



SUSTAINING THE MOMENTUM

ANNUAL REPORT 2014



Table of Contents

MISSION & VISION STATEMENTS	2
OUR VALUES	3
2014 HIGHLIGHTS	4
THE BOTSWANA STOCK EXCHANGE OVERVIEW	6
BOARD MEMBERS	8
MANAGEMENT TEAM	10
COMPANY STRUCTURE	14
OUR STAFF	16
CHAIRPERSON'S STATEMENT	18
CEO'S REVIEW	22
GRAPHICAL REVIEW	86
MARKET STATISTICS	92
BSE STRATEGY	102
CORPORATE GOVERNANCE	108
FINANCIAL STATEMENTS	113

Mission & Vision Statements

Mission

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

Vision

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

We will do this by:

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



Our Values

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

2014 Highlights

↑ **P2.2 Bn**

Second highest
turnover achieved

CSD Accounts
increased by 8.2% to

21,663 ↑

DCI appreciated
by

↑ **5.0%**

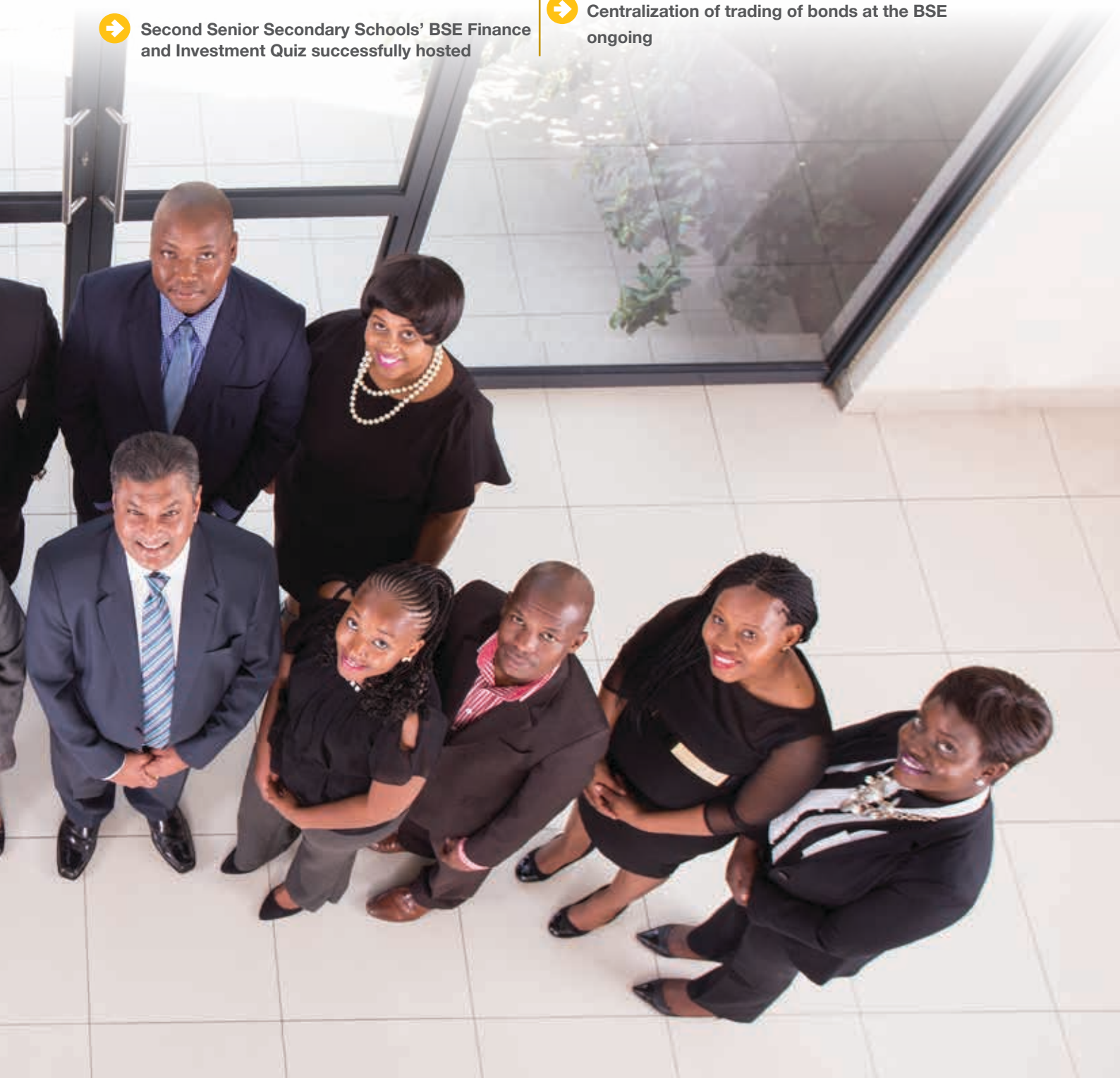
↑ **NewPlat ETF**

That track price of
Platinum, listed in August

**Amendment of Equity
Listing Rules completed**



- ➔ Market - Making Rules completed
- ➔ X - News launched
- ➔ OTC Serala Board approved
- ➔ Securities Bill and BSE Transition Bill approved, paving the way for demutualization
- ➔ Project to dematerialize all listed securities approved by NBFIRA
- ➔ Second Senior Secondary Schools' BSE Finance and Investment Quiz successfully hosted
- ➔ Three financial markets courses conducted
- ➔ The BSE's 2013 Annual Report won the prize for the best report in the Not-for-Profit category at the Price Waterhouse Coopers Annual Report Awards
- ➔ Project to establish Botswana as a regional financial hub approved
- ➔ Project to introduce CFDs approved
- ➔ Centralization of trading of bonds at the BSE ongoing



The Botswana Stock Exchange 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 & Retailing, Tourism, Energy, Funeral Services, Property and Security. 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
Standard Chartered 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



Regina Vaka | Chairperson



Gregory Matsake | Vice Chairperson



Goitseone Kgaodi | Treasurer



Prof. John Kiggundu



Oosi Lemo



Patrick O'Flaherty



Nelson Letshwene



Elaina Gonsalves



Martin Makgatle

Management Team



Mr. Hiran Mendis
Chief Executive Officer

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



Mr. 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 is a Registered Person (RPE) under the South African Institute of Financial Markets in and Agricultural Product Dealer with Financial Derivatives Division (SAFEX). He holds a Masters in Business Administration (MBA) with Graduate School of Business, University of Cape Town, attained in 2013.



Mrs. Lane 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).



Mrs. 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 & 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.



Mrs. Latelang Chakalisa
Corporate Affairs Manager

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



Mr. Kopano Mogorosi
Information Technology Manager

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



Mr. Tsametse Mmolai
Trading and Listings Manager

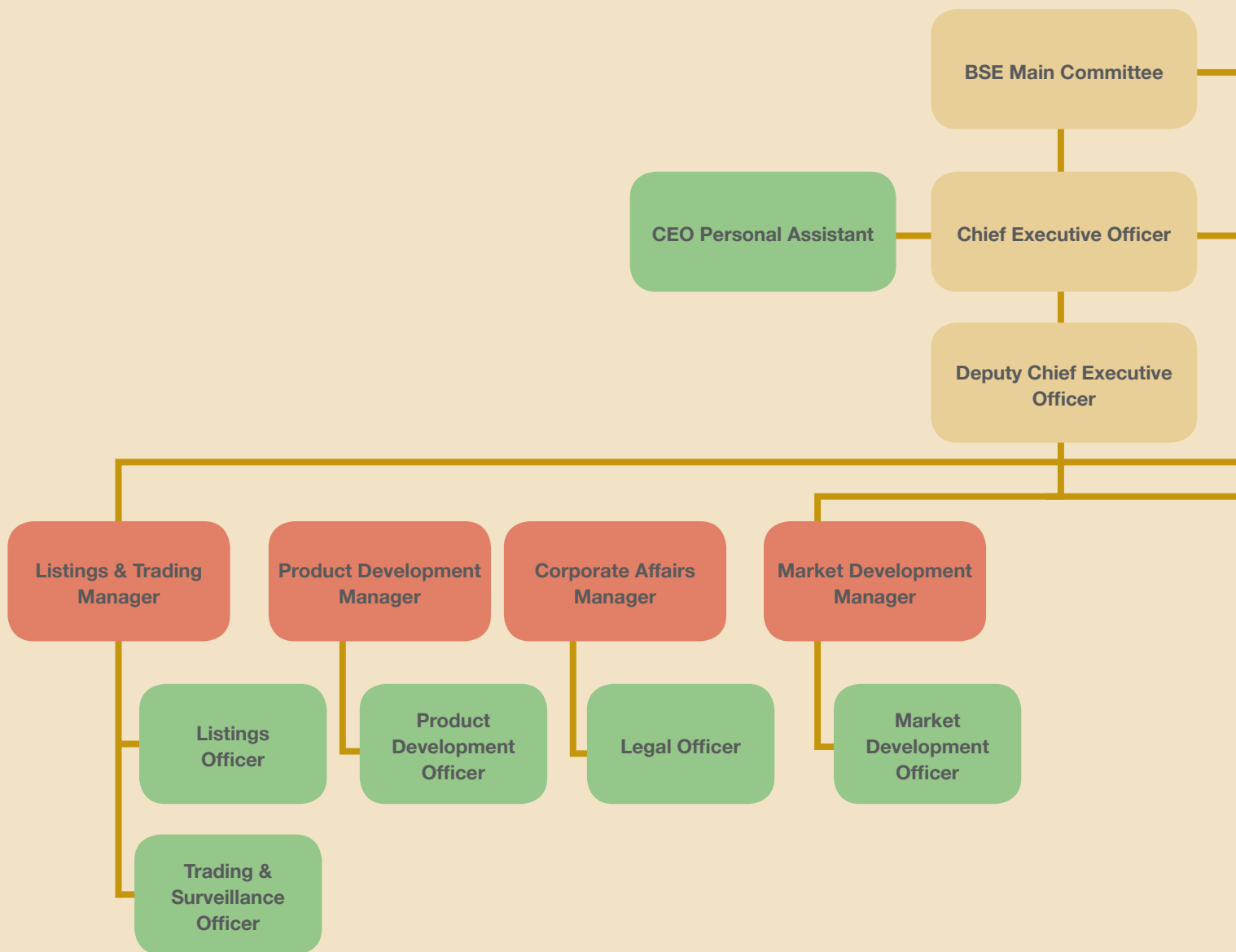
Mr. Mmolai joined BSE in May 2008 as Listings and Trading Operations Officer. Prior to joining BSE, he was the Branch Manager for Metropolitan Life Francistown office. Before then, he worked for Bifm as an Investment Accountant. Mr. Mmolai graduated with a BCom (Finance) from Macquarie University in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

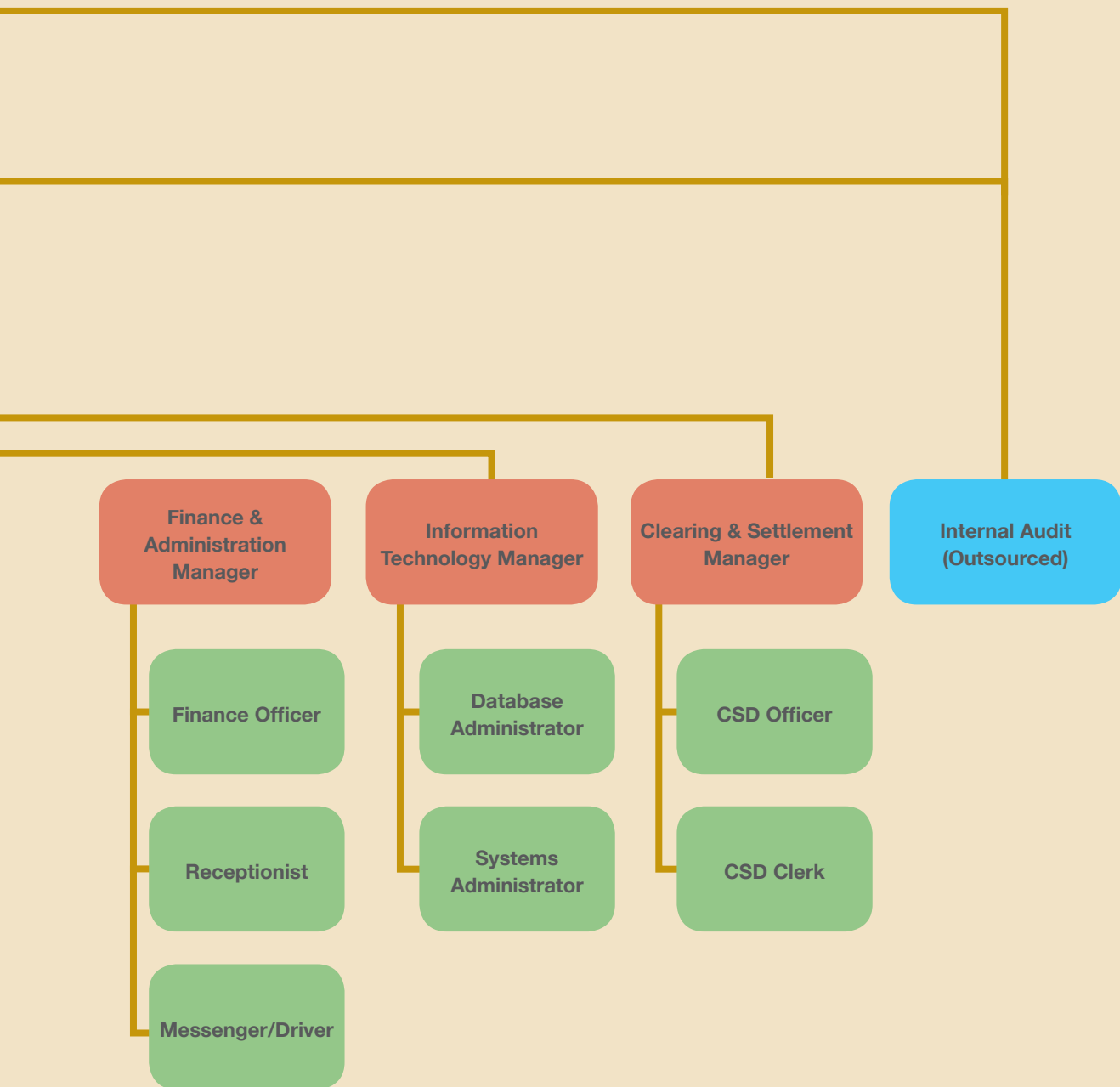


Ms. Masego P. Pheto
Central Securities Depository (CSD) Manager

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

Company Structure





Our Staff





Chairperson's Statement

During the year the BSE reached an important milestone in its history with the enactment of the Securities Act and the BSE Transition Act which was approved by parliament in July 2014 and November 2014 respectively.

Dear Stakeholder

Seldom in its history has the Botswana Stock Exchange (BSE) been at the center of so many developments that affect its role as an Exchange. Understandably, stakeholders are concerned that the proper strategies and actions be taken to assure that their economic interests are responsibly addressed.

The year under review marked another solid and exciting year on many fronts for the Botswana Stock Exchange (BSE). During the year the BSE reached an important milestone in its history with the enactment of the Security Act in July 2014 and the BSE Transition Act which was approved by Parliament in November 2014. These historic Acts will result in changing the way business is conducted at the BSE whilst playing a critical role in the Exchange's transformation into a corporate entity.

In 2014, the BSE also completed drafting the amended Equity Listing Rules in order to make them conform to international standards and make them user friendly for listed companies and companies that wish to list.

It is pleasing to note that during the year under review the BSE recorded the second highest turnover since its inception with a turnover of P2.2 Bn, which translated into an average daily turnover of P8.8 Mn.

The BSE's Domestic Company Index (DCI) recorded an increase of 5% in 2014 compared to 20.5% in 2013, which is compatible with regional exchanges.

Investing in Capital Markets is all about making use of information to make investment decisions. During the year the BSE launched the Exchange News (X-News) service. This service enables the BSE to deliver information in a timely manner to its stakeholders with the overall aim of improving service delivery.

The BSE also listed a third Exchange Traded Fund (ETF), NewPlat listed in August 2014.

In December 2014, NBFIRA approved the BSE's request to make dematerialization of securities listed on the BSE compulsory. Full dematerialization will reduce the risk of fraud associated with physical share certificates, make investing in the BSE efficient and pave the way for the diversification of services currently offered by the Central Securities Depository Company of Botswana (CSDB).



Chairperson's Statement

The BSE continued to undertake its market development operations focused on increasing financial literacy in the country. The Market Development team introduced a new investor education booklet that is more comprehensive than previous editions. The team also engaged in numerous activities, such as presentations on investing to the staff of various companies, parastatals around the country, secondary schools competition, newspaper articles radio and television programmes, with the aim to encourage participation in BSE listed investments by Batswana.

The importance for corporate entities to engage meaningfully with local communities cannot be ignored. During the year under review, the BSE continued its contribution to society through the Adopt a School Programme. The BSE equipped the libraries of two primary schools they had adopted in 2012 with computers. In addition the BSE sponsored a Christmas party for patients at Mahalapye Hospital, donated a TV for a school and donated chairs and tables to a Primary School in old Naledi. This was a continuation of the BSE's initiative launched in 2012 to make a meaningful impact on the lives of Batswana.

Another successful outreach effort was the hosting of the BSE's 2nd Senior Secondary Schools' Finance and Investment Competition. Eight schools from 6 districts competed in the 2014 event. We anticipate that participation in the competition will grow extensively as the competition progresses. We are indeed happy to

report that the BSE's 2013 Annual Report won the award in the Not-for-Profit sector at the PriceWaterhouseCoopers Annual Report Awards for the second year in a row and for the third time.

In conclusion, I wish to take this opportunity to thank all who contributed in making this year a great one. It is my belief that "People give an institution its soul" and the Exchange is a great institution blessed with many talented people. I've enjoyed my association with members of our Main Committee, Chief Executive Officer, Mr. Hiran Mendis, members of staff, and representatives of listed companies and investors, large and small.

I have also enjoyed my encounters with our many regulators and especially with all the countless people who respect and love this special place. I have no doubt that despite all the challenges, the people associated with the Exchange today assure it of continued leadership among the securities markets of the world.

Thanks are also due to the clients and stakeholders of the BSE, whose continued support has been a significant contributing factor to the BSE's exemplary performance.



Regina Vaka
Chairperson



CEO'S Review

For the year ended 31 December 2014



1. SUSTAINING THE MOMENTUM

The year 2013 arguably was the best year ever for the BSE from many aspects. It is said that “success begets success” and that “winning is a culture”. Be that as it may, success can be as fleeting as a bolt of lightning if not systematically sustained. To be successful requires effort. To remain successful requires an indomitable will.

The year 2014 will best be remembered as a year the BSE not only sustained the momentum created in previous years but a year in which it laid the foundation for its transition to a commercial entity through the process of demutualization.

BSE's existence up to now has been of one operating as a “not-for-profit” entity with the attendant assurance provided by a subvention from Government. Its existence post demutualization will be very different with emphasis placed on self-sustenance and giving a return to those stakeholders that have sustained the Exchange and the Depository thus far.

The notable achievements of the BSE in 2014 can be summarized as follows:

- **Second highest turnover of P2.2 Bn**
- **Drafting of the new Equity Listing Rules completed**
- **Market-Making Rules completed**
- **X-News launched**
- **Seralo OTC Board approved**
- **Securities Bill and BSE Transition Bill approved**
- **The BSE's 2013 Annual Report won the prize for the best report in the Not-for-Profit category at the PriceWaterhouseCoopers Annual Report Awards - for the third time and for the second time in succession**
- **Project to establish Botswana as a regional financial hub commenced**
- **The third ETF, NewPlat ETF, listed in August 2014**

As can be seen, progress was made on many fronts that will have a bearing on the BSE being positioned as a “for-profit” entity.

The greatest challenge to the BSE functioning as a commercially viable Exchange is not the lack of capital or any other resource but its ability to remould and redirect its vision to optimize available opportunities.

The year 2014 will best be remembered as a year the BSE not only sustained the momentum created in previous years but a year in which it laid the foundation for its transition to a commercial entity through the process of demutualization.

Botswana being a country with a population of only 2 million people requires that the strategies the BSE puts in place be different to those of Exchanges in countries with larger populations. The BSE cannot afford to be a specialist equity Exchange in the Botswana context. The BSE's vision has to be focused on both internal and external opportunities and a diversified range of products and services that can exploit Botswana's competitive advantages. This requires the commitment of all stakeholders. Not to tread this path to my mind would be a waste of potential not only from a narrow BSE perspective but also from a wider Botswana point of view. Whilst it is appreciated that complex strategies can take time to implement, time is a luxury we can ill afford.

Sustaining the momentum is not about conducting business as usual but thinking out of the box to realize the potential of Botswana's competitive advantages, the BSE's infrastructure, learning experiences and people on the backdrop of a continuously changing economic landscape. From an internal perspective, how successful the BSE will be depends on many factors, the most important being the need to change its culture from one of dependence to one of self-reliance. From an external point of view, the Government's drive towards economic diversification and efficiency with which privatization is implemented will have a major impact on the BSE's success.

2. ECONOMIC BACKDROP

2.1 Overview of the World Economy

The International Monetary Fund's (IMF) *World Economic Outlook* update released in January 2015, has stated that global growth will receive a boost from lower oil prices. However, the IMF cautioned that this boost is projected to be offset by negative factors that include investment weakness and adjustment to diminished expectations about medium-term growth in many advanced and emerging market economies.

Global growth is forecast to rise moderately in 2015 and 2016, from 3.3% in 2014 to 3.5% in 2015 and 3.7% in 2016. Growth in both 2015 and 2016, however, has been revised down by 0.3% relative to the growth estimated entailed in the October 2014 *World Economic Outlook* (WEO) report.

Growth in advanced economies is projected to be 2.4% in both 2015 and 2016 which is an appreciation from a 2.2% growth estimate for 2014. The higher growth prospects for 2015 stem from the decline in oil prices driven by supply factors which are expected to reverse only gradually boosting global growth over the next two years or so, by lifting demand for oil.

In emerging markets and developing economies, growth is projected to remain stable at 4.3 % in 2015 and increase to 4.7% in 2016, a downgrade from what was forecasted in the October 2014 WEO. This is attributed to lower growth in China and its implications for emerging markets in Asia, a much weaker outlook in Russia and a downward revision to potential growth in commodity exports.

Sizable uncertainty about oil prices in the future and the underlying drivers of price declines has added a new risk dimension to the global growth outlook. Risks in emerging market economies are anticipated to have risen particularly in oil exporting economies as a result of the decline in oil prices, an effect of which could be a reversal in capital flows.

2.2 Overview of the Botswana Economy

Globalization has enabled economies integrate and operate within the same sphere of economic conundrums. Botswana's economy is, to a larger extent, impacted in various ways by economic developments in developed countries given its skewed reliance on diamond exports, which are mostly consumed by developed economies. The moderate growth forecasts in developed markets could thus be anticipated to have direct or indirect implications on domestic output.

The latest economic data for Botswana, published by Statistics Botswana, shows that in real terms, GDP grew by 4.4% in 2014 compared to a growth rate of 9.3% in 2013. The growth in GDP in 2014 was primarily driven by non-mining sectors such as Transport & Communications and Trade, Hotels & Restaurants which recorded an increase in value added of 7.4% and 7.1% respectively. The Mining sector also contributed positively at 4.5% and all other sectors recorded positive growth of at least 0.4% over the period with the exception of Water & Electricity and Agriculture which recorded decreases of 18.5% and 0.3% respectively. According to Statistics Botswana, the slow growth rate of the Mining sector is attributed to a 6.6% increase in diamond production compared to a high of 12.2% in the previous year.

The rate of growth in the non-mining sector and its contribution to domestic output has a direct and significant bearing on economic diversification. The positive growth in the non-mining sector in 2014 points to indications of reduced reliance on mining and is a welcome development as mining resources are finite. However, the slowdown in key infrastructure sectors such as water and electricity can have significant repercussions on the sustainability of the growth in the economy as a whole, as well as to the standing of the country as a favourable investment destination.

Inflation has been benign, experiencing a downward trend in 2014. Throughout the year, inflation continued to remain within the Bank of Botswana range of 3% to 6%, having declined from 4.1% in December 2013 to 3.8% in December 2014. This was attributed to the continued reduction in oil prices during 2014. On the back of a stable inflation outlook, the Bank of Botswana (BoB) continued to maintain an accommodative monetary policy stance. The Bank Rate was maintained at 7.5 percent in 2014, after it was last adjusted downwards by 50 basis points in December 2013. Consequently, commercial bank credit expanded by 14% from P39.4 billion in November 2013 to P44.9 billion in November 2014, which is supportive to economic growth.

The 2015 Budget Speech states that, a positive domestic economic outlook as shown by some major economic indicators characterised by low debt levels as confirmed by external organisations such as Moody's Investors Service (which rated Botswana as A2 in 2014, with a stable outlook), provides a positive basis to attract domestic and foreign investment into the country. This, undoubtedly, is a strength for the development of the domestic capital market as noted in past reviews.

Botswana has been rated the best destination in the world for foreign investment, according to the U.S. based Foreign Policy magazine that evaluated 112 countries. The 2014 Baseline Profitability Index (BPI) value for Botswana was 1.31, followed by Hong Kong with 1.22 and Taiwan with 1.20. Botswana came on top in terms of preservation of value, asset growth and the ease of repatriation of profits. Last year Botswana came in second to Hong Kong in the survey. The dimensions on which Botswana has excelled as highlighted by the BPI, such as preservation of value, asset growth and the ease of repatriation of profits are appealing indicators for purposes of attracting Foreign Direct Investment (FDI) as well as portfolio inflows.

Another index, the Ibrahim Index of African Governance, has rated Botswana third on the African continent in terms of governance performance across a number of dimensions at the national, regional and continental levels.

The scrutiny from international institutions and agencies, such as the IMF and other rating agencies, provides valuable information for investment decision making and capital allocation, especially to foreign investors. The domestic environment bodes well for attracting FDI into the economy and portfolio inflows into the stock exchange.

Furthermore, the continued efforts to privatize Government agencies such as Botswana Telecommunication Corporation Limited (BTCL) should improve the BSE's attractiveness to investors.

2.3 Implications for Capital Markets

Botswana has consistently been awarded “investment grade” sovereign credit ratings which is the highest in Africa. The “stable” outlook reaffirmed by Moody’s Investor Service in 2014 and the A2 rating for both foreign and domestic bonds endorse the Government’s prudent approach to fiscal policy management and the effectiveness of its consolidation measures going forward. This positive domestic economic environment is favourable for private sector development as well as the development of our capital market.

The speed with which the privatization of Government owned enterprises is implemented has an important bearing on the growth of the bourse and on financial inclusion. It is pleasing to note that the BTCL privatization process is at an advanced stage, with the Initial Public Offering (IPO) anticipated in 2015. The IPO process will ensure that BTCL shares are offered to citizens, contributing towards citizen economic empowerment and enhancing the financial inclusion of Botswana. While cognizance is given to the fact that privatization of Government-owned entities usually takes an extensive period of time, the BSE acknowledges the privatization and transition process of the National Development Bank (NDB) into a commercial bank and is of the view that it will provide more diversity to the Exchange in addition to enhancing citizen participation in national assets through the stock market.

Competitive advantages, however strong, are time bound. Hence, it is important that the relevant authorities implement the privatization of BTCL and other parastatals earmarked for privatization as speedily as possible.

Another project that can benefit from Botswana’s competitive advantages is the project to centralize the trading of bonds using the Automated Trading System (ATS) and Central Securities System (CSD) of the BSE. It is unfortunate that this project has lagged behind given that the ATS was commissioned in August 2012.

3. EQUITY MARKET PERFORMANCE

3.1 Analysis of Equity Indices¹

3.1.1. Domestic Company Indices

The Domestic Company Index (DCI) rose by 448.2 points from 31 December 2013 to close the year at 9,501.6 points, recording an increase of 5.0% in comparison to an appreciation of 20.5% in 2013. This was the 4th consecutive year that the DCI has remained in positive territory since the negative performance recorded in 2010. Since 2010, the DCI has registered a compound annual growth rate of 10.3%, which represents the smoothed annualized returns from 2010 to 2014.

The quarterly analysis of the DCI in 2014 indicates that in Quarter 1, the DCI lost momentum resulting in a decline of 1.1%. Recovery was experienced in Quarters 2 and 3 with the DCI appreciating by 2.6% and 2.8% respectively, and further appreciating by a modest 0.6% in Quarter 4.

In comparison the Domestic Company Free Float Index (DCFFI) appreciated by 16.1% in 2014, as a result of positive growth in Quarters 1 to 4.

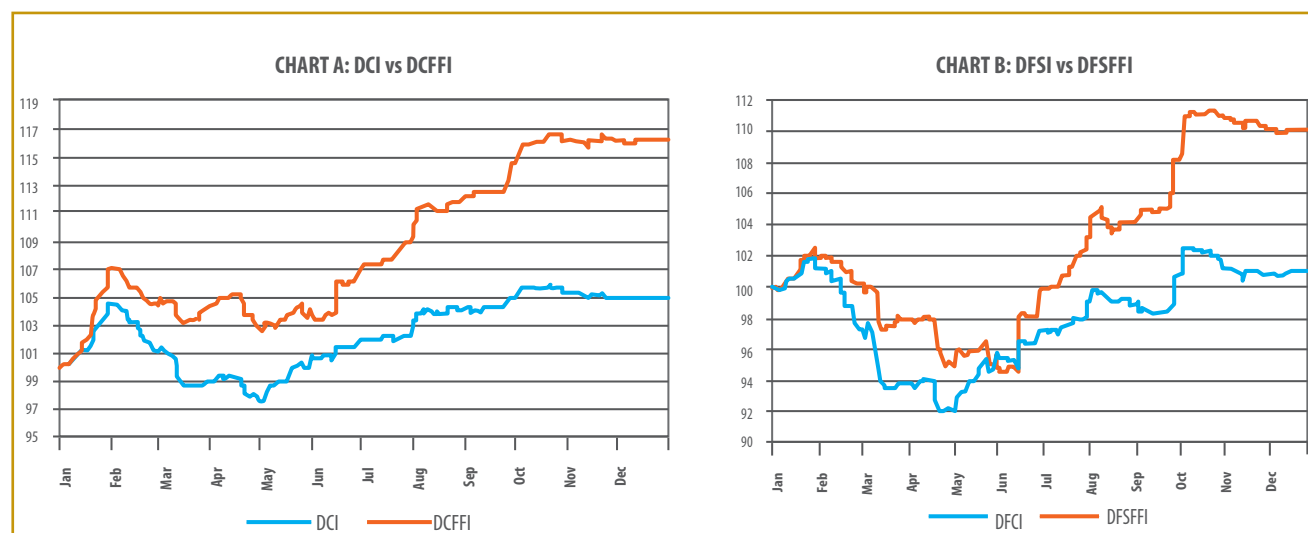
¹ All the 8 BSE equity indices were recomputed in December 2014 for the period 3 January 2014 to 31 December 2014. The analysis presented here on the indices is based on restated figures.

Figure 1: Performance of Indices Computed on Domestic Companies

	Weighting		Returns		Annual		2014 Quarterly			
	Market Cap	Liquidity	Capital Gains	Total Return	2013	2014	Q1	Q2	Q3	Q4

DCI	✓		✓		9,053.4	9,501.6	8,955.9	9,191.1	9,444.0	9,501.6
% Change					20.5	5.0	(1.1)	2.6	2.8	0.6
DCFFI		✓		✓	2,643.7	3,070.0	2,753.2	2,804.6	2,977.6	3,070.0
% Change					23.3	16.1	4.1	1.9	6.2	3.1

DFSI	✓			✓	1,067.1	1,077.7	999.8	1,028.1	1,049.2	1,077.6
% Change					17.0	1.0	(6.3)	2.8	2.1	2.7
DFSFFI		✓		✓	3,901.3	4,294.0	3,817.6	3,828.5	4,103.8	4,294.0
% Change					22.0	10.1	(2.1)	0.3	7.2	4.6



Source: BSE

3.1.2. Foreign Company Indices

In Quarter 1 and Quarter 2, the Foreign Company Index (FCI) registered an increase of 0.1% and 0.2% respectively, and a decline of 0.5% in Quarter 3. In Quarter 4 the FCI depreciated by 0.2%. As at 31 December 2014, the FCI had declined by 0.4% compared to a depreciation of 1.0% in 2013, to close the year at 1,577.6 points.

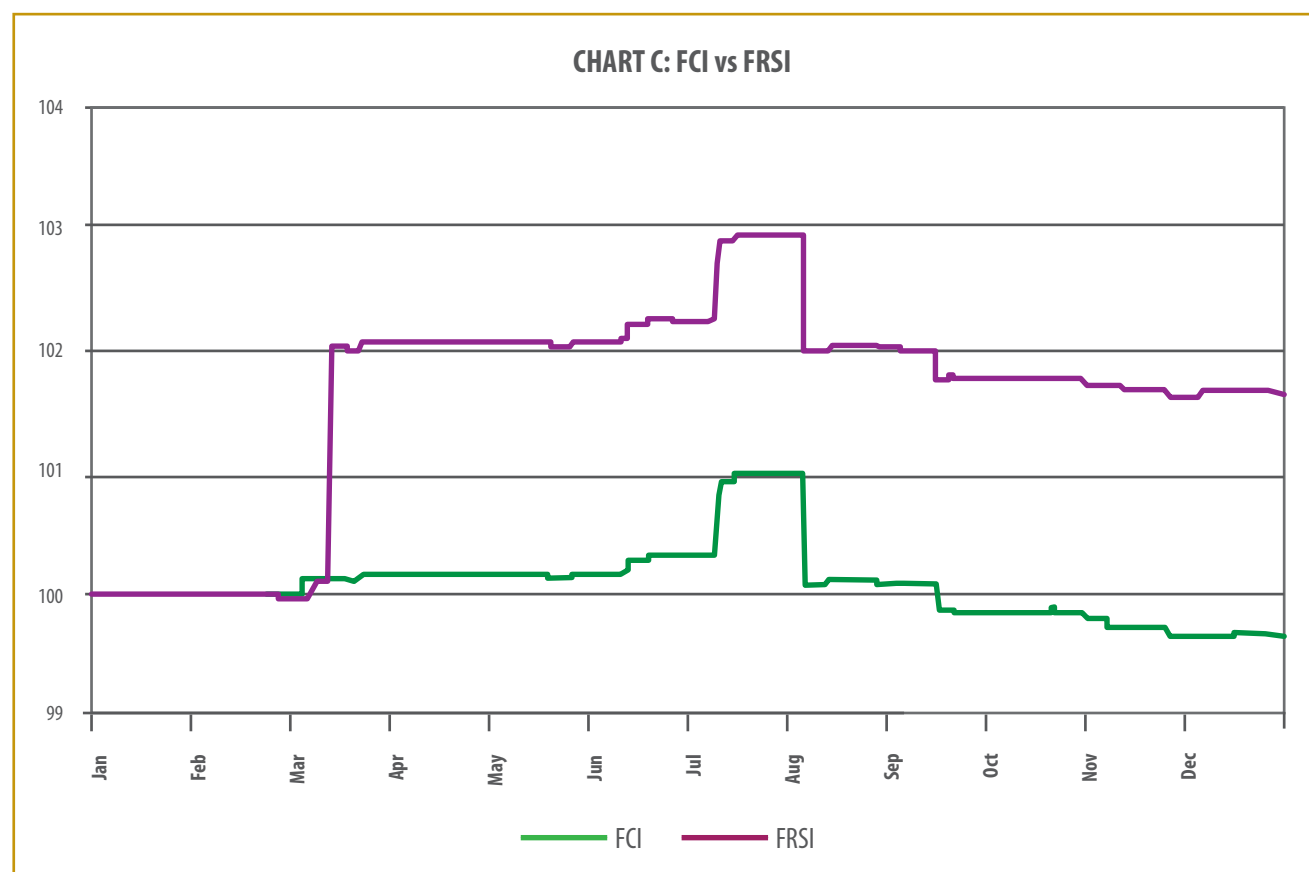
On the contrary, the Foreign Resources Sector Index (FRSI) appreciated by 1.6% in 2014. The movement in the FRSI is representative of the movement in the FCI, except for the sharp spike in the FRSI that occurred in March 2014, as can be seen in Chart C of Figure 2 below. The sharp spike in the FRSI is as a result of the dividend payout by Anglo American. Anglo is the largest component in the two indices but its impact on the two indices varies because of the returns methodology.

The FRSI reflects the impact of price movements and dividends whereas the FCI reflects the impact of price movements only. The impact of a dividend payout can be magnified by the size of the payout as well as the number of shares in issue.

On 14 March 2014 Anglo paid a dividend of ZAR5.87 per share translating to P4.81 a share. This payout constituted 19.1 dividend points that picked the FRSI by 1.9% resulting in a sharp spike in the FRSI. The magnitude of this payout was enhanced by Anglo's 1,405.47 Mn on the BSE which is the second largest number of shares on the Foreign Equity Main Board following African Copper with 1,485.11 Mn shares. Anglo and Lucara were the only FRSI constituents that paid dividends in 2014 but the impact of Lucara's dividend on 5 December 2014 was not as pronounced as that of Anglo because of the size of the payout as well as Lucara's number of shares in issue.

Figure 2: Performance of Indices Computed on Foreign Companies

	Weighting		Returns		Annual		2014 Quarterly			
	Market Cap	Liquidity	Capital Gains	Total Return	2013	2014	Q1	Q2	Q3	Q4
FCI	✓		✓		1,583.5	1,577.6	1,585.8	1,588.5	1,581.3	1,577.6
% Change					(1.0)	(0.4)	0.1	0.2	(0.5)	(0.2)
FRSI	✓			✓	720.3	732.0	735.1	736.5	732.9	732.0
% Change					(1.6)	1.6	2.1	0.2	(0.5)	(0.1)



Source: BSE

3.1.3 Local Asset Sector Companies

The Local Asset Status Index (LASI) and the Local Asset Status Free Float Index (LASFFI) are comprised 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.

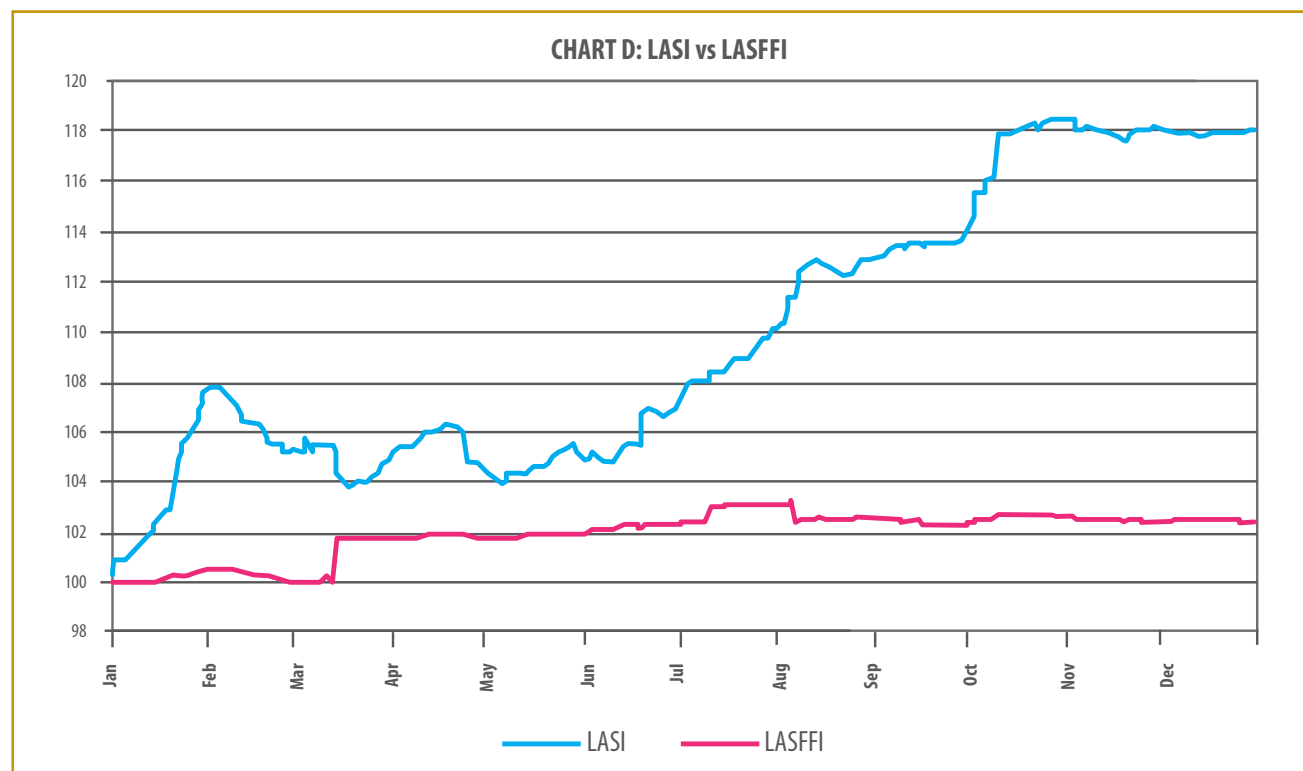
The LASI registered a return of 2.5% in 2014 in comparison to an appreciation of 18.0% in the LASFFI. The variance in the performance of the two indices can be attributed to the liquidity experienced in domestic counters. The increase of 18.0% in the LASFFI is largely attributable to the appreciation of 16.1% in the DCFFI as the majority of domestic companies in the DCFFI make up a significant component of the LASFFI.

It has been noted that the LASI is significantly influenced by the impact of large companies on the basis of market capitalisation, such as Anglo American. In the LASFFI, the impact of such companies is muted as the LASFFI derives its weighting from the liquidity of stocks as against their market capitalization. The sluggish growth in the LASI relative to the LASFFI can be attributed to Anglo's market capitalization in the LASI, which did not change in 2014 as a result of both its shares in issue and its share price remaining unchanged. In the LASFFI, Anglo's impact was toned down due to its illiquidity as it only traded once (traded 100 shares) in 2014. Anglo American contributed 86.0% to the total market capitalisation of the LASI. As a result of the lack of change in Anglo's share price, the good growth registered in the other constituents of the LASI was toned down and the LASI only appreciated by 2.5%.

Figure 3: Performance of Indices Computed on Local Asset Companies

	Weighting		Returns		Annual		2014 Quarterly			
	Market Cap	Liquidity	Capital Gains	Total Return	2013	2014	Q1	Q2	Q3	Q4
LASI	✓			✓	760.8	780.2	774.6	778.7	778.6	779.8
% Change					1.1	2.5	1.8	0.5	0.0	0.2
LASFFI		✓		✓	2,315.3	2,732.8	2,429.8	2,475.6	2,632.5	2,732.8
% Change					22.4	18.0	4.9	1.9	6.3	3.8

Source: BSE



3.2 Sector Contributions to Performance of the DCI and the FCI

An analysis of sector contributions to the performance of the DCI and the FCI is shown in Figure 4. It can be seen that the DCI grew by 5.0% in 2014 as a result of the positive growth recorded in all sectors other than in the Banking and Funeral Services sectors. The Banking sector contributed a significant proportion to the total market capitalization of the DCI, and accounted for 45.6% as at 31 December 2014. Given its weight in the DCI, a slowdown in the performance of the Banking sector constituents can have a significant impact on the overall growth of the DCI. Moreover, the Banking sector is amongst the more liquid sectors of the BSE.

In 2014, the negative contribution to the DCI by the Banking sector was as a result of the decrease in the share prices of FNBB and Barclays, which together accounted for 75.8% of the total market capitalisation of the Banking sector. FNBB and Barclays share prices declined by 10.2% and 37.2% respectively during the year.

The resilience of the Retail & Wholesaling sector cannot go unnoticed as the sector has contributed positively to the DCI in 2014 as well as in 2013. The same goes for the Financial Services sector. Together, the two sectors accounted for 39.2% of the total domestic market capitalisation of the BSE and contributed 7.1 percentage points to the growth in the DCI.

At company level, Sechaba was the top contributor to the DCI with a contribution of 2.2 percentage points followed by Choppies and Sefalana which contributed 1.5 percentage points each. In addition to the above three companies, other main contributors to the DCI were Letshego and ABCH with contributions of 1.3 percentage points and 1.0 percentage points respectively.

On the Foreign Equity Board, the Mining & Minerals sector continued its dominant influence on the performance of the FCI. This sector contributed a negative 0.42% and outweighed the Financial Services sector's contribution of a positive 0.05%. This resulted in the FCI depreciating by 0.37%.

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 capitalization weighted index.

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

Annual			2014			
Domestic Board	2013	2014	Q1	Q2	Q3	Q4
Financial Services	3.34	1.76	0.05	(0.06)	1.87	0.36
Retail & Wholesaling	7.22	5.35	3.39	0.99	1.50	0.26
Property	1.10	0.75	0.23	0.08	0.34	0.26
Banking	8.14	(3.60)	(4.84)	0.80	(0.81)	(0.25)
Information Technology	(0.03)	0.00	0.00	0.00	0.00	0.00
Security Services	(0.57)	0.09	(0.05)	(0.04)	0.22	0.00
Tourism	0.17	0.22	(0.16)	0.00	0.20	0.23
Energy	0.81	0.40	0.32	0.22	0.03	(0.22)
Funeral Services	0.36	(0.02)	(0.02)	(0.00)	(0.01)	0.00
DCI	20.55	4.95	(1.08)	1.99	3.35	0.65
Foreign Board						
Financial Services	0.03	0.05	0.00	0.00	0.00	0.00
Mining & Minerals	(1.03)	(0.42)	0.05	0.23	(0.46)	0.23
FCI	(1.01)	(0.37)	0.05	(0.27)	(0.46)	(0.23)

Source: BSE

3.3. Liquidity and Stability of Turnover

Figure 5 details the turnover and liquidity on the BSE since 2009. The BSE registered a turnover of P2.2 Bn in 2014, representing 94.0% of the total turnover generated in 2013. This amount is the second highest since the inception of the BSE in 1989. The average daily turnover for 2014 was P8.8 Mn per day in comparison to P9.3 Mn in 2013.

The volume of shares traded in 2014 was 591.6 Mn in comparison to 710.5 Mn in 2013. Although, the number of shares in 2014 is below that recorded in 2013, the volume is relatively high when compared to previous years.

Figure 5: Indicators of Liquidity: 2010 to 2014

Indicators	2010	2011	2012	2013	2014
Turnover (P' Mn)	962.8	1,007.9	894.7	2,315.4	2,177.4
Average Daily Turnover (P 'Mn)	3.9	4.1	3.6	9.3	8.8
Turnover/Average Market Cap (%)	3.5	3.5	2.7	5.9	4.9
Standard Deviation	8.6	13.5	6.9	15.9	18.6
Coefficient of Variation (CoV)	2.2	3.3	1.9	1.7	2.1
No. of Shares Traded (Mn)	308.7	458.7	409.9	710.5	591.6
Shares Traded/Shares Listed (%) ^{Note 1}	3.9	4.8	4.3	8.8	5.2

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

Source: BSE

It can also be observed from Figure 6 that the highest turnover in 2014 was generated in Quarter 1. This was largely due to the turnover generated from transactions in Letshego, which was also the most traded stock in 2014. Letshego's trades amounted to P226.0 Mn in Quarter 1 through the transaction of 99.2 Mn shares.

The stability of turnover deteriorated in 2014 in comparison to the years 2013 and 2012 as can be seen in Figure 6. The increased coefficient of variation (CoV) of turnover confirms this observation, with 2014 having recorded a CoV of 2.1 compared to 1.7 computed for 2013.

Figure 6: Quarterly Market Turnover: 2014

Indicators	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Turnover (P' Mn)	650.6	394.7	552.1	580.1
Average Daily Turnover (P 'Mn)	10.5	6.5	8.9	9.4
Turnover/Average Market Cap (%)	1.5	0.9	1.2	1.3
Standard Deviation	25.1	11.3	22.0	12.5
Coefficient of Variation	2.4	1.7	2.5	1.3
No. of Shares Traded (Mn)	177.0	126.4	126.3	162.0
Shares Traded/Average Shares Listed % ^{Note 1}	1.6	1.1	1.1	1.4

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

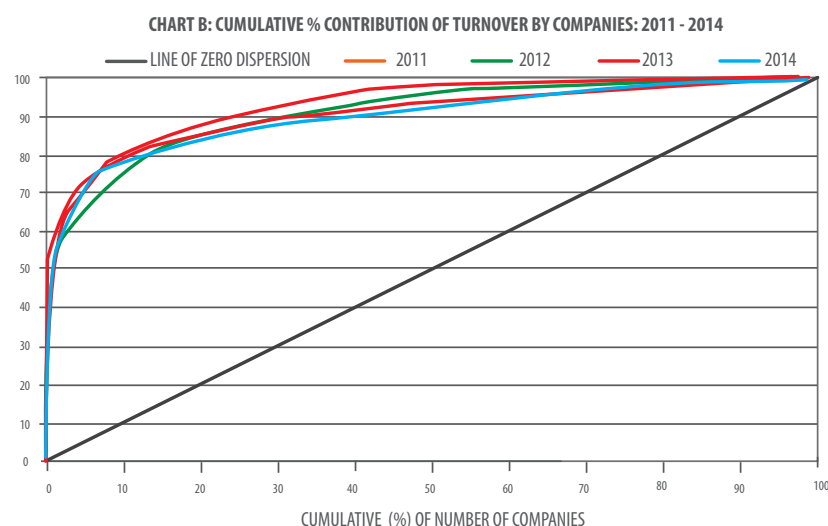
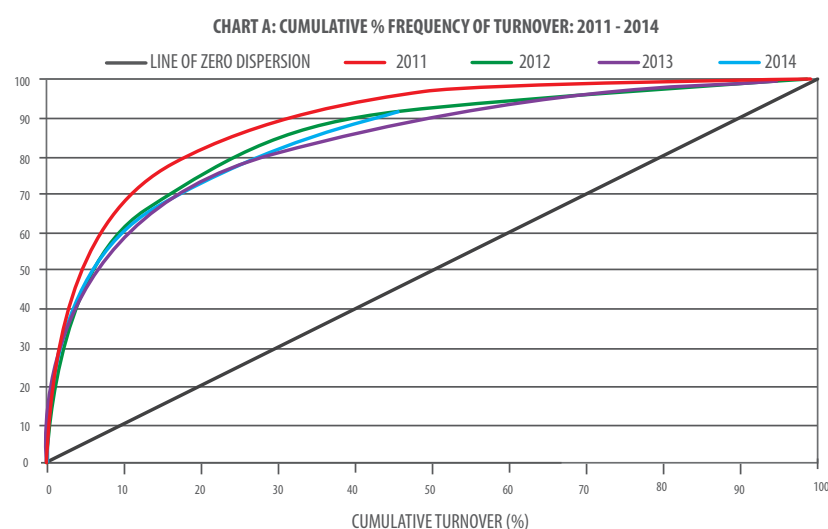
Source: BSE

Figure 7 presents the analysis of the stability of turnover using the Lorenz Curve analysis for the years 2011 through to 2014. The analysis intends to illustrate the relative dispersion of turnover from the average daily turnover for these years. Based on the illustration from Chart A of Figure 7, the Lorenz Curve provides further supports the conclusion that turnover was less stable in 2014 in comparison to 2013, but was more stable than in 2011 and 2012.

An analysis of the distribution of turnover contributed by companies as depicted in Chart B of Figure 7, indicates that in 2014 the turnover distribution was more evenly distributed in comparison to the period 2011 to 2013. This is indeed a welcome development, even though marginal, since it indicates that more companies have been comparatively liquid in 2014. However, no conclusion can be drawn as to whether this trend would continue especially given that overall liquidity measured by turnover to market capitalization declined from 5.9% in 2013 to 4.9% in 2014.

In both 2014 and 2013, the Financial Services sector was the dominant sector in terms of contribution to turnover. The second spot in 2014 was occupied by the Retail & Wholesaling sector, an improvement from being the third best contributor in 2013. In 2013, the Banking sector was the second best contributor followed by the Retail & Wholesaling sector.

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



Source: BSE

The stability of turnover can also be assessed by inferring from the distribution of turnover computed using a ratio of mean daily turnover to median daily turnover. Chart A of Figure 8 presents the analysis on a yearly basis. It can be noted from the graph that the stability of turnover as measured by the ratio improved between 2011 and 2013, and declined marginally in 2014. A ratio closer to 1 indicates a smaller variation between the mean turnover and the median turnover and consequently signals a higher stability of turnover. In 2014, the mean to median ratio was 3.2 times in comparison to 2.7 times in 2013.

On a quarterly basis, mean turnover has been rather volatile as can be noted from Chart B of Figure 8.

Figure 8: Analysis of Average Daily Turnover by Quarter and Year



Source: BSE

3.4 Trends in Turnover

A graphical depiction of the medium and long term trend of average daily turnover is presented in Figure 9 below. The illustration attempts to demonstrate the extent to which the trend of average daily turnover forecast using data up to 2013 would differ from the forecast medium and long term trends. Both the medium and long term trend lines begin in 2005 and for the purpose of this analysis the medium term trend is defined as the period 2005 to 2014.

An analysis of the medium term trend line points towards a narrowing gap between actual average daily turnover in 2014 and the forecast based on the trend. According to Chart A of Figure 9, the forecast turnover for 2014 using the trend computed for the period 2005 to 2013 is P8.5 Mn in comparison to P8.6 Mn as per the trend computed for the period 2005 to 2014. The results are an indication that the actual average daily turnover of P8.8 Mn achieved in 2014 had a positive impact on the medium term trend.

Chart B of Figure 8 presents the trend lines over the long term where the long term is defined as the period 2000 to 2014. Results of this analysis indicate that the average daily turnover of P8.8 Mn in 2014 has resulted in a shift in the long term trend from P6.3 Mn per day to P6.8 Mn per day.

When projecting the medium term trend to 2015, the BSE is required to achieve a turnover of at least P10.3 Mn per day in order for the medium trend to be sustained. This works out to a turnover to market capitalization ratio of 5.5% based on market capitalization as at 4 May 2015. In comparison turnover to market capitalization ratio computed on turnover for the period 1 January to 4 May 2015 was 5.2%. This indicates that it is imperative that the privatization of BTCL and other parastatals earmarked for privatization takes place sooner rather than later if the BSE is to maintain its growth in turnover.

The analysis shows that over the long term, the BSE will have to register a minimum average daily turnover of P7.9 Mn per day in 2015 in order to sustain the long term trend of average daily turnover.

Figure 9: Analysis of Medium and Long Term Average Daily Turnover Trend

**CHART A: MEDIUM TERM TREND OF AVERAGE DAILY TURNOVER:
2005 - 2013 compared with 2005 - 2014**

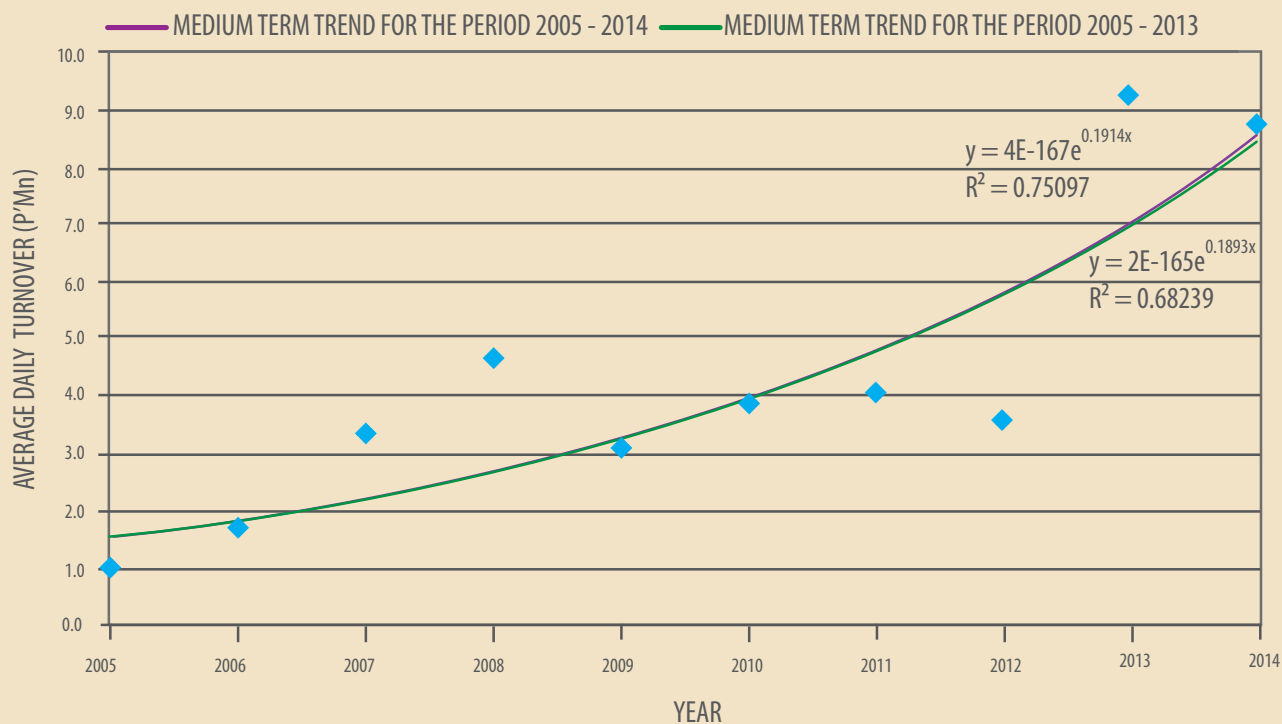
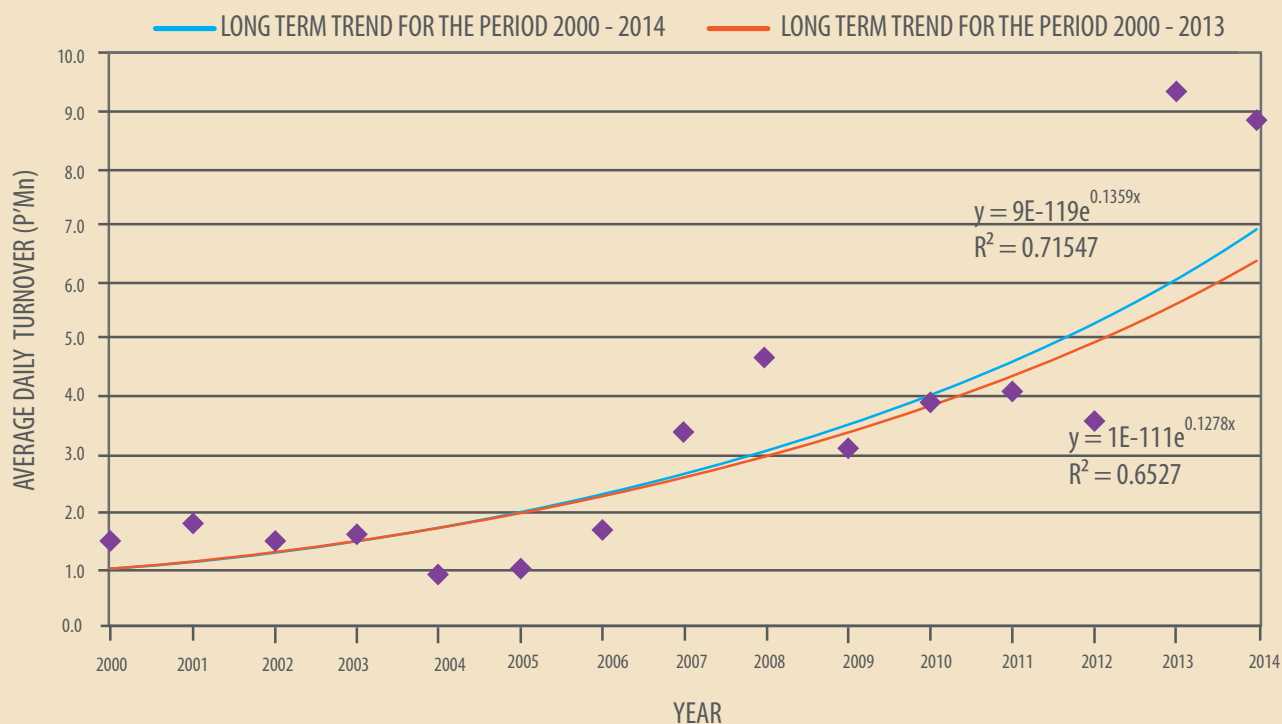


**CHART B: LONG TERM TREND OF AVERAGE DAILY TURNOVER:
2000 - 2013 compared with 2000 - 2014**



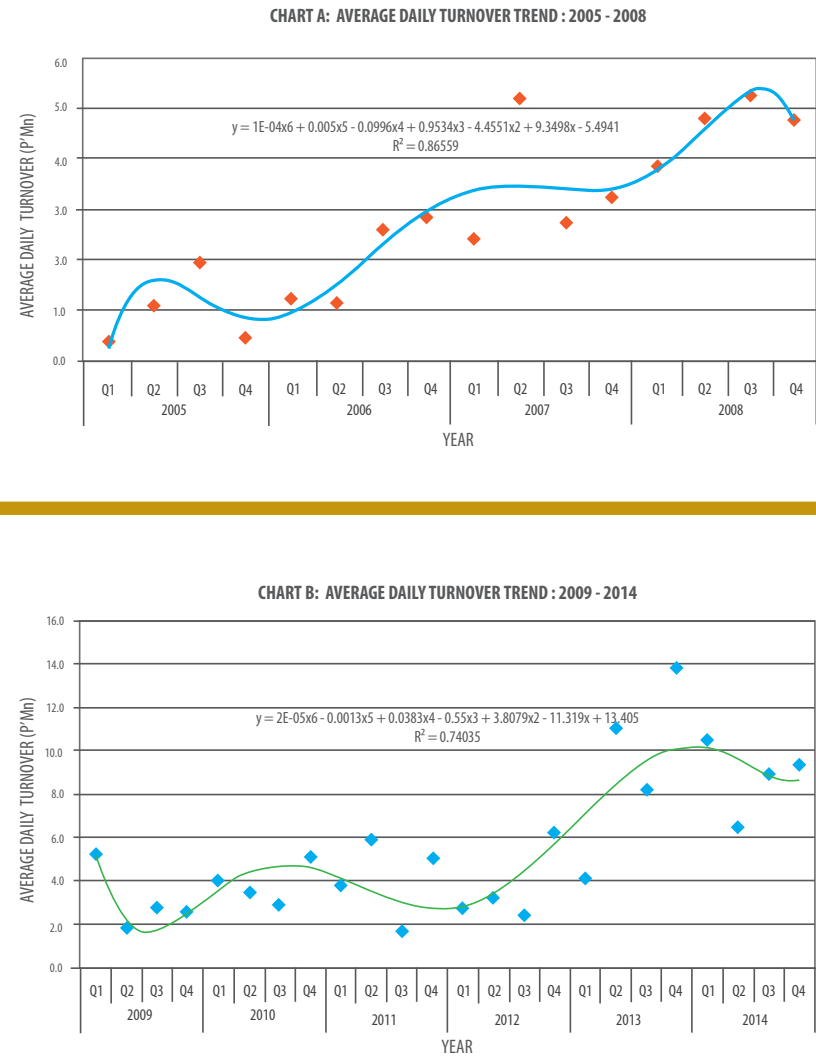
Source: BSE

Chart A of Figure 10 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 10.

As can be seen from Charts A and B of Figure 10 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 and by the higher coefficient of determination or R-squared.

The post-financial crisis period has been characterized by a more dispersed distribution of quarterly turnover, especially from Quarter 2 of 2011. From this period up to Quarter 1 of 2013 turnover remained mostly below the trend line. More evident recovery began in Quarter 2 of 2013. In 2014 quarterly average turnover remained on or above trend in Quarters 1,3 and 4.

Figure 10: Average Daily Turnover Trend Analysis: Pre and Post Financial Crisis



Source: BSE

3.5 Sector Contributions to Liquidity

Figure 11 shows the liquidity of various sectors on the BSE computed using different metrics. It can be noted that domestic counters account for the greater portion of liquidity by far as has been the trend from the inception of the BSE. As previously noted, liquidity has been concentrated in the Financial Services sector year after year since 2010. The Financial Services sector turned over 11.4% of the total shares listed in that sector, of which 92.2% were trades attributed to Letshego.

Letshego continued to be the dominant counter on the bourse in terms of liquidity. It has been observed that Letshego accounted for 45.9% of overall volume registered by domestic companies in comparison to 33.5% in 2013 after declining gradually from 54.7% in 2012 and 68.7% in 2011. The resurgence in dominance by Letshego is an indication of a market that is, to a greater extent, dependent on a few key stocks primarily because of the ease of buying or selling that particular stock. Interest in other stocks cannot be overlooked but the impact cost of transacting in such stocks can sometimes be prohibitive owing to their relatively low liquidity in the market.

In 2014, the BSE conceptualised the rules for market-making. Market-making is primarily meant to enhance liquidity across the bourse by introducing intermediaries known as market-makers who stand ready to transact with any counterparty on the buy or sell side. Since market makers will hold the inventory of the stock, this initiative is anticipated to promote the ease of transacting in several designated securities and improve liquidity in general. Given the BSE's experience with ETFs, market-makers can be extremely effective in injecting liquidity to foreign securities with a secondary listing on the BSE.

Figure 11: Sector Contributions to Liquidity: 2013 and 2014

2013					2014			
Sector	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 ^A	Note 1	Note 2 ^B	Note 1	Note 2 ^A	Note 1	Note 2 ^B
DOMESTIC								
Financial Serv.	2.02	0.19	261.1	10.78	1.91	0.20	287.43	11.44
Retail	1.53	0.15	159.3	7.49	1.49	0.16	98.65	4.60
Property	0.45	0.04	100.8	5.71	0.44	0.05	99.93	5.38
Banking	1.54	0.15	133.9	3.38	0.86	0.09	77.27	1.95
IT	0.00	0.00	0.00	0.10	0.00	0.00	0.00	0.00
Security Serv.	0.01	0.00	0.54	0.68	0.01	0.00	1.28	1.60
Tourism	0.05	0.00	10.5	2.07	0.06	0.01	9.27	1.84
Energy	0.05	0.00	2.37	1.49	0.03	0.00	1.46	0.91
Funeral Serv.	0.20	0.02	39.7	32.87	0.01	0.00	1.53	1.26
FOREIGN								
Financial Serv.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mining	0.00	0.00	2.54	0.07	0.01	0.01	14.83	0.26

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

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

Note 2B: Computed for separately for each sector

3.6 Investor Contribution to Equity Turnover

Trading activity in 2014 was dominated by foreign institutional investors (foreign companies) as can be noted from Figure 12. Trades by foreign companies accounted for 48.0% of the total turnover and was primarily concentrated on the two most liquid stocks of 2014, being Letshego and Choppies. Further analysis shows that foreigners were net buyers of these stocks, and in fact net buyers of listed stocks overall, whereas local companies were net sellers of these stocks. Local institutional investors (local companies) on the other hand accounted for 46.7% of turnover, the majority of which was on the sell side.

It is vital for any market to have heterogeneity in investor base. The presence of foreign institutional investors on the BSE is welcome. Almost every category of investors behave differently from the rest in terms of their interpretation of valuations, execution of investment strategies and their investment horizons. Such diversity in views and investment actions can spur liquidity unlike in a market where the majority of investors adopt a buy-and-hold strategy. In addition, foreign institutional investors in particular are renowned for demanding higher quality of information and disclosures, a benefit which transcends to the market as a whole.

A decline of 5 percentage points from 8.7% in 2013 to 3.7% in 2014 was recorded with respect to the contribution by local individuals to turnover. Similar to local companies, local individuals were also net sellers of equities in 2014 liquidating P115.4 Mn relative to P45.2 Mn in purchases.

It has been documented that the household savings rate in Botswana is very low relative to other countries, especially countries in Asia. Higher consumption expenditure and consequently lower savings have implications for the capacity of households to invest. In Botswana, the situation is often exacerbated by high indebtedness by households which has been as a result of easy access to credit over the years. This imbalance in the optimization of disposable income has the potential to undermine the effort to promote financial inclusion of citizens in the economy. The efforts by the BSE and many other local institutions to promote financial literacy and encourage citizens to save and invest are initiatives to sensitize the nation on the opportunities available for them to exploit several investment options at their disposal, such as those available on the stock exchange.

Figure 12: Investor Contribution to Turnover: 2012 to 2014

Investors	Turnover (%)			% Contribution to Liquidity: 2014
	2012	2013	2014	
Foreign Companies	39.0	29.0	48.0	2.3
Foreign Individuals	2.5	2.2	1.5	0.1
Local Individuals	10.6	8.7	3.7	0.2
Local Companies	47.5	59.8	46.7	2.3
Brokers	0.3	0.3	0.2	0.0
TOTAL	100.0	100.0	100.0	4.9

Source: CSD Botswana

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

Figure 13: Investor Contribution to Turnover on a Quarterly Basis

Investors	2013				2014			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Foreign Companies	39.3	24.2	26.4	29.5	43.5	52.7	43.2	51.5
Foreign Individuals	8.1	1.7	2.4	0.8	0.9	1.0	0.9	2.9
Local Individuals	7.1	7.6	3.0	12.9	2.2	3.8	3.8	5.0
Local Companies	44.9	66.4	68.0	56.5	53.1	42.3	51.9	40.4
Brokers	0.6	0.1	0.2	0.3	0.4	0.2	0.2	0.1
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: BSE, CSDB

In 2014, the top 5 companies that contributed to turnover were Letshego, Choppies, Sechaba, BIHL and FNBB. These companies were also amongst the top 5 in 2013. An analysis of how investors transacted in these companies is represented in Figure 14. It can be deduced that only foreign companies were net buyers of these companies in 2014 whereas the other categories of investors were net sellers. This was also the case in 2013. Further, it can be noted that of the net purchases made by foreign companies, 88.2% of the transactions were on account of the top 5 companies. On the other hand, net sales by local institutional investors in the top 5 companies accounted for 91.0% of their total transactions.

Figure 14: Net Trades in the Top 5 Contributors to Turnover in 2014

Investors	Net Trades (P' Mn)	
	2013	2014
Brokers	0.84	(0.17)
Foreign Individuals	(47.44)	(14.2)
Foreign Companies	564.66	554.3
Local Individuals	(240.18)	(58.8)
Local Companies	(277.87)	(481.1)

Source: BSE, CSDB

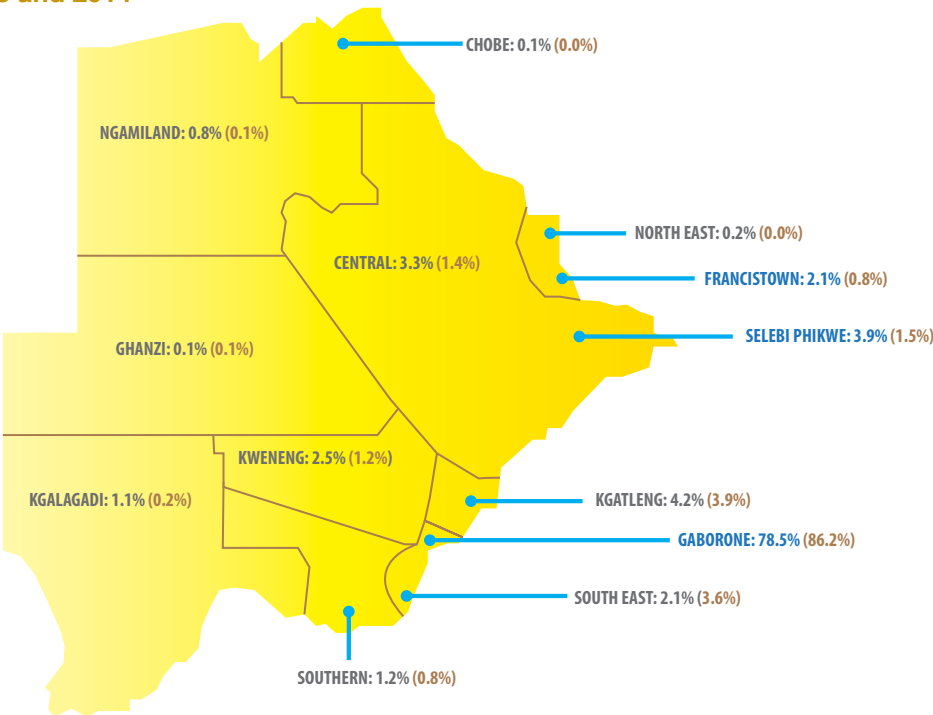
3.7 Geographical Distribution of Retail Investor Turnover

An analysis of the distribution of retail investor turnover by districts and major towns and cities across Botswana is presented in Figures 15 and 16. It can be noted from the map in Figure 15 that only Gaborone and the South-East district registered a decline in retail investor contribution to turnover in 2014. Further, the concentration of turnover in the Southern and Eastern parts of Botswana is attributed to the level of economic activity in those regions that comprise many semi-urban villages as well as major towns, relative to the other parts of Botswana.

The noticeable exception to generating turnover from a retail investor perspective is from Ghanzi district which has a large concentration of cattle farmers. In a bid to reach these farmers the BSE has participated at the Ghanzi Agricultural Trade Fair. The BSE is confident that continued awareness campaigns in the district would be beneficial in reaching out to investors in the district.

Efforts by the BSE's Market Development department to create awareness about the stock market and improve financial literacy were conducted broadly across Botswana in 2014. These areas include districts with even relatively little economic activity. It is in the interest of all stakeholders, i.e. BSE, Brokers and Government, to educate every Motswana about investment diversification opportunities available on the market with a view that Batswana can add listed instruments to their traditional investments which are primarily cattle and property. These initiatives are not only targeted at the working community but are also aimed at creating awareness at grassroots level amongst students, who are the investors of the future. Promoting investment in listed securities is another method of promoting economic diversification at the retail level.

Figure 15: Retail Investor (Resident in Botswana) Contribution to Turnover by Districts in Botswana: 2013 and 2014



Note: The contribution to turnover in 2013 is indicated in parenthesis
Source: CSD Botswana

Figure 16: Retail Investor Contribution to Turnover by District: 2013 and 2014

District	Turnover (P' Mn)			
	2012	2013	2014	% Change
Gaborone	70.328	168.818	60.220	(64.33)
Selibe-Phikwe	4.689	2.991	2.997	0.20
Francistown	2.100	1.602	1.587	(0.94)
Southern	3.434	1.628	0.913	(43.92)
Kgatleng	3.303	7.584	3.248	(57.17)
South East	1.774	6.972	1.646	(76.39)
Kweneng	3.175	2.366	1.896	(19.86)
Central	3.803	2.835	2.539	(10.44)
North East	0.555	0.093	0.156	67.74
Chobe	0.018	0.091	0.055	(39.56)
Ngamiland	1.301	0.290	0.631	(117.59)
Ghanzi	0.480	0.109	0.060	(77.95)
Kgalagadi	0.364	0.466	0.811	74.03

Note: Turnover by local individual investors resident outside Botswana: 2012 (P0.091 Mn), 2013 (P5.845 Mn) and 2014 (P0.140)

Source: CSD Botswana

4. THE EXCHANGE TRADED FUND (ETF) MARKET

4.1 Global ETF Landscape

The year 2014 was a record year for global Exchange Traded Products (ETPs), surpassing US\$300 Bn for the first time, as documented by BlackRock's "*ETP Landscape*" for December 2014. According to the research note, global inflows surged in the month of December on the back of encouraging news on the US economic outlook, a strong dollar and a further drop in the price of oil. The increased inflows into ETPs were supported by increased adoption globally as investors increasingly utilized ETPs as core buy-and-hold investments, to execute strategic asset allocation and as liquid financial instruments for tactical positions.

4.2 Performance of the NewGold ETF

In the Asia Pacific region which includes Africa, investors withdrew from Gold ETPs, a subset of which is the NewGold ETF. It is evident from Figure 17 that the trend of reduced transactions in the NewGold ETF in 2014 relative to 2013 also manifested in Botswana. On the back of declining global Gold prices and a strengthening US Dollar, trades in the NewGold ETF reached their lowest levels since the instrument was listed on the BSE in 2010. However, what is pleasing is that the NewGold ETF continued to create value for investors as it appreciated by 6.2% in 2014.

The NewGold ETF traded 54,405 units with a value of P5.9 Mn at prices ranging between P103.70 and P116.80 per unit in 2014.

Figure 17: Performance of the NewGold ETF: 2010 to 2014

NewGold ETF	2010	2011	2012	2013	2014
Turnover (P)	123,354,809.0	53,694,824.5	27,607,668.2	131,174,999.3	5,944,159.1
No. of Units Traded	1,493,241	542,740	223,026	1,156,555	54,405
Unit Price (P)	89.20	118.70	125.30	103.70	110.10

Source: BSE

Figure 18: Quarterly Performance of the NewGold ETF: 2014

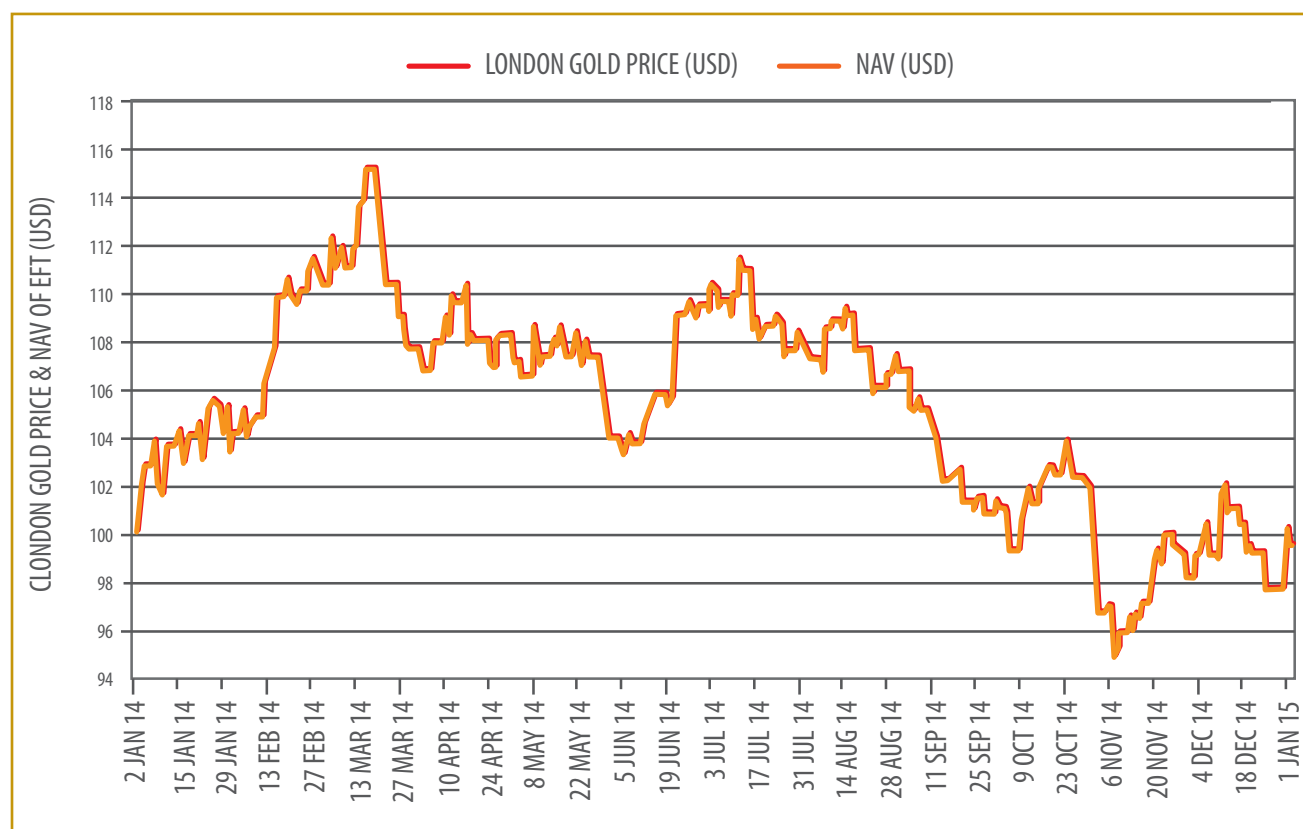
NewGold ETF	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Turnover (P')	1,650,095	388,468	2,454,750	1,450,846.2
No. of Units Traded	14,538	3,589	22,601	13,677
Unit Price (P)	108.90	112.20	106.70	108.10

Source: BSE

The Gold Bullion price has experienced a decline in the past two years, mainly due to the gradual recovery in the global economy. On 2 January 2013, the precious metal hit a high of US\$ 1,693.75 per ounce, but its best price in 2014 was US\$1,385.00 recorded on 15 March. A similar trend was observed in the price on the BSE where the NewGold ETF's best price in 2014 was P116.80 on 17 March in comparison to P130.30 per unit for 2013 on 7 February.

Whilst the London Gold price gained a marginal 0.4% in USD terms, resulting in the NAV (in USD terms) depreciating by 0.6%, the NewGold ETF on the BSE appreciated by 6.2%. The variance in the NAV in USD and the Price on the BSE can be explained by the 8.4% depreciation of the Pula against the USD, the management fees and lastly the manner in which the BSE determines closing price, which is defined as the last traded price. The depreciation of the Pula against the USD had a positive effect on the price observed on the BSE and confirms that the NewGold ETF can be used as a hedge against the USD as noted in past reviews.

Figure 19: London Gold Price and NAV (in USD Terms): 2014

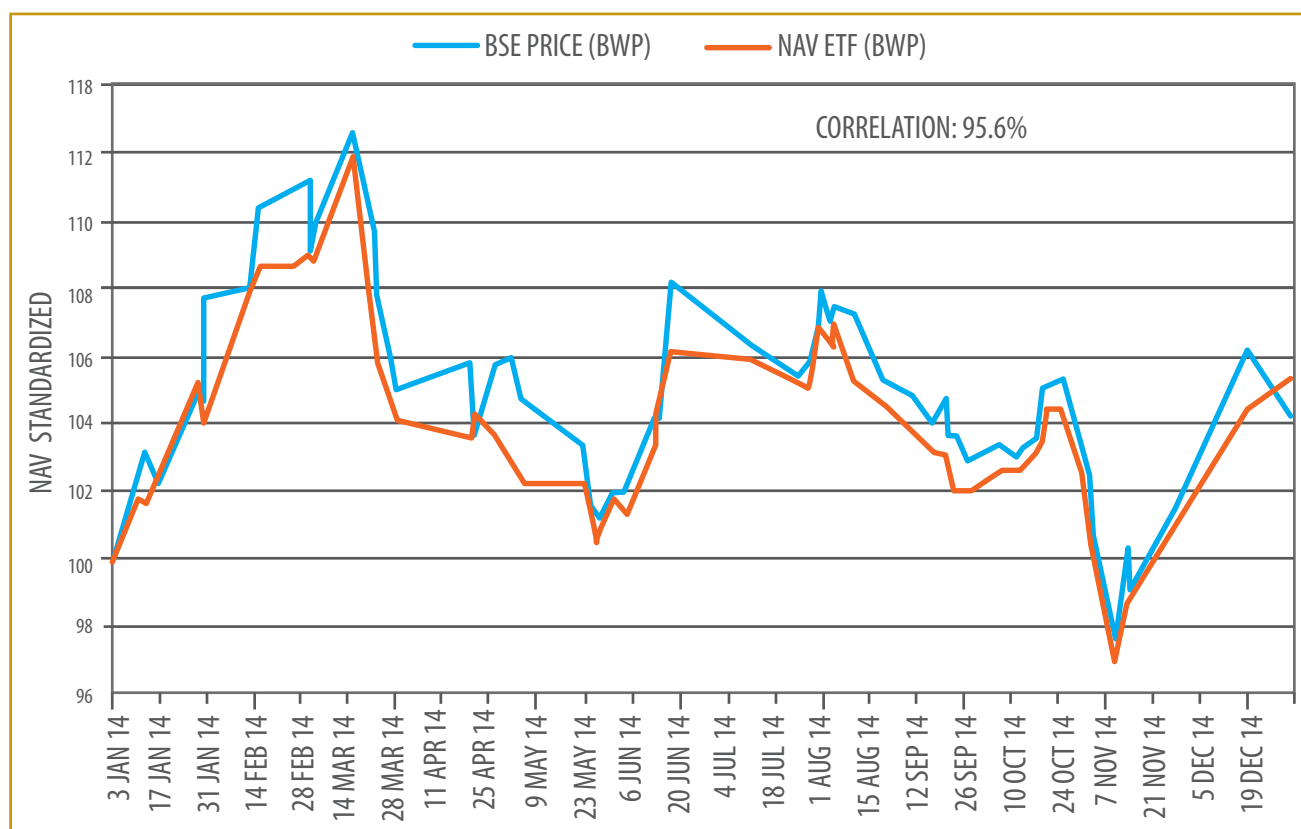


Source: BSE and Absa Capital

What can be noted from Chart B of Figure 19 is that the efficiency of price discovery in the NewGold ETF and the Gold price, both in USD terms, is very high. This can be deduced from the 98.6% correlation between the NAV of the NewGold ETF and the London Gold Price, both in USD terms.

Figure 20 below shows a graphical presentation of the price on the BSE and the NAV in BWP terms on days that the ETF traded on the BSE. As can be seen, the correlation between NAV in BWP and price of the ETF in BWP is relatively high at 95.6%. However, it is lower than the correlation between the NAV in USD terms and the price of Gold in the London Metals Exchange. This is attributed to variables such as market-makers costs and discrepancies in applying exchange rates.

Figure 20: Price Discovery in the NewGold ETF on the BSE and the NAV of the ETF (BWP)



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

Source: BSE, Absa Capital

4.3 Performance of the BettaBeta ETF

The BettaBeta ETF traded 4.0 Mn units at prices ranging between P35.45 and P43.25 per unit for a total value of P170.3 Mn during 2014.

Figure 21: Performance of the BettaBeta ETF: 2011 to 2014

BettaBeta ETF ^{Note 1}	2011	2012	2013	2014
Turnover (P)	37,229,615	38,876,378	774,890	170,253,020
No. of Units Traded	1,143,370	1,121,502	20,519	4,023,278
Unit Price (P)	31.10	39.35	37.15	38.55

Note 1: The BettaBeta ETF was listed in May 2011

Source: BSE

Figure 22: Quarterly Performance of the BettaBeta ETF: 2014

BettaBeta ETF	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Turnover (P)	461,260	60,202,280	93,079,265	16,510,215
Average Daily Turnover (P)	7,440	986,923	2,194,634	266,294
No. of Units Traded	11,872	1,424,927	1,501,278	391,845

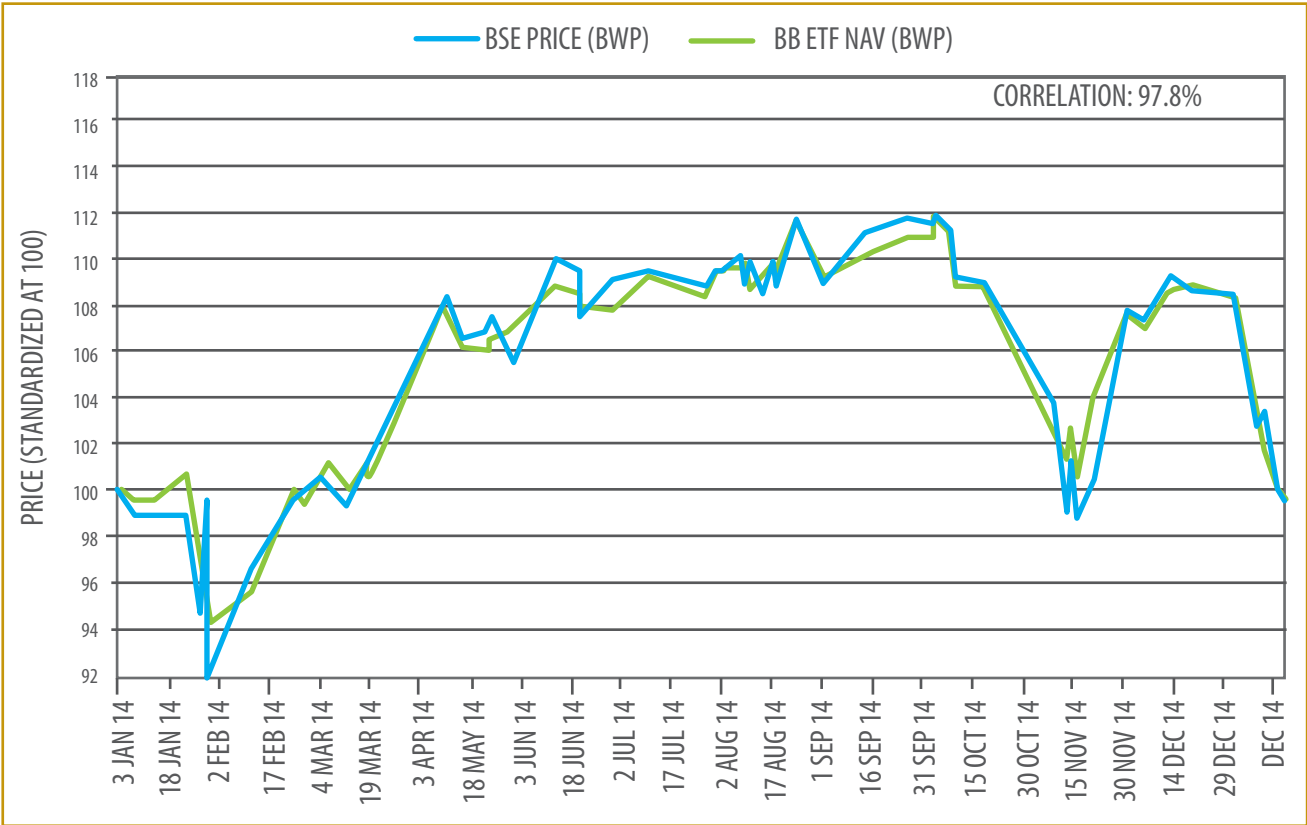
Source: BSE

The BettaBeta ETF continued its upward momentum into 2014, doing so with some volatility throughout the year. The ETF traded at a record price of P43.25 a unit on 27 August 2014 which was sustained for close to a week before its price fell to P38.55 per unit.

At its highest price the appreciation in the price of the ETF since the beginning of the year amounted to 16.4%. The ETF closed the year with a price appreciation 3.8% in comparison to a decline of 5.6% in 2013. The NAV of the ETF in Pula terms closed the year with a gain of 4.8% relative to a depreciation of 2.7% in 2013. The performance of the price of the BettaBeta ETF on days traded is depicted in Figure 23.

The correlation between the NAV of the ETF and its price on the BSE using only those days that the ETF was traded was 97.8%.

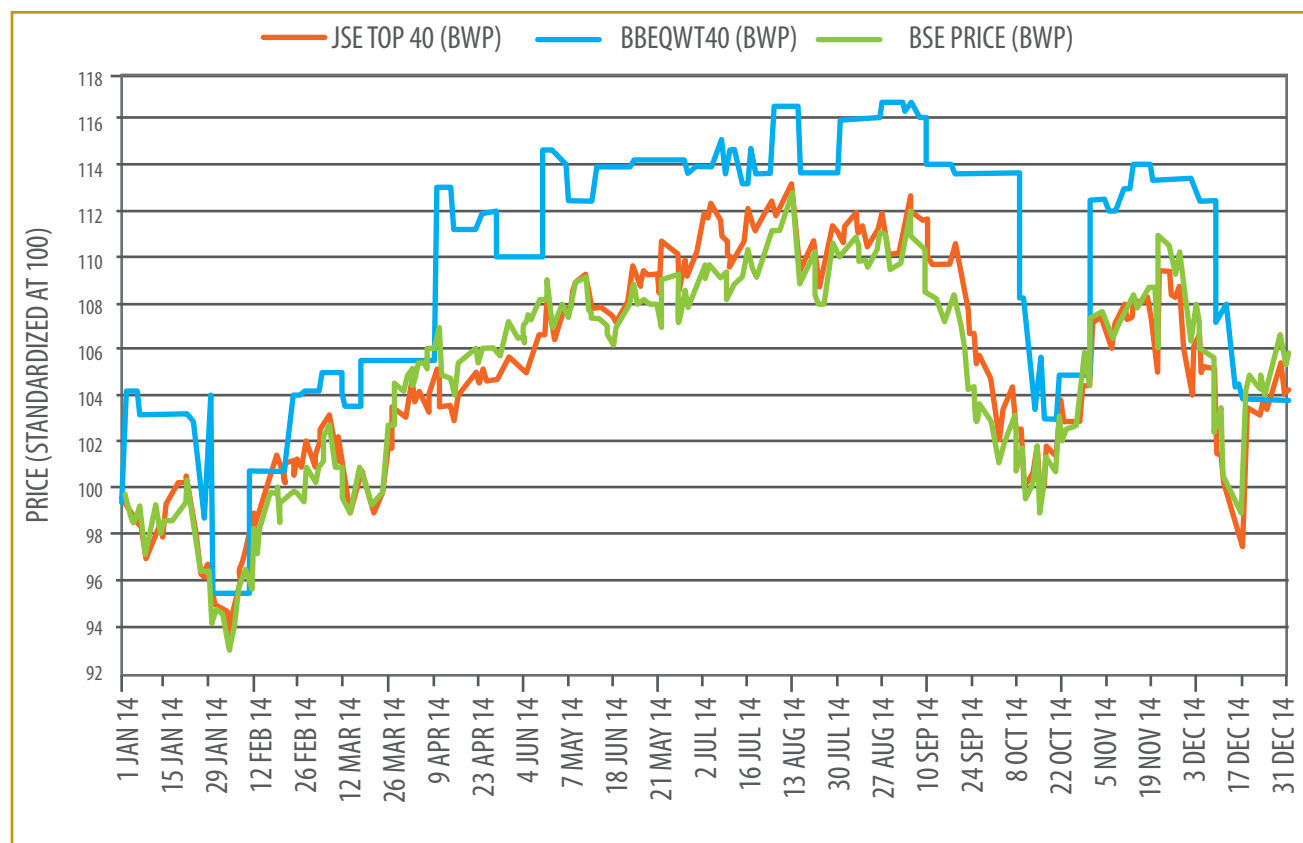
Figure 23: Performance of the BettaBeta ETF NAV (BWP) and BSE Price



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

When compared with the JSE Top 40 Index and the BettaBeta Equally Weighted Top 40 Index (BBEQWT40) in Pula terms, the price of the BettaBeta ETF on the BSE outperformed the two indices until mid-December 2014, at which point it stagnated and ultimately closed the year below the levels achieved by the two indices. This is illustrated in Figure 24 below.

Figure 24: Performance of the BettaBeta ETF (BSE Price), the JSE Top40 Index (BWP) and the BBEQWT40 Index (BWP)



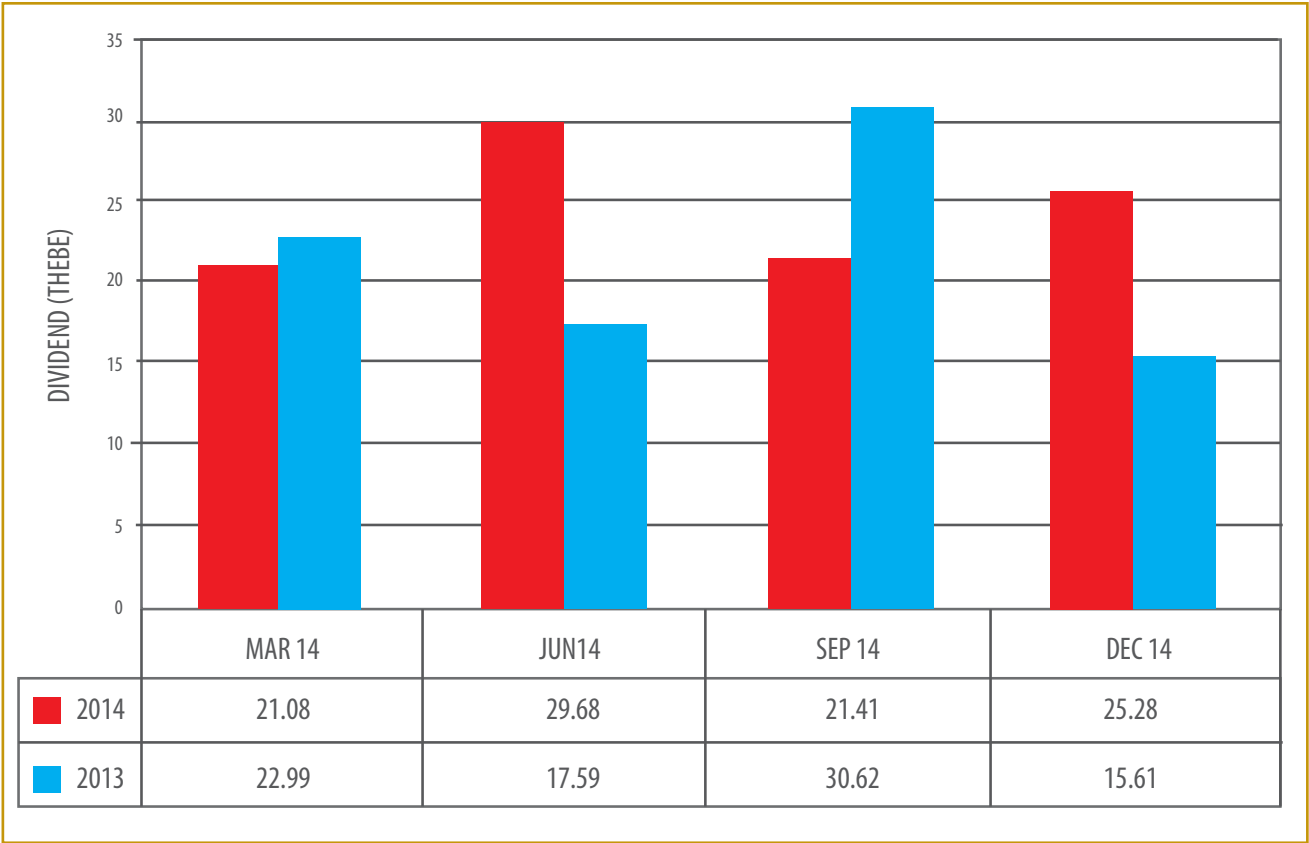
Source: Nedbank Capital, BSE

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

In ZAR terms, the NAV appreciated by 7.6% as against the appreciation of 4.8% in Pula terms, which was largely as a result of the negative impact of the strengthening of the Pula against the ZAR by 1.7% in 2014.

The BettaBeta, being an equity ETF, derives its returns from price movement as well as dividend income. The quarterly dividends paid by the ETF in 2014 are presented in Figure 25. It can be noted that the total dividends paid out in 2014 amounted to 97 thebe in comparison to 87 thebe paid out in 2013. This gives an estimated dividend yield of 2.4% based on the average price of P40.65 per unit in 2014. Therefore, on a total return basis it is estimated that the BettaBeta ETF returned 6.2% to unit-holders in 2014.

Figure 25: Dividends Paid by the BettaBeta ETF: 2013 and 2014



Source: Nedbank Capital

4.4 Performance of the NewPlat ETF

The BSE, in conjunction with Absa Capital of South Africa, listed the NewPlat ETF on the BSE on 29 August 2014. The ETF was primarily listed on the JSE in April 2013. The NewPlat ETF tracks the price of platinum which is the underlying asset. This ETF is the third to be listed on the BSE following the NewGold ETF and BettaBeta ETF which were listed in July 2010 and May 2011 respectively.

As can be noted from Figure 26 below, the NewPlat ETF registered a turnover of P26.5 Mn and recorded a volume of 215, 088 units. The ETF traded at prices ranging between P111.20 and P127.20 a unit. The NewPlat only traded 14 days out of 84 trading days between the listing date and the end of 2014. The ETF depreciated by 12.2% since listing in line with the decline in the price of Platinum in global markets which fell by 15.3% in USD terms.

Figure 26: Quarterly Performance of the NewPlat ETF: 2014

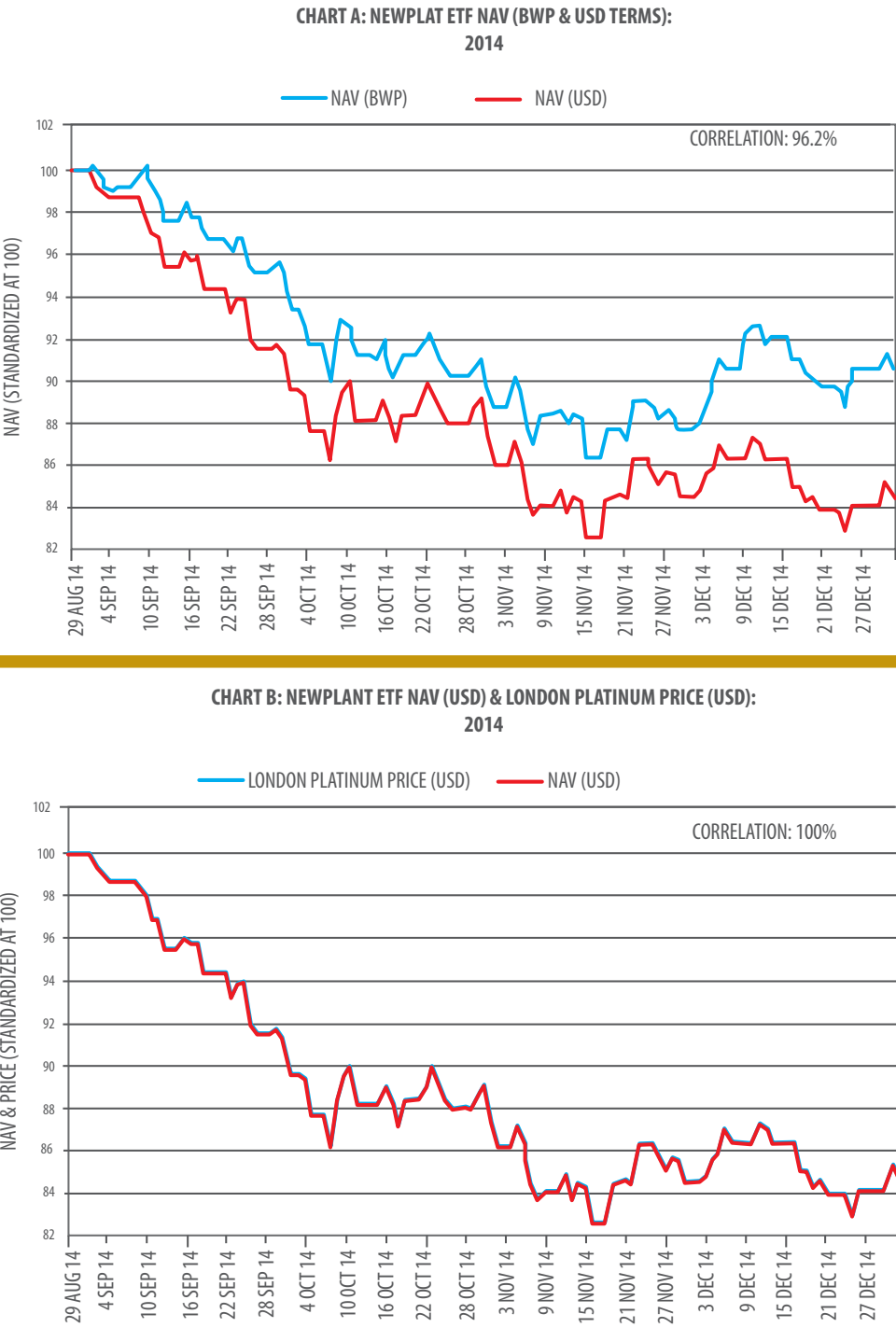
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2014
NewPlat ETF^{Note 1}					
Turnover (P)	-	-	21,311,993	5,195,442	26,507,435
Average Daily Turnover (P)	-	-	968,727	83,797	315,565
No. of Units Traded	-	-	170,870	44,218	215,088
NewPlat Price (P)	-	-	-	123.70	111.20

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

Source: BSE

Chart A of Figure 27 shows the performance of the NAV in Pula and in USD terms. The NAV of the NewPlat ETF depreciated by 9.2% in Pula terms whereas the NAV in USD terms declined by 15.4%. Further, it is noted that the correlation between the two NAV's in Pula and USD terms was 96.2% reflecting a high degree of efficiency in price discovery.

Figure 27: Performance of the NewPlat ETF and NAV: 2014

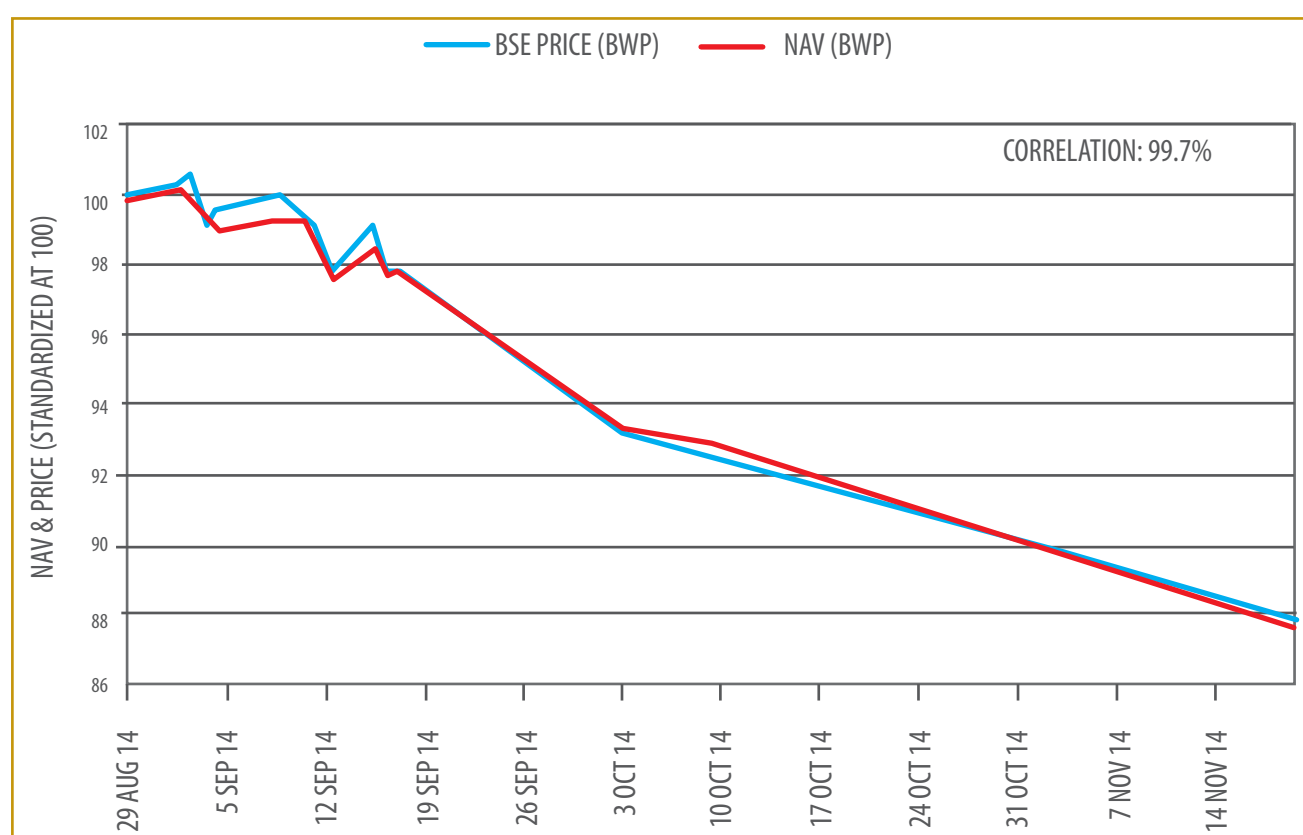


Souce: BSE, ABSA

The efficiency with which the NAV of the NewPlat ETF (in USD terms) tracks the price of Platinum is very high as can be deduced from Chart B of Figure 27 above. The correlation between the NAV and the price on the London Metals Exchange was 100% in 2014.

During the days that the NewPlat ETF has traded on the BSE, the correlation between the price on the BSE and the NAV in Pula terms was 99.7%, an indication that price discovery of the ETF is efficient when it has traded. This is illustrated in Figure 28 below.

Figure 28: Price Discovery in the NewPlat ETF on the BSE and the NAV of the ETF (BWP)



Source: BSE, ABSA

Liquidity and Efficiency of Price Discovery in the ETF Market

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 at relatively low transaction costs. The extent of the efficiency in price discovery in ETFs over a period of 3 years is detailed in Figure 29. This has been computed using the Mean Price Differential (MPD) and MPD relative to average price of the ETFs on the JSE, which is the primary market and is only based on closing prices on the days that the ETFs traded on the BSE.

Figure 29: Efficiency of Price Discovery Based on Traded Prices

Company	2012		2013		2014	
	MPD (P)	MPD/Avg.Price (%)	MPD (P)	MPD/Avg.Price (%)	MPD (P)	MPD/Avg.Price (%)
NewGold ETF	0.93	0.76	0.85	0.74	0.75	0.69
BettaBeta ETF	0.36	1.00	0.38	1.00	0.32	0.77
NewPlat ETF	Not Listed	Not Listed	Not Listed	Not Listed	0.98	0.80

Source: BSE, I Net BFA

As can be seen from Figure 29, the price discovery of the NewGold ETF and the BettaBeta ETF has improved over the past 3 years.

If the overall efficiency in price discovery is considered, the NewGold ETF ranks on top with the BettaBeta ETF and the NewPlat ETF being second and third respectively. This conclusion is based on the Mean Price Differential relative to the average price of the ETFs over the days they have traded in 2014.

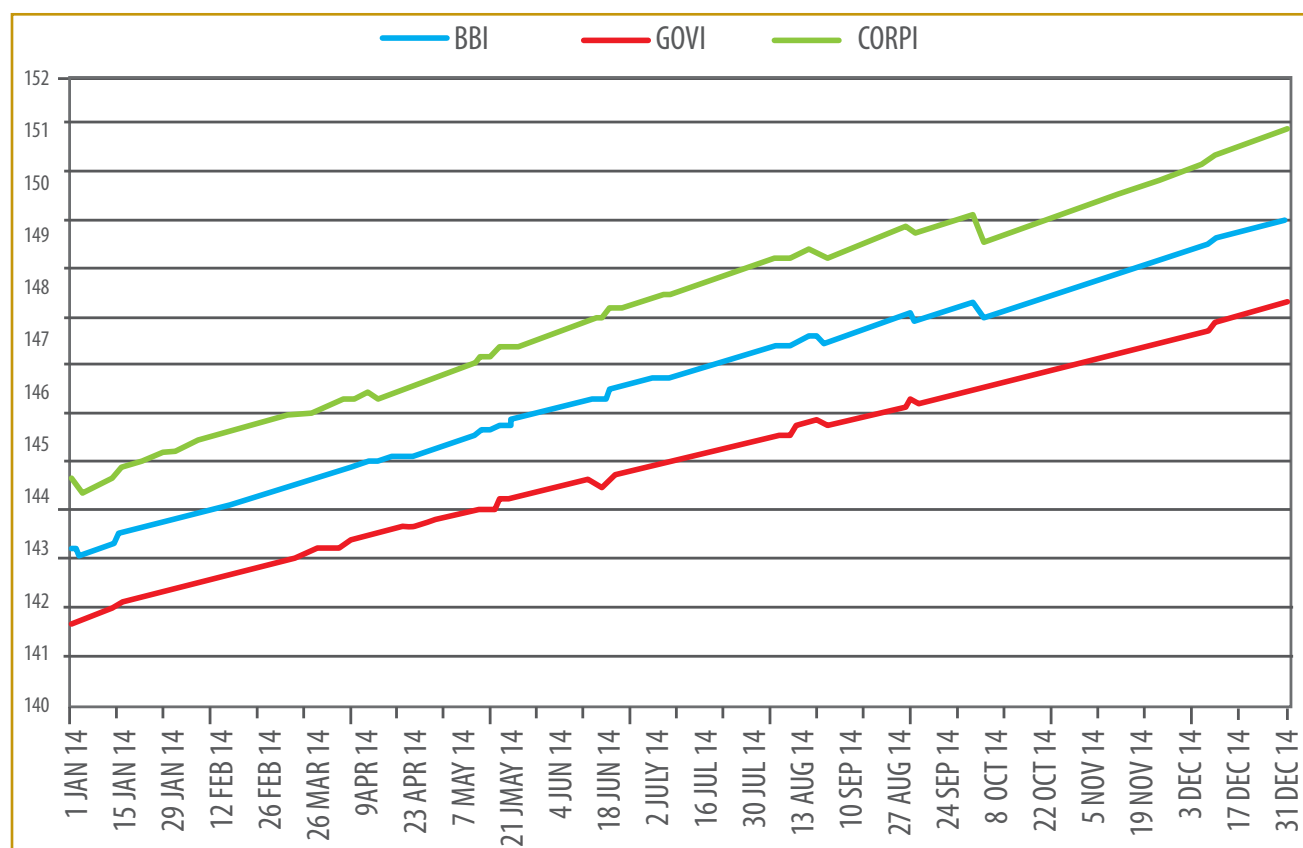
5 PERFORMANCE OF THE BOND MARKET

5.1 Performance of Bond Indices

Figure 30 below depicts the performance of the BSE bond indices between 1 January 2014 and 31 December 2014. During this period, the BBI registered a return of 4.4%, whilst the GovI and the Corpl appreciated by 4.3% and 4.6% respectively.

Interest rates in 2014 remained stable due to the Monetary Policy Committee (MPC) leaving interest rates unchanged on the back of a stable inflationary outlook which was within the Bank of Botswana's targeted range.

As can be noted from Figure 30, the Corpl reflected an increase in interest rates in September 2014. This was due to a marginal rise in the 91 day BoBC rate from 3.21% to 3.22% on 3 September resulting in a decrease in floating rate bond prices, and consequently the Corpl. The BBI, being equally weighted between the GovI and the Corpl, reflected the change in Corpl to a lesser extent.

Figure 30: Performance of the BSE Bond Indices: 2014

Source: BSE

5.2 Analysis of Bond Market Activity

The total value of bonds traded in 2014 amounted to P323.5 Mn, compared to P94.6 Mn in 2013. All trades were on account of Government bonds as was the case in 2013. There were no trades in corporate bonds. As can be noted from Figure 31, trading activity was dominated by the BW 003 bond which recorded a turnover of 225.5 Mn in 2014. This represents 69.7% of the total trades recorded in the bond market in 2014.

The high liquidity in BW003 is attributed to its shorter period to maturity. This bond will mature on 31 October 2015.

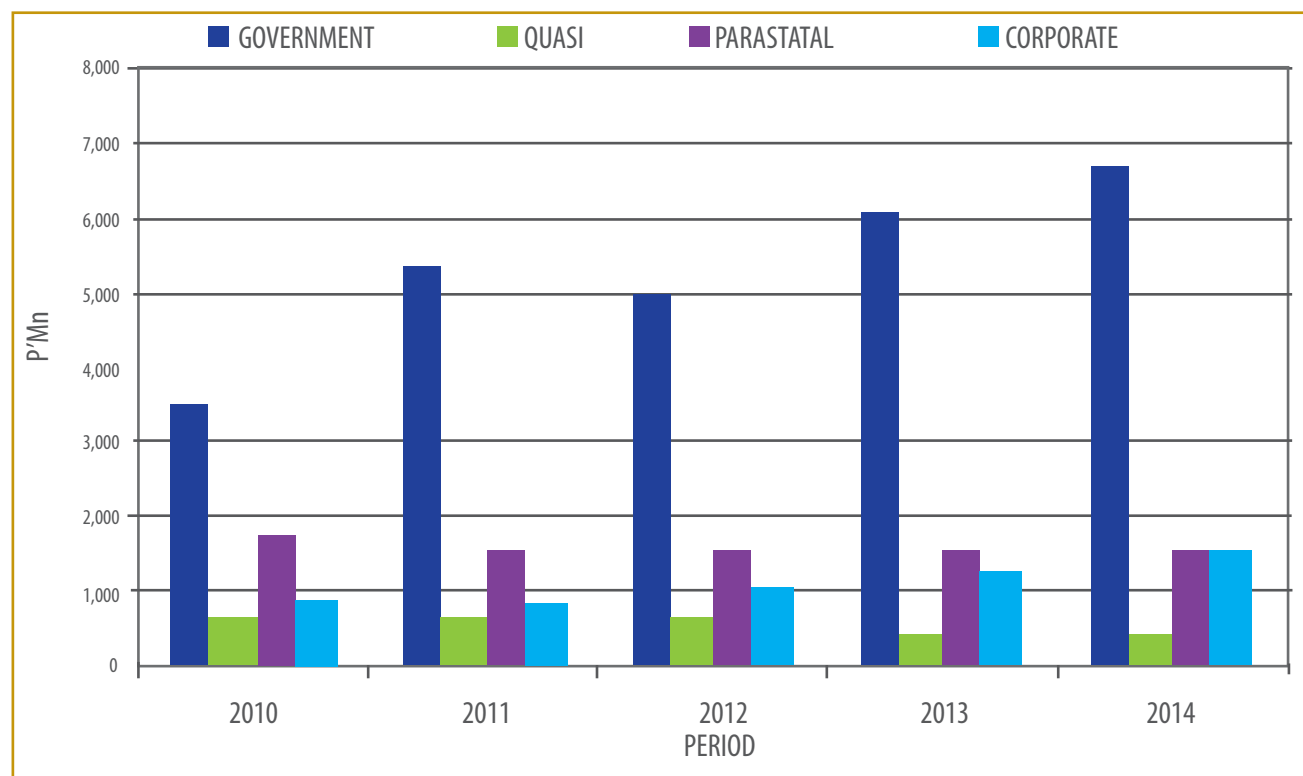
Figure 31: Quarterly Analysis of Bond Trades: 2014

	Value Traded (P'Mn)				Contribution to Turnover (%)
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	
Government					
BW 003	7.6	5.1	4.8	208.0	69.7
BW 005	6.6	5.7	0.5	-	4.0
BW 007	31.9	0.7	0.3	1.9	10.8
BW 008	5.5	1.5	0.3	-	2.2
BW 010	2.7	0.5	0.0	-	1.0
BW 011	33.9	5.5	0.3	-	12.3
TOTAL	88.3	19.0	6.3	209.9	100.0

Source: BSE, BoB

5.3 Debt Market Capitalisation and Issuer Profile

The total number of bonds listed on the BSE as at the end of 2014 stood at 37 in comparison to 35 in 2013. Figure 32 below details the growth of the debt market capitalization analysed by issuer profile since 2010. The total nominal debt market capitalisation of the bonds listed on the BSE amounted to P10.1 Bn in 2014 in comparison to P9.3 Bn in 2013. The increase in market capitalization is attributable to a net issue of P867.2 Mn in government and corporate bonds. This comprises a total tap issuance of P646.0 Mn of Government bonds under the P15 Bn Note Programme, three new listings of corporate bonds amounting to P321.2 Mn and the maturity of one corporate bond amounting to P100.0 Mn.

Figure 32: Debt Market Capitalization (Nominal Values) by Issuer Category: 2010 to 2014

Source: BSE

6. MARKET INDICATORS

6.1 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.

Figure 33: Market Indicators for Domestic Companies Listed on the BSE: 2010 to 2014

Domestic Companies	2010	2011	2012	2013	2014	5 YR AVG
Market indicators						
P/E Ratio (times)	10.8	10.2	9.2	11.5	13.2	11.0
Dividend Yield (%)	4.9	5.2	4.9	4.1	2.2	4.3
Price/Book Value (times)	3.9	2.8	2.5	2.7	1.9	2.8

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

Source: BSE

The P/E ratio for the market is computed by dividing market capitalization by total earnings (profits) of listed companies. As can be seen from Figure 33, the BSE's market P/E ratio continued to rise in 2014 which is an indication that the share prices of listed companies in overall appreciated at a faster pace relative to the growth in their earnings. The BSE's P/E ratio was above the 5 year average at 13.2 times at the close of 2014 from 11.5 times at the close of 2013.

The Dividend Yield for the market took a dip reducing from 4.1% in 2013 to 2.2% in 2014 and the Price-to-Book Value also reduced to 1.9 times from 2.7 times in 2013. Both the Dividend Yield and the Price-to-Book Value of the market are below their 5 year averages.

6.2 Equity Market Capitalization

The size of domestic companies listed on the BSE and measured in terms of market capitalization continued to improve in 2014. The BSE's domestic market capitalization for equity was P46.2 Bn as at the end of 2014, an increase of 6.3% in comparison to P43.5 Bn in 2013.

The size of domestic companies relative to the size of the economy, indicated by the ratio of market capitalization to GDP, also increased in 2014 to 34.6% from 33.6% in 2013.

Figure 34: Market Capitalization and Relative Performance: 2010 to 2014

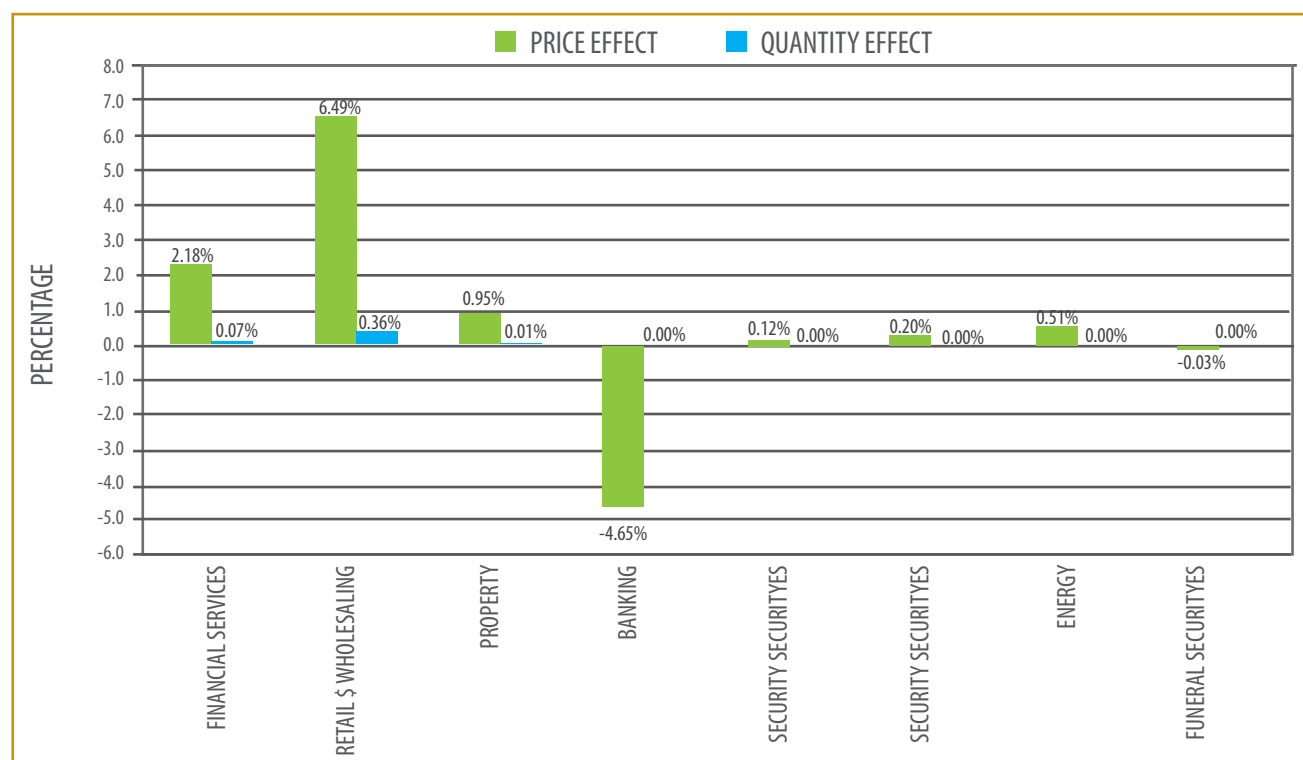
	2010	2011	2012	2013	2014
Market Capitalisation					
Domestic Companies (P'Mn)	26,245.7	30,694.3	35,530.8	43,457.6	46,209.9
Foreign Companies (P'Mn)	408,380.3	380,909.5	376,818.2	373,132.8	371,946.8
Total (P'Mn)	434,626.0	411,603.8	412,349.0	416,590.4	418,156.7
Relative Performance ^{Note 1}					
Domestic Market Cap/GDP (%)	33.1	28.8	30.8	33.6	34.6
Turnover/Domestic Co Market Cap (%)	3.5	3.5	2.7	5.9	4.9
Turnover/All Co Market Cap (%)	0.2	0.2	0.2	0.6	0.5

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

Source: BSE, Statistics Botswana

As can be seen in Figure 35, the increase in market capitalization in 2014 is attributed to the impact of a price effect of 5.9% and a quantity effect of 0.4%. This is consistent with the developments in the market in 2014 where overall share prices grew modestly and there was neither a major corporate action nor a delisting. The price effect contributed 93.3% of the percentage change in market capitalisation in 2014 in comparison to a contribution of 85.9% to the change in market capitalisation in 2013.

Figure 35: Estimated Price and Quantity Effect on the Growth of Domestic Market Capitalization for Equity: 2010 to 2014



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

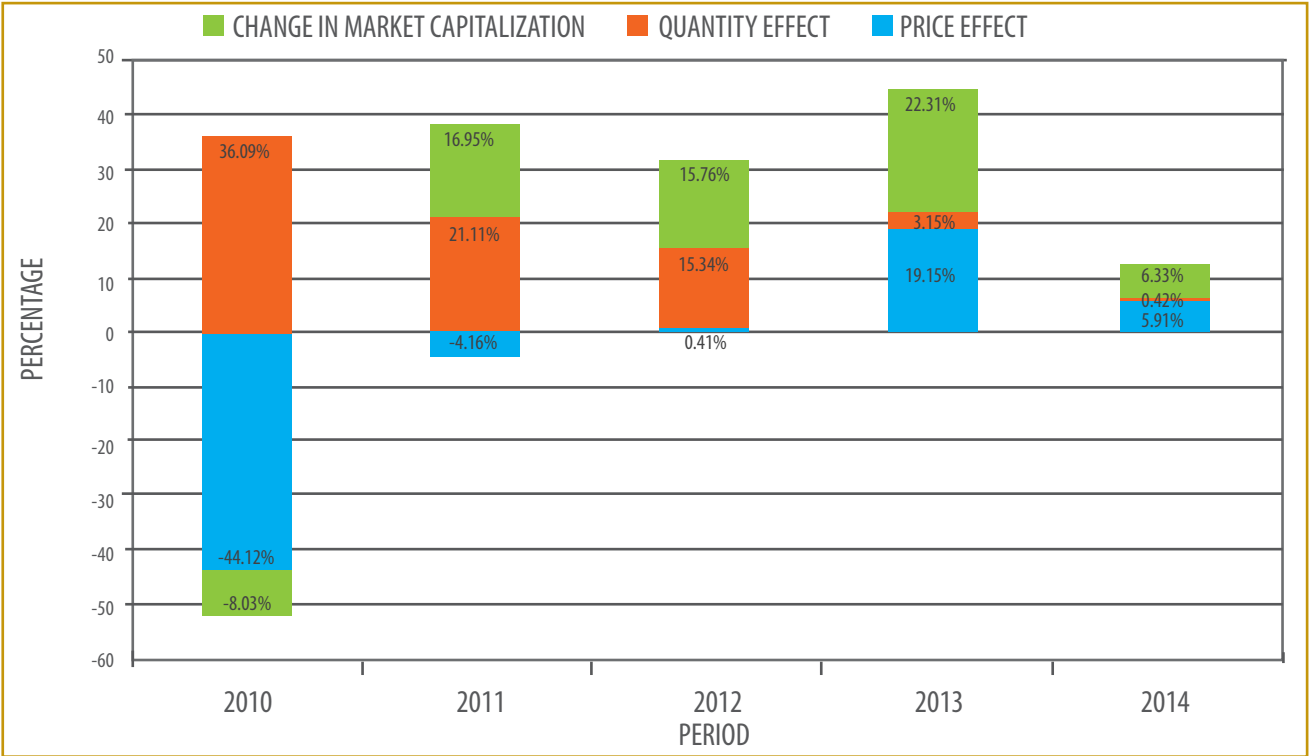
Quantity Effect = Change in Quantity* Base Price/Base Market Capitalization %

% Change in Market Capitalization = Price Effect + Quantity Effect

Source: BSE

A similar analysis can be done at sector level by estimating the price of each sector from the sector's total securities and total market capitalization in order to study the impact of price and quantity of each sector on the change in market capitalization. This has been done for 2014 alone as depicted in Figure 36 below. At sector level, the Retail & Wholesaling sector contributed the largest price effect to the change in the domestic companies' market capitalization. This can be attributed to the impact of price changes of the sector constituents on the sector's total market capitalization, and consequently on the domestic companies' market capitalization. The Retail & Wholesaling sector constituents performed very well in terms of share price movements and this can also be seen in Figure 37. The Banking sector had a negative price effect on the change in the domestic companies' market capitalization as a result of negative returns in the share prices of FNBB and Barclays in 2014.

Figure 36: Sectoral Analysis of Estimated Price and Quantity Effect on the Growth of Domestic Market Capitalization for Equity: 2014

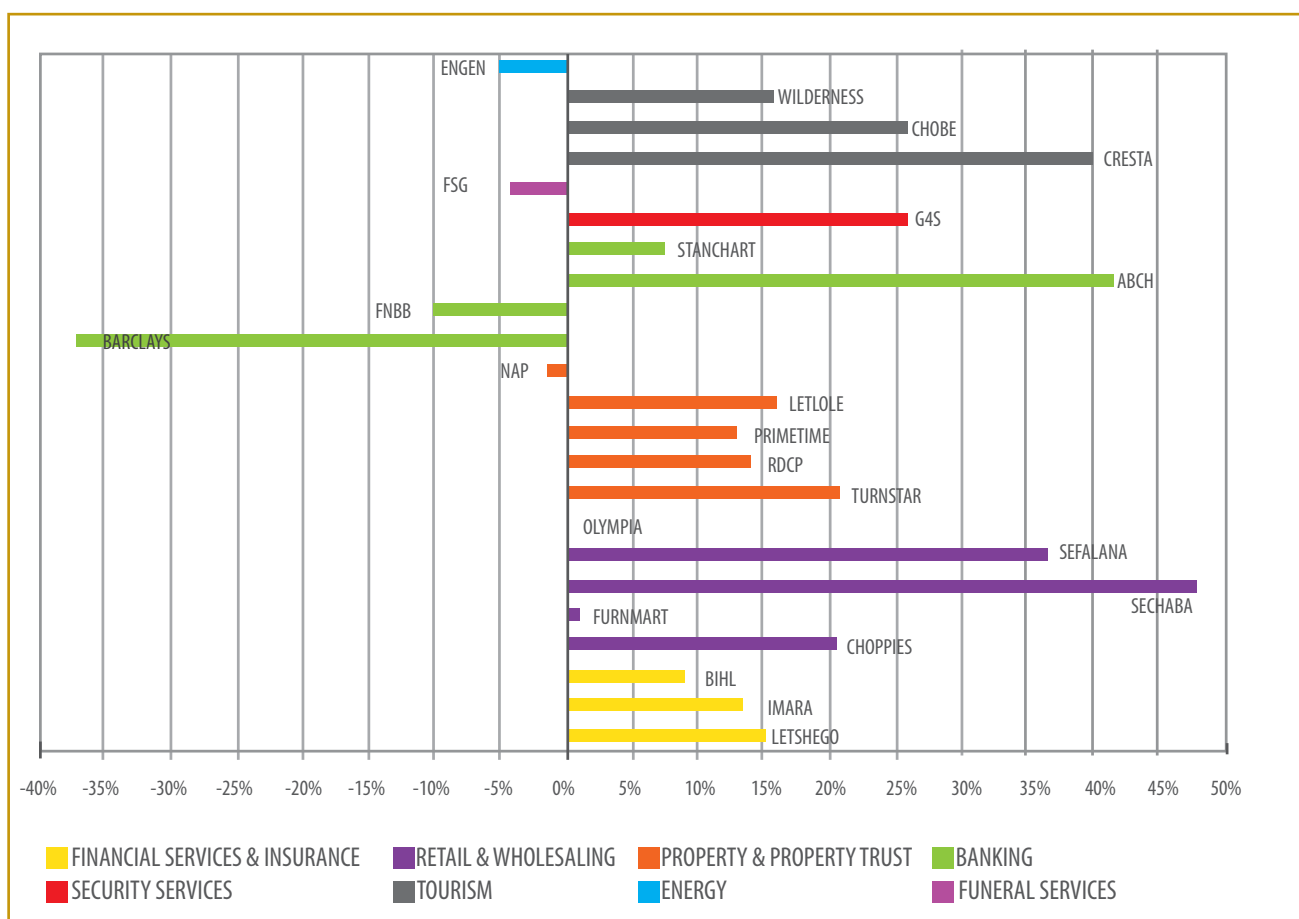


Price Effect = Current Quantity* Change in Price/Base Market Capitalization %
Quantity Effect = Change in Quantity* Base Price/Base Market Capitalization %
% Change in Market Capitalization = Price Effect + Quantity Effect
Source: BSE

6.3 Price Changes for Domestic Companies

In 2014, a higher number of listed companies experienced movements in their share prices. Figure 37 shows that prices of 17 companies appreciated whereas 5 companies recorded declines in share prices and 1 remained unchanged. The price performances in 2014 fared almost the same in comparison to performance in 2013 where share prices of 18 companies appreciated whilst those of 5 companies declined.

The Financial Services & Insurance sector and the Retail & Wholesaling sector ended the year with all constituent stocks recording gains in share prices. In the Property & Property Trust sector, only New African Properties (NAP) registered a decline in its share price. Sechaba was the highest gainer with the share price appreciating by 47.9% in 2014. It is noted that in 2013 the highest gainer was Sefalana whose share price appreciated by 107.1%.

Figure 37: Price Changes of the Domestic Companies: 2014

Source: BSE

7 COMPARISON WITH SELECTED MARKETS

7.1 Relative Valuations

It has been noted that the BSE's Price-to-Earnings Ratio (P/E Ratio) ended the year 2014 at 13.2 times which is below that of the JSE but above that of the SEM. Whilst the P/E Ratios of both the JSE and the SEM have increased over the past years, that of the BSE has remained below the two for some years.

A lower P/E ratio of the BSE is indicative of the BSE's competitiveness when compared to JSE from a valuation perspective. However, the exploitation of the competitiveness is a function of liquidity and in the case of the BSE liquidity is still lower than that of peer markets despite the improvement in liquidity in the past two years. Whilst valuations can be appealing to foreign investors, the BSE can lose its appeal on the basis of low liquidity. However, as detailed in Section 3.6, trading activity in 2014 was dominated by foreign institutional investors and this indicates that Botswana is a sought after market in spite of the inconvenience of low liquidity.

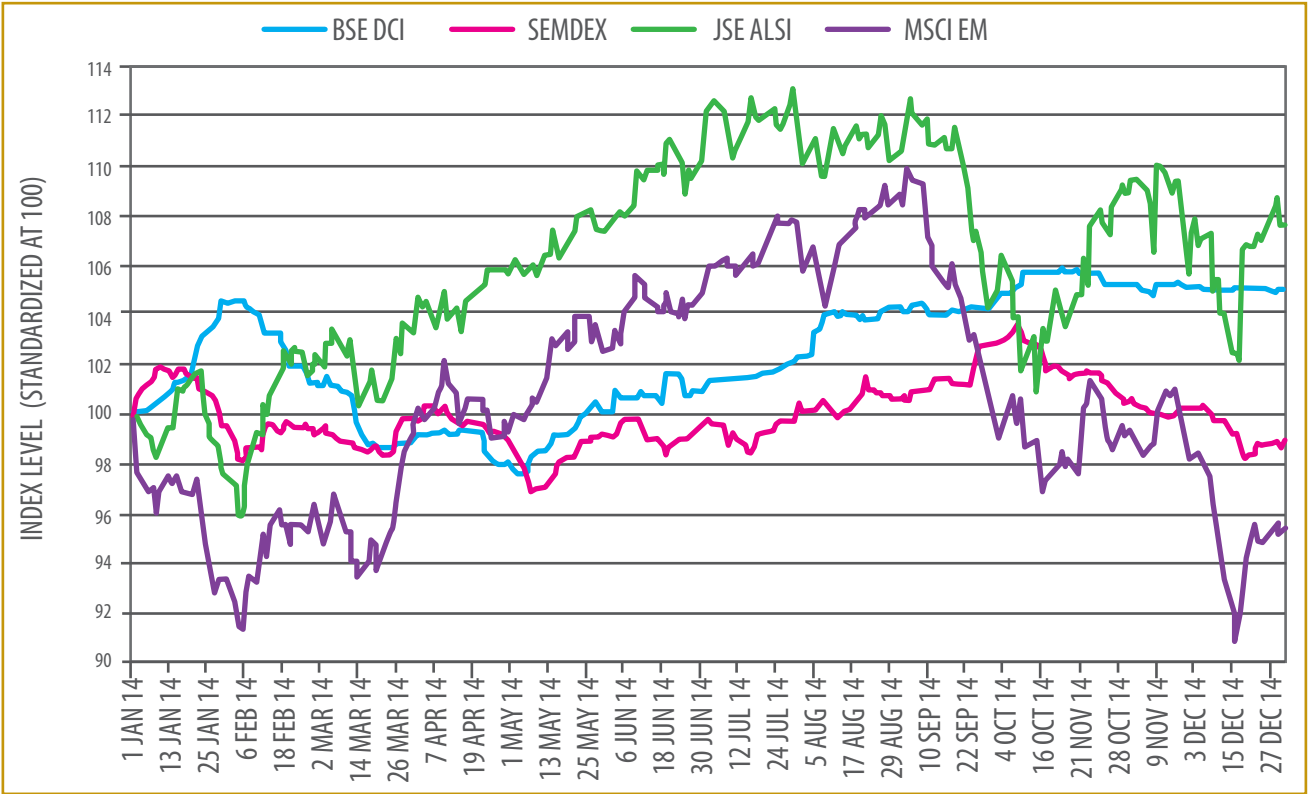
Figure 38: Comparative Performance with Other SADC Stock Exchanges: 2013 and 2014

	Index Change (%)		P/E Ratio (times)	
	2013	2014	2013	2014
Johannesburg Stock Exchange	17.8	7.6	18.6	17.0
Stock Exchange of Mauritius	21.0	(1.0)	14.2	9.9
Botswana Stock Exchange	20.5	5.0	11.5	13.2

Source: BSE & I-Net BFA

Figure 39 presents the performance of the DCI relative to other indices in domestic currencies. In 2014, the DCI was the second best performer amongst the indices reviewed ahead of the SEMDEX and the MSCI Emerging Markets Index with an appreciation of 5.0%.

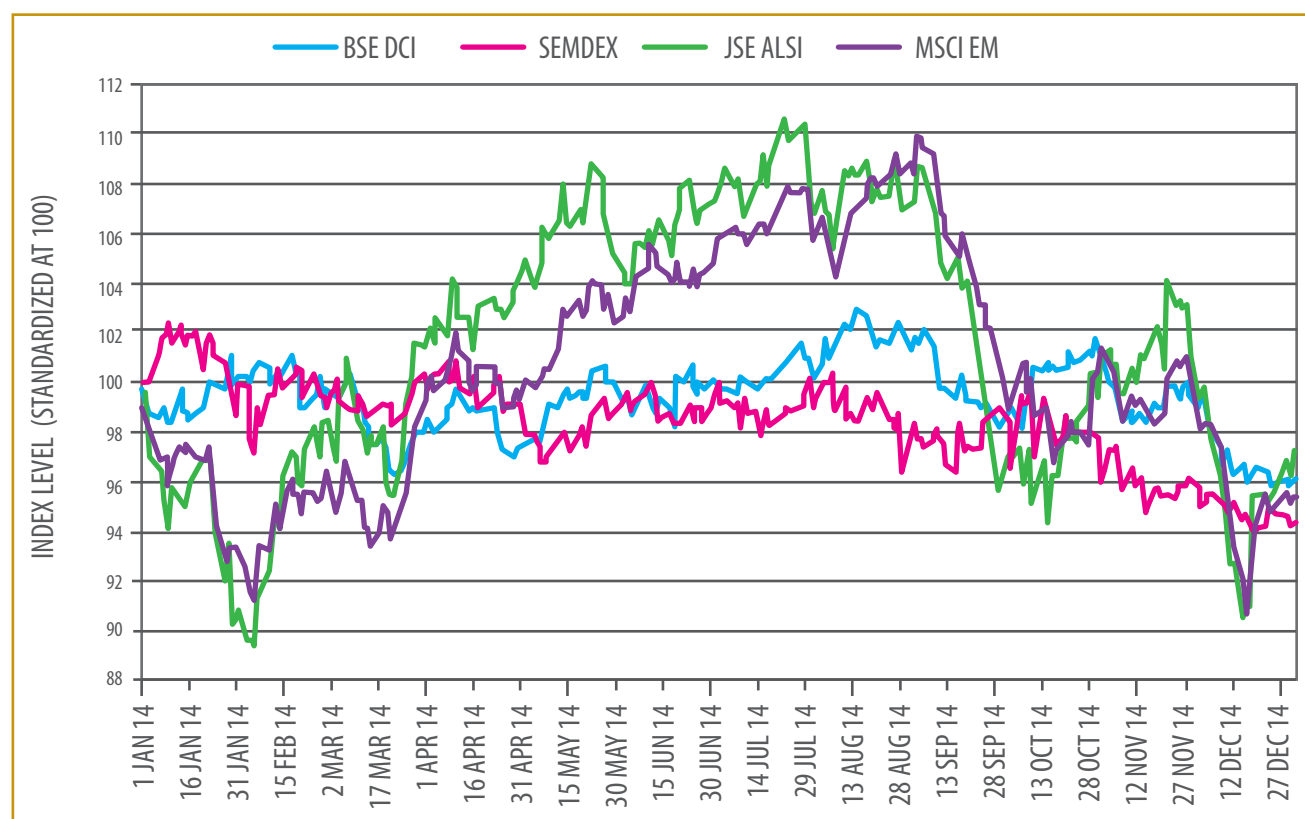
Figure 39: Comparative Performance of DCI with other African Markets and MSCI Emerging Markets Index: (Domestic Currencies)



Source: BSE, I-Net BFA

An analysis of the 4 indices in US Dollar terms is detailed in Figure 40. During the period under review the DCI depreciated by 3.8% in US Dollar terms in comparison to an appreciation of 5.0% in Pula terms, due to the depreciation of the Pula by 8.4% against the US Dollar. The SEMDEX depreciated by 5.6% in US Dollar terms as a result of the depreciation of the Mauritian Rupee by 4.8% in 2014. In comparison, both the JSE ALSI and MSCI Emerging Markets Index depreciated by 2.7% and 4.6% respectively.

Figure 40: Comparative Performance of DCI with other African Markets and MSCI Emerging Markets Index: (US Dollar Terms)



Source: BSE, I-Net BFA

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 onset 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 41.

As detailed in Figure 41, the DCI has recovered 56.4% 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 179.4% and 125.4% respectively.

Figure 41: Comparative Performance of Indices since the Financial Crisis

INDEX	Steepest Decline Since 13-Sep-08		Recovery to 31-Dec-14	13-Sep-08 to 31-Dec-14	Jan to Dec 2014
	% Change	Date Recorded	(%) Change	(%) Change	(%) Change
JSE ALSI	32.0	20-Nov-08	179.4	90.3	7.6
SEMDEX	44.4	03-Mar-09	125.4	25.4	(1.0)
BSE DCI	24.4	13-May-09	56.4	17.5	5.0
BSE FCI	57.6	12-May-09	45.0	(38.5)	(0.4)

Source: BSE, I-Net BFA

7.2 Footprints

In order to assess the development of the Exchange over time and in comparison to peer markets the BSE has plotted its “footprint” from 2009 by making reference to 4 variables.

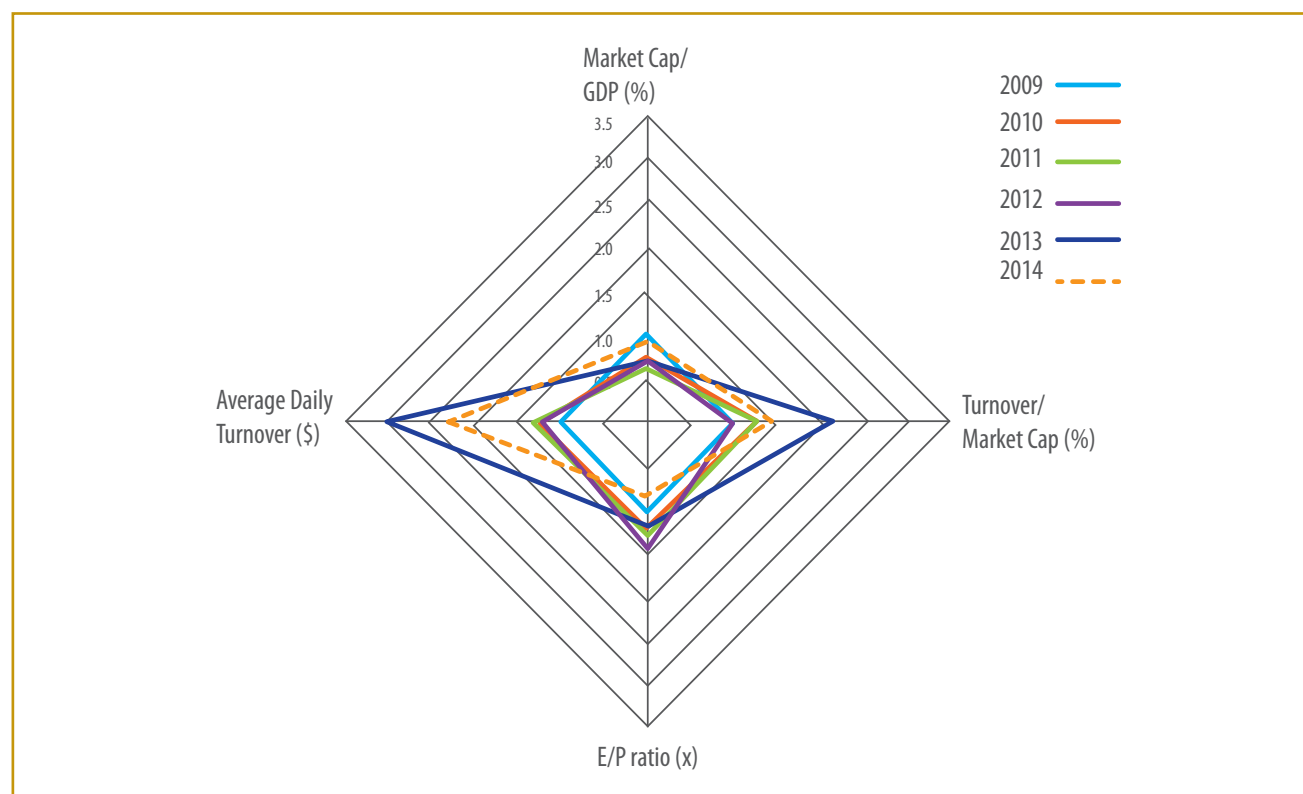
The footprint for the purpose of the analysis is computed taking into account relative size of the market (measured by Market Capitalization/GDP), turnover (measured by Average Daily Turnover), liquidity (measured by Turnover/Market Capitalization) and value (measured by the reciprocal of the P/E ratio). The footprint of the BSE overtime relative to 2009 is presented in Figures 42 and 43.

As can be seen from Figures 42 and 43, 2013 still stands out as the best year from a development perspective. The second best performance was generated in 2014, where liquidity was at very high levels relative to the other years with the exception of 2013. As can be seen on Figure 42, 2014 stands out as the year in which the Market Capitalization to GDP ratio was 97% of that registered in 2009, the base year.

Figure 42: BSE Footprint in Relation to 2009

	2009	2010	2011	2012	2013	2014
Market Cap/GDP (%)	1.00	0.76	0.62	0.72	0.71	0.97
Turnover/Mkt Cap (%)	1.00	1.26	1.25	0.98	2.12	1.39
E/P Ratio (x)	1.00	1.21	1.28	1.41	1.13	0.82
Average Daily Turnover (P)	1.00	1.5	1.32	1.18	3.03	2.29
Area of footprint	2.00	2.48	2.44	2.30	4.76	3.29
Relative Area of Footprint in relation to 2009 (x)	1.00	1.24	1.22	1.15	2.38	1.64

Source: BSE, Statistics Botswana

Figure 43: BSE Footprint: 2009 to 2014

Note 1: Market Capitalization/ GDP, Turnover/Market Capitalization. E/P ratio and Average daily turnover for 2009 were standardized to 1 and the BSE's footprint for 2010 to 2014 was compared to the standardized footprint for 2009.

Source: BSE, Statistics Botswana

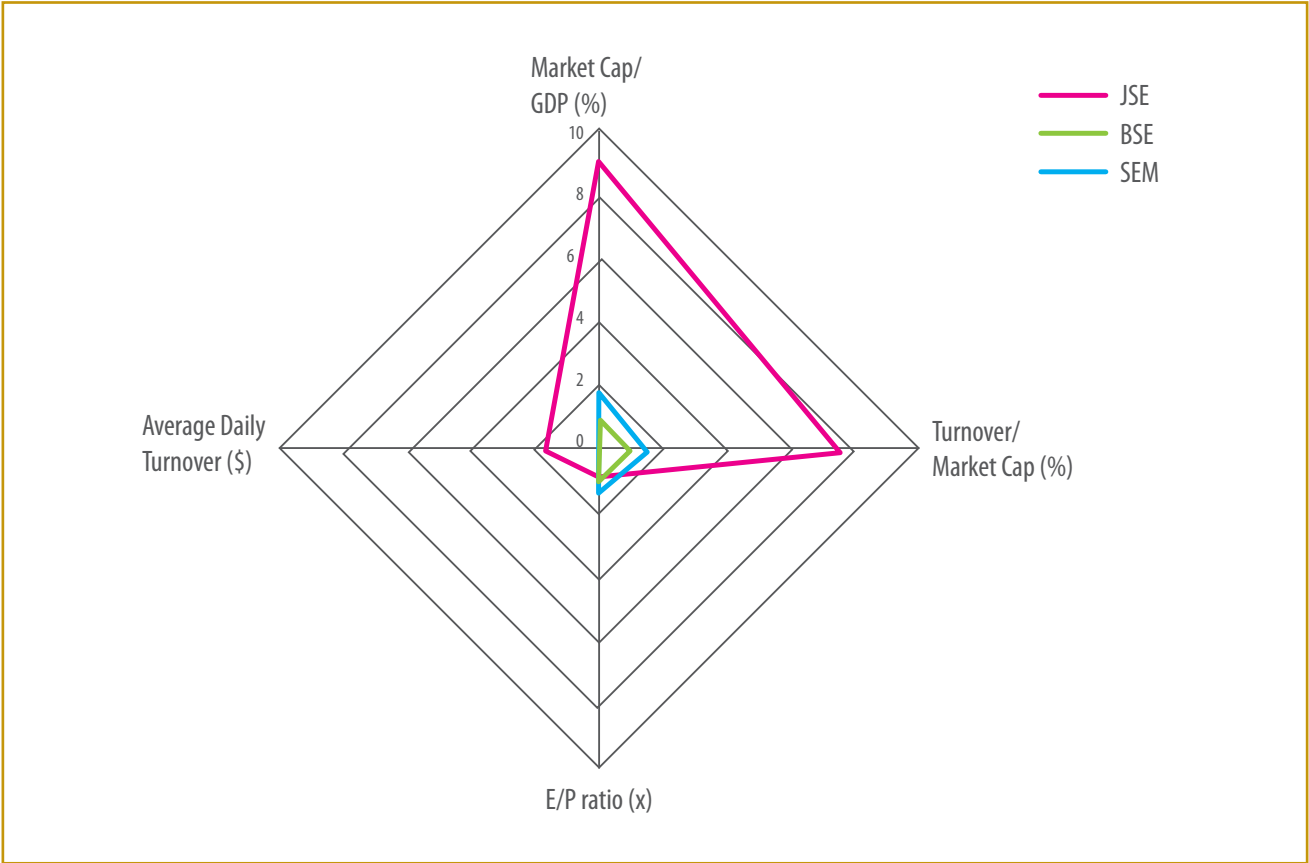
Figures 44 to 46 detail the footprint of the BSE in relation to the footprint of the JSE and SEM in 2014.

Figure 44: BSE Footprint Relative to JSE & SEM: 2014

2014	BSE	JSE	SEM
Market Cap/GDP (%)	1.00	9.02	1.84
Turnover/Mkt Cap (%)	1.00	7.44	1.48
E/P Ratio (x)	1.00	0.78	1.33
Average Daily Turnover (\$)	1.00	1,546.45	2.15
Area of footprint	2.00	7,610.68	5.76
BSE footprint in relation to JSE and SEM (%)	100.00	0.03	34.72

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

Figure 45: BSE Footprint in Relation to JSE & SEM: 2014



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

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

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

As can be seen from Figures 44 and 45, the footprint of the BSE reduced significantly in 2014 relative to that of SEM. This can be attributed to the reduction of turnover and liquidity in 2014 relative to 2013 by 14.9% during which period the SEM increased its Liquidity by 45.0%, in US Dollar terms. Consequently, the gains made in 2013 where the footprint of the BSE had increased twofold in relation to the footprint of the SEM, from 35.1% in 2012 to 72.8%, were reversed in 2014.

As can be noted in Figure 46 above, the footprint of SEM was more than two times that of the BSE in 2014. In other words the footprint of the BSE was 34.7% the footprint of the SEM. If the performance of the Pula against the US Dollar is adjusted to mirror the depreciation of the Mauritian Rupee against the US Dollar, the footprint of the BSE would be 35.6% in 2014, way below the 72.8% in 2013.

Figure 46: BSE Footprint in Relation to JSE & SEM: 2009 to 2014

	2009	2010	2011	2012	2013	2014
BSE relative to SEM (%)	27.44	33.41	24.44	35.07	72.76	34.7
BSE relative to JSE (%)	0.03	0.02	0.01	0.01	0.03	0.03

Source: BSE, Statistics Botswana

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

In order for the BSE to continue to compete at a continental and global level, it is imperative that its size and liquidity grows. This can be achieved through various means. In particular, the growth in the domestic private sector can assist in this process. Given Botswana's economic structure and the role the Government plays in the economy, the privatization of Government owned entities through the BSE would be the much needed catalyst to grow both the size and liquidity of the Exchange. The benefits of this approach are not limited to the enterprises being privatized and the BSE alone, but will flow to other companies listed on the Exchange, the investors and thus to the economy as a whole.

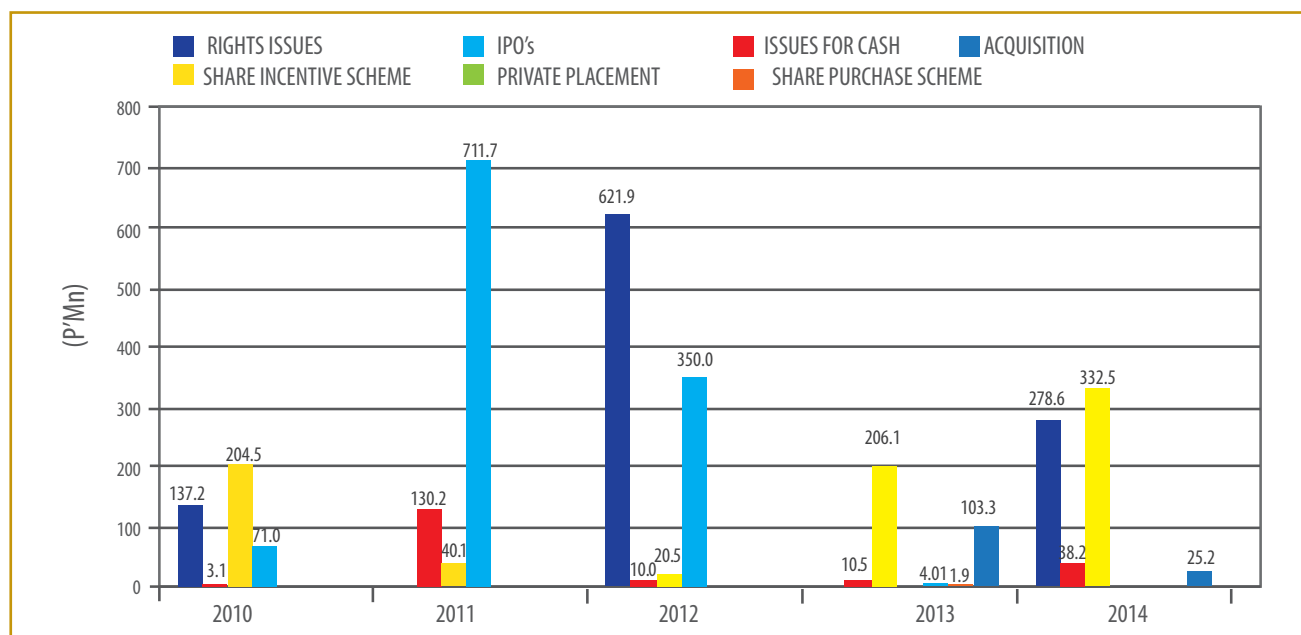
8. PRIMARY MARKET ACTIVITY

8.1 Equity

Magnum Gas & Power Ltd, a coal bed methane and petroleum explorer with prospecting licenses in Botswana and coal seam gas tenements in New South Wales Australia, was listed on the BSE's Foreign Venture Capital Board on 1 December 2014. The company is primarily listed on the Australian Stock Exchange. Magnum listed a total of 850,375,705 shares at a reference price of 4 thebe per share.

Firestone Diamonds, delisted in 2014 compared to three companies in 2013, being Aviva Corporation, Hana Mining and RPC Data.

In 2014, listed companies raised a total of P674.5 Mn through additional share listings. The breakdown of the funds raised is detailed in Figure 47.

Figure 47: Capital Raised Through the Equity Market: 2010 to 2014

Source: BSE

The listing of BTCL which was expected in 2014 was postponed to 2015.

8.2 Bonds

8.2.1 Government Bonds

The Bank of Botswana (BoB) held four Government Note auctions in 2014 under the P15 Billion Note Programme. Details on additional issuances are presented in Figure 48 below.

Figure 48: Tap Issuances of Government Bonds: 2014

Bond Code	Additional Amount Issued (P'Mn)				Total Outstanding: 31 Dec 2014 (P'Mn)
	7 March	6 June	5 Sep	5 Dec	
BW003					1,642.0
BW005					1,233.0
BW007					1,295.0
BW008		25.0		50.0	933.0
BW010		100.0			718.0
BW011	149.0	93.0	87.0	142.0	870.0
TOTAL	149.0	218.0	87.0	192.0	6,691.0

Source: BSE

In the first auction of the year, held in March, BoB auctioned P150 Mn of BW011, of which P149 Mn was allotted. The bond was 1.9 times oversubscribed indicating increased demand for long term paper. In addition, a P340 Mn 6 month Treasury Bill was issued. The T-Bill was oversubscribed by 2.6 times and fully allotted.

On 6 June 2014, an amount of P558 Mn was raised in an auction comprising a 6 month Treasury Bill (P340 Mn) and three bonds comprising of BW008 (P25 Mn), BW010 (P100 Mn) and BW011 (P93 Mn). All securities were oversubscribed.

In the third auction on 5 September 2014, an amount of P427 Mn was raised in an auction comprising a 6 month Treasury Bill (P340 Mn), and BW011 bond (P87 Mn). The two securities were oversubscribed by 1.8 times and 1.6 times respectively.

BoB held the final auction of 2014 on 5 December 2014, offering an additional P50 Mn and P150 Mn of the BW008 and BW011 bonds as well as a six month Treasury Bill (P340 Mn). The BW008 was fully allotted with a subscription of 1.5 times but only P142 Mn of the BW011 was allotted even though the bond was 2.2 times oversubscribed. The Treasury Bill was 1.5 times oversubscribed but the BoB allotted only P199 Mn of the P340 Mn on offer.

8.2.2 Corporate Bonds

Three corporate bonds were listed in 2014 all of them being issuance by 2 commercial banks. One bond matured in the course of 2014.

Stanbic Bank Botswana Limited (SBBL) issued SBBL062 and SBBL063 on 10 October 2014 with a nominal value of P66.6 Mn and P98.6 Mn respectively. The SBBL062 bond is a 3 year floating rate bond that will mature on 15 October 2017 paying a quarterly interest rate linked to the Bank of Botswana 91 Day Certificate with a spread of 250 basis points or 2.5%. The SBBL063 bond pays a fixed semi-annual interest of 7.54% and is a 5 year bond maturing on 15 October 2019.

Barclays Bank Botswana also issued a fixed rate bond on 31 October 2014 that pays an interest rate of 8.0 % per annum. The BBB016 which is a 5 years bond due to mature on 31 October 2019 has a nominal value of P156.4 Mn and the interest is paid semi-annually.

The issues are detailed in Figure 49.

Figure 49: Corporate Bonds Listed in 2014

Bond Code	Amount Issued (P'Mn)	Maturity (Years)	Coupon Payment (%)
SBBL062	66.6	3	91 Day BoBC + 2.5%
SBBL063	98.6	5	7.54
BBB016	156.4	5	8.00

Source: BSE

A bond by Barclays Bank Botswana, BBB001, which was listed on 31 October 2002 matured on 30 October 2014. BBB001 was a 12 year bond of P100 Mn.

9 DEPARTMENTAL REVIEWS

9.1 CENTRAL SECURITIES DEPOSITORY (CSD)

9.1.1 Dematerialization Status of Equities

A marginal improvement of 0.6 percentage points was registered in 2014 in respect of the percentage of domestic companies' shares dematerialized in the CSD. As shown in Figure 50, 59.9% of domestic company shares were dematerialized as compared to 59.3% in 2013.

Figure 50: Dematerialization Status of Domestic Companies: 2013 and 2014

Security	2013		2014	
	% of Shares in CSD	Number of Shares in Issue	Number of Shares Deposited into CSD	% of Shares in CSD
ABCH	59.0%	256,885,694	81,166,683	31.6%
Barclays	29.7%	852,161,252	253,365,394	29.7%
BIHL	97.2%	281,070,652	273,467,956	97.3%
Chobe	40.0%	89,405,139	35,953,902	40.2%
Choppies	98.0%	1,174,207,583	1,151,492,427	98.1%
Cresta	26.4%	184,634,944	49,615,738	26.9%
Engen	28.9%	159,722,220	46,284,736	29.0%
FNBB	28.6%	2,563,700,000	733,602,033	28.6%
FSG	93.7%	120,875,000	112,997,263	93.5%
Furnmart	22.8%	606,446,080	138,566,840	22.8%
G4S	27.4%	80,000,000	22,038,580	27.5%
Letshego	98.3%	2,176,475,705	2,128,964,680	97.8%
Olympia	15.8%	28,600,000	4,525,987	15.8%
Primetime	64.5%	179,890,200	138,892,361	77.2%
RDGP	95.2%	222,182,055	219,577,387	98.8%
Sechaba	80.5%	133,014,875	107,703,245	81.0%
Sefalana	93.1%	222,868,186	209,429,275	94.0%
Stanchart	22.5%	298,350,611	67,131,383	22.5%
Turnstar	93.8%	572,153,603	537,116,186	93.9%
Imara	73.2%	59,113,641	40,898,007	69.2%
Wilderness	37.9%	231,000,000	95,676,656	41.4%
NewGold	100%	2,250,000	2,250,000	100.0%
BettaBeta	100%	3,450,000	3,450,000	100.0%
Letlole	68.2%	280,000,000	275,151,659	98.3%
NAP	15.0%	604,397,124	94,189,211	15.6%
MARKET	59.3%	11,383,254,564	6,823,907,589	59.9%

Source: CSD Botswana

Figure 51: Dematerialisation of Foreign Companies: 2013 and 2014

Security	2013		2014	
	% of Shares in CSD	Number of Shares on Botswana Registry	Number of Shares Deposited into CSD	% of Shares in CSD
A-Cap Resources	60.2%	663,327	402,219	60.6%
Firestone Diamonds	100.0%	Delisted	Delisted	Delisted
Botswana Diamonds	77.9%	4,247,654	3,698,508	87.1%
Lucara Diamonds	98.2%	21,452,574	21,270,510	99.2%
African Energy	100.0%	1,966,492	1,692,171	86.1%
Galane Gold	100.0%	3,800	3,800	100.0%
Shumba	74.9%	178,290,477	147,259,261	82.6%
Discovery Metals	Not Dematerialized	29,363,635	19,767,462	67.3%
Magnum	Not Listed	1,500,000	1,500,000	100.0%
MARKET	78.0%	237,487,959	195,593,931	82.4%

Source: CSD Botswana

As at the end of 2014 dematerialization of foreign company shares in the Botswana registry was 82.4% in comparison to 78.0% in 2013.

9.1.2 Progress on Account Opening

The number of authorised accounts opened by clients in the CSD (excluding joint accounts) was 21,663 as at December 2014 in comparison to 20,027 in 2013.

Figure 52: Status of CSD Accounts as at December: 2013 and 2014

Client Classification	2013	2014							
	TOTAL	SBB	MOTS	CAPS	AA	SCBB	STAN	FNBB	TOTAL
Foreign Companies	2,006	38	83	31	5	1,779	262	0	2,198
Foreign Individuals	398	394	402	199	31	0	0	0	1,026
Foreign Residents	985	198	165	53	11	0	0	0	427
Foreign Juniors	42	14	19	10	10	0	0	0	53
Local Companies	1,452	423	239	374	230	174	44	54	1,538
Local Individuals	14,213	6,427	4,262	4,063	670	0	0	0	15,422
Local Juniors	931	396	285	286	32	0	0	0	999
Total	20,027	7,890	5,455	5,016	989	1,953	306	54	21,663

Source: CSD Botswana

9.1.2. CSDB Client Holdings

Figure 53: CSDB Client Holdings by Client Category

	2013				2014			
Client Suffix	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Local Company	62.3%	66.2%	63.4%	62.6%	61.2%	62.0%	62.2%	61.8%
Foreign Company	17.9%	18.4%	19.7%	24.9%	26.3%	25.6%	25.5%	26.3%
Local Individual	15.6%	14.0%	15.6%	11.2%	11.3%	11.1%	11.0%	10.9%
Other Clients	4.2%	1.4%	1.3%	1.3%	1.2%	1.3%	1.3%	1.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: CSD Botswana

As detailed in Figure 53, local citizens dominate the overall holdings on the CSDB. Holdings by foreign institutional investors, especially by UK citizens continued to rise in 2014 as compared to 2013 whilst the holdings by US citizens declined.

Figure 54: CSDB Client Holdings by Geography

	2013				2014			
Domiciles of Clients	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Local Citizens	80.9%	80.3%	79.1%	73.9%	72.5%	73.1%	73.3%	72.7%
US Citizens	6.4%	5.8%	6.1%	6.5%	5.4%	5.0%	4.9%	5.0%
UK Citizens	5.0%	4.1%	4.9%	7.2%	5.8%	6.7%	7.4%	7.6%
SADC Region	7.7%	9.8%	9.9%	12.4	7.8%	5.4%	6.3%	6.3%
Other Regions	80.9%	80.3%	79.1%	73.9%	8.5%	9.8%	8.1%	8.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: CSD Botswana

9.1.3 Project to Implement Full Dematerialization

In December 2014, NBFIRA approved the BSE's request to make dematerialization of securities listed on the BSE compulsory. The advantages of 100% dematerialization are that it reduces the risk of fraud and forgery associated with physical share certificates, ensures that information on shareholding is readily available from the CSDB and also allows investors to trade anytime and from anywhere by simply instructing the brokers without the need to deposit certificates in the CSDB.

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.

Dematerialization of listed securities 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 BSE and CSDB that Botswana too can benefit from this initiative.

Full dematerialization will pave the way for CSDB to venture into areas such as the provision of custodial services and registry services. It will also provide for a repository of information that will enable the BSE to introduce products such as Securities Borrowing and Lending.

The dematerialization project is expected to be completed in the last quarter of 2015. The project to implement full dematerialization involves sensitizing investors of the advantages and the process of dematerialization.

9.2 MARKET DEVELOPMENT

Figure 55: Presentations Conducted by the BSE: 2014

Date	Organisation	Place	No. of Participants <i>Note 1</i>
2/5/2014	Media Briefing	In-house - BSE	19
2/7/2014	Livingstone Kolobeng College	Gaborone	195
3/11/2014	Ikageng Primary School	Gaborone	23
3/12/2014	Tsogang Primary School	Gaborone	20
3/14/2014	Galaletsang Primary School	Gaborone	22
3/17/2014	Ben Thema Primary School	Gaborone	27
3/18/2014	Botswana Public Service College	Gaborone	25
3/21/2014	Central Resource Centre, Tlokweng	Tlokweng	19
3/22/2014	NBFIRA Roadshow	Gaborone	50
3/25/2014	Directorate of Public Service Management	Gaborone	80
3/25/2014	Mabutsane Department of Health	Mabutsane	65
3/28/2014	Boitekanelo College	Gaborone	160
4/2/2014	UB Finance Society (Finance and Banking Day)	Gaborone	1,200
9/4/2014	Bothlale Cambridge Senior Secondary School	Gaborone	19
10/4/2014	Botswana Accountancy College	Gaborone	80
15/4/2014	Institute of Health Sciences - Gaborone	Gaborone	41
25/4/2014	Gaborone Sun Financial Wellness Day	Gaborone	300
3/5/2014	Evangelical Lutheran Church	Gaborone	15
6/5/2014	BDF (Defence Command and Staff College)	Gaborone	50
7/5/2014	Department of Surveys and Mapping	Gaborone	63
9/5/2014	Gaborone City Council Investment Workshop	Gaborone	38
22-5/5/2014	BOCCIM Northern Trade Fair	Francistown	550
24/6/2014	In-house Presentation	Gaborone	15
7-13/7/2014	Gantsi Agricultural Show	Ghanzi	1,000
15/7/2014	In-house Presentation (BSE)	Gaborone	13
6/8/2014	The Market Pavillion Workshop	Gaborone	89
12/8/2014	Roads Training Centre	Gaborone	60
14-6/8/2014	NBFIRA Fair (Selibe Phikwe)	Selibe Phikwe	140
25-1/8/2014	Consumer Fair	Gaborone	2,100
17/10/2014	Serowe	Serowe	103
22/10/2014	Mahalapye	Mahalapye	201
19/11/2014	World Group of Companies	Gaborone	18
24/11/2014	BDF	Gaborone	53
25/11/2014	Accounting General Francistown	Francistown	53
29/11/2014	HRDC	Gaborone	26
13/11/2014	Shoshong Fair	Shoshong	0
TOTAL			6,932

Note 1: Figures in italics are estimates

Source: BSE

9.2.1 Marketing Strategies to Attract Local Retail Investors

The BSE continued to pursue its market development initiatives which are aimed at promoting awareness about investment opportunities on the BSE in order to improve retail investor participation in the stock market. The BSE conducted public presentations to various institutions and participated in a number of exhibitions and trade fairs to further this objective. As detailed in Figure 55, 6,932 members of the public attended the presentations conducted by the BSE in 2014. The BSE also conducted a press briefing in February 2014 at which members of the media were updated about the BSE strategy and operational plans for the year.

9.2.2 Social Media, Radio and Television Programmes

As one of the strategies to attract investors, the BSE began a project to improve its visibility by erecting bill boards and utilising social media to reach out to investors. A television programme *"Who is Your Genius"*, also airs on Botswana Television (BTV). This is an educational programme about the stock market that is undertaken through a quiz competition. 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 people. The BSE also presents information on market performance every Tuesday evening on the *"First Issues"* television programme on BTV and also on RB1's programmes of *"Sefalana sa Papadi"* every Monday and *"Tsele le Tsele"* every Friday and again on RB2 *"Business Fortune"* every Friday.

9.2.3 Finance & Investment Senior Secondary Schools Competitions

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

In 2014, 8 schools competed in the finals in comparison to 4 schools in 2013. As noted above, the BSE strongly believes that students are investors of tomorrow. Hence, it is vital to promote financial awareness at secondary school level to cultivate a well-informed investment culture amongst young people.

9.2.4 Corporate Social Responsibility (CSI)

The BSE continued with the *"Adopt a School"* project in 2014, by installing computer facilities at the two primary schools it adopted in 2013 - Boitumelo Primary School in Sebele and Xakao Primary School Shakawe.

In 2014, the CSI initiative was expanded to cover other entities. As a corporate citizen, the BSE contributed to the realisation of one of the pillars of Vision 2016, of *"a caring and passionate nation"*, by hosting a modest Christmas party for the patients at Mahalapye District Hospital.

BSE contributed P10, 000 to the MFDP building of toilets project at Tshootsa Post Office during the year under review.

9.3 PRODUCT DEVELOPMENT

9.3.1 NewPlat ETF Listing

Absa Capital of South Africa listed the NewPlat ETF on the BSE on 29 August 2014. The ETF primarily listed on the JSE in April 2013. NewPlat ETF tracks the price of platinum. This ETF is the third to be listed on the BSE following the successful launch of the NewGold ETF and BettaBeta ETF which were listed in July 2010 and May 2011 respectively.

9.3.2 Fixed Income Courses

The BSE conducted a course titled *"Understanding Financial Markets"* on 13 and 14 March 2014 and again on 21 and 22 May 2014 attended by 17 and 16 participants respectively. A course on *"Introduction to Money Markets and Bonds"* was conducted on 18 and 19 June 2014 at which 16 candidates participated.

The course on *"Introduction to Money Markets and Bonds"* is part of the BSE debt market development strategy and is primarily aimed at promoting skills development amongst market participants. The course on *"Money Markets and Bond Valuation"* was held on 20 and 21 August 2014 with the participation of 15 delegates. The training on *"Yield Curves and Swap Curves"* was attended by 11 participants from 23 to 25 September 2014.

The courses were conducted in conjunction with Geometric Progression, a skills development company specializing in providing finance related services, registered in Botswana and accredited by the Botswana Qualifications Authority (BQA) as a training institution. The response from market participants has been positive and the courses are scheduled to continue in 2015.

9.3.3 Trading Bonds Using the ATS

The BSE formulated debt instrument pricing conventions and standard bond market conventions for the Botswana market in 2012, in consultation with market participants. Following this, the BSE engaged Bank of Botswana (BoB) to motivate the trading, clearing and settlement of debt instruments to be centralized at the BSE.

At present the trading of bonds is fragmented resulting in inefficiencies in pricing and access. The BSE's initiative will centralize the trading of bonds and provide a means for deepening the capital market. Further, retail investors will be provided an opportunity of accessing the stock market for the purchase of bonds.

The BSE has appraised both MFDP and BoB of its thinking and the advantages of this initiative to increase the breadth and depth of the capital markets. BoB has communicated to the BSE that the issue is being considered under the National Payment Strategy and that BoB acknowledges the importance of creating an efficient and liquid bond market.

Much like the impact that the ATS had on the development of the equity market, centralizing the trading of bonds using the infrastructure of the BSE and CSDB will result in improving the liquidity in the bond market and make bonds accessible to retail investors. It would also be possible to introduce repurchase agreements as a future development in order to enhance liquidity of the bond market.

9.3.4 Establishing Botswana as a Regional Financial Hub

The BSE intends to optimise Botswana's competitive advantages by establishing Botswana as a regional financial hub. The strategic intent is to position the BSE as a gateway to regional and international financial markets given its many competitive advantages. The strategy underscores the need to utilize the BSE as a platform for the trading of international financial instruments. Following the Main Committee's approval in January 2015 to explore this initiative, the BSE has commenced discussion with institutions that could assist in this venture.

This initiative will assist local fund managers optimize risk and returns given that Botswana presently exports 60% to 70% of contractual savings without creating value locally.

9.3.5 Introduction of CFDs

The BSE's Main Committee gave approval in January 2015 for the BSE to conduct due diligence and explore the feasibility of implementing Contracts for Difference (CFDs). This is seen as an avenue to broaden the product base and increase market depth. The BSE will continue to work on this initiative in 2015.

9.3.6 Audit of BSE Equity Indices

The BSE commenced the project to audit its family of 8 equity indices in December 2014. The project involved re-computation of the indices independently of the system used in the computation. The re-computed indices will be audited by an external party following which a restatement of indices will be undertaken, if the results so warrant. The project is meant to enhance the accuracy and credibility of BSE equity indices.

It is noted that for the BSE bond indices, an audit is conducted quarterly by an external party and a Bond Index Advisory Committee convenes quarterly to review the audit and to advice on various matters related to international best practice in respect of computation of bond indices.

9.4 LEGISLATION AND REGULATION

9.4.1 Amendment of the Listing Rules

The BSE has completed drafting the amended Equity Listing Rules. The purpose of amending the rules is to bring them up to date and make them user friendly. The rules took into account comments by stakeholders such as listed companies and Brokers whom the BSE consulted via workshops.

The Listing Rules were approved by the Main Committee in January 2015 and will be implemented subsequent to approval by NBFIRA.

9.4.2 Securities Act and BSE Transition Act

The Securities Act was approved by Parliament on 28 July 2014 and is currently awaiting a Commencement Order. The BSE Transition Act was approved by Parliament in November 2014 and is pending a Commencement Order.

Both the above Acts will have a positive and far reaching impact on the functionality of the capital market and the BSE itself as an organization.

The Securities Act is expected to commence once the Regulations referred to in the Act have been drafted.

The commencement date of the BSE Transition Act will be contingent on the finalization of the Constitution of the Exchange and the finalization of the model to convert Proprietary Rights held by Brokers and the Government subvention received by the Exchange into shares in the new company to be known as BSE Limited. The process in respect of both these initiatives are currently underway.

9.4.3 Launch of Exchange News (X - News)

In light of the BSE striving to introduce new products and services, with the overall aim of improving service delivery and facilities, the BSE launched the Exchange News (X-News) service on a trial basis on 1 August 2014. The system was implemented with effect from 1 September 2014.

X-News aims to streamline the dissemination of listed company information and news releases to the market, ensuring timely dissemination of stock market information. As at the end of 2014, X-News had 25 subscribers. This number is expected to increase overtime when investors appreciate the benefits of this product. The BSE also intends to add short message services (sms) as an additional service linked to X-News. X-News will pave the way for the BSE to be a repository of stock market related information over time.

9.4.4 Market - Making Rules

Having assessed the trading trends on the local bourse and in an attempt to identify possible impediments to the process and enhance market liquidity, the BSE decided to introduce Market Making. In recent years, the concept of market making has been introduced in other African Markets, with Nigeria leading its peers in this initiative.

A concept paper outlining the advantages of Market Making, as evidenced by successes in other markets was presented, and following its approval by the BSE Committee. Market Making Rules were drafted.

The Draft Rules were completed in January 2015, which was followed by a period of consultation with external stakeholders, which included market participants and institutions identified as potential Market Makers.

The BSE plans to host several workshops to further discuss the rules prior to their launch which is expected in the second half of 2015.

9.4.5 Compliance Workshop

The year saw the successful completion of a series of workshops focusing on the BSE Listings and Trading Requirements. The Listings and Trading Department found it imperative to introduce these workshops, aimed specifically at Compliance Officers of Listed Companies with the purpose of minimizing the occurrence of infringements on the part of listed companies. The primary purpose of the workshops was to educate and train Compliance officers on both the Listing Requirements and their importance.

These workshops took place in the first quarter of the year, and were supplemented by a series of workshops in the second quarter that aimed to educate officers on the New Listings Requirements and highlight changes implemented.

9.4.6 Serala OTC Board

The BSE initiated the introduction of the Serala Over-The-Counter (OTC) Board subsequent to the concept being approved by the BSE Committee. The objective of the OTC board is to provide an alternative to a listing for issuers that may not meet the relevant requirements at present but would desire to be listed at a future point in time.

9.5 INFORMATION TECHNOLOGY (IT)

9.5.1 Introduction of IT Policies

The BSE embarked on an exercise to formalise and document its IT Policies, Procedures and Processes. This exercise was motivated by the increase in the 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 and the project was completed in March 2014. A workshop for staff members in respect of the policies was conducted in August 2014 and the IT policies became effective on 1 September 2014, after approval by the BSE 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.

9.6 FINANCE & ADMINISTRATION

9.6.1 Getting Ready for Demutualization

From their inception, both the BSE and Central Securities Depository of Botswana (CSDB) have not been capitalized and have been dependent on a subvention from Government to meet the shortfall in revenue in order to meet expenditure.

A five year budget was drafted in 2014 with the objective of evaluating interventions required for the BSE and CSDB to function on a "for-profit basis". This was done in preparation for the enactment of the BSE Transition Bill leading to the demutualization of the Exchange.

Recommendations on the interventions were forwarded to NBFIRA for approval.

9.6.2 Financial Performance of the Group

The Group (BSE & CSDB) revenue decreased by 0.8% in 2014. This was mainly due to the marginal decline of turnover that were experienced in 2014 in comparison to 2013. The average daily turnover was P8.8 Mn in 2014 in comparison to P9.3 Mn recorded in 2013.

The assets of the Group grew by 33% in 2014. This was due to profits earned in 2014.

BSE's capital from inception was limited to Proprietary Rights issued to Brokers and has had to be bolstered with subventions from Government. However, since 2011 BSE has not had to depend on the subvention given that revenue earned from operations has been adequate to meet its expenses.

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

The Group's administrative expenses increased by 9.7% in 2014. Information Technology which is regarded as a development expenditure accounted for 15% of the total costs in 2014 in comparison to 7.8% in the previous year. This is due to the addition of the maintenance costs of the ATS implemented in August 2012.

It is important to recognise that the potential of the ATS has to be exploited if its benefits are to surpass its costs. This process has already commenced as evident from a comparison of the turnover realized pre and post ATS implementation. However, the potential needs to be sustained and developed further.

As a result of its financial performance, the Group's cash position increased by an impressive 38%.

Figure 54: Financial Performance of BSE: 2010 to 2014

	2010			2011			2012			2013			2014		
	P'000			P'000			P'000			P'000			P'000		
	BSE	CSDB	CONSOL	BSE	CSDB	CONSOL	BSE	CSDB	CONSOL	BSE	CSDB	CONSOL	BSE	CSDB	CONSOL
INCOME															
Commission Income	2,620	1,940	4,560	2,699	2,021	4,720	2,507	1,783	4,290	6,192	4,667	10,859	5,840	4,407	10,247
Listings and Annual Sustaining fees	8,335	-	8,335	12,635	-	12,635	16,777	-	16,777	13,048	-	13,048	13,325	-	13,325
Other Income	34	206	240	504	441	945	76	512	588	47	535	582	606	531	1,137
Income from Operations	10,989	2,146	13,135	15,838	2,462	18,300	19,360	2,295	21,655	19,287	5,202	24,489	19,771	4,938	24,709
Government Subvention	1,591	934	2,525	4,039	3,037	7,076	3,145	4,143	7,288	5,025	4,263	9,288	5,700	7,300	13,000
Interest Income	326	98	424	247	72	319	452	30	482	1,339	113	1,452	1,876	318	2,194
Total Income	12,906	3,178	16,084	20,124	5,571	25,695	22,957	6,468	29,425	25,651	9,578	35,229	27,347	12,556	39,903
EXPENDITURE															
Development Expenditure Note 1	1,356	633	1,990	799	746	1,545	1,492	741	2,233	1,643	975	2,618	3,313	1,079	4,392
Administrative Expenditure	10,318	2,810	13,128	11,762	3,074	14,836	10,277	3,463	13,740	13,596	4,150	17,746	13,511	4,444	17,955
Total Expenditure	11,674	3,443	15,117	12,561	3,820	16,381	11,769	4,204	15,973	15,239	5,125	20,364	16,824	5,523	22,347
Profit/(Loss)	1,232	(265)	967	7,563	1,751	9,314	11,188	2,264	13,452	10,412	4,453	14,865	10,523	7,033	17,556
Less: Subvention Received	1,591	934	2,525	4,039	3,037	7,075	3,145	4,143	7,288	5,025	4,263	9,288	5,700	7,300	13,000
Profit/(Loss) without Subvention	(359)	(1,199)	(1,558)	3,524	(1,286)	2,239	8,043	(1,879)	6,164	5,387	190	5,577	4,823	(267)	4,556
Less: Interest Received	326	98	424	247	72	319	452	30	482	1,339	113	1,452	1,876	318	2,194
Profit/(Loss) without Subvention & Interest	(685)	(1,297)	(1,982)	3,277	(1,358)	1,920	7,591	(1,909)	5,682	4,048	77	4,125	2,947	(585)	2,362
Extent to which Income from operations															
meet administrative expenditure	100%	76%	100%	100%	80%	100%	100%	66%	100%	100%	100%	100%	100%	100%	100%
Extent to which Income from operations															
meet total expenditure	94%	62%	87%	100%	64%	100%	100%	55%	100%	100%	100%	100%	100%	89%	100%
Note 1: Development expenditure consists of Market Development and IT Expenditure.															

9.7 HUMAN RESOURCE DEVELOPMENT

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

9.8 REGIONAL COOPERATION AND PARTICIPATION AT CONFERENCES

The Committee of Southern African Exchanges (COSSE) held several meeting in 2014. The BSE participated in meetings held in Mauritius in May 2014 and Johannesburg in September 2014.

BSE was represented at the OECD forum on African Public Debt Management & Bond Market which was held in July 2014.

CSDB was represented at the African and Middle East Depository Association (AMEDA) meeting in Bahrain in November 2014.

10. APPRECIATION

The BSE has reached an important milestone in its history with the enactment of the BSE Transition Act and the Securities Act. The support received from MFDP and NBFIRA on the journey thus far is greatly appreciated.

The Bank of Botswana has been available at all times to discuss issues of mutual interest on payment & settlement systems and possible developments in the bond market. We thank them for their support during the year and trust that our discussions will result in more developed and liquid bond markets.

I wish to thank the Chairperson, Ms. Regina Vaka, the BSE Main Committee and sub-Committees for the guidance received and their contributions to the several development initiatives that have taken place over the past year.

The BSE cannot and does not function in a vacuum. I acknowledge the support received from Member Firms, Stockbrokers, Participants of CSDB, Nominated Transfer Secretaries, Settlement Bank, Listed Companies, Investors, Fund Managers and all stakeholders.

As stated in the report "Sustaining the Momentum" is more about a change in corporate culture. This requires our greatest asset - our staff, contributing their mite to the might of the BSE.

As Lee Iacocca stated *"In the end, all business operations can be reduced to three words; people, product and profits. Unless you've got a good team, you can't do much with the other two"*.

The efforts of each staff member in driving the BSE and CSDB forward is gratefully acknowledged. I count on their continued support to take the BSE from success to success.

I have been the CEO of the BSE since July 2006. I decided to terminate my contract of employment as CEO with effect from 31 December 2015 due to personal circumstances warranting my presence in Sri Lanka for much of my time.

It is said that when Dr. David Livingstone died, his heart was buried in Africa. In my case I cannot do so, but Botswana will always have a special place in my heart wherever I am. The many thousands of photographs I have taken of this country and its wildlife will ensure that I never forget Botswana which was my home for more than 9 years.



Mr. Hiran Mendis
Chief Executive Officer



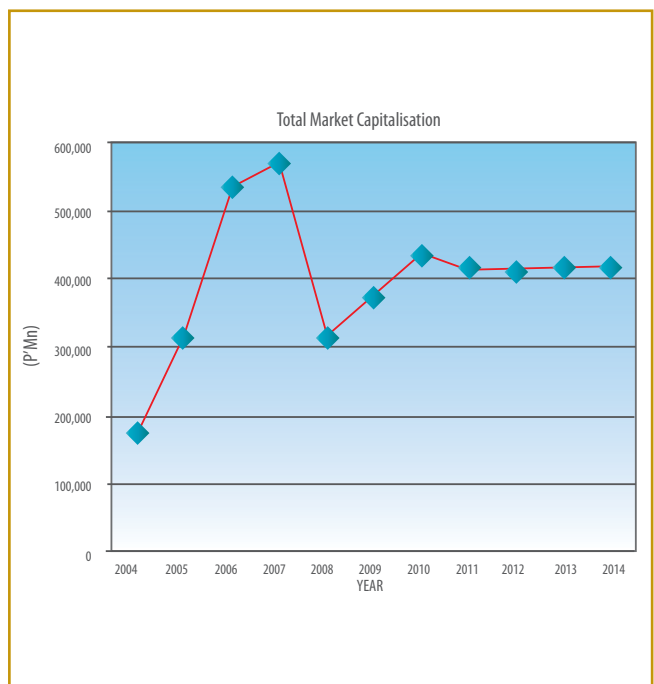
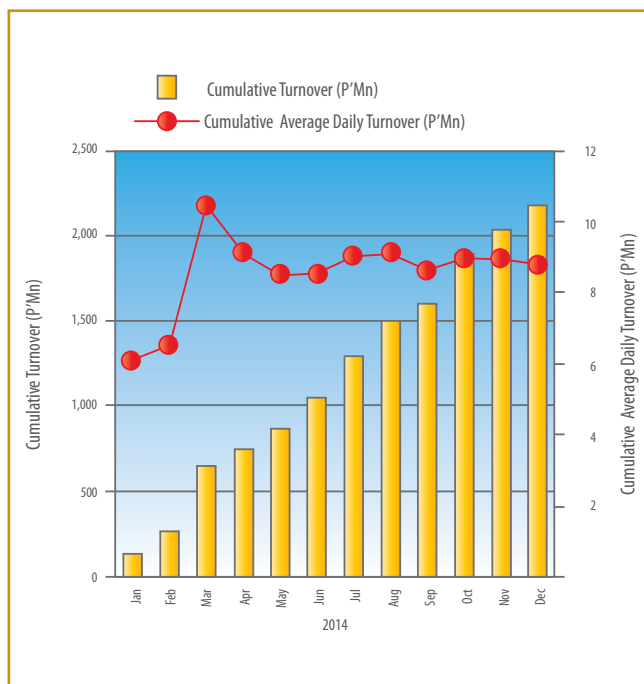
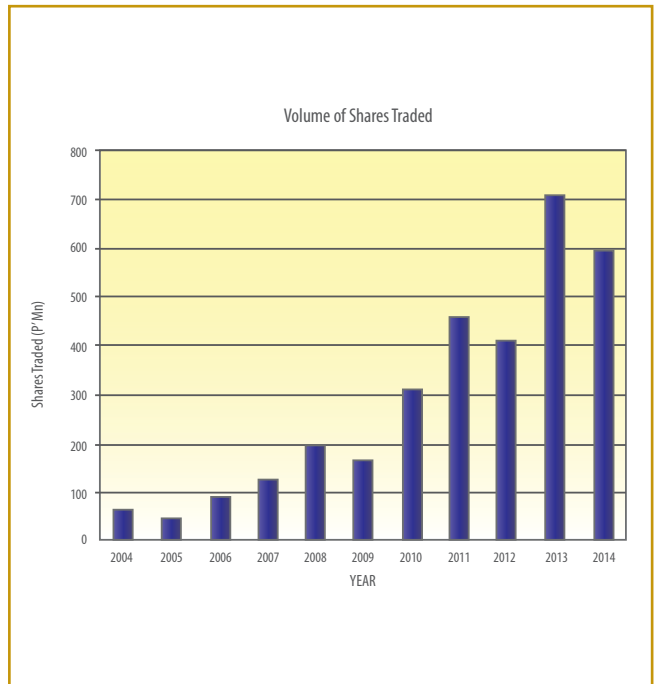
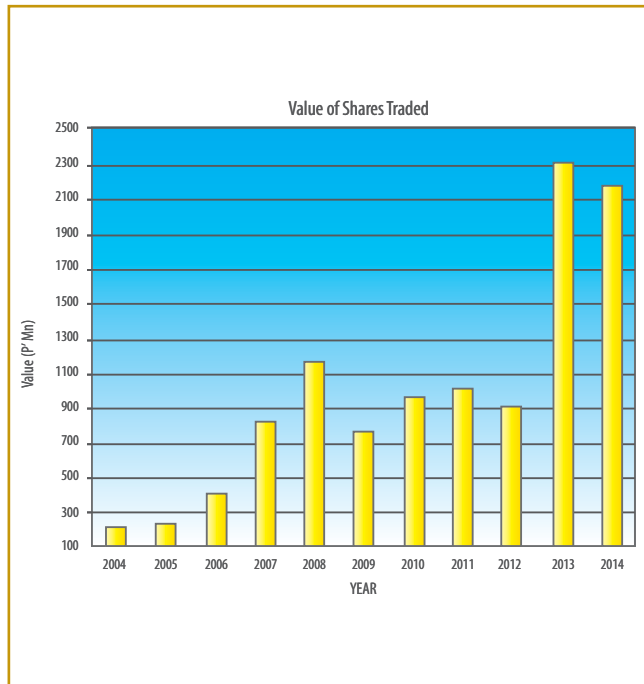


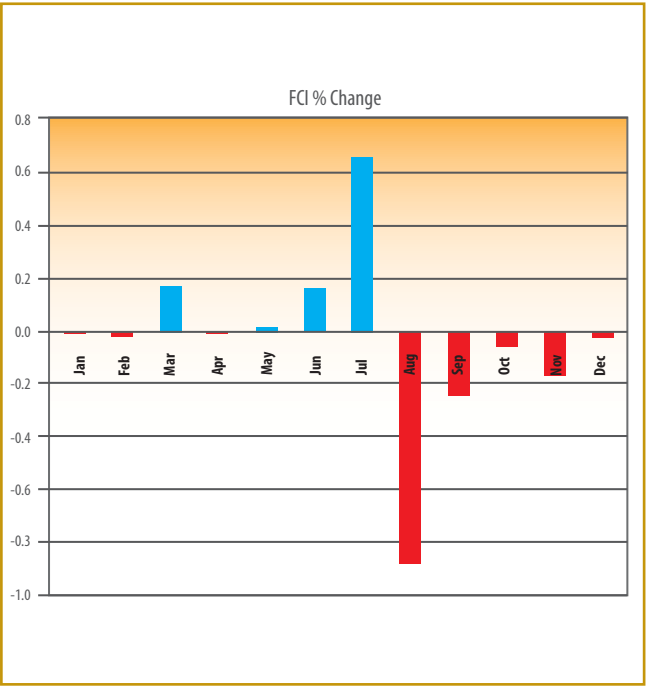
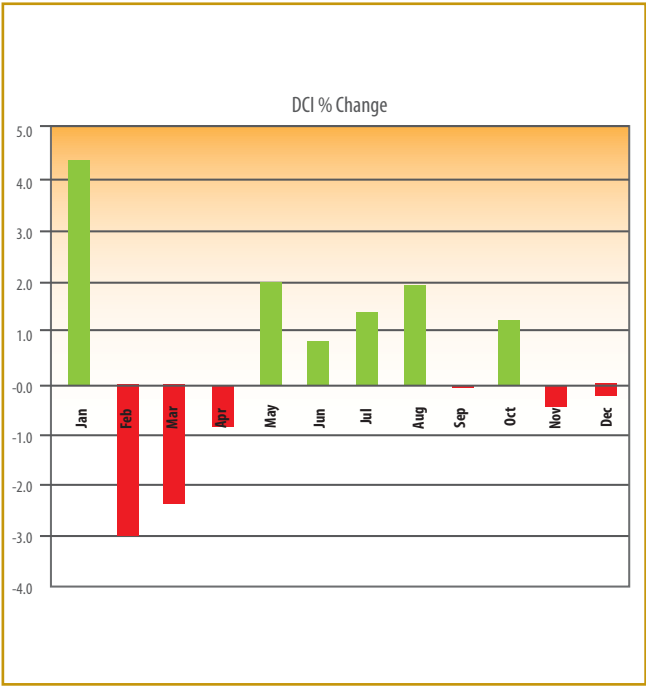
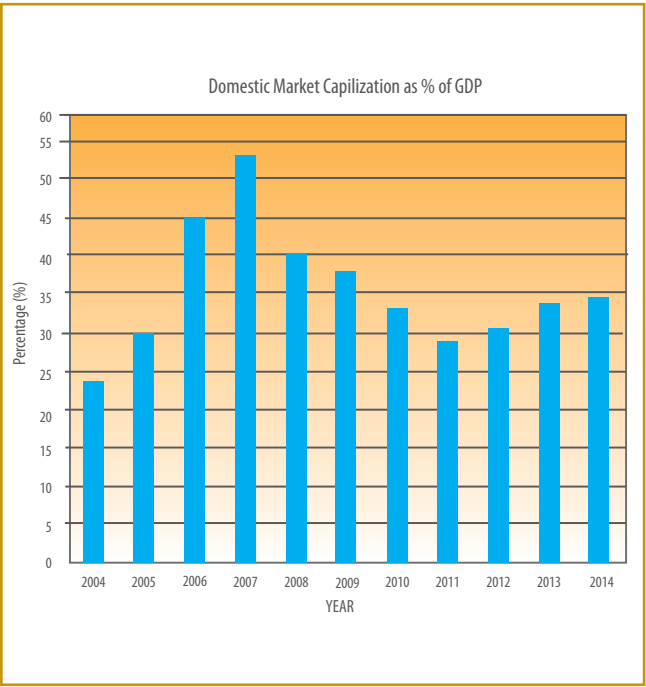
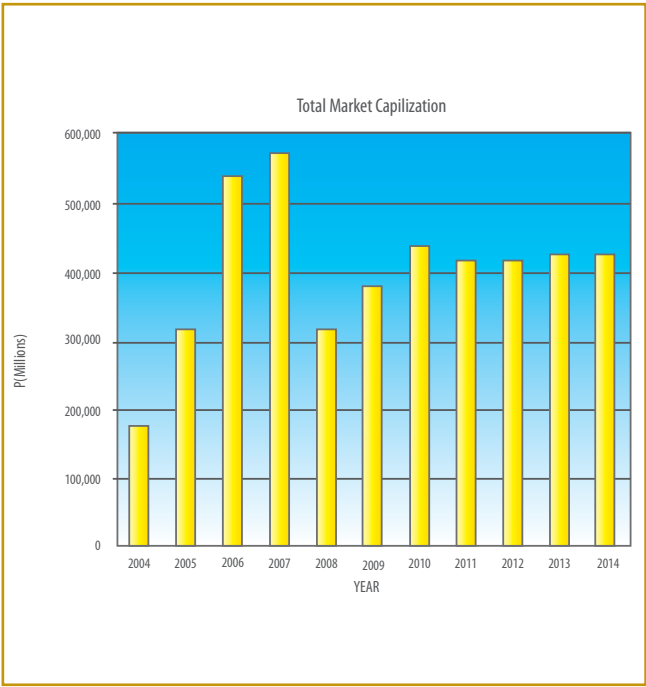


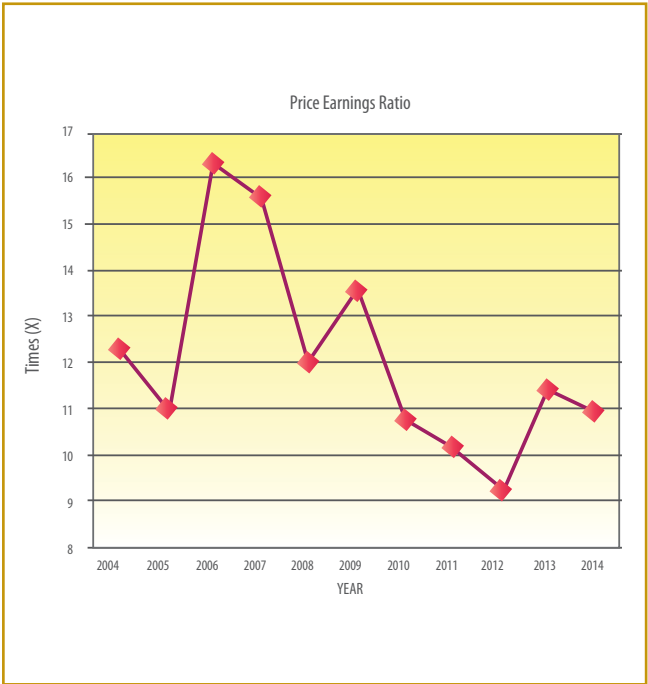
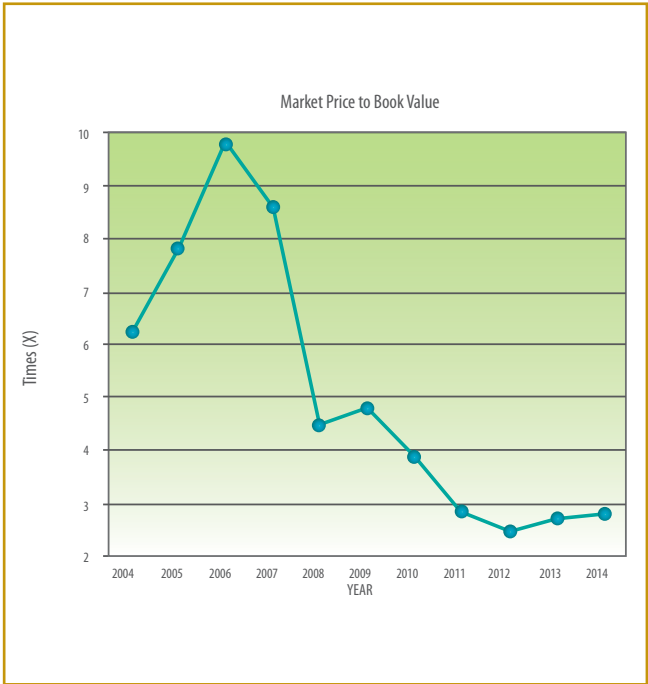
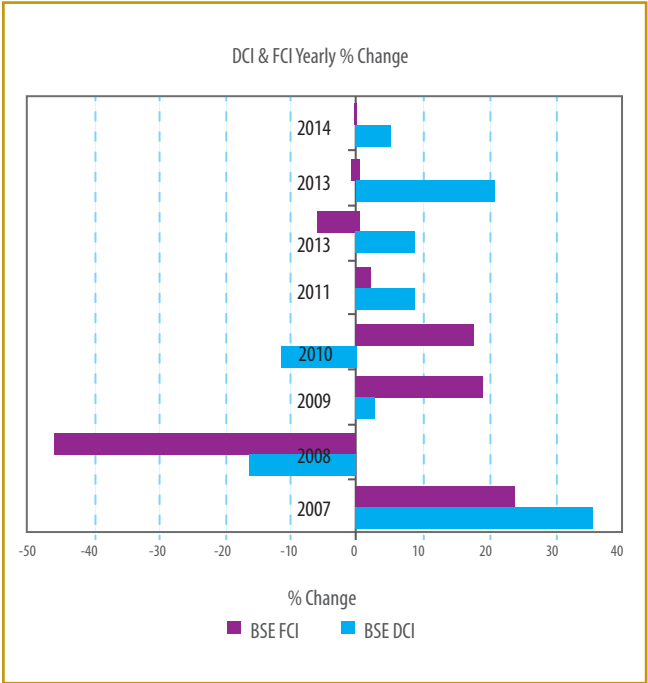
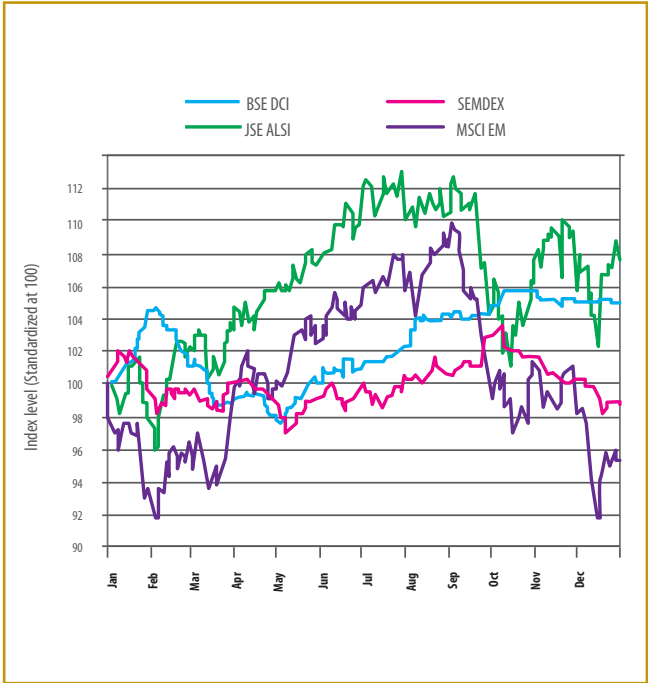
Graphical Review

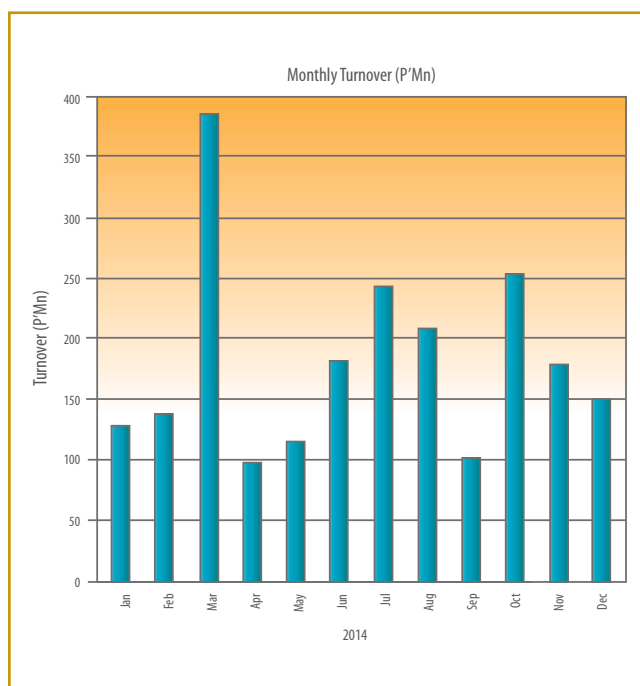
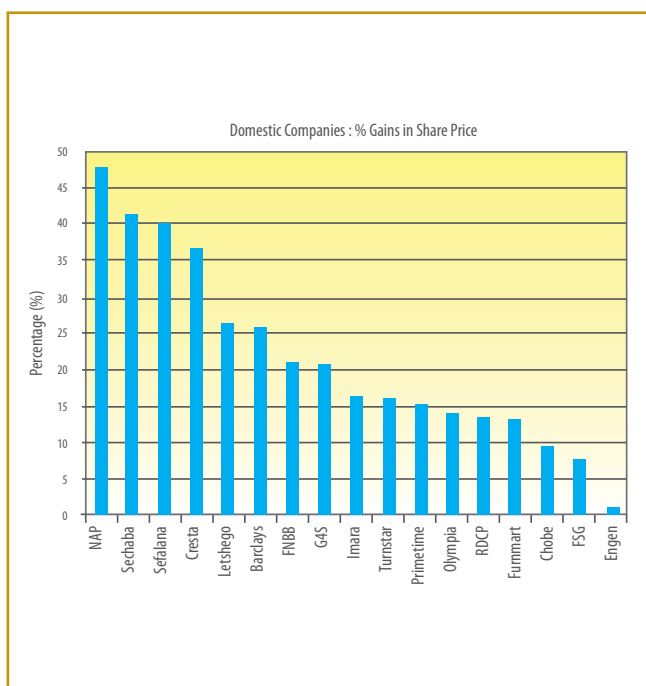
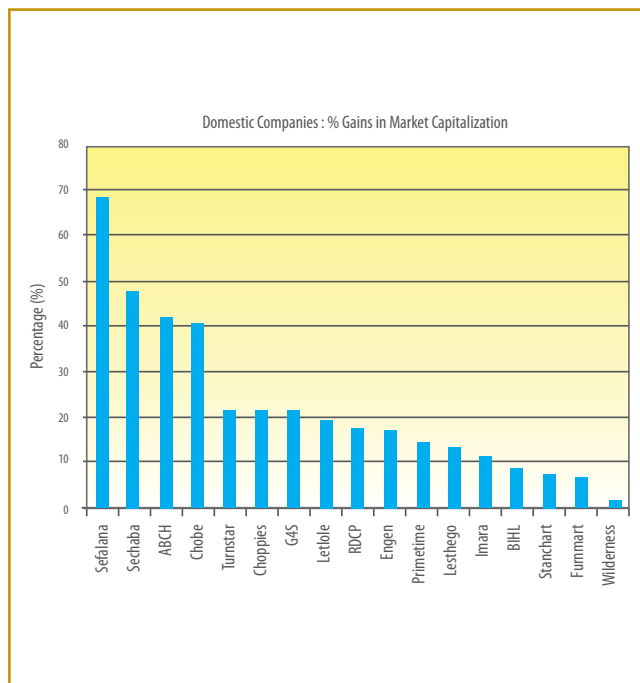
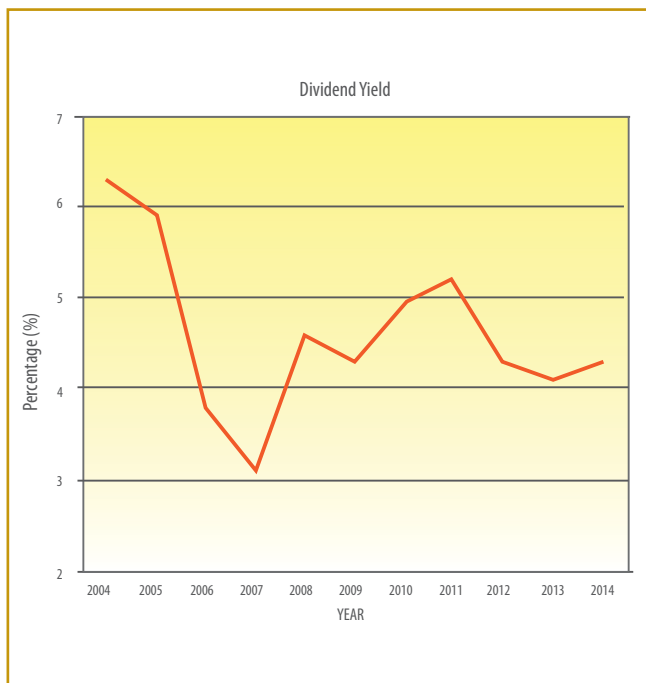
Graphical Review

Equities













Market Statistics

Market Statistics

Table 1: Number of Companies Listed

	2008	2009	2010	2011	2012	2013	2014
Number of New Listings	2	0	2	6	3	1	1
Number of De-listings	2	0	3	1	1	3	1
Foreign Listings	11	11	9	12	13	12	12
Domestic Listings	20	20	21	23	24	23	23
Total	31	31	30	35	37	35	35

Table 2: Market Capitalization of BSE Listings: 2014

	Number of Shares	Price Per Share (P)	Market Capitalization (P)
New Foreign Listings (Dual)			
Magnum Gas & Coal	850,375,705	0.05	42,518,785.25

*The price given is the price at which the stock first traded on 5 December 2014

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

	2008	2009	2010	2011	2012	2013	2014
Domestic Market Capitalization	27,706.1	28,536.2	26,245.7	30,694.3	35,530.8	43,457.6	46,209.87
Foreign Market Capitalization	286,260.2	346,001.1	408,380.3	380,909.5	376,818.2	373,132.8	371,946.84
Total Market Capitalization	313,966.31	374,537.22	434,625.97	411,603.77	412,349.01	416,590.41	418,156.71

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

	2013				2014			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
Domestic Market Capitalization	39,740.2	41,654.9	41,206.3	43,457.6	42,989.66	44,419.62	45,929.47	46,209.87
Foreign Market Capitalization	373,045.8	372,593.4	372,034.8	373,132.8	372,823.25	373,800.19	372,152.92	371,946.84
Total Market Capitalization	412,786.0	414,248.4	413,241.1	416,590.4	415,812.92	418,219.81	418,082.39	418,156.71

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

	2008	2009	2010	2011	2012	2013	2014
Banking	16,563.2	16,858.3	12,953.8	16,116.8	16,674.8	19,815.1	17,815.3
Financial Services & Insurance	19,486.8	20,466.1	21,353.5	21,574.8	24,560.7	25,958.9	9,146.4
Retailing & Wholesaling	3,532.9	3,134.7	2,617.5	3,098.3	6,099.8	8,884.8	11,859.5
Property & Property Trust	907.9	944.7	1,083.7	2,788.2	3,180.4	3,603.8	4,022.4
Mining & Materials	272,109.5	331,978.3	393,608.9	365,238.4	359,135.9	355,342.4	354,005.3
Security Services	181.1	188.8	263.0	480.0	465.6	246.4	299.2
Information Technology	15.7	7.9	7.6	7.9	11.0	0.0	0.0
Funeral Services	132.0	187.2	224.4	175.2	157.1	297.4	285.3
Energy	702.8	586.2	1,022.2	881.7	983.9	1,296.9	1,517.4
Tourism	334.4	185.1	1,491.5	1,242.6	1,079.9	1,144.8	1,264.5

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

	2013				2014			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
Banking	18,521.9	19,715.4	19,087.9	19,815.1	17,711.8	18,288.4	17,922.7	17,815.3
Financial Services & Insurance	26,002.1	25,866.8	25,446.5	25,958.9	8,190.8	8,146.1	8,992.0	9,146.4
Retailing & Wholesaling	7,171.6	7,834.8	8,370.9	8,884.8	10,359.6	11,071.4	11,748.7	11,859.5
Property & Property Trust	3,201.6	3,333.6	3,416.9	3,603.8	3,702.0	3,757.2	3,910.5	4,022.4
Mining & Materials	355,263.5	354,816.3	354,266.3	355,342.4	355,032.8	355,858.7	354,211.4	354,005.3
Security Services	464.0	394.4	268.8	246.4	225.6	199.2	297.6	299.2
Information Technology	9.8	9.1	9.1	0.0	0.0	0.0	0.0	0.0
Funeral Services	175.3	217.6	215.2	297.4	288.9	286.5	284.1	285.3
Energy	1,022.2	1,135.6	1,237.9	1,296.9	1,435.9	1,595.6	1,610.0	1,517.4
Tourism	954.2	924.7	921.6	1,144.8	1,075.1	1,075.3	1,167.2	1,264.5

Table 7: Trading Statistics as at Year ended December

	2010	2011	2012	2013	2014
Volume Traded (Mn)	308.7	458.7	409.91	710.45	591.6
Value Traded (P'Mn)	962.8	1,007.9	894.70	2,315.43	2,177.4
No. of Deals	4,971	5,022	6,488	12,029	11,139
Liquidity Ratio	3.5	3.5	2.7	5.9	4.9

Table 8: Trading Statistics as at Quarter ended

	2013				2014			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
Volume Traded (Mn)	99.7	229.3	134.5	246.9	177.0	126.4	126.3	162.0
Value Traded (P'Mn)	250.8	684.1	510.4	870.1	650.6	394.7	552.1	580.1
No. of Deals	2,467	3,824	3,011	2,727	2,635	3,015	2,683	2,806

Table 9: BSE Indices as at Year ended December

	2008	2009	2010	2011	2012	2013	2014
DCI	7,035.5	7,241.9	6,412.9	6,970.9	7,510.2	9,053.4	9,501.6
FCI	1,192.0	1,418.3	1,673.9	1,703.9	1,599.5	1,583.5	1,577.6
LASI	558.7	670.5	776.2	795.3	752.7	760.8	779.8
DFSI	835.7	911.9	771.9	862.5	911.8	1,067.1	1,077.6
FRSI	536.5	654.5	776.3	790.1	731.9	720.3	732.0
DCFFI			2,014.6	1,904.7	2,143.7	2,643.7	3,070.0
DFSFFI			3,034.1	2,825.0	3,199.1	3,901.3	4,294.0
LASFFI			1,760.5	1,677.5	1,892.1	2,315.3	2,732.8

All the 8 BSE equity indices were recomputed in December 2014 for the period 3 January 2014 to 31 December 2014. The figures presented here have been restated.

Table 10: BSE Indices as at Quarter ended

	2013				2014			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
DCI	8,399.9	8,688.5	8,594.9	9,053.4	8,955.9	9,191.2	9,444.0	9,501.6
FCI	1,584.3	1,581.2	1,578.8	1,583.5	1,585.8	1,588.5	1,581.3	1,577.6
LASI	754.1	755.3	753.4	760.8	774.6	778.7	778.6	779.8
DFSI	1,035.9	1,057.7	1,018.4	1,067.1	999.8	1,028.1	1,049.2	1,077.6
FRSI	724.3	722.3	721.1	720.3	735.1	736.5	732.9	732.0
DCFFI	2,592.7	2,496.0	2,456.2	2,643.7	2,753.2	2,804.6	2,977.6	3,070.0
DFSFFI	3,993.3	3,750.7	3,600.0	3,901.3	3,817.6	3,828.5	4,103.8	4,294.0
LASFFI	2,268.4	2,179.8	2,149.6	2,315.3	2,429.8	2,475.6	2,632.5	2,732.8

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

2013		2014	
Company	Volume	Company	Volume
Letshego	237.52	Letshego	265.0
Choppies	140.13	Choppies	72.0
FNBB	107.34	FNBB	59.2
Turnstar	75.69	Turnstar	53.2
FSG	39.73	Letlole	26.9
BIHL	23.33	BIHL	19.5
NAP	15.60	Sefalana	13.6
Stanchart	10.82	Stanchart	12.1
Sechaba	8.86	Sechaba	10.9
ABCH	8.31	RDGP	7.9

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

2013		2014	
Company	Volume	Company	Volume
Letshego	550.51	Letshego	631.7
Choppies	415.79	Choppies	297.1
FNBB	393.52	Sechaba	261.3
BIHL	246.32	BIHL	217.7
Sechaba	157.63	FNBB	217.0
Stanchart	125.15	Stanchart	145.3
Turnstar	124.38	Sefalana	104.6
FSG	78.37	Turnstar	104.6
Barclays	49.53	Letlole	51.5
ABCH	41.53	Chobe	23.0

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

2013		2014	
Company	Volume	Company	Volume
Lucara	0.694	Shumba	11.959
African Copper	0.547	Magnum	1.167
Shumba	0.498	Lucara	0.645
Botswana Diamonds	0.245	Discovery Metals	0.552
Discovery	0.118	Botswana Diamonds	0.457
Aviva	0.054	African Copper	0.039
A-Cap	0.025	A-Cap	0.005
Blue	0.002	Anglo	0.0001
African Energy	0.0005		
Galane Gold	0.0001		

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

2013		2014	
Company	Volume	Company	Volume
Lucara	7.18	Shumba	13.154
Shumba	0.527	Lucara	8.661
Discovery	0.319	Botswana Diamonds	0.189
African Copper	0.096	Discovery Metals	0.174
Botswana Diamonds	0.095	Magnum	0.068
Aviva	0.046	Anglo	0.022
A-Cap	0.018	African Copper	0.005
Firestone	0.001	A-Cap	0.003
GG	0.001		
Blue	0.0009		

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

2013		2014	
Company	Market Cap	Company	Market Cap
FNBB	10,331.71	FNBB	9,280.6
Letshego	5,093.72	Letshego	5,789.4
Barclays	4,695.41	Choppies	4,767.3
Choppies	3,921.85	Stanchart	3,750.3
Stanchart	3,490.70	Sechaba	3,737.7
BIHL	2,965.30	BIHL	3,235.1
Sechaba	2,525.95	Barclays	2,940.0
NAP	1,329.67	Sefalana	2,057.1
ABCH	1,297.27	ABCH	1,844.4
Engen	1,296.94	Engen	1,517.4

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

2013		2014	
Company	Market Cap	Company	Market Cap
Anglo	347,613.03	Anglo	344,269.4
Investec	15,185.10	Investec	15,336.1
Lucara	4,331.13	Lucara	6,961.4
Blue	2,605.38	Blue	2605.4
African Energy	1,156.84	African Energy	1,641.8
Firestone	869.50	Galane Gold	355.6
Discovery	375.22	Shumba	216.7
Galane Gold	355.61	African Copper	178.2
African Copper	267.32	A-Cap	168.8
Shumba	184.04	Discovery Metals	96.61

Table 17: Bond Market Statistics: 2014

Bond Code	Maturity Date	Nominal amount (P)	Coupon Rate %	Trade (P)
BW003	31/10/2015	1,642,000,000	10.25	225,484,794.70
BW005	12/09/2018	1,233,000,000	10.00	12,871,910.39
BW007	05/03/2025	1,295,000,000	8.00	34,792,114.15
BW008	08/09/2020	933,000,000	7.75	7,240,291.24
BW010	08/03/2017	718,000,000	7.75	3,371,991.82
BW011	10/09/2031	870,000,000	7.75	39,740,809.57
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	-
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	Floating	-
BHC017	10/12/2017	286,000,000	Floating	-
BHC020	10/12/2020	103,000,000	10.10	-
BVI001	07/05/2018	70,000,000	11.23	-
BVI002	14/07/2015	50,000,000	Floating	-
NDB001	01/08/2017	165,000,000	11.25	-
WU001	26/06/2018	195,000,000	10.65	-
WU002	26/06/2026	205,000,000	10.60	-
BBB016	31/10/2019	156,000,000	Floating	-
FML015	12/07/2015	50,000,000	Floating	-
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	11.0	-
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	Floating	-
SBBL062	15/10/2017	66,600,000	Floating	-
SBBL063	15/10/2019	98,600,000	7.54	-
SCBB003	20/12/2020	50,000,000	10.50	-
SCBB006	12/05/2021	70,000,000	Floating	-
SCBB007	27/06/2022	50,000,000	Floating	-
SCBB008	27/06/2022	127,260,000	8.20	-
TOTAL		10,118,460,000		323,501,911.90

Table 18: Bond Market Capitalization by Sector: 2014

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	933,000,000
BW010	08/03/2017	718,000,000
BW011	10/09/2031	870,000,000
		6,691,000,000
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
WUC001	26/06/2018	195,000,000
WUC002	26/06/2026	205,000,000
		1,524,000,000
Corporate		
BBB016	31/10/2019	156,000,000
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
SBBL062	15/10/2017	66,600,000
SBBL063	15/10/2019	98,600,000
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
		1,493,460,000
TOTAL		10,118,460,000



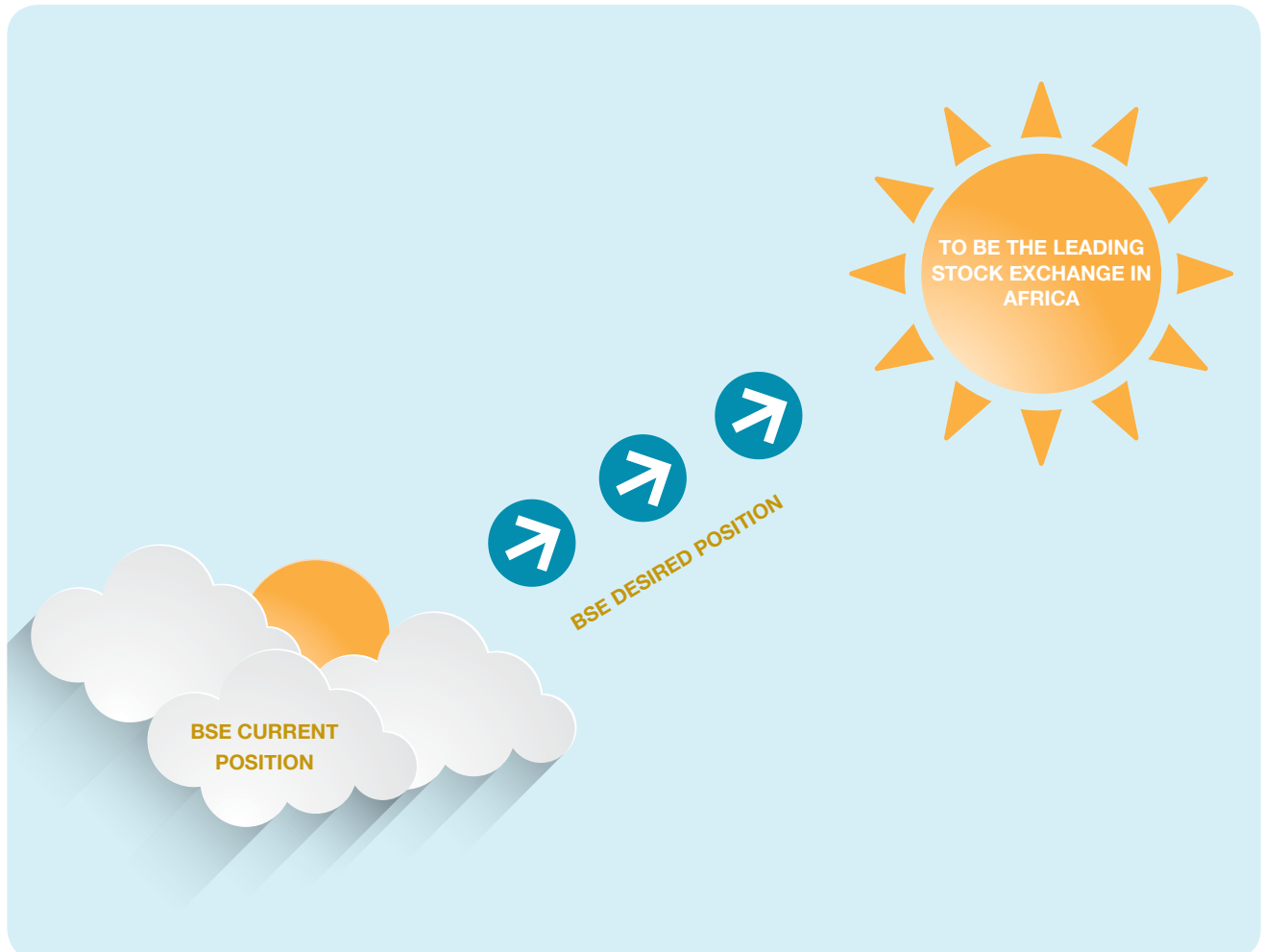




BSE Strategy

BSE Strategy

BSE STRATEGIC VISION



BSE STRATEGIC PILLARS



1. PROGRESS ON THE BSE STRATEGY

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

1.1 INFRASTRUCTURE DEVELOPMENT

- CSD implemented in May 2008, followed by subsequent shares dematerialisation
- Dematerialisation of shares continuing satisfactorily in the CSD System
- Electronic CSD account statements launched in 2010
- Dematerialisation of bonds into the CSD System commenced in 2011
- Number of Accounts opened in CSD increased by 8.2% to 21,663 accounts
- 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
- Project to dematerialize all listed securities approved by NBFIRA in 2014

1.2 REGULATION

- Code on corporate governance for listed companies implemented in 2008
- CSD rules drafted by BSE and implemented in 2008
- Settlement cycle of transactions in the BSE reduced from T+5 to T+4, and T+3 effective 2012
- Strategies implemented to improve compliance by listed companies
- ATS Trading Rules for Debt and Equity instruments implemented in 2012

- Trading in the ATS extended by one hour effective 4 November in 2013
- Digitization of listing files is in progress
- Amendment of Equity Listing Rules completed
- Market-Making Rules completed
- X-News launched
- OTC Serala Board approved
- Securities Act and BSE Transition Act approved, paving the way for demutualization
- 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
- The BSE’s 2013 Annual Report won the prize for the best report in the Not-for-Profit category at the Price Waterhouse Coopers Annual Report Awards
- Second Senior Secondary Schools’ BSE Finance and Investment Quiz successfully hosted

1.3 MARKET DEVELOPMENT

- Improvements made to BSE publications
- Selected BSE publications translated into Setswana
- Series of road shows held nationwide to educate general public about the BSE
- BSE also participated at exhibitions and fairs around the country
- Continued awareness creation campaigns conducted targeting retail investors
- Commenced awareness creation on the listing process targeted at companies with the potential to list
- Promoted publicity of the BSE operations by inviting the public to view live BSE trading sessions
- Held Conferences and workshops to market the BSE brand, product development and strategy. These conferences are; Creating Wealth for Batswana in 2007, Exchange Traded Funds in 2008, Securitisation and the Bond Market in 2008, Credit Rating Workshop in 2008.
- Strategic alliances with key institutions fostered
- Partnered with Botswana Television to sponsor the business segment of the “Daily Breakfast Show”
- Partnered with the media by contributing articles and taking part in radio and television talk shows
- BSE conducting market performance presentations on RB1 programmes of “Tsele le Tsele” and “Sefalana Sa Papadi” and the RB2 programme of “Business Twilight” every year
- BSE conducting market performance presentations on BTV programme of “First Issues”

1.4 PRODUCT DEVELOPMENT

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

- Bond Market Association established in 2010, with representation from several market participants
- Consolidated the Bond Market Development Strategy Paper in 2011
- Bond Market Association officially registered with the Registrar of Societies to become a full-fledged Association
- Concept papers on CFDs approved by BSE Board
- Compiled a research paper aiming at providing findings and recommendations for promoting the trading, clearing and settlement of government bonds through the BSE to enhance liquidity, price discovery and the development of a market determined yield curve.
- Amended Debt Listing and Trading Rules in 2012
- BSE currently revising Debt Listing Requirements
- Three bond indices launched in 2013 in conjunction with Nedbank Capital
- 3 Bond Indices launched in 2013
- Held a workshop on Global Depository Receipts (GDRs) and another one on ETFs in 2013
- BSE drafted listing rules for GDRs
- Brochures for ETFs and debt instruments completed
- Contract negotiation with international data vendors for dissemination of trading data secured, negotiations with other on-going
- NewPlat ETF, that tracks price of Platinum, listed in August
- Three financial markets courses conducted: Introduction to Financial Markets, Introduction to Money Markets and Bonds & Yield Curves and Swap Spreads
- Project to establish Botswana as a regional financial hub approved
- Project to introduce CFDs approved
- Centralization of trading of bonds at the BSE ongoing

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





Corporate Governance

Corporate Governance

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 Main Committee for the year was constituted by the following members:

MEMBER	POSITION	DATE AND PERIOD OF APPOINTMENT
Elected Members		
Patrick O'Flaherty	Member	First elected in 2010
Martin Makgatlhe***	Member	First elected in 1998
Kabelo Mohohlo*	Member	Elected in May 2011
Gregory Matsake	Vice-Chairperson	Elected in May 2012
Goitseone Kgaodi	Treasurer	Elected in May 2012
Oosi Lemo	Member	Elected in May 2014

Appointed Members		
Iponeng Sennanyana*	Member	First appointed in 2010
Nelson Letshwene	Member	Appointed in May 2014
Elaina Gonsalves	Member	First appointed in October 2011
Regina Vaka**	Chairperson	First appointed in June 2013
Prof. John Kiggundu	Member	First appointed in June 2013

* Term ended May 2014

** Appointed Chairperson with effect from 25 July 2014

*** Re-elected on 23 May 2014

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**
Regina Vaka* (Chairperson)	0/0
Patrick O'Flaherty	0/0
Gregory Matsake	0/0

*Appointed Chairperson with effect from 25 July 2014

**There were no physical meetings but decisions were made by round robin as they were either needed promptly or affected the day to day business.

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*	2/2
Elaina Gonsalves	4/4
Goitseone Kgaodi (Chairperson)***	4/4
Gregory Matsake	4/4
Nelson Letshwene**	1/1

*Term ended May 2014

**Appointed to Committee with effect from 25 July 2014

***Appointed Chairperson with effect from 25 July 2014

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 (Chairperson)	1/1
Elaina Gonsalves	1/1
Nelson Letshwene**	0/0

* Term ended May 2014

** Appointed to Committee with effect from 25 July 2014

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 (Chairperson)	3/3
Iponeng Sennanyana	3/3
Prof. John Kiggundu	3/3
Nelson Letshwene**	0/0

** Appointed to Committee with effect from 25 July 2014

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 (Chairperson)	1/1
Kabelo Mohohlo**	0/0
Regina Vaka	1/1
Oosi Lemo*	1/1

*Appointed with effect from 25 July 2014

**Term ended on 23 May 2014

2.5 Botswana Stock Exchange Tender Sub-Committee

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

MEMBERS	ATTENDANCE
Nelson Letshwene (Chairperson)	1/1
Oosi Lemo	1/1
Goitseone Kgaodi	1/1

ATTENDANCE AT MEETINGS OF THE MAIN COMMITTEE AND SUB-COMMITTEES

Members	Main Comm.	Listings Trading & Audit	Invest. & Discip.	Gov. & Renum.	Board Tender	Security Fund	BSE AGM
R. Vaka	6/6	-	-	-	-	1/1	0/1
M. Makgatlhe*	2/3	-	-	-	-	-	0/0
E. Gonsalves	6/6	4/4	1/2	3/3	-	1/1	1/1
P. O'Flaherty	5/6	-	-	-	-	-	1/1
G. Kgaodi	3/6	3/4	-	-	1/1	-	1/1
N. Letshwene***	3/3	1/1	0/0	0/0	1/1	-	1/1
G. Matsake	6/6	4/4	-	-	-	-	1/1
K. Mohohlo**	3/3	-	-	-	-	0/0	1/1
Prof. John Kiggundu*	4/6	-	2/2	3/3	-	-	1/1
I. Sennanyana**	3/3	-	1/2	3/3	-	-	0/0
Oosi Lemo*	3/3	-	-	-	1/1	1/1	0/0

*Appointed with effect from 23 May 2014

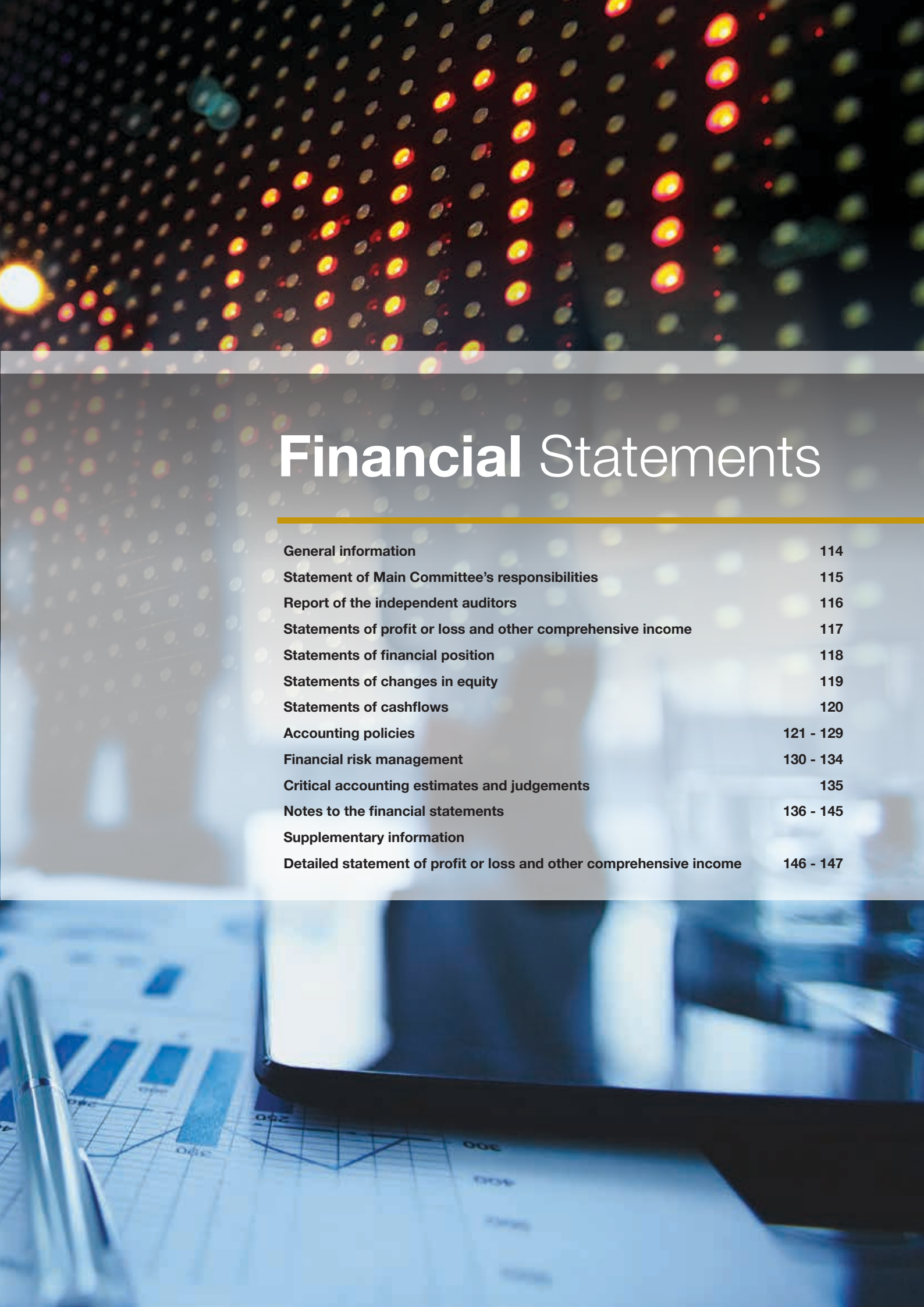
** Term ended in May 2014

***Appointed in May 2014

COMMITTEE FEES

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





Financial Statements

General information	114
Statement of Main Committee's responsibilities	115
Report of the independent auditors	116
Statements of profit or loss and other comprehensive income	117
Statements of financial position	118
Statements of changes in equity	119
Statements of cashflows	120
Accounting policies	121 - 129
Financial risk management	130 - 134
Critical accounting estimates and judgements	135
Notes to the financial statements	136 - 145
Supplementary information	
Detailed statement of profit or loss and other comprehensive income	146 - 147

General Information

Principal activities

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

Committees of the Botswana Stock Exchange

Main Committee	
Ministerial appointees:	Elected Members:
Elaina Gonsalves	Regina Vaka (Chairperson)
Professor John Kiggundu	Gregory Matsake
Iponeng Sennanyana (resigned July 2014)	Goitseone Kgaodi
Nelson Letshwene (appointed July 2014)	Kabelo Mohohlo (resigned July 2014)
	Martin Makgatlhe (appointed July 2014)
	Oosi Lemo (appointed July 2014)
	Patrick O'Flaherty

Membership of Sub Committees	
(1) Listings and trading	(2) Audit
Regina Vaka (Chairperson)	Goitseone Kgaodi (Chairperson)
Patrick O' Flaherty	Iponeng Sennanyana (resigned July 2014)
Martin Makgatlhe	Elaina Gonsalves
Professor John Kiggundu	Gregory Matsake
	Nelson Letshwene (appointed July 2014)

(3) Investigations and disciplinary	(4) Governance & Remuneration
Professor John Kiggundu (Chairperson)	Elaina Gonsalves (Chairperson)
Elaina Gonsalves	Professor John Kiggundu
Iponeng Sennanyana (resigned July 2014)	Iponeng Sennanyana (resigned July 2014)
Nelson Letshwene (appointed July 2014)	Nelson Letshwene (appointed July 2014)

Chief Executive Officer	Secretary to the Board of Directors
Hiran Mendis	Latelang Chakalisa

Regulator	Postal address
Non-Bank Financial Institution Regulatory Authority (NBFIRA) First Floor MVA House Plot 50367 Showground Private Bag 00314 Gaborone	Private Bag 00417 Gaborone
Independent auditors	Bankers
KPMG	Barclays Bank of Botswana Limited Standard Chartered Bank of Botswana Limited

Statement of the Main Committee's responsibilities

For the year ended 31 December 2014

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 2014 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information, in accordance with International Financial Reporting Standards.

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

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

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

The financial statements set out on pages 117 to 145 and the supplementary information on page 146 to 147 were authorised for issue by the Main Committee on 06 May 2015 and are signed on its behalf by:



MEMBER



MEMBER

Independent Auditor's Report

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

We have audited the consolidated and separate financial statements of Botswana Stock Exchange (the "Exchange"), which comprise the statements of financial position at 31 December 2014 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 117 to 145.

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 2014 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

07 May 2015

Practicing member: AG Devlin

Practising number: 19960060.23

Statements of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2014

	Notes	GROUP		EXCHANGE	
		2014	2013	2014	2013
		P	P	P	P
Revenue	1	24 274 793	24 458 305	19 335 858	19 256 442
Government subvention	15(c)	13 000 000	9 287 768	5 700 000	5 024 868
Other income		435 216	31 225	435 216	31 225
Income		37 710 009	33 777 298	25 471 074	24 312 535
Administrative expenses	2	(22 346 676)	(20 364 412)	(16 823 841)	(15 239 352)
Operating profit		15 363 333	13 412 886	8 647 233	9 073 183
Finance income	4	2 193 211	1 451 980	1 875 614	1 338 901
Profit before income tax		17 556 544	14 864 866	10 522 847	10 412 084
Income tax expense	5	-	-	-	-
Profit for the year		17 556 544	14 864 866	10 522 847	10 412 084
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		17 556 544	14 864 866	10 522 847	10 412 084

Statements of Financial Position

As at December 2014

	Notes	GROUP		EXCHANGE	
		2014	2013	2014	2013
		P	P	P	P
ASSETS					
Non-current assets					
Plant and equipment	7	2 438 326	3 215 467	1 305 079	1 464 808
Investment in subsidiary	6	-	-	100	100
		2 438 326	3 215 467	1 305 179	1 464 908
Current assets					
Trade and other receivables	8	4 560 142	3 205 173	2 942 204	2 382 052
Tax refundable		-	276 603	-	-
Money market investments	9	45 827 774	30 778 128	35 476 882	27 122 895
Cash and bank balances	9	2 797 938	4 250 333	1 678 419	3 536 947
		53 185 854	38 510 237	40 097 505	33 041 894
Total assets		55 624 180	41 725 704	41 402 684	34 506 802
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		50 712 968	35 567 848	36 616 817	28 505 394
		51 495 644	36 350 524	37 399 493	29 288 070
Non-current liabilities					
Deferred lease liability	13	187 131	147 838	187 131	147 838
Current liabilities					
Trade and other payables	11	1 393 635	2 533 734	1 268 290	2 377 286
Amounts due to the Botswana Stock Exchange Security Fund	12	2 411 424	2 693 608	2 411 424	2 693 608
Bank overdraft	9	136 346	-	136 346	-
		3 941 405	5 227 342	3 816 060	5 070 894
Total equity and liabilities		55 624 180	41 725 704	41 402 684	34 506 802

Statements of Changes in Equity

For the year ended 31 December 2014

	Proprietary Rights Capital	Rights Premium	Retained Income	Total
	P	P	P	P
GROUP				
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
Year ended 31 December 2014				
Balance at 1 January 2014	5 200	777 476	35 567 848	36 350 524
Profit for the year	-	-	17 556 544	17 556 544
Transfer to the Botswana Stock Exchange Security Fund (note 12)	-	-	(2 411 424)	(2 411 424)
Balance at 31 December 2014	5 200	777 476	50 712 968	51 495 644
EXCHANGE				
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
Year ended 31 December 2014				
Balance at 1 January 2014	5 200	777 476	28 505 394	29 288 070
Profit for the year	-	-	10 522 847	10 522 847
Transfer to the Botswana Stock Exchange Security Fund (note 12)	-	-	(2 411 424)	(2 411 424)
Balance at 31 December 2014	5 200	777 476	36 616 817	37 399 493

In terms of the Botswana Stock Exchange Act, 1994, section 72(3), the Exchange is required to transfer annually, the greater of P5 000 or half of its annual profit to the Botswana Stock Exchange Security Fund (note 12).

Statements of Cashflows

for the year ended 31 December 2014

	GROUP		EXCHANGE		
	Notes	2014	2013	2014	2013
		P	P	P	P
Cash flows from operating activities					
Cash generated from operations	14	14 051 592	14 076 821	7 544 000	11 724 114
Taxation refund		276 603	-	-	-
Cash generated from operating activities		14 328 195	14 076 821	7 544 000	11 724 114
Cash flows from investing activities					
Purchase of property, plant and equipment	7	(383 893)	(957 692)	(383 893)	(467 701)
Sale of property, plant and equipment		17 000	-	17 000	-
Interest received	4	2 193 211	1 451 980	1 875 614	1 338 901
Net cash generated from investing activities		1 826 318	494 288	1 508 721	871 200
Cash flows from financing activities					
Amounts paid to Botswana Stock					
Exchange Security Fund	12	(2 693 608)	(4 021 776)	(2 693 608)	(4 021 776)
Net cash used in financing activities		(2 693 608)	(4 021 776)	(2 693 608)	(4 021 776)
Increase in cash and cash equivalents		13 460 905	10 549 333	6 359 113	8 573 538
Cash and cash equivalents at beginning of year		35 028 461	24 479 128	30 659 842	22 086 304
Cash and cash equivalents at the end of year	9	48 489 366	35 028 461	37 018 955	30 659 842
Cash and cash equivalents comprise:					
- Cash on hand and cash at bank		2 797 938	4 250 333	1 678 419	3 536 947
- Money market investments		45 827 774	30 778 128	35 476 882	27 122 895
- Bank overdraft		(136 346)	-	(136 346)	-
		48 489 366	35 028 461	37 018 955	30 659 842

Accounting Policies

For the year ended 31 December 2014

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

3. New standards and interpretations not yet effective

In the current year, the group has adopted all the new and revised Standards and Interpretations issued by the IASB and the IFRIC of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2014. The adoption of these standards has not resulted in changes to the group's accounting policies.

At the date of authorisation of the financial statements the following standards and interpretations, which could materially affect the annual financial statements in future reporting periods, were in issue but not yet effective:

IAS 1 (amended 2014) Presentation of Financial Statements - The amendments clarify the application of the materiality guidelines in the Standard; aggregation and disaggregation of items in the financial statements; and flexibility regarding the order and structure of notes to the financial statements - Effective annual periods commencing on or after 1 January 2016, which will impact the financial statements for the first time in the financial year ending 31 December 2016.

Accounting Policies (continued)

For the year ended 31 December 2014

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

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

IFRS 9 Financial Instruments - New standard on Financial Instruments to replace *IAS 39 Financial Instruments: Recognition and Measurement*. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment - Effective annual periods commencing on or after 1 January 2018, which will impact the financial statements for the first time in the financial year ending 31 December 2018.

IFRS 15 Revenue from Contracts with Customers - New standard on revenue that replaces *IAS 18 Revenue* as well as other IFRS dealing with revenue recognition. Entities will apply a five-step model to determine when to recognise revenue and the amount thereof. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer, being either over time or at a point in time. New qualitative and quantitative disclosure requirements aim to enable financial statement users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers - Effective annual periods commencing on or after 1 January 2017, which will impact the financial statements for the first time in the financial year ending 31 December 2017.

The group has evaluated the effect of all new standards, amendments and interpretations that have been issued prior to 31 December 2014, which would be effective for the group's accounting periods on or after 1 January 2015. The full implications of the requirements of *IFRS 9 Financial Instruments* (effective 2018) and *IFRS 15 Revenue from Contracts with Customers* (effective 2017) are in the process of being evaluated.

Based on management's evaluation of other standards, amendments and interpretations issued but not yet effective, these are not expected to have a significant impact on the company's results.

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.

Accounting Policies (continued)

For the year ended 31 December 2014

4. Basis of consolidation (continued)

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 capitalised 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 profit or loss as incurred.

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

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

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

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

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

Accounting Policies (continued)

For the year ended 31 December 2014

6 Foreign currency translation

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

7. Cash and cash equivalents

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

8. Trade and other receivables

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

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

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.

Accounting Policies (continued)

For the year ended 31 December 2014

11. Employee benefits

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

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

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

12. Taxation

The group is exempt from income taxation in accordance with paragraph XV of part 1 of the second schedule to the Income Tax Act (Chapter 52.01). 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.

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

13. Proprietary rights

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

14. Botswana Stock Exchange Security Fund

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

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

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.

Accounting Policies (continued)

For the year ended 31 December 2014

15. Leases (continued)

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

16. Revenue recognition

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

- i. *Botswana Stock Exchange fees*
In terms of the Botswana Stock Exchange Members Rules, 0.12% - 0.15% of the transaction value for trades on the Stock Exchange is due to the Exchange on both the buy and sell sides. Revenue is recognised on trading date unless collectability is in doubt.
- ii. *Interest*
Interest revenue is accrued by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.
- iii. *Listing fees*
Listing fees and documentation fees are billed as and when the services are provided. Revenue is recognised on invoicing or on listing of the relevant security.
- iv. *Annual sustaining fees*
Annual sustaining fees are invoiced in advance for the year unless collection is in doubt.
- v. *Member fees*
Annual member/dealer fees are invoiced in advance for the year unless collection is in doubt.
- vi. *Central Securities Depository (CSD) fees*
CSD fee is charged on the transactions (for both the buyer and the seller) at 0.1% on the transaction value. Revenue is recognised on the trading date unless collectability is in doubt.
- vii. *Other income*
Revenue is recognised on an accrual basis in accordance with the substance of the underlying transaction.

17. Government subvention

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

Accounting Policies (continued)

For the year ended 31 December 2014

17. Government subvention (continued)

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

18. Financial instruments

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

Financial assets

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

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

Financial liabilities

Financial liabilities are classified as other financial liabilities.

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

Fair value hierarchy

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

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

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

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

Accounting Policies (continued)

For the year ended 31 December 2014

		Financial assets and liabilities				Current/non-current	
		At fair value through profit and loss	Loans and receivables	Amortised cost		Current	Non-current
2014	Total						
ASSETS							
Property, plant and equipment	2 438 326	-	-	-	2 438 326	-	2 438 326
Trade and other receivables	4 560 142	-	4 560 142	-	-	4 560 142	-
Money market investment	45 827 774	-	45 827 774	-	-	45 827 774	-
Cash and bank balances	2 797 938	-	2 797 938	-	-	2 797 938	-
	55 624 180	-	53 185 854	-	2 438 326	53 185 854	2 438 326

LIABILITIES

Amount due to BSE Security Fund	2 411 424	-	-	2 411 424	-	2 411 424	-
Trade and other payables	1 393 635	-	-	1 393 635	-	1 393 635	-
Deferred lease liability	187 131	-	-	-	187 131	-	187 131
Bank overdraft	136 346	-	136 346	-	-	136 346	-
	4 128 536	-	136 346	3 805 059	187 131	3 941 405	187 131

GROUP 2013

		Financial assets and liabilities				Current/non-current	
		At fair value through profit and loss	Loans and receivables	Amortised cost		Current	Non-current
2013	Total						
ASSETS							
Property, plant and equipment	3 215 467	-	-	-	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	3 215 467

LIABILITIES

Amount due to BSE Security Fund	2 693 608	-	-	2 693 608	-	2 693 608	-
Trade and other payables	2 533 734	-	-	2 533 734	-	2 533 734	-
Deferred lease liability	147 838	-	-	-	147 838	-	147 838
	5 375 180	-	-	5 227 342	147 838	5 227 342	147 838

Accounting Policies (continued)

For the year ended 31 December 2014

EXCHANGE 2014		Financial assets and liabilities				Current/non-current	
		At fair value through profit and loss	Loans and receivables	Amortised cost	Non-financial instruments	Current	Non-current
2014	Total						
ASSETS							
Property, plant and equipment	1 305 079	-	-	-	1 305 079	-	1 305 079
Investment in subsidiaries	100	-	-	-	100	-	100
Trade and other receivables	2 942 204	-	2 942 204	-	-	2 942 204	-
Money market investment	35 476 882	-	35 476 882	-	-	35 476 882	-
Cash and bank balances	1 678 419	-	1 678 419	-	-	1 678 419	-
	41 402 684	-	40 097 505	-	1 305 179	40 097 505	1 305 179

LIABILITIES

Trade and other payables	1 268 290	-	-	1 268 290	-	1 268 290	-
Amount due to BSE Security Fund	2 411 424	-	-	2 411 424	-	2 411 424	-
Deferred lease liability	187 131	-	-	-	187 131	-	187 131
Bank overdraft	136 346	-	136 346	-	-	136 346	-
	4 003 191	-	136 346	3 679 714	187 131	3 816 060	187 131

EXCHANGE 2013

EXCHANGE 2013		Financial assets and liabilities				Current/non-current	
		At fair value through profit and loss	Loans and receivables	Amortised cost	Non-financial instruments	Current	Non-current
2013	Total						
ASSETS							
Property, plant and equipment	1 464 808	-	-	-	1 464 808	-	1 464 808
Investment in subsidiary	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	5 070 894	147 838

Financial Risk Management

For the year ended 31 December 2014

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

	GROUP		EXCHANGE	
	2014	2013	2014	2013
	P	P	P	P
Financial assets				
Trade receivables	963 770	537 574	906 323	512 810
Other receivables	76 893	84 127	76 893	84 127
Receivables from related party	3 250 000	2 322 391	1 723 447	1 583 745
Cash and cash equivalents	48 625 712	35 028 461	37 155 301	30 659 842
	52 916 375	37 972 553	39 861 964	32 840 524
Financial liabilities				
Trade and other payables	1 393 635	2 533 734	1 268 290	2 377 286
Bank overdraft	136 346	-	136 346	-
	1 529 981	2 533 734	1 404 636	2 377 286

Financial Risk Management (continued)

For the year ended 31 December 2014

Credit risk

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

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

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

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

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

Exposure to credit risk

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

	GROUP		EXCHANGE	
	2014	2013	2014	2013
	P	P	P	P
Financial assets				
Receivable from related party	3 250 000	2 322 391	1 723 447	1 583 745
Trade and other receivables	1 040 663	621 701	983 216	596 937
Cash and cash equivalents	48 625 712	35 028 461	37 155 301	30 659 842
	52 916 375	37 972 553	39 861 964	32 840 524

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

Financial Risk Management (continued)

For the year ended 31 December 2014

GROUP

Counterparty	Rating	31-Dec-14		31-Dec-13	
		Credit	Credit		
		limit	Balance	limit	Balance
			P		P
Barclays Bank of Botswana	N/A	N/A	271 310	N/A	2 431 492
Standard Chartered Bank	N/A	N/A	1 402 606	N/A	1 816 342
Stanlib Investment Management Services	N/A	N/A	15 259 962	N/A	12 125 147
African Alliance Asset Management	N/A	N/A	30 567 812	N/A	18 652 981

EXCHANGE

Counterparty	Rating	31-Dec-14		31-Dec-13	
		Credit	Credit		
		limit	Balance	limit	Balance
			P		P
Barclays Bank of Botswana	N/A	N/A	271 310	N/A	2 431 492
Standard Chartered Bank	N/A	N/A	1 402 606	N/A	1 102 956
Stanlib Investment Management Services	N/A	N/A	15 259 962	N/A	12 125 147
African Alliance Asset Management	N/A	N/A	20 216 920	N/A	14 997 748

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

Financial Risk Management (continued)

For the year ended 31 December 2014

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
2014				
Trade and other payables	1 393 635	1 393 635	1 268 290	1 268 290
2013				
Trade and other payables	2 533 734	2 533 734	2 377 286	2 377 286

Financial Risk Management (continued)

For the year ended 31 December 2014

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	
	2014	2013	2014	2013
Variable rate instruments				
Money market investment	45 827 774	30 778 128	35 476 882	27 122 895

The average interest rates per annum applicable to these financial instruments

5.52%	5.17%	5.52%	5.17%
-------	-------	-------	-------

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	229 139	153 891	177 384	135 614
-------------------------	---------	---------	---------	---------

Decrease of 50 basis points

Money market investment	(229 139)	(153 891)	(177 384)	(135 614)
-------------------------	-----------	-----------	-----------	-----------

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 2013 and 31 December 2014. The group is supported by the Government of Botswana who provides the necessary support to sustain the operations of the group.

Critical Accounting Estimates and Judgements

For the year ended 31 December 2014

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

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

Useful lives and residual values for plant and equipment

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

Impairment of receivables

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

Notes to the Financial Statements

For the year ended 31 December 2014

GROUP		EXCHANGE	
2014	2013	2014	2013
P	P	P	P

1 Revenue

Listing and annual sustaining fees	13 324 727	13 047 961	13 324 727	13 047 961
Commission income	10 247 311	10 858 799	5 840 021	6 192 231
Members' fees	16 000	16 250	16 000	16 250
X-News Publications	155 110	-	155 110	-
Miscellaneous fees	531 645	535 295	-	-
	24 274 793	24 458 305	19 335 858	19 256 442

2 Administrative expenses

Audit fees - current year	469 479	130 000	292 685	85 000
- prior year (over)/under provision	-	7 004	-	7 004
Employee benefit expenses (note 3)	12 605 828	12 152 401	9 504 339	9 328 118
Advertising costs	1 101 094	1 017 807	1 054 935	1 017 807
Depreciation (note 7)	1 144 034	1 036 500	526 622	456 271
Operating lease costs	936 899	930 939	801 501	797 819
Bad debt impairment	-	46	-	-
Computer expenses	3 291 711	1 601 407	2 258 265	625 600
Consulting fees	211 636	543 395	211 636	543 395
Seminars and conferences	227 452	431 960	227 452	431 960
Travelling and accommodation expenses	337 523	562 524	337 523	562 524
Training expenses	364 852	-	364 852	-
Members' sitting allowances	119 910	142 380	74 340	86 940
Other expenses	1 536 258	1 808 049	1 169 691	1 296 914
	22 346 676	20 364 412	16 823 841	15 239 352

3 Employee benefit expenses

Salaries and other termination benefits	10 555 319	9 905 609	7 854 068	7 466 742
Pension costs and gratuity	1 724 499	1 981 997	1 324 261	1 596 581
Other benefits	326 010	264 795	326 010	264 795
	12 605 828	12 152 401	9 504 339	9 328 118
Average number of persons employed during the year	20	19	15	14

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

GROUP		EXCHANGE	
2014	2013	2014	2013
P	P	P	P

4 Finance Income

Interest income on short term investments	2 193 211	1 451 980	1 875 614	1 338 901
---	-----------	-----------	-----------	-----------

5 Income tax expense

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

6 Investment in subsidiary

Cost of shares	-	-	100	100
----------------	---	---	-----	-----

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

7 Plant and equipment

GROUP	Leasehold Improvements	Office Equipment	Furniture & Fittings	Motor Vehicles	Total
	P	P	P	P	P
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
Year ended 31 December 2014					
Opening net book amount	294 269	2 305 157	350 338	265 703	3 215 467
Additions	-	365 450	18 443	-	383 893
Disposals	(17 000)	-	-	-	(17 000)
Depreciation (note 2)	(47 137)	(893 562)	(70 485)	(132 850)	(1 144 034)
Closing net book amount	230 132	1 777 045	298 296	132 853	2 438 326
At 31 December 2014					
Cost	598 067	5 203 014	720 515	912 955	7 434 551
Accumulated depreciation	(367 935)	(3 425 969)	(422 219)	(780 102)	(4 996 225)
Net book amount	230 132	1 777 045	298 296	132 853	2 438 326

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

7 Plant and equipment (continued)

GROUP	Leasehold Improvements	Office Equipment	Furniture & Fittings	Motor Vehicles	Total
	P	P	P	P	P
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
Year ended 31 December 2014					
Opening net book amount	294 269	592 217	312 619	265 703	1 464 808
Additions	-	365 450	18 443	-	383 893
Disposals	(17 000)	-	-	-	(17 000)
Depreciation (note 2)	(47 137)	(280 195)	(66 440)	(132 850)	(526 622)
Closing net book amount	230 132	677 472	264 622	132 853	1 305 079
At 31 December 2014					
Cost	598 067	2 727 706	680 072	912 955	4 918 800
Accumulated depreciation	(367 935)	(2 050 234)	(415 450)	(780 102)	(3 613 721)
Net book amount	230 132	677 472	264 622	132 853	1 305 079

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

8 Trade and other receivables

	GROUP		EXCHANGE	
	2014	2013	2014	2013
	P	P	P	P
Receivables from related party	3 250 000	2 322 391	1 723 447	1 583 745
Fee receivables	963 770	537 574	906 323	512 810
Prepayments and deposits	269 479	261 081	235 541	201 370
Other receivables	76 893	84 127	76 893	84 127
	4 560 142	3 205 173	2 942 204	2 382 052

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 2014, fee receivables and other receivables of P781 308 (2013: P526 799) and P733 845 (2013: P512 395) were fully performing for the group and exchange respectively.

At 31 December 2014, fee receivables of P182 462 (2013: P10 775) and P172 478 (2013: P415) were past due but not impaired for the group and exchange respectively. These relate to a number of independent customers for whom there is no history of default.

The aging of these receivables is as follows:

	GROUP		EXCHANGE	
	2014	2013	2014	2013
	P	P	P	P
Up to 3 months	182 462	10 360	172 478	-
>3 to 6 months	-	415	-	415
	182 462	10 775	172 478	415

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

GROUP		EXCHANGE	
2014	2013	2014	2013
P	P	P	P

9 Cash and cash equivalents*Money market investments*

Stanlib Investment Management Services	15 259 962	12 125 147	15 259 962	12 125 147
African Alliance Asset Management	30 567 812	18 652 981	20 216 920	14 997 748
	45 827 774	30 778 128	35 476 882	27 122 895

The Stanlib Investment Management Services investment is unsecured, earns interest of 5.64% (2013: 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 5.39% (2013: 4.73%) 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	1 124 019	784 782	4 500	71 396
Short-term bank deposits	1 673 919	3 465 551	1 673 919	3 465 551
Total cash on hand and at bank	2 797 938	4 250 333	1 678 419	3 536 947
Bank overdraft	(136 346)	-	(136 346)	-
	2 661 592	4 250 333	1 542 073	3 536 947

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	45 827 774	30 778 128	35 476 882	27 122 895
Cash and bank balances	2 661 592	4 250 333	1 542 073	3 536 947
	48 489 366	35 028 461	37 018 955	30 659 842

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

GROUP		EXCHANGE	
2014	2013	2014	2013
P	P	P	P

11 Trade and other payables

Trade payables	475 121	285 028	430 788	227 049
VAT payable	127 662	129 089	46 650	30 619
Other payables	790 852	2 119 617	790 852	2 119 618
	1 393 635	2 533 734	1 268 290	2 377 286

12 Amounts due to the Botswana Stock Exchange Security Fund

Balance at 1 January	2 693 608	4 021 776	2 693 608	4 021 776
Statutory transfer for the year	2 411 424	2 693 608	2 411 424	2 693 608
Settled during the year	(2 693 608)	(4 021 776)	(2 693 608)	(4 021 776)
Balance at 31 December	2 411 424	2 693 608	2 411 424	2 693 608

13 Deferred lease liability

Non-current	187 131	147 838	187 131	147 838
Current	-	-	-	-
Balance at 31 December	187 131	147 838	187 131	147 838

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

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

Less than one year	940 175	879 629	940 175	879 629
Between one and five years	1 261 666	2 201 841	1 261 666	2 201 841
Total	2 201 841	3 081 470	2 201 841	3 081 470

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

GROUP		EXCHANGE	
2014	2013	2014	2013
P	P	P	P

14 Cash generated from operations

Profit for the year	17 556 544	14 864 866	10 522 847	10 412 084
Adjustment for:				
- Depreciation (note 7)	1 144 034	1 036 500	526 622	456 271
- Finance income (note 4)	(2 193 211)	(1 451 980)	(1 875 614)	(1 338 901)
Changes in working capital				
- Trade and other receivables	(1 354 969)	225 129	(560 152)	4 896 674
- Deferred lease liability	39 293	77 309	39 293	77 309
- Trade and other payables	(1 140 099)	(675 003)	(1 108 996)	(2 779 323)
Cash generated from operations	14 051 592	14 076 821	7 544 000	11 724 114

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

GROUP		EXCHANGE	
2014	2013	2014	2013
P	P	P	P

15 Related party transactions (continued)

Listing and annual sustaining fees on Government bonds (at 0.125% on nominal value of Government bonds)

9 000 000	7 000 000	9 000 000	7 000 000
-----------	-----------	-----------	-----------

c) Government Subvention

Government of the Republic of Botswana

13 000 000	9 287 768	5 700 000	5 024 868
------------	-----------	-----------	-----------

d) Transfer to the Botswana Stock Exchange Security Fund

2 411 424	2 693 608	2 411 424	2 693 608
-----------	-----------	-----------	-----------

e) Sitting allowances by the Committee members

119 910	142 380	74 340	86 940
---------	---------	--------	--------

f) Remuneration for senior managers

7 706 083	6 558 783	6 112 738	5 192 043
-----------	-----------	-----------	-----------

*g) Year end balances**Receivables*

- Government of the Republic of Botswana
- Central Securities Depository Company
of Botswana Limited

3 250 000	2 322 391	1 425 000	1 256 666
-	-	298 447	327 079
3 250 000	2 322 391	1 723 447	1 583 744

Payables

- Botswana Stock Exchange Security Fund

2 411 424	2 693 608	2 411 424	2 693 608
-----------	-----------	-----------	-----------

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

16 Commitments

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

17 Contingent liabilities

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

18 Events after the reporting date

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

19 Fiduciary accounts

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

	2014	2013
	P	P
Favourable bank balances	23 871 953	1 999 480

Detailed Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	2014	2013
	P	P
Revenue		
Commission income	5 840 021	6 192 231
Listing and annual sustaining fees	13 324 727	13 047 961
Members' fees	16 000	16 250
X-News Publication	155 110	-
Government subvention	5 700 000	5 024 868
Training income	417 002	-
Other income	18 214	31 225
Total income	25 471 074	24 312 535
Administrative expenses		
Advertising	1 054 935	1 017 807
Audit fees	292 685	92 004
Bank charges	32 530	29 330
Cleaning	71 636	65 420
Communication expenses	257 551	304 455
Computer expenses	2 258 265	625 600
Consulting fees	211 636	543 395
Recruitment expenses	14 297	88 088
Donations	10 000	-
Depreciation	526 622	456 271
Electricity	101 456	80 994
Entertainment	68 648	42 489
Insurance	101 269	125 105
Internship allowances	83 423	87 364
Legal fees	-	31 206
Library expenses	926	15 221
Members' sitting allowances	74 340	86 940
Motor vehicle expenses	64 090	58 817
Office expenses	66 022	47 773
Printing and stationery	35 758	44 576
Rent	801 501	797 819
Repairs and maintenance	66 814	76 738
Salaries and wages	9 178 329	9 063 323
Security costs	96 014	42 521
Training Levy	23 332	24 130
Seminars and conferences	227 452	431 960
Staff welfare	326 010	264 795
Subscriptions	64 206	122 754
Training expenses	364 852	-
Travelling and accommodation expenses	337 523	562 524
Water	11 719	9 933
	16 823 841	15 239 352

Detailed Statement of Profit or Loss and Other Comprehensive Income (continued)

For the year ended 31 December 2014

	2014	2013
	P	P
Operating profit	8 647 233	9 073 183
Finance income		
Interest income	1 875 614	1 338 901
Profit for the year	10 522 847	10 412 084

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 116.

NOTES

This image shows a single sheet of white paper with horizontal 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.

Design and Layout by: Horizon Ogilvy

Compiled by: Hiran Mendis
Thapelo Tsheole
Kopano Bolokwe

Printed by: Impression House

A large, dynamic splash of blue ink is positioned behind the contact information. The splash consists of numerous droplets and streaks of varying shades of blue, creating a sense of movement and energy.

GABORONE HEAD OFFICE
Plot 64511 I Fairgrounds I Gaborone
Private Bag 00417 I Gaborone I Botswana
Tel: (+267) 318 0201
Fax: (+267) 318 0175
www.bse.co.bw