

Annual Report

2013



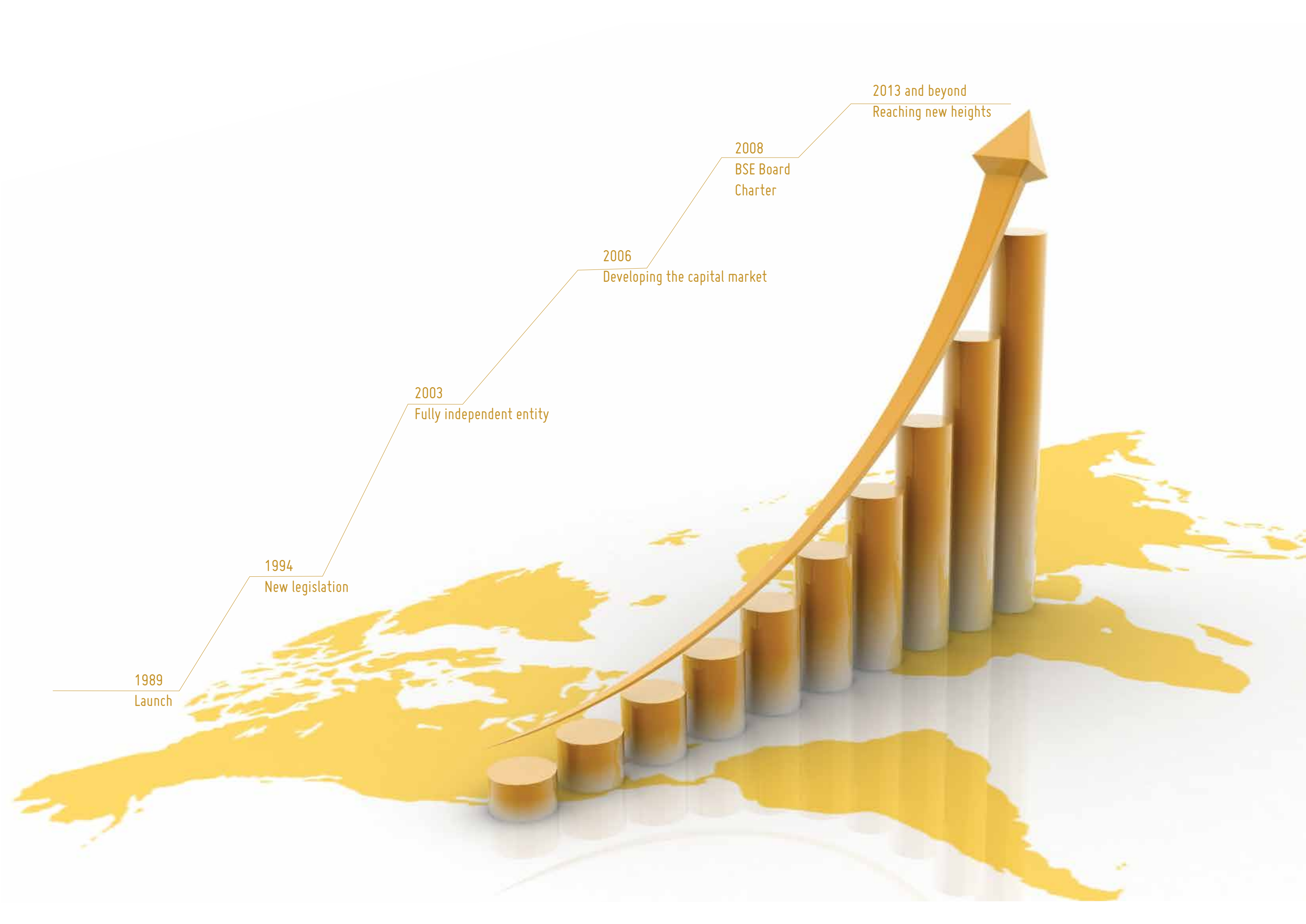


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2013 HIGHLIGHTS

Record turnover of
P2.3 Bn
achieved



BettaBeta ETF reached its
highest price since listing
on the BSE, of
P40.60
in October



DCI appreciated by
20.5 %

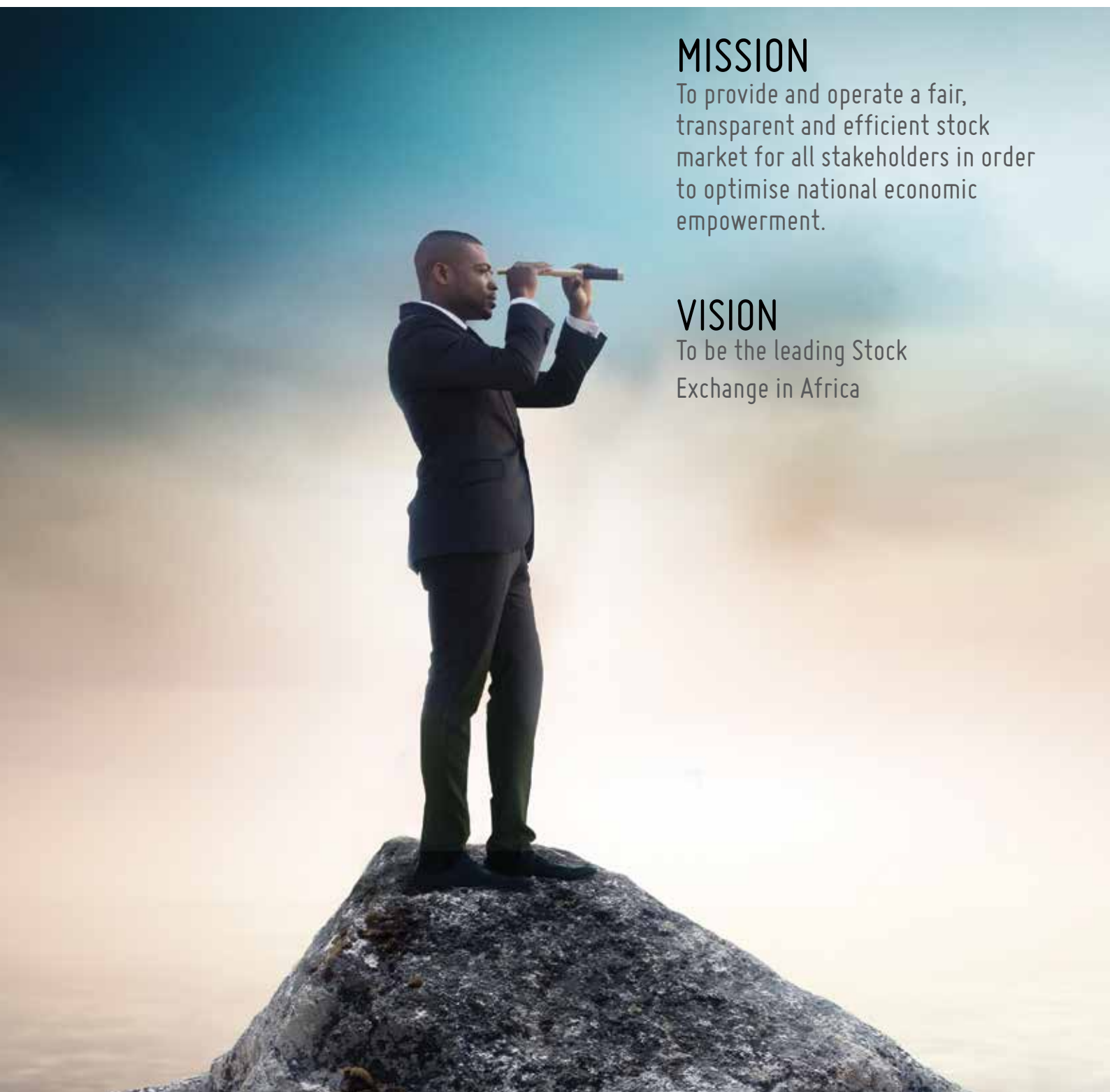
+ 1hr

Regular trading sessions in the
ATS extended by a total of 1
hour, from 1 hour 45 minutes to
2 hours 45 minutes



Number of Accounts opened
CSD increased by 13.5% to
20,027
accounts

- Trading Rules for both Equity and Debt Instruments in final stages of review
- Shumba Coal listed on the Foreign Venture Board through private placement
- BSE launched 3 bond indices, the Govt, Corpl and the BBI (Composite)
- Bond Index Advisory Committee appointed
- Botswana Bond Market Association (BBMA) successfully registered with the Registrar of Societies in September
- Botswana Bond Market Association (BBMA) Committee appointed
- Inaugural Senior Secondary Schools' BSE Finance and Investment Quiz successfully hosted
- Two-day workshop on Global Depositary Receipts (GDRs) conducted
- Workshop on Exchange Traded Funds (ETFs) hosted
- BSE adopted two primary schools and refurbished their libraries under the Adopt-A-School Initiative
- The BSE's 2012 Annual Report clinched the Best Annual Report in the Not-for-Profit sector at the Price Waterhouse Coopers Annual Report Awards



MISSION

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

VISION

To be the leading Stock Exchange in Africa

MISSION & VISION STATEMENTS

VALUES

We take **PRIDE** in wealth creation

PASSION

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

RESPECT

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

INTEGRITY

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

DISCIPLINE

- Committed to realizing Value and converting Value to a Competitive Advantage
- Committed to Continuous Improvement

EXECUTION

- Achievement Driven
- Excellence
- Results Focused

A man in a dark suit and light blue tie is pointing his right index finger at a glowing white line graph. The graph starts from the bottom left, moves horizontally, then diagonally up to the right, and finally diagonally down to the right, ending in a bright arrowhead. The background is a blue-toned world map.

“Reaching new heights is
the result of strategic
planning and strong
determination”

COMPANY OVERVIEW

very strong income performance well ahead of past year



COMPANY 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 trace 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 35 listed entities in the BSE and comprise of 23 domestic and 12 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 11 of 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.

CORPORATE INFORMATION

BSE Office:

Office Block 6
Plot 64511, Fairgrounds
Private Bag 00417
Gaborone

Independent Auditors:

KPMG

Bankers:

Barclays Bank of Botswana Limited

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 meet growing customer demands and challenges of the 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 Traded Products and Commercial Papers while products being developed are Global Depository Receipts, Securitised Products and Derivatives.

BOARD MEMBERS



PATRICK O'FLAHERTY
CHAIRPERSON



REGINA VAKA
VICE-CHAIRPERSON

BOARD MEMBERS



GREGORY MATSAKE
TREASURER



ELAINA GONSALVES
MEMBER

BOARD MEMBERS



IPONENG SENNANYANA
MEMBER



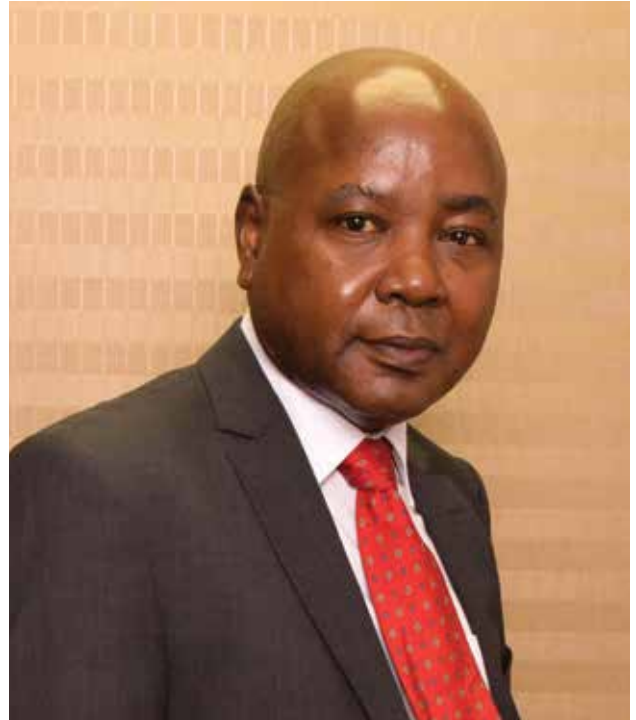
KABELO MOHOHLO
MEMBER

BOARD MEMBERS



GOITSEONE KGAODI

MEMBER



JOHN KIGGUNDU

MEMBER

MANAGEMENT TEAM



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.



THAPELO TSHEOLE

DEPUTY CHIEF EXECUTIVE OFFICER

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 also holds a Master in Business Administration (MBA) from the Graduate School of Business, University of Cape Town-UCT (RSA). He is a Registered Person (RPE) under the South African Institute of Financial Markets and Agricultural Product Dealer with Financial Derivatives Division (SAFEX). He is a Member of Institute of South Africa Financial Markets. He attended the Leadership Development Programme at the University of Stellenbosch Business School (RSA).

MANAGEMENT TEAM



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).



MASEGO P. PHETO
CENTRAL SECURITIES
DEPOSITORY 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 Managerial Level having completed the CIMA Diploma in Management Accounting.

MANAGEMENT TEAM



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).



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.

MANAGEMENT TEAM



MPHO MOGASHA

FINANCE AND ADMINISTRATION
MANAGER

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

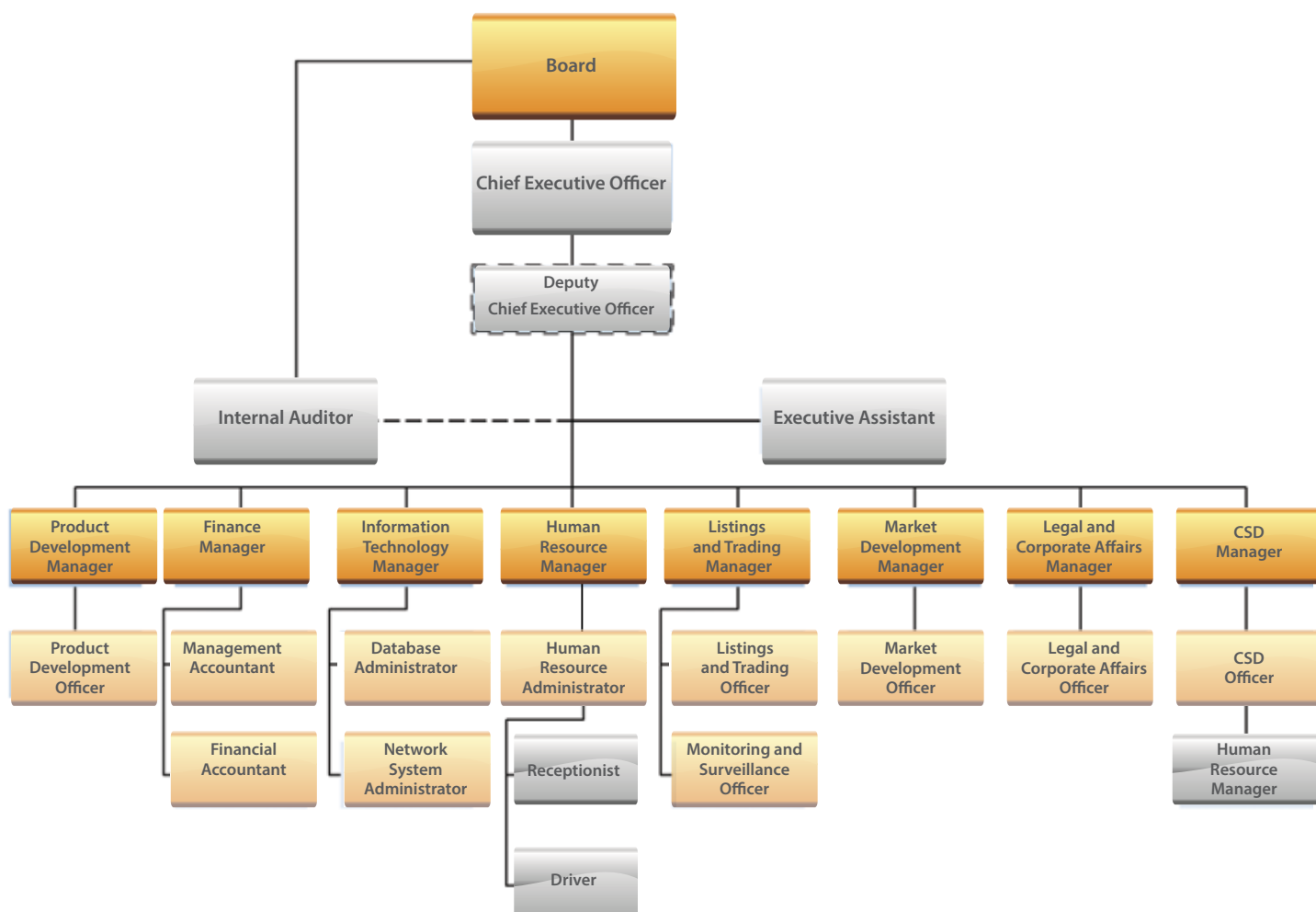


TSAMETSE MMOLAI

LISTINGS AND TRADING
MANAGER

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

COMPANY STRUCTURE



OUR STAFF



Back Row (right to left):Tebogo Lehubitsa, Kopano Bolokwe, Hiran Mendis, Thapelo Tsheole, Judith Gabonewe, Tebogo Tebogo, Kgosi Therego
 3rd Row (right to left): Ambrosia Khupe, Tsametse Mmolai, Mafoko Makhao, Kelemosadi Gaorengwe, Latelang Chakalisa,
 2nd Row (right to left): Mpho Mogasha, Baboni Khupe, Justice Bakwadi, Nomsa Otsogile,
 Front Row (right to left): Tapiwa Tamocha, Nonfo Phalatse, Lame Akanyang, Onkabetse Pitso



GIVING BACK



We believe that our quest to reach new heights, does not belong solely to us, but encompasses our communities as well. We understand the challenges that our fellow Batswana face and are aware that even though people may be disadvantaged, they still have goals and ambitions.

Our initiatives are geared to ignite possibility in the lives of those less fortunate than us. We are unwavering in our determination to help others reach new heights in their personal lives and communities.

Our Corporate Social Investment initiative was successfully undertaken with the adoption of two primary schools in 2013, namely Sebele Primary School and Xakao Primary School. We also worked with Sassy Diva on the 'Donate a Pad' project.



We are unwavering in our determination to help others reach new heights in their lives and communities.

“Reaching new heights, amidst seemingly insurmountable challenges, is achieved through the strength of the collective.”

COMPANY REVIEWS

- Chairman's Statement
- Chief Executive Officer's Review
- Graphical Review
- Market Statistics



PATRICK O'FLAHERTY
CHAIRPERSON

"Another achievement in 2013 was the notable rise in the number of Central Securities Depository accounts opened with the number of accounts increasing by 13.5% to 20,027 compared to 17,638 in the previous year. This highlights the current growth of Botswana's equity market and the continued rise in individual investor interest and participation. This rise is furthermore indicative of the effectiveness of the BSE's market development initiatives during the year which strived to garner as much participation from stakeholders as possible."

CHAIRPERSON'S STATEMENT

Dear Stakeholders

I am delighted to report on the remarkable performance of the Botswana Stock Exchange (BSE) during the year 2013. Despite challenges both regionally and globally, there is no doubt that the BSE's overall performance was aided by the implementation of the Automated Trading System in 2012 and the continued gradual recovery of the economy from the global financial crisis of 2008.

It is pleasing to note that in the year under review the BSE registered the highest turnover levels since its inception in 1989, recording total turnover of BWP 2.3billion, or BWP 9.3m per day. This is 2.6 times the turnover recorded the previous year and approximately twice the turnover generated on the BSE in 2008 (highest up to 2013).

The Domestic Company Index (DCI) reached its highest level since November 2007, recording a significant increase of 20.5% in 2013 (the highest annual appreciation in the DCI since 2007). The BSE successfully launched 3 bond indices in April 2013. These were the; Govl – a government bond index, Corpl – a corporate bond index and the BBI which is a composite index comprising both government and corporate bonds. The bond indices are a welcome development and have provided a benchmark for portfolio managers to evaluate the performance of their bond portfolios. The launch of these three bond indices bear testament to the BSE's commitment to innovation and the development of Botswana's bond market.

The BSE was instrumental in registering the Botswana Bond Market Association with the Registrar of Societies in September 2013. The objective behind this initiative was to create a forum for the discussion of Bond market related issues and more importantly, for the BSE to take into account the views of participants in its development strategy.

Another achievement in 2013 was the notable rise in the number of Central Securities Depository accounts opened with the number of accounts increasing by 13.5% to 20,027 compared to 17,638 in the previous year. This highlights the

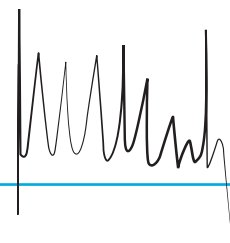
current growth of Botswana's equity market and the continued rise in individual investor interest and participation. This rise is furthermore indicative of the effectiveness of the BSE's market development initiatives during the year which strived to garner as much participation from stakeholders as possible.

Throughout the year, the BSE continued to undertake its market development operations, particularly with the aim of improving the state of financial literacy in the country. These activities, such as the far-reaching presentations to numerous companies and parastatals around the country, newspaper articles and national radio and television programme features; have continued to stimulate participation in BSE listed investments by Batswana. Several on-on-one meetings with private companies were also conducted during the year to inform them about the listing process and also to communicate the benefits that could be gained by listing on the BSE.

The need for the corporate sector to engage meaningfully with local communities cannot be overstated. During the year under review, the BSE adopted two primary schools and refurbished their libraries under the Adopt-A-School Initiative. This was part of the BSE's initiative to make a meaningful impact on the lives of Botswana's future leaders. Another successful outreach effort was the hosting of the BSE's Inaugural Senior Secondary Schools' Finance and Investment Competition. Four schools competed in the 2013 event and we anticipate that participation in the competition will grow extensively as the competition progresses.

We have once again accomplished a lot over the past 12 months and I would like to extend the BSE's sincere gratitude to all our stakeholders, our customers, our business partners who continue to support us and our endeavors as we look forward to the future with interest.

Finally, I would like to thank my fellow Main Committee members and the BSE staff and CEO, Mr. Hiran Mendis, for their continued support, advice and hard work during 2013 and for their service to the Exchange, its clients and its stakeholders.





HIRAN MENDIS
CHIEF EXCECUTIVE OFFICER

"All in all, 2013 has been the best year, to date. A year in which the BSE has been propelled to 'new heights' in more ways than one. The strides made in 2013 are just a miniscule realization of the latent potential that exists for the development of the capital market in Botswana. The challenge in front of all stakeholders is how to create momentum to sustain this change. Technology is only part of the equation. The rest involves a change in thinking on the part of all stakeholders."

CEO'S REVIEW

1. REACHING NEW HEIGHTS

Botswana is a country that is richly blessed with numerous comparative advantages. It has rich endowments in diamonds, minerals and other resources that are indispensable to the growth of the global economy. The country's wildlife resources and its diversity has made it a much sought after tourist destination. Some have referred to Botswana as "the last Eden". This is true in more ways than one.

Botswana also has many competitive advantages that it has created for itself; a stable economy, a stable political system, the highest credit rating in Africa, the lack of exchange controls and being an exporter of savings make Botswana somewhat unique in the world of emerging markets.

This combination of comparative and competitive advantages creates an ideal environment for economic diversification not only in areas such as in the value addition to diamonds but also in the creation of financial services, the center of which is the capital market.

It is taking into account these advantages that the BSE moulded and remoulded its strategy since 2006 culminating in initiatives over a broad spectrum of areas engulfing the capital market. Broadly speaking, these pillars of development include infrastructure, legislation, regulation and market & product development, amongst others.

The BSE is indeed happy to note that progress has been achieved on many fronts in the year 2013. Most importantly the Automated Trading System (ATS) has helped propel the BSE forward and generate a record turnover of P9.3 Mn per day in 2013. This has not only been the highest turnover recorded since inception of the BSE in 1989 but was 2.6 times the turnover achieved in 2012 and was almost double the turnover achieved in 2008, which until that point had been the year with the best performance.

In the CEO's Review for 2012 I stated that "reaching out to investors is all about building relationships". If these relationships are only limited to a few institutional investors then clearly automation as a strategy has little value.

If the ATS and Central Securities Depository (CSD) system are to continue to create value then "reaching out" has to extend beyond institutional investors. The information for 2013 indicates that this process has indeed commenced. Local individual turnover in 2013 more than doubled in comparison to 2012.

The BSE's contribution to the continuation of this process involves further technological developments such as website development, introduction of Internet based trading and information dissemination via data vendors. The Brokers' contribution to the process has to do with proactively reaching out to investors, retail investors in particular and supporting the market development initiatives of the BSE.

The BSE tracks its performance in comparison to other emerging markets in order to benchmark itself. The Exchange is happy to note that the BSE has made large strides in bridging the gap that exists between itself and other markets benchmarked for comparative purposes. As can be seen from Section 8.3, the BSE footprint in comparison to the Stock Exchange of Mauritius (SEM) is 72.8% in 2013 in comparison to 35.1% in 2012 and 24.4% in 2011. If the Pula movement with the US Dollar is adjusted to reflect the movement of the Mauritian Rupee against the Greenback, the BSE's footprint would increase to 75.5% of that of SEM.

Further, the increase in liquidity and turnover in 2013 was not at the expense of stability. Stability of turnover in fact has improved in the year under review as evidenced by the coefficient of variation and other statistics detailed in Section 3.5.

On the financial front, the BSE did not have to depend on the Government subvention to meet its operations and development expenditure for the third consecutive year. On the other hand, CSD Botswana (CSDB) which has had to depend on the subvention since its inception, did not have to do so in 2013.

All in all, 2013 has been the best year, to date. A year in which the BSE has been propelled to "new heights" in more ways than one.

The strides made in 2013 are just a miniscule realization of the latent potential that exists for the development of the capital market in Botswana. The challenge in front of all stakeholders is how to create momentum to sustain this change. Technology is only part of the equation. The rest involves a change in thinking on the part of all stakeholders.

On the part of the BSE it has to do with looking at innovative ways and means of serving the interests of all stakeholders and balancing the competing interests of regulation and development.

The brokers cannot be passive observers but need to proactively reach out to investors especially individual investors who hold the key to improving the stability of turnover.

Listed companies need to see value in being listed and having access to a large body of investors rather than being dependent on a select few. It is a mistake to narrowly define the objectives of listed companies based on what they do. A listing enables a company to become independent of functional focus and look at business from a far more complex perspective. It promotes good governance and enables the process of financial disintermediation, thus creating the environment to create competitive advantages and opportunities for growth that may not have been possible if it remained unlisted.

It is only through the interaction of the various stakeholders and each appreciating the other's responsibilities that the required momentum can be created to sustain the change.

2. ECONOMIC BACKDROP

2.1 World Economy

The International Monetary Fund's (IMF) World Economic Outlook update released in January 2014, has estimated world output to have expanded by 3.1% in 2012, down from 3.9% in 2011. Global output is projected to expand by 3.0% in 2013, before recovering slightly to grow by 3.7% in 2014, underpinned largely by the recovery in advanced economies.

Growth in advanced economies was estimated to be 1.3% in 2013 compared to 1.4% in 2012. Projections for 2014 indicate that advanced economies are expected to recover modestly

and register a growth of 2.2% due to expectations of continued accommodative monetary policy and fiscal consolidation.

Emerging markets weakened slightly in 2013 with growth declining from an estimated 4.9% in 2012 to 4.7% in 2013. The recovery in emerging markets is forecasted to get underway in 2014 with output expected to grow by 5.1% primarily lifted by stronger external demand from advanced economies.

The update reiterates the downside risks to the forecasts discussed in the World Economic Outlook released in October 2013. Emerging economies are very much at risk of capital flow volatility given that the Fed (US Central Bank) is likely to start tapering its monetary stimulus in 2014 exerting upward pressure on interest rates. This, combined with domestic weaknesses, could result in capital flight to advanced economies and spur exchange rate volatility, in the process dampening growth prospects for emerging markets.

2.2 Botswana Economy

The latest economic data for Botswana shows that in real terms, GDP grew by 5.9% in 2013 compared to a revised 4.3% in 2012. According to Statistics Botswana, the acceleration in real GDP growth in 2013 was mainly attributable to mining, which recorded an increase in value added of 10.6%. The increase in mining output was a reflection of the recovery in diamond production which was subdued due to low demand in 2012. Mining remained a major contributor to GDP with its contribution rising to 22.4% in 2013 compared to 19.9% in 2012.

According to the 2014/2015 Budget Speech, the Ministry of Finance and Development Planning (MFDP) has estimated that real GDP is expected to grow by 5.1% in 2014, fuelled by the expected growth in non-mining sectors such as Trade, Hotels & Restaurants and Finance & Business sectors. It is noted that the relocation of the Diamond Trading Centre from London to Gaborone at the end of 2013 is expected to contribute positively to the prospects of growth of the domestic economy, despite the uncertainty that still exists in the external demand for diamonds. However, for the most part, growth in the domestic economy will continue to be guided by the recovery of the world market given Botswana's dependence on diamonds.

Domestic inflation averaged 4.1% in 2013 in comparison to 7.4% in 2012. The lower inflation in 2013 reflected the general

slowdown in price increases. Since June 2013, inflation has been within the Bank of Botswana's (BoB) objective range of 3% to 6%.

On the back of the positive medium term inflation outlook, BoB pursued an accommodative monetary policy during 2013, reducing the bank rate from 9.5% by a cumulative 200 basis points (2%) between May and December 2013.

During the year under review, the Pula depreciated by 10.8% and 14.9% against the US Dollar and the Euro respectively and appreciated by 9.7% against the South African Rand.

According to the 2014/2015 Budget Speech, the subdued demand for diamonds by advanced economies and the slowing growth of emerging economies will negatively impact the recovery in the mining sector. In addition to the uncertainty of the mining revenues, the domestic economy is also susceptible to shocks to SACU revenues and this could have a bearing on the forecasted revenues and expenditure for 2014/2015. The revenue from these two sources collectively accounted for over 60% of total revenues in 2013.

2.3 Implications for Capital Markets

It is expected that the forecasted increase in Government expenditure, as reflected in the 2014/2015 Budget Speech, would stimulate private sector economic activity which is also largely dependent on Government spending.

It is expected that an environment of low predictable inflation will allow for positive real interest rates which, in turn, could foster mobilisation of financial savings and productive investment. In particular, investors are expected to continue to seek real returns in alternative investments such as in listed securities.

In 2013, the BSE embarked on a strategy to develop Global Depository Receipts (GDRs) which would enable equities of foreign listed companies to be listed and traded on the BSE. As the global economy continues to recover, local investors will be better positioned to diversify and benefit from exposure to international stocks using the BSE as a conduit to gain exposure to such markets, through GDRs.

As stated in the 2014/2015 Budget Speech, Government intends to privatise some of the state owned entities in 2014. The anticipated listing of the Botswana Telecommunications Corporation (BTC) and the National Development Bank (NDB),

will promote citizen economic empowerment and contribute to economic diversification. The BSE welcomes this process as it will add to an increase in market capitalisation and liquidity of the BSE and deepen the capital market.

3. EQUITY MARKET PERFORMANCE

3.1 Domestic Company Indices

The Domestic Company Index (DCI) closed the year at 9,053.4 points, its highest level since 21 November 2007, recording an increase of 20.5%. This is the highest annual appreciation in the DCI since 2007. The performance of the DCI in 2013, overshadowed its performance in 2012 when the DCI appreciated by 7.7%. The DCI signalled a recovery from the effects of the financial crisis in 2008 when it registered a positive growth in 3 consecutive years up to and including 2013.

The modest appreciation in the DCI towards the end of 2012 resulted in the DCI picking up momentum in Quarter 1 of 2013, leading to an increase of 11.8%. The DCI further appreciated by 3.4% in Quarter 2, before experiencing a decline of 1.1% in Quarter 3. In Quarter 4, the DCI gained 5.3%.

An analysis of the difference between the DCI and the Domestic Company Free Float Index (DCFFI) and the relative impact of dividends and liquidity which accounted for the difference was carried out by computing a new index which measured the returns of the constituents of the DCI on a market capitalisation weighted and total return basis. The new index computed for the purpose of analysis is the DCI Total Return Index or DCI (TRI).

All dividends paid during the year have been input into the computation of the DCI (TRI) assuming the ex-dividend date of the payment of such dividends as being 31 December 2013. This has been done to ease the computation of the DCI (TRI) for the purpose of this analysis.

The difference of the percentage change between the DCI and the DCI (TRI) can be explained by the dividend impact as the relative weights used for the computation of both indices are based on market capitalisation. In contrast, the difference between the DCFFI and the DCI (TRI) explains the liquidity impact of the percentage change as both indices are computed taking into account total returns.



The Domestic Financial Sector
Index (DFSI) appreciated by

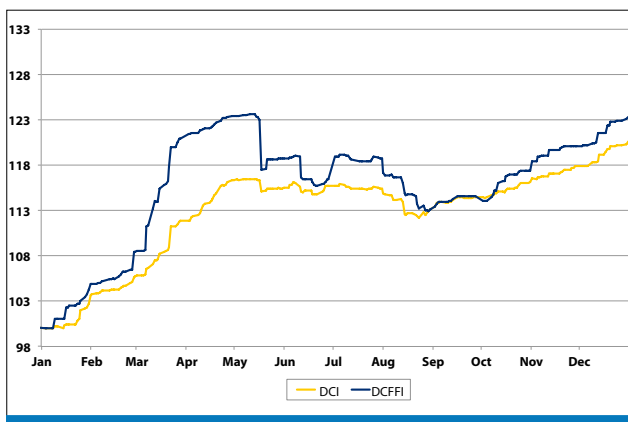
17.0%

in 2013

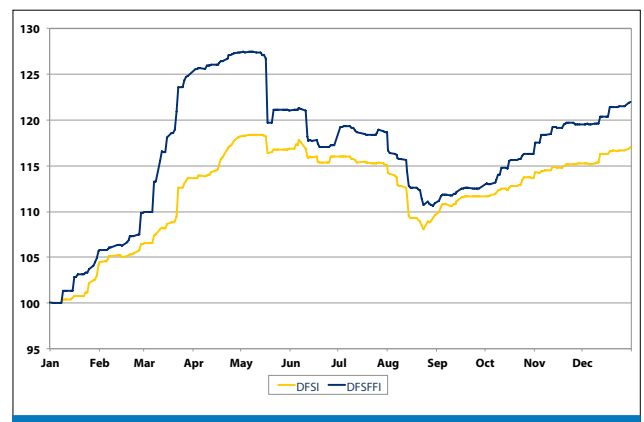
REACHING NEW HEIGHTS

Figure 1: Performance of Indices Computed on Domestic Companies

	Weighting		Returns		Annual		2013 Quarterly			
	Market Cap	Liquidity	Capital Gains	Total Return	2012	2013	Q1	Q2	Q3	Q4
DCI					7,510.2	9,053.4	8,400.0	8,688.5	8,594.9	9,053.4
% Change	✓		✓		7.7	20.5	11.8	3.4	(1.1)	5.3
DCFFI					2,143.7	2,643.7	2,592.7	2,496.0	2,456.2	2,643.7
% Change		✓		✓	12.5	23.3	20.9	(3.7)	(1.6)	7.6
DCI (TRI)					N/A	24.9	N/A	N/A	N/A	N/A
DFSI					911.8	1,067.1	1,035.9	1,057.7	1,018.4	1,067.1
% Change	✓			✓	5.7	17.0	13.6	2.1	(3.7)	4.8
DFSFFI					3,199.1	3,901.3	3,993.3	3,750.7	3,600.1	3,901.3
% Change		✓		✓	13.2	22.0	24.8	(6.1)	(4.0)	8.4

CHART A: DCI vs DCFFI

Source: BSE

CHART B: DFSI vs DFSFFI

A comparison of the DCI and the DCFFI is detailed in Chart A of Figure 1. The difference between the appreciation of 23.3% and 20.5% in the DCFFI and the DCI can be explained by a dividend impact of 4.4% and a liquidity impact of a negative 1.6%.

The Domestic Financial Sector Index (DFSI) appreciated by 17.0% in 2013 in comparison to a growth of 22.0% in the Domestic Financial Services Free Float Index (DFSFFI). It is noted that the Financial Services sector is the largest component in the DCI and DCFFI.

Chart B of Figure 1 further confirms the impact the different index computation methodologies have had on the movement

of the indices. In this case the difference of 5 percentage points between the DFSI and DFSFFI can be attributed to the liquidity impact inherent in the DFSFFI since both indices are computed using total returns thus negating any influence of a dividend impact.

A further analysis of the liquidity impact between the DCI and DCFFI reveals that the financial sector's liquidity impact was 5% whereas the liquidity impact of the other sectors included in the DCI was negative 6.6%. This indicates that the more liquid companies in the financial sector contributed to an appreciation of prices in comparison to other sectors which saw the opposite effect.

The Domestic Company Index (DCI) appreciated by

20.5%

in 2013

REACHING NEW HEIGHTS



3.2 Foreign Company Indices

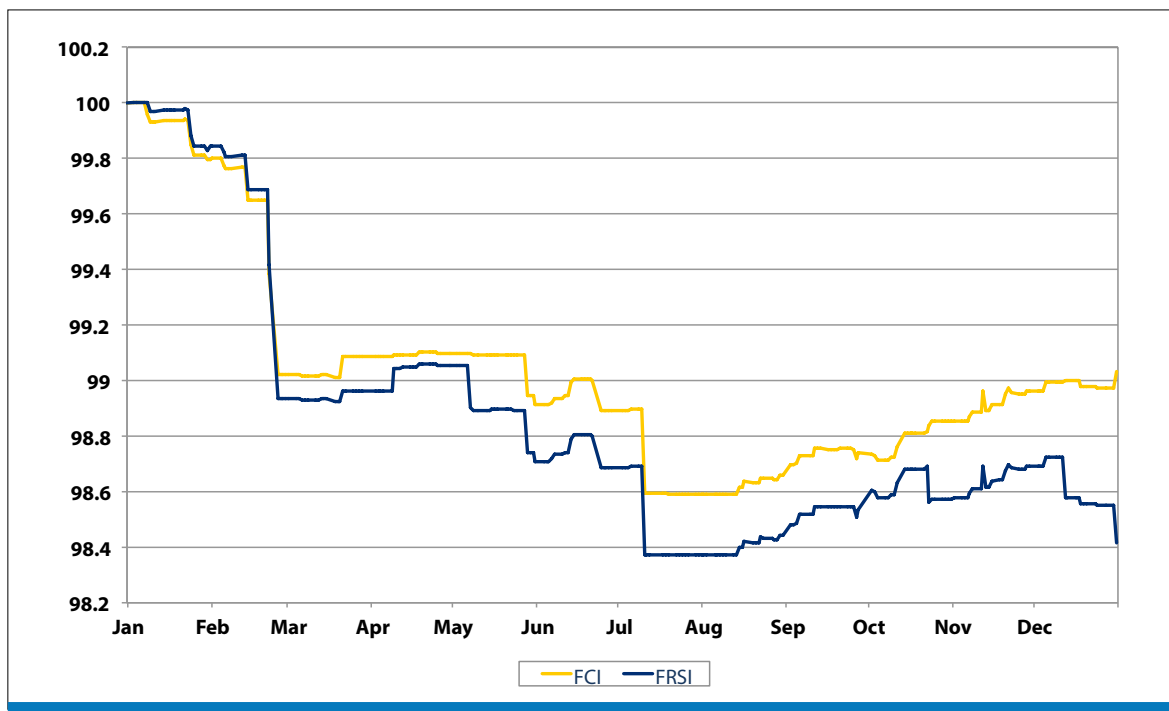
The Foreign Company Index (FCI) depreciated by 1.0% in Quarter 1, and by 0.2% in Quarters 2 and 3. The FCI however appreciated by 0.3% in Quarter 4. As at 31 December 2013 the FCI had declined by 1.0% to close the year at 1,583.5 points

compared to a depreciation of 6.1% in 2012. As seen in Chart C in Figure 2, the Foreign Resources Sector Index (FRSI) closely reflected the growth pattern followed by the FCI given that the largest sector included in the FCI is the Resources sector.

Figure 2: Performance of Indices Computed on Foreign Companies

	Weighting		Returns		Annual		2013 Quarterly			
	Market Cap	Liquidity	Capital Gains	Total Return	2012	2013	Q1	Q2	Q3	Q4
FCI	✓		✓		1,599.5	1,583.5	1,584.3	1,581.2	1,578.8	1,583.5
% Change					(6.1)	(1.0)	(1.0)	(0.2)	(0.2)	0.3
FRSI	✓			✓	731.9	720.3	724.3	722.3	721.1	720.3
% Change					(7.4)	(1.6)	(1.0)	(0.3)	(0.2)	(0.1)

CHART C: FCI vs FRSI



Source: BSE

3.3 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 performances of the 2 indices is solely explained by the weighting methodology.

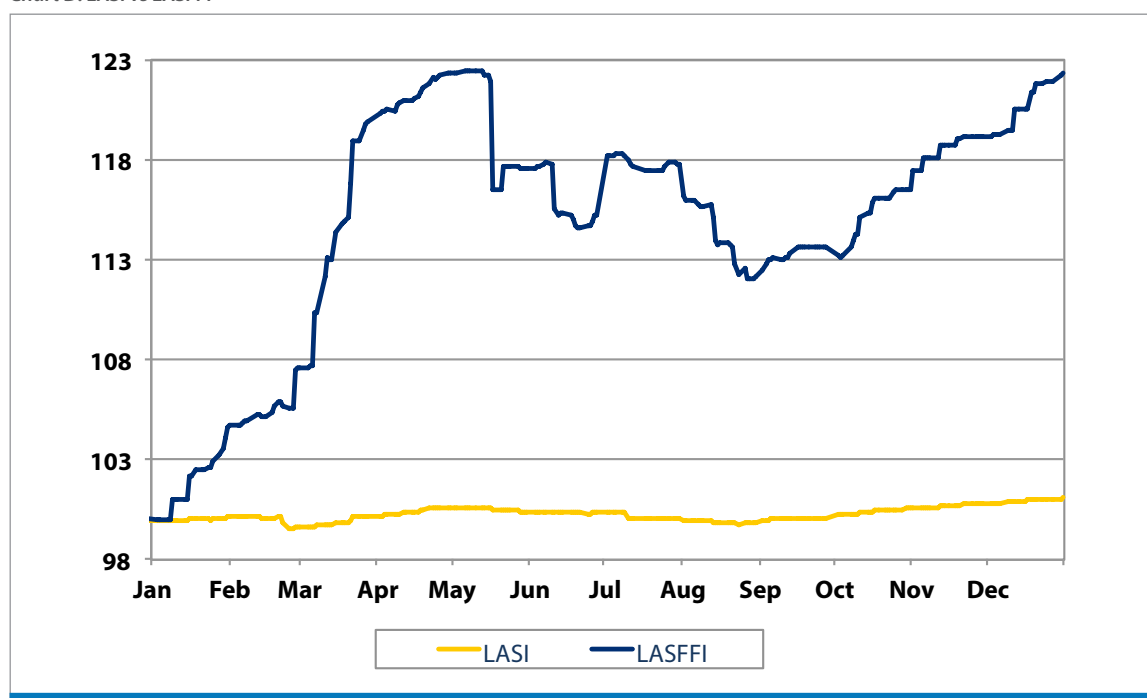
In 2013, the LASI's appreciation of 1.1% against the LASFFI's appreciation of 22.4% can be explained by the performance of liquid domestic companies. The appreciation of 22.4% in the LASFFI is largely attributable to the appreciation of 23.3% in the DCFFI as the majority of domestic companies in the DCFFI contribute a significant proportion of the LASFFI.

From a liquidity stand point, the impact of large companies by market capitalisation, such as Anglo American, is minimized in the computation of LASFFI whereas it remains significant in the LASI. The muted performance of the LASI can therefore be attributed to the performance of Anglo American. In 2013 Anglo constituted 88.1% of the total market capitalisation of the LASI and its share price on the BSE did not change. As a result the good performance of the rest of the constituents of the LASI was weighed down by the inertia of Anglo, resulting in the LASI only appreciating by 1.1%.

Figure 3: Performance of Indices Computed on Local Asset Companies

	Weighting		Returns		Annual		2013 Quarterly			
	Market Cap	Liquidity	Capital Gains	Total Return	2012	2013	Q1	Q2	Q3	Q4
LASI	✓			✓	752.7	760.8	754.1	755.3	753.4	760.8
% Change					(5.4)	1.1	0.2	0.2	(0.3)	1.0
LASFFI		✓		✓	1892.1	2315.3	2268.4	2179.8	2149.6	2315.3
% Change					(12.8)	22.4	19.9	(3.9)	(1.4)	7.7

Chart D: LASI vs LASFFI



Source: BSE

3.4 Sector Contributions to Performance of the DCI and the FCI

Figure 4 details the analysis of sector contributions to the performance of the DCI and the FCI. As can be deduced, all sectors other than Information Technology and Security Services, contributed positively to the 20.5% growth in the DCI.

In 2013, the Banking sector was the dominant sector contributing 8.1 percentage points to the growth in the DCI. This sector has greatly influenced the DCI in 2010 and 2011 and was only overshadowed by the Retail & Wholesaling sector in 2012 which in 2013 was the second largest contributor at 7.2 percentage points. As can be seen from Figure 4, Financial Services, Retail & Wholesaling and Banking sectors have accounted for over 90% of the growth in the DCI. This is not surprising given that these 3 sectors are the most liquid and account for more than 84.2% of the domestic market capitalisation of the BSE.

The contribution by the Banking sector is mainly attributed to the appreciation in the share price of FNBB. At company level, the share price of FNBB appreciated by 43.9%, resulting in a contribution of 8.2 percentage points to the overall growth of 20.5% of the DCI, despite other stocks having appreciated more than FNBB in 2013. FNBB's contribution was underpinned by its high weightage in the DCI in 2013.

Choppies was the second best contributor to the DCI, with a contribution of 3.9 percentage points. Letshego, which was the most liquid stock in 2013, was the third highest contributor at 3.3 percentage points. In addition to these companies, other main contributors to the DCI were Sefalana and Sechaba which contributed 1.6% and 1.3% respectively.

In 2013, the top 5 companies accounted for 89.1% of the growth in the DCI in comparison to 86.0% in 2012.

On the Foreign Equity Board the Mining & Minerals sector continued its dominant influence on the performance of the FCI. This sector contributed a negative 1.03% and outweighed the Financial Services sector's contribution of a positive 0.03%. This resulted in the FCI depreciating by 1.01%.

This is not surprising given that the market capitalisation of the Mining & Minerals sector accounted for 95.2% of total foreign companies' market capitalisation in 2013, and that the FCI is a market capitalisation weighted index.

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

			2013			
	2012	2013	Q1	Q2	Q3	Q4
Domestic Board						
Financial Services	2.36	3.34	3.77	0.68	-0.99	0.23
Retail & Wholesaling	3.29	7.22	3.02	0.97	1.29	3.11
Property	0.95	1.10	0.06	0.09	0.20	0.80
Banking	1.35	8.14	5.20	1.71	-1.51	0.29
Information Technology	0.01	-0.03	-0.00	-0.00	0.00	-0.03
Security Services	-0.03	-0.57	-0.00	-0.04	-0.30	-0.44
Tourism	-0.39	0.17	-0.35	-0.09	-0.01	0.65
Energy	0.25	0.81	0.11	0.09	0.25	0.48
Funeral Services	-0.04	0.36	0.05	0.03	-0.01	0.24
DCI	7.74	20.55	11.85	3.43	-1.08	5.33
Foreign Board						
Financial Services	3.03	0.03	0.00	0.00	0.00	0.00
Mining & Minerals	-9.16	-1.03	0.00	0.00	0.00	0.00
FCI	-6.13	-1.01	-0.95	-0.20	-0.15	0.30

Source: BSE

3.5 Liquidity

Figure 5 details the turnover and liquidity on the BSE since 2009. The average daily turnover for 2013 was P9.3 Mn per day in comparison to P3.6 Mn in 2012 and P4.1 Mn in 2011. The volume of shares traded in 2013 was a record 710.5 Mn in comparison to 409.9 Mn in 2012 and 458.7 Mn shares in 2011. The main contributors to turnover in 2013 were Letshego and Choppies.

The year 2013 stands out as the year in which the BSE registered the highest turnover since its inception in 1989. The amount of turnover in 2013 is almost double the turnover recorded on the BSE in 2008 (highest up to 2013) and is 2.6 times the turnover in 2012. The volume of shares traded in 2013 was 1.7 times the volume in 2012. The year 2013 can also be described as a year in which the stability of turnover continued to improve, albeit marginally.

The coefficient of variation of turnover was lowest in 2013, further compounding that stability of turnover has indeed improved. From the BSE's point of view this is a welcome development since turnover was generated in a more consistent manner, an indication of the growing sustainability in liquidity.

It can 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 of 2013. The average daily turnover of P13.8 Mn per day achieved in Quarter 4 of 2013 is the highest turnover achieved in any Quarter in the history of the BSE. This was largely due to the turnover generated from transactions in Choppies. Choppies generated a turnover of P204.4 Mn in Quarter 4 through the transaction of 66.8 Mn shares.

Figure 7 shows the Lorenz Curve analysis for turnover for the years 2010 to 2013. 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 2013 in comparison to the other years as seen from Chart A in Figure 7.

From an alternative point of view, 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. This analysis is detailed in Chart B of Figure

Figure 5: Indicators of Liquidity: 2009 to 2013

Indicators	2009	2010	2011	2012	2013
Turnover (P' Mn)	763.8	962.8	1,007.9	894.7	2,315.4
Average Daily Turnover (P' Mn)	3.1	3.9	4.1	3.6	9.3
Turnover/ Average Market Cap (%)	2.7	3.5	3.5	2.7	5.9
Standard Deviation	7.7	8.6	13.5	6.9	15.9
Coefficient of Variation (CoV)	2.5	2.2	3.3	1.9	1.7
No. of Shares Traded (Mn)	167.6	308.7	458.7	409.9	710.5
Shares Traded/Shares Listed (%) ^{Note 1}	2.9	3.9	4.8	4.3	6.3

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

Source: BSE

Figure 6: Quarterly Market Turnover: 2013

Indicators	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Turnover (P' Mn)	250.8	684.1	510.4	870.1
Average Daily Turnover (P' Mn)	4.1	11.0	8.2	13.8
Turnover/ Average Market Cap (%)	0.7	1.8	1.1	2.0
Standard Deviation	6.4	11.8	9.5	23.5
Coefficient of Variation	1.6	1.1	1.4	1.7
No. of Shares Traded (Mn)	99.8	229.3	134.5	246.9
Shares Traded/Average Shares Listed (%) ^{Note 1}	0.9	2.0	1.1	2.2

Note 1: For Domestic Companies

Source: BSE

7. As can be seen from Chart B of Figure 7 the contribution to turnover by companies was marginally more evenly distributed in 2013, in comparison to previous years. Although the Financial

Services sector continues to be the dominant sector in this regard it is noted, that the turnover contributed by other sectors such as Banking and Retail & Wholesaling has improved in 2013.

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

CHART A: Cumulative % Frequency of Turnover: 2010 to 2013

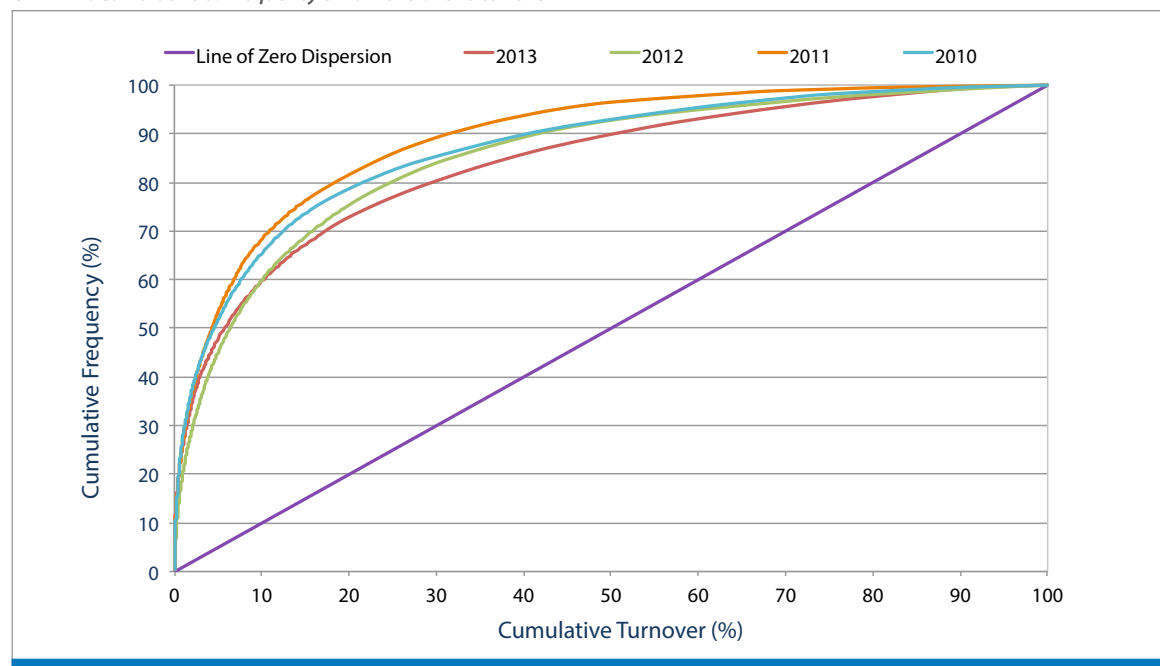
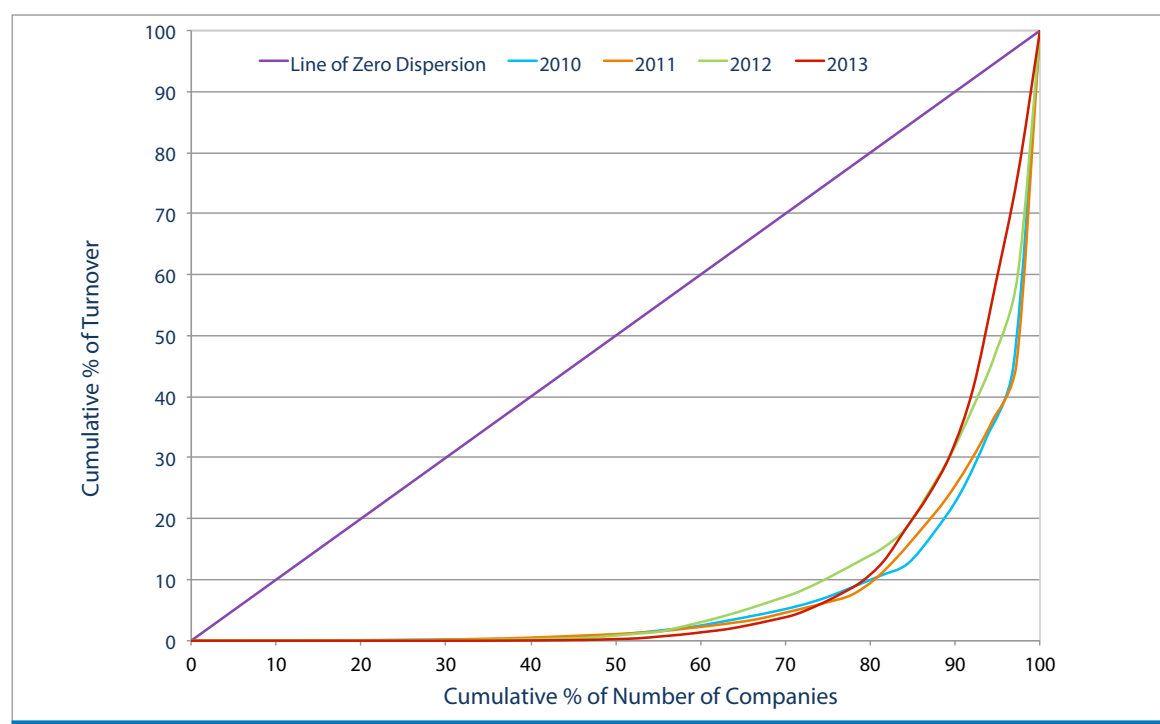


CHART B: Cumulative % Contribution of Turnover by Companies: 2010 to 2013



Source: BSE

Figure 8 depicts the trend in average daily turnover over the medium and long term. For the purpose of this analysis, the medium term trend was defined as the period 2005 to 2013 whereas the long term was defined as the period 2000 to 2013.

The results as presented in Chart A of Figure 8 show that the average daily turnover of P9.3 Mn achieved in 2013 has positively impacted the medium term trend by shifting the trend upwards. As can be seen from Chart A of Figure 8, the

Figure 8: Analysis of Medium and Long Term Average Daily Turnover Trend

CHART A: Medium Term Trend of Average Daily Turnover: 2005-2012 compared with 2005

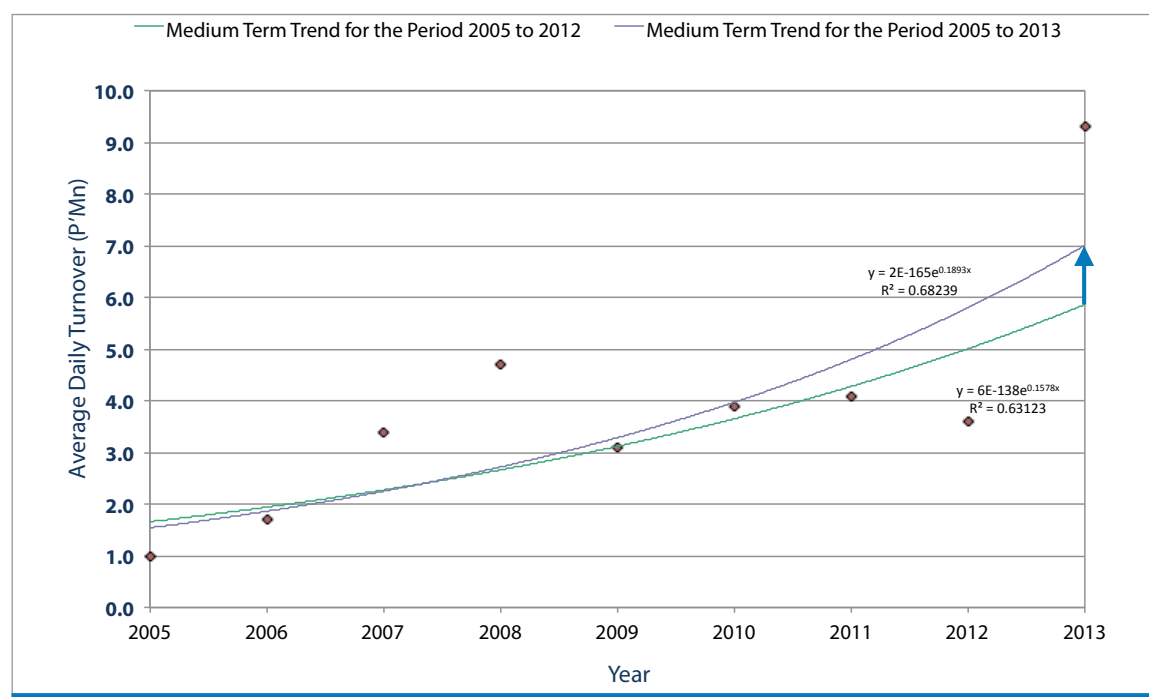
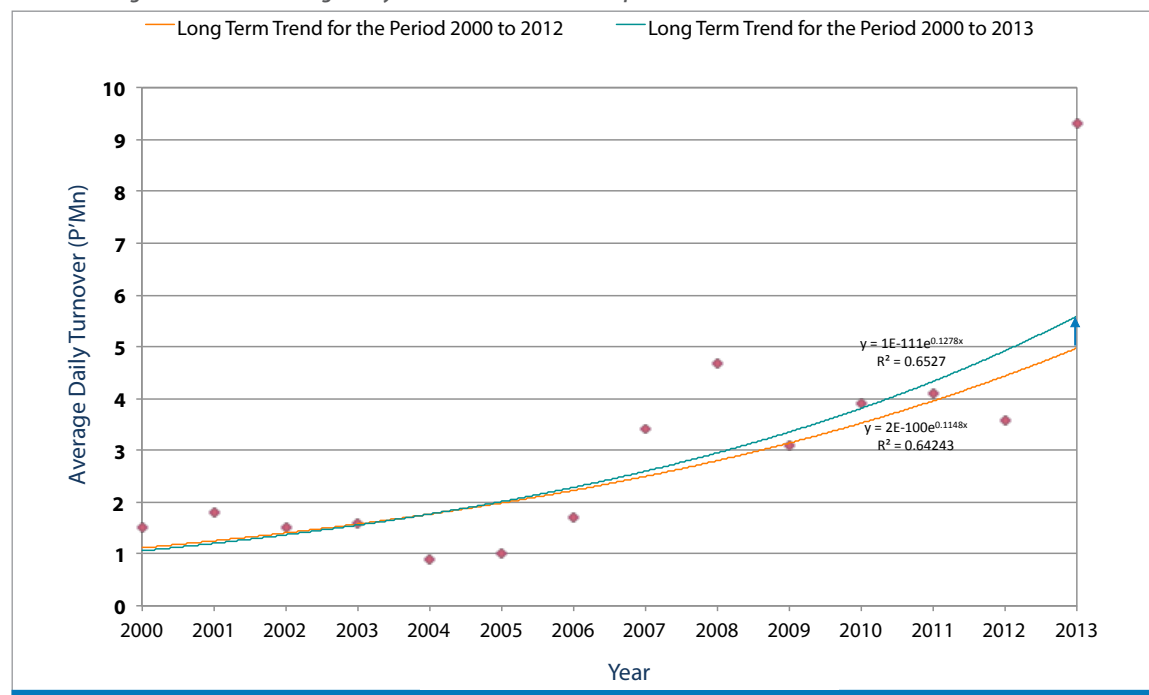


CHART B: Long Term Trend of Average Daily Turnover: 2000-2012 compared with 2000-2013



Source: BSE

forecast turnover for 2013 using the trend computed for the period 2005 to 2012 is P5.9 Mn in comparison to the P7.0 Mn as per the trend computed for the period 2005 to 2013.

Over the long term, the average daily turnover of P9.3 Mn in 2013 has resulted in a shift in the trend from P5 Mn per day to P5.6 Mn per day.

In order to maintain the upward momentum of the medium term trend an average daily turnover of at least P8.4 Mn per day will need to be achieved in 2014.

In order to sustain the long term trend an average turnover of P6.3 Mn per day, at the minimum, will need to be achieved in 2014.

Figure 9: Average Daily Turnover Trend Analysis: Pre and Post Financial Crisis

CHART A: Average Daily Turnover and Trend: 2005 to 2008

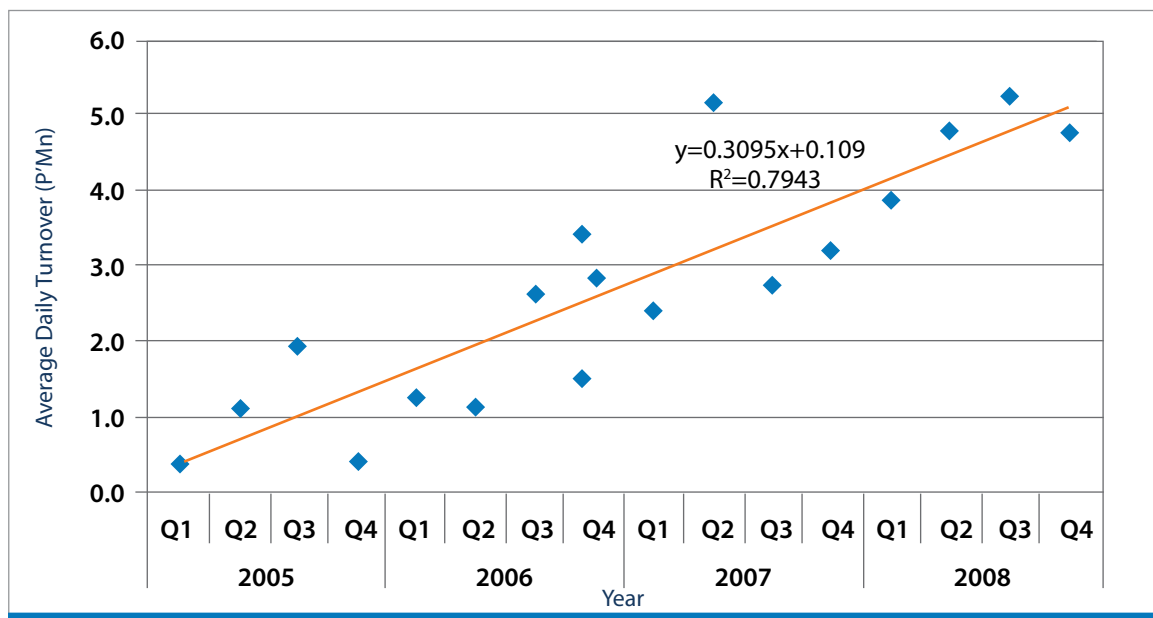
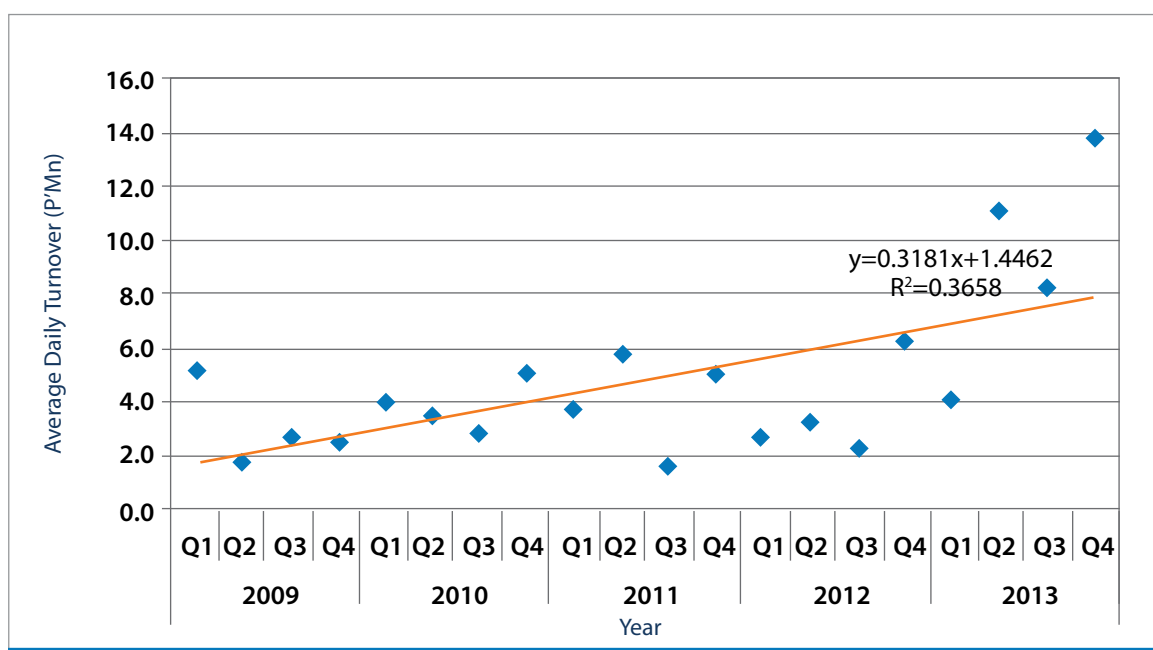


CHART B: Average Daily Turnover and Trend: 2009 to 2013



Source: BSE

Chart A of Figure 9 presents the analysis of the average daily turnover on a quarterly basis from 2005 to the start of the financial crisis in 2008. The quarterly turnover trend during the post - financial crisis period is shown in Chart B of Figure 9.

As can be seen from Charts A and B of Figure 9 the growth in average daily turnover on a quarterly basis was more stable and consistent in the pre-financial crisis period. This is depicted by the closeness of the distribution of turnover to the trend line

Figure 10: Analysis of Average Daily Turnover and Monthly Contribution to Turnover

CHART A: Yearly Average Daily Turnover Distribution: 2009-2013

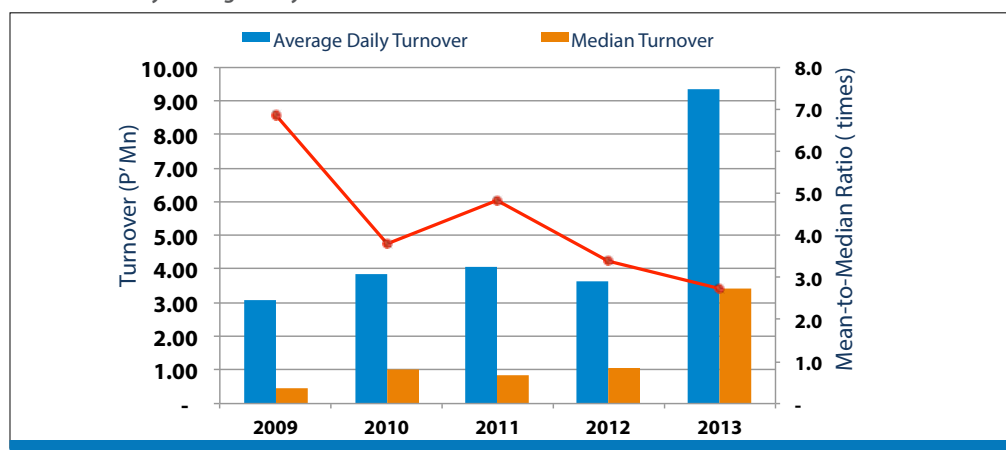


CHART B: Quarterly Average Daily Turnover Distribution: 2012-2013

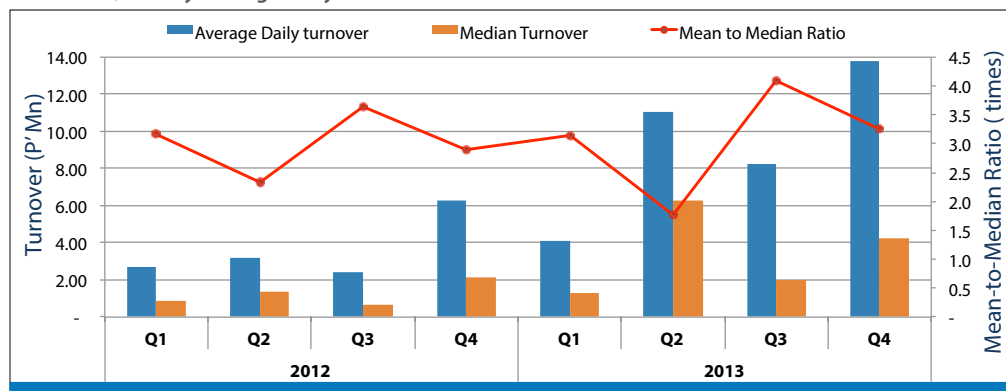
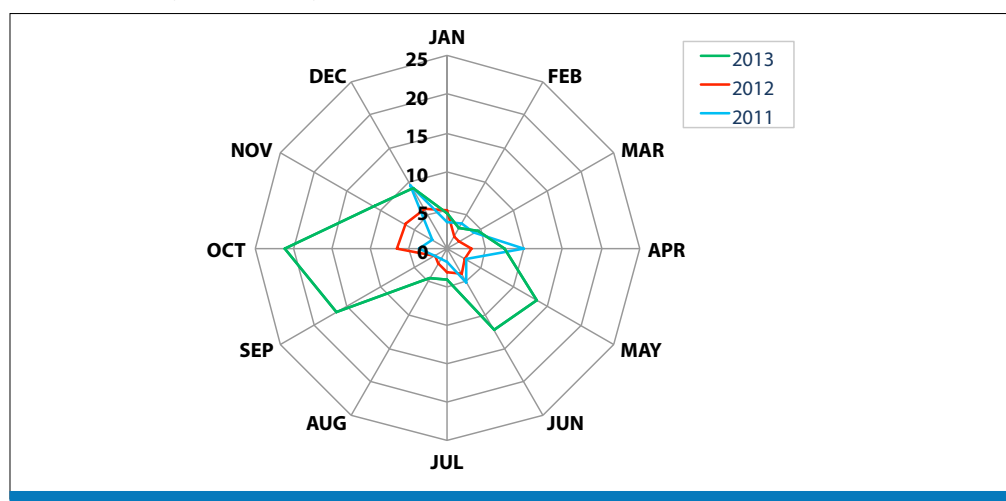


CHART C: Monthly Average Daily Turnover Distribution (P/Mn): 2011-2013



Source: BSE

and by the higher coefficient of determination or R-squared. Essentially, the randomness of turnover was minimal in the pre-financial crisis period.

The post-financial crisis period was characterized by a highly dispersed distribution of quarterly turnover, especially as from Quarter 2 of 2011.

From this period up to Quarter 1 of 2013 turnover remained below the trend line. More evident recovery began in Quarter 2 of 2013.

Figure 10 depicts the distribution of turnover as measured by the mean and median turnover. The figure also shows the stability of turnover as measured by the mean to median turnover ratio. Generally, the variation between the mean turnover and median turnover has narrowed over the years, implying that stability has indeed improved.

As can be noted, the mean to median turnover ratio has been on a downward trend since 2011 reaching its lowest point in 2013. The mean to median ratio in 2013 was 2.7 times compared to 3.4 times in 2012.

The cob-web diagram in Chart C of Figure 10 indicates the randomness of monthly turnover over the past three years. In order to sustain the stability of turnover it is ideal that the percentage contribution to turnover remains sticky at levels that would resemble a web like shape. In the past three years it can be noted that monthly percentage contribution to turnover has been rather random than uniform.

3.6 Sector Contributions to Liquidity

As can be seen from Figure 11 the liquidity of the BSE is highly concentrated on domestic counters. In terms of the number of shares traded, the Financial Services sector was the most liquid sector on the BSE for the fourth year running. A total of 261.1 Mn shares were traded in the Financial Services sector of which 91.0% were trades on account of Letshego.

Letshego's overall dominance in terms of shares traded has gradually reduced over the past years. In 2013, Letshego accounted for 33.5% of all shares traded on the Domestic Board in comparison to 54.7% in 2012 and 68.7% in 2011. This is a positive development as it shows that liquidity is gradually spreading across different counters.

Figure 11: Sector Contributions to Liquidity: 2012 and 2013

	2012				2013			
	Turnover/Avg Market Cap (%)		Shares Traded (Mn)	Shares Traded/ Avg Shares Listed (%)	Turnover/Avg Market Cap (%)		Shares Traded (Mn)	Shares Traded/ Avg Shares Listed (%)
	Note 1	Note 2	Note 1	Note 2	Note 1	Note 2	Note 1	Note 2
DOMESTIC								
Financial Serv.	1.26	0.10	229.99	10.18	2.02	0.19	261.1	10.78
Retail	0.37	0.03	50.96	4.04	1.53	0.15	159.3	7.49
Property	0.29	0.02	57.28	5.04	0.45	0.04	100.8	5.71
Banking	0.63	0.05	46.35	1.19	1.54	0.15	133.9	3.38
IT	0.00	0.00	1.53	4.85	0.00	0.00	0.00	0.10
Security Serv.	0.03	0.00	1.49	3.38	0.01	0.00	0.54	0.68
Tourism	0.02	0.00	4.65	0.92	0.05	0.00	10.5	2.07
Energy	0.02	0.00	1.26	0.79	0.05	0.00	2.37	1.49
Funeral Serv.	0.06	0.00	13.32	11.06	0.20	0.02	39.7	32.87
FOREIGN								
Financial Serv.	0.00	0.00	0.56	0.01	0.00	0.00	0.00	0.00
Mining	0.00	13.63	2.54	0.07	0.00	0.00	2.13	0.04

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

Note 2: Computed for all shares listed on the BSE

3.7 Impact of the ATS on Liquidity

Arguably the single most important development that has contributed to an increase in liquidity is the implementation of the ATS in August 2012. In order to understand the impact the ATS has had on liquidity, a comparison was made pre and post the ATS implementation. The statistics examined for this purpose are depicted in Figure 12.

As can be noted from Figure 12, the average daily turnover increased from P2.9 Mn pre-ATS to P4.9 Mn following the implementation of the ATS in 2012. Average daily volume of shares also increased from P1.3 Mn in the pre-ATS period to P2.3 Mn post-ATS in 2012. The statistics depicted in Figure 12 for 2013

further substantiates the deduction that the implementation of the ATS contributed significantly to liquidity and also to stability of turnover.

It is noted that the ATS is still in its infancy, having been implemented for scarcely 16 months. As such, it is expected that the ATS' impact on liquidity will need to be observed over a longer period before a more conclusive determination can be made as to its impact on liquidity.

3.8 Investor Contribution to Equity Turnover

Local institutional investors accounted for 59.8% of turnover in 2013, maintaining their dominant position from 2012. In 2012

Figure 12: Liquidity Indicators Pre & Post ATS Implementation: 2012 - 2013

	Pre-ATS	Post-ATS	2012	2013
	4 Jan 2012 to 22 Aug 2012	24 Aug 2012 to 31 Dec 2012		
Average Daily Volume (Mn)	1.3	2.3	1.7	2.9
Average Daily Turnover (P' Mn)	2.9	4.9	3.6	9.3
Standard Deviation of Turnover	5.5	8.7	6.9	15.9
Coefficient of Variation of Turnover	1.9	1.8	1.9	1.7
Liquidity Ratio ^{Note 1}	1.4	1.2	2.7	5.8

Note 1: Based on Average Domestic Market Cap

Source: BSE

Figure 13: Local Investor Contribution to Turnover Pre & Post ATS Implementation

	Pre-ATS	Post-ATS	2012	2013
	Jan 2012 to July 2012	Sep 2012 to Dec 2012		
Average Daily Turnover (P'000)	297.0	555.4	382.1	813.0
Contribution to Turnover (%)	10.4	10.9	10.6	8.7

Source: BSE, CSDB

Figure 14: Investor Contribution to Turnover: 2010 to 2013

Investors	Turnover(%) 2011	Turnover(%) 2012	Turnover(%) 2013	% Contribution to Liquidity
Foreign Companies	46.2	39.0	29.0	1.7
Foreign Individuals	2.5	2.5	2.2	0.1
Local Individuals	5.9	10.6	8.7	0.5
Local Companies	44.7	47.5	59.8	3.5
Brokers	0.7	0.3	0.3	0.0
TOTAL	100.0	100.0	100.0	5.9

Source: CSD Botswana

local institutional investors contributed 47.5% to turnover from 44.7% in 2011. Local individual contribution to turnover in 2013 was 8.7%. Participation by local individual investors has increased nearly threefold over the past five years from 3% in 2008 to 8.7% in 2013.

Over the past three years, local individual investor contribution to turnover has averaged 8.4%. The growth in retail investor participation is a welcome indication of financial inclusion of citizens in the economy of the country. However, Botswana is still way behind countries such as Mauritius and Asian Emerging Markets if a comparison was to be made of individual investor participation in the Capital Market. The main reason for this is the lack of financial awareness and opportunities for investment. Although, institutional investors still "crowd-out" retail investors in periods of rising liquidity, the BSE is happy to note that turnover generated by individual citizens, in monetary terms, increased significantly in the year under review relative to 2012. This is an indication of increased participation of local individual citizens in the stock market.

In 2013, local individual investments in the BSE more than doubled and totalled P201.7 Mn as measured by their contribution to turnover, an increase of 111.4% in comparison to 2012.

An analysis of investor contribution to turnover on a quarterly basis is shown in Figure 15.

As can be seen from Figure 15, foreign company participation in BSE trading activity increased to 29.5% in Quarter 4 showing a steady improvement in participation from Quarters 2 and 3. The local company contribution was dominant in all four Quarters of 2013.

Figure 16 below analyses turnover generated from the top 5 traded companies in 2013 and investor contribution to transactions. These companies were Letshego, Choppies, FNBB, BIHL and Sechaba. The analysis presents the net purchases where net purchases is defined as total purchases less total sales.

The analysis indicates that the 5 companies attracted significant foreign investor interest in 2013 as foreigners were net buyers of these domestic companies. Further analysis shows that 93.0% (P564.7Mn) of the foreign companies' net purchases were concentrated on these 5 companies. In total, foreign companies spent a net P42.6 Mn buying other stocks other than Letshego, Choppies, FNBB, BIHL and Sechaba. On the other hand, local institutional investors were active across all listed counters.

Figure 15: Investor Contribution to Turnover on a Quarterly Basis

Investors	2012				2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Foreign Companies	31.0	28.6	47.1	44.8	39.3	24.2	26.4	29.5
Foreign Individuals	2.4	2.2	3.2	2.4	8.1	1.7	2.4	0.8
Local Individuals	7.1	15.3	8.6	10.7	7.1	7.6	3.0	12.9
Local Companies	58.8	53.5	40.8	42.0	44.9	66.4	68.0	56.5
Brokers	0.8	0.4	0.3	0.1	0.6	0.1	0.2	0.3
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

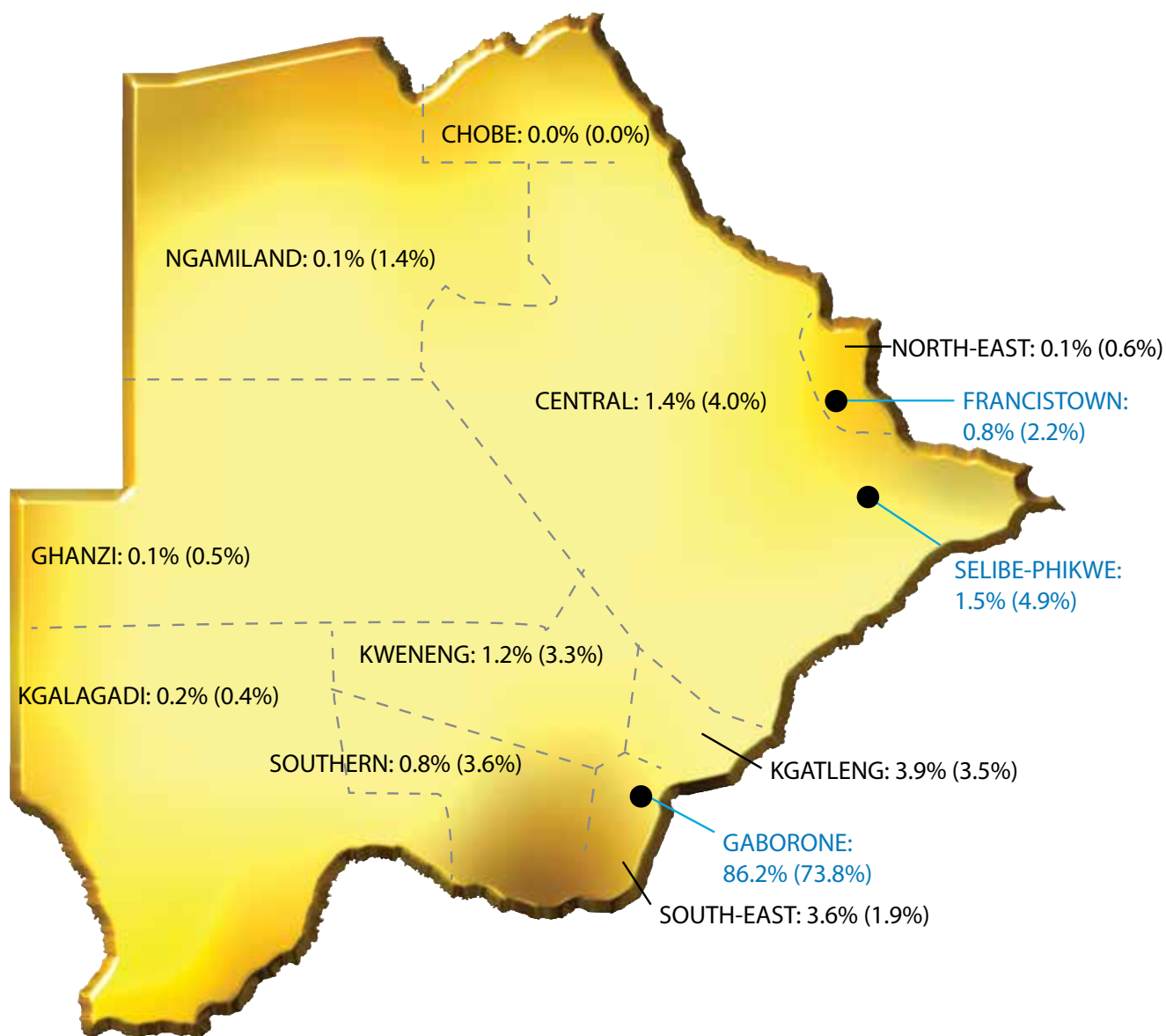
Source: BSE, CSDB

Figure 16: Net Purchases/ (Sales) of the top 5 Counters Contributing to Turnover Analysed by Investor Category (P' Mn): 2013

Investors	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2013
Brokers	0.88	0.05	0.46	(0.55)	0.84
Foreign Individuals	(29.75)	(10.36)	(0.75)	(6.58)	(47.44)
Foreign Companies	65.21	167.10	39.93	292.42	564.66
Local Individuals	(15.27)	(34.68)	(5.80)	(184.43)	(240.18)
Local Companies	(21.08)	(122.10)	(33.83)	(100.86)	(277.87)

Source: BSE, CSDB

Figure 17: Retail Investor (Resident in Botswana) Contribution to Turnover by Districts in Botswana: 2012 and 2013



Note: The contribution to turnover in 2012 is indicated in parenthesis

Source: CSD Botswana

3.9 Geographical Distribution of Retail Investor Turnover

Figure 17 shows the distribution of retail investor turnover analysed across districts in Botswana. Turnover for major towns is shown separately to avoid distortion of total turnover by district in which these towns are located.

As can be seen from Figures 17 and 18 the areas in South-East Botswana, recorded a growth in contribution to turnover in 2013. Investors from Gaborone, Kgatleng and the South-East Districts contributed increasingly to turnover in 2013 from 2012. This continues to support the conclusion that turnover is more concentrated in the Southern and Eastern parts of Botswana which comprise more economic activity in semi-urban villages relative to the other districts in Botswana.

As noted in Section 10.2 of this review, the BSE has continued to engage in market development activities in various parts of Botswana, with a view to creating greater awareness and improving financial literacy. Market development initiatives have been carried out even in areas with relatively less economic activity. The BSE is confident that in the long run, deepening financial awareness will translate into increased retail investor participation in the capital market, and thus justify the investment in both time and resources expended by the BSE to “reach out” to investors.

Figure 18: Retail Investor Contribution to Turnover by District: 2012 and 2013

District	2012	2013	
	Turnover (P' Mn)	Turnover (P' Mn)	% Change
Gaborone	70.328	168.818	140.0
Selibe-Phikwe	4.689	2.991	(36.2)
Francistown	2.100	1.602	(23.7)
Southern	3.434	1.628	(52.6)
Kgatlang	3.303	7.584	129.6
South East	1.774	6.972	293.1
Kweneng	3.175	2.366	(25.5)
Central	3.803	2.835	(25.5)
North East	0.555	0.093	(83.2)
Chobe	0.018	0.091	405.6
Ngamiland	1.301	0.290	(77.7)
Ghanzi	0.480	0.109	(77.3)
Kgalagadi	0.364	0.466	28.0

Note: Turnover by local individual investors resident outside Botswana was P0.091 Mn and P5.845 Mn in 2012 and 2013 respectively

Source: CSD Botswana

4. THE EXCHANGE TRADED FUND (ETF) MARKET

4.1 Global ETF Landscape

According to BlackRock's "ETP Landscape", an Exchange Traded Product (ETP) Research Report, (December 2013), the global ETP industry continued to grow in 2013 as investors continued to seek efficient, tailor made instruments to access diversified markets and investments. Investment allocation to ETPs globally has outstripped the allocation to mutual funds. This has been attributed to increased investment by institutional investors, growth in retail markets and continued innovation that offer investors a plethora of risk-return options.

Globally, Gold ETPs experienced significant outflows in 2013 as the price of Gold fell from its 2012 peak and investors turned to other asset classes for more attractive returns. Contrary to the global trend the BSE's records indicate net inflows into the NewGold ETF in 2013. This is evidenced by an increase of 1.5 Mn units of the NewGold ETF in the Botswana register.

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

The Gold Bullion price in the London market reached its highest price for 2013 of US\$ 1,693.75 per ounce on 2 January 2013. Consequently, the Net Asset Value (NAV) of the NewGold ETF in US Dollar terms also reached its all-time high on the same date. The price of the NewGold ETF on the BSE reached its highest point of P130.30 per unit for 2013 on 7 February after a lag of 26 market days.

The price of Gold declined gradually from its 2013 high to close the year with a depreciation of 27.8%. The NAV and price on the BSE in Pula terms of the NewGold ETF depreciated by 19.1% and 17.2% in 2013 respectively.

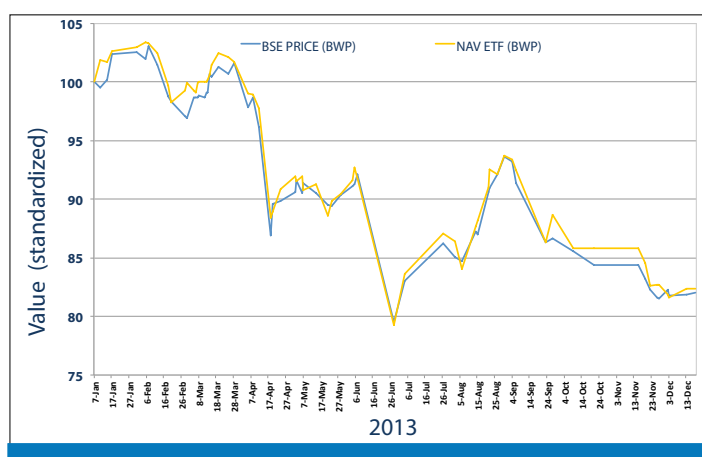
The difference in the depreciation of the BSE price of 17.2% and the decrease in the NAV (in Pula terms) of 19.1% as at end

December 2013 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 traded the correlation between the NAV and the traded price was 99.4% in 2013 compared to 98.9% in 2012. The difference between the NAV and price in Pula terms is due to management fees. This is illustrated in Figure 19.

Figure 19: Performance of the NewGold ETF on the BSE and the NAV of the NewGold ETF (BWP)



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

The NAV (in Pula terms) on a given date is computed using the NAV (in US Dollar terms) and taking into account the exchange rate between the Pula and the US Dollar on such dates. The NAV (in US Dollar terms) is derived from the US Dollar price of the Gold Bullion in the London market. As explained in past reviews a depreciation of the Pula against the US Dollar 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 in comparison to US Dollar.

Chart A of Figure 20 indicates that the NAV of the NewGold ETF in Pula terms outperformed the NAV of the ETF in US Dollar terms in 2013. In 2013, the NAV (in Pula terms) appreciated strongly against the NAV in US Dollar terms. The appreciation of the NAV (in Pula terms) is attributed to the depreciation of the Pula against the US Dollar by 10.8% in 2013.

As such the overall depreciation of the NAV of the NewGold ETF by 19.1% in Pula terms in comparison to a depreciation of 28.1% in US Dollar terms is largely attributable to the depreciation of the Pula against the US Dollar by 10.8% in 2013.

Since the NAV (in US\$ terms) of the ETF is derived from the US Dollar price of the Gold Bullion and given that the NAV of Gold had a 100% correlation to the price of Gold as depicted in Chart B of Figures 20 the difference between the two is attributed to management fees.

Figure 20: Performance of the NAVs of NewGold ETF against the Gold Bullion

Chart A: NewGold ETF NAV (BWP & US\$ Terms): 2013

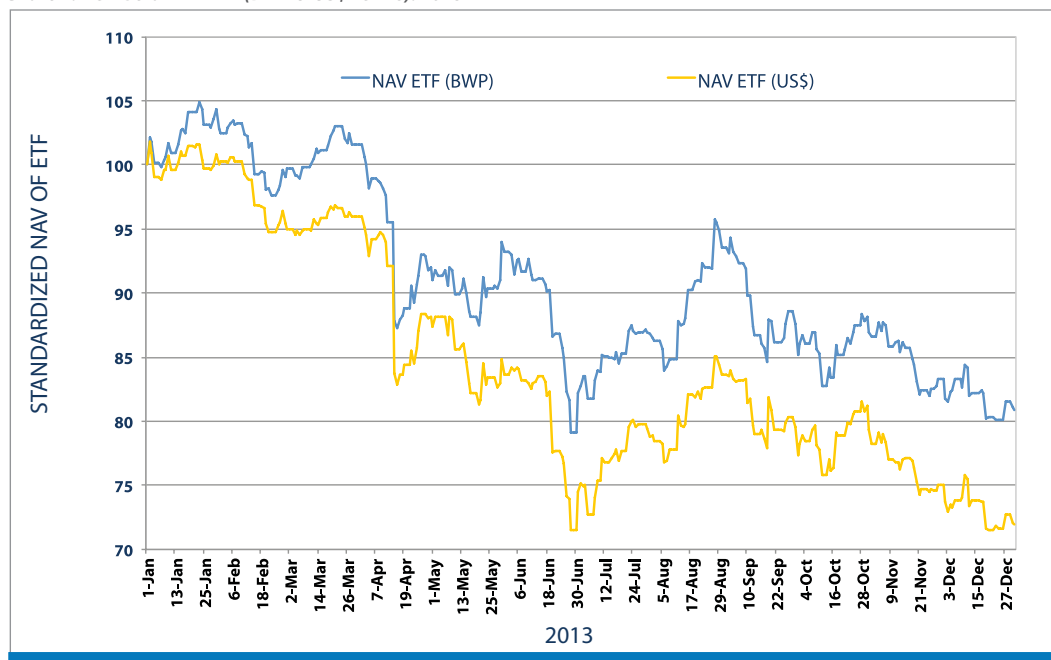
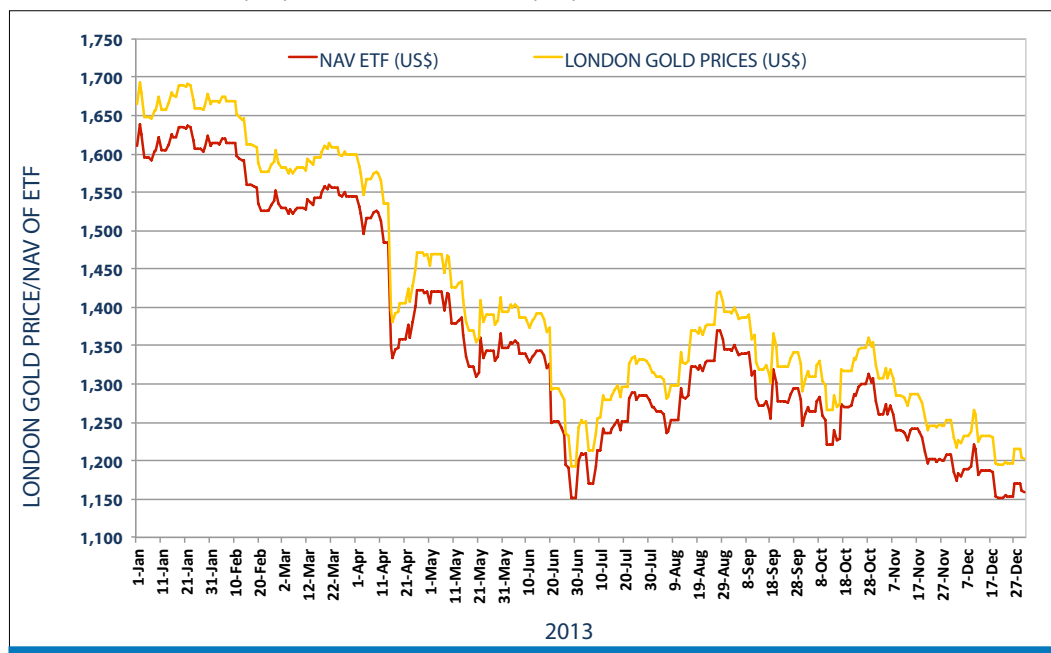


Chart B: NewGold ETF NAV (US\$) and the London Gold Price (US\$): 2013



Source: BSE and Absa Capital

4.3 Performance of the BettaBeta ETF

The BettaBeta ETF reached its highest price since listing on the BSE, of P40.60 per unit, on 24 October 2013. This represented an appreciation of 23.2% on its listing price of P32.95 in May 2011.

At the end of 2013, the price of the BettaBeta ETF had depreciated by 5.6% on the BSE in comparison to a depreciation of 2.7% of its NAV (in Pula terms) as indicated in Chart A of Figure 21.

Chart B of Figure 21 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.

Figure 21: Performance of the BettaBeta ETF NAV and BSE Price: 2013

CHART A: Performance of BettaBeta ETF NAV and BSE Price

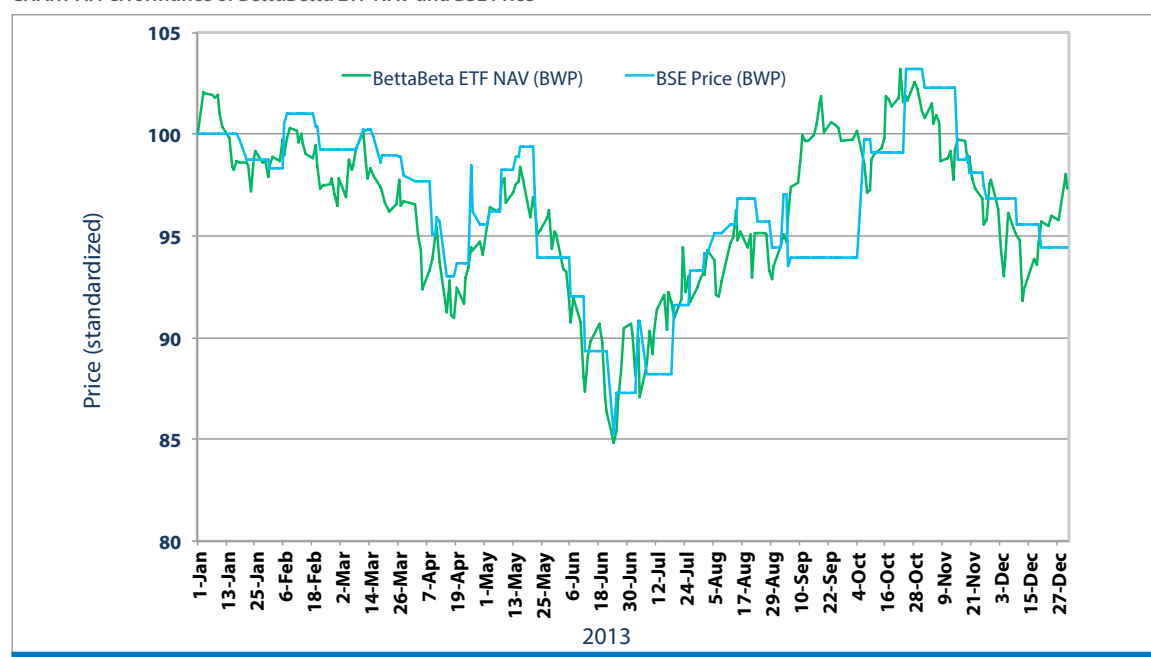
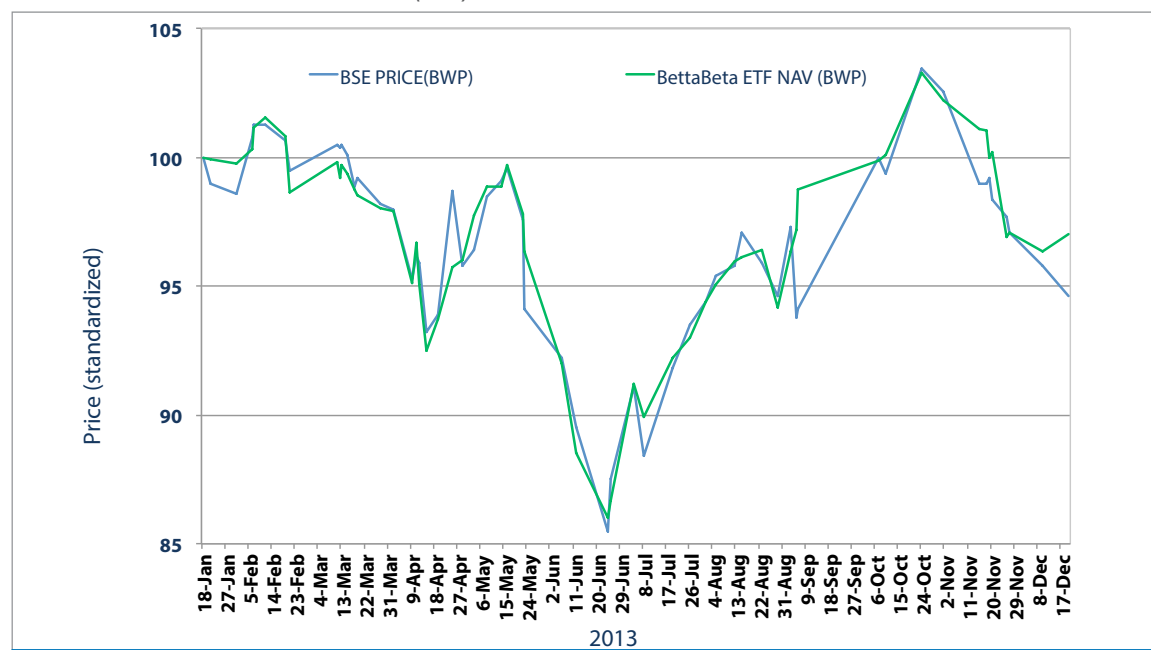


CHART B: Performance of BettaBeta ETF NAV (BWP) and BSE Price



Note: The graph in Chart B is based only on dates on which the BettaBeta ETF traded on the BSE

Source: Nedbank Capital, BSE

The correlation between the two sets of data is 94.8%, which indicates the high efficiency in price discovery on days that the BetaBeta ETF is traded on the BSE.

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

It is noted that the price of the BetaBeta ETF on the BSE also underperformed 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 Chart A of Figure 22.

Figure 22: Performance of the BetaBeta ETF NAVs and the selected indices: 2013

CHART A: Performance of BetaBeta ETF (BSE Price), the JSE Top40 Index (BWP) and the BBEQWT 40 Index (BWP)

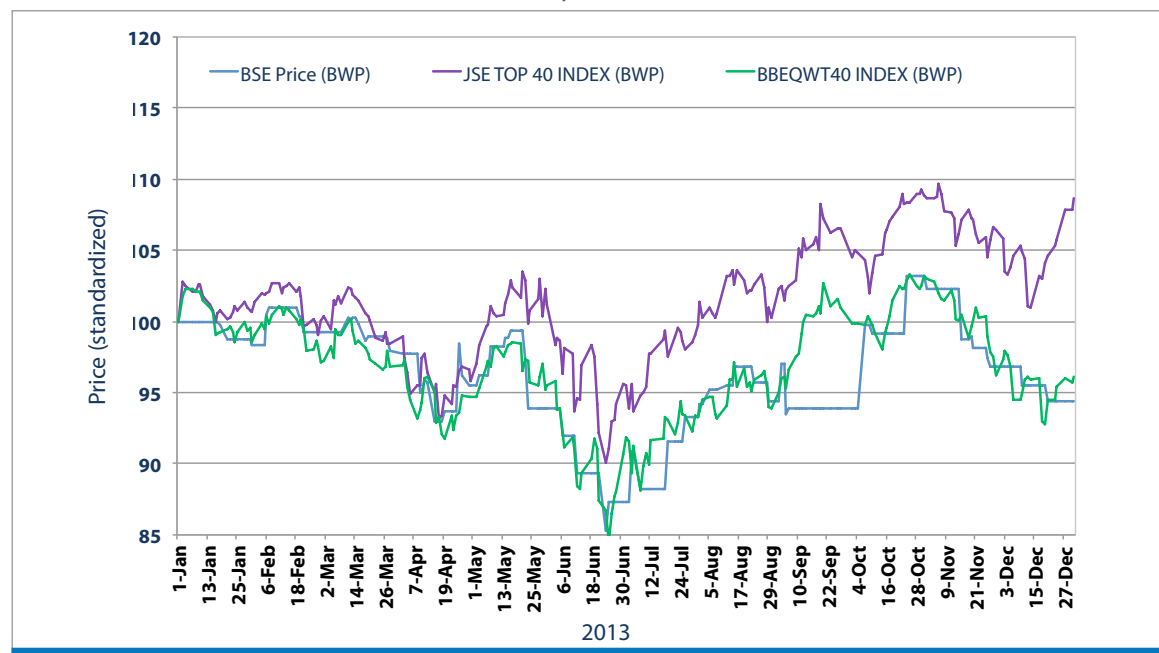
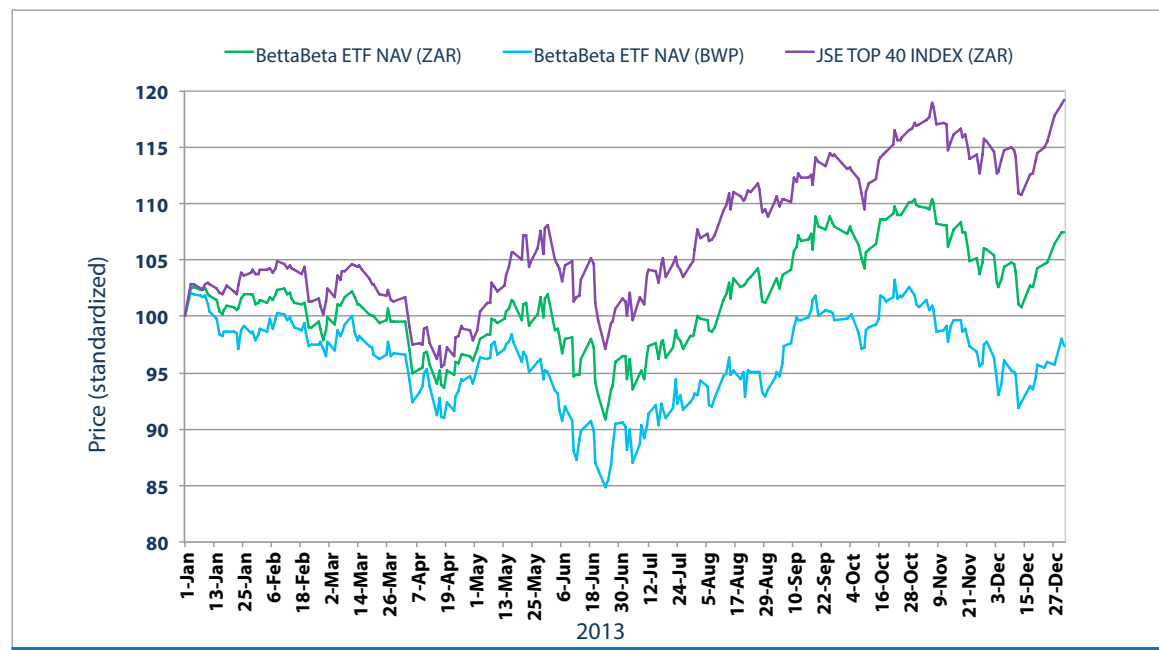


CHART B: Performance of the BetaBeta ETF NAV (BWP and ZAR)



Source: Nedbank Capital, BSE

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 depreciation of the NAV (in Pula terms) of 2.7% in comparison to an appreciation in Rand terms of 7.5% is largely explained by the appreciation of the Pula against the Rand. In 2013 the Pula appreciated by 9.7% against the ZAR.

Figure 23 details the quarterly dividends paid by the BettaBeta ETF in 2013. 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 an estimated net dividend yield of 2.3%

based on the average price of P38.25 per unit in 2013.

Figure 23: Dividends Paid by the BettaBeta ETF in 2013

Quarter	Dividends (Thebe)
End of March 2013	22.99
End of June 2013	17.59
End of September 2013	30.62
End of December 2013	15.61
TOTAL	86.81

Source: Nedbank Capital

If the dividend pay-out is taken into account it is estimated that the BettaBeta ETF would have given investors a return of negative 3.2% on a total return basis in 2013 in comparison to a negative return of 5.6% if only capital gains are accounted for.

4.4 Liquidity and Efficiency of Price Discovery in the ETF Market

ETFs have advantages that are not experienced with equities at the present moment. The market-making model, which makes it easier for investors to access ETFs without facing liquidity constraints, and the highly competitive transaction costs are some of the attractive features of ETFs.

Both the NewGold and the BettaBeta ETFs have been awarded Local Asset Status. As such pension fund managers, with stringent weight allocations between domestic and foreign assets, can allocate a portion of the domestic portfolio to the NewGold and the BettaBeta ETFs, which are backed by foreign securities, without violating their allocation guidelines.

The efficient price discovery in ETFs can be attributed to the market-making model which has ensured these securities are highly liquid and highly accessible to investors. The extent of the price efficiency in ETFs over a period of 3 years is depicted in Figure 24. This has been computed using the Mean Price Differential (MPD) and MPD relative to average price of the ETFs in the JSE, which is the primary market.

As can be seen from Figure 24 and if a comparison were to be made with other dual listed securities as detailed in Figure 27, the efficiency of price discovery of the 2 ETFs listed on the BSE exceeds that of the other securities by far.

Despite these advantages it has been noted that investor interest in ETFs, especially the BettaBeta ETF, is low and this is mainly 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 is considering including the ETFs in the LASI and LASFFI to address the issue. This step will be taken in consultation with pension funds and asset managers.

Figure 24: Efficiency of Price Discovery Based on Traded Prices

Company	2011		2012		2013	
	MPD (P)	MPD/Avg.Price (%)	MPD (P)	MPD/Avg.Price (%)	MPD (P)	MPD/Avg.Price (%)
NewGold ETF	1.14	1.08	0.93	0.76	0.85	0.74
BettaBeta ETF	0.37	1.16	0.36	1.00	0.38	1.00

Source: BSE, I Net Bridge

In order to improve the liquidity in ETFs, BSE and Nedbank Capital, issuers of the BettaBeta ETF conducted an ETF seminar on 23 May 2013 to educate and sensitize market participants especially brokers and business journalists about ETFs. The BSE will continue to educate the public about ETFs and their use in an investment portfolio, with a view to improving awareness and promoting turnover in ETFs.

As noted earlier, turnover in the NewGold ETF improved significantly in 2013 relative to 2012. The NewGold ETF traded 1.2 Mn units for a value of P131.2 Mn, in comparison to 223,026 units with a value of P27.6 Mn in 2012. The ETF was traded at prices ranging between P100.50 and P130.30 per unit. A record 2.3 Mn units were held in the Botswana register as at the end of 2013, the highest number of units since the New Gold ETF was

listed on the BSE in July 2010. This increased creation of units underpinned the proportionate increase in volume and inflows in 2013.

In contrast to the NewGold ETF the turnover of the BettaBeta ETF was the lowest since being listed on the BSE. The BettaBeta ETF traded 20,519 units at prices ranging from P33.55 and P40.60 per unit.

Turnover and liquidity in the ETF market is detailed in Figure 25.

Figure 26 shows investors' contribution to ETF turnover for 2013 on a quarterly basis. Activity in the ETF market was mostly driven by local fund managers, who were net buyers of ETFs in 2013, with the participation by other investors being minimal.

Figure 25: Turnover of Exchange Traded Funds in 2013

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	TOTAL
NewGold ETF					
Turnover (P)	3,958,880	104,182,200	13,217,394	9,816,525	131,174,999
Average Daily Turnover (P)	64,900	1,680,358	213,184	155,818	528,931
No. of Units Traded	31,681	908,570	121,737	94,567	1,156,555
BettaBeta ETF					
Turnover (P)	157,206	332,480	143,578	141,625	774,890
Average Daily Turnover (P)	2,577	5,363	2,316	2,248	3,125
No. of Units Traded	4,018	8,966	3,897	3,638	20,519
Total No. of ETF Deals	56	61	58	31	206

Source: BSE

Figure 26: Investors Contribution on a Quarterly basis (%): 2013

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2013
Foreign Companies	0.0	0.0	0.0	0.0	0.0
Foreign Individuals	0.1	0.0	0.1	1.1	0.1
Local Individuals	3.3	0.2	0.4	0.7	0.3
Local Companies	46.6	49.9	49.7	48.3	49.6
Brokers	0.4	0.0	0.0	0.0	0.0
Market Makers	49.6	49.9	49.7	49.9	49.9
TOTAL	100.0	100.0	100.0	100.0	100.0

Source: BSE, Nedbank, Absa Capital

5. INEFFICIENCY IN PRICE DISCOVERY OF DUAL LISTED STOCKS

The deviation between the prices of dual listed stocks quoted in the primary market and those quoted in the secondary market can be used to gauge efficiency in price discovery of dual listed counters. The inefficiency in price discovery of dual listed stocks in the BSE is to a larger extent a function of low liquidity. The Mean Price Differential (MPD) and MPD relative to average price

of the security can be used to analyse the extent to which prices in the BSE reflect prices in the primary market. A low MPD indicates efficient price discovery.

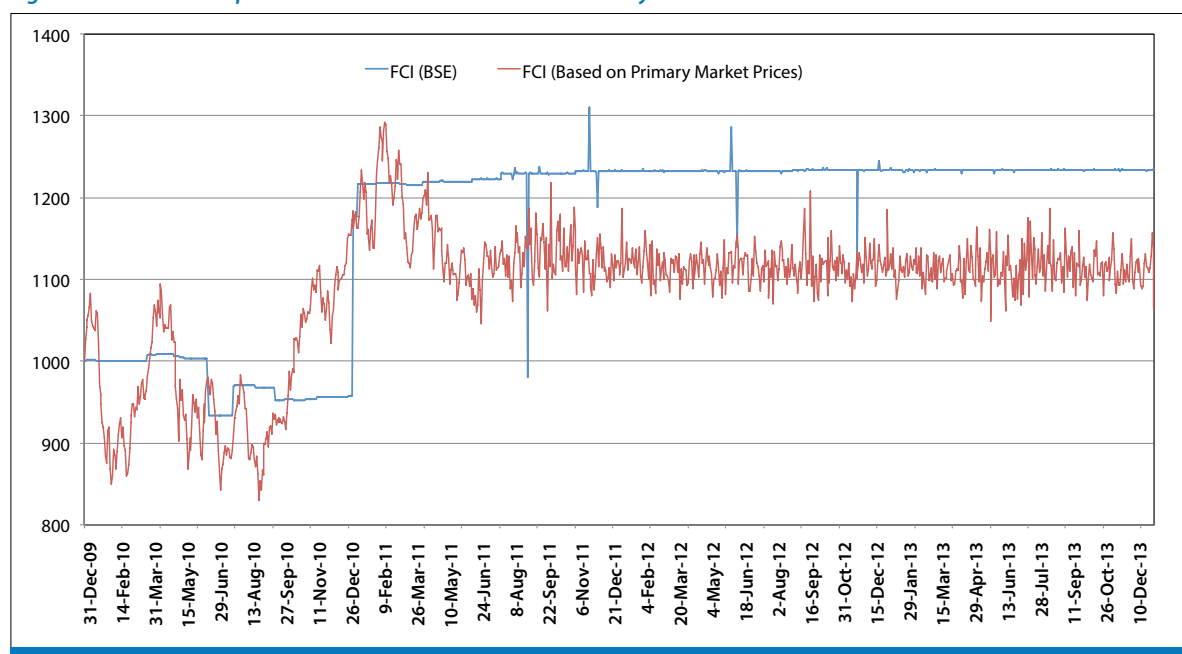
The computation of MPD and MPD as a percentage of price is detailed in Figure 27.

Figure 27: Efficiency in Price Discovery Based on Traded Prices Company

	2011		2012		2013	
	MPD (P)	MPD/Avg.Price (%)	MPD (P)	MPD/Avg.Price (%)	MPD (P)	MPD/Avg.Price (%)
Anglo American	16.17	5.30	4.21	1.78	N/A	N/A
African Copper	0.12	51.10	0.05	15.63	0.07	36.80
Firestone Diamonds	0.54	20.96	0.58	32.67	0.11	18.84
Lucara Diamonds	0.43	6.69	0.24	3.70	1.55	18.74
A-Cap Resources	0.58	20.54	0.17	12.36	0.18	21.07
African Energy	3.61	150.53	0.56	20.81	0.08	13.35
Galane Gold	N/A	N/A	0.52	7.12	5.84	79.41
Blue Fin. Services	0.04	10.18	0.04	8.62	0.23	56.57
Investec Ltd	5.47	10.23	N/A	N/A	N/A	N/A
Discovery Metals	0.38	4.33	0.42	3.71	0.42	10.34

Source: BSE, I Net Bridge

Figure 28: BSE FCI Compared to FCI based on Prices from Primary Markets: 2010 – 2013



Source: BSE, Reuters, ASX

It can be noted from Figure 27 that over the years dual listed securities in the BSE with the exception of ETFs, have exhibited inefficiencies in price discovery. This is evident from the MPDs of the dual listed securities both in absolute terms and relative to price detailed in Figure 27.

A challenge emanating from this situation is that the Foreign Company Index (FCI) which tracks the performance of foreign stocks listed on the BSE consequently becomes inefficient in measuring performance of the returns of dual listed companies, given the methodology used to compute the FCI.

The FCI is computed using the closing price of the dual listed securities as traded on the BSE. Hence, low liquidity and inefficient price discovery have a direct influence on the computation of the FCI. If a component security has not traded on the BSE for some time, its last closing price is unlikely to represent its value and hence will lead to inefficiencies in the calculation of the FCI, FRSI and LASI.

As can be noted from Figures 28 and 29, the BSE's FCI is indeed an inefficient representation of price movements of its constituent stocks, the majority of which are mining stocks. As can be seen, the FCI computed using BSE's closing prices moves in "fits and starts" and has a weak correlation with the FCI based on primary market prices. This is in stark contrast to the ETFs listed on the BSE.

In order to improve the efficiency of the FCI the BSE is considering the following strategies;

- a) Introducing market-makers for dual listed securities. The draft Listing Rules due to be implemented in Quarter 4 of 2014 addresses the issue.

- b) Redefining closing prices based on the closing prices in the primary market.
- c) Making local investors and brokers aware of the intricacies of investing in foreign securities dual listed on the BSE in order to minimize opportunities for arbitrage.

As stated earlier, the largest constituent of the FCI are the Mining & Mineral stocks. Even though market capitalization of Mining & Mineral sector companies is significant, liquidity in these counters is non-existent, as detailed in Figure 29.

According to the results of the 2012/2013 Fraser Institute Global Mining Survey, Botswana was once again the highest ranked African mining country in overall mining attractiveness. Globally, Botswana was ranked the 7th attractive mining address in the world.

The BSE plays host to a wide range of mining exploration companies who are benefiting from the conducive environment afforded by Botswana. By extension, the BSE can be viewed as a mining dominant stock exchange given its track record in attracting multiple dual listings from foreign stock exchanges. These listings however have not helped to promote citizen participation in the mining sector, mainly due to the liquidity in these securities and the lack of awareness of local investors, analysts and brokers of the intricacies of investing in mining companies.

Figure 29: Relative Performance of Mining Companies listed on the BSE

	2011	2012	2013
GDP from Mining (P' Mn)	25,841.00	22,011.90	30,829.80
Contribution to GDP (%)	24.7	19.9	22.4
Market Cap of Mining Companies on BSE (P' Mn)	357,293.96	362,304.27	365,754.65
Mining GDP to Mining Companies Market Cap (%)	7.1	6.1	7.8
Turnover/ Market Cap of Mining Companies (%)	0.00	0.00	0.00

Source: BSE, Statistics Botswana

6. BOND MARKET PERFORMANCE

6.1 Botswana Bond Index Series

The BSE launched 3 bond indices in April 2013 in response to a request from members of the Botswana Bond Market Association. These were; Govl – a government bond index, Corpl – a corporate bond index and the BBI which is a composite index comprising both government and corporate bonds.

The Govl and the Corpl are equally weighted indices computed on a total return basis. Constituent bonds in the Corpl and Govl are weighted equally rather than on a market capitalization or liquidity basis as done in the computation of BSE's equity indices.

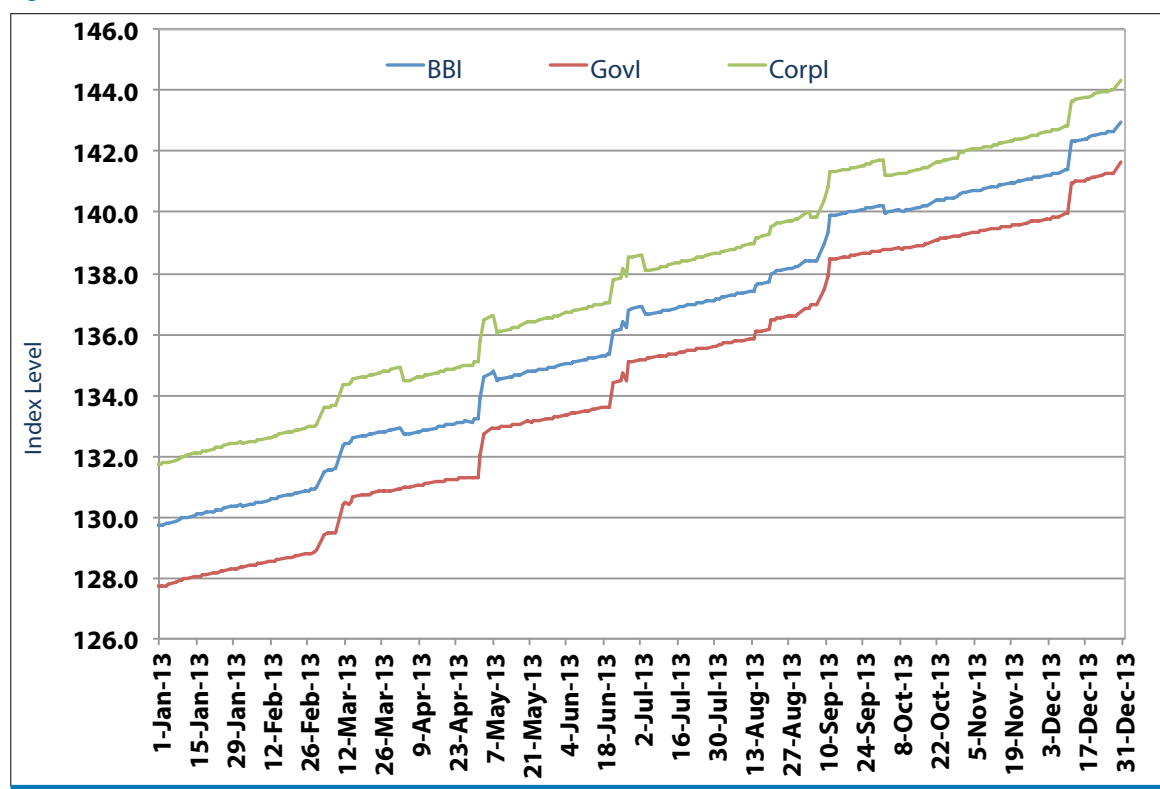
This was done taking into account the need for the indices to better represent market movements given the low level of liquidity in almost all the constituent securities. The BBI is computed as the mean of the Govl and Corpl. The performance of the indices and the movement in inflation for 2013 is detailed in Figure 30.

Much like equity indices computed by the BSE, the bond indices will assist fund managers to benchmark returns of bond portfolios against the indices. Further, it would help promote investment instruments such as bond index funds and ETFs.

In response to declining inflation, the Bank of Botswana (BoB) Monetary Policy Committee (MPC) cut the Bank rate by 50 basis points (0.50%) each time on 2 May, 18 June, 13 August and 10 December 2013. Overall, this reduced the Bank rate to 7.5% from 9.5% since the previous rate cut in December 2010.

Bond indices experienced an upward movement in 2013 reflecting the significant downward adjustment in yields following the four rate cuts. Consequently, the BBI registered a return of 10.3%, whilst the Corpl and the Govl appreciated by 9.6% and 10.9% respectively in 2013. Returns on both the BBI and the Govl outperformed inflation for 2013 which was 4.1%.

Figure 30: Performance of the Botswana Bond Index Series



Source: BSE

6.2 Debt Market Turnover

Debt market turnover decreased substantially in 2013 when compared to 2012. The total value of debt instruments traded in 2013 amounted to P94.7 Mn, compared to P332.2 Mn in 2012. The total debt market turnover was accounted for by government bonds. A quarterly analysis of debt turnover indicates that activity was comparatively high in Quarters 1 and 2 of 2013.

Figure 31: Quarterly Analysis of Bond Trades: 2013

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
	Value (P'Mn)	Value (P'Mn)	Value (P'Mn)	Value (P'Mn)
BW 003	5.3	7.4	0.3	-
BW 005	4.2	1.2	0.1	-
BW 007	1.7	22.9	12.1	1.8
BW 008	3.6	0.3	-	15.0
BW 009	2.3	-	-	-
BW 010	16.5	-	0.3	10.0
TOTAL	33.4	31.7	12.8	16.8

Source: BSE

The decline in turnover took place in a year in which the BSE took significant steps to develop the bond market. Unfortunately, some initiatives could not be implemented since the required approvals have not been received. The BSE is confident that these initiatives will come to fruition in due course and improve liquidity of debt instruments.

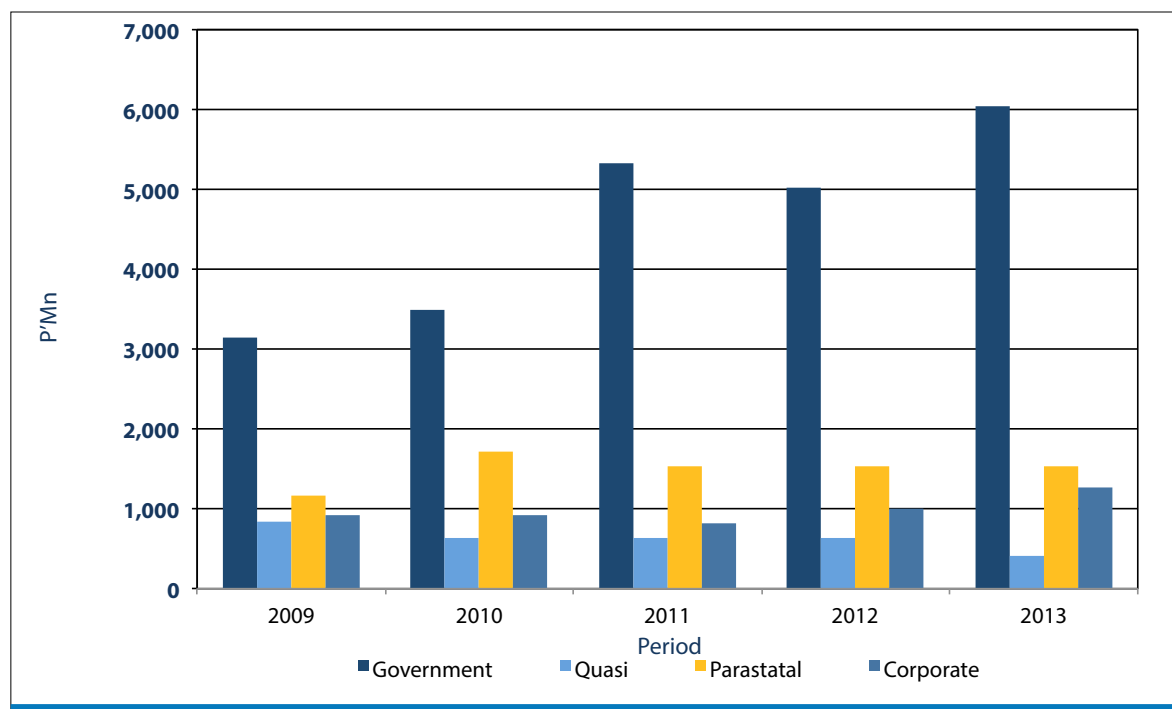
6.3 Debt Market Capitalisation and Issuer Profile

The total number of bonds listed on the BSE as at the end of 2013 stood at 35, unchanged from 2012. Figure 32 below details the growth of the debt market capitalisation analysed by issuer profile since 2009.

The total nominal debt market capitalisation of the bonds listed on the BSE amounted to P9.3 Bn in 2013 in comparison to P8.5 Bn in 2012.

The marginal increase in market capitalisation is attributable to a net issue of P766 Mn in government and corporate bonds.

Figure 32: Debt Market Capitalisation (Nominal Values) by Issuer Category: 2009 to 2013



Source: BSE

The BSE's P/E ratio closed the year at **11.5 times** in comparison to 9.2 times in 2012.

REACHING NEW HEIGHTS



7. MARKET INDICATORS

7.1 Indicators of Value

Commonly used indicators of value in a stock market include the Price-to-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 33, the market P/E ratio of the BSE increased in 2013 following three years of steady decline since 2009, reflecting the appreciation of share prices in comparison to earnings. The BSE's P/E ratio closed the year at 11.5 times in comparison to 9.2 times in 2012.

In tandem with the rise in the P/E ratio, the Dividend Yield for the market decreased to 4.1% in 2013 from 4.9% in 2012. The decrease in Dividend Yield is directly related to the increase in share prices as evident from the several indices computed by the BSE. The Price-to-Book Value ratio increased steadily to 2.7 times for the same reason.

Changes in market indicators could reflect one of two underlying reasons; that the market is overheated or that it has more potential to create value for investors.

As at the end of 2013, the BSE's P/E ratio was below its long term (10 year) average, indicating that investors are paying less for earnings than they were paying over the past 10 years on average.

All in all, the BSE is of the view that the appreciation in share prices in recent years is due to the gradual recovery of the market from the financial crisis in 2008.

As can be seen from Figure 37, the BSE's P/E multiple is still the lowest in comparison to the JSE and the SEM which is an advantage to attract foreign portfolio investment to the BSE provided liquidity can be improved.

Figure 33: Market Indicators for Domestic Companies Listed on the BSE: 2009 to 2013

Domestic Companies	2009	2010	2011	2012	2013	10 YR AVG
Market indicators						
P/E Ratio (times)	13.5	10.8	10.2	9.2	11.5	12.1
Dividend Yield (%)	4.3	4.9	5.2	4.9	4.1	5.0
Price/Book Value (times)	4.8	3.9	2.8	2.5	2.7	5.4

Note: The statistics are based on the most recent audited financial statements

Source: BSE

7.2 Equity Market Capitalisation

The relative size of domestic companies listed on the BSE continued to improve in 2013. The BSE's domestic market capitalisation for equity was P43.5 Bn as at the end of 2013, an increase of 22.3% in comparison to P35.5 Bn in 2012.

The size of domestic companies relative to the size of the economy, indicated by the ratio of market capitalisation to GDP, also increased in 2013 to 33.6% from 30.8% in 2012.

Figure 34: Market Capitalization and Relative Performance: 2009 to 2013

	2009	2010	2011	2012	2013
Market Capitalisation					
Domestic Companies (P'Mn)	28,536.2	26,245.7	30,694.3	35,530.8	43,457.6
Foreign Companies (P'Mn)	346,001.1	408,380.3	380,909.5	376,818.2	373,132.8
Total (P'Mn)	374,537.2	434,626.0	411,603.8	412,349.0	416,590.4
Relative Performance					
Domestic Market Cap/GDP (%)	38.0	33.1	28.8	30.8	33.6
Turnover/Domestic Co Market Cap (%)	2.7	3.5	3.5	2.7	5.9
Turnover/ All Co Market Cap (%)	0.2	0.2	0.2	0.2	0.6

Note 1: Computed using average domestic market capitalisation, average total market capitalisation and average annual GDP (at current prices) subsequent to the rebasing of economic statistics by Statistics Botswana
Source: BSE, Statistics Botswana

As depicted in Figure 35, the increase in the BSE's domestic equity market capitalisation is attributed to the cumulative impact of a price effect of 20.6% and a quantity effect of 1.8%. This is not surprising as 2013 was characterised by rapid growth in share prices and no major corporate actions that resulted in significant share issues.

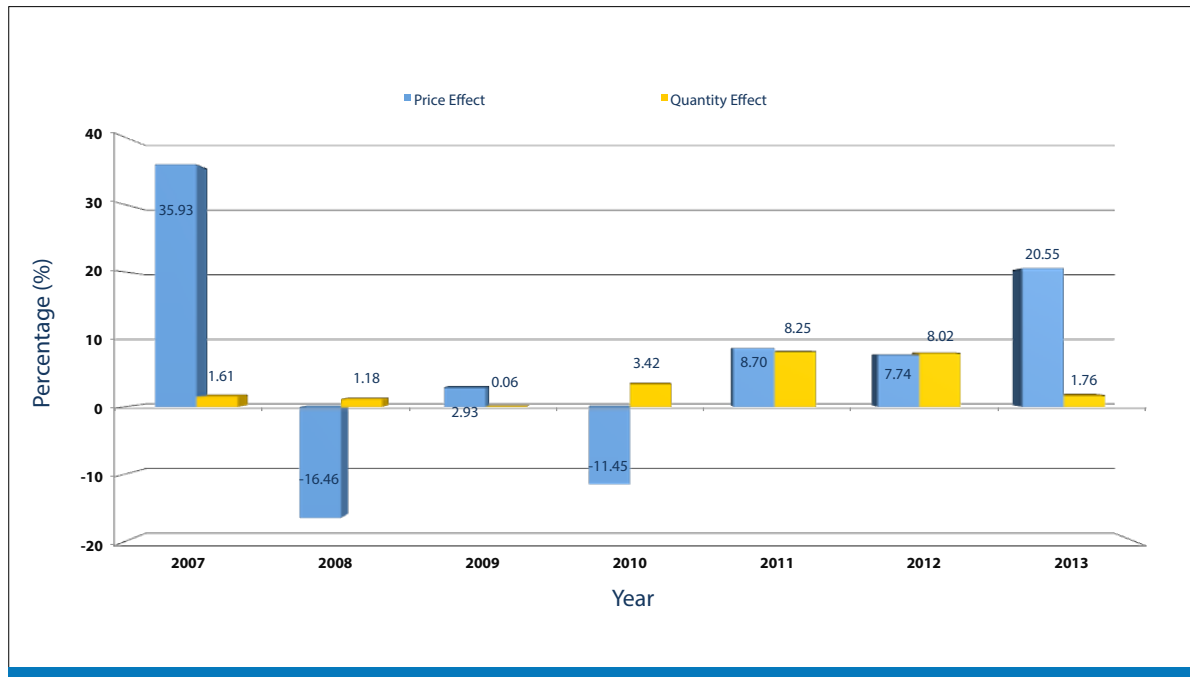
As can be seen in Figure 35, the price effect outweighed the quantity effect and contributed 92.1% of the percentage change in market capitalisation in 2013. In 2012, the quantity effect was marginally higher than the price effect whereas in 2011 the opposite took place.

7.3 Price Changes for Domestic Companies

In 2013, most listed companies experienced movements in their share prices. Figure 36 shows that prices of 18 companies appreciated whereas 5 companies recorded declines in share prices. This shows an improvement in share price performance in comparison to 2012 where the prices of 15 companies appreciated whilst those of 7 companies declined.

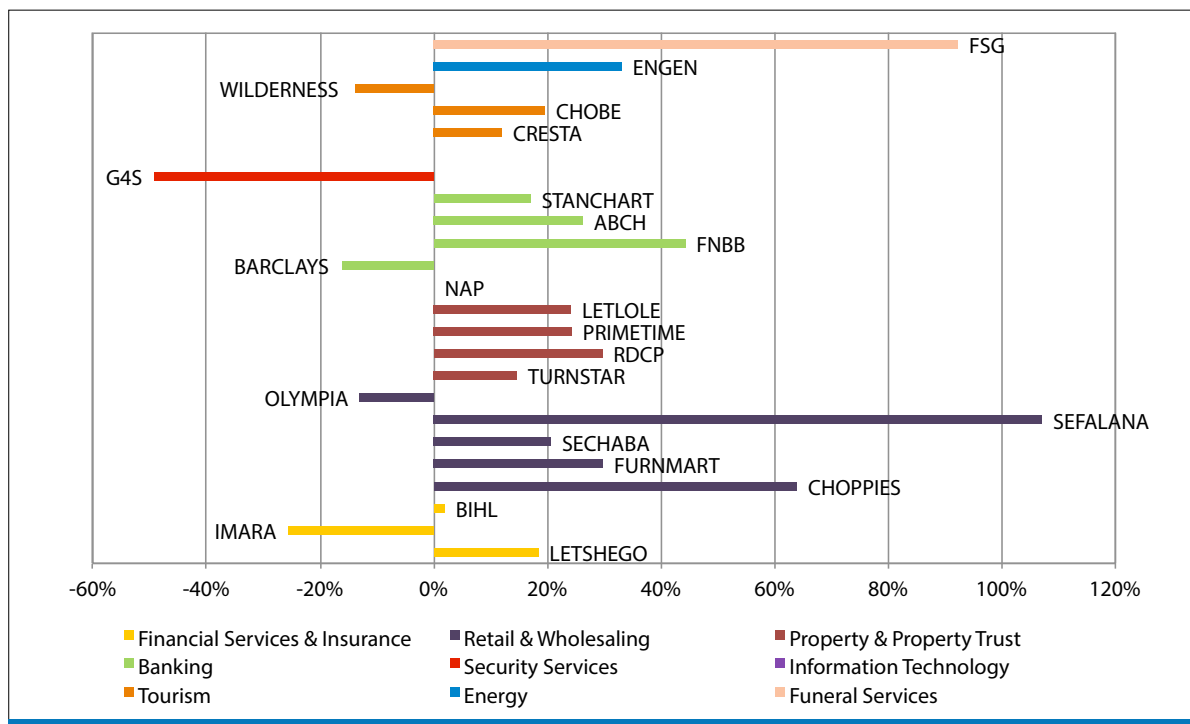
The Property sector ended the year with all constituent stocks recording gains in share prices, except for New African Properties (NAP) whose share price remained unchanged. Sefalana doubled its share price to record the largest gain of 107.1% in 2013. It is noted that in 2012 the highest gainer was Choppies whose share price appreciated by 78.3%.

Figure 35: Price and Quantity Effect on the Growth of Domestic Market Capitalisation for Equity: 2007 to 2013



Source: BSE

Figure 36: Price Changes of the Domestic Companies: 2013



Source: BSE

8. COMPARISON WITH SELECTED MARKETS

8.1 Relative Valuations

As referred to earlier in the report, BSE's Price-to-Earnings Ratio (P/E Ratio) closed 2013 at 11.5 times, below that of the JSE and SEM. The P/E Ratios of both the JSE and the SEM have increased over the past year to 18.6 times and 14.2 times respectively as a result of the appreciation in prices as reflected by the benchmark indices in 2013.

Figure 37: Comparative Performance with Other SADC Stock Exchanges: 2012 and 2013

	Index Change (%)		P/E Ratio (times)	
	2012	2013	2012	2013
Johannesburg Stock Exchange	22.7	17.8	14.8	18.6
Stock Exchange of Mauritius	(8.3)	21.0	11.3	14.2
Botswana Stock Exchange	7.7	20.5	9.2	11.5

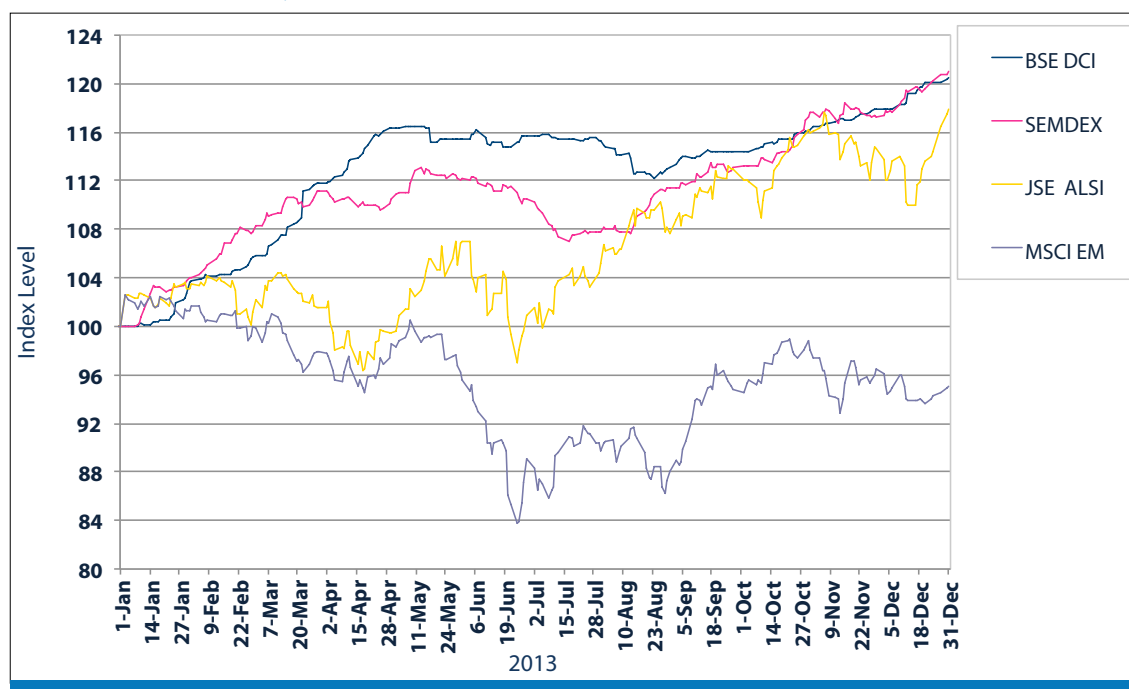
Source: BSE & I-Net Bridge

From a valuation perspective, the lower P/E ratio of the BSE is indicative of the BSE's competitiveness when compared to JSE and SEM, and even when compared with its long term average P/E ratio as indicated earlier. However, the exploitation of the competitiveness is a function of liquidity as stated earlier in the review. Even though BSE's liquidity has improved tremendously in 2013 it is still lower than that of the competition, a disadvantage in attracting foreign portfolio investment.

As can be seen from Figure 38, the DCI's performance is comparable to SEMDEX but it outperformed the JSE All Share Index (ALSI) and the MSCI Emerging Markets Index, having appreciated by 20.5 % in comparison to the SEMDEX's appreciation of 21.0% and ALSI's appreciation of 17.8%.

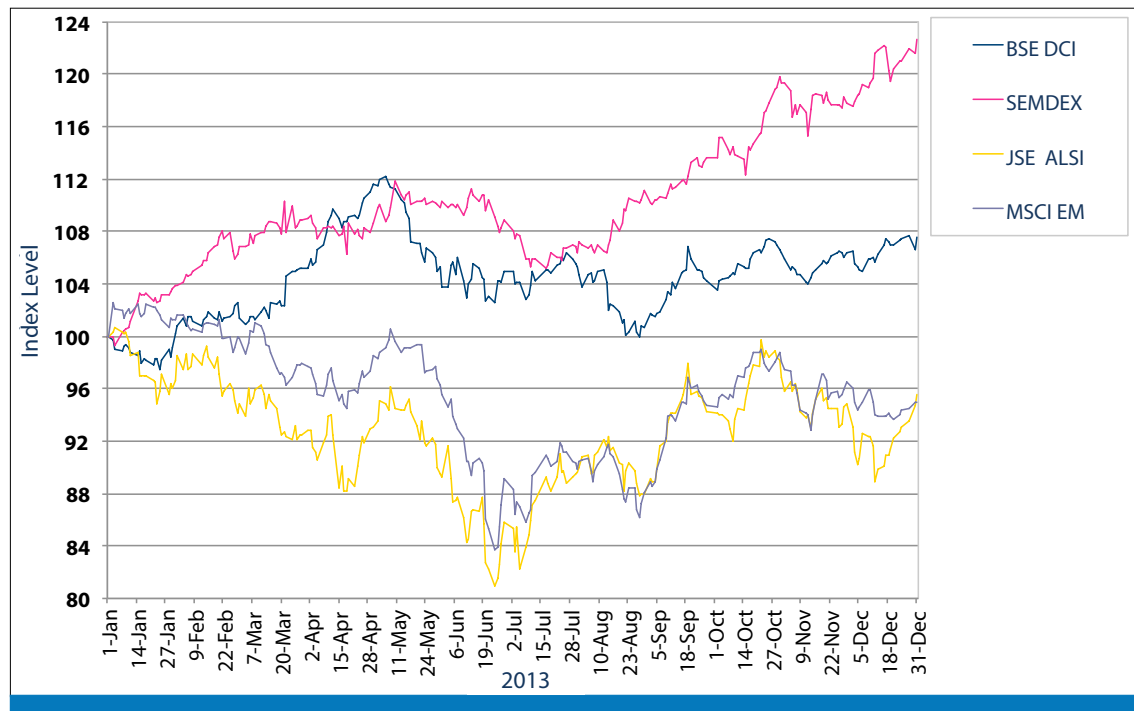
An analysis of the 4 indices in US Dollar terms is detailed in Figure 39. During the period under review the DCI appreciated by 7.5% in US Dollar terms in comparison to an appreciation of 20.5% in Pula terms, due to the depreciation of the Pula by 10.8% against the US Dollar. The SEMDEX appreciated by 22.6% in US Dollar terms as a result of the appreciation of the Mauritian Rupee by 1.3% in 2013. In comparison, both the ALSI and MSCI Emerging Markets Index depreciated by 4.4% and 4.9% respectively.

Figure 38: Comparative Performance of DCI with other African Markets and MSCI Emerging Markets Index standardised as at 1 January 2013 (Domestic Currencies)



Source: BSE & I-Net Bridge

Figure 39: Comparative Performance of DCI with other African Markets and MSCI Emerging Markets Index standardized as at 1 January 2013 (US\$)



Source: BSE & I-Net Bridge

Figure 40: Comparative Performance of Indices since the Financial Crisis

INDEX	Steepest Decline Since 13_Sep-08		Recovery to 31-Dec-13	13-Sep-08 to 31-Dec-13	Jan to Dec 2013
	% Change	Date Recorded	(%) Change	(%) Change	(%) Change
JSE ALSI	32.0	20-Nov-08	159.7	76.9	17.9
SEMDEX	44.4	03-Mar-09	127.8	26.7	21.0
BSE DCI	24.4	13-May-09	49.1	12.0	20.5
BSE FCI	57.6	12-May-09	45.6	(38.3)	(1.0)

Source: BSE, I-Net Bridge

Monetary policy and exchange rate management are complex subjects in which the BSE has no expertise. However, a strong and stable currency is a huge advantage in promoting financial markets and marketing Botswana as a financial centre. As stated earlier in the Review, Botswana has several competitive advantages that sets it apart from the competition but the comparatively weak Pula especially in comparison to the Mauritian Rupee has eroded part of the competitive advantage. September 2008 was a changing point for capital markets the world over. It was so for the BSE as well even though the

financial crisis hit the BSE comparatively late. Since the advent of the crisis the BSE has tracked the performance of the DCI especially in comparison to the JSE and SEM. This comparison is detailed in Figure 40.

As detailed in Figure 40, the DCI has recovered 49.1% since 13 May 2009, the point at which the index bottomed subsequent to the financial crisis. In comparison the JSE ALSI and SEMDEX have appreciated by 159.7% and 127.8% respectively.

8.3 Footprints

Figures 41 & 42 show the development of the BSE over the past years relative to 2009. For this purpose, the footprint of the BSE in 2008 has been standardised and reference to other years is made relative to 2008. It is noted that 2008 was the best year up to 2013 for the BSE in terms of its performance.

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 41 & 42, 2013 is the best year as measured by the footprint due to the record turnover and the relative size of the market.

It is noted that in comparison to 2008 the footprint for 2013 is 1.6 times the size of the footprint for 2008. As can be seen from Figure 41, 2013 has overshadowed all prior years as the result of increases in turnover, liquidity and value relative to 2008.

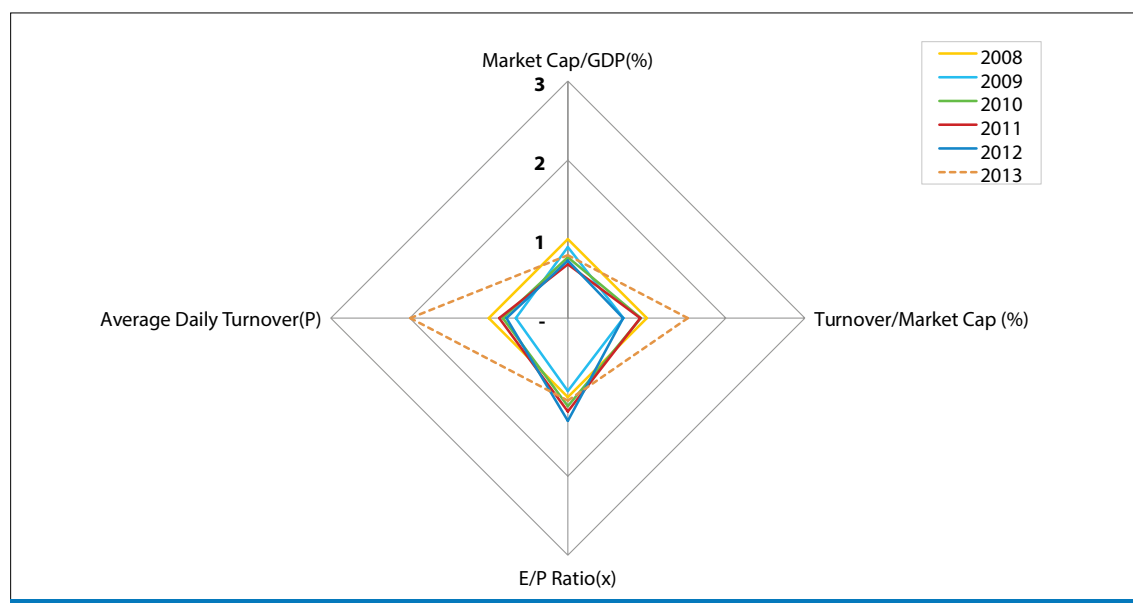
The only area in which 2008 has surpassed 2013 is size, measured by market capitalisation to GDP. As was noted earlier in the review, market capitalisation on the BSE increased mainly as a result of an increase in prices. The contribution from new shares listed to market capitalisation was minimal.

Figure 41: BSE Footprint in Relation to 2008

	2008	2009	2010	2011	2012	2013
Market Cap/GDP (%)	1.00	0.90	0.77	0.68	0.73	0.80
Turnover/Mkt Cap (%)	1.00	0.70	0.92	0.92	0.70	1.52
E/P Ratio (x)	1.00	0.92	1.11	1.18	1.30	1.04
Average Daily Turnover (P)	1.00	0.66	0.82	0.87	0.78	1.99
Area of footprint	2.00	1.24	1.65	1.66	1.50	3.23
Relative Area of Footprint in relation to 2008 (x)	1.00	0.62	0.82	0.83	0.75	1.61

Source: BSE, Statistics Botswana

Figure 42: BSE Footprint: 2008 to 2013



Note 1: Market Capitalisation/ GDP, Turnover/ Market Capitalisation. E/P ratio and Average daily turnover for 2008 were standardized to 1 and the BSE's footprint for 2009 to 2013 was compared to the standardized footprint for 2008

Figures 43 to 44 detail the footprint of the BSE in relation to the footprint of the JSE and SEM in 2013.

in 2012 to 72.8% in 2013. This increase can be attributed mainly to an increase in Liquidity and Value.

According to Figure 45, 2013 was a phenomenal year in the history of the BSE in relation to its size especially when compared with SEM. The footprint of the BSE increased more than twofold in relation to the footprint of the SEM from 35.1% to 72.8% in 2013.

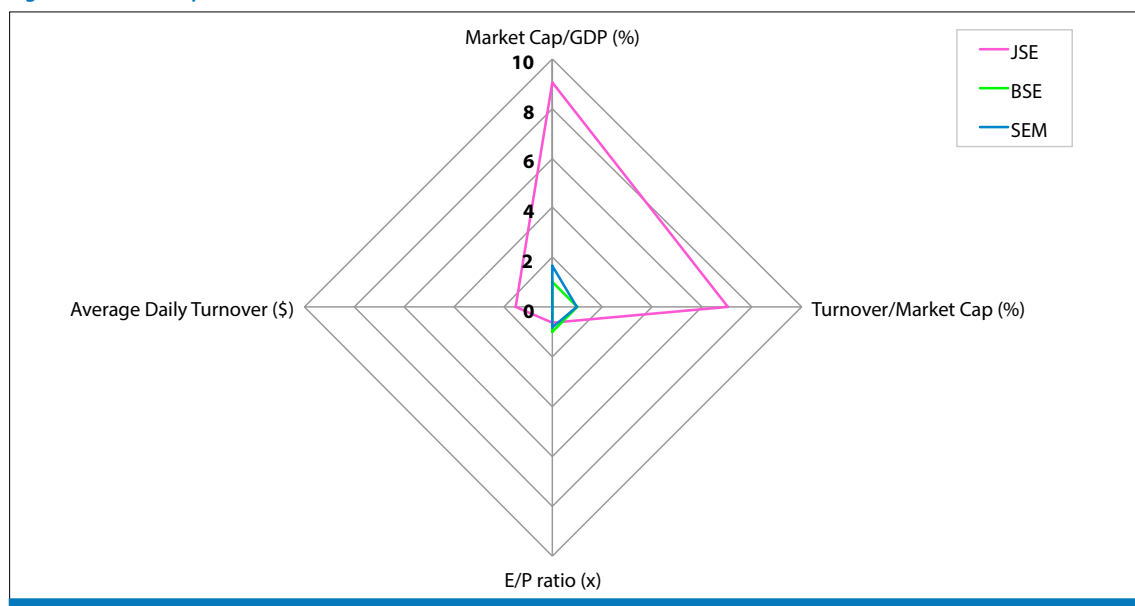
It is noted that if the Pula performance against the US Dollar is adjusted to mirror that of the Mauritian Rupee, BSE's footprint would have increased to 75.5% the footprint of SEM.

Figure 43: BSE Footprint Relative to JSE & SEM: 2013

2013	BSE	JSE	SEM
Market Cap/GDP (%)	1.00	9.07	1.68
Turnover/Mkt Cap (%)	1.00	7.03	0.95
E/P Ratio (x)	1.00	0.62	0.81
Average Daily Turnover (\$)	1.00	1,480.91	1.25
Area of footprint	2.00	7,206.08	2.75
BSE footprint in relation to JSE and SEM (%)	100.00	0.03	72.76

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

Figure 44: BSE Footprint in Relation to JSE & SEM: 2013



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

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

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

Figure 45: BSE Footprint in Relation to JSE & SEM: 2008 to 2013

	2008	2009	2010	2011	2012	2013
BSE relative to SEM (%)	32.07	27.44	33.41	24.44	35.07	72.76
BSE relative to JSE (%)	0.03	0.03	0.02	0.01	0.01	0.03

Source: BSE, Statistics Botswana

GDP figures South Africa and Mauritius based on IMF revised GDP estimates for the respective countries

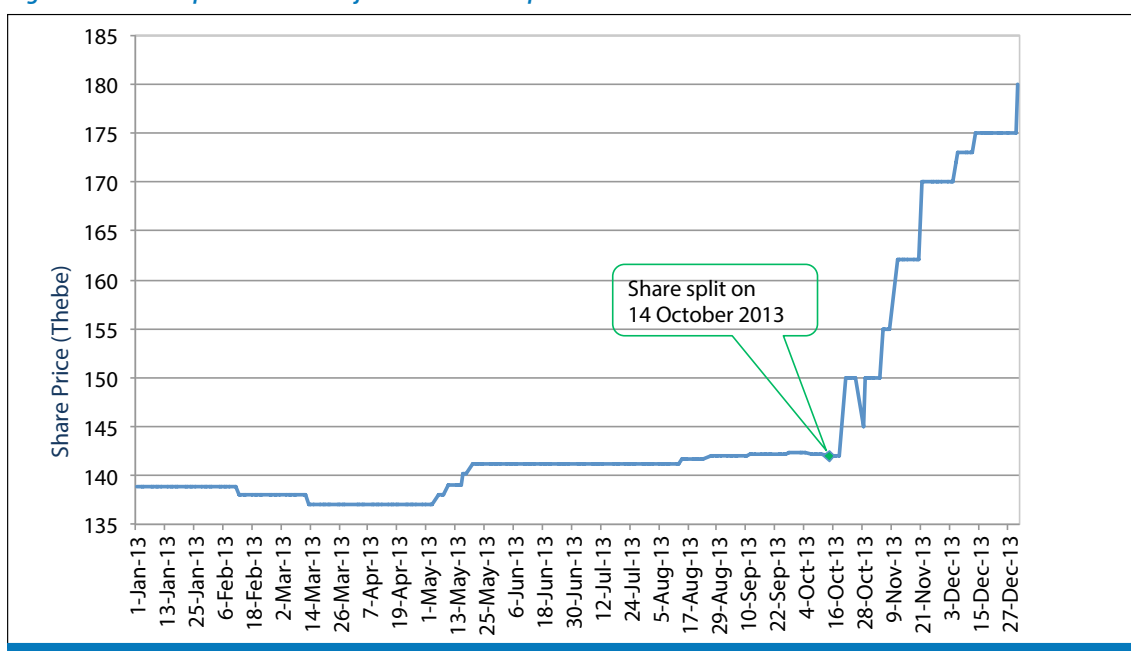
9. PRIMARY MARKET

9.1. Equity

On 14 October RDC Properties undertook a share split on a 5 for 1 basis resulting in its price moving from P7.11 per share to P1.42 per share. Share splits are usually carried out to improve affordability of the company's shares making them

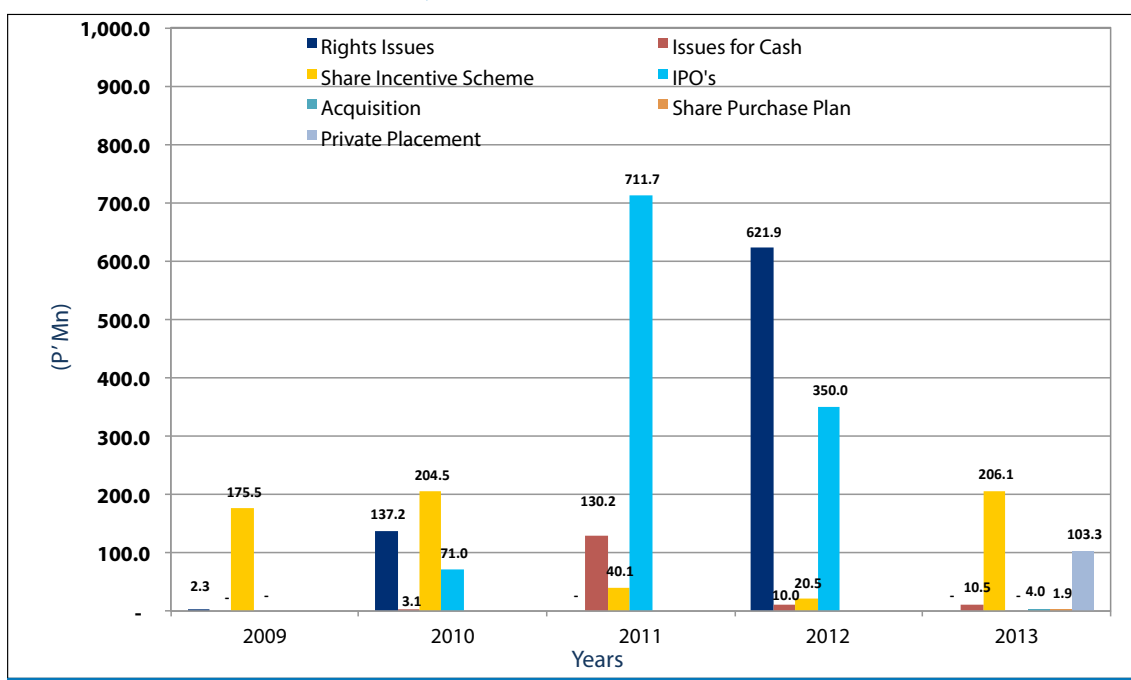
more marketable while the existing shareholders retain the same proportion of ownership. As a result of the share split the number of issued securities increased fivefold.

Figure 46: RDC Properties Share Adjusted for Share Split



Source: BSE

Figure 47: Funds Raised Through the Equity Market: 2008 to 2013



Source: BSE

As can be seen from Figure 46, the share split resulted in an appreciation of the price of RDC Properties by 26.8% between 14 October 2013 and 31 December 2013.

In previous Annual Reports, the BSE has articulated the advantages of share splits and its positive impact on liquidity. The pre and post share split performance of RDC Properties further confirms the advantages of share splits. In the case of RDCP, it was noted that the value of transaction per day increased post- share split in comparison to a similar period pre-share split. On a daily basis, the counter traded shares with a value 3.3 times higher than the pre-share split value due to increased trading volume arising from the share split.

Shumba Coal Limited, a mineral exploration company, listed on the BSE's Foreign Venture Capital Board on 8 April 2013. The company listed 168.8 Mn shares at an indicative offer price of P1.05 per share.

Aviva Corporation and Hana Mining delisted from the BSE's Foreign Venture Capital Board with effect from 27 September 2013 and 25 February 2013 respectively.

On the domestic board, RPC Data Limited delisted with effect from 12 December 2013 as the result of management buyout.

Overall, the BSE listed one company in 2013 in comparison to 3 companies having listed in 2012. Three companies delisted from the BSE in 2013 in comparison to 1 company in 2012.

9.2 Bonds

9.2.1 Government Bonds

On 6 September, the Bank of Botswana (BoB) auctioned P450 Mn worth of bonds, of which P449 Mn was allotted. In addition to the two bonds, a six month Treasury Bill was issued for a value of P340 Mn (Treasury Bills are not listed and traded on the BSE at present).

Additional issues were made in respect of 2 existing bonds, BW008 and BW010. The BoB also issued a new bond (BW011) which will mature on 10 September 2031.

Issues in respect of BW008 and BW010 were fully allotted at P150 Mn and P100 Mn respectively. BoB offered P200Mn on account of BW011 of which P199.0 Mn was allotted. Overall, the 3 bonds were 3.6 times oversubscribed. The BW009 bond matured on 11 September 2013. BW011 was listed on the BSE

on 29 October 2013.

On 6 December 2013, BoB auctioned P840 Mn worth of bonds and the issue was allotted in full. The auction comprised of 3 bonds on account of BW008, BW010 and BW011 and a 6 month Treasury Bill for P340 Mn. The nominal value in issue of BW008, BW010 and BW011 increased by P150 Mn, P150 Mn and P200 Mn respectively. The bond auction was 2.4 times oversubscribed.

9.2.2 Corporate Bonds

On 6 December 2013, Furnmart Limited listed a bond (FML025) with a nominal value of P150 Mn. FML025 is a 12 year bond maturing on 23 October 2025. The bond pays a fixed coupon of 8.20% per annum payable half-yearly.

Letshego issued and listed 4 bonds with semi-annual coupon payments on 8 November 2013. The issues are detailed in Figure 48.

Figure 48: Corporate Bonds Listed by Letshego in 2013

Bond Code	Amount Issued (BWP)	Maturity (Years)	Coupon Payment (%)
LHL005	50,000,000	4	8.25
LHL006	200,000,000	10	10.50
LHL007	75,000,000	12	10.50
LHL008	25,000,000	14	11.00

Source: BSE

Stanbic Bank Botswana redeemed three bonds in issue by exercising call options. The SBBL046, SBBL049 and SBBL052 were redeemed on 11 June, 13 August and 17 December 2013 respectively.

DPCF003 and the SCBB005 matured on 2 June and 27 November 2013 respectively.

10. DEPARTMENTAL REVIEWS

10.1 CENTRAL SECURITIES DEPOSITORY (CSD)

10.1.1 Dematerialization Status of Equities

As detailed in Figure 49, as at end of 2013, 59.3% of domestic company shares were dematerialized as compared to 48.9% in 2012. The BSE is currently in discussions with NBFIRA regarding making dematerialization of shares compulsory.

The advantages of 100% dematerialization are that it reduces the risk of fraud and forgery associated with paper share certificates, ensures that information on shareholding is readily

available from CSDB and also allows investors to trade anytime and from anywhere by simply instructing the brokers without the need to lodge a paper certificate. Dematerialization also does away with inefficiencies associated with the present hybrid system in which 2 share registers require to be maintained; one for dematerialized securities and the other for physical share certificates.

Figure 49: Dematerialization Status of Domestic Companies: 2012 and 2013

Security	2012		2013	
	% of Shares in CSD	Number of Shares in Issue	Number of Shares Deposited into CSD	% of Shares in CSD
ABCH	48.7%	256,885,694	151,624,186	59.0%
Barclays	29.4%	852,161,252	252,745,524	29.7%
BIHL	96.4%	281,070,652	273,163,757	97.2%
Chobe	42.1%	89,405,139	35,795,559	40.0%
Choppies	98.1%	1,174,207,583	1,151,028,324	98.0%
Cresta	26.3%	184,634,944	48,771,479	26.4%
Engen	28.8%	159,722,220	46,197,956	28.9%
FNBB	27.9%	2,563,700,000	732,362,553	28.6%
FSG	88.0%	120,875,000	113,207,543	93.7%
Furnmart	22.2%	606,446,080	138,272,480	22.8%
G4S	27.1%	80,000,000	21,935,280	27.4%
Letshego	98.3%	2,167,540,271	2,130,599,403	98.3%
Olympia	15.8%	28,600,000	4,525,987	15.8%
Primetime	64.4%	179,890,200	115,998,345	64.5%
RDCP	25.6%	220,344,890	209,806,520	95.2%
Sechaba	80.6%	133,014,875	107,105,206	80.5%
Sefalana	90.8%	185,724,463	172,933,839	93.1%
Stanchart	22.3%	298,350,611	67,039,218	22.5%
Turnstar	93.4%	572,153,603	536,586,414	93.8%
Imara	72.0%	59,113,641	43,290,644	73.2%
Wilderness	36.9%	231,000,000	87,617,111	37.9%
NewGold	100.0%	2,250,000	2,250,000	100%
BettaBeta	100.0%	206,671	206,671	100%
Letlole	68.1%	280,000,000	191,080,926	68.2%
NAP	15.0%	604,397,124	90,514,829	15.0%
RPC Data	47.5%	Delisted in 2013	Delisted in 2013	Delisted in 2013
MARKET	48.9%	11,331,694,913	6,724,659,754	59.3%

Source: CSD Botswana

Figure 50: Dematerialisation of Foreign Companies: 2012 and 2013

Security	2012		2013	
	% of Shares in CSD	Number of Shares on Botswana Registry	Number of Shares Deposited into CSD	% of Shares in CSD
A-Cap Resources	56.0	663,327	399,070	60.2%
Firestone Diamonds	100.0	132,000	132,000	100.0%
Botswana Diamonds	82.1	4,247,654	3,307,108	77.9%
Lucara Diamonds	99.1	25,956,352	25,497,628	98.2%
African Energy	100.0	187,935	187,935	100.0%
Galane Gold	100.0	3,800	3,800	100.0%
Shumba	Not Listed	168,225,782	126,007,445	74.9%
Aviva	86.7	Delisted in 2013	Delisted in 2013	Delisted in 2013
Hana	100.0	Delisted in 2013	Delisted in 2013	Delisted in 2013
MARKET	94.4%	199,416,850	155,534,986	78.0%

Source: CSD Botswana

As at the end of 2013 dematerialization of foreign company shares in the Botswana registry was 78% in comparison to 94.4% and 91.1% in 2012 and 2011 respectively. The reasons for the decline in dematerialization status can be deduced from Figure 50.

Dematerialization 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.

10.1.2 Progress on Account Opening

The number of authorised accounts opened by clients in the CSD (excluding joint accounts) was 20,027 as at December 2013 in comparison to 17,638 in 2012.

Figure 51: Status of CSD Accounts as at December: 2012 and 2013

Client Classification	2012	2013							
	TOTAL	SBB	MOTS	CAPS	AA	SCBB	STAN	FNBB	TOTAL
Foreign Companies	1,753	36	29	82	5	1,623	231	0	2,006
Foreign Individuals	333	187	46	154	11	0	0	0	398
Foreign Residents	884	382	184	393	26	0	0	0	985
Foreign Juniors	35	14	9	19	0	0	0	0	42
Local Companies	1,309	398	349	219	226	171	41	48	1,452
Local Individuals	12,446	6,063	3,628	4,009	513	0	0	0	14,213
Local Juniors	878	374	257	278	22	0	0	0	931
Total	17,638	7,454	4,502	5,154	803	1,794	272	48	20,027

Source: CSD Botswana

Figure 52: CSDB Client Holdings by Client Category

	2012				2013			
Client Suffix	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Local Company	64.3%	66.0%	65.5%	65.7%	62.3%	66.2%	63.4%	62.6%
Foreign Company	16.8%	15.5%	17.1%	17.0%	17.9%	18.4%	19.7%	24.9%
Local Individual	17.5%	17.0%	15.9%	15.8%	15.6%	14.0%	15.6%	11.2%
Other Clients	1.4%	1.5%	1.5%	1.5%	4.2%	1.4%	1.3%	1.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: CSD Botswana

	2012				2013			
Domiciles of Clients	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Local Citizens	81.8%	83.0%	81.4%	81.6%	80.9%	80.3%	79.1%	73.9%
US Citizens	6.5%	6.4%	6.3%	6.3%	6.4%	5.8%	6.1%	6.5%
UK Citizens	3.4%	3.4%	3.4%	3.2%	5.0%	4.1%	4.9%	7.2%
SADC Region	3.3%	3.2%	4.6%	4.5%	7.7%	9.8%	9.9%	12.4
Other Regions	4.9%	4.0%	4.3%	4.4%	80.9%	80.3%	79.1%	73.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: CSD Botswana

As detailed in Figure 52, local citizens dominate the overall holdings on the CSDB. Holdings by foreign institutional investors, especially by UK citizens increased significantly in 2013 as compared to 2012 whilst the holdings by US citizens remained almost unchanged.

10.2 MARKET DEVELOPMENT

10.2.1 Public Awareness Programmes

In 2013, the BSE continued to pursue its objective of increasing investor awareness on the stock market by undertaking market development activities. The initiatives included presentations to various organizations around the country, national radio and television programmes as well as newspaper articles.

The presentations conducted by the BSE in 2013 are detailed in Figure 53.

Figure 53: Presentations Conducted by the BSE: 2013

Date	Organisation	Attendees	No. of Participants
07 Feb	Naledi SSS	Teachers and Other staff Members	31
13 Feb	Serowe IHS	Employees	31
19 Feb	Ministry of Defence Justice & Security	Employees	43
21 Feb	Nanogang CJSS	Teachers and Other staff Members	27
19 Mar	Month of Youth Against AIDS Workshop	Employees	26
20 Mar	UB Finance Society	Students	72
11 Apr	Junior Achievement Botswana	Students	45
14 May	Media Briefing on BSE Strategy	Business Journalists	20
23 May	ETF Seminar	Brokers and Business Journalists	25
07 Jun	Teachers Day Celebration -Dibete	Teachers, Parents and Students	60
27 to 30 Jun	Ghanzi Agriculture Show	Public	
18 Jul	Maru-A↯Pula School	Students	32
22 to 28 Jul	Consumer Fair	Public	389
31 Jul	Mophane Primary School	All Commerce teachers from various schools	102
31 Jul	Department of Housing	Men's workshop	43
05 Aug	Batanani CJSS	Teachers	29
12 Aug	Gakuto Village	Residents	24
13 Aug	Ditsheng SACOS	Management Representatives	2
04 Sept	Kopong	Villagers & Teachers	45
23 & 24Sept	North West District Council(with PEEPA)	District Councillors and senior council admin staff- Maun	105
9 & 10 Oct	Ghanzi Brigade	Students, Teachers & Villagers	329
16 October	The brother hood	BAC Students	9
22 Oct	Privatization Pitso for Trade Unions(with PEEPA)	Trade Union Leaders	67
4 & 5 Nov	South East District Councillors (with PEEPA)	District Councillors and senior council admin staff- Oodi	98
13 Nov	BDF	Employees	32
27 Nov	Boteti Sub District Coucil	Council Members	18
7 Dec	Shoshong Finance Society	Public	208
TOTAL			1,912

Source: BSE

10.2.2 Radio and Television Programmes

The BSE has partnered with various media houses to help promote capital markets by contributing informative articles to newspapers and taking part in radio talk shows to educate the public. The BSE undertook presentations on the weekly radio programmes of "Tsele Le Tsele" and "Business Thriller" every Friday on RB1 and RB2, at 5:30pm and 4:00pm respectively. The Exchange also published a weekly "Market Performance" report in the Botswana Government newspaper, "The Daily News". The BSE also ran snippets on ETFs on Yarona FM, a local private commercial radio station. The BSE presented statistics on market performance and a series of programmes to educate the public about investing in the stock market. The presentations were aired through a television program called "First Issues" every Tuesday from 7:30 pm – 8:00 pm.

10.2.3 Consultations with Private Companies to Promote Listings on the BSE

The BSE conducted one-on-one meetings with companies to take them through the process and advantages of listing on the BSE. A workshop was held in June 2013 to educate companies on how they can realize synergies by listing on the BSE. The workshop was attended by representatives from private companies, parastatals, entrepreneurs, capital market regulators as well as other parties involved in the process of listing companies on the BSE.

10.2.4 Corporate Social Investment (CSI)

The BSE is of the view that today's students are tomorrow's investors and hence thought it fit to invest in the education of young students. In 2013, the BSE embarked on the "Adopt a School" initiative, adopting two primary schools being Boitumelo Primary School and Xakawe Primary School in Sebele and Maun regions respectively. Through this initiative the BSE has managed to refurbish the library facilities of the two schools.

10.3 PRODUCT DEVELOPMENT

The Product Development initiatives undertaken by the BSE in 2013 continued to focus on introducing new products and especially on the development of the Bond Market. The following is a synopsis of work carried out by the Product Development Division of the BSE in this regards.

10.3.1 Introduction of a Botswana Bond Index Series (BBIS)

As noted earlier, the BSE launched 3 bond indices in April 2013. It is noted that the bond indices have been well received by the market with most custodians looking to adopt the indices for benchmarking and performance evaluation of bond portfolios.

This is a welcome development in the Botswana Bond Market. As stated earlier, bond indices would also form the basis for developing bond index funds and other bond related products. The bond indices could also be used by investors to judge and objectively choose between investing in alternative debt funds.

A Bond Index Advisory Committee was appointed to oversee and advise on best practice in constructing indices and on matters relating to rules governing the management of the said indices. The committee comprises representatives from asset management companies, brokerage firms, commercial banks, pension funds and consulting firms. The role of the BSE is to provide secretarial services to the committee. NedGroup Beta Solutions, of NedBank South Africa, has been appointed consultants to the advisory committee. The committee meets every quarter following an audit of the indices, to review the audit, market opinion and discuss issues of best practice in relation to the management of the indices.

10.3.2 Workshop on Exchange Traded Funds (ETFs)

The BSE and Nedbank Capital held a media educational workshop on 23 May 2013. The workshop was attended by brokers and business journalists. The aim was to educate the attendees about analyzing the performance of ETFs. The BSE is of the view that raising awareness about investing in ETFs is extremely important to increase liquidity in these securities.

10.3.3 Global Depository Receipts (GDRs)

The BSE held a two day workshop on 12 and 13 June 2013 with fund managers, NBFIRA, brokers and business journalists that was aimed at exploring the feasibility of introducing GDRs. The BSE held these workshops in collaboration with Bank of New York Mellon (BNY Mellon). Through the workshop the BSE was able to gauge the appetite for these products in the market and the requirements with regard to the structure of the products as proposed by fund managers.

It is also noted that there are other strategic partners who are interested in partnering with the BSE in launching GDRs for the Botswana market. More awareness programmes will be undertaken in 2014 to educate the public about GDRs. Further, a survey will be conducted amongst institutional investors to help identify global stocks that could be used to create GDRs to give investors exposure to international stocks.

10.3.4 Registration of the Bond Market Association

The BSE facilitated the registration of the Botswana Bond Market Association (BBMA) with the Registrar of Societies, funded by sponsorships from market participants. The BBMA will begin

formal implementation of its mandate in 2014. The BSE plans to work with the BBMA to resolve structural issues impeding bond market development with a view to promote efficiency and liquidity of the bond market. A liquid bond market will provide a conducive environment for the private sector to raise capital directly from investors. Investors in turn are provided with differing risk-return options that will enable them to better structure their investment portfolios.

The BBMA is administered by a Committee comprising representatives from asset management companies, brokerage firms, commercial banks and bond issuers. The BSE provides secretarial services to the Association.

10.3.5 Distribution of Trade Statistics to International Data Vendors

Following the implementation of the Automated Trading System (ATS) on 24 August 2012, the BSE began exploring opportunities to commercialise and generate income from the sale of trade statistics to data vendors by providing various forms of data and information. Commercialisation of data is a revenue generating activity undertaken by stock exchanges which have implemented automated trading.

The ATS has functionality to disseminate real time information, snapshots of trading information over a configured period (presently configured for 30 minutes) and snapshots of trading information configured based on a given number of messages. The BSE has signed data dissemination agreements with DirectFN and I-Net Bridge. Discussions on signing similar agreements are on-going with Bloomberg and Reuters who have expressed interest in subscribing to the BSE data feed. The distribution of BSE trade statistics will give BSE more exposure to international investors and will complement its market development initiatives.

10.3.6 Dual Listing of the New Platinum ETF (NewPlat ETF)

Absa Capital of South Africa intends to dual list the NewPlat ETF on the BSE. The ETF is primarily listed on the JSE. The NewPlat ETF is expected to be listed in the first half of 2014.

10.4 INFORMATION TECHNOLOGY (IT)

10.4.1 IT Policies

During 2013, the BSE embarked on an exercise to formalise and document IT Policies, Procedures and Processes. This exercise was motivated by the increase in complexity of the IT

infrastructure and the consequential need for better control of the interaction of the users with IT Systems, Information and related services.

The BSE engaged the services of Realfin (Pty) Ltd as consultants to document the IT Policies and Procedures. The project was completed in January 2014. Once approved by the Main Committee, the IT Policies will guide the day to day management of the IT Department and will go a long way in ensuring that the BSE, with its increasing reliance on IT systems, meets its strategic objectives.

10.5 LEGISLATION AND REGULATION

10.5.1 Amendment of the Equity and Debt Listing Rules

The BSE has completed drafting the amended Equity Listing Rules and the draft has been circulated to the BSE Main Committee. The purpose of amending the rules is to make them up to date, precise and user friendly. The BSE has commenced the process of consultation with listed companies, regulators and other stakeholders and expects to implement the rules in the latter part of 2014.

10.5.2 Securities Bill

The BSE is happy to report that the Securities Bill was approved by Cabinet in February 2014 and will be presented to Parliament in due course.

The drafting of the BSE Transition Bill has been completed and is expected to be subject to the enactment process in due course.

10.6 HUMAN RESOURCES DEVELOPMENT

10.6.1 Staff Welfare

The BSE continued to pursue staff welfare and wellness activities in 2013. The aim was to create awareness on issues relevant to staff members, their working environment and their personal wellbeing. The BSE has set up a committee of staff volunteers who have been entrusted with the task of organising staff welfare activities in a systematic manner.

Amongst the activities undertaken in 2013 included those that were spiritually oriented, workshops on personal financial management and talks on motivation and a team building exercise. Details of the staff welfare activities undertaken in 2013 are presented in Figure 54.

Figure 54: Activities Undertaken by the BSE Staff Welfare Committee: 2012 -2013

Date	Activity Undertaken
06- Jun-12	Spiritual Wellbeing
30-Aug-12	Presentation and Health Tests: Nutritional Wellness
01-Aug-12	Motivational Talk: Personal Differentiation
18-Jan-13	Fitness & Lifestyle
15 to17-Mar-13	Team Building Exercise
05-May-13	Athletics: Gaborone Steinmertz Marathon
15-May-13	Presentation: Silent Killer Diseases
19-Jul-13	Presentation: Health & Safety
04-Sep-13	Presentation: Personal Branding for the Workplace

Source: BSE

10.6.2 Staff Training

Any organisation is only as effective as those that drive it. The BSE is committed to developing and retaining staff who are the key drivers of the BSE Strategy.

In order to develop and empower staff both in the science and art of managing stock exchanges and depositories, the BSE dedicated 6% of total operational expenses in 2013 to staff training. Members of staff were nominated to participate in courses and conferences depending on their respective fields of expertise.

The following training programmes were attended by staff:

- Securities Markets Operations & Risk Management Programme conducted by the Financial Technologies Knowledge Management Company (FTKMC)
- OECD Conference on African Public Debt Management and Bond Markets
- Planning, Budgeting & Rolling Forecasts Masterclass
- Electronic Records & Information Management
- Bank of New York Mellon Annual Depository Receipts Seminar
- Workshop on Bonds conducted by the Bond School of Hong Kong
- Programme on Professional Qualification for Regulators
- Programme on Global Securities

10.7 FINANCE & ADMINISTRATION

The consolidated revenue of the BSE increased by 17% in 2013. This was mainly due to the record turnover achieved in the year. The consolidated expenses grew by 9.6% after adjusting for reversal of provisions made on account of doubtful debts amounting to P2.6 Mn in 2012.

Interest generated on funds invested in money market funds and call deposits doubled in comparison to 2012. The growth in investment income is attributed to the setting up of an Investment Committee which is responsible for treasury management.

For the first time since its inception, the CSDB generated sufficient revenue to meet its expenditure and make a profit of P190, 000 without depending on the subvention. This is a commendable improvement when compared to a loss of P1.9 Mn (before accounting for the subvention) in 2012. This too is attributed to the high turnover in 2013.

For the third successive year the BSE did not have to depend on the Government subvention. The Exchange earned a profit of P5.4 Mn in 2013.

The strong financial performance and the Government subvention contributed P14.9 Mn to reserves in 2013. As at 31 December 2013 the reserves of the BSE were P31 Mn. On a consolidated basis the reserves were P35 Mn. It is expected that

Figure 55: Financial Performance of BSE: 2010 to 2013

	2010 P'000			2011 P'000			2012 P'000			2013 P'000		
	BSE	CSDB	CONSOL	BSE	CSDB	CONSOL	BSE	CSDB	CONSOL	BSE	CSDB	CONSOL
INCOME												
Commission Income	2,620	1,940	4,560	2,699	2,092	4,791	2,507	1,813	4,320	6,192	4,667	10,859
Listings and Annual Sustaining fees	8,335	-	8,335	12,635	-	12,635	16,777		16,777	13,048	-	13,048
Other Income	360	304	664	751	441	1,192	529	512	1,041	1,386	648	2,034
Total Income from Operations	11,315	2,244	13,559	16,085	2,533	18,618	19,813	2,325	22,138	20,626	5,315	25,941
												-
EXPENDITURE						-						-
Development Expenditure	1,356	633	1,990	799	746	1,545	1,492	741	2,233	1,643	975	2,618
Administrative Expenditure	10,318	2,810	13,128	11,762	3,074	14,836	10,277	3,463	13,740	13,596	4,150	17,746
Total Expenditure	11,674	3,443	15,117	12,561	3,820	16,381	11,769	4,204	15,973	15,239	5,125	20,364
Profit /(Loss) Prior to Subvention	(359)	(1,199)	(1,558)	3,524	(1,287)	2,237	8,044	(1,879)	6,165	5,387	190	5,577
Subvention required to break even	359	1,199	1,558	-	1,287	-	-	1,879	-	-	-	-
Subvention received	1,591	934	2,525	4,039	3,037	7,075	3,145	4,143	7,288	5,025	4,263	9,288
Profit	1,232	(265)	967	7,563	1,750	9,312	11,189	2,264	13,453	10,412	4,453	14,865
Extent to which Income from operations meet administrative expenses	100%	80%	100%	100%	82%	100%	100%	67%	100%	100%	100%	100%

The contribution and effort made by each and every staff member who enabled the BSE not only to “talk the walk” but “walk the talk” is gratefully acknowledged.

REACHING NEW HEIGHTS



these reserves will be capitalized when the BSE is converted into a company post the enactment of the Securities Bill.

11. REGIONAL COOPERATION AND PARTICIPATION AT CONFERENCES

The Committee of Southern African Stock Exchanges (COSSE) held several meetings in 2013. The BSE participated in meetings held in Zimbabwe and Johannesburg in February and September 2013 respectively.

The BSE attended the annual conference hosted by African Stock Exchanges Association (ASEA) in Abidjan, Ivory Coast in December 2013.

CSDB was represented at the African and Middle East Depository Association (AMEDA) meeting held in Dubai in September 2013 and at the National Settlement of Depositories conference held in Russia in May 2013.

12. APPRECIATION

It has been my privilege to be the CEO of the BSE for almost 8 years. During this period the BSE has undergone many changes and developments as articulated in the CEO's Reviews since 2006. Many more changes will take place after the enactment of the Securities Bill and the BSE Transition Bill.

There have been many who have assisted us to get to this stage: The Ministry of Finance and Development Planning (MFDP) has had the foresight to recognize the importance of the Capital Market and the BSE in the economic development of Botswana. Their continued support to the BSE is gratefully acknowledged. I thank NBFIRA and the Bank of Botswana for their support to the BSE and CSDB in 2013.

I wish to acknowledge the support and the guidance received from the BSE Main Committee and several Sub-Committees. I wish to thank the Chairman, Mr Patrick O'Flaherty, and all Committee Members for their contribution.

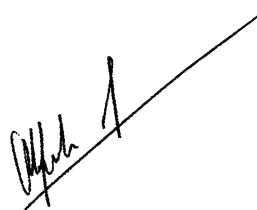
BSE relies heavily on its stakeholders to achieve its objectives. I wish to acknowledge the support received from Member Firms, Stockbrokers, Participants of CSDB, Settlement Bank, Listed Companies and Investors.

Mr Moshe Libengo, Finance and Administration Manager left the BSE in June 2013. I thank him for the contribution made to the BSE and wish him success in his future endeavours.

The BSE operates in a continuously changing environment that is not always congenial and supportive of its objectives. The BSE's corporate culture has been forged bearing this in mind. From my perspective, I see the BSE as an organization which is knowledge driven, flexible, adaptable and is continuously learning. It is those who work for an organization that gives it shape and form its culture.

"The stuff that allows most pros to succeed cannot be [taught]; among them are willingness to work long and hard, to study and learn, and a fierce determination to succeed." – Arthur Morris.

The contribution and effort made by each and every staff member who enabled the BSE not only to "talk the walk" but "walk the talk" is gratefully acknowledged.



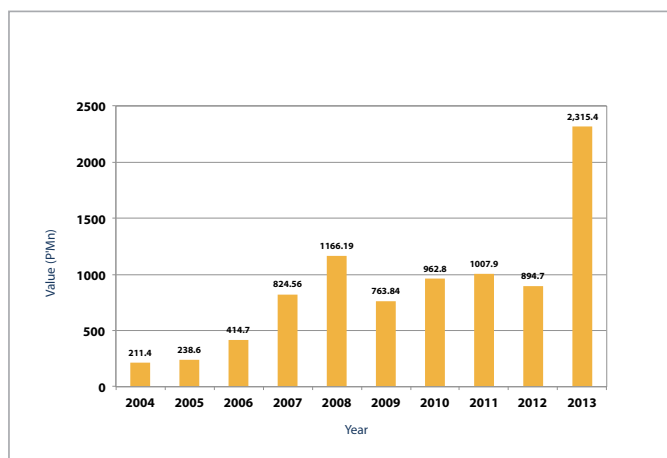
Hiran Mendis
Chief Executive Officer

GRAPHICAL REVIEW

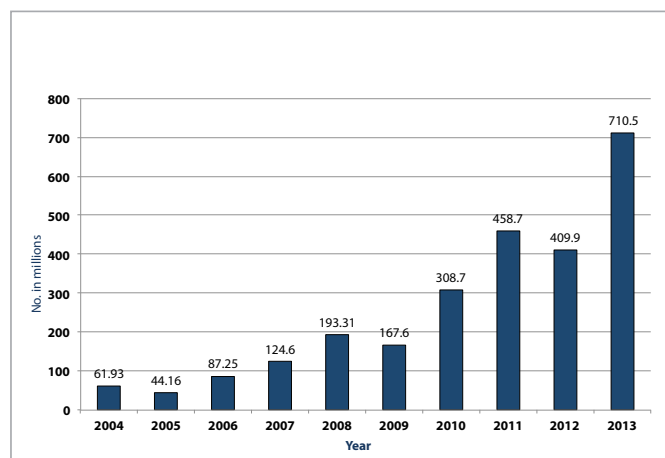


Equities: 2013

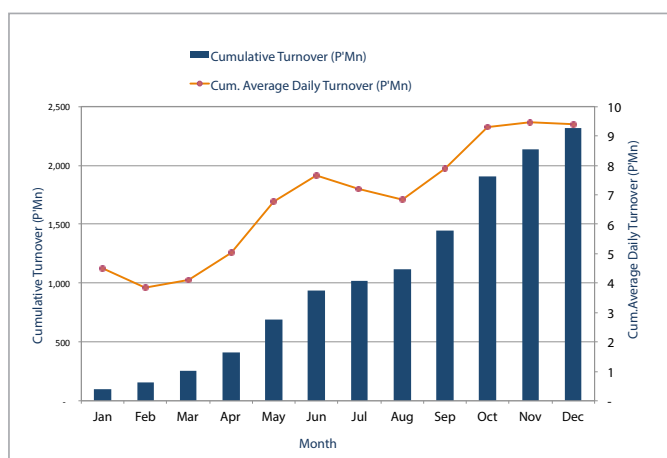
Value of Shares Traded



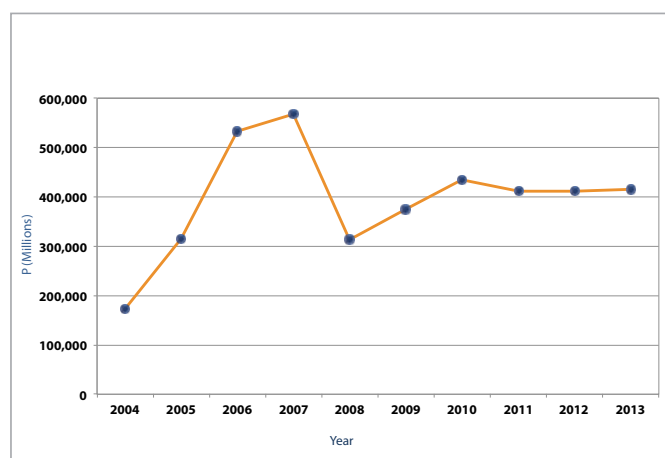
Volume of Shares Traded



Comparison with Other Markets

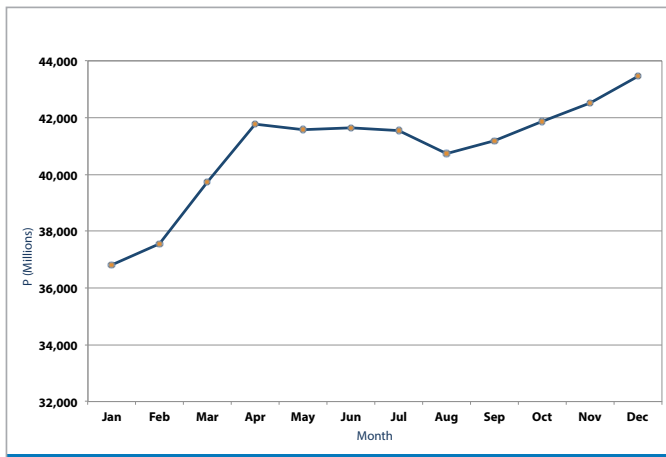


Total Market Capitalisation

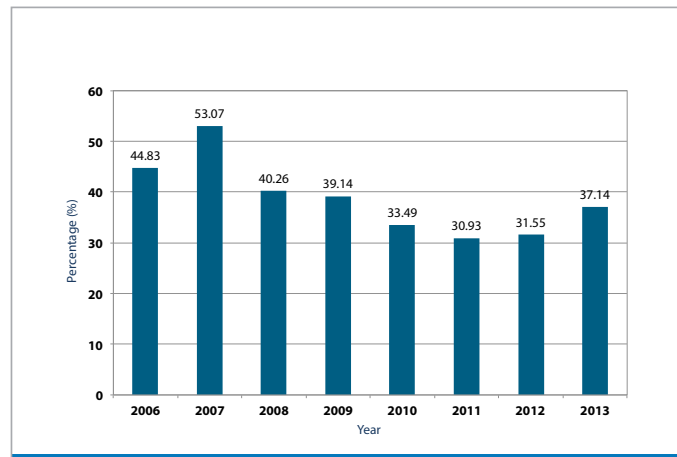


GRAPHICAL REVIEW

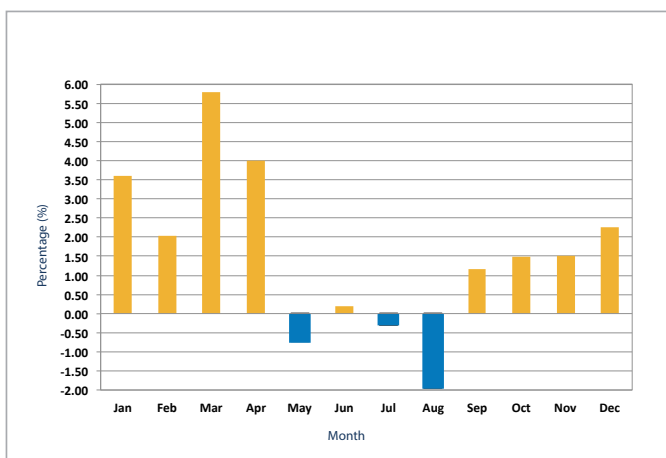
Monthly Market Capitalisation 2013



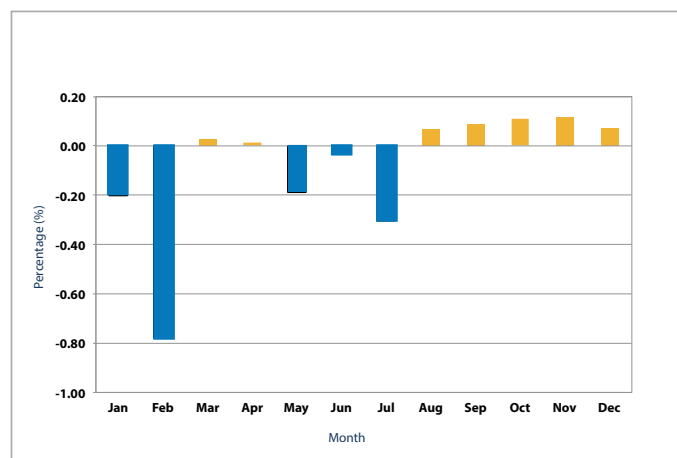
Domestic Market Capitalisation as a % of GDP



DCI % Monthly Change

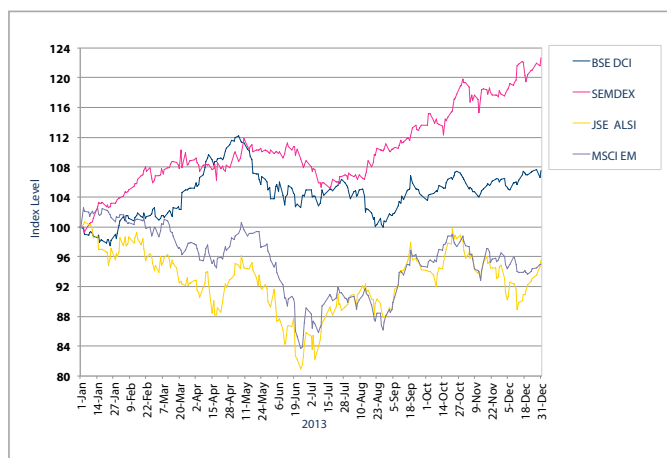


FCI Monthly % Change

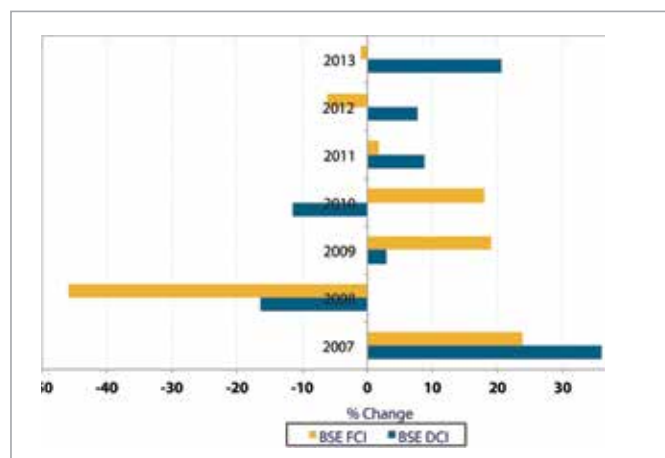


Equities: 2013

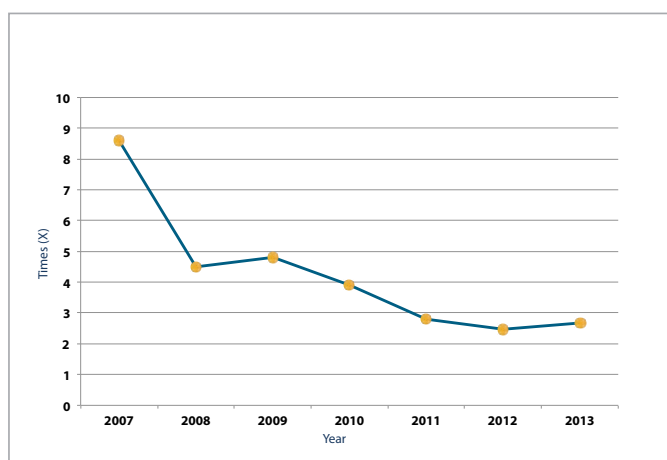
Indices Performance



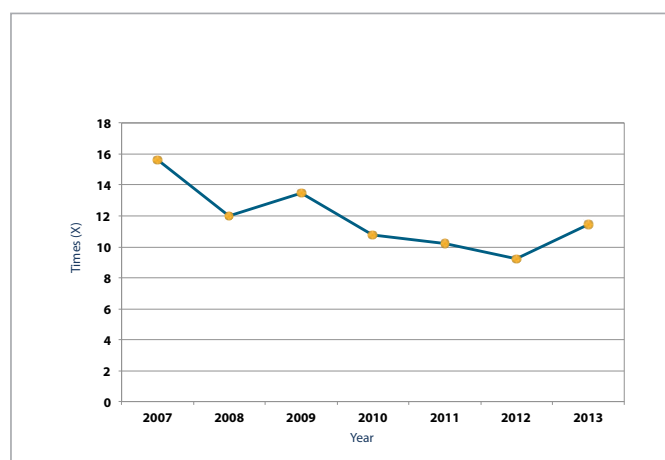
DCI & FCI Yearly % Change



Market Price to Book Value

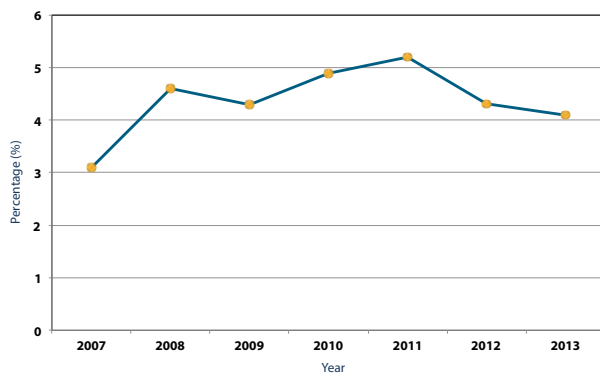


Price Earnings Ratio

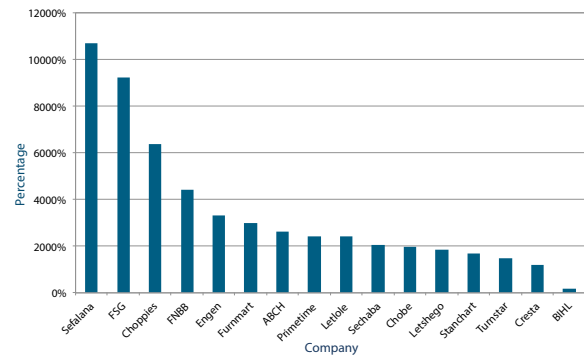


GRAPHICAL REVIEW

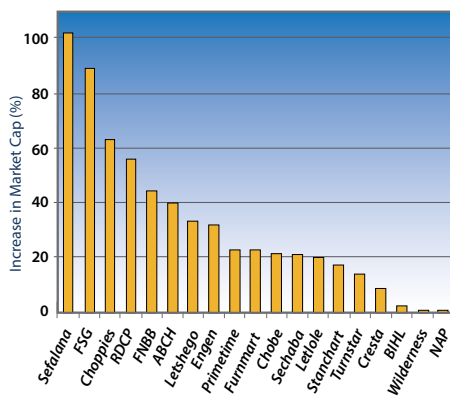
Dividend yield



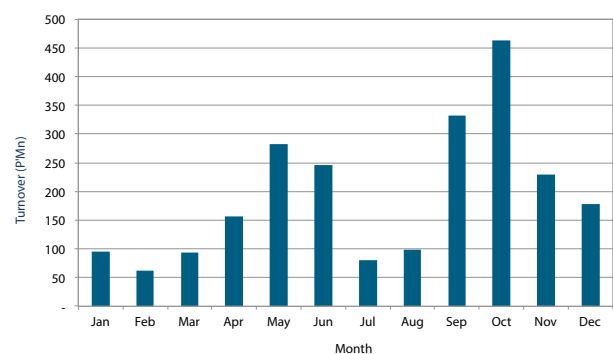
Domestic Companies By Gains In Price



Domestic companies by gains in market capitalisation



Monthly Turnover (P'Mn)



The size of domestic companies relative to the size of the economy, indicated by the ratio of market capitalisation to GDP, increased to

33.6%

in 2013

REACHING NEW HEIGHTS



MARKET STATISTICS

Table 1: Number of Companies Listed

	2007	2008	2009	2010	2011	2012	2013
Number of New Listings	2	2	0	2	6	3	1
Number of De-listings	2	2	0	3	1	1	3
Foreign Listings	11	11	11	9	12	13	12
Domestic Listings	20	20	20	21	23	24	23
Total	31	31	31	30	35	37	35

Table 2: Market Capitalization of BSE Listings: 2013

	Number of Shares	Price Per Share (P)	Market Capitalisation (P)
New Foreign Listings (Dual)			
Shumba Coal	168,846,078	1.05*	177,288,382
Total	168,846,078		168,846,078

*The price given is the bid price on the listing date of 08 April 2013.

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

	2007	2008	2009	2010	2011	2012	2013
Domestic Market Capitalisation	32,702.6	27,706.1	28,536.2	26,245.7	30,694.3	35,530.8	43,457.6
Foreign Market Capitalisation	535,325.0	286,260.2	346,001.1	408,380.3	380,909.5	376,818.2	373,132.8
Total Market Capitalisation	568,027.54	313,966.31	374,537.22	434,625.97	411,603.77	412,349.01	416,590.41

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

	2012				2013			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
Domestic Market Capitalisation	32,910.4	33,873.5	34,962.1	35,530.8	39,740.2	41,654.9	41,206.3	43,457.6
Foreign Market Capitalisation	382,120.4	388,952.7	387,877.1	376,818.2	373,045.8	372,593.4	372,034.8	373,132.8
Total Market Capitalisation	415,030.8	422,826.2	422,839.2	412,349.0	412,786.0	414,248.4	413,241.1	416,590.4

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

	2007	2008	2009	2010	2011	2012	2013
Banking	19,304.4	16,563.2	16,858.3	12,953.8	16,116.8	16,674.8	19,815.1
Financial Services & Insurance	25,391.5	19,486.8	20,466.1	21,353.5	21,574.8	24,560.7	25,958.9
Retailing & Wholesaling	12,978.1	3,532.9	3,134.7	2,617.5	3,098.3	6,099.8	8,884.8
Property & Property Trust	934.8	907.9	944.7	1,083.7	2,788.2	3,180.4	3,603.8
Mining & Materials	508,427.8	272,109.5	331,978.3	393,608.9	365,238.4	359,135.9	355,342.4
Security Services	220.0	181.1	188.8	263.0	480.0	465.6	246.4
Information Technology	18.9	15.7	7.9	7.6	7.9	11.0	0.0
Funeral Services	0.0	132.0	187.2	224.4	175.2	157.1	297.4
Energy	769.9	702.8	586.2	1,022.2	881.7	983.9	1,296.9
Tourism	295.4	334.4	185.1	1,491.5	1,242.6	1,079.9	1,144.8

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

	2012				2013			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
Banking	16,363.0	17,009.1	17,591.7	16,674.8	18,521.9	19,715.4	19,087.9	19,815.1
Financial Services & Insurance	21,994.2	21,469.7	21,464.1	24,560.7	26,002.1	25,866.8	25,446.5	25,958.9
Retailing & Wholesaling	4,738.5	5,031.5	5,656.3	6,099.8	7,171.6	7,834.8	8,370.9	8,884.8
Property & Property Trust	2,944.6	3,290.6	3,129.9	3,180.4	3,201.6	3,333.6	3,416.9	3,603.8
Mining & Materials	366,203.0	373,308.0	372,238.0	359,135.9	355,263.5	354,816.3	354,266.3	355,342.4
Security Services	492.0	473.6	474.4	465.6	464.0	394.4	268.8	246.4
Information Technology	7.9	11.0	11.0	11.0	9.8	9.1	9.1	0.0
Funeral Services	158.4	174.1	180.1	157.1	175.3	217.6	215.2	297.4
Energy	881.7	881.7	998.3	983.9	1,022.2	1,135.6	1,237.9	1,296.9
Tourism	1,247.6	1,177.2	1,095.3	1,079.9	954.2	924.7	921.6	1,144.8

Table 7: Trading Statistics as at Year ended December

	2009	2010	2011	2012	2013
Volume Traded (Mn)	167.6	308.7	458.7	409.9	710.5
Value Traded (P'Mn)	763.9	962.8	1,007.9	894.7	2,315.4
No. of Deals	4,135	4,971	5,022	6,488	12,029
Liquidity Ratio	2.7	3.5	3.5	2.7	5.9

MARKET STATISTICS

Table 8: Trading Statistics as at Quarter ended

	2012				2013			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
Volume Traded (Mn)	75.1	88.4	70.7	175.7	99.7	229.3	134.5	246.9
Value Traded (P'Mn)	171.6	195.58	146.3	381.3	250.8	684.1	510.4	870.1
No. of Deals	1,170	1,412	1,366	2,540	2,467	3,824	3,011	2,727

Table 9: BSE Indices as at Year ended December

	2007	2008	2009	2010	2011	2012	2013
DCI	8,421.6	7,035.5	7,241.9	6,412.9	6,970.9	7,510.2	9,053.4
FCI	2,201.0	1,192.0	1,418.3	1,673.9	1,703.9	1,599.5	1,583.5
LASI		558.7	670.5	776.2	795.3	752.7	760.8
DFSI		835.7	911.9	771.9	862.5	911.8	1,067.1
FRSI		536.5	654.5	776.3	790.1	731.9	720.3
DCFFI				2,014.6	1,904.7	2,143.7	2,643.7
DFSFFI				3,034.1	2,825.0	3,199.1	3,901.3
LASFFI				1,760.5	1,677.5	1,892.1	2,315.3

Table 10: BSE Indices as at Quarter ended

	2012				2013			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
DCI	7,037.5	7,238.1	7389.3	7,510.2	8,399.9	8,688.5	8,594.9	9,053.4
FCI	1,709.3	1,668.0	1661.7	1,599.5	1,584.3	1581.2	1,578.8	1,583.5
LASI	797.9	781.4	779.3	752.7	754.1	755.3	753.4	760.8
DFSI	879.4	896.6	905.4	911.8	1,035.9	1,057.7	1,018.4	1,067.1
FRSI	790.5	770.7	766.2	731.9	724.3	722.3	721.1	720.3
DCFFI	1,901.0	1,871.9	1,951.7	2,143.7	2,592.7	2,496.0	2,456.2	2,643.7
DFSFFI	2,820.5	2,723.6	2,809.9	3,199.1	3,993.3	3,750.7	3,600.0	3,901.3
LASFFI	1,676.9	1,649.1	1,719.8	1,892.1	2,268.4	2,179.8	2,149.6	2,315.3

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

2012		2013	
Company	Volume	Company	Volume
Letshego	224.12	Letshego	237.52
Choppies	37.74	Choppies	140.13
Turnstar	33.54	FNBB	107.34
FNBB	28.04	Turnstar	75.69
Barclays	16.48	FSG	39.73
FSG	13.32	BIHL	23.33
NAP	7.96	NAP	15.60
Letlole	7.85	Stanchart	10.82
Primetime	7.75	Sechaba	8.86
Sefalana	5.87	ABCH	8.31

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

2012		2013	
Company	Value	Company	Value
Letshego	359.22	Letshego	550.51
Barclays	114.61	Choppies	415.79
FNBB	78.64	FNBB	393.52
Choppies	69.68	BIHL	246.32
BIHL	56.13	Sechaba	157.63
Turnstar	51.40	Stanchart	125.15
Sechaba	28.19	Turnstar	124.38
FSG	18.58	FSG	78.37
NAP	17.58	Barclays	49.53
Sefalana	16.85	ABCH	41.53

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

2012		2013	
Company	Volume	Company	Volume
Disc. Metals	0.947	Lucara	0.694
African Copper	0.761	African Copper	0.547
BOD	0.631	Shumba	0.498
Blue	0.422	BOD	0.245
Aviva	0.138	Discovery	0.118
Lucara	0.150	Aviva	0.054
A-Cap	0.040	A-Cap	0.025
AFR	0.021	Blue	0.002
CIC Energy	0.014	African Energy	0.001
Hana	0.007	GG	0.000

MARKET STATISTICS

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

2012		2013	
Company	Value	Company	Value
Disc. Metals	11.075	Lucara	7.180
Lucara	0.609	Shumba	0.527
Anglo	0.465	Discovery	0.319
BOD	0.279	African Copper	0.096
African Copper	0.260	BOD	0.095
Blue	0.183	Aviva	0.046
CIC Energy	0.144	A-Cap	0.018
Aviva	0.097	Firestone	0.001
AFR	0.057	GG	0.001
A-Cap	0.047	Blue	0.001

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

2012		2013	
Company	Market Cap	Company	Market Cap
Anglo	347,612.36	Anglo	347,613.03
Investec	14,814.01	Investec	15,185.10
Disc. Metals	6,287.00	Lucara	4,331.13
Blue	2,758.64	Blue	2,605.38
Lucara	1,881.46	African Energy	1,156.84
Firestone	1,093.70	Firestone	869.50
AFR	957.30	Discovery	375.22
Hana	392.00	GG	355.61
GG	355.61	African Copper	267.32
African Copper	250.78	Shumba	184.04

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

2012		2013	
Company	Market Cap	Company	Market Cap
FNBB	7,178.36	FNBB	10,331.71
Barclays	5,581.66	Letshego	5,093.72
Letshego	3,817.40	Barclays	4,695.41
Stanchart	2,983.51	Choppies	3,921.85
BIHL	2,909.08	Stanchart	3,490.70
Choppies	2,407.13	BIHL	2,965.30
Sechaba	2,093.65	Sechaba	2,525.95
NAP	1,323.63	NAP	1,329.67
Furnmart	988.51	ABCH	1,297.27
Engen	983.89	Engen	1,296.94

Table 17: Bond Market Statistics: 2013

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	12,924,861
BW005	12/09/2018	1,233,000,000	10.00	5,466,573
BW007	05/03/2025	1,295,000,000	8.00	38,402,188
BW008	08/09/2020	858,000,000	7.75	18,739,044
BW009*	11/09/2013	-	7.25	2,289,988
BW010	08/03/2017	618,000,000	7.75	16,836,922
BW011	10/09/2031	399,000,000		-
BVI001	07/05/2018	70,000,000	11.23	-
BVI002	14/07/2015	50,000,000		-
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		-
FML025	23/10/2025	150,000,000	8.20	-
LHL005	08/11/2017	50,000,000	8.25	-
LHL006	08/11/2023	200,000,000	10.50	-
LHL007	08/11/2025	75,000,000	10.50	-
LHL008	08/11/2027	25,000,000	11.00	-
NDB001	01/08/2017	165,000,000	11.25	-
SBBL003	01/06/2017	100,000,000	10.50	-
SBBL048	11/06/2015	175,000,000	10.70	-
SBBL056	13/06/2021	50,000,000		-
SCBB003	20/12/2020	50,000,000	10.50	-
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		9,251,260,000		94,659,578

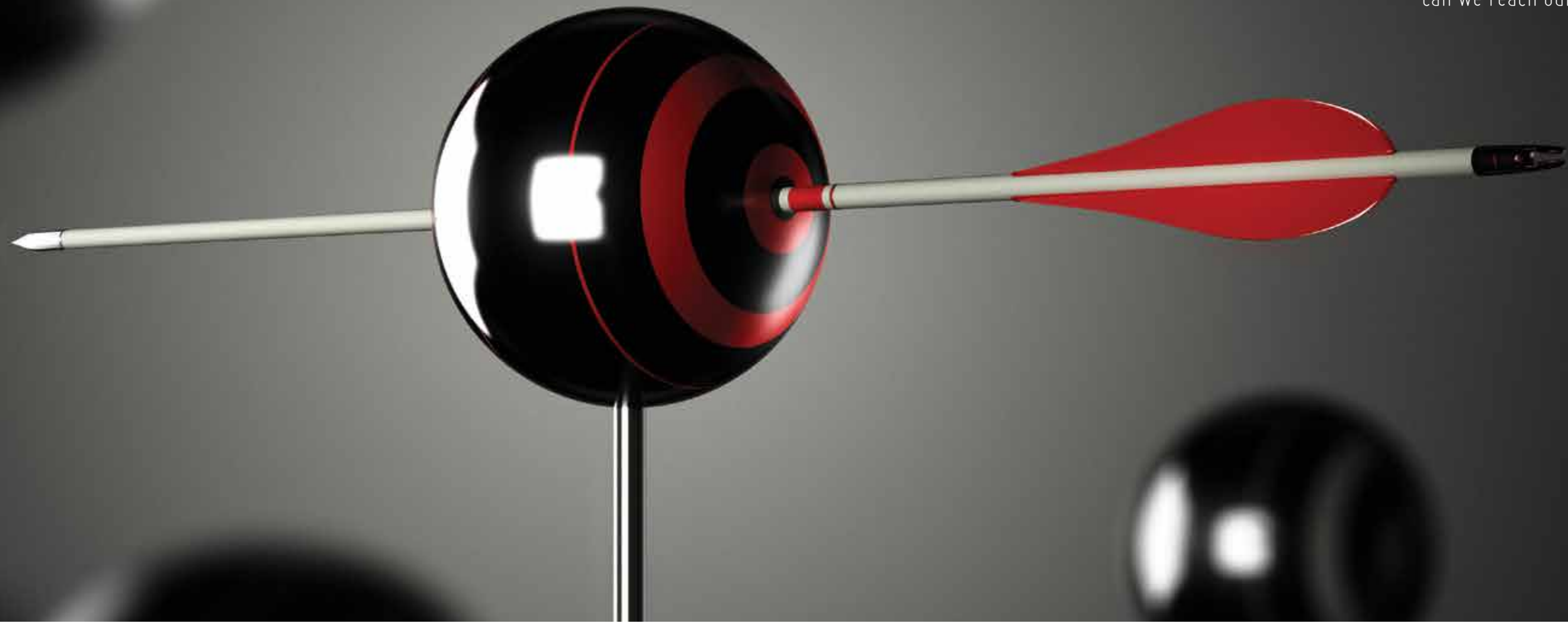
*The BW009 bond matured on September 11, 2013 and had a market capitalisation of P433,000,000 at maturity.

MARKET STATISTICS

Table 18: Bond Market Capitalization by Sector: 2013

Bonds	Maturity Date	Issue Size
Government		
BW003	31/10/2015	1,642,000,000
BW005	12/09/2018	1,233,000,000
BW007	05/03/2025	1,295,000,000
BW008	08/09/2020	858,000,000
BW010	08/03/2017	618,000,000
BW011	10/09/2031	399,000,000
		6,045,000,000
Quasi		
DPCF004	02/06/2016	220,000,000
DPCF005	02/06/2019	100,000,000
DPCF006	02/06/2022	55,000,000
DPCF007	02/06/2025	35,000,000
		410,000,000
Parastatals		
BBS002	15/12/2016	115,000,000
BBS004	26/11/2019	75,000,000
BBS005	03/12/2023	150,000,000
BBS006	04/08/2018	110,000,000
BHC017	10/12/2017	286,000,000
BHC020	10/12/2020	103,000,000
BVI001	07/05/2018	70,000,000
BVI002	14/07/2015	50,000,000
NDB001	01/08/2017	165,000,000
WU001	26/06/2018	195,000,000
WU002	26/06/2026	205,000,000
		1,524,000,000
Corporate		
BBB001	30/10/2014	100,000,000
FML015	12/07/2015	50,000,000
FML025	23/10/2025	150,000,000
LHL005	08/11/2017	50,000,000
LHL006	08/11/2023	200,000,000
LHL007	08/11/2025	75,000,000
LHL008	08/11/2027	25,000,000
SBBL003	01/06/2017	100,000,000
SBBL048	11/06/2015	175,000,000
SBBL056	13/06/2021	50,000,000
SCBB003	20/12/2020	50,000,000
SCBB006	12/05/2021	70,000,000
SCBB007	27/06/2022	50,000,000
SCBB008	27/06/2022	127,260,000
		1,272,260,000
TOTAL		9,251,260,000

“Only with rigorous planning and foresight
can we reach our targets”



COMPANY STRATEGY



BSE STRATEGY

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 20,027 investor accounts opened as at end of December 2013
- More than 59.3% of domestic companies were dematerialised as at end of December 2013
- Automated Trading System (ATS) was implemented in August 2012
- ATS was successfully upgraded in June 2013
- Documentation of the IT Service Catalogue is in progress
- Systems have been implemented to disseminate online information to data vendors
- Upgrade of desktop infrastructure, IT Audit and re-implementation of power infrastructure in the server room has been completed
- Documentation of IT Policies, Processes and Procedures is in progress
- Implementation of a data mining system is in progress

1.2 REGULATION

- Code on corporate governance for listed companies implemented in 2008
- CSD rules drafted by BSE and implemented in 2008
- Settlement cycle of transactions in the BSE reduced from T+5 to T+4, and T+3 effective 2012
- Strategies implemented to improve compliance by listed companies
- 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 the second half of 2014
- Enactment of the Securities Bill will enable BSE to proceed on several development initiatives which will include the corporatization of the BSE
- ATS Trading Rules for Debt and Equity instruments implemented in 2012
- Trading in the ATS extended by one hour effective 4 November in 2013
- Rules for market makers and for short selling is in progress
- Digitization of listing files is in progress

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 Botswana in 2007, Exchange Traded Funds in 2008, Securitisation and the Bond Market in 2008, Credit Rating Workshop in 2008.
- Strategic alliances with key institutions fostered
- Partnered with Botswana Television to sponsor the business segment of the "Daily Breakfast Show"
- Partnered with the media by contributing articles and taking part in radio and television talk shows
- BSE conducting market performance presentations



on RB1 programmes of “Tsele le Tsele” and “Sefalana Sa Papadi” and the RB2 programme of “Business Twilight” every year

- BSE conducting market performance presentations on BTV programme of “First Issues”
- BSE published a cartoon strip booklet titled “Sheleng”
- ATS snippets on YaRona FM ran after ATS implementation in
- ETFs snippets on YaRona FM aired to advertise ETFs
- Inaugural BSE Senior Secondary Schools Finance and Investment Quiz in 2013
- Increased visibility of the BSE by putting up 7 billboards in various places in Botswana in 2013
- Re-vamping of the BSE website to start in 2014
- Corporate Social Investment initiative successfully undertaken with adoption of two primary schools in 2013; Sebele Primary School and Xakao Primary School
- Working with Sassy Diva on the ‘Donate a Pad’ project under the CSI initiatives

1.4 PRODUCT DEVELOPMENT

- Series of indices constructed using “total return” methodology
- Series of indices based on “free float” constructed
- Library to assist research established
- Strategic Alliances formed with Absa Capital SA & Nedbank Capital to implement ETFs in the BSE
- Dual listed the NewGold Exchange Traded Fund in July

2010 in partnership with Absa Capital

- Nedbank Capital made several presentations to fund managers, brokers and other interested parties to raise aware on the BettaBeta ETF in 2011
- Dual listed the Bettabeta Equally Weighted Top 40 ETF in May 2011 in conjunction with Nedbank Capital
- Held several meetings with strategic partners to appraise them of the BSE’s plans to introduce Contract for Difference (CFDs)
- Partnered with Geometric Progression CC of South Africa to conduct financial market courses since 2010
- Bond Market Association established in 2010, with representation from several market participants
- Consolidated the Bond Market Development Strategy Paper in 2011
- Bond Market Association officially registered with the Registrar of Societies to become a full-fledged Association
- Concept papers on CFDs approved by BSE Board
- Compiled a research paper aiming at providing findings and recommendations for promoting the trading, clearing and settlement of government bonds through the BSE to enhance liquidity, price discovery and the development of a market determined yield curve.
- Amended Debt Listing and Trading Rules in 2012
- BSE currently revising Debt Listing Requirements
- Three bond indices launched in 2013 in conjunction with Nedbank Capital
- 3 Bond Indices launched in 2013

BSE STRATEGY



- Held a workshop on Global Depository Receipts (GDRs) and another one on ETFs in 2013
- BSE drafted listing rules for GDRs
- Brochures for ETFs and debt instruments completed
- Contract negotiation with international data vendors for dissemination of trading data secured, negotiations with other on-going

1.5 ORGANISATION STRUCTURE AND HUMAN RESOURCE DEVELOPMENT

- Performance appraisal system for staff implemented
- BSE continued to train staff through workshops, conferences and courses on operations of the stock exchange
- The BSE continues to offer internship to graduates under the government's internship programme
- A project about evaluating the BSE's organisation structure, job profiles, HR policies and procedures, Code of Conduct as well as succession and retention plans completed in 2012
- Internal audit function implemented
- Internal Audit function is being reviewed with the intention to internalise it in future
- Team building exercises being done annually
- Staff welfare and wellness activities hosted

1.6 GOVERNANCE STRUCTURE

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

1.7 FINANCIAL RESOURCES

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

It is only through the interaction of the various stakeholders and each appreciating the other's responsibilities that the required momentum can be created

REACHING NEW HEIGHTS



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 in 2010
Martin Makgatlhe*	Member	First elected in 1998
Seleka Mokama*	Treasurer	First elected in 2008
Kabelo Mohohlo	Member	Elected in May 2011
Gregory Matsake	Treasurer	Elected in May 2012
Goitseone Kgaodi	Member	Elected in May 2012
Appointed Members		
Iponeng Sennanyana	Member	First appointed in 2010
Elaina Gonsalves	Member	Appointed in October 2011
Regina Vaka**	Vice-Chairperson	Appointed in June 2013
Prof. John Kiggundu**	Member	Appointed in June 2013

* Term ended June 2013

**Appointed with effect from June 2013

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	1/1
Regina Vaka*	1/1
Kabelo Mohohlo	1/1
Gregory Matsake	1/1

*Appointed with effect from June 2013

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	8/8
Seleka Mokama*	2/5
Elaina Gonsalves	6/8
Goitseone Kgaodi	1/8
Gregory Matsake	6/8

* Term ended June 2013

The strides made in 2013 are just a miniscule realization of the latent potential that exists for the development of the capital market in Botswana.

REACHING NEW HEIGHTS



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	1/1
Prof. John Kiggundu*	0/0
Elaina Gonsalves	1/1

*Appointed with effect from June 2013

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	8/8
Iponeng Sennanyana	8/8
Prof. John Kiggundu*	3/6

*Appointed with effect from June 2013

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
Elaina Gonsalves	2/2
Kabelo Mohohlo	2/2
Martin Makgatlhe**	1/1
Regina Vaka*	0/1

*Appointed with effect from June 2013

** Term ended June 2013

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

Members	Main Comm.	Listings & Trading	Audit	Invest. & Discip.	Gov.& Renum.	Security Fund	BSE AGM
P. O'Flaherty	5/5	1/1					1/1
M. Makgatlhe**	0/0					1/1	0/1
E. Gonsalves	4/5		6/8	1/1	8/8	2/2	1/1
I. Sennanyana	5/5		8/8	1/1	8/8		1/1
G. Kgaodi	5/5		1/8				1/1
S. Mokama**	2/3		2/5				1/1
G. Matsake	5/5	1/1	6/8				1/1
K. Mohohlo	5/5	1/1				2/2	1/1
Prof. John Kiggundu*	2/2				0/0	3/6	0/0
Regina Vaka*	2/2	1/1				0/1	0/0

*Appointed with effect from June 2013

** Term ended June 2013

COMMITTEE FEES

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

“By purposefully planning for prosperity, we will achieve the greatness we aspire to”



FINANCIAL STATEMENTS

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BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

STATEMENT OF THE MAIN COMMITTEE'S RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2013

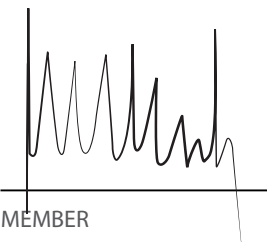
The Main Committee of Botswana Stock Exchange (the "Exchange") is responsible for the preparation and fair presentation of the annual group financial statements, comprising of the Exchange and group statements of financial position at 31 December 2013 and the statements of profit or loss and other comprehensive 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 105 to 129 and the supplementary information on page 130 were authorised for issue by the Main Committee on 25th April 2014 and are signed on its behalf by:



MEMBER



MEMBER

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

Independent Auditor's Report

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

We have audited the consolidated and separate financial statements of Botswana Stock Exchange (the "Exchange"), which comprise the statements of financial position at 31 December 2013 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 105 to 129.

Main Committee's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present a true and fair view of the consolidated and separate financial position of Botswana Stock Exchange at 31 December 2013 and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Certified Auditors

Gaborone

29 April 2014

Per: AG Devlin

Practising member: 19960060.23

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

		GROUP		EXCHANGE	
	Notes	2013 P	2012 P	2013 P	2012 P
Revenue	1	24 458 305	21 594 964	19 256 442	19 300 420
Government subvention	15(c)	9 287 768	7 287 770	5 024 868	3 144 970
Other income		31 225	60 277	31 225	60 164
Income		33 777 298	28 943 011	24 312 535	22 505 554
Administrative expenses	2	(20 364 412)	(15 973 014)	(15 239 352)	(11 769 185)
Operating profit		13 412 886	12 969 997	9 073 183	10 736 639
Finance income	4	1 451 980	482 158	1 338 901	452 152
Profit before income tax		14 864 866	13 452 155	10 412 084	11 188 521
Income tax expense	5	-	-	-	-
Profit for the year		14 864 866	13 452 155	10 412 084	11 188 521
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		14 864 866	13 452 155	10 412 084	11 188 521

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Notes	GROUP 2013 P	2012 P	EXCHANGE 2013 P	2012 P
ASSETS					
Non-current assets					
Plant and equipment	7	3 215 467	3 294 275	1 464 808	1 453 378
Investment in subsidiary	6	-	-	100	100
		3 215 467	3 294 275	1 464 908	1 453 478
Current assets					
Trade and other receivables	8	3 205 173	3 430 302	2 382 052	7 278 726
Tax refundable		276 603	276 603	-	-
Money market investments	9	30 778 128	17 293 236	27 122 895	17 293 236
Cash and bank balances	9	4 250 333	7 297 131	3 536 947	4 904 307
		38 510 237	28 297 272	33 041 894	29 476 269
Total assets		41 725 704	31 591 547	34 506 802	30 929 747
EQUITY					
Capital and reserves					
Proprietary rights capital	10	5 200	5 200	5 200	5 200
Rights premium		777 476	777 476	777 476	777 476
Retained earnings		35 567 848	23 396 590	28 505 394	20 786 918
		36 350 524	24 179 266	29 288 070	21 569 594
Non-current liabilities					
Deferred lease liability	13	147 838	70 529	147 838	70 529
Current liabilities					
Trade and other payables	11	2 533 734	3 208 737	2 377 286	5 156 609
Amounts due to the Botswana Stock Exchange Security Fund	12	2 693 608	4 021 776	2 693 608	4 021 776
Bank overdraft	9	-	111 239	-	111 239
		5 227 342	7 341 752	5 070 894	9 289 624
Total equity and liabilities		41 725 704	31 591 547	34 506 802	30 929 747

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Proprietary Rights Capital P	Rights Premium P	Retained Income P	Total P
Year ended 31 December 2012				
Balance at 1 January 2012	5 200	777 476	13 966 211	14 748 887
Previously reported profit for the year	-	-	13 452 155	13 452 155
Transfer to the Botswana Stock Exchange Security Fund (note 12)	-	-	(4 021 776)	(4 021 776)
Balance at 31 December 2012	5 200	777 476	23 396 590	24 179 266
Year ended 31 December 2013				
Balance at 1 January 2013	5 200	777 476	23 396 590	24 179 266
Profit for the year	-	-	14 864 866	14 864 866
Transfer to the Botswana Stock Exchange Security Fund (note 12)	-	-	(2 693 608)	(2 693 608)
Balance at 31 December 2013	5 200	777 476	35 567 848	36 350 524
EXCHANGE				
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 12)	-	-	(4 021 776)	(4 021 776)
Balance at 31 December 2012	5 200	777 476	20 786 918	21 569 594
Year ended 31 December 2013				
Balance at 1 January 2013	5 200	777 476	20 786 918	21 569 594
Profit for the year	-	-	10 412 084	10 412 084
Transfer to the Botswana Stock Exchange Security Fund (note 12)	-	-	(2 693 608)	(2 693 608)
Balance at 31 December 2013	5 200	777 476	28 505 394	29 288 070

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

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

STATEMENTS OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	GROUP 2013 P	2012 P	EXCHANGE 2013 P	2012 P
Cash flows from operating activities					
Cash generated from operations	14	14 076 821	12 649 974	11 724 114	10 614 986
Provisional tax payments		-	(276 603)	-	-
Cash generated from operating activities		14 076 821	12 373 371	11 724 114	10 614 986
Cash flows from investing activities					
Purchase of property, plant and equipment	7	(957 692)	(2 474 852)	(467 701)	(470 930)
Interest received	4	1 451 980	482 158	1 338 901	452 152
Net cash used investing activities		494 288	(1 992 694)	871 200	(18 778)
Cash flows from financing activities					
Amounts paid to Botswana Stock Exchange Security Fund	12	(4 021 776)	(1 762 563)	(4 021 776)	(1 762 563)
Net cash used in financing activities		(4 021 776)	(1 762 563)	(4 021 776)	(1 762 563)
Increase in cash and cash equivalents		10 549 333	8 618 114	8 573 538	8 833 645
Cash and cash equivalents at beginning of year		24 479 128	15 861 014	22 086 304	13 252 659
Cash and cash equivalents at the end of year	9	35 028 461	24 479 128	30 659 842	22 086 304
Cash and cash equivalents comprise:					
-Cash on hand and cash at bank		4 250 333	7 297 131	3 536 947	4 904 307
-Money market investments		30 778 128	17 293 236	27 122 895	17 293 236
-Bank overdraft		-	(111 239)	-	(111 239)
		35 028 461	24 479 128	30 659 842	22 086 304

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2013

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 these financial statements.

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

3. New standards and interpretations not yet effective

The following new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2013, and have not been applied in preparing these financial statements.

Amendments to IAS 32 Financial Instrument, Presentation: Offsetting financial assets and financial liabilities

These amendments clarify when an entity can offset financial assets and financial liabilities. These amendments, which become effective for the entity's 2014 financial statements, with early adoption permitted, are not expected to have any impact on its financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27: Investment entities

These amendments clarify that a qualifying investment entity is required to account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss. The only exception would be subsidiaries that are considered an extension of the investment entity's investment activities. The consolidation exemption is mandatory and not optional.

These amendments, which become effective for the entity's 2014 financial statements, with early adoption permitted, are not expected to have any impact on its financial statements.

Amendments to IAS 36: Recoverable amount disclosures for non-financial assets

These amendments reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under these amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed.

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2013

These amendments, which become effective for the entity's 2014 financial statements, with retrospective adjustments for periods commencing 1 January 2014 and early adoption permitted, are not expected to have any impact on its financial statements.

IFRIC 21 Levies

Levies have become more common in recent years, with governments in a number of jurisdictions introducing levies to raise additional income. Current practice on how to account for these levies is mixed. IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37 Provisions, Contingent Liabilities and Assets. This interpretation, which becomes effective for the entity's 2014 financial statements, with retrospective adjustments for periods commencing 1 January 2014, is not expected to have any impact on its financial statements.

Amendments to IAS 39: Novation of derivatives and continuation of hedge accounting

IAS 39 Financial Instruments: Recognition and Measurement requires an entity to discontinue hedge accounting if the derivative hedging instrument is novated to a clearing counterparty, unless the hedging instrument is being replaced as part of the entity's original documented hedging strategy.

These amendments add a limited exception to IAS 39, to provide relief from discounting an existing hedging relationship, when a novation was not contemplated in the original hedging documentation meets specific criteria. These amendments, which become effective for the entity's 2014 financial statements, with retrospective adjustments for periods commencing 1 January 2014 and early adoption permitted, are not expected to have any impact on its financial statements.

Amendments to IAS 19: Defined benefit plans: Employee contributions

These amendments introduce relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedient if they are:

- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service.

When contributions are eligible for the practical expedient, an entity is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered. If an entity with a defined benefit plan that requires employees to contribute to the plan chooses to apply this amendment, the entity will recognise the contributions as reduction of the service costs in the period in which the related service is rendered. This amendment which becomes effective for the entity's 2015 financial statements, with retrospective adjustments for periods commencing 1 January 2015 and early adoption permitted, is not expected to have any impact on its financial statements.

IFRS 9: Financial instruments

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

The effective date of IFRS 9 was 1 January 2015. The effective date has been postponed and a new date is yet to be specified. The entity will adopt the standard in the first annual period beginning on or after the mandatory effective date (once specified). The impact of the adoption of IFRS 9 has not yet been estimated as the standard is still being revised and impairment and macro-hedge accounting guidance is still outstanding.

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2013

4. Basis of consolidation

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

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

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

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

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

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 profit or loss and other 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.

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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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.

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2013

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 profit or loss and other 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 profit or loss and other 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.

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 profit or loss and other 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.

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 DECEMBER 201313. **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 are 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.

II. Interest

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

III. Listing fees

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

IV. Annual sustaining fees

Annual sustaining 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.

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 DECEMBER 201317. **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 profit or loss and other 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 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.

-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 profit or loss and other 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.

Fair value hierarchy

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

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

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

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

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 DECEMBER 2013

GROUP 2013

2013	Financial assets and liabilities				Current/non-current	
	Total	At fair value through profit and loss	Loans and receivables	Amortised cost	Non-financial instruments	
ASSETS						
Property, plant and equipment	3 215 467	-	-	-	3 215 467	-
Taxation refundable	276 603	-	276 603	-	-	276 603
Trade and other receivables	3 205 173	-	3 205 173	-	-	3 205 173
Money market investment	30 778 128	-	30 778 128	-	-	30 778 128
Cash and bank balances	4 250 333	-	4 250 333	-	-	4 250 333
	41 725 704	-	38 510 237	-	3 215 467	38 510 237
LIABILITIES						
Amount due to BSE Security Fund	2 693 608	-	-	2 693 608	-	-
Trade and other payables	2 533 734	-	-	2 533 734	-	-
Deferred lease liability	147 838	-	-	-	147 838	-
	5 375 180	-	-	5 227 342	147 838	5 227 342

GROUP 2012

2012	Financial assets and liabilities				Current/non-current	
	Total	At fair value through profit and loss	Loans and receivables	Amortised cost	Non-financial instruments	
ASSETS						
Property, plant and equipment	3 294 275	-	-	-	3 294 275	-
Taxation refundable	276 603	-	276 603	-	-	276 603
Trade and other receivables	3 430 302	-	3 430 302	-	-	3 430 302
Money market investment	17 293 236	-	17 293 236	-	-	17 293 236
Cash and bank balances	7 297 131	-	7 297 131	-	-	7 297 131
	31 591 547	-	28 297 272	-	3 294 275	28 297 272
LIABILITIES						
Amount due to BSE Security Fund	4 021 776	-	-	4 021 776	-	-
Trade and other payables	3 208 737	-	-	3 208 737	-	-
Deferred lease liability	70 529	-	-	-	70 529	-
Bank overdraft	111 239	-	111 239	-	-	111 239
	7 412 281	-	111 239	7 230 513	70 529	7 341 752

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

ACCOUNTING POLICIES
AS AT 31 DECEMBER 2013

EXCHANGE 2013

2013	Financial assets and liabilities					Current/non-current	
	Total	At fair value through profit and loss	Loans and receivables	Amortised cost	Non-financial instruments	Current	Non-current
ASSETS							
Property, plant and equipment	1 464 808	-	-	-	1 464 808	-	1 464 808
Investment in subsidiaries	100	-	-	-	100	-	100
Trade and other receivables	2 382 052	-	2 382 052	-	-	2 382 052	-
Money market investment	27 122 895	-	27 122 895	-	-	27 122 895	-
Cash and bank balances	3 536 947	-	3 536 947	-	-	3 536 947	-
	34 506 802	-	33 041 894	-	1 464 908	33 041 894	1 464 908
LIABILITIES							
Trade and other payables	2 377 286	-	-	2 377 286	-	2 377 286	-
Amount due to BSE Security Fund	2 693 608	-	-	2 693 608	-	-	2 693 608
Deferred lease liability	147 838	-	-	-	147 838	-	147 838
	5 218 732	-	-	5 070 894	147 838	2 377 286	2 841 446

EXCHANGE 2012

2012	Financial assets and liabilities					Current/non-current	
	Total	At fair value through profit and loss	Loans and receivables	Amortised cost	Non-financial instruments	Current	Non-current
ASSETS							
Property, plant and equipment	1 453 378	-	-	-	1 453 378	-	1 453 378
Investment in subsidiary	100	-	-	-	100	-	100
Trade and other receivables	7 278 726	-	7 278 726	-	-	7 278 726	-
Money market investment	17 293 236	-	17 293 236	-	-	17 293 236	-
Cash and bank balances	4 904 307	-	4 904 307	-	-	4 904 307	-
	30 929 747	-	29 476 269	-	1 453 478	29 476 269	1 453 478
LIABILITIES							
Trade and other payables	5 156 609	-	-	5 156 609	-	5 156 609	-
Amount due to BSE Security Fund	4 021 776	-	-	4 021 776	-	-	4 021 776
Bank overdraft	111 239	-	111 239	-	-	-	-
Deferred lease liability	70 529	-	-	-	70 529	70 529	-
	9 360 153	-	111 239	9 187 385	70 529	5 227 138	4 021 776

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

FINANCIAL RISK MANAGEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

Overview

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

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

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

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

The following table indicates the carrying and fair values of financial instruments at the reporting date:

	GROUP		EXCHANGE	
	2013 P	2012 P	2013 P	2012 P
Financial assets				
Trade receivables	537 574	1 323 610	512 810	1 249 482
Other receivables	84 127	81 774	84 127	81 774
Receivables from related party	2 322 391	1 821 943	1 583 745	5 762 870
Cash and cash equivalents	35 028 461	24 479 128	30 659 842	22 086 304
	37 972 553	27 706 455	32 840 524	29 180 430
Financial liabilities				
Trade and other payables	2 533 734	3 208 737	2 377 286	5 156 609

Credit risk

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

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

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

The maximum exposure to credit risk is presented by the carrying amount of each financial asset in the statement of financial position. Reputable financial institutions are used for investing and cash handling purposes. All money market instruments and cash equivalents are placed with financial institutions registered in Botswana. Banks in Botswana are not rated but each of the banks concerned are subsidiaries of major South African registered institutions and are regulated by Bank of Botswana.

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

FINANCIAL RISK MANAGEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013**Exposure to credit risk**

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

	GROUP		EXCHANGE	
	2013 P	2012 P	2013 P	2012 P
Receivable from related party	2 322 391	1 821 943	1 583 745	5 762 870
Trade and other receivables	621 701	1 405 384	596 937	1 331 256
Cash and cash equivalents	35 028 461	24 479 128	30 659 842	22 086 304
	37 972 553	27 706 455	32 840 524	29 180 430

No impairment was recognised as the trade and related party receivables balance were received in full subsequent to the reporting date. This is consistent with the prior period.

GROUP		31-Dec-13 Credit		31-Dec-12 Credit	
Counterparty	Rating	limit	Balance P	limit	Balance P
Barclays Bank of Botswana	N/A	N/A	2 362 595	N/A	1 232 166
Standard Chartered Bank	N/A	N/A	1 816 342	N/A	6 062 465
Stanlib Investment Management Services	N/A	N/A	12 125 147	N/A	17 293 236
African Alliance Asset Management	N/A	N/A	18 652 981	N/A	-
EXCHANGE					
Counterparty					
Barclays Bank of Botswana	N/A	N/A	2 362 595	N/A	1 232 166
Standard Chartered Bank	N/A	N/A	1 102 956	N/A	3 669 641
Stanlib Investment Management Services	N/A	N/A	12 125 147	N/A	17 293 236
African Alliance Asset Management	N/A	N/A	14 997 748	N/A	-

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.

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

FINANCIAL RISK MANAGEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

Liquidity risk

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

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

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

	GROUP		EXCHANGE	
	Contractual cash-flows	Carrying amount due within 6 months	Contractual cash-flows	Carrying amount due within 6 months
2013				
Trade and other payables	2 533 734	2 533 734	2 377 286	2 377 286
2012				
Trade and other payables	3 208 737	3 208 737	5 156 609	5 156 609

Interest rate risk

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

	GROUP		EXCHANGE	
	2013	2012	2013	2012
Variable rate instruments				
Money market investment	30 778 128	17 293 236	27 122 895	17 293 236

The average interest rates per annum applicable to these financial instruments

5.17%	5.61%	5.17%	5.61%
-------	-------	-------	-------

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

Increase of 50 basis points				
Money market investment	153 891	86 466	135 614	86 466
Decrease of 50 basis points				
Money market investment	(153 891)	(86 466)	(135 614)	(86 466)

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

FINANCIAL RISK MANAGEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

Market risk

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

Capital risk management

The group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to perform the mandate for which it was created and benefits for other stakeholders and to maintain an environment of transparency for listed companies, the public and its stakeholders. The group had no borrowings during the years ended 31 December 2012 and 31 December 2013. The group is owned and supported by Government of Botswana who provides the necessary support to sustain the operations of the group.

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

**CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

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.

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

	GROUP		EXCHANGE	
	2013 P	2012 P	2013 P	2012 P
1. Revenue				
Listing and annual sustaining fees	13 047 961	16 777 350	13 047 961	16 777 350
Commission income	10 858 799	4 290 199	6 192 231	2 507 320
Members' fees	16 250	15 750	16 250	15 750
Miscellaneous fees	535 295	511 665	-	-
	24 458 305	21 594 964	19 256 442	19 300 420
2. Administrative expenses				
Audit fees - current year	130 000	130 000	85 000	85 000
-prior year (over)/under provision	7 004	(16 482)	7 004	(19 389)
Employee benefit expenses (note 3)	12 152 401	12 128 200	9 328 118	9 522 618
Advertising costs	1 017 807	949 152	1 017 807	934 850
Depreciation (note 7)	1 036 500	718 910	456 271	547 337
Operating lease costs	930 939	552 941	797 819	470 137
Reversal of impairment provision of debtors	-	(2 598 750)	-	(2 598 750)
Bad debt impairment	46	-	-	-
Computer expenses	1 601 407	1 284 117	625 600	557 430
Consulting fees	543 395	237 852	543 395	237 852
Seminars and conferences	431 960	216 993	431 960	216 993
Travelling and accommodation expenses	562 524	572 247	562 524	572 247
Members' sitting allowances	142 380	147 420	86 940	95 340
Other expenses	1 808 049	1 650 414	1 296 914	1 147 520
	20 364 412	15 973 014	15 239 352	11 769 185
3. Employee benefit expenses				
Salaries and other termination benefits	9 905 609	9 908 187	7 466 742	7 611 056
Pension costs and gratuity	1 981 997	2 018 419	1 596 581	1 709 968
Other benefits	264 795	201 594	264 795	201 594
	12 152 401	12 128 200	9 328 118	9 522 618
Average number of persons employed during the year	19	22	14	17
4. Finance income				
Interest income on short term investments	1 451 980	482 158	1 338 901	452 152
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.

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

7. Plant and equipment

GROUP	Leasehold Improvements P	Office Equipment P	Furniture & Fittings P	Motor Vehicles P	Total P
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
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
Year ended 31 December 2013					
Opening net book amount	310 557	2 263 004	351 540	369 174	3 294 275
Additions	31 250	863 231	63 211	-	957 692
Depreciation (note 2)	(47 538)	(821 078)	(64 413)	(103 471)	(1 036 500)
Closing net book amount	294 269	2 305 157	350 338	265 703	3 215 467
At 31 December 2013					
Cost	615 067	4 837 564	702 072	912 955	7 067 658
Accumulated depreciation	(320 798)	(2 532 407)	(351 734)	(647 252)	(3 852 191)
Net book amount	294 269	2 305 157	350 338	265 703	3 215 467
EXCHANGE					
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
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
Year ended 31 December 2013					
Opening net book amount	310 557	435 016	338 631	369 174	1 453 378
Additions	31 250	399 471	36 980	-	467 701
Depreciation (note 2)	(47 538)	(242 270)	(62 992)	(103 471)	(456 271)
Closing net book amount	294 269	592 217	312 619	265 703	1 464 808
At 31 December 2013					
Cost	615 067	2 362 256	661 629	912 955	4 551 907
Accumulated depreciation	(320 798)	(1 770 039)	(349 010)	(647 252)	(3 087 099)
Net book amount	294 269	592 217	312 619	265 703	1 464 808

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

	GROUP		EXCHANGE	
	2013 P	2012 P	2013 P	2012 P
8. Trade and other receivables				
Receivables from related party	2 322 391	1 821 943	1 583 745	5 762 870
Fee receivables	537 574	1 323 610	512 810	1 249 482
Prepayments and deposits	261 081	202 975	201 370	184 600
Other receivables	84 127	81 774	84 127	81 774
	3 205 173	3 430 302	2 382 052	7 278 726

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 2013, fee receivables and other receivables of P 526 799 (2012: P 1 188 796) and P 512 395 (2012: P 1 128 767) were fully performing for the group and exchange respectively.

At 31 December 2013, fee receivables of P 10 775 (2012: P 134 814) and P 415 (2012: P 120 715) 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.

	GROUP		EXCHANGE	
	2013 P	2012 P	2013 P	2012 P
Up to 3 months	10 360	42 803	-	34 509
>3 to 6 months	415	92 011	415	86 206
	10 775	134 814	415	120 715

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

	GROUP		EXCHANGE	
	2013 P	2012 P	2013 P	2012 P
10. Proprietary rights capital				
Issued proprietary rights capital	5 200	5 200	5 200	5 200

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

11. Trade and other payables

Trade payables	285 028	1 317 899	227 049	3 330 747
VAT payable	129 089	44 455	30 619	(20 520)
Other payables	2 119 617	1 846 383	2 119 618	1 846 382
	2 533 734	3 208 737	2 377 286	5 156 609

12. Amounts due to the Botswana Stock Exchange Security Fund

Balance at 1 January	4 021 776	1 762 563	4 021 776	1 762 563
Statutory transfer for the year	2 693 608	4 021 776	2 693 608	4 021 776
Settled during the year	(4 021 776)	(1 762 563)	(4 021 776)	(1 762 563)
Balance at 31 December	2 693 608	4 021 776	2 693 608	4 021 776

13. Deferred lease liability

Non-current	147 838	70 529	147 838	70 529
Current	-	-	-	-
Balance at 31 December	147 838	70 529	147 838	70 529

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

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

	GROUP		EXCHANGE	
	2013 P	2012 P	2013 P	2012 P
Less than one year	879,629	659 191	879,629	659 191
Between one and five years	2 201 841	2 305 282	2 201 841	2 305 282
Total	3 081 470	2 964 473	3 081 470	2 964 473

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

	GROUP		EXCHANGE	
	2013 P	2012 P	2013 P	2012 P
9. Cash and cash equivalents				
<i>Money market investments</i>				
Stanlib Investment Management Services	12 125 147	17 293 236	12 125 147	17 293 236
African Alliance Asset Management	18 652 981	-	14 997 748	-
	30 778 128	17 293 236	27 122 895	17 293 236

The Stanlib Investment Management Services investment is unsecured, earns interest of 5.61% (2012: 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.

The African Alliance Asset Management investment is unsecured, earns interest of 4.73% (2012: nil %) 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.

Cash and bank balances

Cash on hand and at bank	784 782	2 395 324	71 396	2 500
Short-term bank deposits	3 465 551	4 901 807	3 465 551	4 904 307
Total cash on hand and at bank	4 250 333	7 297 131	3 536 947	4 904 307
Bank overdraft	-	(111 239)	-	(111 239)
	4 250 333	7 185 892	3 536 947	4 793 068

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

Money market investment	30 778 128	17 293 236	27 122 895	17 293 236
Cash and bank balances	4 250 333	7 185 892	3 536 947	4 793 068
	35 028 461	24 479 128	30 659 842	22 086 304

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

	GROUP		EXCHANGE	
	2013 P	2012 P	2013 P	2012 P
14..Cash generated from operations				
Profit for the year	14 864 866	13 452 155	10 412 084	11 188 521
Adjustment for:				
- Depreciation (note 7)	1 036 500	718 910	456 271	547 337
- Finance income (note 4)	(1 451 980)	(482 158)	(1 338 901)	(452 152)
Changes in working capital				
- Trade and other receivables	225 129	(2 834 200)	4 896 674	(4 547 422)
- Deferred lease liability	77 309	(84 947)	77 309	(84 947)
- Trade and other payables	(675 003)	1 880 214	(2 779 323)	3 963 649
Cash generated from operations	14 076 821	12 649 974	11 724 114	10 614 986

15. Related party transactions

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

The following transactions were carried out with related parties.

a) Membership fees

- Stockbrokers Botswana (Pty) Ltd	3 750	3 750	3 750	3 750
- Imara Capital Securities (Pty) Ltd	4 500	4 000	4 000	3 750
- African Alliance Securities Botswana Limited	4 500	4 000	4 000	3 750
- Motswedi Securities (Pty) Ltd	4 000	4 250	4 000	4 250
	16 250	15 750	16 250	15 750

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

	GROUP		EXCHANGE	
	2013 P	2012 P	2013 P	2012 P
15. Related party transactions (continued)				
<i>Listing and annual sustaining fees on Government bonds (at .125% on nominal value of Government bonds)</i>	7 000 000	7 000 000	7 000 000	7 000 000
<i>c) Government Subvention</i>				
Government of the Republic of Botswana	9 287 768	7 287 770	5 024 868	3 144 970
<i>d) Transfer to the Botswana Stock Exchange Security Fund</i>	2 693 608	4 021 776	2 693 608	4 021 776
<i>e) Sitting allowances by the Committee members</i>	142 380	147 420	86 940	95 340
<i>f) Remuneration for senior managers</i>	6 558 783	8 068 894	5 192 043	6 681 723
<i>g) Year end balances</i>				
<i>Receivables</i>				
- Government of the Republic of Botswana	2 322 391	1 821 943	1 256 666	786 243
- Central Securities Depository Company of Botswana Limited	-	-	327 079	4 976 627
	2 322 391	1 821 943	1 583 744	5 762 870
<i>Payables</i>				
- Central Securities Depository Company of Botswana Limited	-	-	-	2 071 700
- Botswana Stock Exchange Security Fund	2 693 608	4 021 776	2 693 608	4 021 776
	2 693 608	4 021 776	2 693 608	6 093 476

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**16. Commitments**

The group had no significant capital commitments as at 31 December 2013.

17. Contingent liabilities

No significant contingent liabilities existed as at 31 December 2013.

18. 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.

19. 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:

	2013 P	2012 P
Favourable bank balances	1 999 480	1 325 340
Bank overdrafts	-	(1 541 637)
	<u>1 999 480</u>	<u>(216 297)</u>

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

DETAILED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 P	2012 P
Revenue		
Commission income	6 192 231	2 507 320
Listing and annual sustaining fees	13 047 961	16 777 350
Members' fees	16 250	15 750
Government subvention	5 024 868	3 144 970
Other income	31 225	60 164
Total income	24 312 535	22 505 554
Administrative expenses		
Advertising	1 017 807	934 850
Audit fees	92 004	65 611
Reversal of impairment provision of debtors	-	(2 598 750)
Bank charges	29 330	30 925
Cleaning	65 420	49 698
Communication expenses	304 455	371 140
Computer expenses	625 600	557 430
Consulting fees	543 395	237 852
Recruitment expenses	88 088	42 885
Donations	-	1 500
Depreciation	456 271	547 337
Electricity	80 994	92 831
Entertainment	42 489	74 290
Insurance	125 105	107 144
Internship allowances	87 364	20 000
Legal fees	31 206	-
Library expenses	15 221	14 084
Members' sitting allowances	86 940	95 340
Motor vehicle expenses	58 817	54 216
Office expenses	47 773	38 601
Printing and stationery	44 576	30 848
Rent	797 819	470 137
Repairs and maintenance	76 738	31 975
Salaries and wages	9 063 323	9 321 024
Security costs	42 521	32 168
Training Levy	24 130	24 009
Seminars and conferences	431 960	216 993
Staff welfare	264 795	201 594
Subscriptions	122 754	120 896
Travelling and accommodation expenses	562 524	572 247
Water	9 933	10 310
	15 239 352	11 769 185
Operating profit	9 073 183	10 736 369
Finance income		
Interest income	1 338 901	452 152
Profit for the year	10 412 084	11 188 521

The detailed statement of profit or loss and other comprehensive income does not form part of the financial statements covered by the audit opinion on page 5.

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

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
<i>Ministerial appointees:</i>
Elaina Gonsalves Iponeng Sennanyana Professor John Kiggundu (appointed June 2013)
<i>Elected Members:</i>
Patrick O' Flaherty (Chairperson) Martin Makgatlhe (resigned June 2013) Gregory Matsake Seleka Mokama (resigned June 2013) Goitseone Kgaodi Kabelo Mohohlo Regina Vaka (appointed June 2013)
Membership of Sub Committees:
<i>(1) Listings and trading</i>
Patrick O' Flaherty (Chairperson) Martin Makgatlhe (resigned June 2013) Kabelo Mohohlo Seleka Mokama (resigned June 2013) Gregory Matsake (appointed June 2013) Regina Vaka (appointed June 2013)
<i>(2) Audit</i>
Iponeng Sennanyana (Chairperson) Elaina Gonsalves Seleka Mokama (resigned June 2013) Gregory Matsake Goitseone Kgaodi (appointed June 2013)
<i>(3) Investigations and disciplinary</i>
Elaina Gonsalves Iponeng Sennanyana Professor John Kiggundu (appointed June 2013)
<i>(4) Governance & Remuneration</i>
Elaina Gonsalves (Chairperson) Iponeng Sennanyana Professor John Kiggundu (appointed June 2013)

BOTSWANA STOCK EXCHANGE AND ITS SUBSIDIARY COMPANY

GENERAL INFORMATION

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)

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NOTES

This image shows a single sheet of white paper with horizontal blue ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.





Plot 64511 Fairgrounds Gaborone
Private Bag 00417, Gaborone, Botswana
Tel: +267 318 0201, Fax: +267 318 0175
www.bse.co.bw