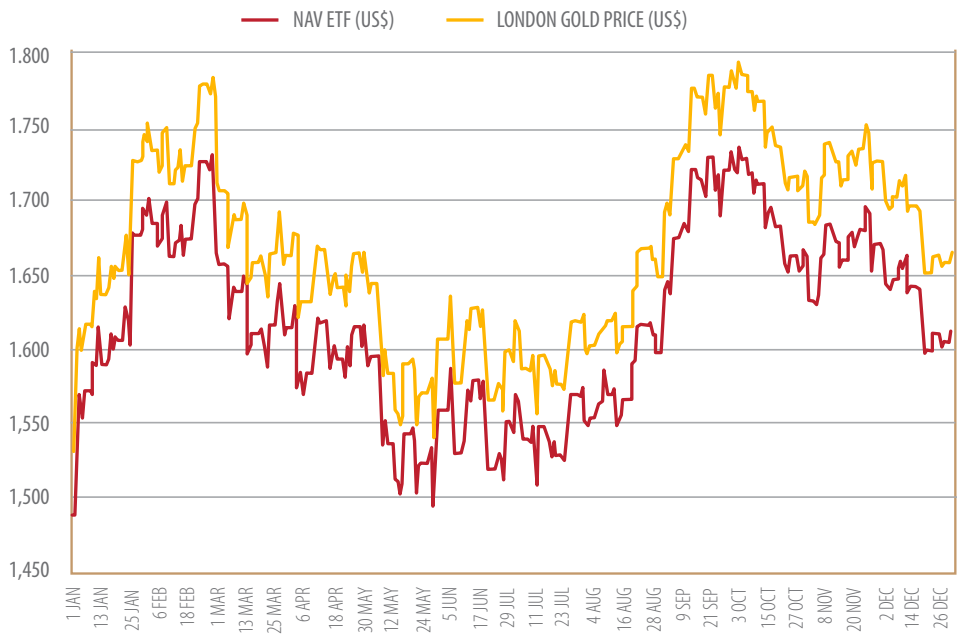
As such, the difference between the BSE price and the NAV (in Pula terms) can be material when there are no trades on a given date. However, on days that the NewGold ETF had traded the correlation between the NAV and the traded price was 98.9%. The difference between the NAV and price in Pula terms is due to management fees. This is illustrated in Figure 17.

The NAV (in Pula terms) on a given date is computed using the NAV (in US$ terms) and taking into account the exchange rate between the Pula and the US$. The NAV (in US$ terms) is derived from the US$ price of the Gold Bullion in the London market. As explained in past reviews a depreciation of the Pula against the US$ will positively impact the price of the NewGold ETF. Hence, investments in the NewGold ETF can be used as an indirect hedge against the depreciation of the Pula vis-a-vis the US$.

Figure 18 indicates that the NAV of the NewGold ETF in Pula terms underperformed the NAV of the ETF in US$ terms during the period January to April 2012. From the month of May, the NAV (in Pula terms) appreciated strongly against the NAV in US$ terms. In the year to date period ending April 2012 the depreciation of the NAV (in Pula terms) is attributed to the appreciation of the Pula against the US$ by 2.9%. From May to December 2012, the Pula depreciated by 6.0% against the US$. This explains the stronger

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

Figure 19: Performance of NewGold ETF NAV Price (US$) and the London Gold Price (US$): 2012



Source: Absa Capital

performance of the NAV (in Pula terms) in comparison to the NAV in US$ terms during the latter period.

As such the overall appreciation of the NAV of NewGold ETF by 12.5% in Pula terms in comparison to an appreciation of 8.3% in US$ terms is largely attributable to the depreciation of the Pula against the US$ by 3.2% in 2012.

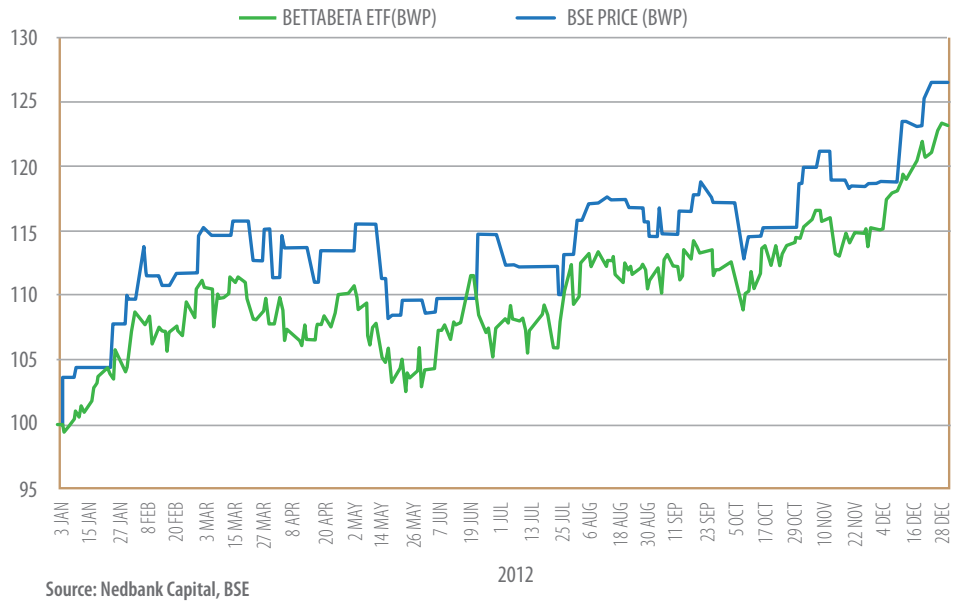
Since the NAV (in US$ terms) of the ETF is derived from the US$ price of the Gold Bullion and given that NAV of Gold had a 100% correlation compared to the price of Gold as depicted in Figures 18 and 19, the difference between the two is attributed to management fees.

4.3 Performance of the BettaBeta ETF

The BettaBeta ETF closed the year having reached its all time high price of P39.35 per unit on 24 December 2012. This represented an appreciation of 19.4% on its listing price of P32.95 in May 2011.

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

Figure 20: Performance of the BettaBeta ETF NAV and BSE Price: 2012



Source: Nedbank Capital, BSE

In 2012, the price of the BettaBeta ETF appreciated by 26.5% on the BSE in comparison to an appreciation of 23.2% of its NAV (in Pula terms) as indicated in Figure 20.

It is noted that the performance of the price of the Bettabeta ETF on the BSE also outperformed the JSE Top 40 Index and the BBEQWT40 Index when the performance of the two indices are compared in Pula terms as can be seen in Figure 21.

The NAV of the BettaBeta ETF is quoted in South African Rands (ZAR) on the JSE. Hence, the appreciation of the Pula against the Rand will negatively affect the NAV of the ETF in Pula terms which is computed taking into account the exchange rate between the Pula and the Rand.

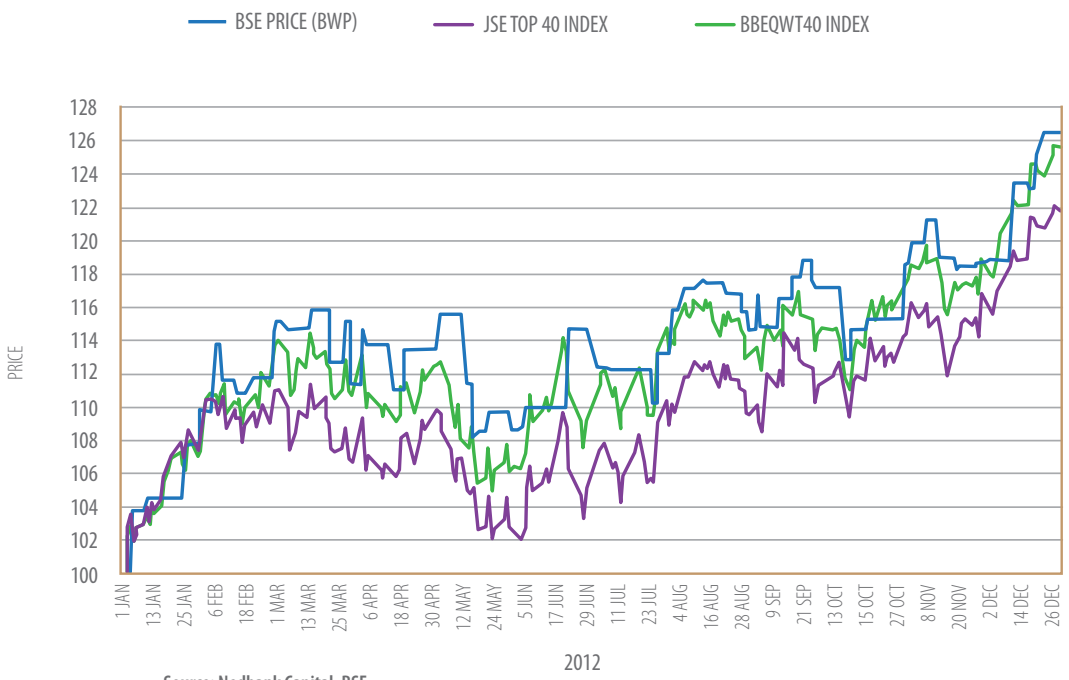
The difference between the appreciation of the NAV (in Pula terms) of 25.9% in comparison to an appreciation in Rand terms of 26.4% is explained by the appreciation of the Pula against the Rand. In 2012 the Pula appreciated by 0.4% against the ZAR.

Figure 23 depicts the performance of the BSE price of the BettaBeta ETF and the NAV in BWP. It can be seen that the price of the BettaBeta ETF on the BSE is closely correlated with the NAV of the same in Pula terms on the days on which the ETF had traded. The correlation between the two sets of data is 96.9%, which indicates the high efficiency in price discovery on days that the BettaBeta ETF is traded on the BSE.

The difference between the NAV and price can be attributed to management fees.

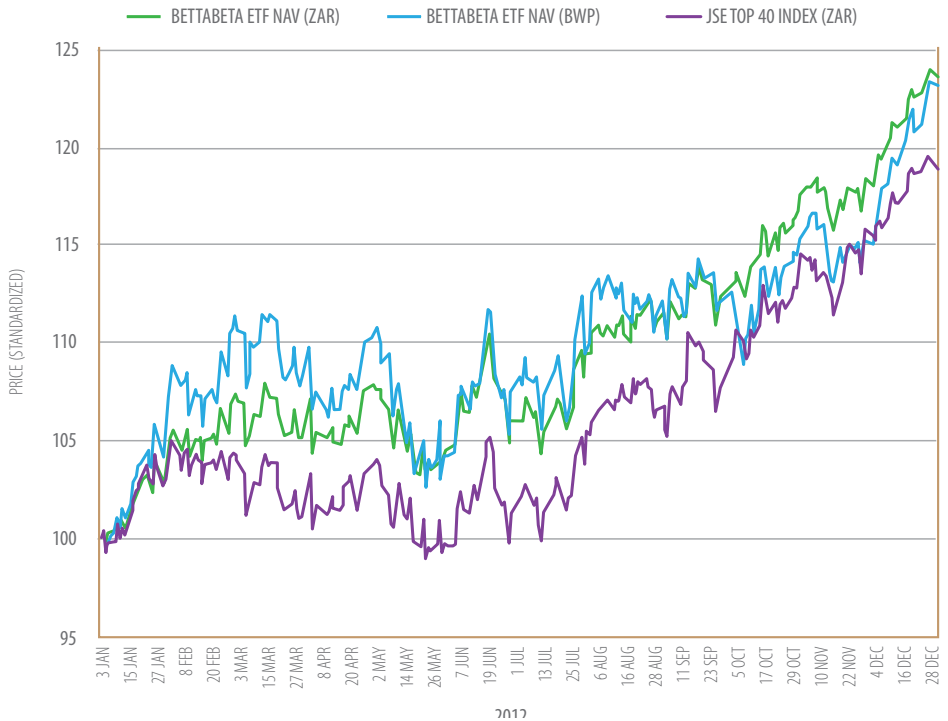
CHIEF EXECUTIVE OFFICER'S REPORT (continued)

Figure 21: Performance of the BettaBeta ETF (BSE Price), the JSE Top40 Index (BWP) and the BBEQWT40 Index (BWP): 2012



Source: Nedbank Capital, BSE

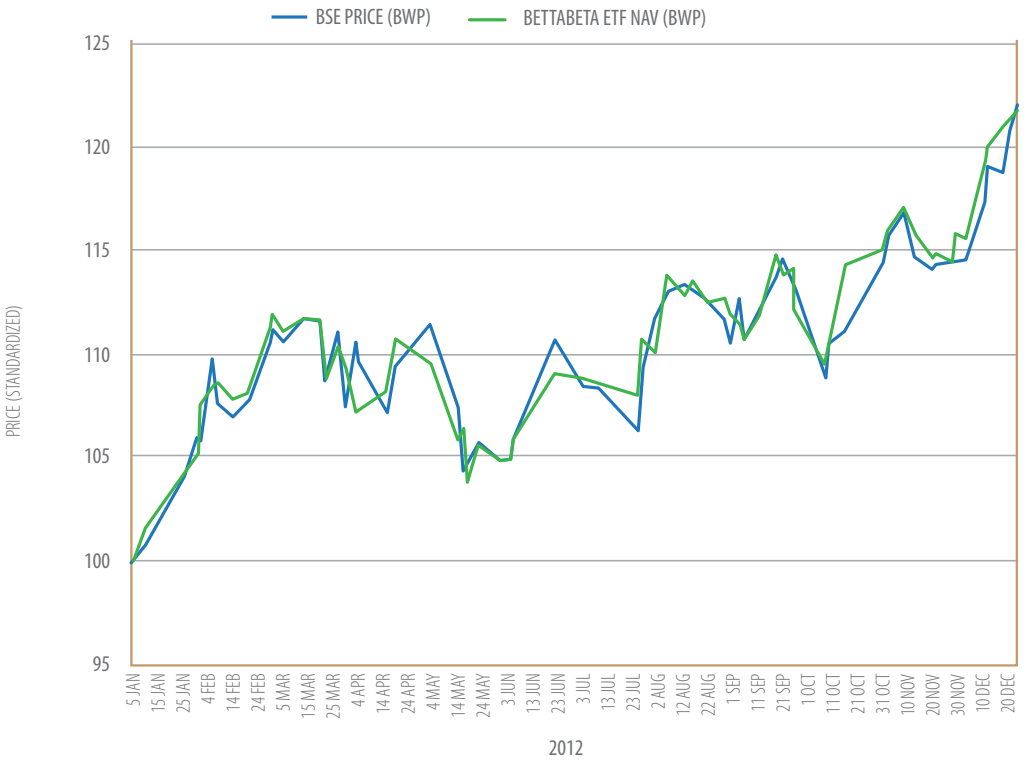
Figure 22: Performance of the BettaBeta ETF NAV (BWP and ZAR): 2012



Source: Nedbank Capital, BSE

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

Figure 23: Performance of the BettaBeta ETF NAV and BSE Price: 2012



Note: The graph is based only on dates on which the BettaBeta ETF traded on the BSE
Source: BSE, Nedbank Capital

Figure 24 details the quarterly dividends paid by the BettaBeta ETF in 2012. The dividend payouts on the ETF are due to the ETF receiving dividends from the underlying securities backing the ETF. The BettaBeta ETF is an investment which provides both income and capital returns to its unit holders. The dividend payout translates into a dividend yield of 3.6% based on the average price of P35.51 per unit in 2012.

Figure 24: Dividends Paid by the BettaBeta ETF in 2012

Quarter	Dividends (Thebe)
End of March 2012	14.83
End of June 2012	50.12
End of September 2012	45.68
End of December 2012	18.15
TOTAL	**128.78**

Source: Nedbank Capital

If the dividend payout is taken into account it is estimated that the BettaBeta ETF would have given investors a positive return of 30.1% on a total return basis in 2012 in comparison to a positive return of 26.5% if only capital gains are accounted for.

4.3 Liquidity in the ETF Market

Despite the excellent performance of both NewGold and BettaBeta ETFs since being listed on the BSE, investment by local investors in the 2 ETFs has been disappointing. The market making model makes it easier for investors to access ETFs without facing liquidity constraints. The transaction costs of investing in ETFs are competitive and both ETFs have been awarded Local Asset Status. Turnover and liquidity in the ETF market is depicted in Figure 25.

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

There may be many reasons as to why liquidity has been low on ETFs. One reason is attributed to the lack of understanding of ETF products by local investors. The BSE is committed to improving awareness about ETFs through its market development activities and will renew its efforts to impart awareness on ETFs especially to individual investors.

A second reason for liquidity being low is due to asset managers not making significant allocations to ETFs in their portfolios. It has been brought to the attention of the BSE that asset managers do not include ETFs in their local portfolio holdings because unlike domestic equities, the performance of which is benchmarked by the DCI and other indices, ETFs do not have a domestic benchmark even though both the NewGold and BettaBeta ETFs have been awarded Local Asset Status. The BSE will address this issue in consultation with pension funds and asset managers.

Figure 25: Turnover of Exchange Traded Funds in 2012

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	TOTAL
NewGold ETF					
Turnover (P)	3,359,063	22,034,865	633,587	1,580,153	27,607,668
Average Daily Turnover (P)	53,318	361,227	10,387	25,904	112,226
No. of Units Traded	27,367	178,425	5,188	12,046	223,026
BettaBeta ETF					
Turnover (P)	38,058,750	273,993	231,306	312,328	38,876,378
Average Daily Turnover (P)	604,107	4,492	3,792	5,120	158,034
No. of Units Traded	1,098,538	8,056	6,429	8,479	1,121,502

Source: BSE

Figure 26 shows investors' contribution to turnover for 2012 on a quarterly basis. Although it can be seen that local individuals' investment in ETFs improved on a quarter-on-quarter basis, the impact of these investments on turnover was not significant.

Figure 26: Investors Contribution on a Quarterly basis (%): 2012

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2012
Foreign Companies	0.0	0.0	0.3	0.0	0.0
Foreign Individuals	0.2	0.3	11.7	2.0	0.36
Local Individuals	0.3	2.1	19.2	30.4	1.65
Local Companies	49.5	47.9	21.3	18.9	48.13
Brokers	0.0	0.0	0.0	0.0	0.0
Market Makers	50.0	49.8	47.6	48.7	49.9
TOTAL	100.0	100.0	100.0	100.0	100.0

Source: BSE, Nedbank, Absa Capital

5. EFFICIENCY IN PRICE DISCOVERY OF DUAL LISTED SECURITIES

As much as efficiency in price discovery of domestic counters depends upon liquidity, the efficiency in price discovery of dual listed securities too depend on liquidity in the secondary market and can be gauged by the deviation between the prices quoted in the primary market and those quoted in the secondary market. Price discovery will be impaired in the secondary market in the absence of liquidity and adequate systems to enable arbitrage.

The BSE has been tracking the price differential of ETFs and dual listed companies over a period of 3 years. Figures 27 & 28 detail the results for the past 3 years- of the Mean Price Differential (MPD) and MPD relative to average price of the security for dual listed securities.

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

Figure 27: Mean Price Differential (P): 2010 to 2012

	Mean Price Differential (P)		
	2010	2011	2012
Anglo American PLC	16.95	16.17	16.59
African Copper PLC	0.07	0.12	0.06
Hana Mining	N/A	N/A	1.47
Firestone Diamonds	N/A	0.54	0.98
Lucara Diamonds	N/A	0.43	0.67
A Cap Resources	0.39	0.58	0.21
African Energy	N/A	3.61	1.10
Galane Gold	N/A	N/A	0.95
Aviva Corporation Ltd	0.05	0.12	0.06
Blue Financial Services	0.03	0.04	0.04
Investec Ltd	1.60	5.47	7.50
Discovery Metals	N/A	0.38	0.55
NewGold ETF	0.62	1.45	1.33
BettaBeta ETF	N/A	0.47	0.48

Source: BSE, I Net Bridge

Figure 28: Mean Price Differential (MPD) Relative to Average Price (%): 2010 to 2012

	MPD Relative to Average Price (%)		
	2010	2011	2012
Anglo American PLC	6.32	5.30	6.60
African Copper PLC	10.88	51.10	18.35
Hana Mining	N/A	N/A	38.16
Firestone Diamonds	N/A	20.96	55.41
Lucara Diamonds	N/A	6.69	11.02
A Cap Resources	16.34	20.54	14.62
African Energy	N/A	150.53	40.70
Galane Gold	N/A	N/A	13.09
Aviva Corporation Ltd	7.09	8.43	8.37
Blue Financial Services	13.50	10.18	9.06
Investec Ltd	2.99	10.23	14.12
Discovery Metals	N/A	4.33	4.92
NewGold ETF	0.73	1.39	1.08
BettaBeta ETF	N/A	1.50	1.34

Source: BSE, I Net Bridge

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

As can be seen from Figure 28, MPD relative to average price has been consistently the lowest in the 2 ETFs. This is attributed to the relatively higher liquidity and better price discovery in ETFs in comparison to the other dual listed securities. This in turn is attributed to the appointment of market makers and the impact of this strategy on liquidity.

As noted in past Reviews the liquidity of dual listed securities is low in comparison to domestic securities.

The challenge that faces the BSE is how it could influence liquidity of dual listed securities and what strategies it should deploy for this purpose.

In this regard the BSE has identified 3 strategies that will help in improving liquidity and price discovery of dual listed securities.

As stated above, one of the main reasons for liquidity being low in dual listed securities is the lack of awareness. This is amply evident from the lack of liquidity in the 2 ETFs both of which performed extremely well in 2012. The BSE will do whatever it can do to create awareness amongst investors on the opportunities and risks in investing in these securities.

The second reason is, even though Botswana is a mining economy, there seems to be a lack of understanding amongst local investors of the relationship between the world economy and the mining sector and the forces that shape the success or failure of mining companies. This has lead to most dual listed mining companies looking at their primary markets to fund operations in Botswana. This is not in the interest of Botswana or the BSE given that there is surplus liquidity in Botswana and most of Botswana's savings are being invested in foreign markets resulting in lost capital market development opportunities at home.

Creating awareness amongst investors on the intricacies of mineral markets is a complex process which the BSE alone cannot handle. The BSE will engage the Ministry of Minerals, Water and Energy Resources and other government agencies to discuss what can be done in this regard. Whatever assistance mining companies can give in this regard will be greatly appreciated.

The third reason which inhibits local investors investing in dual listed securities is the inefficiency in fungibility of securities both to and from the BSE. This inefficiency has made the process of arbitrage inefficient and resulted in weak price discovery of dual listed securities.

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

One way of addressing this problem is to mandate market makers for dual listed securities, given the BSE's experience in appointing market makers for ETFs. Implementation of such a strategy will be further explored by the BSE in the Listing Rules currently being re-drafted.

6. BOND MARKET PERFORMANCE

6.1 Turnover

Bond market turnover in the year under review increased marginally when compared with 2011. Turnover in the debt market amounted to P332.2 Mn in 2012 compared to P325.1 Mn in 2011, representing an increase of 2.2%. This turnover was generated by trades in 8 bonds in comparison to 19 bonds in 2011. As can be seen from Figure 29 all listed government bonds were traded during the year and accounted for 94.6% of total debt turnover.

Figure 29: Quarterly Analysis of Bond Trades: 2012

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
	Value (P'Mn)	Value (P'Mn)	Value (P'Mn)	Value (P'Mn)
Government				
BW 003	9.6	6.5	34.7	37.7
BW 005	0.8	1.2	119.8	
BW 007	3.0	11.5	9.2	1.3
BW 008	20.9	2.0	1.0	
BW 009	1.2		6.0	
BW 010	7.5	20.4	10.0	10.0
Total	43.0	41.6	180.6	49.0
Corporate and Parastatal				
NDB001			8.0	
SBBL048			10.0	
Total			18.0	
TOTAL	**43.0**	**41.6**	**198.6**	**49.0**

Source: BSE

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

Only 2 corporate bonds i.e. NDB001 and SBBL048 were traded generating a turnover of P18.0 Mn. In the previous year, 11 corporate bonds were traded with a total turnover of P40.7 Mn. In comparison to 2011, turnover in corporate bonds declined by 55.8% in 2012.

An analysis of quarterly debt turnover indicates that activity was comparatively high in Quarter 3 of 2012. The liquidity of debt securities measured as a ratio of turnover to debt market capitalisation analysed by issuer is detailed in Figure 30. Government bonds continued to be the more liquid bonds on the BSE. As can be seen from Figure 30, the liquidity of Government bonds has declined over the past 2 years.

The trading of bonds hardly takes place on the BSE. As detailed in Section 10 of this review the BSE is pursuing several initiatives to improve the tradability and liquidity of debt instruments.

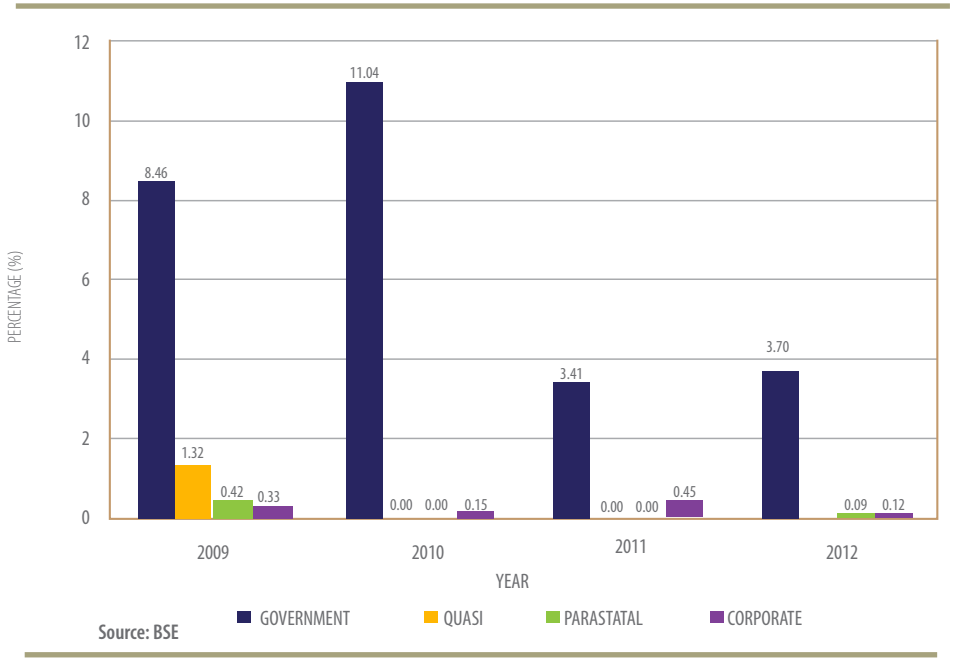
6.2 Market Capitalisation and Issuer Profile

The total number of bonds listed on the BSE as at the end of 2012 stood at 35, unchanged from 2011. Figure 31 below details the growth of the debt market analysed by issuer profile since 2009. The total nominal debt market capitalisation amounted to P8.5 Bn in 2012 in comparison to P8.4 Bn in 2011. This slight increase in market capitalisation is attributable to a net issue of P127.3 Mn by Government and corporate bond issuers.

Figure 32 shows the nominal values of listed bonds and the period remaining to maturity. As can be seen 2 bonds with a nominal value of P658 Mn are due to mature in 2013 followed by 1 bond with a value of P100 Mn in 2014.

As shown in Figure 33, 88.3% of listed bonds are structured as fixed interest

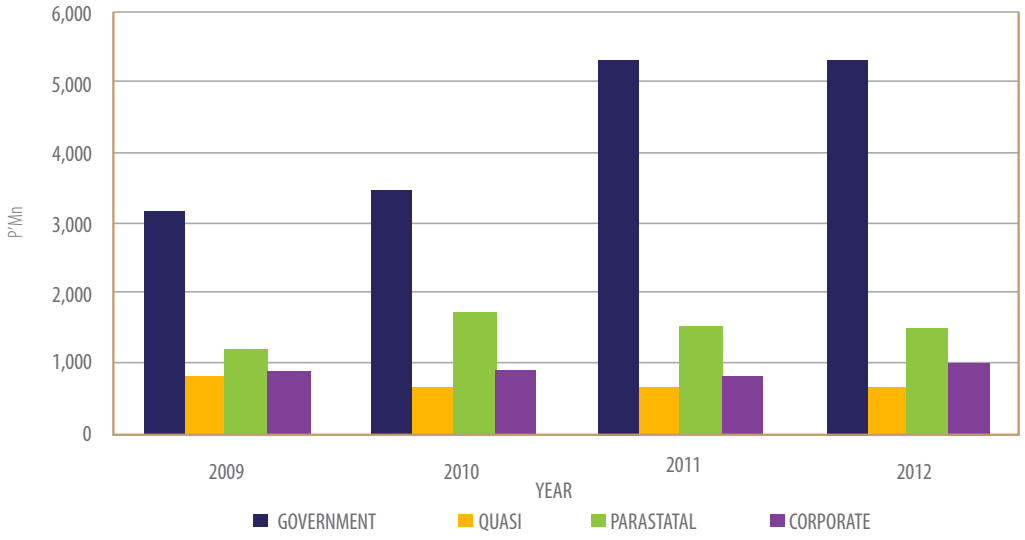
Figure 30: Debt Turnover as a % of Debt Market Capitalisation: 2009 to 2012



Source: BSE

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

Figure 31: Debt Market Capitalisation (Nominal Values) by Issuer Category: 2009 to 2012



Source: BSE

rate bonds where interest payable will remain unchanged until maturity or redemption, irrespective of whatever changes that may occur to the interest rate structure and the yield curve during the intervening period.

In contrast 11.7% of the bonds pay interest based on a floating coupon rate where interest is linked to an underlying indicator and adjusted periodically based on the movement of such indicator.

All floating rate bonds listed on the BSE as at the end of 2012 were linked to the interest rate payable on the 91 day Bank of Botswana Certificate (91 Day BoBC) with a margin added to the benchmark BoBC rate to compensate for risk. An example of a bond carrying a floating coupon rate is SCBB007 in which the interest rate to be paid is determined based on the 91 Day BoBC rate plus a margin of 130 basis points (1.30%). Another example is BBB001 which carries a coupon rate linked to the 91 Day BoBC rate plus a margin of 85 basis points (0.85%) for the first 7 years followed by the 91 Day BoBC rate plus a margin of 150 basis points (1.50%) for subsequent years until maturity.

7. MARKET INDICATORS

7.1 Indicators of Value

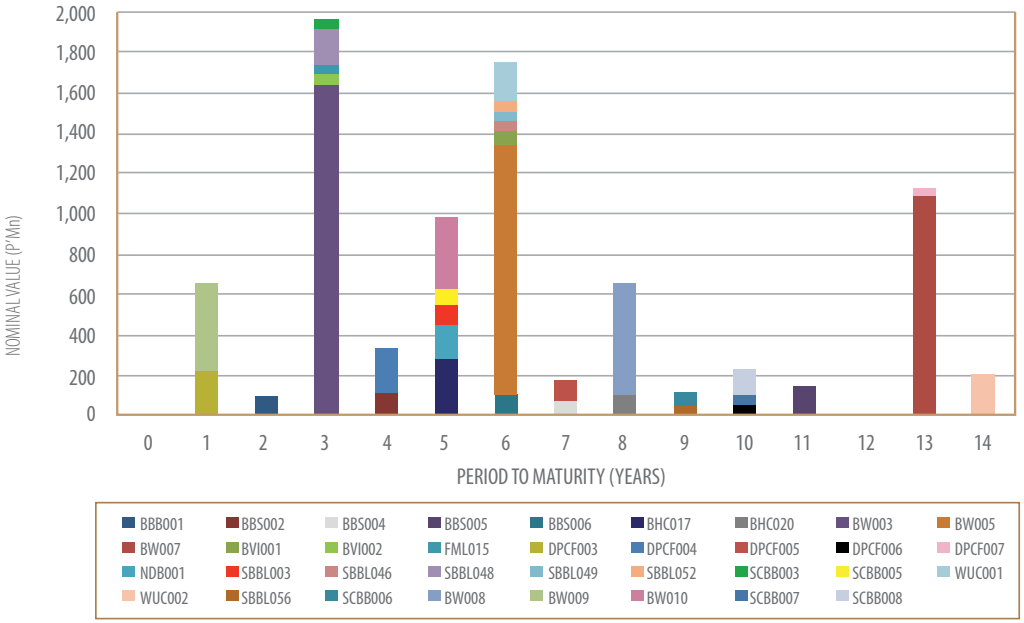
Commonly used indicators of value in a stock market include, the Price Earnings (P/E) Ratio, Dividend Yield and Price to Book Value Ratio.

As much as a P/E ratio can be computed for an individual share, it can also be computed for the market as a whole. The P/E ratio for the market is computed by dividing market capitalisation by total earnings (profits) of listed companies. As can be seen from Figure 34, the market P/E ratio of the BSE has continuously declined since 2009. As at end December 2012 the BSE's P/E ratio was 9.2 times.

In contrast to the decline in the P/E ratio, the Dividend Yield for the market has been holding steady subsequent to the financial crisis.

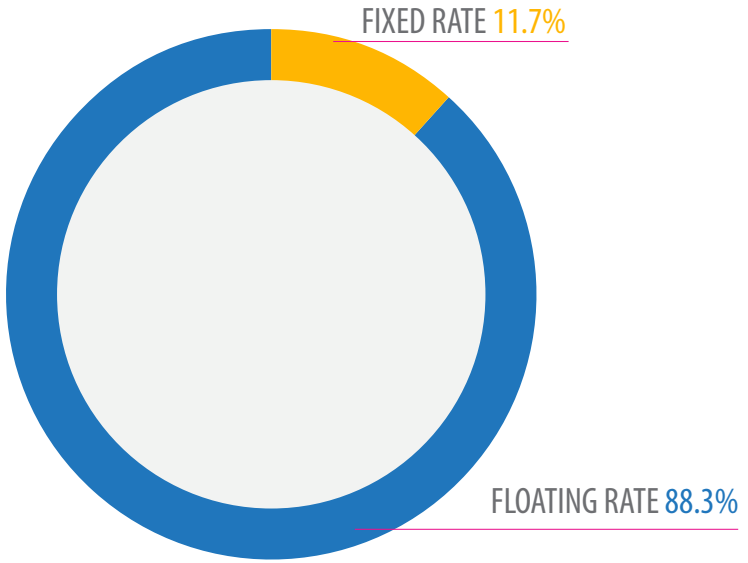
CHIEF EXECUTIVE OFFICER'S REPORT (continued)

Figure 32: Maturity of Listed Bonds in Issue: 2012



Source: BSE, Bank of Botswana

Figure 33: Interest Rate Structure of Bonds in Issue: 2012



Source: BSE, Bank of Botswana

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

Whereas the trend in the Dividend Yield of the BSE signals the consistency of profits of listed companies and their ability to pay dividends year on year, the decline in the P/E ratio for the market is indicative of the market's potential value and competitiveness. This factor is further reflected by the decline in the Price to Book Value ratio from 4.8 times in 2009 to 2.5 times in 2012.

Figure 34: Market Indicators for Domestic Companies Listed on the BSE: 2008 to 2012

Domestic Companies	2008	2009	2010	2011	2012
Market indicators					
P/E Ratio (times)	12.0	13.5	10.8	10.2	9.2
Dividend Yield (%)	4.6	4.3	4.9	5.2	4.9
Price/Book Value (times)	4.5	4.8	3.9	2.8	2.5

Source: BSE

7.2 Equity Market Capitalization

The BSE's domestic market capitalisation for equity was P35.5 Bn as at the end of 2012, an increase of 15.8% in comparison to P30.7 Bn in 2011. The ratio of market capitalisation to GDP increased to 31.6% in 2012 from 30.9% in 2011.

Figure 35: Market Capitalization and Relative Performance: 2008 to 2012

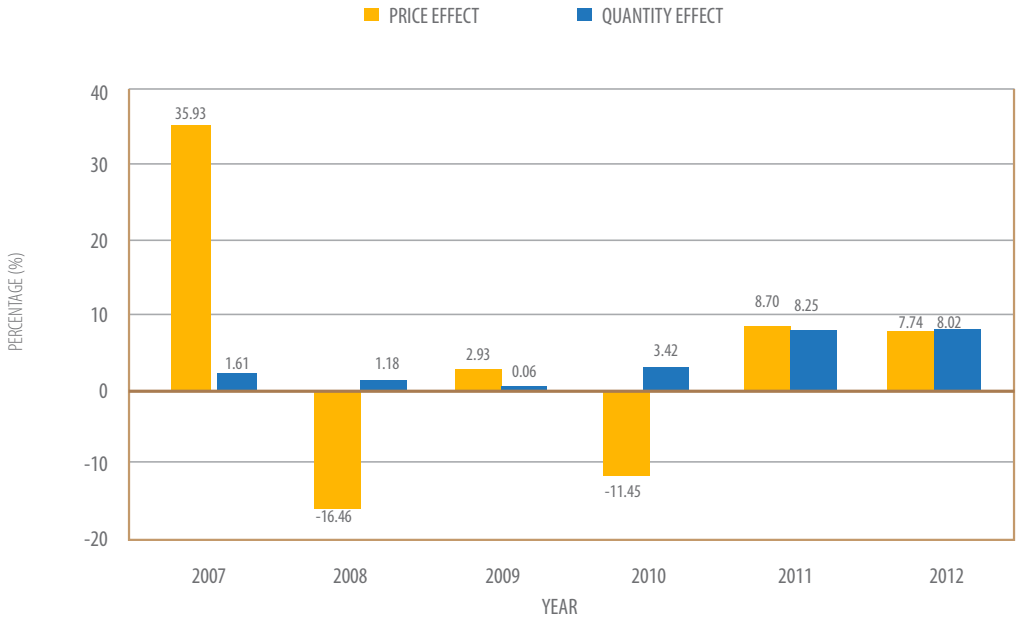
	2008	2009	2010	2011	2012
Market Capitalisation					
Domestic Companies (P'Mn)	27,706.1	28,536.2	26,245.7	30,694.3	35,530.8
Foreign Companies (P'Mn)	286,260.2	346,001.1	408,380.3	380,909.5	376,818.2
Total (P'Mn)	**313,966.3**	**374,537.2**	**434,626.0**	**411,603.8**	**412,349.0**
Relative Performance					
Domestic Market Cap/GDP (%)[Note 1]	40.3	39.1	33.5	30.9	31.6
Turnover/Domestic Co Mkt Cap (%)	4.2	2.7	3.7	3.3	2.5
Turnover/ All Co Market Cap (%)	0.4	0.2	0.2	0.2	0.2

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

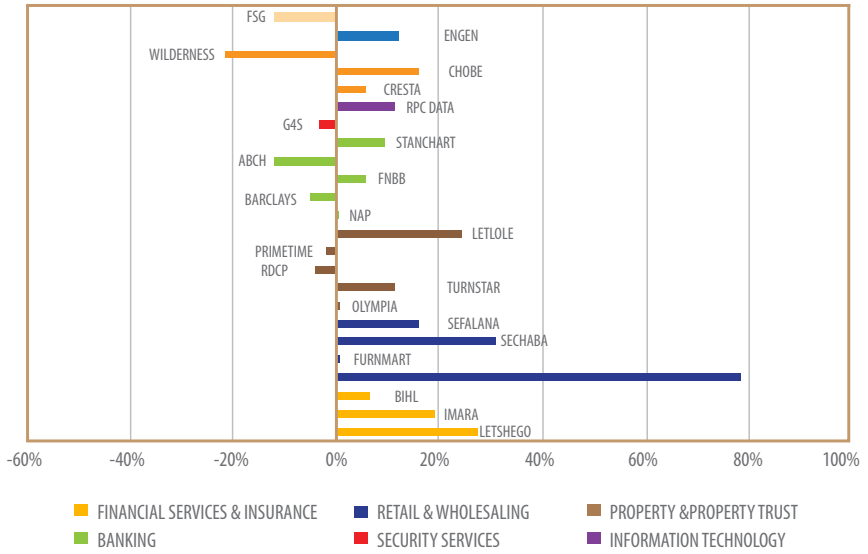
CHIEF EXECUTIVE OFFICER'S REPORT (continued)

Figure 36: Price and Quantity Effect on the growth of Domestic Market Capitalisation for Equity 2007 to 2012



Source: BSE, Statistics Botswana

Figure 37: Price Changes of the Domestic Companies: 2012



Source: BSE

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

The increase in the BSE's domestic equity market capitalisation is attributed to the cumulative impact of a price effect of 7.7% and a quantity effect of 8.0%. As can be seen in Figure 36, the quantity effect played a dominant role in the growth of market capitalisation contributing nearly 51% of the percentage change in market capitalisation in 2012 following a similar trend to 2011. Prior to 2011 the dominant factor influencing the percentage change in market capitalisation was the price effect.

7.3 Price Changes for Domestic Companies

In 2012, most listed companies experienced movements in their share prices. Figure 37 shows that prices of 15 companies appreciated whereas 7 companies recorded declines in share prices. The prices of New African Properties and Olympia remained unchanged. Furthermore, the Financial Services and Insurance sector recovered from previous year declines in share prices to end the year recording gains.

As can be seen from Figure 37, Choppies topped the list recording a capital gain of 78.3% in the year under review since its listing in January 2012.

8. COMPARISON WITH OTHER MARKETS

8.1 Relative Valuations

As stated ealier the BSE's market Price Earnings Ratio (P/E Ratio) closed the year 2012 at 9.2 times, below both the JSE and SEM. Whereas the P/E Ratio of SEM has remained constant over the past 2 years at 11.3 times, the JSE's P/E Ratio increased to 14.8 times from 12.7 times in 2011. This no doubt was as a result of the appreciation of the JSE's ALSI by 22.7% in 2012. SEMs benchmark index on the other hand declined by 8.3% in 2012.

From a valuation perspective, the lower P/E ratio of the BSE is indicative of the BSE's competitiveness and untapped value when compared to JSE and SEM.

Figure 38: Comparative Performance with Other SADC Stock Exchanges: 2012

	Index Change (%)	P/E Ratio (times)
Johannesburg Stock Exchange	22.7	14.8
Stock Exchange of Mauritius	(8.3)	11.3
Botswana Stock Exchange	7.7	9.2

Source: BSE & I-Net Bridge

8.2 Performance of BSE's DCI Relative to Other Indices

As depicted in Figure 39 the DCI (measured in Pula terms) maintained a steady growth and exhibited little volatility when compared with other indices. The DCI appreciated by 7.7% outpacing the SEMDEX which declined by 8.3% in 2012. In contrast the JSE's ALSI appreciated by 22.7%.

An analysis of the BSE's performance in US$ terms shows that the DCI appreciated by 4.3% in US$ terms. The DCI lost ground in US$ terms due to the depreciation of the Pula against the US Dollar by 3.2% in 2012. The JSE's ALSI appreciated by 17.9% and the SEMDEX depreciated by 13.4% in US$ terms over the same period also due to the depreciation of the Rand and the Mauritian Rupee against the US$.

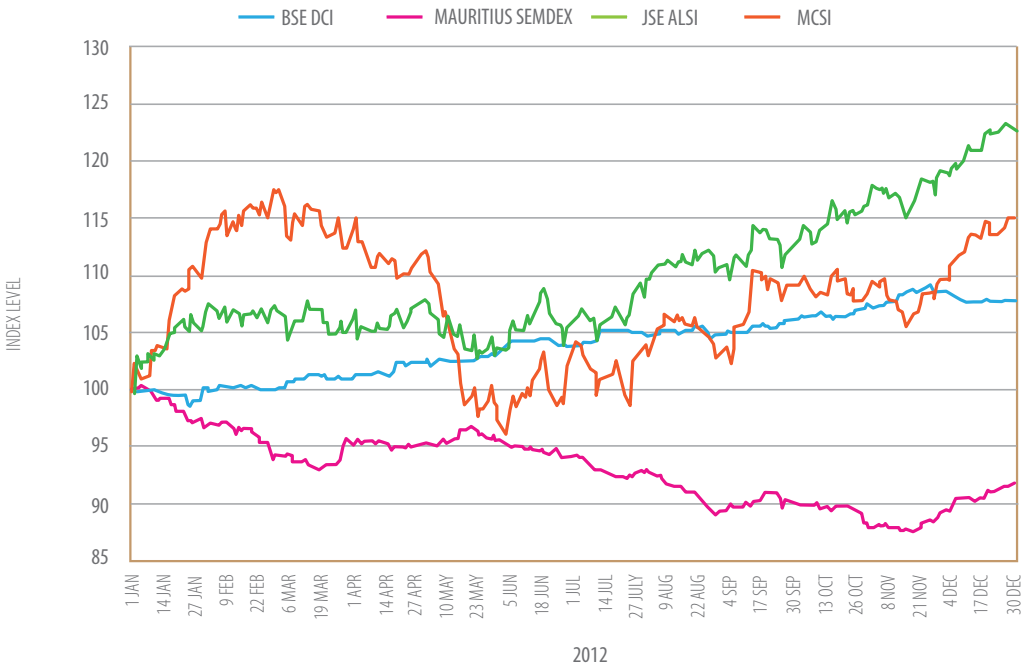
Figure 41: Comparative Performance of Indices since the Financial Crisis

INDEX	Steepest Decline Since 13-Sep-08		Recovery to 31-Dec-12	13-Sep-08 to 31-Dec-12	Jan to Dec 2012
	% Change	Date Recorded	(%) Change	(%) Change	(%) Change
JSE ALSI	32.0	20-Nov-08	120.3	50.1	22.7
SEMDEX	44.4	03-Mar-09	88.3	4.7	(8.3)
BSE DCI	24.9	13-May-09	23.7	(7.1)	7.7
BSE FCI	57.6	12-May-09	47.1	(37.5)	(6.1)

Source: BSE, I-Net Bridge

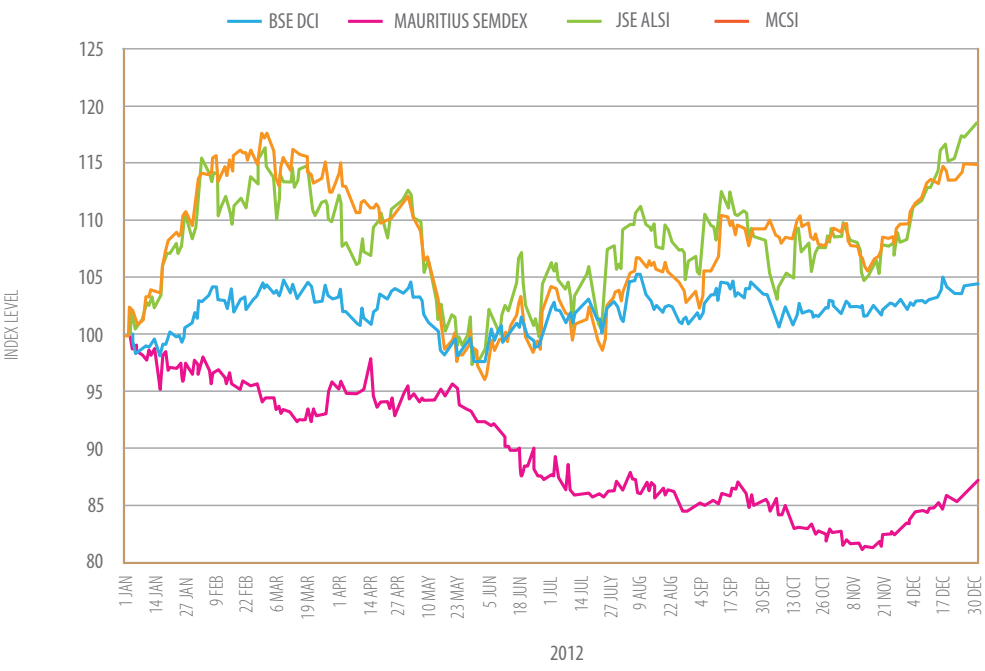
CHIEF EXECUTIVE OFFICER'S REPORT (continued)

Figure 39: Comparative Performance of BSE's DCI with Other African Markets and MSCI Emerging Market Index Standardised as at 1 January 2012 (Domestic Currencies)



Source: BSE, I-Net Bridge

Figure 40: Comparative Performance of BSE's DCI with Other African Markets and MSCI Emerging Market Index Standardised as at 1 January 2012 (US$)



Source: BSE, I-Net Bridge

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

As detailed in Figure 41, the DCI was the least hit by the financial crisis in 2008, falling by 24.9% to reach its lowest point in May 2009. However, it has also been the slowest to recover over the years subsequent to the crisis. Whilst the JSE's ALSI almost quadrapled from its lowest point since the financial crisis and the SEMDEX almost doubled since reaching the minimum point, the DCI is yet to fully recover from the crisis. The DCI has recovered 23.7% since 13 May 2009, the point at which the index bottomed.

8.3 Footprints

Figures 42 and 43 show the development of the BSE over the past years relative to 2008. For this purpose, the footprint of the BSE in 2008 has been standardised at 1.00.

The footprint for the purpose of the analysis is computed taking into account 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 reciprocal of the P/E ratio).

As can be seen from Figures 42 and 43 2008 remains the best year as measured by the footprint due to the record Turnover and the relative size of the market in that year. On an overall basis 2008 has overshadowed all subsequent years analysed due to the negative impact of the financial crisis on turnover and liquidity.

As detailed in Figures 42 and 43 the BSE's footprint has contracted in 2012 when compared with 2011. This was due to the impact of the turnover and liquidity related statistics included in the analysis. As was detailed earlier in the review both average daily turnover and liquidity in 2012 fared less well than what was achieved in 2011. However, the Market Capitalisation to GDP ratio and Earnings to Price (E/P) ratio did well in comparison to 2011.

Figure 42: BSE Footprint in Relation to 2008

	2008	2009	2010	2011	2012
Market Cap/GDP (%)	1.00	1.04	0.82	0.72	0.73
Turnover/Mkt Cap (%)	1.00	0.70	0.91	0.92	0.70
E/P Ratio (x)	1.00	0.92	1.11	1.18	1.30
Average Daily Turnover (P)	1.00	0.66	0.83	0.87	0.78
Area of footprint	**2.00**	**1.34**	**1.68**	**1.70**	**1.50**
Relative Area of Footprint in relation to 2008 (x)	**1.00**	**0.67**	**0.84**	**0.85**	**0.75**

Source: BSE, IMF

Figures 44 and 45 detail the footprint of the BSE in relation to the footprint of the JSE and SEM in 2012.

Figure 44: BSE Footprint Relative to JSE & SEM: 2012

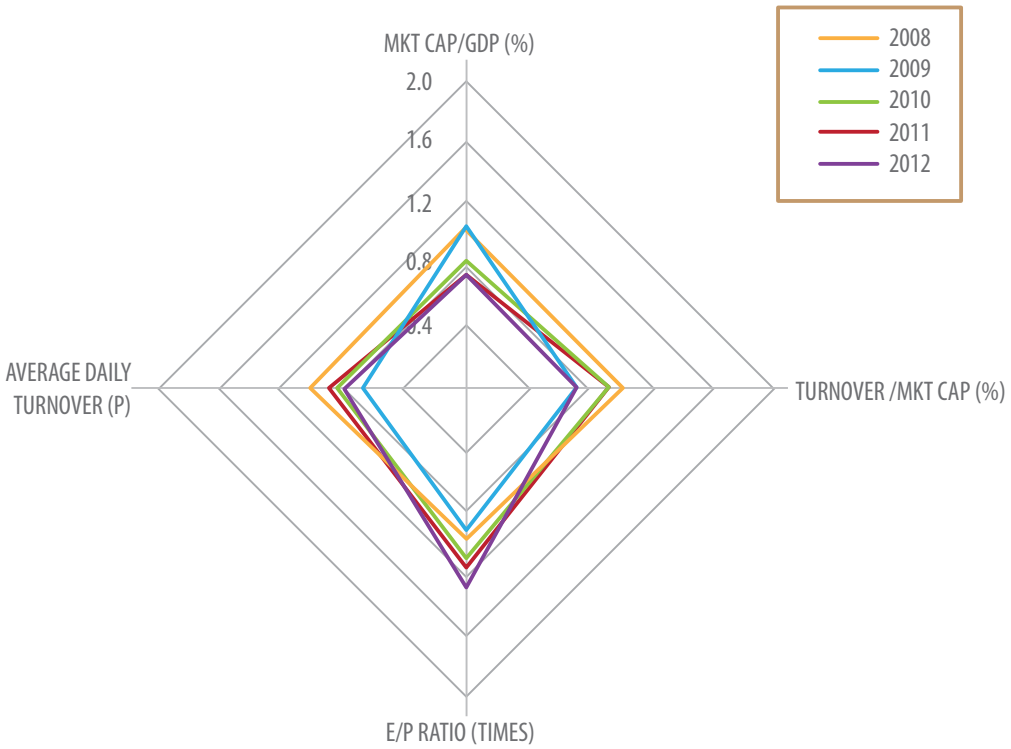
2012	BSE	JSE	SEM
Market Cap/GDP (%)	1.00	9.74	1.95
Turnover/Mkt Cap (%)	1.00	16.45	2.02
E/P Ratio (x)	1.00	0.63	0.82
Average Daily Turnover ($)	1.00	3,494.65	2.65
Area of footprint	**2.00**	**18,202.48**	**6.46**
BSE footprint in relation to JSE and SEM (%)	**100.00**	**0.01**	**30.98**

Source: BSE, JSE, SEM, IMF

As can be seen from Figure 46, the footprint of the BSE is miniscule in comparison to that of the JSE. The main reason for this is the turnover of the JSE being more than 3,000x that of the BSE. However, the BSE's footprint improved significantly in 2012 in

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

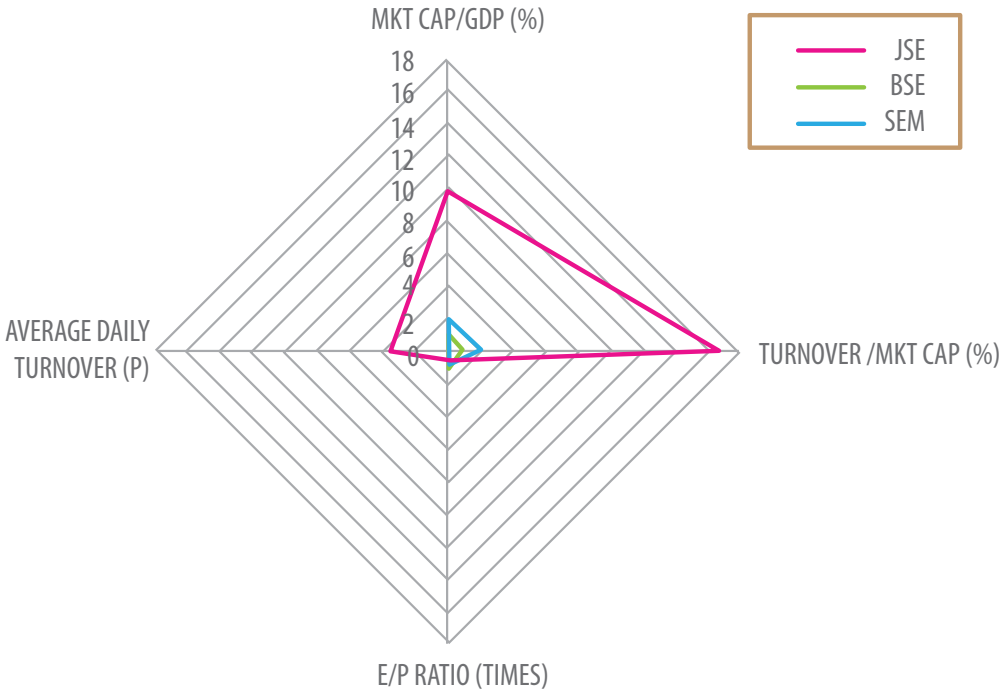
Figure 43: BSE Footprint: 2008 to 2012



Note 1: Market Capitalization/ GDP, Turnover/ Market Capitalisation. E/P ratio and Average daily turnover for 2008 were standardized to 1 and the BSE's footprint for 2009, 2010, 2011 and 2012 was compared to the standardized footprint for 2008

Source: BSE, IMF

Figure 45: BSE Footprint in Relation to JSE & SEM: 2012



Note 1: Scale; Turnover/Mkt Cap 1:1, Avg Daily Turnover1:1000, Mkt Cap/GDP 1: 1, E/P Ratio 1:1

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

Source: BSE, JSE, SEM, IMF

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

comparison to SEM. As seen in Figure 46, the BSE is 31% the size of SEM on an overall basis in the year under review in comparison to 20% in 2011.

Figure 46: BSE Footprint in Relation to JSE & SEM: 2008 to 2012

	2008	2009	2010	2011	2012
BSE relative to SEM (%)	26.54	27.30	33.00	20.25	30.98
BSE relative to JSE (%)	0.02	0.02	0.02	0.01	0.01

Source: BSE

9. PRIMARY MARKET ACTIVITY

9.1. Equity

Choppies Enterprise Limited (Choppies) listed on the Domestic Main Board on 26 January 2012. The Initial Public Offering (IPO) of Choppies opened to the public for subscription in December 2011. Choppies listed a total of 1.2 Bn shares at a price of P1.15 per share bringing its maiden market capitalisation to P1.4 Bn.

The listing was subsequent to a public offering of 43,478,261 shares through an IPO representing 3.7% of the company and a private placement of 260,869,565 shares representing 22.2% of the company. The IPO was 4 times oversubscribed, possibly the largest oversubscription of an IPO in the BSE. Choppies raised a total of P350.0 Mn. The listing of Choppies and the oversubscription of the public offer by 4 times is indicative of the potential for raising capital through IPOs.

Hana Mining, a copper mining and exploration company, was listed on the BSE's Foreign Venture Capital Board on 23 May 2012. The company is primarily listed on the Toronto Stock Exchange in Canada. Hana Mining listed a total of 99.5 Mn shares at an indicative bid price of P3.40 per share.

Galane Gold Limited, a gold mining and exploration company, was listed on the BSE's Foreign Main Board on 22 August 2012. Galane Gold Limited is also primarily listed on the Toronto Stock Exchange. The company listed 48.3 Mn shares and opened trading at P7.35 per share on its listing date.

There has been one delisting from the BSE in 2012 i.e. - CIC Energy delisted on 11 September 2012 subsequent to being taken over by Jindal Steel & Power in 2012. CIC Energy was also delisted from the Toronto Stock Exchange in which the company was primarily listed.

Overall, the BSE listed 3 companies in 2012 in comparison to 6 companies in 2011. Two of the 6 companies listed in 2011 were domestic companies listed through IPOs and 4 were foreign companies in the mining sector which were listed through introductions.

In 2012 companies listed on the BSE raised a record P1,002.3 Mn through further issues. As can be seen in Figure 47, rights issues accounted for the largest share of capital raised from primary and further issues on the Exchange. The only IPO listing for the year 2012 by Choppies raised funds amounting to P350.0 Mn.

9.2. Bonds

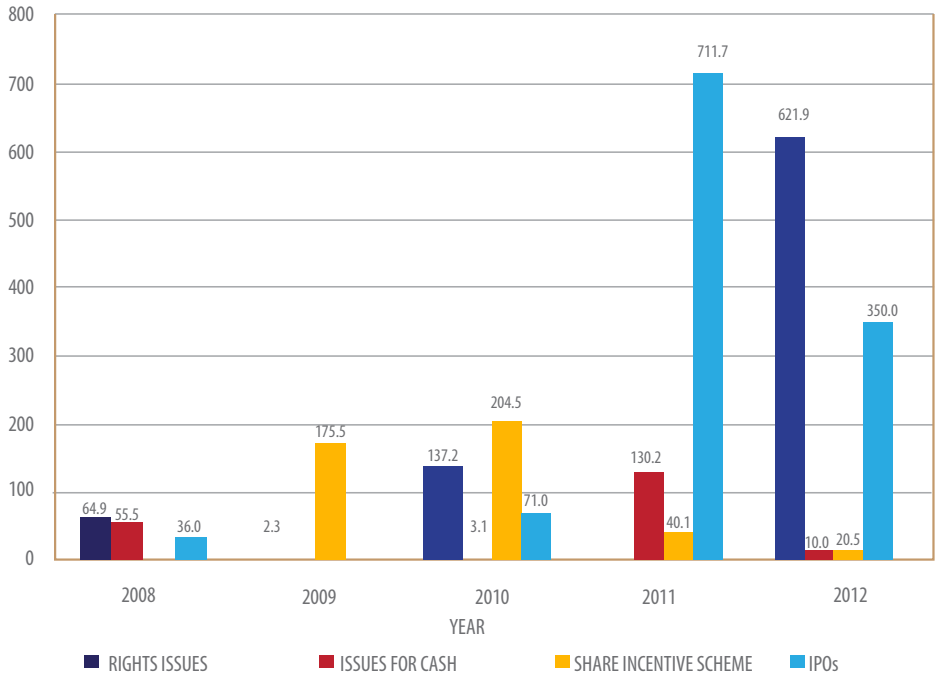
The Government of Botswana auctioned 2 bonds on 09 March 2012. The bonds are BW005 and BW007 which are listed on the BSE. BW005 pays a fixed semi-annual coupon of 10% and is due to mature on 12 September 2018. BW007 pays a fixed semi-annual coupon of 8% and is due to mature on 10 March 2025. The nominal issued capital of BW005 and BW007 increased by P300 Mn in respect of each bond due to these listings.

Government bond BW006, which was first issued in September 2009, matured on 09 March 2012. The listed nominal value of the bond at the time of maturity was P600 Mn.

Standard Chartered Botswana listed two bonds, SCBB007 and SCBB008 on 09 July 2012 with a nominal value of P50 Mn and P127 Mn respectively. Both bonds will mature on 27

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

Figure 47: Funds Raised Through the Equity Market: 2008 to 2012



Source: BSE

June 2022. SCBB007, which is a floating rate bond, pays quarterly interest while SCBB008 carries a fixed interest rate paid semi-annually.

Bond SCBB002 issued by Standard Chartered Botswana matured on the 20 December 2012.

10. BOND MARKET DEVELOPMENT

10.1 The History, Size and Trading Activity of the Botswana Bond Market

The development of the bond market in Botswana began in the late 1990's. By 1999 3 bonds were listed on the BSE by Botswana Development Corporation (BDC), Botswana Telecommunications Corporation (BTC) and Investec South Africa.

Prior to 2003 the only reference points for the purpose of pricing bonds were the interest on Bank of Botswana Certificates (BoBC), the bank rate and prime lending rate. At the time, government had no incentive to issue debt instruments due to consecutive years of fiscal surplus and private sector borrowings were limited to debt from commercial banks.

This scenario began to change from 2003 when 3 government bonds were issued with the objective of developing a bond market. These were BW001 (2 year), BW002 (5 year) and BW003 (12 year). This situation has somewhat changed and as at the end of 2012, 35 bonds are listed on the BSE with a total market capitalization of P8.5 Bn.

As at the end of 2012, Government bonds accounted for 63% of the market capitalization while quasi-government bonds accounted for 7%. Parastatal and corporate bonds accounted for 18% and 12% of the market capitalization respectively.

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

Government bonds have been the most liquid accounting for 95% of bond market turnover in comparison to 3% and 2% contributed by Corporate and Parastatal bonds respectively.

10.2 Structure of the Botswana Bond Market

10.2.1 Trading Venues, Processes and Methodology

Trading of government bonds even though listed on the BSE is executed by Primary Dealers on an Over the Counter (OTC) basis. After execution primary dealers report trades executed between themselves to the Bank of Botswana (BoB), by the end of the trading day. BoB in turn reports the trades to the BSE a day later at the earliest. Sometimes, trades are reported after settlement which delays the process. Trades between primary dealers and institutional clients are not reported to BoB or BSE.

The procedure is different for corporate and other bonds traded on the BSE. Clients submit orders to brokers who then execute trades on the BSE.

The Exchange publishes bond trades in the daily market report. As stated above, Primary Dealer trades reported to the BSE have a 1 day reporting lag but sometimes are delayed further due to late trade reporting.

Primary Dealers are special members of the BSE, meaning they are permitted to trade bonds on the floor of the BSE. This privilege has, however, not been utilized by Primary Dealers and neither has it been enforced by the BSE or BoB, which has resulted in the fragmentation of the bond market.

10.2.2 Lack of Market Transparency

As indicated above, government bonds currently trade in the OTC market. The OTC market culminates in inefficient price discovery and market opaqueness due to the lack of systems and rules. Pricing of government bonds in the secondary market is unsystematic and inefficient with clients having to phone one or more Primary Dealers for a quote, and Dealers in turn having to phone each other prior to reverting to the client with a quote. Moreover, some of the quotes submitted by Primary Dealers are not necessarily 'tradeable' quotes. The present trading procedures and the fragmented nature of the market undermines activity in the bond market and inhibits price discovery. Further, no systematic pricing of corporate bonds in the secondary market exists as yields are not monitored on a daily basis in a systematic manner.

10.3 Bond Market Development Activities Undertaken by the BSE

It was in this background that the BSE along with BoB, NBFIRA and market participants drafted a strategy to develop the Bond Market. The BSE further contributed to this initiative by researching the bond market structure and practices in 5 Sub-Saharan countries and studied the rationality of Bond pricing formulae adopted in other countries especially in South Africa, in light of there being no standard pricing formulae adopted in the local market.

The BSE has made progress in taking action on the recommendations made in the Bond Market Development Strategy.

10.3.1 Infrastructure Development

The BSE implemented the Central Securities Depository (CSD) in 2008 and the ATS in 2012. Both the ATS and CSD have the functionality to trade, clear and settle bonds. Given the fragmented nature of the bond market and the need to agree on and finalize pricing conventions, dematerialization of bonds in the CSD has been delayed. Consequently, the trading of bonds have not yet been transferred to the ATS. Given that the ATS incorporates a pricing module and supports pricing conventions for bonds, it is sub optimal to transfer the trading of Bonds into the ATS prior to issues pertaining to pricing conventions and market fragmentation are fully resolved.

It is noted that currently BoB is the settlement bank for government bond trades

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

executed between Primary Dealers. The settlement bank of the CSD is Standard Chartered Bank. When government bond transactions are transferred to the CSD it is envisaged that BoB will continue to settle such transactions. This issue is currently under discussion between the BSE and BoB.

As detailed in the review, the trading statistics (of the equity market) show that the ATS has generally increased efficiency in trading leading to increased turnover. The ATS will do the same for the bond market. It will also promote fair price execution facilitated by a centralized pool of liquidity and help extend market reach. Market fragmentation can be eliminated if all bond transactions are conducted through the BSE and settled through the CSD.

Utilizing the ATS to trade bonds and CSDB to clear and settle bonds will not only result in the elimination of fragmentation through the creation of a central market, it will standardize pricing formulae and facilitate the participation of retail investors in the bond market in an efficient and effective manner. This too will contribute to increasing liquidity.

10.3.2. Standardizing Pricing Formulae

The inability to price a bond efficiently due to lack of price transparency contributes to illiquidity. Hence, a combination of efficient price dissemination and standardized bond formulae will help in addressing liquidity problems in the bond market. At present there are no standardized conventions used to price bonds in Botswana. This has resulted in market participants adopting their own methodology to price bonds resulting in conflicts when agreeing on a transaction price.

The BSE wrote a policy paper reviewing the bond pricing computations & conventions in the South African market and the pricing formulae adopted by the BSE for use in the ATS. This paper was presented to the Botswana bond market participants and BoB for their input. The BSE will discuss and agree the pricing formulae and conventions with the BoB prior to transferring the trading of bonds into the ATS.

10.3.3 Introduction of a Bond Index

The BSE with the assistance of Nedbank Capital initiated a project to undertake the calculation and implementation of a series of Bond Indices. The bond index series comprises of a Government Bond Index (GovI), Corporate Bond Index (CorpI) and a Composite Bond Index (BBI). The series of indices were launched in April 2013. The computation of the index was back dated from 31 December 2009.

A bond index has many uses. It will provide a benchmark for portfolio managers to determine returns of bond portfolios relative to the movement in the index. It would also form the basis for designing bond index funds and other such products. The bond index could also be used by investors to judge and objectively choose between investing in alternative debt funds.

10.3.4 Amendment of Debt Trading Rules and Listing Rules

The ATS Trading Rules for Debt Securities have been amended and approved by the BSE Main Committee whilst the Listing Rules are being drafted. Both set of rules incorporate the bond pricing conventions presented in the policy paper.

The objective of drafting separate rules for the Bond Market is to appreciate and address issues pertaining to the Bond Market which are distinct from those issues that need to be addressed in the Equity Market. This approach will enable the BSE to finetune rules to suit the specific requirements of the bond market rather than take a more generic view of regulation.

11. AUTOMATED TRADING SYSTEM

The implementation of the ATS in August 2012 completely changed the call over system of trading which was in force since the inception of the BSE. In the call over system, trading was conducted once a day and consequently each share was traded once each day. In contrast the ATS allows for trades to be conducted at the convenience of brokers over a period of 2 hours and 50 minutes each day, thus enabling brokers to

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

communicate with investors more effectively. The time period in which the market is open can be extended if there is a need to do so.

The ATS caters to both continuous trading and auctions as means of matching orders and executing trades.

The ATS has 3 boards for the purpose of matching orders during the continuous trading sessions. They are the Normal Lot Board, the Crossing Board and the All or None (AON) Board.

In the Normal Lot Board, buy and sell orders are input into a central order book. The matching of orders takes place based on a price, capacity and time criteria prioritized in that order. The minimum size of an order has been configured as 1 for equities and ETFs.

Price criteria applies where in order to gain priority in the order book an investor is required to place buy orders at a relatively higher price and input sell orders at a lower price in comparison to existing orders. In other words a buy order for a specific security at a price of P10 per share gets priority over a buy order for the same security placed at a price of less than P10 per share. The opposite applies in determining priority of a sell order.

Capacity criteria operates to differentiate orders placed by brokers on their own account (proprietary orders) as against orders placed for and on behalf of investors (agency orders). In the event a buy or sell order is placed at the same price point, an investor order (agency order) will get priority over a broker order (proprietary order) for the purpose of executing a trade.

In the event orders cannot be differentiated using either the price or capacity criteria, the ATS applies a time criteria to determine priority in the order book. Under this criteria a buy or sell order input into the system at an earlier time gains precedence over an order input at a later time. The ATS does not allow 2 orders to be sequenced at the identical time.

In the Crossings Board trades are reported as negotiated between investors. Given that price discovery does not take place at the Exchange in respect of such negotiated trades, crossing orders are subject to a price band of ±5% of the reference price in respect of equities. For debt securities the price band has been configured at ±10% of the reference yield. The reference price or yield is defined as the last traded price or yield of the security traded on the Normal Lot Board.

Orders placed on the Crossing Board are subject to a minimum quantity criteria. To be crossed a parcel of shares should exceed 5% of the issued quantity of the counter or be greater than P2 Mn in value. For debt securities this parameter has been defined as 5% of the issued quantity of the debt security or the parcel should be greater than P1 Mn in value.

The AON Board caters to transactions of large parcels and is conducted in the form of an auction. The objective of the AON Board is to facilitate large transactions on an *All Or None* basis. For the purpose of the AON Board a large block or parcel is defined as one which exceeds 10% of the issued capital of a company or a parcel with a value exceeding P5 Mn. Transactions on the AON Board remain open for 3 market days at the end of which the transaction is concluded in favour of the best counter bid or ask placed in response to the specified price of the initial order. In the event the initial order was a bid (purchase) order placed at P10 per share, the counter ask (sell) order should be placed at a price less than or equal to P10 per share. The opposite will apply in the event of an initial sell order.

The ATS facilitates different order types to be input for the convenience of investors and brokers and in order to cater to different order entry strategies. Order types that can be

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

input into the ATS include Limit Orders, Market Orders, Stop and Stop Limit Orders and orders with Volume and Time Qualifiers.

In addition to catering to continuous trading, the ATS also has functionality to match orders and execute trades using auctions. At present 3 auction sessions are in force at the BSE in addition to the 2 continuous trading sessions. These include the opening and closing auctions catered to determine the opening and closing price of securities and an interim auction.

The ATS has functionality to trade Equities, Bonds and ETFs. At present the ATS is being used to trade Equities and ETFs.

The ATS has the capacity to trade bonds using either price or yield to match orders.

At present the BSE is observing the use of the ATS by stockbrokers and will take measures to further finetune the Trading Rules if there is a need to do so.

As mentioned earlier, the main purpose of the ATS is to enable brokers to connect more effectively and efficiently with investors in order to increase turnover and liquidity in the BSE. The introduction of automated trading has led to increasing liquidity in virtually all markets without exception and there is no reason why it should not be so at the BSE. However it should be noted that the ATS is only a tool and what really increases liquidity and turnover are the strategies attached to the use of this sophisticated tool. How best the ATS should be utilized is a responsibility that needs to be shared between both brokers and the BSE.

12. BSE STRATEGY & OPERATIONAL PLANS FOR 2013

The BSE revised its Strategic Plan in 2012 and the Strategy was subsequently discussed and approved by the Main Committee at a meeting held on 6 December 2012. Management has since formulated the operational plans for 2013 based on strategic priorities that have been set in order to achieve the envisaged strategic development. The choice of strategic options have also been guided by the financial and other resources available to achieve the operational plans.

The operational plans detail key activities and action plans for 2013 required to achieve the specific strategic option. Key Performance Indicators (KPIs) for each action plan are specified in order to ascertain performance. Target dates, internal and external resources required to achieve the desired results have also been identified in the operational plans.

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

13. DEPARTMENTAL REVIEWS

13.1 CENTRAL SECURITIES DEPOSITORY (CSD)

13.1.1 Dematerialization Status of Equities

The process of dematerializing shares is ongoing and so far the response from investors has been satisfactory. As detailed in Figure 48, as at end of 2012, 48.9% of domestic company shares were dematerialised as compared to 46.4% in 2011.

Figure 48: Dematerialisation Status of Domestic Companies: 2011 and 2012

	2011	2012		
Security	**% of Shares in CSD**	**Number of Shares in Issue**	**Number of Shares Deposited into CSD**	**% of Shares in CSD**
ABCH	39.7%	232,804,201	113,435,158	48.7%
Barclays	26.1%	852,161,252	250,766,331	29.4%
BIHL	38.8%	281,070,652	270,940,459	96.4%
Chobe	41.2%	89,405,139	37,642,003	42.1%
Engen	24.3%	159,722,220	45,972,632	28.8%
FNBB	25.8%	2,563,700,000	714,739,407	27.9%
FSG	78.7%	120,875,000	106,344,030	88.0%
Furnmart	20.1%	606,446,080	134,502,090	22.2%
G4S	25.2%	80,000,000	21,712,440	27.1%
Letshego	73.6%	1,998,638,314	1,965,097,601	98.3%
Imara	73.6%	59,113,641	42,493,874	72.0%
Olympia	15.8%	28,600,000	4,525,587	15.8%
Primetime	37.0%	179,890,200	115,879,537	64.4%
RDCP	20.7%	35,357,487	9,058,676	25.6%
RPC Data	44.2%	31,482,887	14,942,174	47.5%
Sechaba	80.4%	133,014,875	107,220,627	80.6%
Sefalana	90.3%	185,724,463	168,637,225	90.8%
Stanchart	18.9%	298,350,611	66,505,392	22.3%
Turnstar	85.4%	572,153,603	534,246,109	93.4%
Wilderness	58.8%	231,000,000	85,194,302	36.9%
Cresta	20.9%	184,634,944	48,491,311	26.3%
NewGold	100.0%	798,612	798,612	100.0%
BettaBeta	100.0%	65,049	65,049	100.0%
Letlole	18.4%	280,000,000	190,700,994	68.1%
NAP	14.4%	604,397,124	90,352,478	15.0%
Choppies	Not Listed	1,174,207,583	1,151,944,253	98.1%
MARKET	**46.4%**	**12,934,772,381**	**6,318,544,438**	**48.9%**

Source: CSD Botswana

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

Figure 49: Dematerialisation of Foreign Companies: 2011 and 2012

	2011	2012		
Security	**% of Shares in CSD**	**Number of Shares in Issue**	**Number of Shares Deposited into CSD**	**% of Shares in CSD**
Aviva	75.4	2,542,256	2,204,695	86.7
A-Cap Resources	52.4	663,327	371,510	56.0
Firestone Diamonds	100.00	132,000	132,000	100.00
Lucara Diamonds	99.2	20,175,142	19,993,020	99.1
Botswana Diamonds	80.7	4,247,654	3,485,705	82.1
African Energy	100.00	137,935	137,935	100.00
Hana	Not Listed	7,422	7,422	100.00
Galane Gold	Not listed	3,800	3,800	100.00
MARKET	**91.1**	**27,909,536**	**26,336,087**	**94.4**

Source: CSD Botswana

Dematerialisation of foreign company shares in the Botswana registry is almost at 100%, with 94.4% of shares already deposited into the CSD as at end of December 2012. This is an increase of 3.3 percentage points in comparison to the 91.1% dematerialisation status in 2011.

Dematerialisation of listed company shares has been made compulsory in many markets in which CSDs have been introduced. This has been done in order to make clearing and settlement more efficient and to provide the environment for CSDs to operate effectively. It is the view of the CSD that Botswana too can benefit from such an initiative.

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

13.1.2 Progress on Account Opening

The number of authorised accounts opened by clients in the CSD (excluding joint accounts) reached 17,638 as at December 2012 in comparison to 12,886 in 2011.

Figure 51: CSDB Client Holdings by Client Category

	2011				2012			
Client Suffix	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Local Company	80.0%	68.8%	68.6%	69.4%	64.3%	66.0%	65.5%	65.7%
Foreign Company	14.1%	26.4%	26.5%	25.5%	16.8%	15.5%	17.1%	17.0%
Local Individual	4.0%	3.2%	3.3%	3.4%	17.5%	17.0%	15.9%	15.8%
Other Clients	1.9%	1.6%	1.6%	1.7%	1.4%	1.5%	1.5%	1.5%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: CSD Botswana

	2011				2012			
Domiciles of Clients	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Local Citizens	84.1%	72.1%	71.8%	72.8%	81.8%	83.0%	81.4%	81.6%
US Citizens	8.2%	10.0%	10.1%	10.5%	6.5%	6.4%	6.3%	6.3%
UK Citizens	5.3%	12.8%	12.5%	10.1%	3.4%	3.4%	3.4%	3.2%
SADC Region	N/A	N/A	N/A	N/A	3.3%	3.2%	4.6%	4.5%
Other Regions	2.4%	5.1%	5.6%	6.6%	4.9%	4.0%	4.3%	4.4%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: CSD Botswana

As detailed in Figure 51, local citizens dominate the overall holdings on the CSDB. Holdings by foreign institutional investors, especially by UK and US citizens reduced significantly in 2012 as compared to 2011.

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

13.2 MARKET DEVELOPMENT

13.2.1 Publications and Marketing Campaigns

The BSE introduced a cartoon strip titled "*Sheleng*" aimed at further sensitising the public about investing on the BSE. The cartoon, written in Setswana and English, is targeted at the retail market and is being published in local newspapers that are widely distributed throughout the country. The BSE has also composed advertisement jingles that are played on commercial radio stations in the country.

13.2.2 Market Development Activities

In a bid to reach out to investors, the Exchange has continued to pursue its market development initiatives through presentations across the country. Figure 52 contains a synopsis of the activities that have been undertaken by the BSE in 2012 in various organisations as a way of enhancing capital market awareness.

Figure 52: Public Presentations: 2012

Date	Organisation	Attendees	No. of Participants
08-Feb-12	Francistown Secondary School	Teachers & Other Staff Members	27
09-Feb-12	Maruje CJSS, Masunga	Teachers & Other Staff Members	73
22-Feb-12	Lobatse Prisons – Wellness Day	Prisons, Police & BDF Officials	88
13-Feb-12	Tutume Sub District Council – Council Meeting	Council Members & Invited Guests	45
23-Mar-12	Orapa Mine	Mine Employees	354
20-Apr-12	Office of the Ombudsman - Gaborone	Employees	19
04-May-12	Sowa Town Council	Retiring Council Employees	9
05-May-12	Sowa Town 20th Anniversary Celebration	Residents of Sowa	102
12-May-12	JAB Ghanzi Competitions	Students & Teachers of participating schools	130
23 to-29 -Jul-12	Consumer Fair	General Public	253
03-Aug-12	Ministry of Labour	Employees	43
22-Aug-12	Serowe Bridgades	Employees	90
24-Aug-12	CEDA	Employees	30
28-Aug-12	AFA	Employees	26
18-Sep-12	Ministry of Minerals, Energy and Water Resources	Employees	24
TOTAL			**1,313**

Source: BSE

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

The Exchange has entered into partnerships with the media to help promote awareness by contributing informative articles to newspapers and taking part in radio talk shows to educate the public. The BSE conducts presentations on the weekly radio programmes of "*Tsele Le Tsele*" and "*Business Twilight*" every Friday on RB1 and RB2 at 5:30pm and 4:00pm respectively. The Exchange also publishes a weekly report on "*Market Performance*" on the Botswana Government newspaper "The Daily News" every Monday.

The BSE intends to expand its reach through partnering with other radio stations and taking part in television programs to further this initiative in 2013.

13.3 PRODUCT DEVELOPMENT

The Product Development initiatives undertaken by the BSE in 2012 concentrated on the development of the Bond Market. These initiatives were detailed in Section 10 of this review dealing with "Bond Market Development".

The following is a synopsis of work carried out by the Product Development Division of the BSE in this regards.

13.3.1 A Paper on Bond Pricing Computations

The BSE drafted a paper aimed at reviewing the bond pricing computations and conventions. The paper was adopted by the BSE and the recommended bond pricing formulae were implemented in the ATS. The objective of this paper was to recommend the computation methods and pricing conventions that the BSE and the Botswana Bond Market should use for pricing fixed income instruments since as mentioned earlier, there are no standard bond market conventions in use in Botswana at present. The paper took into consideration the pricing formulae adopted in other markets and especially in South Africa.

13.3.2 Drafting of Debt Trading Rules to be Utilized in the ATS

The ATS Trading Rules for Debt Securities were drafted and approved by the BSE Main Committee prior to the ATS going live in August 2012. The Trading Rules include comprehensive details of bond pricing formulae that have been incorporated into the ATS and conventions used in such formulae.

A copy of the Bond Trading Rules was forwarded to BoB for their consideration. As discussed earlier in the review it is important for BSE and BoB to agree on the pricing formulae to be adopted. The BSE intends to discuss these issues with BoB in 2013.

13.3.3 Introduction of a Bond Index Series

The BSE appointed Nedbank Capital to undertake the calculation and implementation of a Bond Index Series. Subsequently, the BSE and Nedbank Capital held a Bond Index Formulation Workshop in Quarter 2. The workshop was aimed at discussing market needs as regards the Bond Index formulation. Nedbank Capital has since finalized the computation methodology for the Bond Indices taking into account the input of market participants.

The BSE launched a series of 3 Bond Indices in April 2013 as detailed in Section 10 of this review.

13.3.4 Promoting Efficiency of Bond Trading, Clearing & Settlement on the BSE

The BSE published a research paper reviewing the status of bond markets in five Sub-Saharan African (SSA) countries with specific focus on trading venues, trading processes, trading methodologies, clearing and settlement infrastructure, fee structure and market transparency. The countries reviewed were Botswana, Kenya, South Africa, Zambia and Ghana. The aim of the review was to understand how Botswana's bond market can be benchmarked so as to improve market efficiency and achieve an optimal market structure. The study formed the basis of the BSE's views on the strategy to develop the Bond Market.

13.4 Infrastructure Development

13.4.1 Automated Trading System (ATS)

As mentioned earlier in this report the ATS went live on 24 August 2012 and replaced the manual "Open Outcry" method of trading. The ATS system installed at the BSE is a customised version of Millennium Exchange®, a product supplied by Millennium Information Technologies (MIT), which is part of the London Stock Exchange Group. The ATS has some useful functions, which will go a long way in transforming the way the BSE conducts business. Some of the functions and specifications of the ATS include:

a) A guaranteed average order latency of 5ms. The actual average order latency recorded since the ATS went live is below 2ms.
b A guaranteed Peak order rate of 150 orders per second, with a total of 200,000 orders per day and 20,000 trades per day. These numbers can be improved with changes to software and hardware configurations.
c) An automated order submission interface, which enables the use of order submission systems by brokers and traders while at the same time facilitating Internet based trading. This interface currently supports up to 150 messages per second, which can be improved if required.
d) Market data interfaces for dissemination of real-time market data to vendors and other market participants.
e) Ability to trade multiple asset classes, including Equity, Debt and Exchange Traded Funds (ETF).

13.4.2 Upgrade of the CSD System

The CSD system was also upgraded simultaneously with the implementation of the ATS. The upgraded CSD system replaced the system that the BSE implemented in May 2008. The ATS and CSD systems are integrated and communication between the 2 systems is automated and happens in real-time. As with the ATS, the new CSD was supplied by Millennium IT and it is a customized version of their Millennium Depository® product. The new CSD system has more functionality than the old system and it provides, among others, the following benefits:

a) Ability to interface with the ATS and exchange data between the systems in real-time.
b) It is based on newer technologies, which supports latest hardware and software platforms.
c) Improvements to the available functionality including Securities Borrowing and Lending (currently being developed).

13.4.3 Challenges Experienced during 2012

While 2012 was a great year for infrastructure development, there were challenges experienced by the BSE. On 11 October 2012, one component in the electrical infrastructure of the data centre malfunctioned and resulted in the crash of the main firewall which forms part of the trading infrastructure. The time it took to replace the faulty electrical component and to restore the firewall was long and prompted the BSE to cancel trading for the day. These problems have since been rectified. The power infrastructure to the server room has been upgraded. The BSE is currently working on an additional power link between the backup generator and the data centre to improve fault tolerance of the power infrastructure.

In December 2012, while distributing the November 2012 batch of CSDB e-statements, one of the components of the e-statement system malfunctioned resulting in investors receiving jumbled e-statements. After an internal assessment, the BSE decided to decommission the system that malfunctioned and replaced it with a new e-mailing system based upon commercially available software. The new system was developed in-house.

The new e-mailing system was deployed successfully and has been in operation since January 2013.

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

Figure 53: ATS and CSD System Uptime: August to December 2012

Month	Trading Days	Hours of Uptime Note 1		% Uptime	Reason
		Actual	Max		
August	7	31.50	31.50	100	
September	20	90.00	90.00	100	
October	21	90.00	94.50	95.24	Failure of power infrastructure
November	22	99.00	99.00	100	
December	19	85.50	85.50	100	
TOTAL		**396.00**	**400.50**	**98.86**	

Note 1: Uptime is calculated for a period of 4.5 hours during which the ATS is active

13.4.4 Future Developments

As already mentioned earlier in this report, the BSE is committed to undertaking several initiatives, which aim to improve the infrastructure services offered by the Exchange. One such initiative is dissemination of trading data via data vendors. This initiative is currently ongoing.

The BSE is also working on documenting and formalizing its IT policies and procedures, together with Business Continuity procedures.

In 2013, the BSE will undertake the upgrade of its server and desktop hardware infrastructure, an initiative that will entail introducing newer technologies that will assist the BSE in improving service delivery to its increasing client base.

The BSE also aims to enable the automated order submission interface of the ATS, thus giving brokers the facility of interfacing the broker back office systems with the ATS. At a future point in time, the BSE hopes to embark on a project, in collaboration with the brokers, to introduce Internet based trading.

13.5 CORPORATE AFFAIRS

13.5.1 Securities Bill

The Committee Appointed by MFDP to review the draft Securities Bill has completed its review.

The BSE understands that the Attorney General's Chambers is currently progressing the Securities Bill to be presented to Parliament.

13.5.2 Listings Requirements

The BSE is in the process of re-drafting the BSE Listings Requirements taking into account development made in the spheres of corporate governance and disclosure requirements. This initiative will assist listed companies to enhance their standards of disclosure to investors.

13.6 LISTINGS AND TRADING

13.6.1 Compliance by Members

The BSE undertook the annual inspection of the 4 Member Firms of the BSE in February 2013. The purpose of the inspections was to assess Members' compliance with the operational aspects of the BSE Members' Rules and to assist in improving their internal controls and risk management processes.

All the Members submitted their Quarterly Management Accounts to the BSE as provided for in the rules. This enabled the BSE to monitor compliance by Members with the rules on 'Net Capital Position' and 'Clients' Funds' as detailed in the Members' Rules.

13.6.2 Trading Rules

As detailed in the Review, the Trading Rules of the BSE were re-drafted prior to the ATS being implemented in August 2012.

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

13.6.3 Listings on the BSE

The BSE listed 3 companies in 2012 being Choppies, Hana Mining and Galane Gold. Choppies listed through an IPO while Hana Mining and Galane Gold were listed through introductions. Two bonds were listed and 1 matured as detailed in Section 9 of this review.

13.7 FINANCE AND HUMAN RESOURCES

13.7.1 Staff Welfare

In 2012 the BSE undertook several activities to promote staff welfare and create awareness on issues relevant to staff members, their working environment and their personal wellbeing.

Amongst the activities undertaken included those that were spiritually oriented, workshops on personal financial management and talks on motivation. The activities also extended to social events that were aimed at strengthening team spirit.

The BSE has set up a committee of volunteers who have been entrusted with the task of organising activities in a systematic manner.

13.7.2 Organisational Structure and HR Development

The BSE firmly believes that the achievement of its vision and strategic intent depends on a suitable organizational structure, supported by an appropriate governance framework, and talent & human resource management practices.

The BSE engaged EOH consulting to review and make recommendations of its organisation structure, succession planning policy, conditions of service, job profiles, evaluation & grading of jobs and remuneration policy.

The recommendations of the report are being implemented.

13.7.3 Finance and Administration

The detailed consolidated financial performance of the BSE (BSE and CSDB) is included in the Annual Report. The synopsis of financial performance over the past 4 years is detailed in Figure 54. During the period under review the BSE has continued to consistently improve on its financial performance as evident from Figure 54. As can be seen, BSE's dependence on the government subvention has steadily reduced. In 2012 the BSE made a profit of P8.0 Mn (excluding subvention) in comparison to a profit of P3.5 Mn in 2011.

CSDB however still continues to be dependent on the subvention. As detailed in Figure 54, its dependence on the government subvention has increased from P1.3 Mn in 2011 to P1.9 Mn in 2012. The CSDB has used the subvention in 2012 to meet 33% of its administrative expenses in addition to its development expenditure.

From a consolidated point of view BSE has made a profit of P6.2 Mn excluding the subvention in 2012 as against a loss of P0.2 Mn in 2011.

Going forward, there is a need for the Government to adequately capitalize the BSE and CSDB to enable them to compete effectively with similar institutions. Once capitalized the BSE and CSDB will no longer be dependent on an annual subvention.

The BSE is awaiting the implementation of the proposed Securities Act to be able to drive forward the corporatization of the BSE and the capitalization of the BSE and CSDB.

PricewaterhouseCoopers (PWC) were the auditors of the Exchange since its inception. The BSE decided to change auditors in 2012 taking into account that PWC have been the auditors of the BSE since its inception and the accepted principles of corporate governance emphasize that external auditors should be rotated periodically. Accordingly KPMG were appointed the BSE's external auditors from 2012.

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

Figure 54: Financial Performance of BSE: 2009 to 2012

	2009 P'000			2010 P'000			2011 P'000			2012 P,000		
	BSE	CSDB	CONSOL	BSE	CSDB	CONSOL	BSE	CSDB	CONSOL	BSE	CSDB	CONSOL
INCOME												
Commission Income	2,097	1,528	3,625	2,620	1,940	4,560	2,699	2,092	4,791	2,507	1,813	4,320
Listings and Annual Sustaining fees	6,329	-	6,329	8,335	-	8,335	12,635	-	12,635	16,777	-	16,777
Other Income	208	391	600	360	304	664	751	441	1,192	529	512	1,041
Total Income from Operations	**8,634**	**1,919**	**10,554**	**11,315**	**2,244**	**13,559**	**16,085**	**2,533**	**18,618**	**19,813**	**2,325**	**2,218**
EXPENDITURE												
Development Expenditure [Note 1]	1,392	431	1,824	1,356	633	1,990	799	746	1,545	1,492	741	2,233
Administrative Expenditure	11,188	2,168	11,152	10,318	2,810	12,896	11,762	3,074	17,273	10,277	3,463	13,740
Total Expenditure	**12,580**	**2,599**	**12,976**	**11,674**	**3,443**	**14,886**	**12,561**	**3,820**	**18,818**	**11,769**	**4,204**	**15,973**
Profit/(Loss) Prior to Subvention	**(3,946)**	**(680)**	**(2,422)**	**(359)**	**(1,199)**	**(1,327)**	**3,524**	**(1,287)**	**(200)**	**8,044**	**(1,879)**	**6,165**
Subvention required to break even	3,946	680	2,422	359	1,199	1,327	-	1,287	200	-	1,879	-
Subvention received	3,646	1,166	4,812	1,591	934	2,525	4,039	3,037	7,075	3,145	4,143	7,288
Profit	(300)	(486)	2,400	1,232	(265)	1,198	7,563	1,750	6,875	11,189	2,264	13,453
Extent to which Income from operations meet administrative expenses	77%	89%	95%	100%	80%	100%	100%	80%	100%	100%	67%	100%

Note 1: Defined as Market Development and IT Expenditure.
Source: BSE

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

The BSE also recognized the need to strengthen its internal controls given the many initiatives taking place at the Exchange and the accelerated pace of change of these developments. Deloitte and Touché were appointed as the BSE's Internal Auditors in 2012.

14. REGIONAL COOPERATION AND PARTICIPATION AT CONFERENCES

The BSE continued to be active members of the Committee of Southern African Stock Exchanges (COSSE) and participated in several COSSE meetings held during the year. The BSE also participated at the African Stock Exchanges Association (ASEA) conferences held in Johannesburg and Cairo.

The CSDB was admitted as a member of African and Middle East Depository Association (AMEDA) in 2012 and participated in the AMEDA conference held in Kuwait.

15. APPRECIATION

I sincerely thank His Honour Dr. Ponatshego H. K. Kedikilwe, the Vice President of the Republic of Botswana and Honourable Kenneth Matambo, Minister of Finance and Development Planning for launching the ATS and motivating us with their words of encouragement.

The Ministry of Finance and Development Planning has always acknowledged and appreciated the contribution by the BSE to Botswana's economy. The funding of the ATS and their assistance to the Exchange is gratefully acknowledged.

The corner stone of a successful Capital Market is Regulation. I thank NBFIRA and BoB for supporting us in 2012.

The Main Committee and the several sub-committees were always there at hand to guide and support the BSE. I wish to thank the Chairman of the BSE Mr. Patrick O'Flaherty and all Committee Members for their contribution.

The BSE relies on its many stakeholders to help it achieve its objectives. The support received from Member Firms, Stockbrokers, Participants of CSDB, Settlement Bank, Listed Companies and Investors is acknowledged.

Ms Dudu Garekwe, Listings and trading Manager left the BSE in February 2013. I wish her success in her future endeavours and thank her for the contribution made to the BSE.

"People who share a common direction and sense of community can get to where they are going quicker and easier because they are travelling on the thrust of one another."
(Author unknown)

The contribution and effort by each and every staff member to the development of the BSE, especially during the testing of the ATS is gratefully acknowledged.

Hiran Mendis
Chief Executive Officer

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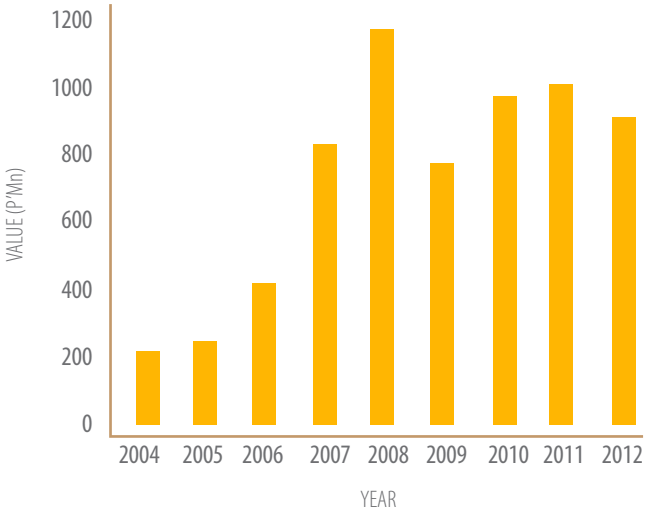
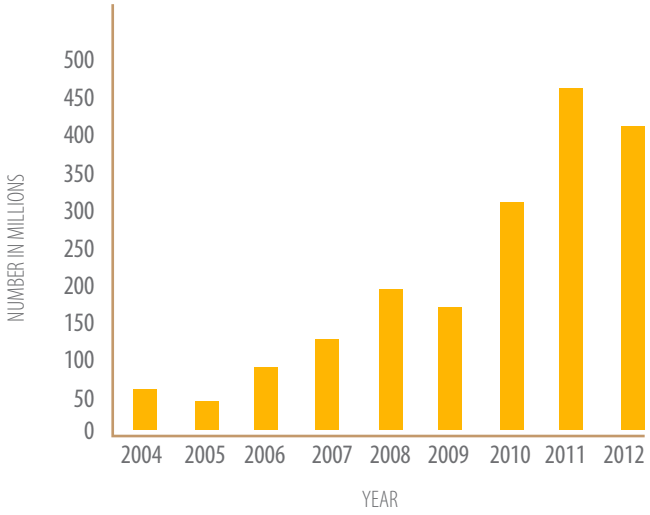
GRAPHICAL REVIEW

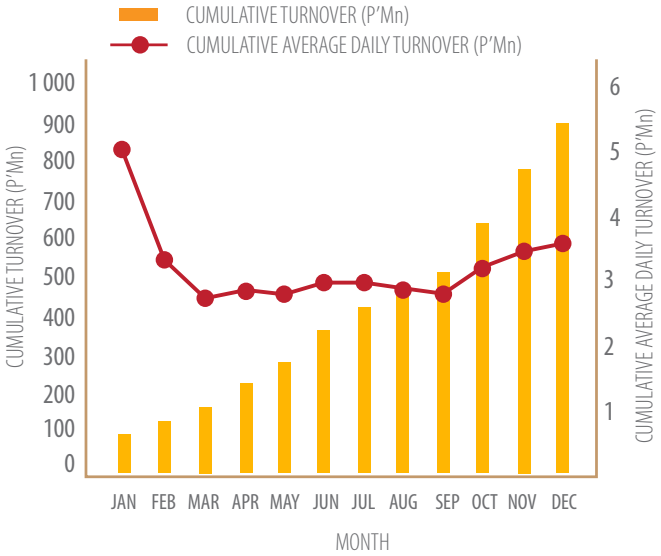
GRAPHICAL REVIEW- EQUITIES

VALUE OF SHARES TRADED

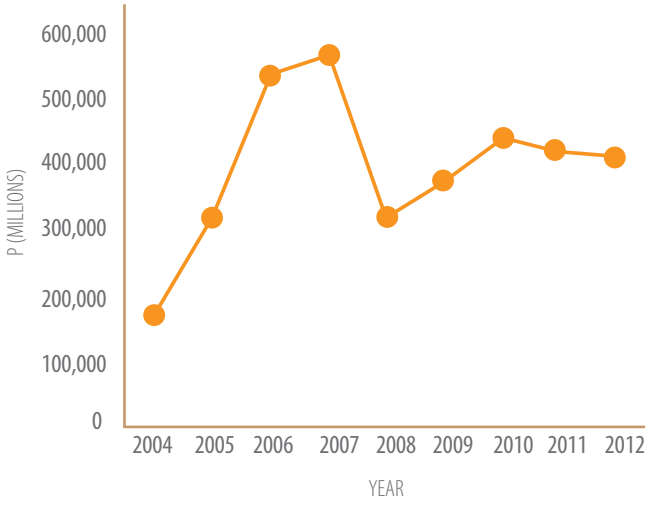


VOLUME OF SHARES TRADED

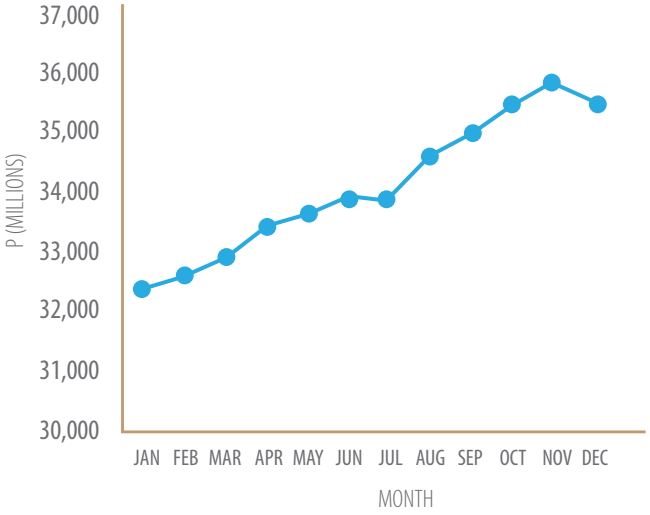




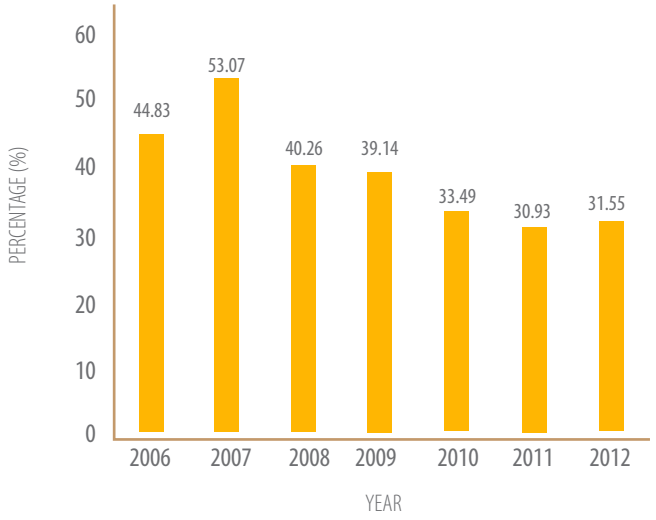
TOTAL MARKET CAPITALISATION



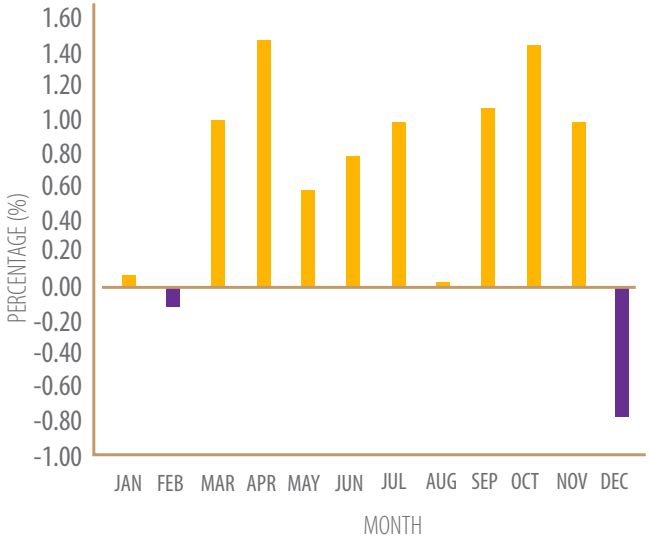
MONTHLY MARKET CAPITALISATION 2012



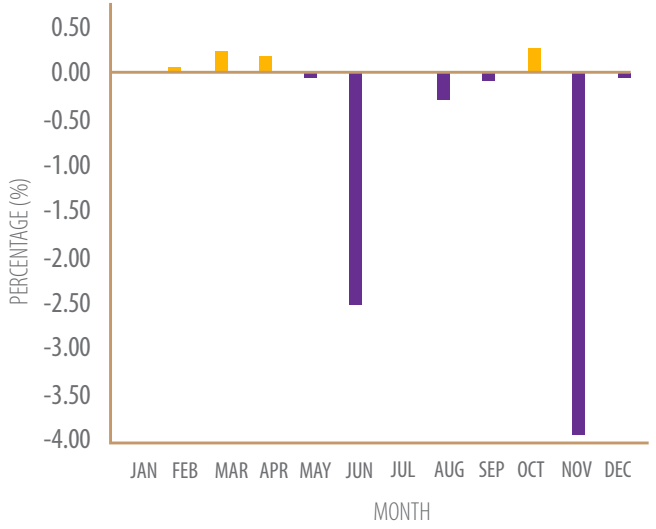
DOMESTIC MARKET CAPITALISATION AS A % OF GDP



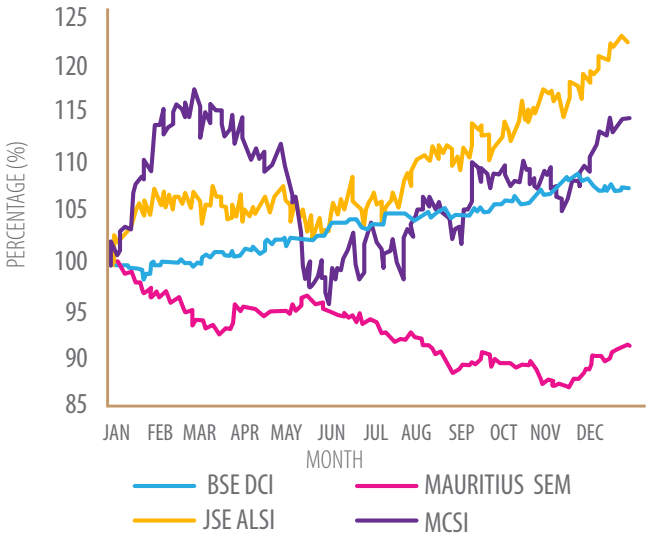
DCI % MONTHLY CHANGE

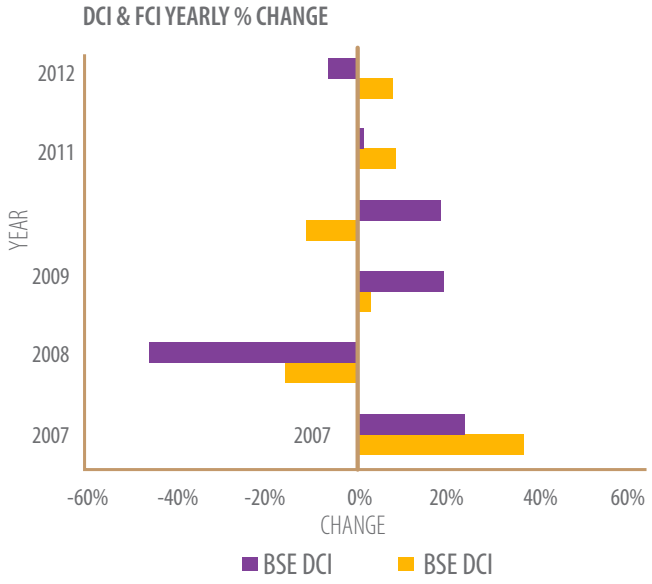


FCI % MONTHLY CHANGE

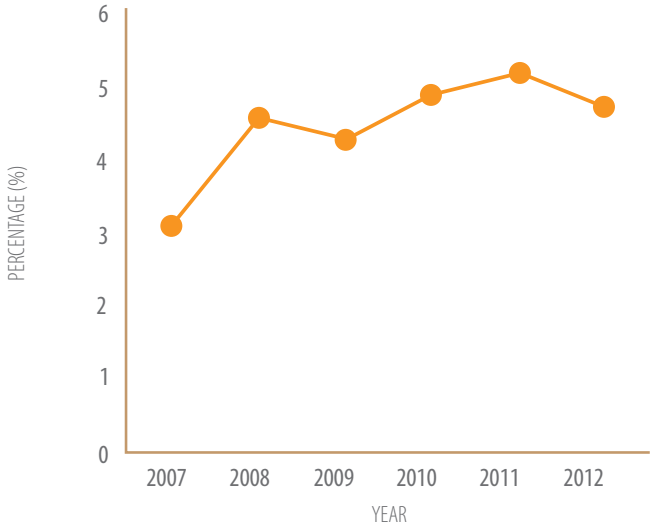


GRAPHICAL REVIEW- EQUITIES

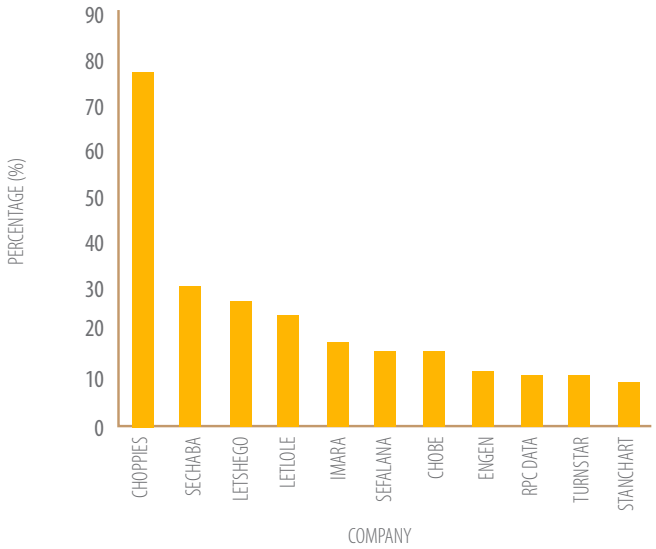




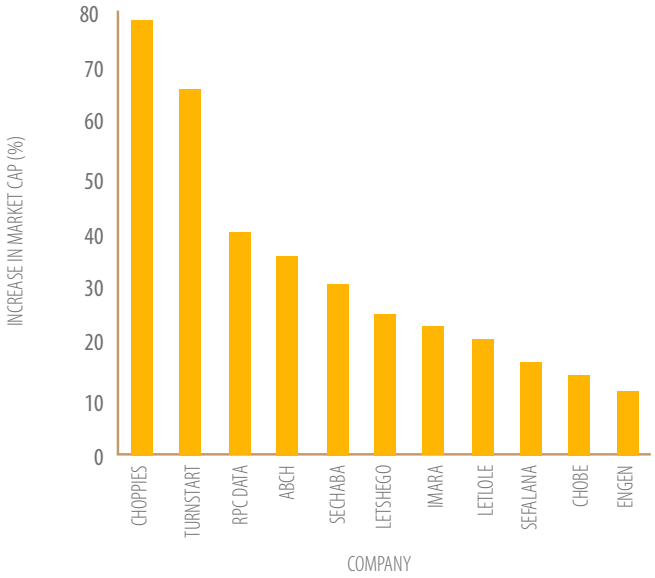
DIVIDEND YIELD



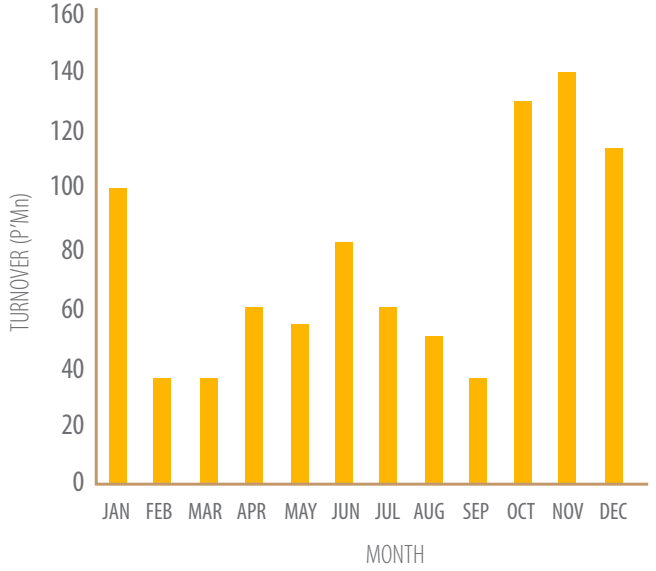
DOMESTIC COMPANIES BY GAINS IN PRICE



DOMESTIC COMPANIES BY GAINS IN MARKET CAPITALISATION



MONTHLY TURNOVER (P'Mn)



MARKET STATISTICS

Table 1: Number of Companies Listed

	2007	2008	2009	2010	2011	2012
Number of New Listings	2	2	0	2	6	3
Number of De-listings	2	2	0	3	1	1
Foreign Listings	11	11	11	9	12	13
Domestic Listings	20	20	20	21	23	24
Total	**31**	**31**	**31**	**30**	**35**	**37**

Table 2: Market Capitalization of BSE Listings: 2012

	Number of Shares	Price Per Share (P)	Market Capitalisation (P)
New Domestic Listings (IPOs)			
Choppies	1,174,207,583	1.15	1,350,338,720
New Foreign Listings (Dual)			
Galane Gold	48,381,745	7.35	355,605,826
Hana Mining	99,493,597	3.40*	338,278,230
Total	**1,322,082,925**		**2,044,222,776**

*The prices given are bid prices on the listing date. The securities made their debut trades sometime after listing

MARKET STATISTICS

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

	2007	2008	2009	2010	2011	2012
Domestic Market Capitalisation	32,702.6	27,706.1	28,536.2	26,245.7	30,694.3	35,530.8
Foreign Market Capitalisation	535,325.0	286,260.2	346,001.1	408,380.3	380,909.5	376,818.2
Total Market Capitalisation	568,027.54	313,966.31	374,537.22	434,625.97	411,603.77	412,349.01

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

	2011				2012			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
Domestic Market Capitalisation	28,395.9	29,358.6	31,469.5	30,694.3	32,910.4	33,873.5	34,962.1	35,530.8
Foreign Market Capitalisation	440,281.0	442,917.4	412,824.8	380,909.5	382,120.4	388,952.7	387,877.1	376,818.2
Total Market Capitalisation	**468,676.9**	**472,276.0**	**444,294.3**	**411,603.8**	**415,030.8**	**422,826.2**	**422,839.2**	**412,349.0**

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

	2007	2008	2009	2010	2011	2012
Banking	19,304.4	16,563.2	16,858.3	12,953.8	16,116.8	16,674.8
Financial Services & Insurance	25,391.5	19,486.8	20,466.1	21,353.5	21,574.8	24,560.7
Retailing & Wholesaling	12,978.1	3,532.9	3,134.7	2,617.5	3,098.3	6,099.8
Property & Property Trust	934.8	907.9	944.7	1,083.7	2,788.2	3,180.4
Mining & Materials	508,427.8	272,109.5	331,978.3	393,608.9	365,238.4	359,135.9
Security Services	220.0	181.1	188.8	263.0	480.0	465.6
Information Technology	18.9	15.7	7.9	7.6	7.9	11.0
Funeral Services	0.0	132.0	187.2	224.4	175.2	157.1
Energy	769.9	702.8	586.2	1,022.2	881.7	983.9
Tourism	295.4	334.4	185.1	1,491.5	1,242.6	1,079.9

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

	2011				2012			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
Banking	14,700.6	15,508.9	16,765.1	16,116.8	16,363.0	17,009.1	17,591.7	16,674.8
Financial Services & Insurance	22,160.6	21,559.7	21,286.9	21,574.8	21,994.2	21,469.7	21,464.1	24,560.7
Retailing & Wholesaling	2,732.9	2,946.2	3,163.4	3,098.3	4,738.5	5,031.5	5,656.3	6,099.8
Property & Property Trust	1,230.7	1,708.4	2,922.3	2,788.2	2,944.6	3,290.6	3,129.9	3,180.4
Mining & Materials	425,093.2	427,692.0	397,259.5	365,238.4	366,203.0	373,308.0	372,238.0	359,135.9
Security Services	271.0	301.4	394.4	480.0	492.0	473.6	474.4	465.6
Information Technology	8.2	9.4	8.2	7.9	7.9	11.0	11.0	11.0
Funeral Services	204.0	200.4	174.0	175.2	158.4	174.1	180.1	157.1
Energy	1,022.2	1,089.3	1,020.6	881.7	881.7	881.7	998.3	983.9
Tourism	1,253.7	1,260.3	1,299.9	1,242.6	1,247.6	1,177.2	1,095.3	1,079.9

Table 7: Trading Statistics as at Year ended December

	2008	2009	2010	2011	2012
Volume Traded (Mn)	193.3	167.6	308.7	458.7	409.91
Value Traded (P'Mn)	1,166.2	763.9	962.8	1,007.9	894.70
No. of Deals	5,272	4,135	4,971	5,022	6,488
Liquidity Ratio	3.9	2.7	3.5	3.5	2.7

Table 8: Trading Statistics as at Quarter ended

	2011				2012			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
Volume Traded (Mn)	88.2	181.1	39.1	150.3	75.1	88.4	70.7	175.7
Value Traded (P'Mn)	231.6	356.5	104.0	315.8	171.6	195.5806	146.3	381.3
No. of Deals	1,325	1,211	1,285	1,201	1,170	1,412	1,366	2,540

Table 9: BSE Indices as at Year ended December

	2007	2008	2009	2010	2011	2012
DCI	8,421.6	7,035.5	7,241.9	6,412.9	6,970.9	7,510.2
FCI	2,201.0	1,192.0	1,418.3	1,673.9	1,703.9	1,599.5
LASI		558.7	670.5	776.2	795.3	752.7
DFSI		835.7	911.9	771.9	862.5	911.8
FRSI		536.5	654.5	776.3	790.1	731.9
DCFFI				2,014.6	1,904.7	2,143.7
DFSFFI				3,034.1	2,825.0	3,199.1
LASFFI				1,760.5	1,677.5	1,892.1

Table 10: BSE Indices as at Quarter ended

	2011				2012			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
DCI	6,938.3	6,969.9	7,146.9	6,970.9	7,037.5	7,238.1	7389.3	7,510.2
FCI	1,802.4	1,802.7	1,850.4	1,703.9	1,709.3	1,668.0	1661.7	1,599.5
LASI	838.2	838.5	862.6	795.3	797.9	781.4	779.3	752.7
DFSI	857.0	855.1	879.6	862.5	879.4	896.6	905.4	911.8
FRSI	838.1	838.2	862.8	790.1	790.5	770.7	766.2	731.9
DCFFI	2,091.4	2,026.3	1,846.8	1,904.7	1,901.0	1,871.9	1,951.7	2,143.7
DFSFFI	3,136.5	2,989.2	2,706.0	2,825.0	2,820.5	2,723.6	2,809.9	3,199.1
LASFFI	1,822.7	1,768.0	1,626.7	1,677.5	1,676.9	1,649.1	1,719.8	1,892.1

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

2011		2012	
Company	Volume	Company	Volume
Letshego	315.00	Letshego	224.12
Turnstar	33.48	Choppies	37.74
FNBB	26.93	Turnstar	33.54
ABCH	15.07	FNBB	28.04
Sefalana	13.42	Barclays	16.48
Barclays	9.00	FSG	13.32
BIHL	8.39	NAP	7.96
RPC Data	6.84	Letlole	7.85
Primetime	6.00	Primetime	7.75
FSG	3.93	Sefalana	5.87

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

2011		2012	
Company	Value	Company	Value
Letshego	551.56	Letshego	359.22
BIHL	91.42	Barclays	114.61
FNBB	71.63	FNBB	78.64
Barclays	59.75	Choppies	69.68
ABCH	47.99	BIHL	56.13
Turnstar	45.06	Turnstar	51.40
Sefalana	38.81	Sechaba	28.19
Sechaba	26.08	FSG	18.58
Primetime	11.85	NAP	17.58
Stanchart	9.85	Sefalana	16.85

MARKET STATISTICS

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

2011		2012	
Company	**Volume**	**Company**	**Volume**
African Copper	2.471	Disc. Metals	0.947
Blue	1.862	African Copper	0.761
Disc. Metals	0.992	BOD	0.631
BOD	0.439	Blue	0.422
Aviva	0.255	Aviva	0.138
Firestone	0.084	Lucara	0.15
Lucara	0.040	A-Cap	0.040
A-Cap	0.025	AFR	0.021
CIC Energy	0.006	CIC Energy	0.014
AFR	0.003	Hana	0.007

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

2011		2012	
Company	**Value**	**Company**	**Value**
Disc. Metals	9.008	Disc. Metals	11.075
African Copper	0.996	Lucara	0.609
Blue	0.697	Anglo	0.465
Anglo	0.589	BOD	0.279
Aviva	0.361	African Copper	0.260
Lucara	0.246	Blue	0.183
Iamgold	0.242	CIC Energy	0.144
Firestone	0.238	Aviva	0.097
BOD	0.193	AFR	0.057
CIC Energy	0.158	A-Cap	0.047

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

2011		2012	
Company	**Market Cap**	**Company**	**Market Cap**
FNBB	6,819.44	FNBB	7,178.36
Barclays	5,879.91	Barclays	5,581.66
Letshego	3,037.05	Letshego	3,817.40
BIHL	2,743.25	Stanchart	2,983.51
Stanchart	2,732.84	BIHL	2,909.08
Sechaba	1,602.83	Choppies	2,407.13
NAP	1,329.67	Sechaba	2,093.65
Furnmart	970.31	NAP	1,323.63
WIL	900.90	Furnmart	988.51
Engen	881.67	Engen	983.89

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

2011		2012	
Company	Market Cap	Company	Market Cap
Anglo	355,810.64	Anglo	347,612.36
Investec	14,814.01	Investec	14,814.01
Disc. Metals	4,323.06	Disc. Metals	6,287.00
Lucara	2,099.80	Blue	2,758.64
Firestone	845.55	Lucara	1,881.46
AFR	783.30	Firestone	1,093.70
Blue	732.50	AFR	957.30
CIC Energy	659.80	Hana	392.00
A-Cap	347.73	GG	355.61
African Copper	334.37	African Copper	250.78

MARKET STATISTICS

Table 17: Bond Market Statistics: 2012

Bond Code	Maturity Date	Nominal amount (P)	Coupon Rate %	Trade (P)
BBB001	30/10/2014	100,000,000		-
BBS002	15/12/2016	115,000,000	12.00	-
BBS004	26/11/2019	75,000,000	11.10	-
BBS005	03/12/2023	150,000,000	11.20	-
BBS006	04/08/2018	110,000,000		-
BHC017	10/12/2017	286,000,000		-
BHC 020	10/12/2020	103,000,000	10.10	-
BW003	31/10/2015	1,642,000,000	10.25	88,349,894
BW005	12/09/2018	1,233,000,000	10.00	121,791,197
BW007	05/03/2025	1,095,000,000	8.00	24,979,862
BW008	08/09/2020	558,000,000	7.75	23,966,355
BW009	11/09/2013	433,000,000	7.25	7,191,869
BW010	08/03/2017	368,000,000	7.75	47,879,950
BVI001	07/05/2018	70,000,000	11.23	-
BVI002	14/07/2015	50,000,000		-
DPCF003	02/06/2013	225,000,000	10.31	-
DPCF004	02/06/2016	220,000,000	10.45	-
DPCF005	02/06/2019	100,000,000	10.60	-
DPCF006	02/06/2022	55,000,000	10.75	-
DPCF007	02/06/2025	35,000,000	10.90	-
FML015	12/07/2015	50,000,000		-
NDB001	01/08/2017	165,000,000	11.25	8,000,000
SBBL003	01/06/2017	100,000,000	10.50	-
SBBL046	11/06/2018	50,000,000		-
SBBL048	11/06/2015	175,000,000	10.70	10,000,000
SBBL049	13/08/2018	50,000,000		-
SBBL052	17/12/2018	50,000,000		-
SBBL056	13/06/2021	50,000,000		-
SCBB003	20/12/2015	50,000,000	10.50	-
SCBB005	27/11/2017	75,000,000		-
SCBB006	12/05/2021	70,000,000		-
SCBB007	27/06/2022	50,000,000		-
SCBB008	27/06/2022	127,260,000	8.20	-
WU001	26/06/2018	195,000,000	10.65	-
WU002	26/06/2026	205,000,000	10.60	-
TOTAL		**8,485,260,000**		**332,159,128**

MARKET STATISTICS

Table 18: Bond Market Capitalization by Sector: 2012

Bonds	Maturity Date	Issue Size
Government		
BW003	23/03/2015	1,642,000,000
BW005	12/08/2018	1,233,000,000
BW007	05/03/2025	1,095,000,000
BW008	08/09/2020	558,000,000
BW009	11/09/2013	433,000,000
BW010	08/03/2017	368,000,000
		5,329,000,000
Quasi		
DPCF003	02/06/2013	225,000,000
DPCF004	02/06/2016	220,000,000
DPCF005	02/06/2019	100,000,000
DPCF006	02/06/2022	55,000,000
DPCF007	02/06/2025	35,000,000
		635,000,000
Parastatals		
BHC017	10/12/2017	286,000,000
BHC018	10/12/2020	103,000,000
BHC019	07/05/2018	70,000,000
BHC020	14/07/2015	50,000,000
BHC021	01/08/2017	165,000,000
BHC022	26/06/2018	195,000,000
BHC023	26/06/2026	205,000,000
BHC024	15/12/2016	115,000,000
BHC025	26/11/2019	75,000,000
BHC026	03/12/2023	150,000,000
BHC027	04/08/2018	110,000,000
		1,524,000,000
Corporate		
BBB001	30/10/2014	100,000,000
FML015	12/07/2015	50,000,000
SBBL003	01/06/2017	100,000,000
SBBL046	11/06/2018	50,000,000
SBBL048	11/06/2015	175,000,000
SBBL049	13/08/2018	50,000,000
SBBL052	17/12/2018	50,000,000
SBBL056	13/06/2021	50,000,000
SCBB003	20/12/2015	50,000,000
SCBB005	27/11/2017	75,000,000
SCBB006	12/05/2021	70,000,000
SCBB007	27/06/2022	50,000,000
SCBB008	27/06/2022	127,260,000
		997,260,000
TOTAL		**8,485,260,000**

GOVERNANCE

CORPORATE GOVERNANCE

1. MAIN COMMITTEE

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

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

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

MEMBER	POSITION	DATE AND PERIOD OF APPOINTMENT
Elected Members		
Patrick O'Flaherty	Chairperson	First elected 2010
Martin Makgatlhe	Vice-Chairperson	First elected 1998
Seleka Mokama	Treasurer	First elected 2008
Lipalesa Siwawa*	Member	First elected 2008
Kabelo Mohohlo	Member	Elected on May 2011
Gregory Matsake**	Member	Elected on May 2012
Kennedy Kgomanyane*	Member	Elected on September 2011
Goitseone Kgaodi**	Member	Elected on May 2012
Appointed Members		
Peter Takirambudde***	Member	First appointed 2009
Iponeng Sennanyana	Member	First appointed 2010
Elaina Gonsalves	Member	Appointed on October 2011

*Resigned with effect from May 2012

** Elected on May 2012

***Resigned with effect from July 2012

2. BOARD SUB-COMMITTEES

2.1 Listings and Trading Sub-Committee

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

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

MEMBER	ATTENDANCE
Patrick O'Flaherty	2/2
Seleka Mokama	1/2
Kabelo Mohohlo	2/2
Martin Makgatlhe	0/2

2.2 Audit sub-committee

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

The members of the Audit sub-committee are:

MEMBERS	ATTENDANCE
Iponeng Sennanyana	9/9
Seleka Mokama	7/9
Elaina Gonsalves	7/9
Kennedy Kgomanyane*	2/4
Gregory Matsake**	3/5

*Resigned with effect from May 2012

**Elected on May 2012

2.3 Investigations and Disciplinary sub-committee

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

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

MEMBERS	ATTENDANCE
Iponeng Sennanyana	3/3
Peter Takirambudde*	1/3
Elaina Gonsalves	1/3

*Resigned with effect from July 2012

2.4 Governance and Remuneration sub-committee

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

The members of Governance and Remuneration sub-committee are:

MEMBERS	ATTENDANCE
Elaina Gonsalves	2/4
Iponeng Sennanyana	4/4
Peter Takirambudde*	0/4

*Resigned with effect from July 2012

2.5 Botswana Stock Exchange Security Fund sub-committee

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

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

MEMBERS	ATTENDANCE
Martin Makgatlhe	1/1
Kabelo Mohohlo	1/1

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

Members	Main Comm.	Listings & Trading	Audit	Invest. & Dis-cip.	Gov.& Renum.	Security Fund	BSE AGM
P.O'Flaherty	7/7	2/2					1
M. Makgatlhe	3/7					1/1	1
S. Mokama	5/7	1/2	7/9		1/4		1
G. Kgaodi**	4/5						
L. Siwawa*	1/2						
I. Sennanyana	7/7		9/9	3/3	4/4		1
P.Takirambudde***	1/3			1/3			1
G. Matsake**	4/5		3/5				
K. Mohohlo	5/7	2/2				1/1	1
K. Kgomanyane*	1/2		2/4				1
E. Gonsalves	6/7		7/9	1/3	2/4		

*Resigned with effect from May 2012
** Elected on May 2012
***Resigned with effect from July 2012

COMMITTEE FEES

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

STRATEGY

BSE STRATEGIC PILLARS

BSE STRATEGIC VISION

1. PROGRESS ON THE BSE STRATEGY

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

1.1 INFRASTRUCTURE DEVELOPMENT

- CSD implemented in May 2008, followed by subsequent shares dematerialisation
- Dematerialisation of shares continuing satisfactorily in the CSD System
- Electronic CSD account statements launched in 2010
- Dematerialisation of bonds into the CSD System commenced in 2011
- More than 17,600 investor accounts opened as at end of December 2012
- More than 48% of domestic companies were dematerialised as at end of December 2012
- IT infrastructure improved to implement the ATS for Equity and Debt instruments
- ATS contract was awarded in October 2011
- Automated Trading System (ATS) was implemented in August 2012

1.2 REGULATION

- Settlement cycle of transactions in the BSE reduced from T+5 to T+4, and T+3 effective 2012
- Code on corporate governance for listed companies implemented in 2008
- CSD rules drafted by BSE and implemented in 2008
- Strategies implemented to improve compliance by listed companies
- Committee appointed by MFDP to review the draft Securities Bill completed its review and recommended several amendments which have now been incorporated into the draft bill. The Securities Bill is expected to be presented to Parliament in due course.
- BSE awaiting enactment of Securities Bill to enable it to proceed on several development initiatives which will include the corporatization of the BSE

CORPORATE STRATEGY

- BSE took over role of drafting Member Rules in Quarter 4 of 2009. In 2010 the responsibility to draft Member Rules was taken over by NBFIRA
- Trading Rules expected to undergo extensive revision subsequent to the implementation of the ATS

1.3 MARKET DEVELOPMENT

- Improvements made to BSE publications
- Selected BSE publications translated into Setswana
- Series of road shows held nationwide to educate general public about the BSE
- BSE also participated at exhibitions and fairs around the country
- Continued awareness creation campaigns conducted targeting retail investors
- Commenced awareness creation on the listing process targeted at companies with the potential to list
- Promoted publicity of the BSE operations by inviting the public to view live BSE trading sessions
- Held Conferences and workshops to market the BSE brand, product development and strategy. These conferences are; ***Creating Wealth for Batswana*** in 2007, ***Exchange Traded Funds*** in 2008, ***Securitisation and the Bond Market*** in 2008, ***Credit Rating Workshop*** in 2008.
- Strategic alliances with key institutions fostered
- Partnered with Botswana Television to sponsor the business segment of the "*Daily Breakfast Show*"
- Partnered with the media by contributing articles and taking part in radio and television talk shows
- BSE conducting market performance presentations on RB1 programmes of "*Tsele le Tsele*" and "*Masa-a-sele*" and the RB2 programme of "*Business Elevation*"
- BSE published a cartoon strip booklet titled "*Sheleng*"
- ATS snippets on YaRona FM ran after ATS implementation
- ETFs snippets on YaRona FM aired to advertise ETFs

1.4 PRODUCT DEVELOPMENT

- Dual listed the Bettabeta Equally Weighted Top 40 ETF in May 2011 in conjunction with Nedbank Capital
- Series of indices constructed using "total return" methodology
- Series of indices based on "free float" constructed
- Library to assist research established
- Strategic Alliances formed with Absa Capital SA & Nedbank Capital to implement ETFs in the BSE
- Dual listed the NewGold Exchange Traded Fund in July 2010 in partnership with Absa Capital
- Nedbank Capital made several presentations to fund managers, brokers and other interested parties to raise aware on the BettaBeta ETF in 2011
- Bond Market Association established in 2010, with representation from several market participants
- Consolidated the Bond Market Development Strategy Paper
- Partnered with Geometric Progression CC of South Africa to conduct financial market courses since 2010
- Held several meetings with strategic partners to appraise them of the BSE's plans to introduce Contract for Difference (CFDs)
- Concept papers on CFDs approved by BSE Board
- Compiled a research paper aiming at providing findings and recommendations for promoting the trading, clearing and settlement of government bonds through the BSE to enhance liquidity, price discovery and the development of a market determined yield curve.
- Amended Debt Listing and Trading Rules in 2012
- BSE reviewing Debt Listing Requirements
- Formulating a Bond Index that is expected to be launched early 2013
- Bond Index Calculations commenced in November 2012

1.5 ORGANISATION STRUCTURE AND HUMAN RESOURCE DEVELOPMENT

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

1.6 GOVERNANCE STRUCTURE

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

1.7 FINANCIAL RESOURCES

- BSE fees on transactions rationalised to reduce dependence on government subvention
- BSE Strategic plan review in progress aimed at Commercialisation of the Exchange

GROUP ANNUAL FINANCIAL STATEMENTS

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STATEMENT OF THE MAIN COMMITTEE'S RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2012

The Main Committee of Botswana Stock Exchange (the "Exchange") is responsible for the preparation and fair presentation of the annual group financial statements, comprising of the Exchange and group statements of financial position at 31 December 2012 and the statements of comprehensive income, changes in equity and cash flows for year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information, in accordance with International Financial Reporting Standards.

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

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

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

The financial statements set out on pages 96 to 125 and the supplementary information on page 126 to 128 were authorised for issue by the Main Committee on 26 April 2013 and are signed on its behalf by:

MEMBER

MEMBER

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE MAIN COMMITTEE OF THE BOTSWANA STOCK EXCHANGE

We have audited the annual group and company financial statements of Botswana Stock Exchange (the "Exchange"), which comprise the consolidated and separate statements of financial position at 31 December 2012 and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 96 to 125.

Main Committee's responsibility for the group financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present a true and fair view of the consolidated and separate financial position of Botswana Stock Exchange at 31 December 2012 and of its consolidated and separate financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG
Certified Auditors
Practising member: AG Devlin - 19960060.23

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STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	GROUP		EXCHANGE	
		2012	Restated 2011	2012	2011
		P	P	P	P
Revenue	1	21 594 964	17 813 497	19 300 420	15 351 397
Government subvention	16	7 287 770	7 075 500	3 144 970	4 038 500
Other income		60 277	487 271	60 164	487 271
Income		28 943 011	25 376 268	22 505 554	19 877 168
Administrative expenses	2	(15 973 014)	(18 818 273)	(11 769 185)	(12 560 255)
Operating profit		12 969 997	6 557 995	10 736 639	7 316 913
Finance income	4	482 158	318 627	452 152	246 713
Profit before income tax		13 452 155	6 876 622	11 188 521	7 563 626
Income tax expense	5	-	-	-	-
Profit for the year		13 452 155	6 876 622	11 188 521	7 563 626
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		**13 452 155**	**6 876 622**	**11 188 521**	**7 563 626**

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Notes	GROUP 2012	GROUP Restated 2011	EXCHANGE 2012	EXCHANGE 2011
		P	P	P	P
ASSETS					
Non-current assets					
Plant and equipment	7	3 294 275	1 538 333	1 453 378	1 529 785
Investment in subsidiary	6	-	-	100	100
		3 294 275	1 538 333	1 453 478	1 529 885
Current assets					
Trade and other receivables	8	3 430 302	596 102	7 278 726	2 731 304
Tax refundable		276 603	-	-	-
Money market investment	9	17 293 236	-	17 293 236	-
Cash on hand and at bank	10	7 297 131	15 861 014	4 904 307	13 252 659
		28 297 272	16 457 116	29 476 269	15 983 963
Total assets		31 591 547	17 995 449	30 929 747	17 513 848
EQUITY					
Capital and reserves					
Proprietary rights capital	11	5 200	5 200	5 200	5 200
Rights premium		777 476	777 476	777 476	777 476
Retained earnings		23 396 590	13 966 211	20 786 918	13 620 173
		24 179 266	14 748 887	21 569 594	14 402 849
Non-current liabilities					
Deferred lease liability	14	70 529	100 739	70 529	100 739
Current liabilities					
Trade and other payables	12	3 208 737	1 328 523	5 156 609	1 192 960
Amounts due to the Botswana Stock Exchange Security Fund	13	4 021 776	1 762 563	4 021 776	1 762 563
Deferred lease liability	14	-	54 737	-	54 737
Bank overdraft	10	111 239	-	111 239	-
		7 341 752	3 145 823	9 289 624	3 010 260
Total equity and liabilities		31 591 547	17 995 449	30 929 747	17 513 848

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Proprietary Rights Capital	Rights Premium	Retained Income	Total
	P	P	P	P
GROUP				
Year ended 31 December 2011				
Balance at 1 January 2011	5 200	777 476	8 852 152	9 634 828
Previously reported profit for the year	-	-	6 789 829	6 789 829
Prior period adjustment	-	-	86 793	86 793
Transfer to the Botswana Stock Exchange Security Fund (note 13)	-	-	(1 762 563)	(1 762 563)
Balance at 31 December 2011	5 200	777 476	13 966 211	14 748 887
Year ended 31 December 2012				
Balance at 1 January 2012	5 200	777 476	13 966 211	14 748 887
Profit for the year	-		13 452 155	13 452 155
Transfer to the Botswana Stock Exchange Security Fund (note 13)	-	-	(4 021 776)	(4 021 776)
Balance at 31 December 2012	5 200	777 476	23 396 590	24 179 266

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Proprietary Rights Capital	Rights Premium	Retained Income	Total
	P	P	P	P
EXCHANGE				
Year ended 31 December 2011				
Balance at 1 January 2011	5 200	777 476	7 819 110	8 601 786
Profit for the year	-	-	7 563 626	7 563 626
Transfer to the Botswana Stock Exchange Security Fund (note 13)	-	-	(1 762 563)	(1 762 563)
Balance at 31 December 2011	5 200	777 476	13 620 173	14 402 849
Year ended 31 December 2012				
Balance at 1 January 2012	5 200	777 476	13 620 173	14 402 849
Profit for the year	-	-	11 188 521	11 188 521
Transfer to the Botswana Stock Exchange Security Fund (note 13)	-	-	(4 021 776)	(4 021 776)
Balance at 31 December 2012	5 200	777 476	20 786 918	21 569 594

In terms of the Botswana Stock Exchange Act, 1994, section 72(3), the Exchange is required to transfer annually, the greater of P 5 000 or half of the Exchange's annual profit to Botswana Stock Exchange Security Fund (note 13).

STATEMENTS OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	GROUP		EXCHANGE	
		2012	Restated 2011	2012	2011
		P	P	P	P
Cash flows from operating activities					
Cash generated from operations	15	12 649 974	6 225 167	10 614 986	4 561 528
Provisional tax payments		(276 603)	-	-	-
Cash generated from operating activities		12 373 371	6 225 167	10 614 986	4 561 528
Cash flows from investing activities					
Purchase of property, plant and equipment	7	(2 474 852)	(561 999)	(470 930)	(561 999)
Interest received	4	482 158	318 627	452 152	246 713
Net cash used investing activities		(1 992 694)	(243 372)	(18 778)	(315 286)
Cash flows from financing activities					
Amounts paid to Botswana Stock Exchange Security Fund	13	(1 762 563)	(5 000)	(1 762 563)	(5 000)
Net cash used in financing activities		(1 762 563)	(5 000)	(1 762 563)	(5 000)
Increase in cash and cash equivalents		8 618 114	5 976 795	8 833 645	4 241 242
Cash and cash equivalents at beginning of year		15 861 014	9 884 219	13 252 659	9 011 417
Cash and cash equivalents at the end of year	10	24 479 128	15 861 014	22 086 304	13 252 659
Cash and cash equivalents comprise:					
-Cash on hand and cash at bank		7 297 131	15 861 014	4 904 307	13 252 659
-Money market investment		17 293 236	-	17 293 236	-
-Bank overdraft		(111 239)	-	(111 239)	-
		24 479 128	15 861 014	22 086 304	13 252 659

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2012

1. Reporting entity

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

2. Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

The financial statements are prepared on a historical costs basis.

2.3 Functional and presentation currency

The group's financial statements are presented in Pula, which is the group's functional currency.

2.4 Use of estimates and judgements

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

3. Standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted

The following new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2012, and have not been applied in preparing these financial statements.

- ***Amendment to IAS 1 Presentation of Financial Statements:*** The amendment requires an entity to present those items of other comprehensive income that may be reclassified to profit or loss in the future separately from those that would never be reclassified to profit or loss. The related taxation effects for the two sub-categories have to be shown separately. This is a change in presentation and will have no impact on the recognition or measurement of items in the financial statements. This amendment will be applied retrospectively and the comparative information will be restated. The amendment, which becomes effective for the entity's 2013 financial statements, is not expected to have any impact on its financial statements.

- ***Amendment to IFRS 1 Government Loans:*** The amendment addresses, how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRSs. The amendments mirror the requirements for existing IFRS preparers in relation to the application of amendments made to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance in relation to accounting for government loans. The amendment, which becomes effective for the entity's 2013 financial statements, is not expected to have any impact on its financial statements.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2012

3. Standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted (continued)

Amendments to IAS 19 Employee Benefits: Defined benefit plans: This amendment requires actuarial gains and losses to be recognised immediately in other comprehensive income. The corridor method and the recognition of actuarial gains and losses in profit or loss are no longer permitted. Past service costs as well as gains and losses on curtailments/settlements are recognised in the statement of comprehensive income. Expected returns on plan assets are calculated based on the rates used to discount the defined benefit obligation. The definitions of short-term and other long-term employee benefits have been amended and the distinction between the two depends on when the entity expects the benefit to be settled. The amendment, which becomes effective for the entity's 2013 financial statements, is not expected to have any impact on its financial statements.

- ***IAS 27 (2011) Separate Financial Statements: IAS 27 (2011) supersedes IAS 27 (2008).*** IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The standard, which becomes effective for the entity's 2013 financial statements, is not expected to have any impact on its financial statements.

- ***IAS 28 Investments in Associates and Joint Ventures (2011):*** IIAS 28 (2011) supersedes IAS 28 (2008) and carries forward the existing accounting and disclosure requirements with limited amendments. The amendments specifies that IFRS 5 is applicable to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held-for-sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not re-measure the retained interest. The standard, which becomes effective for the entity's 2013 financial statements, is not expected to have any impact on its financial statements.

- ***IFRS 11 Joint Arrangements:*** The standard will be applied retrospectively, subject to certain transitional provisions. The standard establishes that classification of the joint arrangement depends on whether parties have rights to and obligations for the underlying assets and liabilities. According to the standard, joint arrangements are divided into two types, each having its own accounting model:
  - » Joint operations whereby the jointly controlling parties, known as joint operators, have rights and obligations for the liabilities, relating to the arrangement, or
  - » Joint ventures whereby the joint controlling parties, known as joint ventures, have rights to the net assets of the arrangement.

  In terms of the standard, all joint ventures will have to be equity accounted. The standard, which becomes effective for the entity's 2013 financial statements, is not expected to have any impact on its financial statements.

- ***IFRS 12 Disclosure of Interests in Other Entities:*** The standard combines the disclosure requirements for subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities in a single standard. The required disclosures aim to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows. The adoption of the new standard will increase the level of disclosure provided for an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The standard, which becomes effective for the entity's 2013 financial statements, is not expected to have any impact on its financial statements.

- ***IFRS 13 Fair Value Measurement:*** The standard will be applied prospectively and comparatives will not be restated. The standard introduces a single source of guidance on fair value measurement for both financial and non-financial assets and liabilities by defining fair value, establishing a framework for measuring fair value and setting out disclosures requirements for fair value measurements. The key principles in the standard are as follows:

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2012

3. Standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted (continued)

- Fair value is an exit price;
- Measurement considers characteristics of the asset or liability and not entity-specific characteristics;
- Measurement assumes a transaction in the entity's principle (or most advantageous) market between market participants;
- Price is not adjusted for transaction costs; and
- Measurement maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

The three-level fair value hierarchy is extended to all fair value measurements.

The standard, which becomes effective for the entity's 2013 financial statements, will require additional disclosures with regards to the fair value models and applications applied to the entity's financial and non-financial assets and liabilities.

- ***IFRS 9 (2009) Financial Instruments:*** The standard addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39. Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host. The standard, which becomes effective for the entity's 2015 financial statements, is not expected to have a significant impact on its financial statements.

- ***IFRS 9 (2010) Financial Instruments:*** The standard addresses the measurement and classification of financial liabilities and will replace the relevant sections of IAS 39. Under IFRS 9, the classification and measurement requirements of financial liabilities are the same as per IAS 39, except for the following two aspects:

  - Fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, that are attributable to the changes in the credit risk of the liability will be presented in other comprehensive income. The remaining amount of the fair value change is recognised in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed.
  - Derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value.

  The standard, which becomes effective for the entity's 2015 financial statements, is not expected to have a significant impact on its financial statements.

- ***IFRS 10: Consolidated financial statements*** introduce a single control model to assess whether an investee should be consolidated. This control model requires entities to perform the following in determining whether control exists:
  - Identify how decisions about the relevant activities are made,
  - Assess whether the entity has power over the relevant activities by considering only the entity's substantive rights,
  - Assess whether the entity is exposed to variability in returns, and
  - Assess whether the entity is able to use its power over the investee to affect returns for its own benefit.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2012

3. Standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted (continued)

Control should be assessed on a continuous basis and should be reassessed as facts and circumstances change. The standard, which becomes effective for the entity's 2013 financial statements, is not expected to have any impact on its financial statements

4. Basis of consolidation

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating policies, etc. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

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

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

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

5. Plant and equipment

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

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

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

Leasehold improvements	the lower of period of lease and ten years
Office equipment	4 - 10 years
Motor vehicles	3 - 5 years
Furniture and fittings	8 - 10 years

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

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2012

5. Plant and equipment (continued)

When the carrying amount of the assets exceeds its recoverable amount, the carrying value of the asset is adjusted to its recoverable amount through the statement of comprehensive income.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are recognised in the statement of comprehensive income.

6. Foreign currency translation

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

7. Cash and cash equivalents

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

8. Trade and other receivables

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

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

9. Trade and other payables

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

10. Provisions

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

11. Employee benefits

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

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2012

11. Employee benefits (continued)

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

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

12. Taxation

The group is exempt from income taxation in accordance with paragraph XV of part 1 of the second schedule to the Income Tax Act (Chapter 52.01). Central Securities Depository Company of Botswana Limited received its tax exemption certificate in 2013 from Botswana Unified Revenue Services ("BURS"). BURS has concurred to cancel all income tax assessments previously issued to the Company and refund tax paid to date. Consequent to the preceding explanation, no provision for current and deferred taxation have been recognised in the financial statements.

13. Proprietary rights

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

14. Botswana Stock Exchange Security Fund

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

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

15. Leases

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

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

16. Revenue recognition

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

i. Botswana Stock exchange fees

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

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2012

16. Revenue recognition (continued)

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

iv. Annual sustaining fees

Annual sustaining fee is recognised on a time proportion basis 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 transaction value (for both the buyer and the seller) which is charged at 0.1% on the transaction value. Revenue is recognised on the trading date unless collectability is in doubt.

vii. Other income

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

17. Government subvention

Monetary Government subventions are recognised at their fair value where there is reasonable assurance that the company will comply with all attached conditions. Grants relating to costs are deferred and recognised in the statement of comprehensive income 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 government group does not own the automated trading system used in its operations. The software has been provided by the government of Botswana at no cost.

18. Financial instruments

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

Financial assets

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and determined at the time of initial recognition.

- Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets.

- Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2012

18. Financial instruments (continued)

- Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the statement of financial position.

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

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in the statement of comprehensive income incorporates any interest paid on the financial liability.

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

FINANCIAL RISK MANAGEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

1. Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including price risk, cash flow and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance. Risk management is carried out under the guidance of the directors. The board of directors provides guidance for overall risk management, as well as guidance covering specific areas, such as foreign currency risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity as appropriate.

(a) Market risk

(i) Price 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 price risk.

(ii) Cash flow and fair value interest rate risk

The group has an interest bearing money market investment (see note 9). The fair value of the fund's principal amount is not significantly affected by any market fluctuations and can be partly or fully withdrawn without penalties subject to a 48 hour notice period to the investee. The group's income and operating cash flows are substantially independent of changes in market interest rates. The group manages interest risk by ensuring that excess funds are invested in interest bearing accounts.

(b) Credit risk

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables from brokers and committed transactions. Management assesses the credit quality of participants, taking into account their financial position, past experience and other factors. Regular financial statements of broking companies are reviewed and form the basis for managing credit risks.

Credit quality of financial assets

All receivables are reviewed for impairment. Trade receivables that are less than three months past due are not considered impaired. The ageing of trade receivables that were past due but not impaired is disclosed in note 8.

Overdue listing, commission and annual sustaining fees are monitored for collectability and settlement periods rigorously monitored in line with the Stock Exchange listing and member rules. Management does not expect any losses from non-performance by these counterparties.

The table next page shows an age analysis of fee receivables at their carrying value respectively as at the statement of financial position date.

FINANCIAL RISK MANAGEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

1. Financial risk factors (continued)

(b) Credit risk (continued)

	Total	Fully performing	Past due	Impaired
GROUP	P	P	P	P
At 31 December 2012				
Fee receivables	1 323 610	1 188 796	134 814	Nil
EXCHANGE				
Fee receivables	1 249 482	1 128 767	120 715	Nil
GROUP				
At 31 December 2011				
Fee receivables	139 461	81 026	58 435	Nil
EXCHANGE				
Fee receivables	54 500	31 853	22 647	Nil

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The group does not hold any collateral as security.

The table below shows the credit limit and balance of the major counterparties at the statement of financial position date.

GROUP		31-Dec-12		31-Dec-11	
Counterparty	Rating	Credit limit	Balance	Credit limit	Balance
			P		P
Barclays Bank of Botswana	N/A	N/A	1 232 166	N/A	5 928 027
Standard Chartered Bank	N/A	N/A	6 062 465	N/A	9 930 487
EXCHANGE					
Barclays Bank of Botswana	N/A	N/A	1 232 166	N/A	5 928 027
Standard Chartered Bank	N/A	N/A	3 669 641	N/A	7 322 132

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties. There are no credit ratings available in Botswana. The fair value approximates their carrying amounts.

FINANCIAL RISK MANAGEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

1. Financial risk factors (continued)

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, management maintains flexibility in funding by maintaining adequate cash resources invested in the call account.

Management monitors rolling forecasts of the group's liquidity reserve and cash and cash equivalents on the basis of expected cash flow. This is generally carried out at local level by management in accordance with practice and limits set by the main committee. In addition, the group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these.

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	GROUP		EXCHANGE	
	2011	2012	2012	2011
	P	P	P	P
Accounts payable				
- Less than 1 year	6 792 687	3 091 070	8 740 559	2 955 507
- Between 1 and 2 years	-	-	-	-
- over 3 years	-	-	-	-
	6 792 687	3 091 070	8 740 559	2 955 507

(c) Capital risk management

The group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to perform the mandate for which it was created and benefits for other stakeholders and to maintain an environment of transparency for listed companies, the public and its stakeholders. The group had no borrowings during the years ended 31 December 2011 and 31 December 2012. The group is owned and supported by Government of Botswana who provides the necessary support to sustain the operations of the group.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

Useful lives and residual values for plant and equipment

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

Impairment of receivables

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

		GROUP		EXCHANGE	
		2012	2011	2012	2011
		P	P	P	P
1	**Revenue**				
	Listing and annual sustaining fees	16 777 350	12 635 497	16 777 350	12 635 497
	Commission income	4 290 199	4 720 203	2 507 320	2 699 150
	Members' fees	15 750	16 750	15 750	16 750
	Miscellaneous fees	511 665	441 047	-	-
		21 594 964	17 813 497	19 300 420	15 351 397
2	**Expenses by nature**				
	Audit fees - current year	130 000	195 000	85 000	120 000
	- prior year (over)/under provision	(16 482)	11 522	(19 389)	10 667
	Employee benefit expenses (note 3)	12 128 200	10 684 732	9 522 618	8 176 056
	Advertising costs	949 152	334 979	934 850	315 104
	Depreciation (note 7)	718 910	555 158	547 337	550 698
	Operating lease costs	552 941	599 913	470 137	517 109
	Reversal of impairment provision of debtors	(2 598 750)	(65 858)	(2 598 750)	(2 503 637)
	Bad debt impairment	-	2 598 750	-	2 598 750
	Computer expenses	1 284 117	1 210 203	557 430	483 617
	Consulting fees	237 852	351 432	237 852	345 232
	VAT related expenses/(credits)	-	(60 437)	-	(60 437)
	Seminars and conferences	216 993	306 297	216 993	276 571
	Travelling and accommodation expenses	572 247	449 972	572 247	449 972
	Training expenses	-	127 834	-	127 834
	Members' sitting allowances	147 420	244 650	95 340	178 080
	Other expenses	1 650 414	1 274 126	1 147 520	974 639
	Total administrative expenses	15 973 014	18 818 273	11 769 185	12 560 255

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

		GROUP		EXCHANGE	
		2012	2011	2012	2011
		P	P	P	P
3	**Employee benefit expenses**				
	Salaries and other termination benefits	9 908 187	8 655 596	7 611 056	6 493 448
	Pension costs and gratuity	2 018 419	1 907 444	1 709 968	1 560 916
	Other benefits	201 594	121 692	201 594	121 692
		12 128 200	10 684 732	9 522 618	8 176 056
	Average number of persons employed during the year	22	21	17	15
4	**Finance income**				
	Interest income on short term investments	482 158	318 627	452 152	246 713
5	**Income tax expense**				
	The Botswana Stock Exchange is exempt from income tax in accordance with the Income Tax Act.				
6	**Investment in subsidiary**				
	Cost of shares	-	-	100	100

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

7 Plant and equipment

GROUP	Leasehold Improvements	Office Equipment	Furniture & Fittings	Motor Vehicles	Total
	P	P	P	P	P
Year ended 31 December 2011					
Opening net book amount	196 491	766 296	431 726	136 979	1 531 492
Additions	-	30 596	-	531 403	561 999
Disposals	-	-	-	(385 588)	(385 588)
Depreciation on disposals	-	-	-	385 588	385 588
Depreciation (note 2)	(29 185)	(370 994)	(59 592)	(95 387)	(555 158)
Closing net book amount	167 306	425 898	372 134	572 995	1 538 333
At 31 December 2011					
Cost	405 442	1 720 796	595 921	912 955	3 635 114
Accumulated depreciation	(238 136)	(1 294 898)	(223 787)	(339 960)	(2 096 781)
Net book amount	167 306	425 898	372 134	572 995	1 538 333
Year ended 31 December 2012					
Opening net book amount	167 306	425 898	372 134	572 995	1 538 333
Additions	178 375	2 253 537	42 940	-	2 474 852
Disposals	-	-	-	-	-
Depreciation on disposals	-	-	-	-	-
Depreciation (note 2)	(35 124)	(416 431)	(63 534)	(203 821)	(718 910)
Closing net book amount	310 557	2 263 004	351 540	369 174	3 294 275
At 31 December 2012					
Cost	583 817	3 974 333	638 861	912 955	6 109 966
Accumulated depreciation	(273 260)	(1 711 329)	(287 321)	(543 781)	(2 815 691)
Net book amount	310 557	2 263 004	351 540	369 174	3 294 275

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

7 Plant and equipment (continued)

EXCHANGE	Leasehold Improvements	Office Equipment	Furniture & Fittings	Motor Vehicles	Total
	P	P	P	P	P
Year ended 31 December 2011					
Opening net book amount	196 491	753 288	431 726	136 979	1 518 484
Additions	-	30 596	-	531 403	561 999
Disposals	-	-	-	(385 588)	(385 588)
Depreciation on disposals	-	-	-	385 588	385 588
Depreciation (note 2)	(29 185)	(366 534)	(59 592)	(95 387)	(550 698)
Closing net book amount	167 306	417 350	372 134	572 995	1 529 785
At 31 December 2011					
Cost	405 442	1 698 958	595 921	912 955	3 613 276
Accumulated depreciation	(238 136)	(1 281 608)	(223 787)	(339 960)	(2 083 491)
Net book amount	167 306	417 350	372 134	572 995	1 529 785
Year ended 31 December 2012					
Opening net book amount	167 306	417 350	372 134	572 995	1 529 785
Additions	178 375	263 827	28 728	-	470 930
Disposals	-	-	-	-	-
Depreciation on disposals	-	-	-	-	-
Depreciation (note 2)	(35 124)	(246 161)	(62 231)	(203 821)	(547 337)
Closing net book amount	310 557	435 016	338 631	369 174	1 453 378
At 31 December 2012					
Cost	583 817	1 962 785	624 649	912 955	4 084 206
Accumulated depreciation	(273 260)	(1 527 769)	(286 018)	(543 781)	(2 630 828)
Net book amount	310 557	435 016	338 631	369 174	1 453 378

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

	GROUP		EXCHANGE	
	2012	2011	2012	2011
	P	P	P	P
8 Trade and other receivables				
Receivables from related party	1 821 943	2 598 750	5 762 870	5 053 800
Less: provision for impairment	-	(2 598 750)	-	(2 598 750)
	1 821 943	-	5 762 870	2 455 050
Fee receivables	1 323 610	139 461	1 249 482	54 500
Prepayments and deposits	202 975	435 641	184 600	200 754
Other receivables	81 774	21 000	81 774	21 000
	3 430 302	596 102	7 278 726	2 731 304
Fee receivables	1 323 610	139 461	1 249 482	54 500
Receivables from related party	1 821 943	2 598 750	5 762 870	5 053 800
Other receivables	81 774	21 000	81 774	21 000
	3 227 327	2 759 211	7 094 126	5 129 300

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 2012, fee receivables and other receivables of P 1 188 796 (2011: P 81 026) and 1 128 767 (2011: P 31 853) were fully performing for the group and exchange respectively.

At 31 December 2012, fee receivables of P 134 814 (2011: P 58 435) and P 120 715 (2011: P 22 647) were past due but not impaired for the group and exchange respectively. These relate to a number of independent customers for whom there is no history of default.

The aging of these receivables is as follows:

	GROUP		EXCHANGE	
	2012	2011	2012	2011
	P	P	P	P
Up to 3 months	42 803	32 995	34 509	-
>3 to 6 months	92 011	25 440	86 206	22 647
	134 814	58 435	120 715	22 647

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

		GROUP		EXCHANGE	
		2012	2011	2012	2011
		P	P	P	P
9	**Money market investment**	17 293 236	-	17 293 236	-

The investment is unsecured, earns interest of 5.61% per annum and has no fixed maturity date. The investment can be liquidated subject to a notice period of 48 hours to the investee company

10 Cash and cash equivalents

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

Cash at bank and in hand	2 395 324	38 124	2 500	38 124
Short-term bank deposits	4 901 807	15 822 890	4 901 807	13 214 535
Total cash on hand and at bank	7 297 131	15 861 014	4 904 307	13 252 659
Bank overdraft	(111 239)	-	(111 239)	-
Money market investment	17 293 236	-	17 293 236	-
	24 479 128	15 861 014	22 086 304	13 252 659

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

	GROUP		EXCHANGE	
	2012	2011	2012	2011
	P	P	P	P

11 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.

12 Trade and other payables

Trade payables	1 317 899	350 384	3 330 747	275 384
VAT payable	44 455	101 886	(20 520)	41 323
Other payables	1 846 383	876 253	1 846 382	876 253
	3 208 737	1 328 523	5 156 609	1 192 960

13 Amounts due to the Botswana Stock Exchange Security Fund

Balance at 1 January	1 762 563	5 000	1 762 563	5 000
Statutory transfer for the year	4 021 776	1 762 563	4 021 776	1 762 563
Settled during the year	(1 762 563)	(5 000)	(1 762 563)	(5 000)
Balance at 31 December	4 021 776	1 762 563	4 021 776	1 762 563

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

	GROUP		EXCHANGE	
	2012	2011	2012	2011
	P	P	P	P

14 Deferred lease liability

Non current	70 529	100 739	70 529	100 739
Current	-	54 737	-	54 737
Balance at 31 December	70 529	155 476	70 529	155 476

The group leases its office premises under an operating lease facility. The lease was renewed in April 2013 and expires in March 2017, with an option to renew the lease after that date. Amounts recognised as an expense in profit or losses in respect of operating leases are disclosed in note 2 to the financial statements. Lease payments are escalated every year by the lower of 7% and the consumer price index.

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

Less than one year	659 191	606 760	659 191	606 760
Between one and five years	2 305 282	606 760	2 305 282	606 760
Total	2 964 473	1 213 520	2 964 473	1 213 520

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

		GROUP		EXCHANGE	
		2012	2011	2012	2011
		P	P	P	P
15	**Cash generated from operations**				
	Profit before income tax	13 452 155	6 876 622	11 188 521	7 563 626
	Adjustment for:				
	- Depreciation (note 7)	718 910	555 158	547 337	550 698
	- Finance income (note 4)	(482 158)	(318 627)	(452 152)	(246 713)
	Changes in working capital				
	- Trade and other receivables	(2 834 200)	(188 910)	(4 547 422)	(2 572 079)
	- Deferred lease liability	(84 947)	2 571	(84 947)	2 571
	- Trade and other payables	1 880 214	(701 647)	3 963 649	(736 575)
	Cash generated from operations	12 649 974	6 225 167	10 614 986	4 561 528

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

16 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.

	GROUP		EXCHANGE	
	2012	2011	2012	2011
	P	P	P	P

The following transactions were carried out with related parties.

a) Membership fees

- Stockbrokers Botswana (Pty) Ltd	3 750	4 750	3 750	4 750
- Capital Securities (Pty) Ltd	4 000	4 000	4 000	4 000
- African Alliance	3 750	3 750	3 750	3 750
- Motswedi Securities (Pty) Ltd	4 250	4 250	4 250	4 250
	15 750	**16 750**	**15 750**	**16 750**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

16 Related party transactions (continued)

	GROUP		EXCHANGE	
	2012	2011	2012	2011
	P	P	P	P
Listing and annual sustaining fees on Government bonds (at .125% on nominal value of Government bonds	7 000 000	7 473 750	7 000 000	7 473 750
c) Subvention received				
Government of the Republic of Botswana	7 287 770	7 075 500	3 144 970	4 038 500
d) Transfer to the Botswana Stock Exchange Security Fund	4 021 776	1 762 563	4 021 776	1 762 563
e) Sitting allowances by the Committee members	147 420	244 650	95 340	178 080
f) Remuneration for senior managers	8 068 894	5 966 261	6 681 723	4 556 964
g) Year end balances				
Receivables				
- Government of the Republic of Botswana	1 821 943	2 598 750	786 243	2 598 750
- Central Securities Depository Company of Botswana Limited	-	-	4 976 627	2 455 050
Less: Provision for impairment	-	(2 598 750)	-	(2 598 750)
	1 821 943	-	5 762 870	2 455 050
Payables				
- Central Securities Depository Companyof Botswana Limited	-	-	2 071 700	-
- Botswana Stock Exchange Security Fund	4 021 776	1 762 563	4 021 776	1 762 563

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

17 Commitments

The group had no significant capital commitments as at 31 December 2012.

18. Contingent liabilities

No significant contingent liabilities existed as at 31 December 2012.

19. Events after the reporting date

Main committee members confirm that there are no events occurred after the reporting date that requires adjustments to or disclosures in these financial statements.

20 Fiduciary accounts

The group, through its subsidiary, is a custodian of brokers' liquidity bank accounts. Brokers' liquidity bank accounts are used to temporarily hold buyer deposits between transaction trade and settlement dates pending clearance of transactions carried out on the Botswana Stock Exchange. The company, through its authorised signatories, instructs the bank to release the cash in the broker's liquidity account for settlement of relevant Exchange transaction engaged with the seller. The following were the brokers' liquidity bank balances as at the end of the year:

	2012	2011
	P	P
Favourable bank balances	1 325 340	2 152 362
Bank overdrafts	(1 541 637)	-
	(216 297)	2 152 362

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

21 Prior period error

Central Depository Company of Botswana Limited obtained confirmation from Botswana Unified Revenue Services during 2013 that its exempt from income tax in accordance with paragraph (XV) of Part 1 of the Second Schedule of the Income Tax Act (Chapter 52:01). Botswana Unified Revenue Services further confirmed that all self assessment tax paid to date was to be refunded to the company. Interest penalty of P 11 457 relating to prior year tax assessment has not been recognised in the financial statements pending the outcome of negotiations with BURS regarding the recoverability of this amount. Comparative information on the financial statements has been restated to reflect the company's appropriate tax position in prior year. The impact of the restatement adjustments on current year financial information is as follows:

	2012
	P
Increase equity	(86 793)
Decrease in tax payable	86 793

DETAILED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	2011
	P	P
Revenue		
Commission income	2 507 320	2 699 150
Listing and annual sustaining fees	16 777 350	12 635 497
Members' fees	15 750	16 750
Government subvention	3 144 970	4 038 500
Other income	60 164	487 271
Total income	22 505 554	19 877 168
Administrative expenses		
Advertising	934 850	315 104
Audit fees	65 611	130 667
Bad debt write-off	-	2 598 750
Reversal of impairment provision of debtors	(2 598 750)	(2 503 637)
Bank charges	30 925	25 674
Cleaning	49 698	52 237
Communication expenses	371 140	286 561
Computer expenses	557 430	483 617
Consulting fees	237 852	345 232
Recruitment expenses	42 885	11 557
Donations	1 500	2 000
Depreciation	547 337	550 698
Electricity	92 831	74 747
Entertainment	74 290	70 557
Insurance	107 144	152 531
Internship allowances	20 000	-

DETAILED INCOME STATEMENT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	2011
	P	P
Legal fees	-	6 176
Library expenses	14 084	9 406
Members' sitting allowances	95 340	178 080
Motor vehicle expenses	54 216	38 629
Office expenses	38 601	33 720
Printing and stationery	30 848	19 342
Rent	470 137	517 109
Repairs and maintenance	31 975	33 115
Salaries and wages	9 321 024	8 054 364
Training expenses	-	127 834
Security costs	32 168	25 716
Training Levy	24 009	14 351
VAT related expenses/(credits)	-	(60 437)
Seminars and conferences	216 993	276 571
Staff welfare	201 594	121 692
Subscriptions	120 896	106 928
Travelling and accommodation expenses	572 247	449 972
Water	10 310	11 392
	11 769 185	12 560 255

The detail income statement does not form part of the financial statements covered by the audit opinion on page 95.

DETAILED INCOME STATEMENT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	2011
	P	P
Operating profit	10 736 699	7 316 913
Finance income		
Interest income	452 152	246 713
Profit for the year	**11 188 521**	**7 563 626**

The detail income statement does not form part of the financial statements covered by the audit opinion on page 95.

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:

Peter Takirambudde – resigned July 2012
Elaina Gonsalves
Iponeng Sennanyana

Elected Members:

Patrick O' Flaherty (Chairperson)
Martin Makgatlhe
Gregory Matsake – elected May 2012
Kennedy L. Kgomanyane – resigned May 2012
Kabelo Mohohlo
Lipalesa Siwawa – resigned May 2012
Seleka Mokama
Goitseone Kgaodi – elected May 2012

MEMBERSHIP OF SUB COMMITTEES:

(1) Listings and trading

Patrick O' Flaherty (Chairperson)
Martin Makgatlhe
Kabelo Mohohlo
Peter Takirambudde – resigned July 2012
Seleka Mokama
Lipalesa Siwawa – resigned May 2012

(2) Audit

Iponeng Sennanyana (Chairperson)
Elaina Gonsalves
Seleka Mokama
Kennedy Kgomanyane – resigned May 2012
Gregory Matsake – elected May 2012

(3) Investigations and disciplinary

Peter Takirambudde (Chairperson) – resigned July 2012
Elaina Gonsalves
Iponeng Sennanyana

(4) Governance & Remuneration

Elaina Gonsalves (Chairperson)
Iponeng Sennanyana
Peter Takirambudde – resigned July 2012

(5) BSE Security Fund

Martin Makgatlhe (Chairperson)
Kabelo Mohohlo

CHIEF EXECUTIVE OFFICER

Hiran Mendis

SECRETARY TO THE BOARD OF DIRECTORS

Latelang Chakalisa

REGULATOR

Non-Bank Financial Institution Regulatory Authority (NBFIRA)
First Floor MVA House
Plot 50367 Showground
Private Bag 00314
Gaborone

POSTAL ADDRESS

Private Bag 00417
Gaborone

INDEPENDENT AUDITORS

KPMG

BANKERS

Standard Chartered Bank of Botswana Limited
Barclays Bank of Botswana Limited

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

COMPILED AND EDITED BY:

Thapelo Tsheole and Kopano Bolokwe

DESIGN AND LAYOUT

Perfect **Circle**

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