



**2018** | Annual Report  
BOTSWANA STOCK EXCHANGE  
**A New Chapter Awaits**



# CONTENTS

<b>Highlights For 2018</b>	<b>2</b>
<b>Mission, Vision &amp; Value Statements</b>	<b>4</b>
<b>Botswana Stock Exchange Limited Overview</b>	<b>5</b>
<b>Our Board Of Directors</b>	<b>6</b>
<b>Our Management Team</b>	<b>10</b>
<b>Our Organisational Structure</b>	<b>13</b>
<b>Our Staff</b>	<b>14</b>
<b>Chairperson's Statement</b>	<b>16</b>
<b>CEO's Review</b>	<b>18</b>
1.0 Theme - A New Chapter Awaits	18
2.0 Equity Market Performance	20
3.0 The Exchange Traded Funds (ETFs) Market	30
4.0 Bond Market Performance	36
5.0 Market Indicators	39
6.0 Comparison With Selected Markets	43
7.0 Primary Market	48
8.0 Departmental Reviews	49
9.0 Research Topic: Opportunities For Real Estate Investment Trusts On The BSE	55
10.0 CEO's Appreciation	57
11.0 Graphical Review	58
12.0 Market Statistics	62
13.0 Financial Statements	71



# HIGHLIGHTS FOR 2018

## 01 >

- Demutualisation of the Exchange and registration as BSE Limited on 2<sup>nd</sup> August 2018
  - > **81.3%** owned by Government of Botswana and **18.7%** owned by the four (4) stock brokers (African Alliance Botswana Securities, Imara Capital Securities, Motswedi Securities, Stockbrokers Botswana)

## 02 >

- Total securities turnover of **P4.4 billion** in 2018, compared to **P3.2 billion** in 2017.

## 03 >

- Equity turnover of **P1,862.2 million**
  - > Highest single turnover in 2018 was **P458.6 million** recorded on 15<sup>th</sup> November 2018
  - > Highest daily trade per counter was **P425.6 million** of Sechaba Brewery Holdings Limited on 15<sup>th</sup> November 2018
  - > Top three (3) traded counters in 2018 were:
    - \* Sechaba Brewery Holdings Limited (**P481.6 million**)
    - \* Letshego Holdings Limited (**P425.9 million**)
    - \* New African Properties (**P298.4 million**)

## 04 >

- Record annual bond turnover of **P2,227.2 million** compared to **P535.6 million** in 2017
  - > **97.9%** of the bond turnover was trading of Government bonds
  - > **2.1%** of total bond turnover was from corporate bonds trades

## 05 >

- Two (2) equity listings (Seed Co. International Limited & BancABC Botswana)
  - > Seed Co. International Limited listed by introduction
  - > BancABC Botswana listed by private placement

06 >

- Two (2) equity delistings (African Energy Resources Limited & Blue Financial Services)

07 >

- Ten (10) bond listings and four (4) bonds matured
  - > Three (3) Government bonds and seven (7) corporate bonds
  - > Government bonds raised **P2,513.0 million** from new issuances and re-openings
  - > Corporate bonds raised **P687.53 million**

08 >

- First Serala OTC Board registration (BBS Limited)
  - > Brought with it **25,862** shareholders

09 >

- BSE designated as a Recognized Stock Exchange by the United Kingdom's Her Majesty's Revenue and Customs (HMRC)

10 >

- Commencement of the monthly Opening Bell Ceremonies effective June

11 >

- Introduction of the Domestic Companies Total Return Index (DCTRI) and Composite Fixed Bond Index (BBIFixed)

12 >

- Completion of the new CSD system tender
  - > Implementation to be completed in 2019

## MISSION, VISION & VALUE STATEMENTS

### MISSION STATEMENT

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

### VISION STATEMENT

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

### OUR VALUES

- **Innovation:** We are committed to continually re-inventing products and services by adopting the best technology and practices.
- **Integrity:** We are professional and accountable for our actions, and uphold the highest ethical conduct in our execution and adhere to the highest standards of corporate governance.
- **Sustainability:** We will employ business methods that adhere to the proper use of financial and human resources as well as the environment we operate in.
- **Efficiency:** We endeavor to accomplish more with the available resources and time.
- **Commercial Focus:** We are geared towards revenue maximization for the company and stakeholders.
- **Teamwork:** We are collaborative with internal and external stakeholders to ensure excellent returns and delivery.

# BOTSWANA STOCK EXCHANGE

## LIMITED OVERVIEW

### Our Inception

The Botswana Stock Exchange Limited (BSE Limited or BSE) is Botswana's sole stock exchange given the responsibility to operate and regulate the securities market. The formation of the BSE can be traced back to 1989, when it was then known as Botswana Share Market (BSM). At that time there was no formal stock exchange in Botswana and the BSM traded as an informal market. At the time, there were only five (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.

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 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, the BSE discontinued the secretarial role of Ernst and Young Botswana to become a fully independent entity.

### Our Evolution

Historically, the exchange was owned by its members (stock brokers), through ownership of Proprietary Rights, and the Government of Botswana through the provision of subventions. Government and brokers have played a meaningful role of developing various facets of the market as a whole. BSE's

demutualisation process commenced on 1<sup>st</sup> December 2015. That is, the conversion from a member owned, not-for-profit, entity to a for-profit public company limited by shares under the Companies Act. Ultimately, BSE was demutualised on 2<sup>nd</sup> August 2018 and is now owned by the Government of the Republic of Botswana and the stock brokers.

### Our International Affiliations

The BSE is an Affiliate of the World Federation of Exchanges (WFE), a Partner Exchange of UN's Sustainable Stock Exchange (SSE) initiative, a member of the African Securities Exchanges Association (ASEA), a member and Secretariat of the Committee of SADC Stock Exchanges (CoSSE) and a Recognized Stock under the UK's HMRC.

### Our Products

Currently, the products that can be listed on the BSE include Equities, Corporate Bonds, Government Bonds and Exchange Traded Funds. The BSE continues to be pivotal to Botswana's financial system, and in particular the capital market, as an avenue on which government, quasi-government and the private sector can raise capital. The BSE plays host to the most pre-eminent companies doing business in Botswana. These companies represent a spectrum of industries and commerce; these are Agriculture, Banking, Financial Services, Wholesaling & Retailing, Tourism, Energy, Mining & Materials, Property & Trust, Security and Telecommunications. As at the end of 2018, there were thirty five (35) listed companies on the BSE which comprise of twenty six (26)

domestic companies and nine (9) foreign companies. Further, the BSE has forty-nine (49) listed bonds and three (3) Exchange Traded Funds. Moreover, BSE has one (1) registration on its Serala Over-the-Counter (OTC) Board.

### Our Regulatory Environment

The BSE is regulated by the Non-Bank Financial Institutions Regulatory Authority (NBFIRA) and is governed by two (2) pieces of legislation. These are the Companies Act and the Securities Act. The BSE, as a public limited company, is also governed by its Constitution.

For regulating the affairs of the members (stock brokers), the BSE utilises the Members Rules which provide, as the main objective thereof, "to operate a Stock Exchange in Botswana with due regard to the public interest to maintain fair and efficient dealing in securities for the protection of investors and regulate the affairs of members."

In addition, the BSE has a set of Listings Requirements which provide the pre-listings and post-listings requirements to be observed by the issuers of listed securities. BSE has different Listings Requirements governing the different types of securities e.g. Debt, Equities and Exchange Traded Funds (ETFs). The emphasis is to make sure that issuers disclose adequate information to the public and investors to facilitate informed investment decision making.

## OUR BOARD OF DIRECTORS



**Lieutenant General Tebogo C. Masire**  
Chairperson



**Mr. Basimane Bogopa**  
Member



**Mr. Davis Tele**  
Member



**Mr. Martin Makgatlhe**  
Member



**Mr. Norman Moleele**  
Member



**Mr. Ogone Mothoagae**  
Member



**Ms. Itumeleng Mareko**  
Member



**Ms. Lekono Phiri**  
Member



**Prof. Onkutlwile Othata**  
Member

## OUR BOARD OF DIRECTORS (CONTINUED)

The Constitution of the BSE provides that the Board of Directors shall be vested with all powers necessary for the governance of BSE and the promotion of the welfare, objects and purposes of the Exchange. The exercise of such powers may adopt such rules, issue such orders, directions and make such decisions

as it may deem appropriate. The Constitution further provides that the Board shall consist of the Chairperson of the Board, the Chief Executive Officer, and such number of directors elected by the shareholders of BSE as is fixed from time to time by resolution of the Board, provided that such number shall not be less

than eight (8) and no more than ten (10), inclusive of the Chief Executive Officer. The Chief Executive Officer shall be an ex officio member of the Board of Directors and shall not be entitled to vote. The current Board of Directors is constituted as follows:

MEMBER	POSITION	DATE OF APPOINTMENT
Lieutenant General Tebogo C. Masire	Chairperson	31 August 2018
Mr. Basimane Bogopa	Member	31 August 2018
Mr. Martin Makgatlhe	Member	31 August 2018
Ms. Itumeleng Mareko	Member	31 August 2018
Mr. Norman Moleele	Member	31 August 2018
Mr. Ogone Mothooagae	Member	31 August 2018
Professor. Onkutlwile Othata	Member	31 August 2018
Ms. Lekono Phiri	Member	31 August 2018
Mr. Davis Tele	Member	31 August 2018
Mr. Thapelo Tsheole	Chief Executive Officer	31 August 2018

## BOARD COMMITTEES

### Risk and Audit Committee

The purpose of the Risk and Audit Committee (RAC) is to assist the Board to discharge its duties relating to the safeguarding of assets, the operation of adequate systems, risk management, 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 Risk and Audit Committee are:

MEMBER	ATTENDANCE
Mr. Davis Tele (Chairperson)	2/2
Mr. Ogone Mothooagae	1/2
Prof. Onkutlwile Othata	2/2

## OUR BOARD OF DIRECTORS (CONTINUED)

### Nominations and Governance Committee

The Nominations and Governance Committee (NGC) is responsible for all matters relating to corporate governance and practices of BSE, nominations of members to be appointed to the Board of Directors as well as terms and conditions of employment for management of BSE.

The members of the Nominations and Governance Committee are:

MEMBER	ATTENDANCE
<b>Ms. Lekono Phiri (Chairperson)</b>	1/1
<b>Mr. Basimane Bogopa</b>	1/1
<b>Mr. Davis Tele</b>	1/1

### Admissions and Disciplinary Committee

The purpose of the Admissions and Disciplinary Committee (ADC) is to provide oversight on matters relating to the regulatory function of BSE over securities brokers. This is in line with the mandate of the BSE which entails regulation and oversight of operations of securities brokers.

The members of the Admissions and Disciplinary Committee are:

MEMBER	ATTENDANCE
<b>Ms. Itumeleng Mareko (Chairperson)</b>	1/1
<b>Mr. Basimane Bogopa</b>	1/1
<b>Mr. Norman Moleele</b>	1/1

### Regulatory Committee

The purpose of the Regulatory Committee (RC) is to set policy and formulate rules with regard to listings and trading matters as well as securities brokers and participants.

The members of Governance and Remuneration sub-committee are:

MEMBER	ATTENDANCE
<b>Mr. Basimane Bogopa (Chairperson)</b>	1/1
<b>Mr. Martin Makgathe</b>	1/1
<b>Mr. Ogone Mothooagae</b>	1/1
<b>Prof. Onkutilwile Othata</b>	1/1
<b>Mr. Thapelo Tsheole</b>	1/1

### Board Tender Committee

The purpose of the Board Tender Committee (BTC) is to approve procurement of supplies, works & services and disposal of assets in line with the BSE procurement procedures promulgated by the Board from time to time.

## OUR BOARD OF DIRECTORS (CONTINUED)

The members of Board Tender Committee are:

MEMBER	ATTENDANCE
Prof. Onkutlwile Othata (Chairperson)	2/2
Mr. Martin Makgatlhe	1/2
Ms Itumeleng Mareko	2/2
Mr. Thapelo Tsheole	2/2
Ms. Mpho Mogasha	2/2

### Botswana Stock Exchange Security Fund Board of Trustees

Botswana Stock Exchange Security Fund (Security Fund) was established to provide compensation for losses incurred under certain circumstances by registered stockbrokers, employees or associates and agents of registered securities brokers or broking members.

The members of Botswana Stock Exchange Security Fund Board of Trustees are:

MEMBER	ATTENDANCE
Mr. Basimane Bogopa (Chairperson)	1/1
Mr. Kabelo Mohohlo	1/1
Mr. Martin Makgatlhe	1/1

## ATTENDANCE AT MEETINGS OF THE MAIN COMMITTEE AND SUB-COMMITTEES

Members	Board	RAC	NGC	ADC	BTC	RC	Security Fund
Lt. Gen. T. C. Masire	3						
Mr. B. Bogopa	2		1	1		1	1
Mr. M. Makgatlhe	2				2	1	1
Ms. I. Mareko	2			1	2		
Mr. N. Moleele	3			1			
Mr. O. Mothooagae	2	1				1	
Prof. O. Othata	3	2	1		2	1	
Ms. L. Phiri	3						
Mr. D. Tele	3	2	1				
Mr. T. Tsheole	3	2	1	1	2	1	
Mr. K. Mohohlo							1

## OUR MANAGEMENT TEAM



**Mr. Thapelo Tsheole**  
Chief Executive Officer

Mr. Tsheole was appointed CEO of the BSE in January 2016. Prior to that, he was the Deputy CEO since February 2014. Mr. Tsheole joined BSE in February 2007 as Product Development Manager. He holds a Bachelor of Social Sciences (Single Major Economics) from University of Botswana and a Master of Commerce in Financial Markets from Rhodes University (RSA). Further, he holds a Master of Business Administration (MBA) from the Graduate School of Business, University of Cape Town (RSA). Mr. Tsheole has also completed several financial markets programmes which include Registered Person Examination (RPE) conducted by South African Institute of Financial Markets (SAIFM) and SAFEX, and the Enforcement and Market Oversight programme by the United States Securities and Exchange Commission (SEC). He has also attended a Leadership Development Programme at the University of Stellenbosch Business School (RSA).



**Ms. Masego P. Pheto**  
Head of Clearing and Settlement

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



**Ms. Mpho Mogasha**  
Head of Finance and Administration

Ms. Mogasha joined the BSE in 2006 as Operations Officer - Finance & Administration, a position she held until July 2013, when she was appointed to the role of Acting Finance & Administration Manager. She assumed the role of Finance & Administration Manager in February 2014. Prior to joining the BSE she worked for Motswedi Securities as an Accountant. Before then, she worked for Grunwald Construction as an Assistant Accountant. Ms. Mogasha graduated with a BA in Accounting from the University of Botswana. She is ACCA qualified and a member of the Botswana Institute of Chartered Accountants (BICA). She has completed both the Management Development Programme (MDP) and Executive Development Program (EDP) at University of Stellenbosch Business School (RSA).

## OUR MANAGEMENT TEAM CONTINUED)



**Mr. Kopano Mogorosi**  
Head of Information Technology

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



**Ms. Gorata Tihale Dibotelo**  
Acting Head of Legal Services and Board Secretary

Ms. Dibotelo joined the BSE in August 2016 as a Legal & Corporate Affairs Officer. Prior to that, she was employed by one of the leading commercial law firms in Botswana, Armstrongs Attorneys as an Associate Attorney. Through her experience, Ms. Dibotelo has amassed knowledge and experience in the commercial and regulatory area of law in our jurisdiction. Ms. Dibotelo graduated with a Bachelor of Laws Degree from the University of Botswana in 2011. She also completed a Master of Law, specialising in Commercial Law from the University of Cape Town in 2013.



**Mr. Tsametse Mmolai**  
Head of Listings and Trading

Mr. Mmolai started his career at Botswana Insurance Fund Management (BIFM) Limited as an Investment Accountant before joining Metropolitan Life Botswana Limited and the BSE in 2008. Mr. Mmolai graduated with a BCom (Finance) from Macquarie University in Sydney, Australia and is an Accredited Member of the Compliance Institute of Southern Africa. He has also attended Compliance and Financial Regulation courses at reputable institutions such as the U.S. Securities and Exchange Commission, the International Centre for Parliamentary Studies in London, England, as well as the University of Cape Town. He also completed the Management Development Programme (MDP) and the Executive Development Programme (EDP) with the University of Stellenbosch Business School (RSA).

## OUR MANAGEMENT TEAM CONTINUED)



**Ms. Thapelo Moribame**  
Head of Market Development

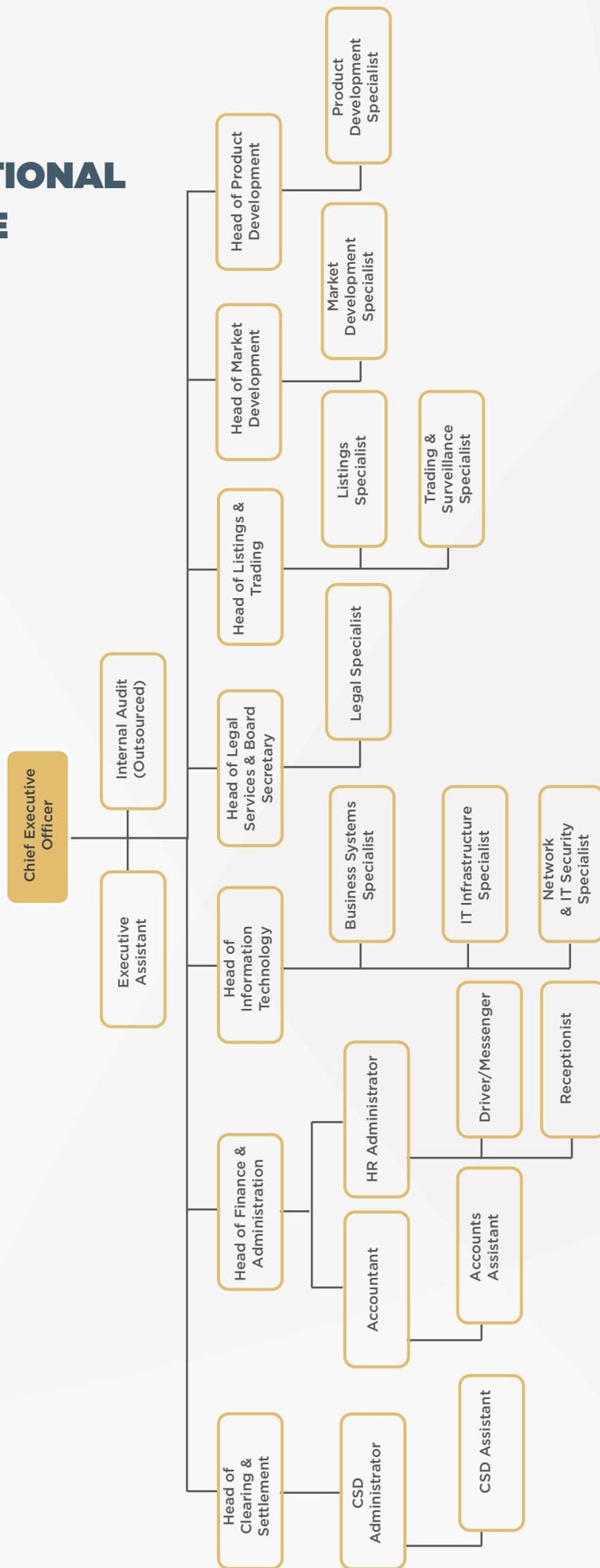
Ms. Moribame joined the BSE on the 1<sup>st</sup> August, 2016. Prior to joining the BSE, she was the Marketing Manager at Air Botswana from November 2012 to July 2016. Before joining Air Botswana, she worked at the Local Enterprise Authority (LEA) as Market Access Specialist from January 2011 to October 2012. Her career began at the Ministry of Investments, Trade and Industry as Assistant Trade Officer on the Multilateral Trade Section between October 2006 and December 2010. Ms. Moribame holds a Master of Commerce in Economics and an Honours Degree in Economics, both from the Stellenbosch University in South Africa. She also has a Bachelor of Arts in Social Sciences Degree specializing in Economics and Public Administration from the University of Botswana. She has also studied International Trade and the Multilateral Trading System at the United Nations University in Tokyo, Japan after being accepted with fellows from countries around the world. Ms Moribame recently completed a Management Development Programme with the University of Stellenbosch (RSA).



**Mr. Kopano Bolokwe**  
Head of Product Development

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

# OUR ORGANISATIONAL STRUCTURE



**OUR STAFF**





## CHAIRPERSON'S STATEMENT

### Dear Valued Stakeholder,

The demutualisation of the BSE was a great milestone for the organisation in the year under review. After 29 years of existence, change was inevitable particularly in an environment where we are competing for global capital as financial institutions around the world. It is testament from the experiences of our peer exchanges in the continent that demutualisation is ordinarily a lengthy process as it seeks to optimise the diverse interests of various stakeholders. Fortunately, for us it has been a fairly short process of close to two and half years from the commencement date of the Transition Act in December 2015.

*I am therefore proud at the manner with which this process was undertaken. The transition from a parastatal to a public limited company is testament to our long term vision of becoming a world-class securities exchange.*



I am therefore proud at the manner with which this process was undertaken. The transition from a parastatal to a public limited company is testament to our long term vision of becoming a world-class securities exchange. Primarily, it is the renewed governance that we intended to accomplish in order to ensure the sustainability of our organisation. On behalf of the Board

of Directors of the BSE, I therefore take this opportunity to reiterate our gratitude to the Government of the Republic of Botswana and to the Brokers for this praise worthy achievement. My sincere appreciation also goes to the previous Main Committee as this process commenced under their stewardship.

## CHAIRPERSON'S STATEMENT

Pursuant to the demutualisation and registration of BSE with the Companies Intellectual and Proprietary Authority (CIPA), the BSE Act was repealed and has been replaced by the Companies Act. In accordance with the provisions of the BSE Transition Act, the BSE held its first Annual General Meeting on 31<sup>st</sup> August 2018, where a new Board was elected and constituted in line with the BSE Constitution. What is discernible is the overhaul of the composition of the Board as it now comprises of no more than two non-independent directors, an unambiguous change from the six members non-independent directors in the previous Board structure. Thus, out of the ten (10) board members, 80% of the members are independent directors. On behalf of the shareholders, let me therefore take this opportunity to introduce and welcome the new directors;

1. **Lieutenant General Tebogo C. Masire**
2. **Mr. Basimane Bogopa**
3. **Mr. Martin Makgatlhe**
4. **Ms. Itumeleng Mareko**
5. **Mr. Norman Moleele**
6. **Mr. Ogone Mothooagae**
7. **Professor Onkutlwile Othata**
8. **Ms. Lekono Phiri**
9. **Mr. Davis Tele**
10. **Mr. Thapelo Tsheole (Chief Executive Officer, Ex-officio)**

In the four (4) months that I have been the Chairman, I can testify that the members are highly suited to providing the strategic guidance needed by the BSEL as it has now entered a new chapter of growth considering their diverse expertise

from their professional backgrounds. I am equally pleased with the level of independence that the shareholders have afforded us thus far. As highlighted, a high level of governance is a key consideration in global capital allocation and investment management decisions and for us as the Exchange, it is what we require from listed companies in order to promote the soundness and integrity of the market. Therefore, it is critical for our design and actions to translate into our expectations of those that we lead.

Lastly, I would like to thank our invaluable participants within the capital markets ecosystem for their illustrious support and challenge them to steadfastly play their role in complementing us to drive the mandate of the BSE. I thank the Regulator for their robust oversight and responsiveness. Let me also acknowledge the BSE management for their resilience and output in 2018. Keep up the good work.

Thank you.



**Lieutenant General Tebogo Carter Masire**  
Chairperson Of The BSE Board Of Directors

## CEO's REVIEW



*I am therefore proud at the strength of our focus in accomplishing our strategic plan continues to be seen in many areas of our business.*

In Africa, as at June 2018, only six (6) stock exchanges amongst the twenty-eight (28) members of the African Securities Exchanges Association (ASEA) were demutualised. The BSE became the 7<sup>th</sup>. Undoubtedly, this transition has opened a new chapter for us as it comes with significant changes in the stature of the business and paves way for more innovative ways of doing business going into the future.

The strength of our focus in accomplishing our strategic plan continues to be seen in many areas of our business. We ended the year closer to commencing the implementation of a new CSD system, for which we have identified the supplier. As we pursue revenue diversification, cost management and the enhancement of liquidity, the new CSD system shall play an important role given its diverse capabilities. The system comes with all of the functionalities of the current system and additional services that are not available in the current system. One such is the

### 1.0 THEME – A NEW CHAPTER AWAITS

Generally, the pace of exchange demutualisation has been rapid in developed markets. Research indicates that in the fifteen years since the first demutualisation in the world took place in 1993, only twenty-one (21) exchanges in developed markets have demutualised. This number represents almost 40% of the membership of the World Federation of Exchanges (WFE). In contrast, the pace of demutualisation in emerging markets has been

relatively slower. A report published by the International Organisation of Securities Commissions (IOSCO) in 2014 showed that only five (5) jurisdictions out of a total of seventy-six (76) emerging market jurisdictions had completed demutualisation.

The foregoing demonstrates the difficulty with which this process is accomplished given the diverse interests of the parties involved.

## CEO's REVIEW (CONTINUED)

capacity for Securities Borrowing and Lending (SBL), of which we have made progress in terms of drafting the rules and conducting market education. We also closed the year having completed a tender for the installation of stock market tickers or data display screens, for which we have also identified a renowned supplier, with which we will not only distribute information but will also rely on to augment trading and listings revenue through advertising.

The need to diversify our revenue cannot be overemphasized particularly as trading activity on account of equities has been on a remarkable decline since 2016. Our diagnosis tells us that a lot of factors are at play to dwindle the trading activity however, we have taken remedial action to address those within our control. Towards the end of the year, we undertook a benchmark study to reassess our equity brokerage commission relative to other markets and concluded that ours was not competitive. In addition, we deduced that these uncompetitive costs, among other factors, could be attributable to the year on year slowdown in turnover since the introduction of the minimum brokerage commission of 60 basis points in April 2016. In 2019, we will be submitting our recommendations for Board approval and subsequent NBFIRA approval, the main content of which is to introduce a sliding scale fee structure for equity trading. Our hope is that this will help to bring the trading activity to the optimum levels.

As it is discussed elsewhere in this report, the bond market reached record levels in terms of trading. However, the trading activity on bonds happens outside of the Exchange and therefore the BSE does not participate in any potential earnings from the trading of bonds.

The project on centralisation of the bond market gained traction over the year and implementing a new CSD system is a critical component of fast tracking this project. Once government securities are traded on the Exchange, we expect to see the trickle effects on this in our income statement as a new revenue liner.

On the international scene, the BSE continued to gain increased visibility through its active involvement in various initiatives. In February 2018, I was elected the Chairman of CoSSE for a period of two years, following the appointment of the BSE as the Secretariat of CoSSE for a period of five years. My intention is to launch a new strategic plan for CoSSE aiming at completing ongoing initiatives that can elevate the status and the development of the region's stock exchanges.

At the African Securities Exchanges Association (ASEA), the Market Development Working Group, which I chair, launched a comparative study titled "Attracting Listings and Investors in African Exchanges" which was aimed at showcasing activities pursued by individual ASEA members in attracting listings and investors. The objective was to enable the members to learn from each other in developing their own markets. On the international level, the BSE was given the designation of "Recognised Stock Exchange" by the UK's Her Majesty Revenue and Customs (HMRC), making it the third stock exchange in Africa and the eighteenth in the world to receive this designation. This recognition carries confidence signals to investors and appropriately positions the BSE to continually attract investments from UK investors.

We are alive to the challenges within our operating environment, particularly in relation to issues of

Anti Money Laundering (AML), Countering the Financing of Terrorism (CFT), as well as the consequent Income Tax Act amendments. We remain cognisant of the potential impact of these developments on our business, and have engaged the relevant authorities through representations that propose certain ways of cushioning the impact of the Income Tax Act amendments on listed companies and potential issuers. Our proposal on the latter is the promulgation of the Real Estate Investment Trusts (REITs) legislation. The REITs structure is popular internationally relative a Variable Rate Loan (VRL) structure, and will put us at par with our international counterparts.

Change is inevitable and more often than not, change may bring increased uncertainty and complexities. It is clear from the foregoing that we will progressively hit several milestone, but we will also encounter stumbling blocks along the way. My belief is that our resilience, consultative approach, and ability to evolve and adapt to the domestic and international environment will drive our prosperity. Once again, it is a collective effort of the entire industry to propel us to the next level. Therefore, I thank our shareholders, stakeholders, Board, and staff for their continued support and delivery towards making the BSE a world class securities exchange.

### 1.0 Global Market Highlights

The latest global market highlights for 2018 published by the World Federation of Exchanges (WFE) depicted a weak year for the stock exchanges worldwide. Stock market valuations decreased due to increased uncertainty in advanced economies. Global listings were down 17.6% and capital raised through IPOs decreased by 12.1%.

## CEO'S REVIEW (CONTINUED)

Conversely, turnover levels were 15.4% higher than in 2017.

In the domestic market, a picture similar to the global trend was observed. The BSE equally experienced reduced turnover levels and the continued depreciation of the Domestic Company Index (DCI). Listed companies cited, in their annual reports, the suppressed trading conditions and low consumption spending as some of the challenges in their trading environment. It was mainly due to these reasons that most entities recorded a decline in earnings that subsequently affected the overall equity market performance from a returns standpoint.

### 1.1 Global Economic Highlights

The global economy continued to strengthen with global output estimated to have grown by 3.7% in 2018, according to the International Monetary Fund's (IMF) World Economic Outlook report published in January 2019. Owing to the trade

tensions between the USA and China as well as the uncertainty surrounding the nature of the UK's withdrawal from the European Union, the IMF expects global growth to slow down to 3.5% in 2019. The Sub-Saharan region is estimated to have expanded slower than global output, registering a pickup of 2.9% in 2018 with projected expansion of 3.5% in 2019.

### 1.2 Domestic Economic Highlights & Implications For The Capital Market

The year 2018 has been remarkable in the manner in which the BSE evolved with respect to the strategic accomplishments. However, when taking some of these achievements into account, it is important to bear in mind the environment, characterised by mixed fortunes, in which the world economy, the domestic economy and the capital market were operating. The global picture has already been discussed above.

Locally, according to the 2019 Budget Speech, the domestic economy is expected to register growth rates of 4.5% in 2018 and 4.2% in 2019. In 2017

the domestic economy had expanded by 2.9% following growth of 4.3% in 2016. It is further noted that exports and Government revenue are expected to be negatively impacted by the uncertainty in advanced economies arising from ongoing trade tensions among some developed nations.

The Minister of Finance and Economic Development (MFED) proposed a budget that will see Government run a third consecutive deficit during the fiscal year 2019/2020. The budget outturn for the 2017/2018 indicated a deficit of P2.0 billion (1.1% of GDP) while the revised budget for 2018/2019 estimated a fiscal deficit of P7.0 billion (3.5% of GDP). As a result, the proposed budget for 2019/20 is expected to widen the fiscal deficit to P7.3 billion. Fortunately for capital markets, the expectation is that the cumulative deficits will lead to consistent issuances of Government securities and possibly influence State Owned Enterprises (SOEs) and the private sector to seek public funding through the stock market.

## 2.0 EQUITY MARKET PERFORMANCE

### 2.1 ANALYSIS OF EQUITY INDICES

#### 2.1.2 Indices Computed on Domestic Companies

Majority of the listed companies recorded reduced earnings resulting in share price declines, but to the delight of the investors they maintained attractive dividend payouts (dividend yield of 5.5% versus 5.1% in 2017). In 2018, the Domestic Company Index (DCI) which shows the aggregate changes in market value on the basis of share prices declined by 11.4% compared to a decline of 5.8% in 2017. In 2018, eight (8) companies (compared to twelve (12) in 2017) registered positive price changes, fourteen (14) (compared

to eleven (11) in 2017) registered negative price movements and four (4) (compared to one (1) in 2017) closed the year with share prices back to their 2017 levels.

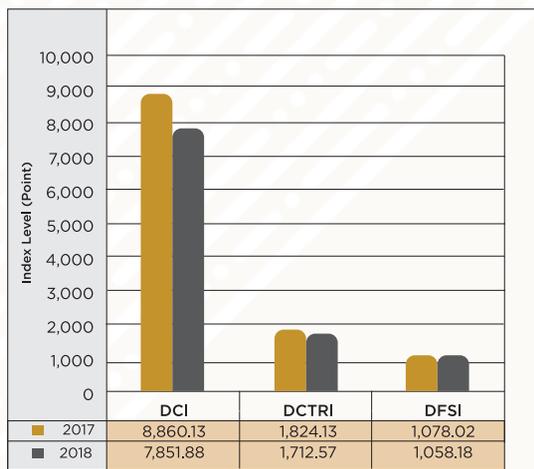
The impact of Choppies Enterprises Limited (hereinafter Choppies), arising from its failure to submit audited financials on time, on the decline in the total domestic market capitalisation and subsequently the DCI cannot be ignored. On 28<sup>th</sup> September 2018, Choppies lost 76.3% of its value when the share price plummeted from P1.69 to P0.40 in a single day. On that day, its market capitalisation slumped from P2.2 Bn to P521.5 Mn. Due to this, Choppies

contributed 41.2% to the decline in the DCI. In other words, Choppies contributed negative 4.7 percentage points to the negative 11.4% decline in the DCI in 2018.

In line with market demands and international best practice, the BSE introduced the Domestic Company Total Return Index (DCTRI). The base date of the DCTRI is 1<sup>st</sup> January 2010 with a base index level of 1,000.00 points. The movement of the DCI is illustrated in Figure 1 along with the DCTRI which takes into account the dividend payouts.

## CEO's REVIEW (CONTINUED)

**Figure 1:**  
Performance of Indices computed on Domestic Companies



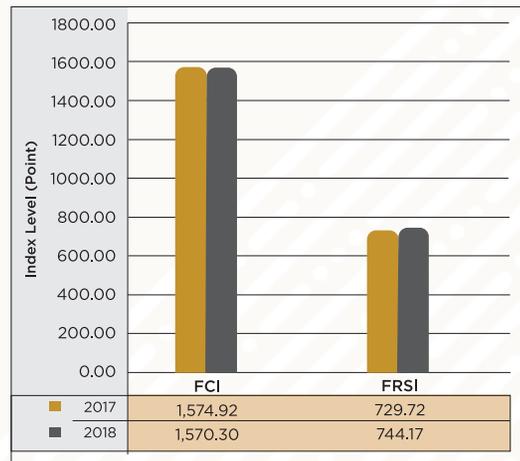
Source: BSE

As illustrated in Figure 1, all indices computed on domestic companies recorded negative growth in 2018. The Domestic Company Index (DCI) depreciated by 11.4% to close the year at 7,851.88 points, down from 8,860.13 points at the end of 2017. The DCTRI depreciated by 6.1% while the Domestic Financial Sector Index (DFSI) lost 1.8%.

### 2.1.3 Indices Computed on Foreign Companies

The Foreign Company Index (FCI) closed the year at 1,570.30 points, registering a marginal decrease of 0.3%. This was an improvement from the 0.7% loss in 2017. Conversely, the Foreign Resources Sector Index (FRSI) which tracks the performance of the mining and minerals companies appreciated by 2.0% in 2018 relative to the depreciation of 0.7% in 2017.

**Figure 2:**  
Performance of Indices computed on Domestic Companies

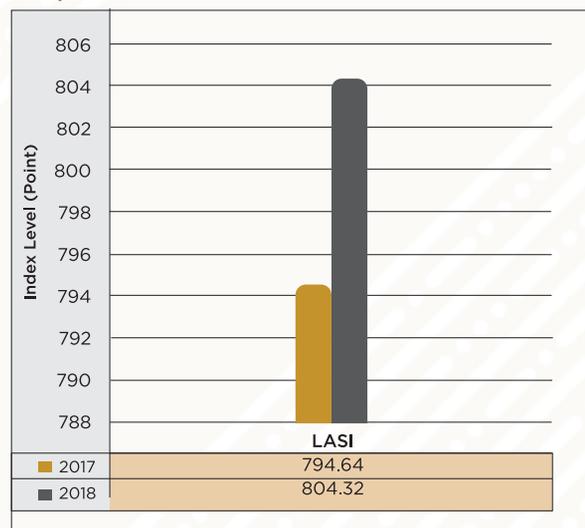


Source: BSE

### 2.1.4 Indices Computed on Local Asset Status Companies

In 2018, the Local Asset Status Index (LASI) appreciated by 1.2% compared to the 0.4% decline realised in 2017. It must be noted that by the end of 2018, the LASI represented all thirty-five (35) companies listed on the BSE. However, it should be noted that the LASI has not always represented all listed companies as some foreign companies were not designated the Local Asset status by NBFIRA.

**Figure 3:**  
Performance of Indices computed on Domestic Companies



Source: BSE

## CEO's REVIEW (CONTINUED)

### 2.1.5 Sector Contributions to Performance of the DCI

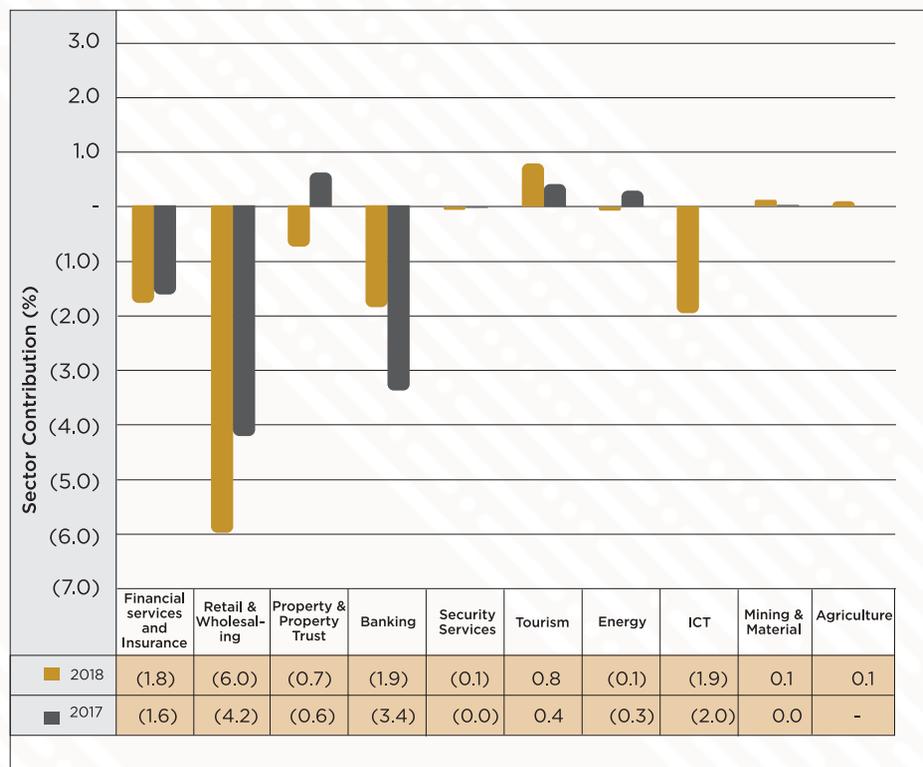
In 2018, the Exchange added Agriculture a new sector with the entry of Seed Co. International Limited, taking the number of sectors from nine (9) in 2017 to ten (10). This was a welcome development as it reinforces the diversity of the bourse in terms of the risk-return

offerings and the exposure of local investors to opportunities emanating from Agriculture driven economies in Africa.

Our analysis in terms of the decline in the DCI by 11.4% points out that this was attributable to the negative performance of seven (7) of the ten (10) sectors represented in the DCI

as shown in Figure 4. In aggregate, the seven (7) sectors contributed 12.4 percentage (%) points to the depreciation of the DCI. The sectors that contributed positively to the DCI performance were the Tourism, Mining & Materials and Agriculture sectors with an aggregate contribution of 1.0 percentage point.

**Figure 4:**  
Sector Contributions to Performance of the DCI



Source: BSE

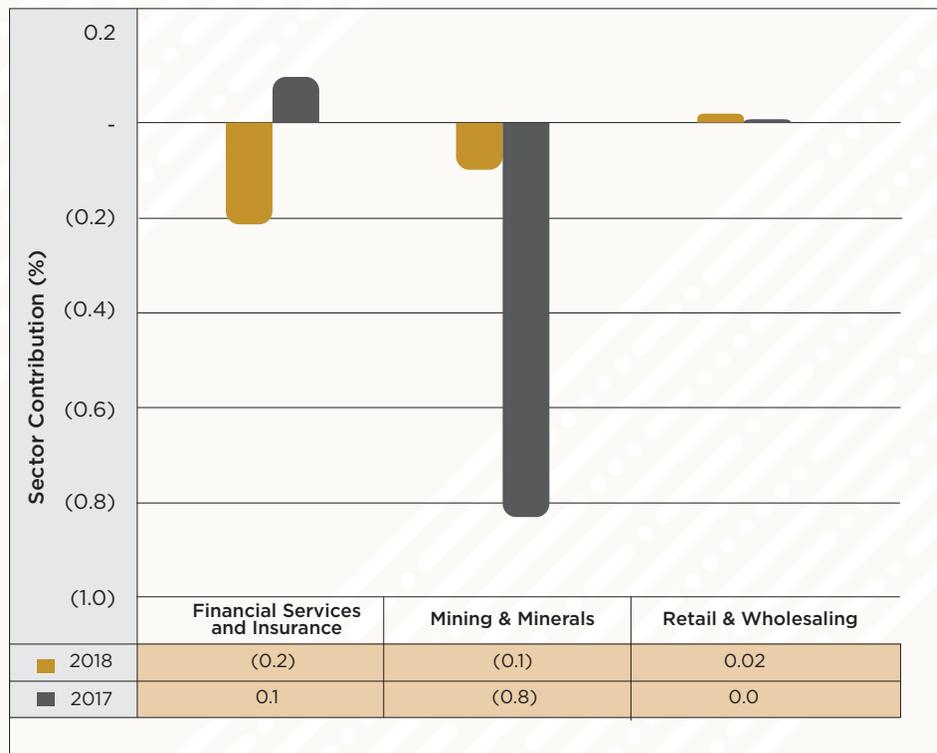
## CEO's REVIEW (CONTINUED)

Figure 5 below shows the sector contribution to performance of the FCI. The Mining & Minerals sector continues to dominate the foreign equity board. This sector

accounted for 94.9% of the foreign companies' market capitalisation in 2018. Further, the sector contributed 0.10 percentage points to the FCI's depreciation. However, the biggest

contributor to the decline of the FCI was the Financial Services & Insurance sector which contributed 0.21 percentage points to the FCI's depreciation.

**Figure 5:**  
Sector Contributions to performance of the FCI



Source: BSE

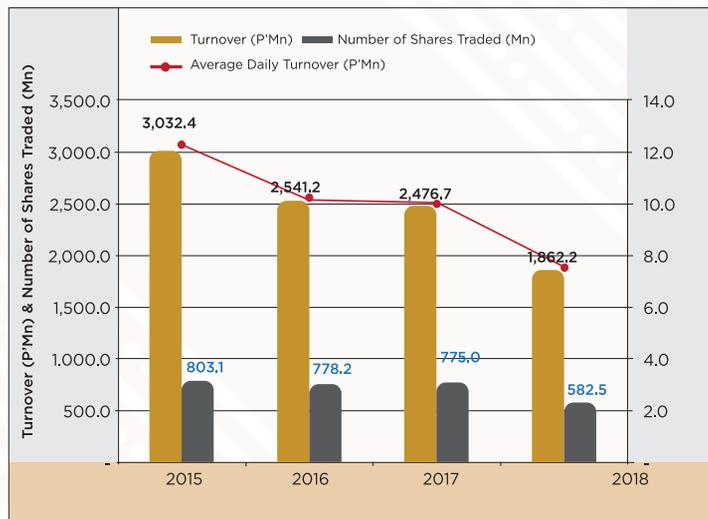
### 2.2 Liquidity and Stability of Turnover

Figure 6 gives a four (4) year review of turnover on the BSE. The BSE recorded a turnover of P1,862.2 Mn in 2018, a 24.8% decrease from the P2,476.7 Mn recorded in 2017. The average daily turnover for 2018 amounted to P7.5 Mn relative to P10.0 Mn in 2017.

The volume of shares traded in 2018 was 582.5 Mn in comparison to 775.0 Mn shares in 2017. The market statistics show that the average daily turnover actually reached very low levels in quarter three of 2018, relative to the other quarters, on the back of a significant slowdown in trading activity.

## CEO'S REVIEW (CONTINUED)

Figure 6: Liquidity: 2015 to 2018



Source BSE

As it can be noted from Figure 7, the stability of turnover in 2018 was at the lowest in comparison to recent years. As a result, the coefficient of variation during 2018 was 4.7%, a jump from the 3.4% and 3.3% in 2017 and 2016, respectively.

Figure 7: Indicators of Liquidity: 2015 to 2018

Indicators	2015	2016	2017	2018
Turnover/ Average Market Cap (%)	6.3	5.3	5.4	4.3
Standard Deviation	17.9	33.8	33.5	35.6
Coefficient of Variation (CoV)	1.5	3.3	3.4	4.7
Shares Traded/Shares Listed (%) <sup>Note 1</sup>	7.0	6.4	5.9	4.2

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

Source: BSE

A quarterly analysis of turnover reveals that the highest turnover in 2018 was generated in Quarter 2.

Figure 8: Quarterly Market Turnover: 2018

Indicators	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Turnover (P' Mn)	236.2	848.5	146.6	631.0
Average Daily Turnover (P 'Mn)	3.8	13.9	2.4	10.2
Turnover/ Average Market Cap (%)	0.5	2.0	0.4	1.5
Standard Deviation	8.5	39.6	3.8	58.2
Coefficient of Variation	2.2	2.8	1.6	5.7
No. of Shares Traded (Mn)(domestic)	100.7	310.9	59.1	111.8
Shares Traded/Average Shares Listed (%)	0.8	2.3	0.4	0.8

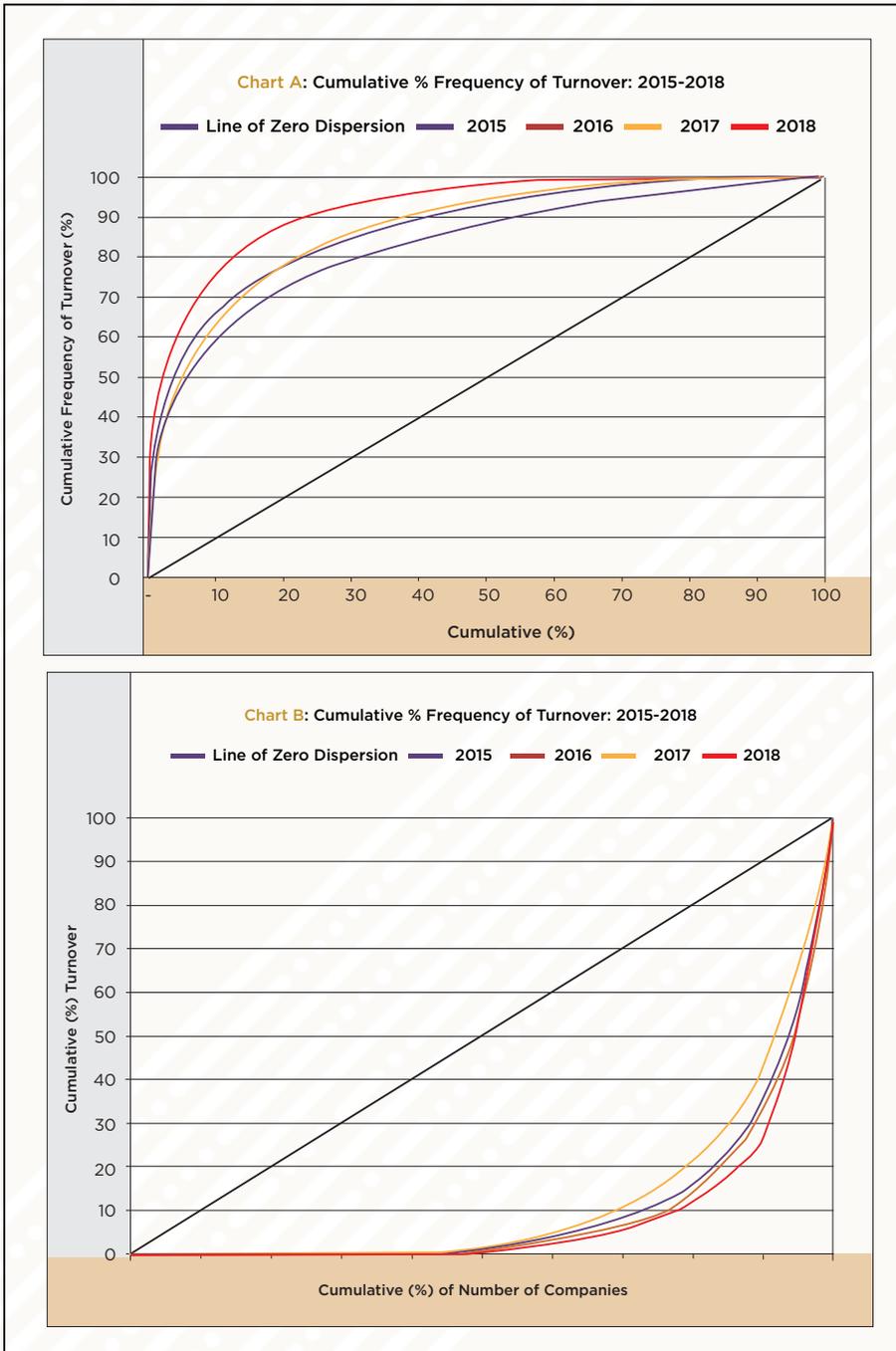
Note 1

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

Source: BSE

## CEO's REVIEW (CONTINUED)

**Figure 9:**  
Analysis of the Stability of Turnover using the Lorenz Curve



The Lorenz Curve analysis presented in Figure 9 provides further insight into the stability of turnover for the years 2015 through to 2018. It can be noted from Chart A of Figure 9 that turnover was relatively widely dispersed in 2018 compared to the other years.

Further, an analysis of the distribution of turnover contributed by companies as depicted in Chart B of Figure 9 illustrates a higher turnover concentration in the market during 2018 compared to the previous 3 years. This shows that a relatively fewer number of companies accounted for most of the turnover recorded in 2018.

Source: BSE

## CEO'S REVIEW (CONTINUED)

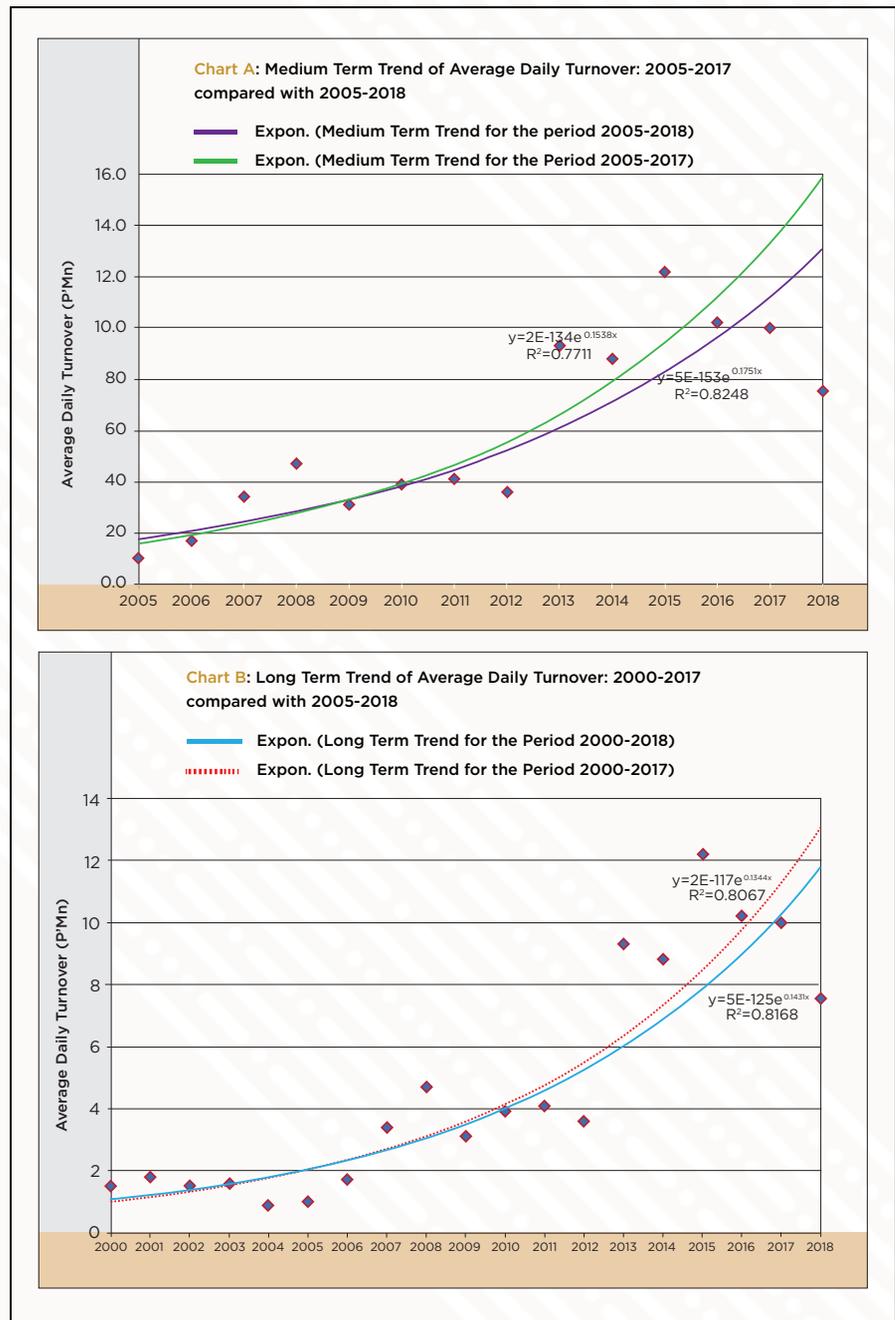
### 2.2 Trends in Turnover

Figure 10 presents an analysis of the medium term trend forecasts for the turnover recorded in 2018. This is to indicate the impact the actual turnover of P7.5 Mn per day has had on the turnover trend.

Based on Chart A of Figure 10, the medium term trend computed using the average daily turnover for the period 2005 to 2017 would have forecasted an average daily turnover of P15.8 Mn in 2018 whereas the medium term trend computed using figures for the period 2005 to 2018 would have predicted an average daily turnover of P13.0 Mn. Both forecasts are above the actual average daily turnover for 2018, and this goes to show that the actual average daily turnover of P7.5 Mn achieved had a negative downward impact on the medium term trend.

Chart B of Figure 10 presents the trend lines over the long term where the long term is defined as the period 2000 to 2018. Results of this analysis indicate that the average daily turnover of P7.5 Mn in 2018 falls short of the long term trend forecast. The long term trend computed using the average daily turnover for the period 2000 to 2017 would have forecasted an average daily turnover of P13.1 Mn in 2018 whereas the medium term trend computed using figures for the period 2000 to 2018 would have predicted an average daily turnover of P11.6 Mn.

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



Source: BSE

## CEO's REVIEW (CONTINUED)

### 2.3 Sector Contributions to Liquidity

Figure 11 presents the liquidity metrics across the various sectors on the BSE. Notably domestic counters continue to be the most traded relative to foreign counters, having contributed 89.5% to the total equity turnover on the Exchange in 2018. On the domestic board, the Retail & Wholesaling sector was the most traded followed by the Financial Services sector with contributions of 1.30% and 1.15% respectively in 2018.

The Foreign Mining Sector is the biggest in value, but is also relatively illiquid. In this sector is Anglo

American Plc (Anglo), which is also listed on the Johannesburg Stock Exchange (JSE) and the London Stock Exchange (LSE).

Anglo accounted for 92.9% of the foreign equity market capitalisation and for 83.3% of the total equity market capitalisation in 2018. However, Anglo hardly trades on the BSE and this is mainly because the company listed by introduction in 2001 and did not appoint a local transfer secretary and therefore has never issued shares or maintained a share registry in Botswana. This has made trading in Anglo shares

highly inefficient. One of the achievements of 2018 was that the CSDB successfully courted Anglo and subsequently Anglo appointed the CSDB as the Transfer Secretary for its shares in Botswana.

This will enable easy movement of shares between the Botswana, London, and South African share registries for one to trade the stock in any of these jurisdictions. Anglo is liquid on the JSE and LSE, and could provide a significant boost to liquidity on the BSE should it reach similar trading levels.

Figure 11: Sector Contributions to Liquidity: 2017 and 2018

Sector	2017				2018			
	Turnover/Avg Market Cap (%)		Shares Traded (Mn)	Shares Traded/ Avg Shares Listed (%)	Turnover/Avg Market Cap (%)		Shares Traded (Mn)	Shares Traded/ Avg Shares Listed (%)
	Note 1	Note 2A	Note 1	Note 2B	Note 1	Note 2A	Note 1	Note 2B
<b>DOMESTIC</b>								
Financial Services	1.14	0.13	201.42	7.63	1.15	0.12	236.69	8.96
Retail	1.33	0.15	98.19	4.63	1.30	0.14	77.02	3.33
Property	1.58	0.18	271.37	11.08	0.84	0.09	120.26	4.90
Banking	0.76	0.09	127.63	3.44	0.27	0.03	41.57	1.02
Security Services	0.01	0.00	1.09	1.36	0.00	0.00	0.02	0.03
Tourism	0.10	0.01	7.48	1.46	0.07	0.01	16.06	3.14
Energy	0.08	0.01	3.83	2.40	0.03	0.00	1.15	0.72
ICT	0.14	0.02	49.95	4.76	0.07	0.01	26.60	2.53
Mining	0.00	0.00	0.18	0.05	0.00	0.00	1.95	0.48
Agriculture	-	-	-	-	0.11	0.01	8.37	2.21
<b>FOREIGN</b>								
Financial Services	0.000	0.000	0.00	0.00	0.000	0.000	0.00	0.00
Mining	0.003	0.003	4.94	0.10	0.000	0.000	0.40	0.01
Retail	0.008	0.007	8.92	2.12	0.052	0.047	52.43	12.07

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

## CEO'S REVIEW (CONTINUED)

### 2.4 Investor Contribution to Equity Turnover

As presented in Figure 12, local institutional investors (local companies) dominated trading activity in 2018 and accounted for 53.2% of the total equity turnover whereas foreign companies accounted for 40.6% of the total equity turnover in 2018. Further, local companies were the only net buyers of equities in 2018 whereas the rest of the investor categories were net sellers.

Local individuals registered a decrease from 5.7% to 4.5% between 2017 and 2018. In monetary terms, local individuals' trades in 2018 amounted to P83.8 Mn compared to P141.2 Mn in 2017. In a period where household bank credit continued to expand signalling increased pressure on household income and consumption, this is a commendable participation level by local households as it exceeds the

5-year average of 4.1%. On the back of heightened outreach initiatives, the Exchange closed the year with 90,828 investor accounts from 80,641 investors in the prior year. This improvement demonstrates increased awareness of the stock market by Batswana which is essential for promoting citizen economic empowerment.

Figure 12: Investor Contribution to Turnover: 2014 to 2018

Indicators	Turnover (%)				
	2014	2015	2016	2017	2018
Foreign Companies	48.0	33.8	35.8	34.4	40.6
Foreign Individuals	1.5	2.0	1.3	1.3	1.3
Local Individuals	3.7	2.4	4.1	5.7	4.5
Local Companies	46.7	61.6	58.6	58.3	53.2
Brokers	0.2	0.2	0.3	0.3	0.3
TOTAL	100.0	100.0	100.0	100.0	100.0

Source: CSDB

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

Figure 13: Investor Contribution to Turnover on a Quarterly Basis

Sector	2017				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Foreign Companies	30.5	35.1	39.6	20.5	34.8	34.8	46.9	49.2
Foreign Individuals	2.2	2.5	0.3	2.5	1.1	1.4	3.8	0.7
Local Individuals	4.8	7.4	4.5	9.9	5.7	2.9	11.8	4.6
Local Companies	62.2	54.6	55.4	66.7	57.6	60.8	36.6	45.4
Brokers	0.4	0.4	0.1	0.5	0.8	0.1	0.9	0.1
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: BSE, CSDB

### 2.5 Geographical Distribution of Retail Investor Turnover

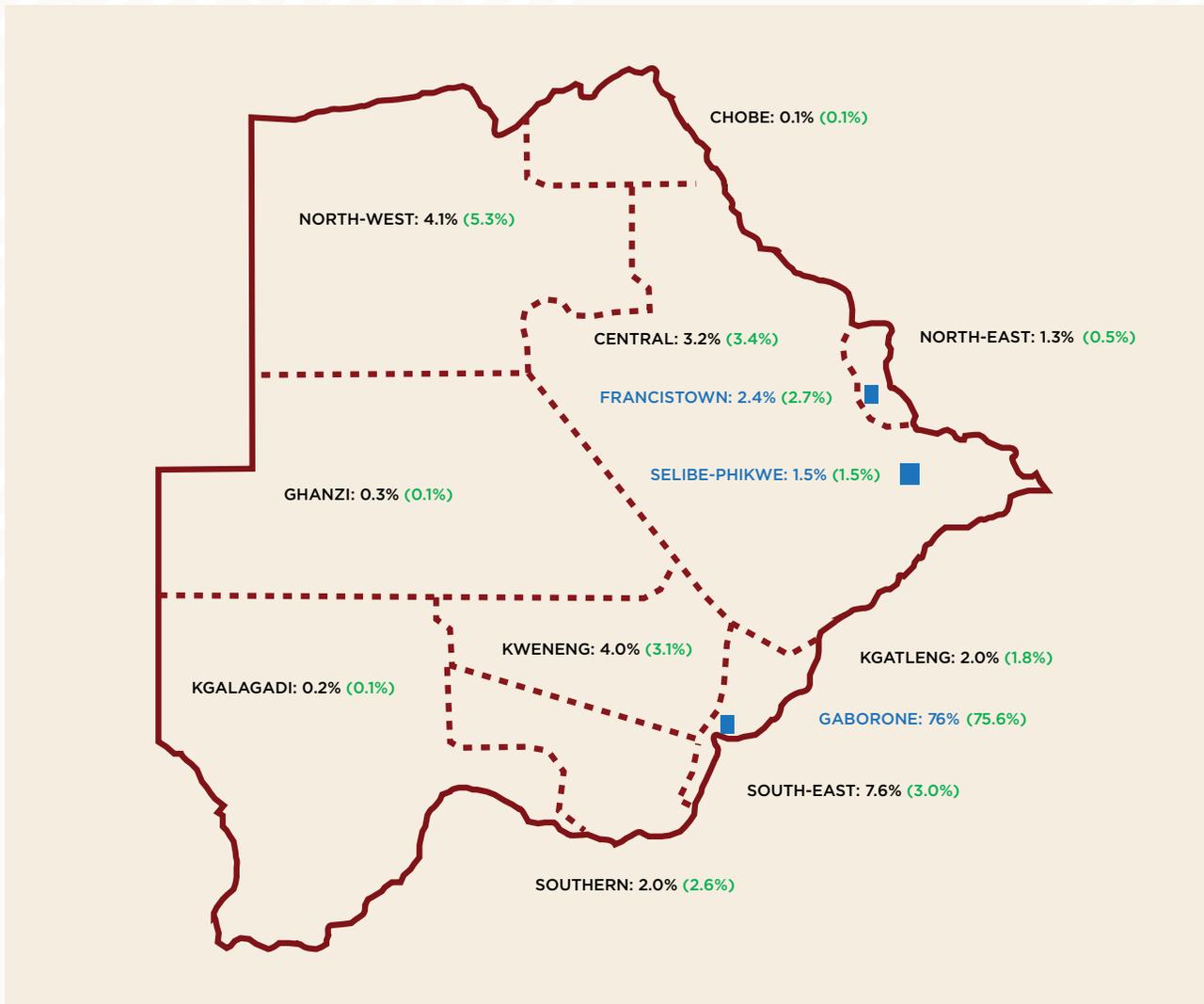
Figure 14 below presents the distribution of retail investor turnover by districts and major towns and cities across Botswana in 2018 and 2017. The figure depicts that the

majority of the trading activity is on account of investors based in Gaborone. The North-West District continued to be a notable contributor, having reached contribution levels of 4.1% and 5.3% in 2018 and 2017, respectively.

In other parts of the country, retail investor participation still remains very low and the Exchange has responded by prioritising these areas for Open Days.

## CEO's REVIEW (CONTINUED)

Figure 14: Investor Contribution to Turnover



Source: CSDB

Note 1: The Contribution to turnover in 2017 is indicated in parenthesis

Note 2: Blue box depicts major cities/towns

## CEO'S REVIEW (CONTINUED)

### 3.0 THE EXCHANGE TRADED FUNDS (ETFs) MARKET

#### 3.0 GLOBAL AND DOMESTIC ETFS LANDSCAPE

Globally, 2018 was the second best year on record regarding global Exchange Traded Products (ETPs) behind 2017. According to Blackrock, Global ETPs collected \$514.8 Bn in comparison to \$659.3 Bn, driven mainly by emerging market equities and developed markets fixed income. Similarly, on the BSE, 2018 was the second best year on record with a total turnover of P280.5 Mn, just after 2015 which registered an all-time high turnover of P519.6 Mn. Impressively, P246.4 Mn of the 2018 ETFs turnover

came from the NewPlat ETF and represent the second highest amount ever traded on any ETF in a given year, after the Coreshares ETF has clocked P427.7 Mn in 2015. The delisting of the Coreshares ETF in August 2018 was a setback at the number of listed ETFs reduced from four (4) to three (3). The BSE continued to engage with potential issuers of ETFs and expectations are that the diversity of the offerings, in terms of underlying assets and geographic exposure, will improve going into the future once these engagements materialise.

#### 3.1 Performance of the NewGold ETF

Figure 15 presents trade statistics of the NewGold ETF on the BSE. The turnover levels of the ETF on the BSE improved from 80,300 units traded in 2017 to 275,340 units traded in 2018. Similarly, the value of the NewGold ETF traded increased from P10.0 Mn to P33.7 Mn during 2017.

The price of the NewGold ETF on the BSE closed the year with an appreciation of 5.8% having traded at prices ranging between P116.90 and P126.40 per unit.

Figure 15: Trading Activity of the NewGold ETF: 2014 to 2018

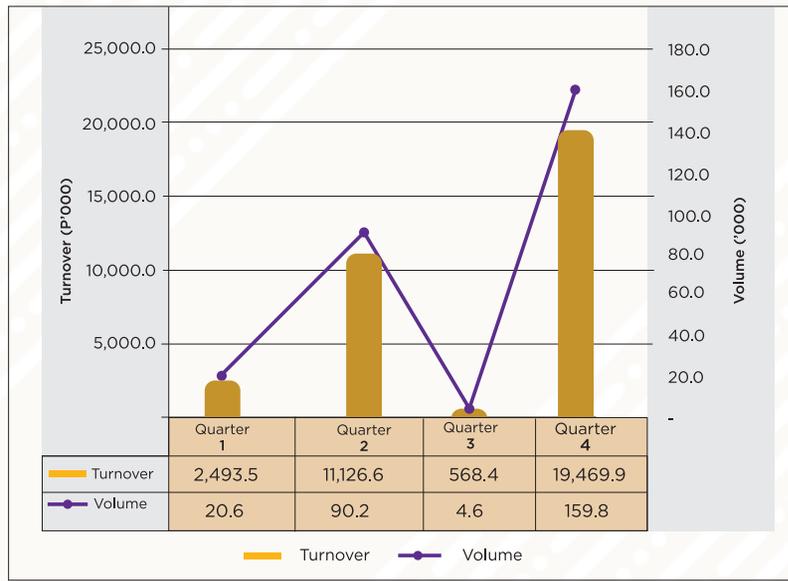
NewGold ETF	2014	2015	2016	2017	2018
Turnover (Pula)	5,944,159	30,035,381	137,570,634	9,993,373	33,658,376
Units Traded	54,405	265,452	1,020,489	80,300	275,340
Unit Price (Pula)	110.10	115.10	117.20	119.50	126.40

Source: BSE

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

## CEO's REVIEW (CONTINUED)

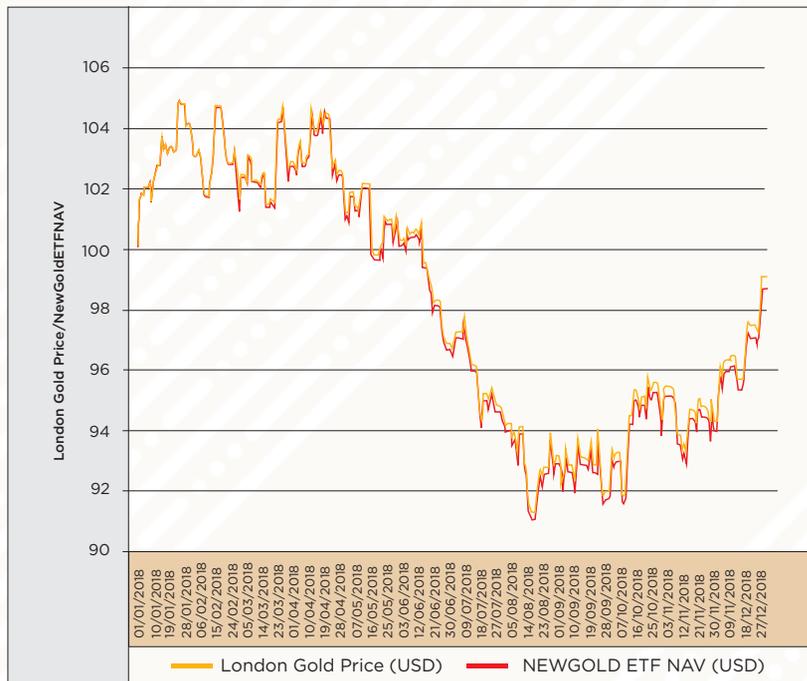
Figure 16: Quarterly Trading Activity of the NewGold ETF: 2018



Source: CSDB

Figure 17 below shows the performance of the NewGold ETF NAV against the Gold Bullion price in the London Market, both in USD terms. It can be noted that the efficiency of price discovery in the NewGold ETF and Gold price is very high based on the 100.0% correlation between the two.

Figure 17: London Gold Price and NewGold NAV (In USD terms) 2018

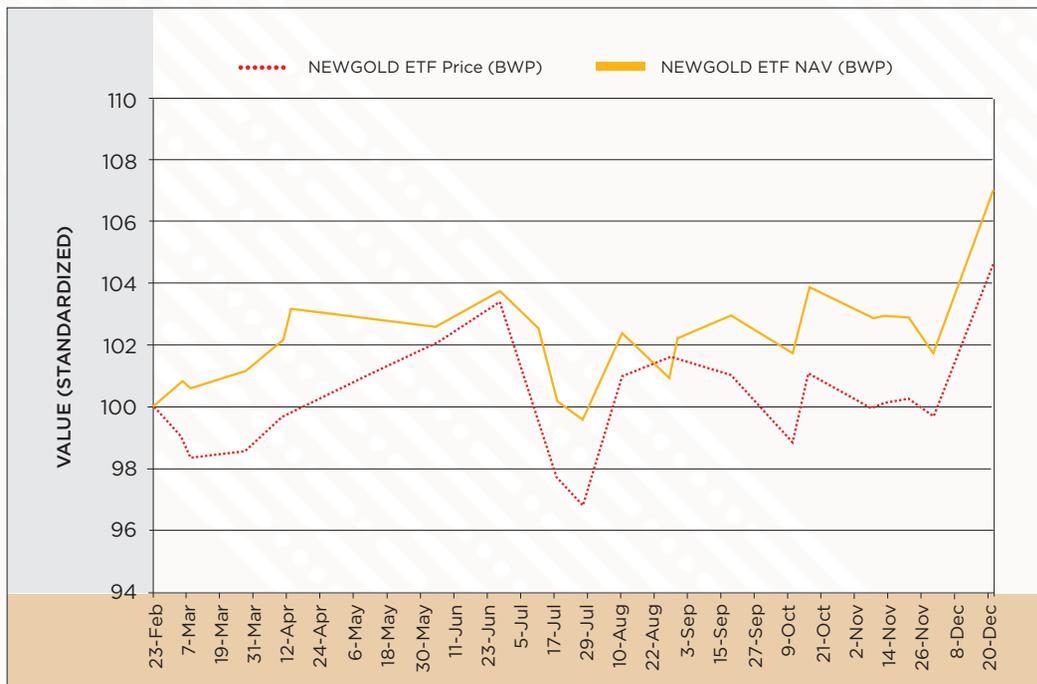


Source: ABSA Capital, BSE

## CEO's REVIEW (CONTINUED)

Figure 18 below shows a graphical presentation of the price of the NewGold ETF on the BSE and its NAV in Pula terms on the days that the ETF traded on the BSE. As can be seen, the correlation between the two prices was 79.3%, a deterioration from 95.2% registered in 2017.

**Figure 18: Price Discovery in the NewGold ETF on the BSE and the NAV of the ETF (BWP) standardized as at 1 January 2018**



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

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

In 2018, the CoreShares EWT40 ETF traded P420, 071.10 from a volume of 10,889 units. This was a sharp decrease compared to the 2017 turnover of P121.6 Mn generated from a total of 3.1 Mn units in 2017. The ETF traded at prices ranging between P32.99 and P41.66 per unit.

The CoreShares EWT40 ETF was delisted from the BSE on 22 August 2018.

## CEO's REVIEW (CONTINUED)

Figure 19: Trading Activity of the CoreShares EWT40 ETF: 2014 to 2018

CoreShares EWT40 ETF Note 1	2014	2015	2016	2017	2018*
<b>Turnover (P)</b>	170,253,020	427,688,318	589,244	121,557,938	420,071.10
<b>Units Traded</b>	4,023,278	10,439,416	15,539	3,112,021	10,889
<b>Unit Price (Pula)</b>	38.55	37.70	36.70	41.00	32.99

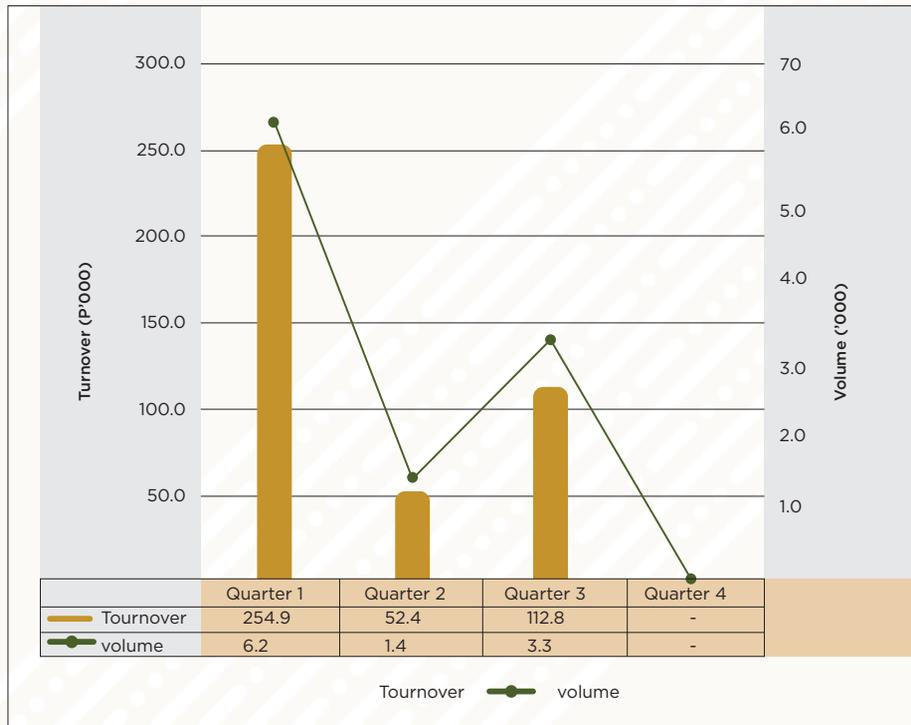
\*Stats are for the period January to August 2018 when CoreShares EWT40 delisted from BSE

Note 1: The CoreShares EWT40 ETF was previously called the BettaBeta ETF and it was listed in May 2011

Source: BSE

The quarterly performance (quarters 1, 2 and 3) of the CoreShares EWT40 ETF is presented in Figure 20 below.

Figure 20: Quarterly Trading Activity of the CoreShares EWT40 ETF: 2018

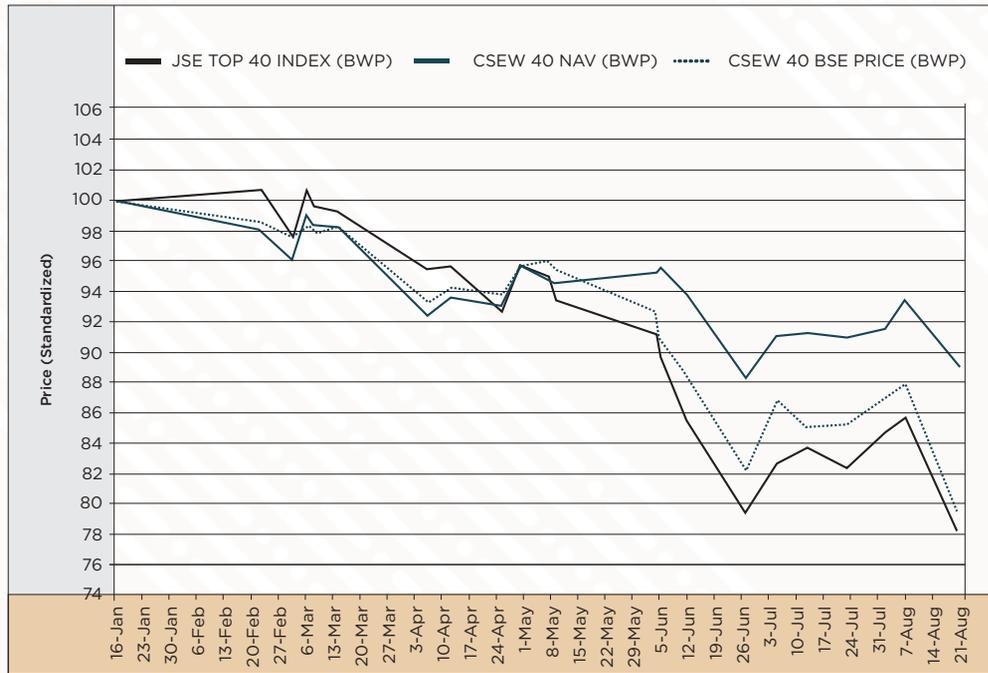


Source: BSE

The performance of the price of the CoreShares EWT40 on the days that it traded on the BSE is depicted on Figure 21 below. On the days that the ETF traded on the BSE, the correlation between the BSE price of the ETF and its NAV in Pula terms is 98.3%.

## CEO's REVIEW (CONTINUED)

**Figure 21: Performance of the CoreShares EWT40 ETF BSE Price, the CoreShares ETF NAV and the JSE Top40 Index in Pula term (standardized as at 1 January 2018)**



Note 1: The graph in Chart B is based only on dates on which the CoreShares EWT40 ETF traded on the BSE

Note 2: CoreShares EWT40 ETF was delisted from BSE on 22 August 2018

Source: BoB, BSE, Iress

### 3.3 Performance of the NewPlat ETF

The NewPlat ETF registered a turnover of P246.4 Mn and recorded a volume of 2.8 Mn units. On the BSE, the ETF price depreciated by 6.7% in 2018.

**Figure 22: Trading Activity of the NewPlat ETF: 2014 to 2018**

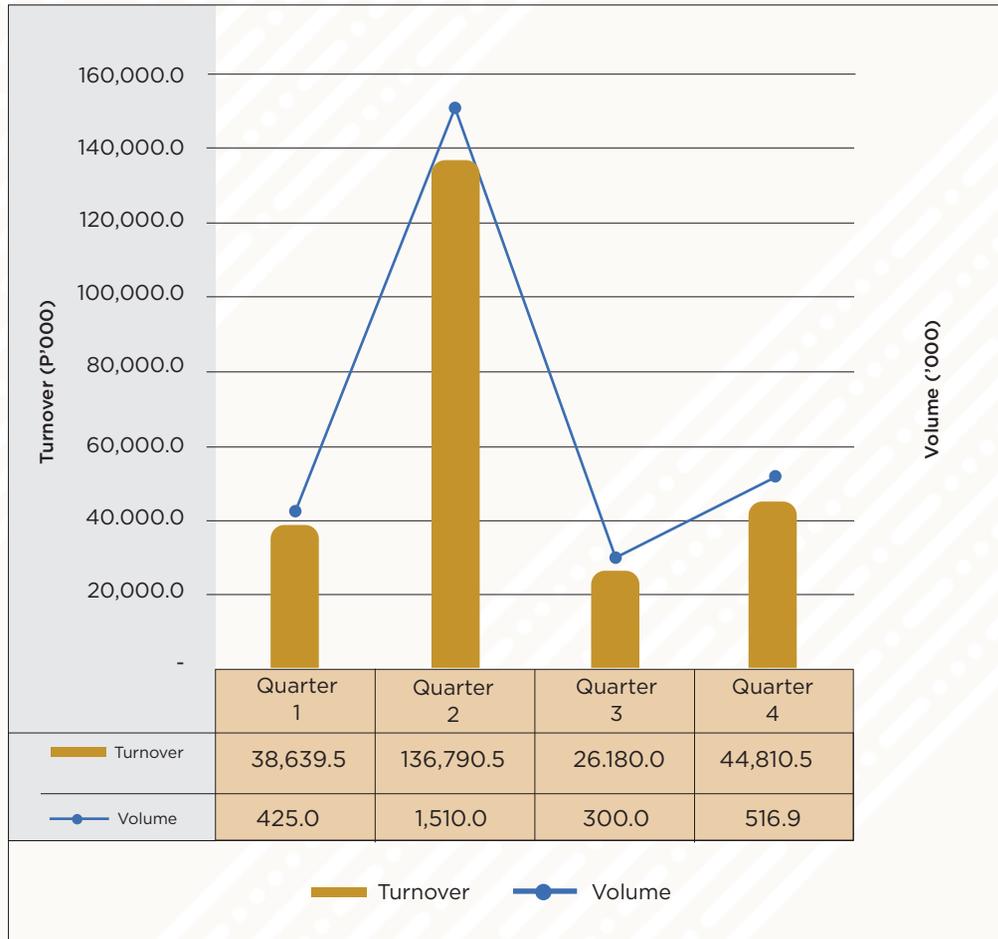
	2014	2015	2016	2017	2018
<b>NewPlat ETF</b>					
<b>Turnover (P)</b>	26,507,435	61,859,814	95,726,798	13,138,060	246,420,471
<b>No. of Units Traded</b>	215,088	554,504	898,418	137,018	2,751,911
<b>NewPlat Price (BWP)</b>	111.20	97.00	104.90	93.10	86.90

Source: BSE

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

## CEO's REVIEW (CONTINUED)

Figure 23: Quaterly Trading Activity on the NewPlat ETF: 2018

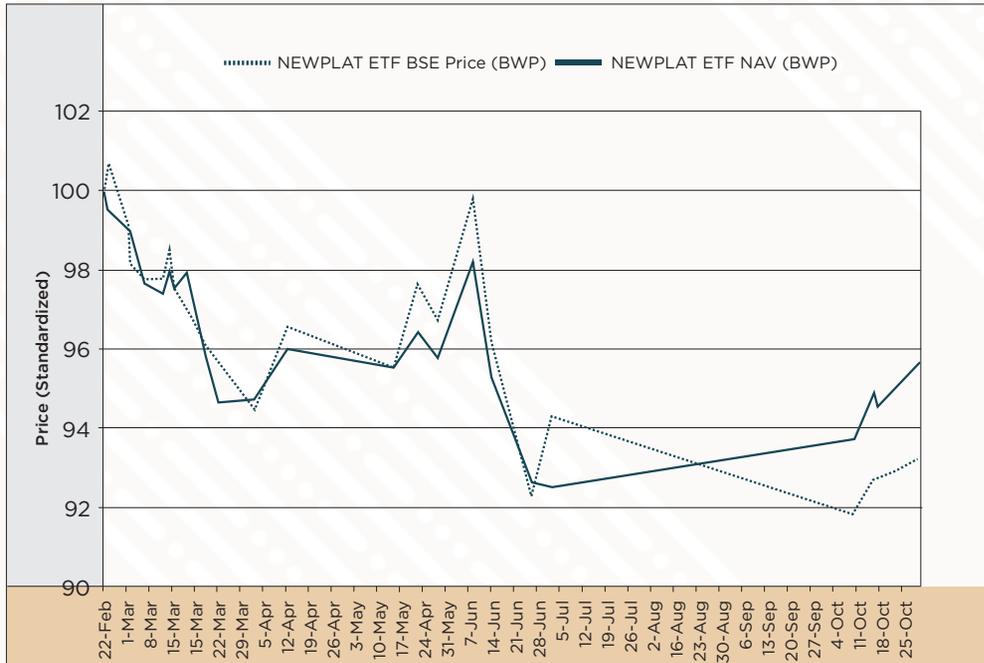


Source: BSE

The performance of the price of the NewPlat ETF on days that it traded on the BSE is depicted in Figure 24 below. On the days that the ETF traded on the BSE, the correlation between the BSE price and NAV of the ETF amounted to 89.5%.

## CEO'S REVIEW (CONTINUED)

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



Source: ABSA Capital, BSE

### 3.4 Performance of the New Funds ILBI ETF

The NewFunds Inflation-Linked Bond Index (ILBI) ETF tracks an index that consists of Inflation-Linked Bonds issued by the South African Government. However, events leading to and including the

downgrading of the South African Government's domestic and foreign currency sovereign credit ratings diminished its attractiveness to local investors. Consequently, the ETF has not traded on the BSE since listing on the BSE on 18 November 2015. In 2018, the price of the NewFunds

ILBI ETF fell by 0.3% on the JSE, and this could have translated into a 6.8% depreciation in the Pula price on the BSE. It must be noted that the total returns of the NewFunds ILBI ETF would be greater than the aforementioned as the ETF declares interest monthly.

## 4.0 BOND MARKET PERFORMANCE

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

The BSE Bond Index Series (BBIS) is a series of four (4) bond indices; Composite Bond Index (BBI), Government Bond Index (GovI), Corporate Bond Index (Corpl) and Composite Fixed Rate Bond Index (BBIFixed). The indices aggregate

the performance of the bond market in terms of the daily returns arising from price movements and interest accrued. The first three (3) indices in the series were launched in 2013 whereas the BBIFixed was introduced in April 2018. Also in April 2018, the calculation methodology of the indices was changed from equally weighted to nominal-amount-in-issue

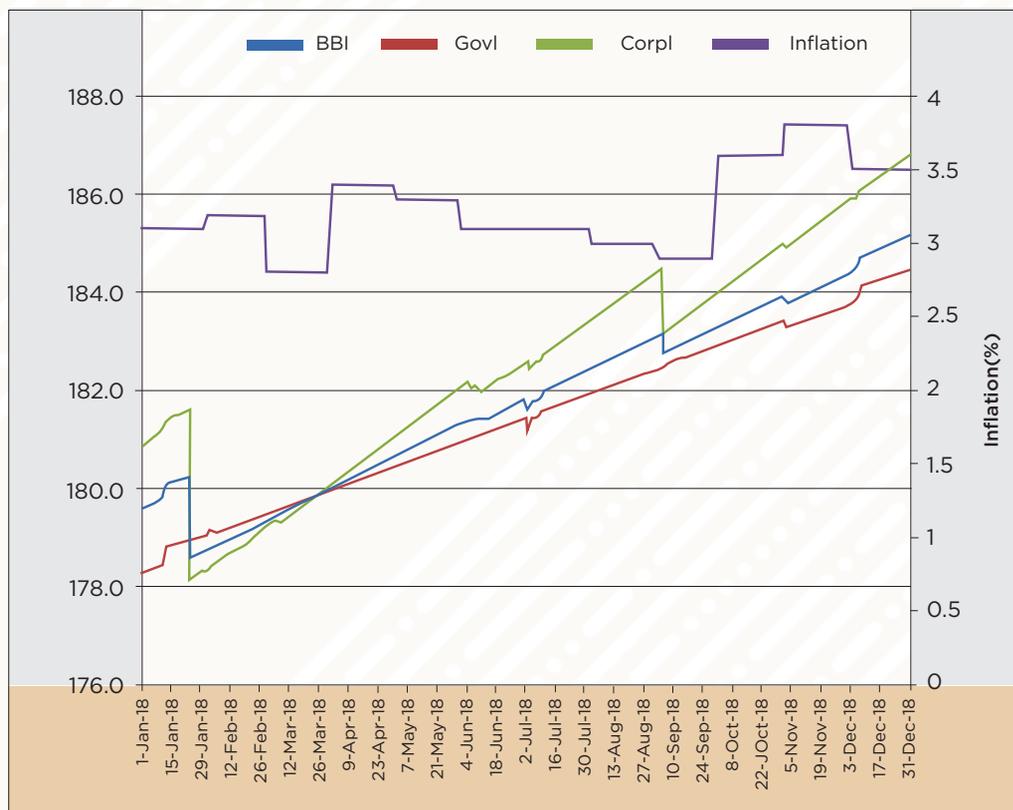
weighted. These developments were on account of the overall demand for a more representative methodology and a more diversified menu of indices following consultations with market participants early in the year. In 2018, the BBI appreciated by 3.2% whereas the GovI and Corpl registered returns of 3.5% and 3.3% respectively. The BBIFixed returned

## CEO's REVIEW (CONTINUED)

2.6% since its introduction in April 2018. Inflation averaged 3.2% in 2018, meaning that listed bonds provided purchasing power protection, save for the fixed rate bonds. Inflation in the year predominantly remained within the objective range of 3%-6% whereas interest rates were held constant throughout the year.

The performance of the indices is detailed in Figure 25.

**Figure 25: Performance of the BBIS versus Inflation: 2018**



Source: ABSA Capital, BSE

During 2018, inflation was fairly stable and within the Bank of Botswana (BoB) objective range of 3% to 6%, only breaching the lower limit of the objective range twice in March (2.8%) and September (2.9%). The BoB's Monetary Policy Committee (MPC) sat five (5) times in the year; on 13 February 2018, 30 April 2018, 19 June 2018, 23 August 2018 and 4 December 2018. At all sittings, the MPC left the Bank Rate unchanged at 5.0% in view of the positive outlook for price stability.

## CEO's REVIEW (CONTINUED)

### 4.2 Bond Market Turnover

As illustrated in Figure 26, activity in the bond market increased exponentially in 2018. The value of bonds traded increased over four times from P535.6 Mn in 2017 to P2,222.7 Mn in 2018. Government bonds continued to dominate liquidity of the market accounting

for 97.9% of total turnover. The BSE registered a record number of new bond listings as ten (10) new bonds came on board compared to eight (8) in 2017. This cushioned the impact of the four (4) bonds that matured in the year.

Even though Government bonds accounted for the majority of trading

activity corporate bonds dominated in terms of the quantity of bonds listed, a phenomenon that in most African markets is the reverse. At sector level, the profile of the bond market at the end of 2018 was such that Government bonds accounted for 63.8% of market capitalisation, Quasi-Government (1.3%), Parastatals (7.9%), Corporates (25.3%) and Supranational (1.7%).

Figure 26: Analysis of Bond Market Performance

	2017	2018
<b>Liquidity (P'Mn)</b>		
Government Bonds	484.9	2,176.8
Corporate Bonds	50.8	45.9
<b>TOTAL</b>	<b>535.6</b>	<b>2,222.7</b>
<b>Market Capitalisation ( P' Bn)</b>		
Government Bonds	9.1	9.6
Corporate Bonds	5.2	5.5
<b>TOTAL</b>	<b>14.3</b>	<b>15.0</b>
<b>Number of Bonds Listed</b>		
Government Bonds	5	7
Corporate Bonds	38	42
<b>TOTAL</b>	<b>43</b>	<b>49</b>

Source: BSE, BoB

### 4.3 Bond Market Capitalisation and Issuer Profile

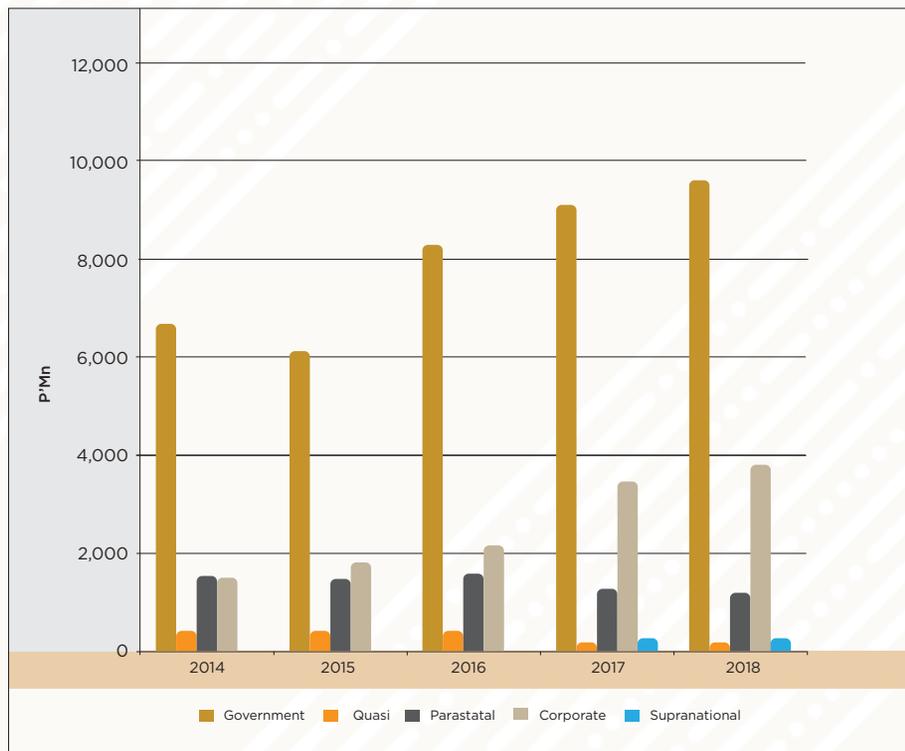
There were forty-nine (49) bonds listed on the BSE as at the end of 2018, an increase from the forty-three (43) bonds as at the end of

2017. Figure 27 details the growth of the debt market analysed by issuer profile since 2014. The total nominal debt market capitalisation amounted to P15.0 Bn in 2018 in comparison to P14.3 Bn in 2017.

This increase in market capitalisation was attributable to the listing of 10 bonds (seven corporate bonds and three Government bonds) as well as the tap issuances of the government bonds.

## CEO's REVIEW (CONTINUED)

Figure 27: Debt Market Capitalisation (Nominal Values) by Issuer Category: 2014 - 2018



Source: BSE, BoB

## 5.0 MARKET INDICATORS

### 5.1 Indicators of Value

Commonly used indicators of value in a stock market include the Price Earnings (P/E) ratio, Dividend Yield and Price to Book Value ratio. As can be seen from Figure 28, the P/E ratio fell during 2018 after being

fairly constant during 2016 and 2017. Conversely, the Dividend Yield for the market increased to 5.5% in 2018 from 5.1% in 2017 while the Price to Book ratio declined from 1.7 times in 2017 to 1.5 times in 2018.

Figure 28: Market Indicators for Domestic Companies: 2014 to 2018

	2014	2015	2016	2017	2018
P/E Ratio (times)	11.0	12.3	13.4	13.3	11.2
Dividend Yield (%)	4.3	4.0	4.4	5.1	5.5
Price/Book Value (times)	2.8	2.2	1.8	1.7	1.5

Source: BSE

## CEO'S REVIEW (CONTINUED)

### 5.2 Equity Market Capitalisation

The BSE's domestic companies' market capitalisation stood at P42.4 Bn as at the end of 2018 in comparison to P44.4 Bn in 2017, a reduction of 4.5%. As a result, the ratio of market capitalisation to GDP decreased to 23.8% in 2018 from 26.4% in 2017. Similarly, the ratio of turnover to market capitalisation declined from 5.4% in 2017 to 4.3% in 2018.

**Figure 29: Market Capitalisation and Relative Performance: 2014 – 2018**

Domestic Companies	2014	2015	2016	2017	2018
<b>Market Capitalisation</b>					
Domestic Companies (P'Mn)	46,209.9	50,213.9	46,571.96	44,408.06	42,420.95
Foreign Companies (P'Mn)	371,946.8	370,885.3	374,741.23	373,735.71	370,747.33
<b>Total (P'Mn)</b>	<b>418,156.7</b>	<b>421,099.2</b>	<b>421,313.19</b>	<b>418,143.76</b>	<b>413,168.28</b>
<b>Relative Performance</b>					
Domestic Market Cap/ GDP (%) <sup>Note 1</sup>	34.5	34.3	29.6	26.4	23.8
Turnover/Avg. Domestic Co Mkt Cap (%)	4.9	6.3	5.3	5.4	4.3
Turnover/ Avg. All Co Market Cap (%)	0.5	0.7	0.6	0.6	0.4

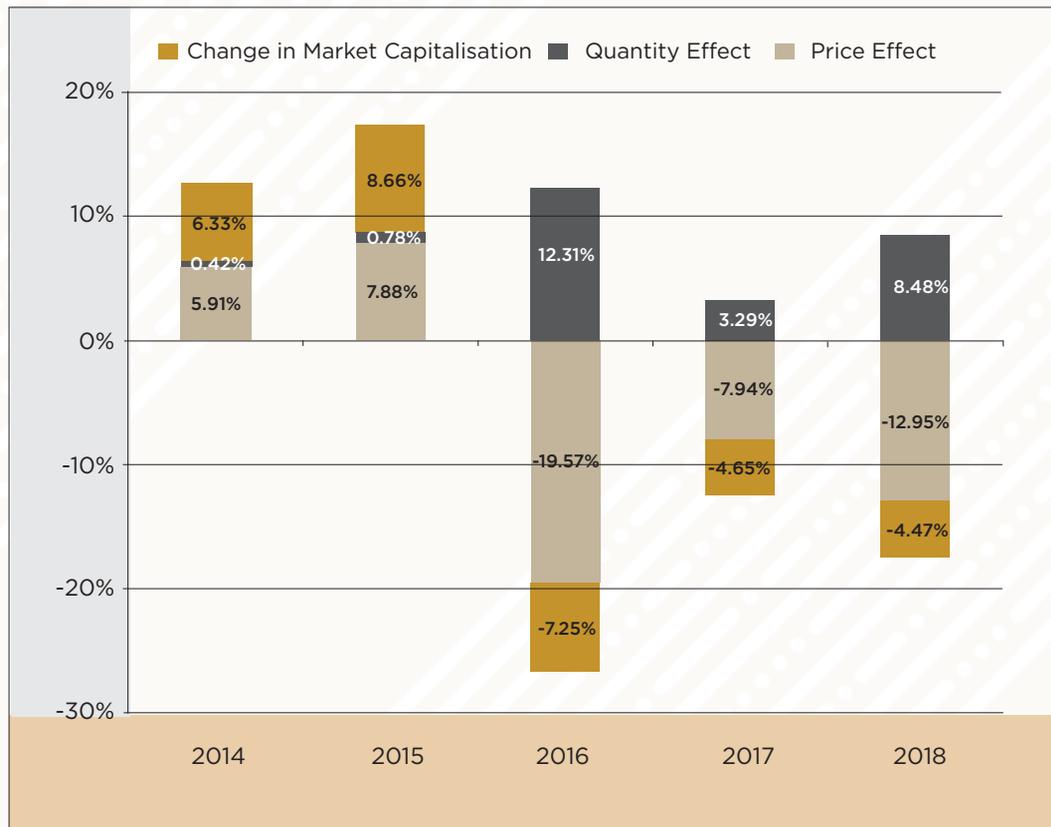
**Note 1: Cumulative GDP (at current prices) from Quarter 3 of the previous year to Quarter 2 of the current year subsequent to the rebasing of economic statistics by Statistics Botswana**

Source: BSE, Statistics Botswana

As can be seen in Figure 30, the increase in market capitalisation in 2018 is attributed to the impact of a price effect of negative 12.95% and a quantity effect of 8.48%. The impact of falling prices outweighed the impact of the two (2) listings that happened in 2018.

## CEO's REVIEW (CONTINUED)

**Figure 30: Estimated Price and Quantity Effect on the Growth of Domestic Market Capitalisation (Equity): 2014 - 2018**



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

Source: BSE

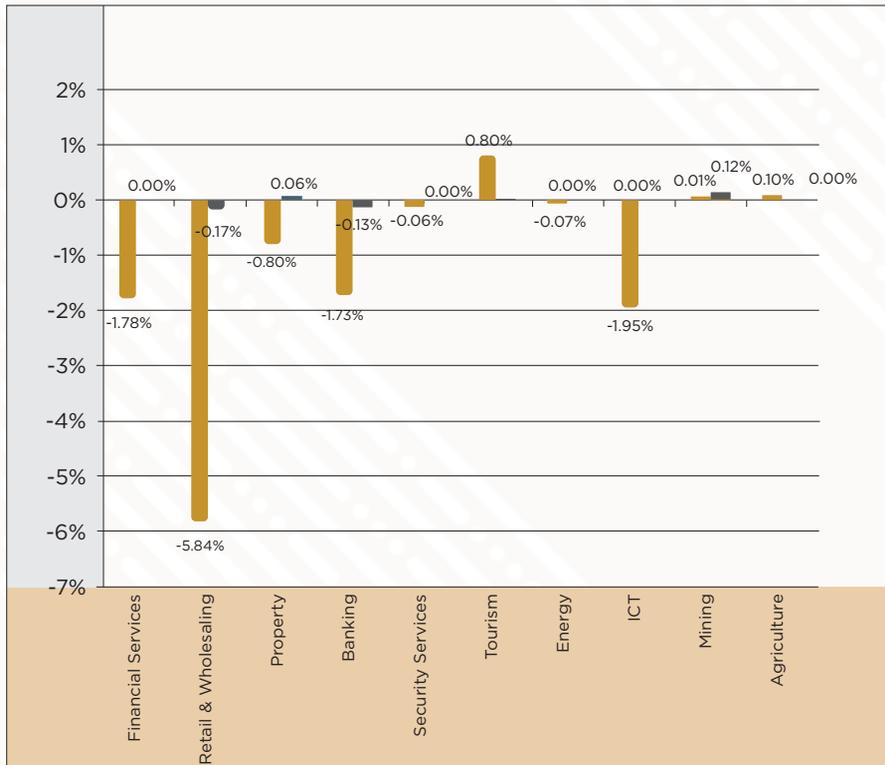
The Price and Quantity effects analysis was also done at sector level. This is done by estimating the price of each sector from the sector's total securities and total market capitalisation in order to study the impact of price and quantity of shares in each sector on

the change in market capitalisation. At sector level, the Tourism and Agriculture sectors contributed largest price effects, of 0.80% and 0.10% respectively, to the change in the domestic market capitalisation. On the contrary, Retail & Wholesaling as well as ICT sectors contributed the

least price effects to the growth of domestic market capitalisation. On the other hand, the Mining and Property sectors provided the largest quantity effects with the former contributing 0.12% and the latter contributing 0.06% to the change of domestic market capitalisation.

## CEO's REVIEW (CONTINUED)

**Figure 31: Sectoral Analysis of Estimated Price and Quantity Effect on the Growth of Domestic Market Capitalisation (Equity): 2018**



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

Source: BSE

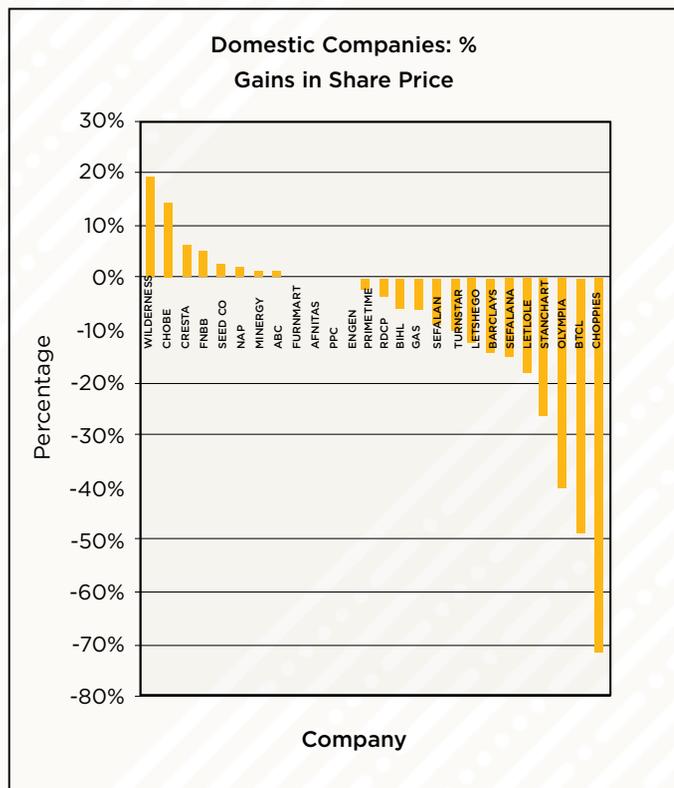
### 5.3 Price Changes of Domestic Companies

In 2018, the number of domestic companies that recorded declines in their share price (14) exceeded the number of domestic companies that realized share price appreciation (8). On the other hand, the prices of four (4) companies remained unchanged.

Notably, the top three (3) gainers were from the Tourism sector. These are Wilderness Holdings Limited, Chobe Holdings Limited and Cresta Marakanelo Limited with gains of 14.5%, 19.3% and 6.2% respectively.

## CEO's REVIEW (CONTINUED)

Figure 32: Price Changes of the Domestic Companies: 2018



Source: BSE

## 6.0 COMPARISON WITH SELECTED MARKETS

### 6.1 Relative Valuations

As already alluded to, the BSE's Price Earnings ratio (P/E Ratio) decreased slightly from 13.3 times to 11.2 times in 2018. The P/E ratios of both the JSE and the SEM were 14.7 times and 17.9 times respectively. As such, in relative terms the BSE closed the year comparatively cheaper than the both JSE and SEM.

Figure 33: Comparative Performance with Other SADC Stock Exchanges: 2017 and 2018

Domestic Companies	Index Change (%)		P/E Ratio (times)	
	2017	2018	2017	2018
Johannesburg Stock Exchange (JSE)	17.5	(11.4)	21.2	16.4
Stock Exchange of Mauritius (SEM)	21.8	0.7	12.5	18.1
Botswana Stock Exchange	(5.8)	(11.4)	13.3	11.2
MSCI Emerging Markets	34.3	(16.6)	n/a	n/a

Source: BSE, Iress

## CEO's REVIEW (CONTINUED)

**Figure 34: Comparative Performance of DCI with Other African Markets and MSCI Emerging Markets Index standardised as at 1 January 2018 (Domestic Currencies)**



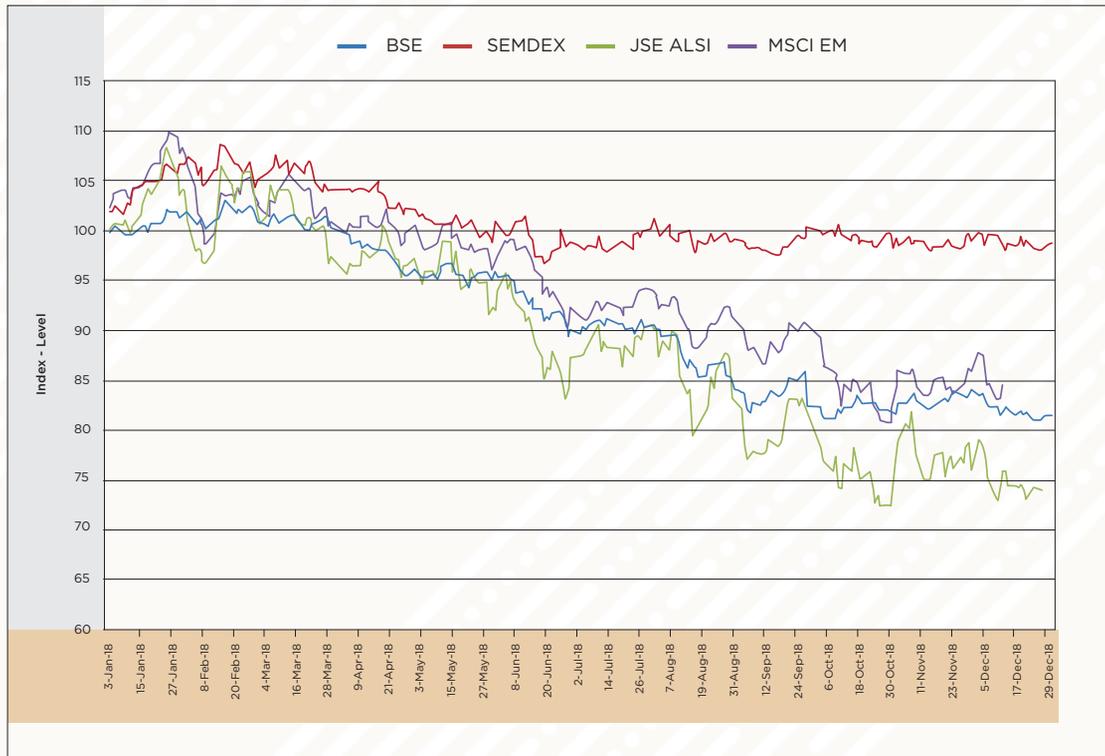
Source: BSE

As shown in Figure 34, the SEMDEX outperformed the other three indices during 2018. The SEMDEX appreciated by 0.7% in 2017 while the BSE DCI, JSE ALSI and the MSCI EM lost 11.4, 11.4% and 16.6%, respectively.

Figure 35 outlines the comparative performance, in US dollar terms, of the BSE and its regional counterparts. Owing to the Pula's 8.0% depreciation against the US dollar in 2018, the DCI registered an 18.5% decline in US Dollar terms. Similarly, the US dollar performance of the JSE ALSI and SEMDEX was worsened by the 16.0% and 2.0% weakening of the Rand and Rupee respectively against the US Dollar in 2018. As a result, in 2018 the JSE ALSI and SEMDEX declined by 23.6% and 1.2% in US Dollar terms respectively.

## CEO's REVIEW (CONTINUED)

**Figure 35: Comparative Performance of DCI with Other African Markets and MSCI Emerging Markets Index standardised as at 1 January 2018 (US Dollar terms)**



Source: BSE, Iress

As detailed in Figure 36, the DCI has recovered 24.4% since 13 May 2009, the point at which the index reached its lowest point following the global financial crisis.

**Figure 36: Comparative Performance of Indices since the Financial Crisis**

INDEX	Steepest Decline since 13-Sep-2008		Recovery to 31-Dec-18		13-Sep-08 to 31-Dec-18	
	% Change	Date	% Change	% Change	% Change	
JSE ALSI	32.0	20 -Nov-08	196.0	101.6	(11.4)	
SEMDEX	44.4	03-Mar-09	141.2	34.1	0.7	
DCI	24.4	13-May-09	29.3	2.9	(11.4)	
FCI	57.6	12-May-09	44.4	(38.2)	(0.3)	

Source: BSE, Iress

## CEO's REVIEW (CONTINUED)

### 6.2 Footprints

In order to assess the development of the BSE over time and in comparison to peer markets the BSE has plotted its "footprint" from 2014 by making reference to four (4) variables.

The footprint for the purpose of the analysis is computed taking into account the relative size of the market (measured by Domestic Market Capitalisation/GDP), Turnover (measured by Average Daily Turnover), Liquidity (measured by Turnover/Domestic Market Capitalisation) and Value (measured by the Earnings Yield - the reciprocal of the P/E ratio). The footprint of the BSE relative to 2014 is presented in Figure 37 and Figure 38.

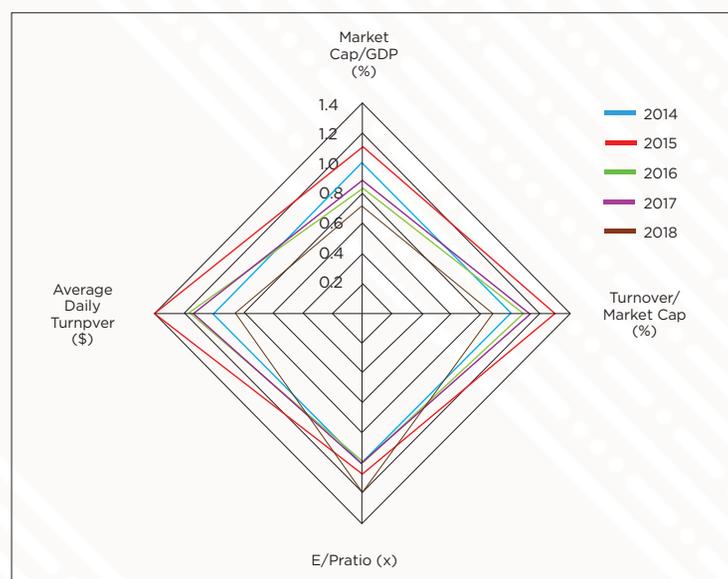
**Figure 37: BSE Footprint in Relation to 2014**

	% Change	Date	% Change	% Change	% Change
Market Cap/GDP (%)	1.00	1.12	0.83	0.88	0.71
Turnover/Mkt Cap (%)	1.00	1.30	1.08	1.12	0.88
E/P Ratio (x)	1.00	1.07	0.99	0.99	1.18
Average Daily Turnover (P)	1.00	1.39	1.16	1.13	0.86
<b>Area of footprint</b>	<b>2.00</b>	<b>2.94</b>	<b>2.03</b>	<b>2.11</b>	<b>1.65</b>
<b>Relative Area of Footprint in relation to 2012 (x)</b>	<b>1.00</b>	<b>1.47</b>	<b>1.02</b>	<b>1.06</b>	<b>0.82</b>

Source: BSE, Statistics Botswana

As can be seen from Figure 37 and Figure 38, the BSE's performance deteriorated slightly in 2018 compared to 2017. All the variables, except the Earning yields which increased, used in the computation of liquidity registered a decrease in 2018 relative to 2017. Compared to 2014, the Earning Yield is the only variable to have improved while the others have slowed down.

**Figure 38: BSE Footprint: 2014 to 2018**



**Note: Domestic Market Capitalisation/ GDP, Turnover/ Domestic Market Capitalisation, E/P ratio and Average daily turnover for 2014 were standardized to 1 and the BSE's footprint for 2014 to 2018 was compared to the standardized footprint for 2014**

Source: BSE, Statistics Botswana

## CEO's REVIEW (CONTINUED)

Figure 39 and Figure 40 detail the footprint of the BSE in relation to the footprint of the JSE and SEM in 2018. Owing to the decrease of BSE's turnover and the significant of SEM's Earnings, we see a reduction in the footprint of the BSE relative to the SEM.

In 2018, the SEM was more than 3 times the size of the BSE. This was a significant decline (on the part of SEM) from being about 5 times the size of BSE in 2017.

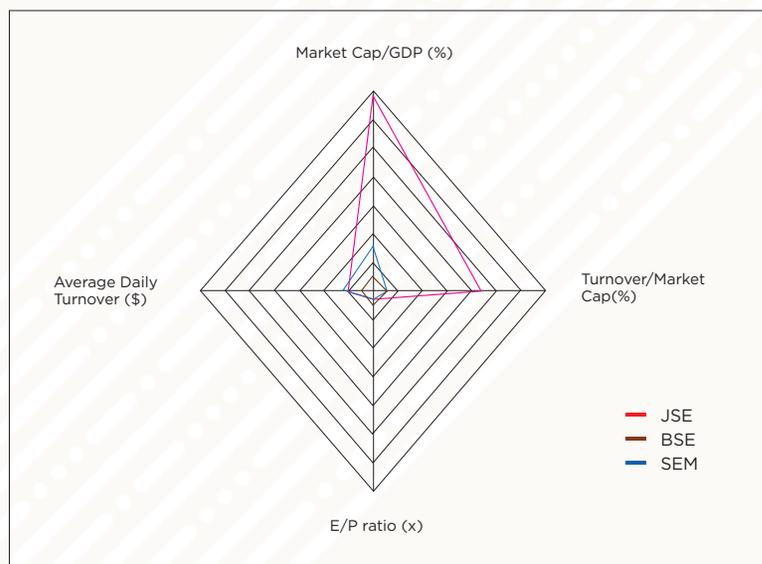
**Figure 39: BSE Footprint Relative to JSE & SEM: 2018**

	BSE	JSE	SEM
Market Cap/GDP (%)	1.00	13.71	3.12
Turnover/Mkt Cap (%)	1.00	8.78	1.09
E/P Ratio (x)	1.00	0.53	0.62
Average Daily Turnover (\$)	1.00	2,104.88	2.45
<b>Area of footprint</b>	<b>2.00</b>	<b>15,043.47</b>	<b>6.62</b>
<b>BSE footprint in relation to JSE and SEM (%)</b>	<b>100.00</b>	<b>0.01</b>	<b>30.22</b>

Source: Statistics Botswana, BSE, IMF, Iress

Note: The computations use the total market capitalisation for SEM and JSE, and the total market capitalisation for the BSE.

**Figure 40: BSE Footprint Relative to JSE & SEM: 2018**



Note 1: Scale; Turnover/Mkt Cap 1:1, Avg Daily Turnover: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

Note 3: The computations use the total market capitalisation for SEM and JSE, and the total market capitalisation for the BSE

Source: Statistics Botswana, BSE, IMF, Iress

As illustrated in Figure 41 below, the percentage footprint of the BSE was 30.22% in 2018, increasing from 17.52% in 2017, relative to the footprint of SEM. Similarly, the percentage footprint of the BSE relative to the JSE remained constant at 0.01% in both 2018 and 2017.

## CEO'S REVIEW (CONTINUED)

Figure 41: BSE Footprint in Relation to JSE & SEM: 2013 to 2018

	2013	2014	2015	2016	2017	2018
<b>BSE relative to SEM (%)</b>	72.76	34.72	53.97	56.96	17.52	30.22
<b>BSE relative to JSE (%)</b>	0.03	0.03	0.04	0.02	0.01	0.01

Source: BSE,

## 7.0 PRIMARY MARKET

### 7.1 Equity

On the domestic main board, BSE welcomed two (2) companies being Seed Co International Limited, a leading certified seed company, and African Banking Corporation of Botswana (BancABC Botswana), a commercial bank, on the 5<sup>th</sup> October 2018 and 13<sup>th</sup> December 2018 respectively. Seed Co International Limited was listed by introduction while Banc ABC Botswana listed through private placement and raised (P296.8 Mn).

These two (2) listings offset the voluntary delisting of African Energy Resources Limited (16<sup>th</sup> February 2018) and the unilateral termination of listing by BSE of Blue Financial Services 9<sup>th</sup> July 2018) to leave the total number of listed companies at thirty-five (35.)

Notably, in 2018 the BSE registered its first ever company on the Serala

OTC Board being Botswana Building Society (BBS) Limited. BBS Limited was registered on the Serala OTC Board on the 3<sup>rd</sup> September 2018. The registration means that the shareholders of BBS Limited could trade their shares on the BSE, thus improving liquidity of BBS Limited shares.

### 7.2 Fixed Income

In total there were ten (10) new bonds listed on the BSE during 2018 comprising of three (3) Government bonds; the BW013 (P250 Mn), BW014 (P129 Mn), BW015 (P301 Mn) and seven (7) corporate bonds. The seven (7) corporate bonds were GBL003 (P15 Mn), GBL004 (P25 Mn), GBL005 (P5 Mn), BDC003 (P142.53 Mn), BHCO25 (P300.0 Mn), BBB017 (P97.41 Mn) and BBB018 (P102.59 Mn)

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

#### Quarter 1:

On 2<sup>nd</sup> March, additional tranches of the following were offered; BW007 (P77 Mn allotted), BW008 (P100 Mn allotted), BW011 (P100 Mn allotted), BW013 (not allotted) bonds and a Treasury Bill (P220 Mn allotted).

#### Quarter 2:

On 1<sup>st</sup> June, these bonds were re-opened; BW011 (P200 Mn allotted), BW012 (P200 Mn allotted) and BW013 (P155 allotted).

#### Quarter 3:

On 31<sup>st</sup> August, these bonds re-opened; BW013 (P300 Mn allotted) and Government issued 2 new bonds; BW014 (P129 Mn allotted) and BW015 (P301 Mn allotted).

#### Quarter 4:

At last auction on 30<sup>th</sup> November, the T-Bill (P350 Mn allotted) was on offer and two bonds were re-opened. The re-opened bonds were BW013 (P234 Mn allotted) and BW014 (P467 Mn allotted).

## CEO's REVIEW (CONTINUED)

### 8.0 DEPARTMENTAL REVIEWS

#### 8.1 CENTRAL SECURITIES DEPOSITORY (CSD)

##### 8.1.1 Securities Borrowing and Lending (SBL) Rules

The initial draft of the Securities Borrowing and Lending Rules has been completed. However, the finalisation of these Rules has been deferred to after the implementation of the new CSD system in 2019 so that they are aligned to the actual functionalities of the new system.

##### 8.1.2 Progress on Investor Account Opening

Owing to the BSE's market development initiatives and the registration of Botswana Building Society (BBS) Limited, the number of authorised accounts opened by clients in the CSD increased by 12.6% from 80,641 in 2017 to 90,828 in 2018.

**Figure 42: Status of CSD Accounts as at December: 2017 and 2018**

Client Classification	2017		2018	
	Total	% of Total	Total	% of Total
Foreign Companies	3,989	4.9	4,119	4.5
Foreign Residents	1,506	1.9	1,578	1.7
Foreign Individuals	743	0.9	830	0.9
Foreign Juniors	80	0.1	77	0.1
Local Companies	922	1.1	1,019	1.1
Local Individuals	65,40	81.1	75,797	83.5
Local Juniors	7,994	9.9	7,408	8.2
<b>Total</b>	<b>80,641</b>	<b>100.00</b>	<b>90,828</b>	<b>100.00</b>

Source: CSDB

##### 8.1.3 CSDB Client Holdings

Figure 43 illustrates that local companies which are largely local institutional investors continue to dominate the holdings on the CSD. However, their holdings decreased slightly from 69.0% as at the end of 2017 to 66.0% at the end of 2018.

**Figure 43: CSDB Client Holdings by Client Category**

Client Suffix	2017	2018
Local Company	69.0%	66.0%
Foreign Company	19.2%	20.2%
Local Individual	10.7%	11.9%
Other Clients	1.1%	1.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Source: CSDB

As detailed in Figure 44, local citizens dominated the overall holdings on the CSD.

## CEO'S REVIEW (CONTINUED)

Figure 44: CSDB Client Holdings by Geography

Client Domicile	2017	2018
Local Citizens	79.7%	77.9%
US Citizens	1.4%	1.4%
UK Citizens	2.4%	1.8%
SADC Region	6.8%	7.7%
Other Regions	9.7%	11.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Source: CSDB

### 8.1.4 The 27<sup>th</sup> Meeting of AMEDA

The BSE hosted the 27<sup>th</sup> Meeting of Africa Middle East Depositories Association (AMEDA) from 10<sup>th</sup> to 12<sup>th</sup> April, 2018 in Kasane. This was the first time that the AMEDA meeting was held in Botswana and Botswana became the third country to host the meeting in the SADC region.

A total of twenty-eight (28) full members and eight (8) affiliate members of AMEDA from thirty-two (32) countries from around the world attended the meeting. The AMEDA meetings are dedicated towards the review of the association's financial performance, as well as conducting workshops on the relevant topics that impact the operations of CSDs in the AMEDA region. AMEDA is a non-profit organization comprised of CSDs and Clearing Houses in Africa & Middle East and was formed for the benefit of its member community, as an elective, inter-professional and regional facility geared towards fostering the spirit of cooperation, reciprocity and harmony among members.

## 8.2 MARKET DEVELOPMENT

### 8.2.1 Open Days

The Open Days have helped to increase the reach and accessibility of the BSE, and in raising the levels of stock market literacy as well as in promoting the listings value proposition. Continuing from the five (5) Open Days held in 2017, the BSE hosted four (4) other Open Days during 2018 under the theme "Your Partner in Wealth Creation". These were in Jwaneng, Kanye, Mahalapye, and Tsabong and were attended by more than 900 members of the public in total. The initiative is conducted with the support of the broker community

and other investment management firms. This initiative is in line with the BSE's effort to develop Botswana's financial literacy levels and investor participation in the stock market.

### 8.2.2 Finance & Investment Senior Secondary Schools Competitions

The BSE held the 6<sup>th</sup> annual Finance & Investment Senior Secondary Schools Competition in August 2018. Invitations were extended to all senior secondary schools, both private and public, in Botswana. The competition was intended to instil and nurture financial literacy from an early age.



Winners of the 2018 BSE Senior Secondary Schools Finance and Investment Competition, Lobatse Senior Secondary School with BSE management.

## CEO's REVIEW (CONTINUED)



**BSE CEO, Mr. Thapelo Tsheole, taking a picture with Kanngwe Primary School students during their educational tour.**

### 8.2.3 Introduction of Opening Bell Ceremonies

In June 2018, the BSE introduced the stock market tradition of the Opening Bell to our local capital market. This stock market tradition back-dates to 1985 when it was first introduced by the New York Stock Exchange (NYSE) replacing the gong to signify the start of trading.

As of today, it is now a custom that is synonymous with most Exchanges around the world, including the BSE. The rationale behind the Opening Bell is raise awareness about the stock market, to bring vibrancy and avail an opportunity for anyone to ring the bell. Furthermore, the Opening Bell provides an opportunity for the Exchange or listed entities to make news announcements or celebrate corporate milestones.

The Inaugural Opening Bell Ceremony was held on 1<sup>st</sup> June, 2018 at the BSE offices with the Honourable Minister of Finance & Economic Development, Mr. Kenneth Matambo, officiating

and delivering the official remarks. In subsequent ceremonies, His Honour, The Vice President of the Republic of Botswana, Mr. Slumber Tsogwane, the winners of the 2017

BSE Senior Secondary Schools Finance & Investment Competition, Lobatse Senior Secondary School, Chairman of the Media Institute of Southern Africa (MISA), Mr. Mboki Chilisa and BoB Governor, Mr. Moses Pelaelo to name but a few, have all patronized and rung the bell during the Opening Bell. This event is held at the beginning of every month.

### 8.2.4 3<sup>rd</sup> Annual Listings and Investment Conference 2018

On 8<sup>th</sup> March 2018, the BSE successfully held the third Annual BSE Listings and Investment Conference under the theme "Botswana Stock Exchange – A Platform for Economic Growth and Diversification" which was attended by more than 400 delegates, majority of whom were entrepreneurs from unlisted companies.



**The Vice President of the Republic of Botswana, Hon. Slumber Tsogwane, ringing the bell at the July 2018 Opening Bell Ceremony alongside BSE Chairman, Lt. Gen. Tebogo Masire and BSE CEO, Mr. Thapelo Tsheole.**

## CEO's REVIEW (CONTINUED)



Group picture: 3<sup>rd</sup> Annual Listings and Investment Conference 2018



The 1<sup>st</sup> four (4) editions of BSE News

The conference underscored the BSE's mission to drive sustainable economic growth by providing a gateway for raising capital and accessing investment opportunities. It is used as an opportunity to educate the companies with the potential to list in the short, medium and long term about the importance of the stock exchange as an avenue for capital raising to expand products and services. The benefits of this event are already being noticed given the companies that have listed and that have submitted applications to list as well as the general interest shown by potential issuers.

### 8.2.5 Introduction of BSE Magazine

In January 2018, the BSE produced and released the first edition a quarterly business publication called, BSE News. The overall aim of this publication is cover local and international financial market news, with specific focus on stock market related content provided by leading business reporters. This quarterly publication is distributed countrywide to all Government Ministries, listed companies, financial institutions,

## CEO'S REVIEW (CONTINUED)

Brokers, major parastatals, eateries, hotels, BSE events, on the BSE website, selected retails and internationally to Botswana embassies in selected countries.

### 8.2.6 BSE to Host the ASEA Annual Meeting and Conference in 2019

At the 47<sup>th</sup> Exco Meeting of African Securities Exchanges Association (ASEA) in July 2018 in Senegal, the BSE's bid to host the 23<sup>rd</sup> Annual ASEA General Meeting and Conference in November 2019 was presented by the BSE and approved by Exco. The Conference will be held in Kasane under the theme "BUILDING RESILIENT AFRICAN CAPITAL MARKETS". ASEA is the premier Association of exchanges in Africa, which was founded with the aim of developing Member Exchanges and providing a platform for networking. The Association has a full membership of twenty-six (26) vibrant Exchanges - serving thirty-two (32) economies in Africa. The BSE's CEO, Mr. Tsheole, is an executive member of the ASEA Exco and the Chairman of the ASEA Market Development Working Group.

## 8.3 INFORMATION TECHNOLOGY

### 8.3.1 Implementation of the New CSD system

The Exchange took a decision to replace the current CSD system which was procured in 2008 from Millennium Information Technologies, a Sri Lankan company owned by the London Stock Exchange Group. The Exchange has engaged a Swedish company called CMA Small Systems AB, to implement the new CSD system commencing in 2019. The new CSD will bring a host of new functionalities that will improve service delivery to investors and the market. Key among the

new functionalities are: Securities Borrowing and Lending (SBL), primary market processing, online investor access and shareholder e-voting.

## 8.4 PRODUCT DEVELOPMENT

### 8.4.1 Centralisation of Trading, Clearing and Settlement of Bonds at the BSE

The business case for the centralisation of trading, clearing and settlement of bonds is ongoing. A critical component of this project is the establishment of a single CSD for Botswana, the basis of which is the CSDB Limited. The CSDB and BSE have procured a new CSD system from a Swedish company called CMA Small Systems AB and this system comes with functionalities that address the gaps in the current system and also address the recommendations in the single CSD business case. The functionalities will ensure alignment with the Principles for Financial Markets Infrastructure (PFMIs), particularly with respect to connection to the Botswana Interbank Settlement System (BISS) for settlement in Central Bank money and for attainment of Delivery-versus-Payment (DVP) Model 1.

### 8.4.2 Financial Markets Courses

The BSE conducted two courses in 2018. The first one titled "Understanding Financial Markets" was conducted in June and was attended by seventeen (17) participants. In September 2018, the BSE conducted a workshop titled "Blockchain Technology - Opportunities and Perspectives for Financial Markets Practitioners". This workshop was attended by eighteen (18) participants representing tax authorities, commercial banks and regulators among others.

### 8.4.3 BSE Designated as a Recognised Stock Exchange by the United Kingdom's Her Majesty's Revenue and Customs

Effective 8<sup>th</sup> October 2018, the United Kingdom's Her Majesty's Revenue and Customs (HMRC) has designated the BSE as a "Recognised Stock Exchange" under Section 1005(1)(b) Income Tax Act 2007. This came as a result of undergoing a comprehensive application process that ensured that the BSE meets the rigorous requirements outlined by HMRC for one to be designated as a "Recognised Stock Exchange". Such a recognition carries confidence signals to investors and appropriately positions the BSE to continually attract investments from UK investors as the UK Income Tax Act makes provisions for securities which are listed or dealt in on a recognised stock exchange.

The BSE is the third stock exchange in Africa and the eighteenth in the world to receive this designation. With the continued implementation of the 5-year Strategic Plan spanning 2017 - 2021, the BSE thrives to improve the breadth and depth of the market, as well as adopt international best practises.

## 8.5 LEGISLATION AND REGULATION

### 8.5.1 Demutualisation of the BSE

Following the commencement of the BSE Transition Act on 1 December 2015, the BSE underwent the process of demutualisation. As of the 2<sup>nd</sup> August 2018, the BSE fully demutualised following its conversion from a mutual exchange to a company incorporated under and in terms of the Companies Act, being the date of registration of Botswana Stock Exchange Limited (BSE Limited) by the Companies

## CEO'S REVIEW (CONTINUED)

and Intellectual Property Authority (CIPA). BSE is now owned by Government of Botswana and the four licensed stock brokers.

### 8.5.2 Revision of Equity Listing Requirements and Drafting of Tshipidi SME Rules

In June 2018, the new Equity Listing Requirements were approved by NBFIRA and became effective on 1<sup>st</sup> January 2019. Several important changes shall take place as a result of the new listing requirements, including;

- (a) introduction of the new Tshipidi SME Board
- (b) registration of a list of approved Advisers
- (c) adoption of King 3 Code of Corporate Governance
- (d) readers panel for mining companies.

### 8.5.3 Market-Making Rules

In August 2018, NBFIRA approved the Rules for Governing Market-Making and these became effective on 1<sup>st</sup> January 2019. The BSE hosted a Market-Making Workshop in November 2018 where two experts from South Africa were invited to talk to participants on Market-Making both from an equity and a debt perspective. The seminar was well attended and participants were able to have fruitful discussions on the topic and the content of the Rules in general. As well as the existing formal Market-Makers for the ETFs and BTC Limited, new Market-Makers shall have to enter into agreements with the BSE as a way to improve regulation oversight of this important activity.

### 8.5.4 Revisions of the Debt Listings Requirements

The BSE has completed the review of its Debt Listings Requirements with the objective of aligning them with international best practice and making them user friendly to promote issuances of debt securities, including commercial paper and asset backed securities. The Requirements will be submitted to NBFIRA for approval at the beginning of the second quarter of 2019.

### 8.5.5 Listings Requirements Refresher Workshop

The BSE hosted a Listings Requirements Refresher Workshop on 7<sup>th</sup> June, 2018. The aim of the workshop was to educate market participants and potential companies that would like to list on the BSE about the BSE Listings Requirements, covering an overview of the governance structure of the BSE and the powers of the BSE Main Committee, the conditions for and methods of listing a company, compliance with respect to continuing obligations, among others. The BSE also used the opportunity

to extensively cover issues of sustainability with a particular focus on integrated reporting and ESG disclosures as required by the King Code of Corporate Governance which is incorporated by reference in the Listings Requirements. Another workshop was held in October 2018 and was based on the approved New Equity Listing Requirements.

## 8.6 HUMAN RESOURCE DEVELOPMENT

### 8.6.1 Staff Welfare and Wellness

The BSE relocated to its new building in Fairscape Precinct in December 2017. The building has been designed as an environment that promotes staff welfare and wellness in a professional setup and thus includes a staff canteen with relaxation areas, as well as a gym with adequate training equipment. The gym facilities were officially launched to staff in May 2018. Evidently, the gym has proven beneficial to staff and it is fully occupied on a daily basis as a number of staff members have voluntarily taken up physical fitness and wellness to a recognisable level. On an annual basis, the BSE



BSE Picnic Day 2018

## CEO'S REVIEW (CONTINUED)

undertakes a staff retreat and team building session and this year's session was held in Magaliesburg in South Africa. Several other activities were planned for staff throughout the year to enhance their motivation and engagement levels, promote health and fitness and increase the cohesion of the team.

### 8.6.2 CFA Institute Scholarship Program

In order to contribute globally in setting the highest standards of ethics, education and professional excellence, the CFA Institute has offered substantial discounts for eligible BSE staff to participate in the CFA Program, CIPM and/or Investment Foundations certificate, which are some of the most widely known and respected investment credentials in the world. This is a capacity building initiative under the African Securities Exchanges Association (ASEA)'s Memorandum of Understanding (MoU) with the CFA Institute.

### 8.6.3 Leadership and Management Development Programs

The BSE continues to further develop the competencies of their staff by enrolling them into leadership and management development programmes. In 2018, 6 staff members were enrolled for the University of Stellenbosch Executive Development and Management Development Programs. This is an improvement from a total of 4 staff members in 2017.

## 8.7 INTERNATIONAL PARTICIPATION

### 8.7.1 BSE Appointed CoSSE Secretariat

The BSE CEO was elected Chairman of the Committee of SADC Stock Exchanges in 2018 for a term of 2 years, and the BSE was also selected to be the Secretariat for the organization. The activities of the Secretariat progressed smoothly in 2018 and the BSE as the Secretariat hosted its first CoSSE meeting in Johannesburg in November 2018. The BSE has held discussions with

major international donor funds to assist CoSSE achieve its mandate of improving the capital markets in Southern Africa.

### 8.7.2 2018 Ring the Bell for Gender Equality

On 8<sup>th</sup> March 2018, the BSE joined global stock exchanges in the Sustainable Stock Exchanges (SSE) Initiative of "Ring the Bell for Gender Equality". This is a global collaboration around the world to celebrate International Women's Day. The events are a partnership between International Finance Corporation, SSE Initiative, UN Global Compact, UN Women, the World Federation of Exchanges and Women in ETFs. The BSE's event was conducted at the 3rd Annual Listings and Investment Conference 2018 at the GICC in Gaborone.

### 8.7.3 Conferences

The BSE took part in various international conferences such as the AFSIC 2018 conference in London, the WFE conference in Malta, and the ASEA conference in Lagos. These conference are essential for promoting the visibility and for marketing its products and services.

## 9.0 RESEARCH TOPIC: OPPORTUNITIES FOR REAL ESTATE INVESTMENT TRUSTS ON THE BSE

### 9.1 What is a REIT?

The US Securities and Exchange Commission (SEC) defines a Real Estate Investment Trust (REIT) as a company that owns income-producing real estate or real estate-related assets. This vehicle was introduced to give the retail investors access to the otherwise inaccessible commercial properties. These include hotel, industrial, office, retail and to a lesser extent residential (wholesale) properties.

The REIT structure was first created in the US through the Real Estate Investment Trust Act of 1960. REITs were modelled after mutual funds and they provide a structure for investment in real estate similar to the structure that mutual funds provide for investment in shares.

### 9.2 Characteristics of REITs

Typically, REITs would invariably have the following characteristics:

- Almost all of its total assets be real estate;

- Derive almost all of its total income from real estate related sources;
- Pay out almost all of its taxable income to shareholders as dividends; and
- Enjoy conduit tax treatment.

The actual thresholds of the above characteristics differ from jurisdiction to jurisdiction. The table below outlines the requirements of REITs in the US and South Africa.

## CEO'S REVIEW (CONTINUED)

Figure 45: REITs Requirements in US and South Africa

Country	US	South Africa
Type of entity	Company or Trust	Company or Trust
Corporate Governance	Managed by Board of Directors/ Trustees	Managed by Board of Directors/ Trustees with a separate audit or risk management sub-committee
Minimum % of total assets invested in real estate	75%	Not specified
Minimum % gross income from real estate related sources	75%	75%
Minimum % of distributable income distributed to shareholders	90%	75%

Source: JSE, SEC

### 9.3 REITs in South Africa

In South Africa, REITs were only introduced in 2013. Before then, investors would get exposure to the real estate sector by investing in Property Loan Stocks (PLSs) and Property Unit Trusts (PUTs). The PLS and PUT structures were since converted to Company REITs and Trust REITs, respectively. Bredell & Boshoff (2013) outlined that in South Africa the PLS and PUT structures were converted to the REIT structure for the following reasons:

a) To achieve uniformity in the tax treatment of the property investment vehicles. Before the REIT structure, PLSs paid Capital Gains Tax (CGT) on the sale of immovable assets while PUTs did not pay CGT provided that the profits were in turn distributed to the unitholders. Under the REIT legislation, both Company REITs and Trusts REITs are CGT exempt. Further, unlike the shareholder of PLSs, the REIT shareholders are not liable to pay Securities Transfer Tax (STT) upon selling their REIT units. Furthermore, the distribution paid to unitholders by REITs are exempt from the 15% withholding tax charged on dividends. Instead, investors will be liable for tax at their applicable marginal rate. Effectively, the REIT ensures that profits are distributed pre-tax.

b) To put in place technical requirements that ensure that investors are protected. These provide assurance on the uniformity of the structure of the investment vehicle. These requirements include those listed in Table 1 above.

c) To attract international investors into South Africa and the JSE, as the REIT structure is recognizable and fathomable to international investors.

The simplification and streamlining of property investment vehicles has led to the increase investment in South Africa property via pooled structures. SAREIT statistics indicate that between 2013 (when the REIT structure was introduced in South Africa) and 2018, the market capitalisation of REITs has increased by ZAR 90 billion to about ZAR 320 billion.

### 9.4 Property Investment Vehicles in the Botswana

Currently, Botswana's regulatory framework accommodates two property investment vehicles. These are the PUTs and Variable Loan Rate Stock (VRLS) companies. The PUTs are catered for under the Collective Investment Undertakings while the VRLS are defined in the Income Tax Act.

Section 2 of the Income Tax Act (section 2) is defined as a Variable Rate Loan Stock company as:

**“ a company with limited liability in Botswana in terms of the Companies Act, the objects of which in terms of its Memorandum of Association are restricted to investment in immovable property and the development, refurbishment and maintenance thereof, and which, in terms of its Articles of Association, issues shares and debentures which together comprise linked units.”**

Anecdotal evidence suggests that there is no active PUT in Botswana. These may be largely attributable to the success of VRLS property companies since 1992. Botswana has six (6) VRLS property companies listed on the BSE. In 2018, these accounted for 15.7% of the BSE's domestic companies' market capitalisation and 19.5% of the equity turnover.

Akin to the South Africa's REIT structures, Botswana PUTs and VRLS property companies enjoy conduit tax treatment. PUTs are exempt from paying tax on income distributed to investors [because they were Collective Investment Undertakings (CIU)]. On the other hand, because VRLS property companies issue

## CEO's REVIEW (CONTINUED)

linked units which are part share and part debenture, of which the majority of the capital structure is debentures. The interest earned on the debentures is tax deductible. Sections 35(1)(e)(i) and 41(1)(k) of the Income Tax Act prescribe that the proceeds from the sale of immovable property and debenture interest payments are tax deductible. Therefore the income is only taxed in the hands of the investors. As such, PUTs and VRLS property companies are able to distribute the profits to investors pre-tax.

### 9.5 Opportunities for Introducing REITs on the BSE

There is an Income Tax (Amendment) Bill, 2018 (published been on the 7th of December 2018) that proposes,

among others, the deletion of section 41(1)(k) of the Income Tax Act and the subsequent insertion of section 41A. If passed and implemented, the proposed amendments will remove the tax conduit status of the VRLS. That is, the shareholders of VRLSs will receive post-tax distributions instead of pre-tax as it has been the case.

Owing to the fact REITs around the world are the same, save for minor variations; their popularity among investors globally continues to grow. In order to plug the gap created removal of the tax conduit status of VRLS property companies and attract more international investors, REITs should be introduced in Botswana. When introducing REITs in Botswana,

the Ministry of Finance and Economic Development (MFED) would have to consult with the market, particularly with regulators and existing VRLS property companies to set requirements pertaining to the thresholds on (i) proportion of real estate assets to total assets, (ii) proportion of gross income realized from real estate related sources and (iii) proportion of distributable income distributed to the investors, among others. A "behind the match box" financial analysis of the (6) BSE listed VRLS property companies indicated that they all have in recent history adhered to most of the South African REITs requirements. However, they are yet to sufficiently meet the minimum threshold of the proportion of distributable income actually distributed to unitholders.

## 10.0 CEO's APPRECIATION

I am particularly pleased with the level of progress we are making with respect to our 5-year strategic plan and I trust my shareholders and stakeholders are equally pleased. As an organisation we are making strides, but as an industry, particularly having been in this industry for over two decades, I truly wish we could do better especially in the context of broader capital markets development in the region and in several parts of the world.

The quality of our domestic capital markets is measured by its depth and breadth. To deepen this market we need to evolve in terms of our perception, assessment and ultimately the reception of the instruments that come to market and have the potential to come to market.

This calls for continuous development of technical skills in assessing the relevance and the opportunities in these products. This also talks to progressively reviewing and re-align-

ing investment strategies, investment policies and house views towards emerging opportunities and developments. From the BSEL standpoint, we continue to invest in infrastructure that is forward looking in terms of products and services, and is highly efficient in terms of trading, clearing and settlement of trades. However, the biggest challenge that we fear should our market continue to remain shallow is the underutilisation of this capacity as a result of poor uptake of instruments and services by the investing community. Hence my plea that we all pull our weight from our various points towards the evolution and sufficient development of this market.

That said, our efforts in 2018 are highly appreciated and I hope these efforts will be incremental in the coming years. I sincerely thank the investors for their increased participation in the year, in investing and also in various activities that we pursued. Let me also thank the

issuers for their involvement in our various engagements aimed at providing a conducive environment and the new issuers in 2018 for making us the preferred platform for their securities. My token of appreciation also goes to MFED, NBFIRA, BoB and other institutions we work closely with locally and outside Botswana.

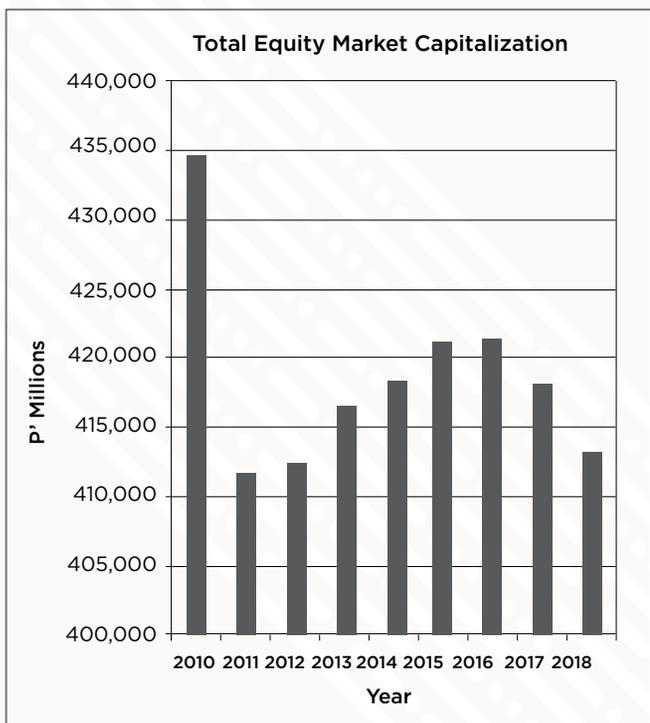
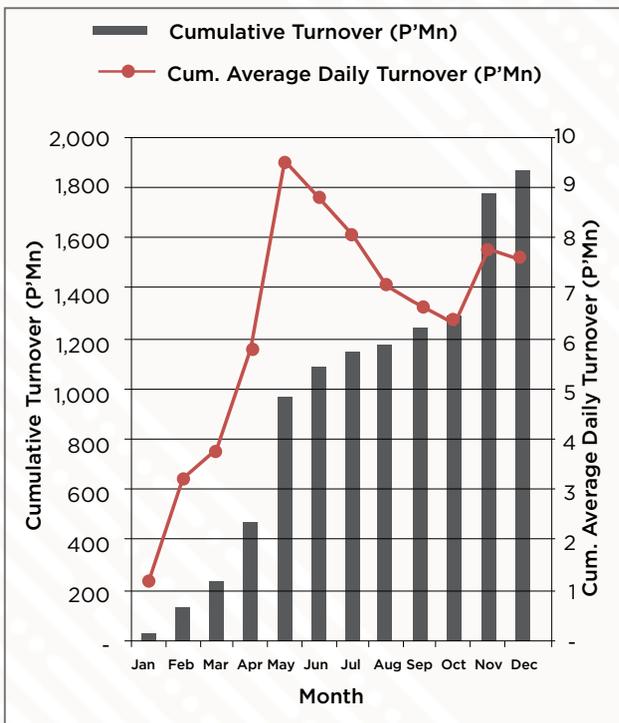
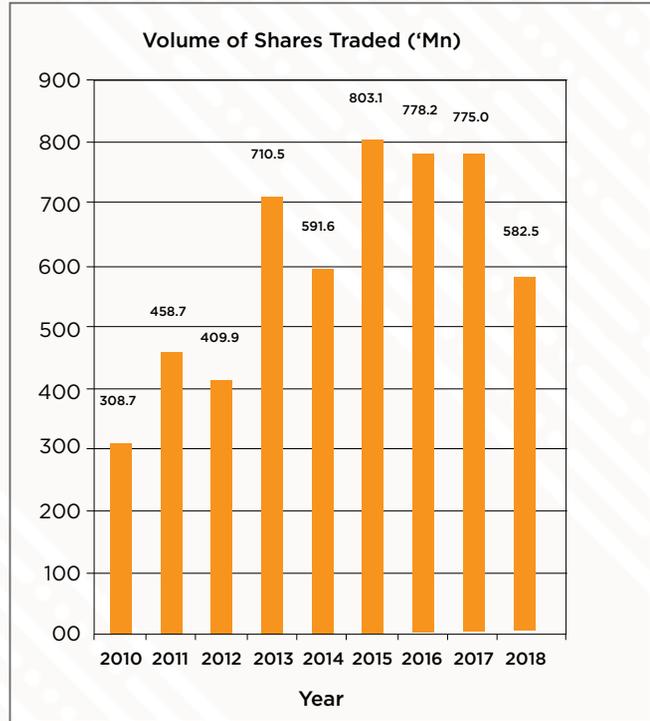
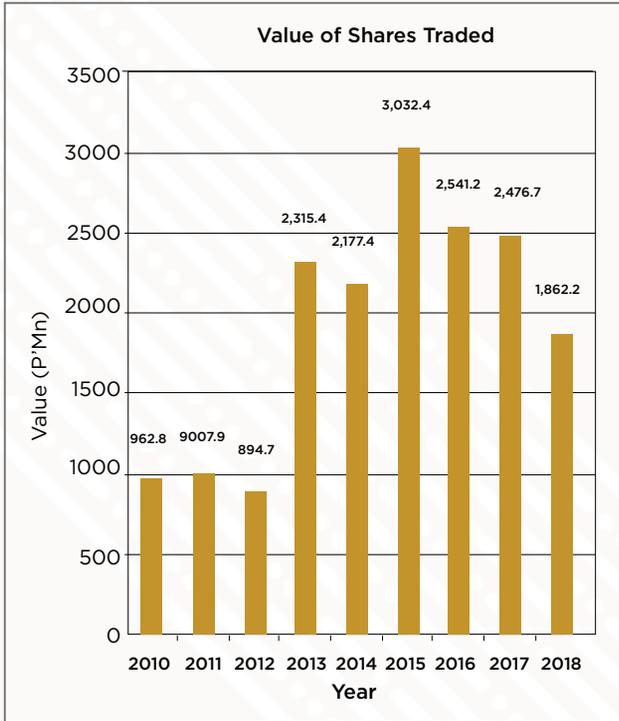
Last but not least, let me extend my sincere gratitude to our previous Main Committee and also to the new Board of Directors elected at our first AGM as a public limited company. Lastly, I would like to thank my staff for their sterling performance, keep giving your best at all times.



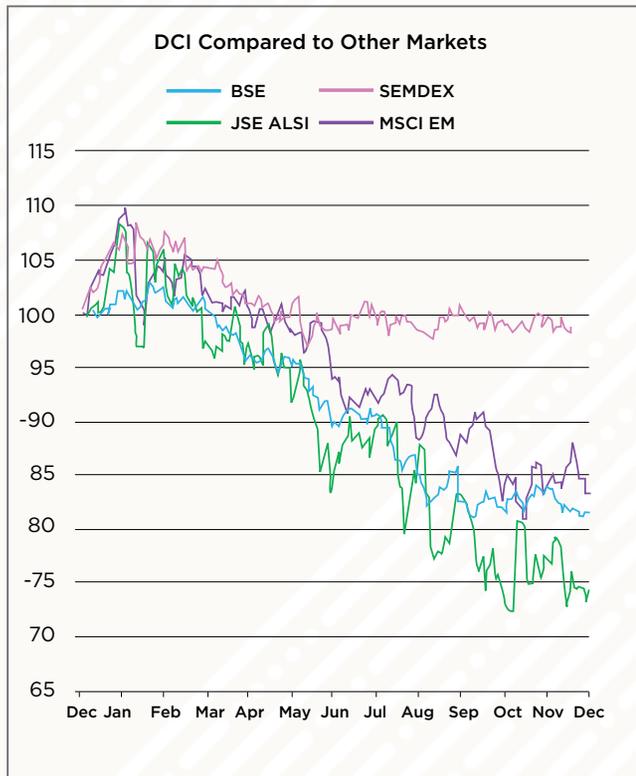
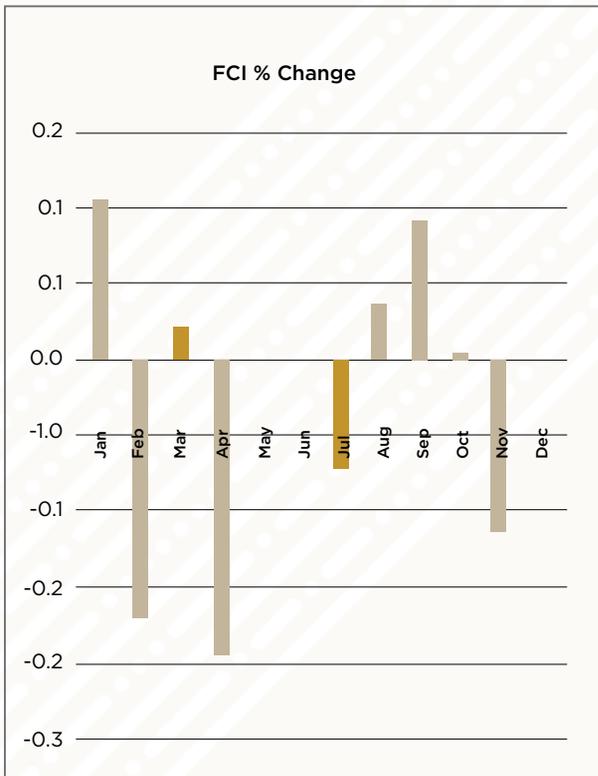
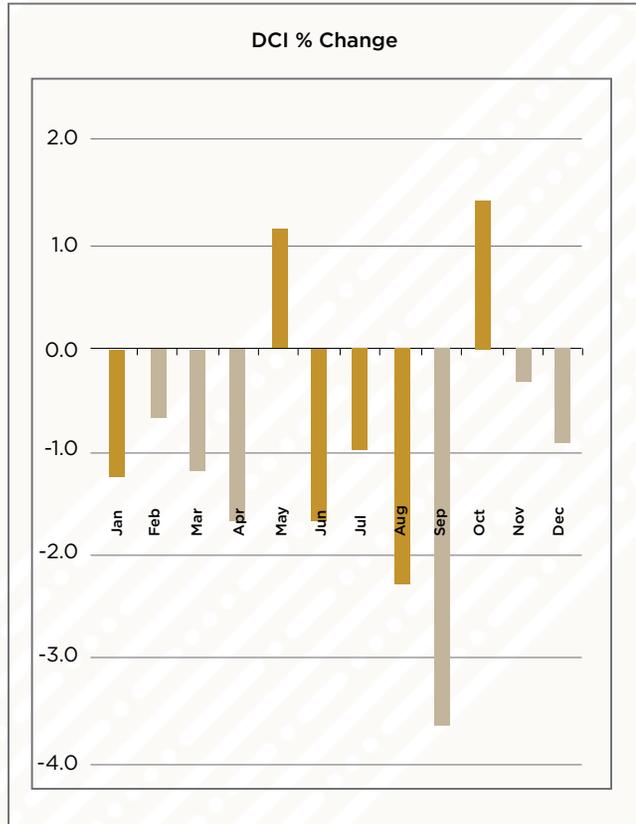
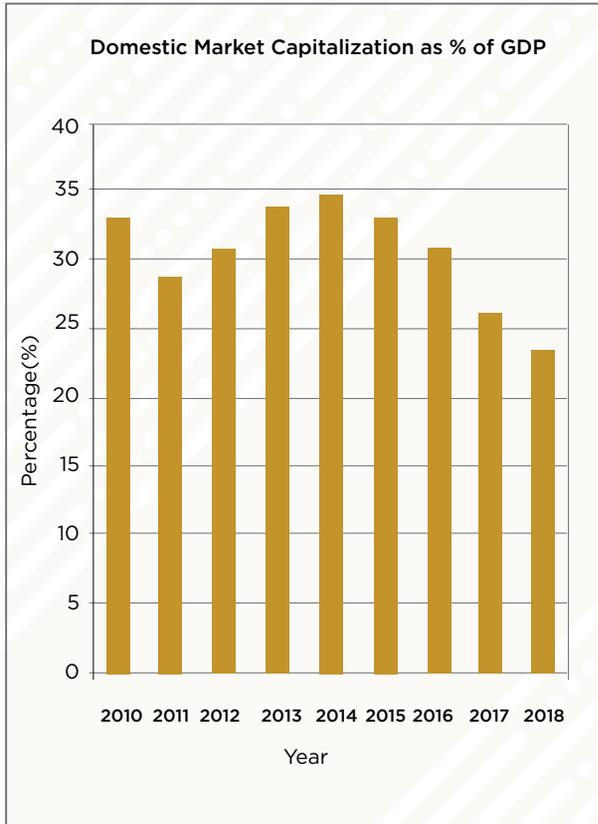
**Thapelo Tsheole**  
Chief Executive Officer

## CEO's REVIEW (CONTINUED)

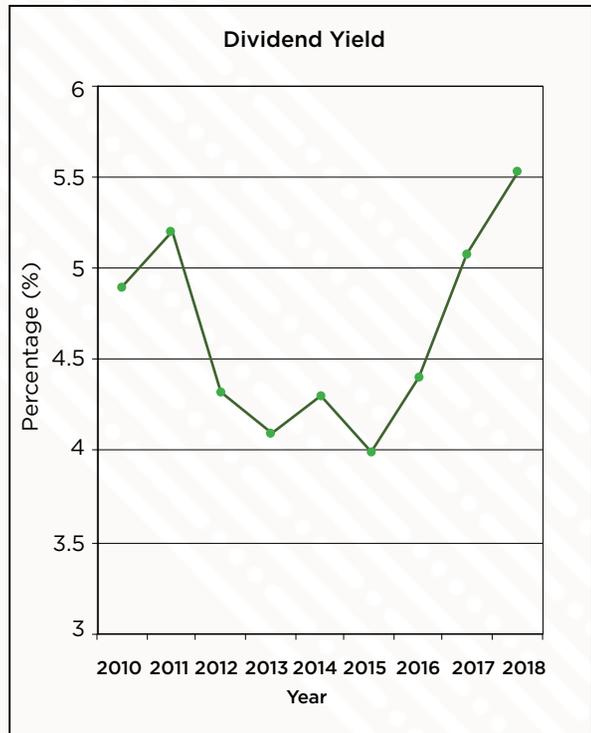
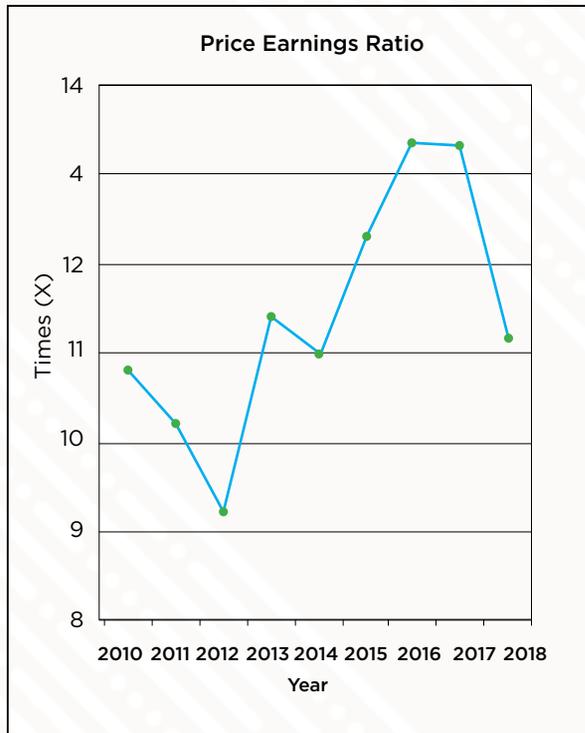
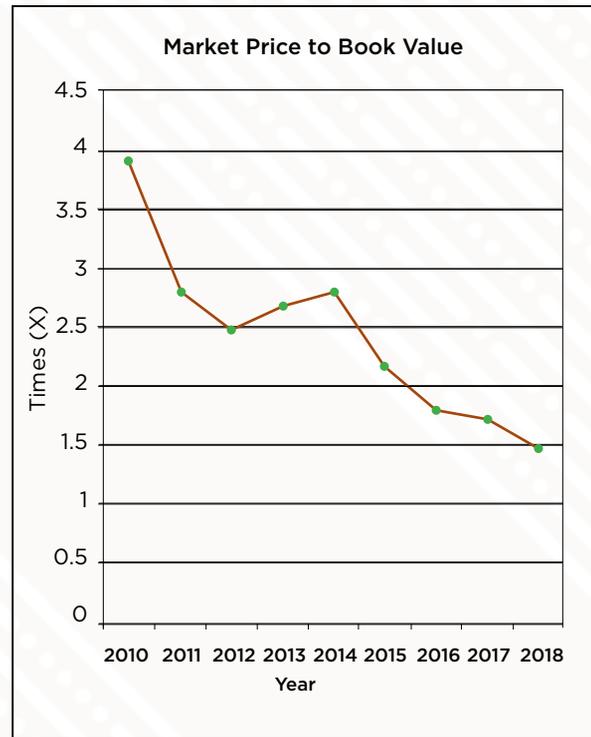
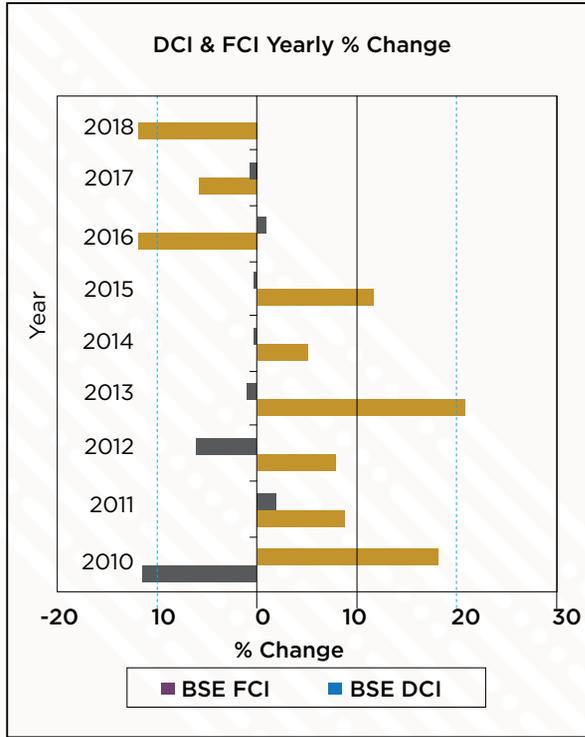
### 11.0 GRAPHICAL REVIEW



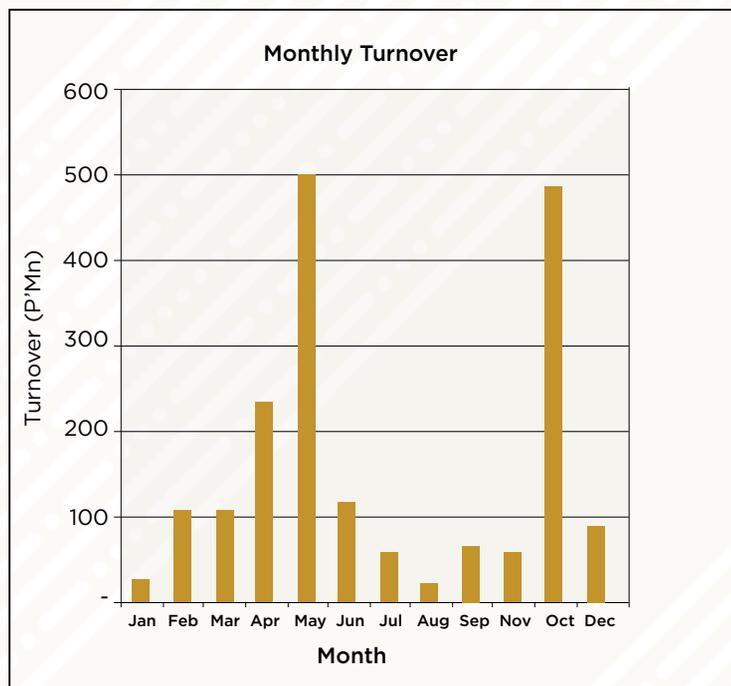
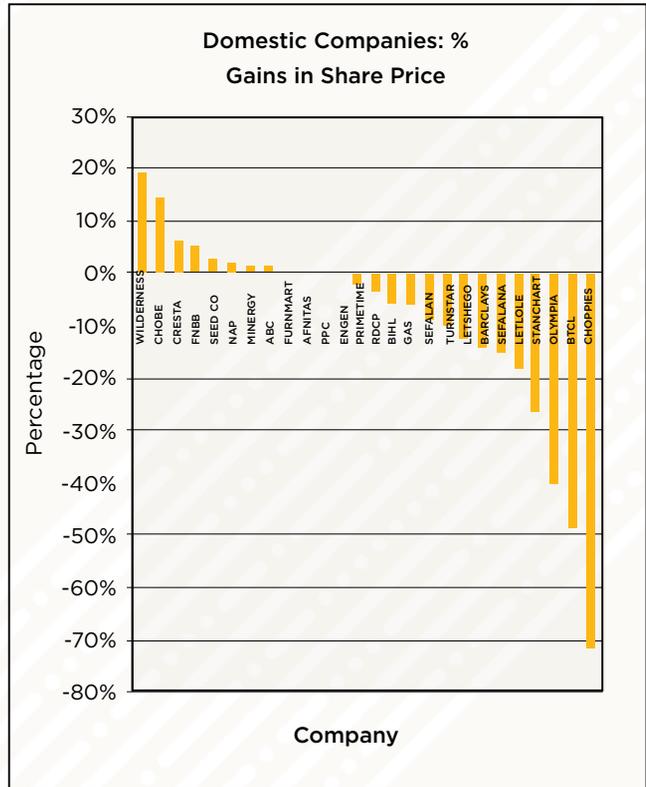
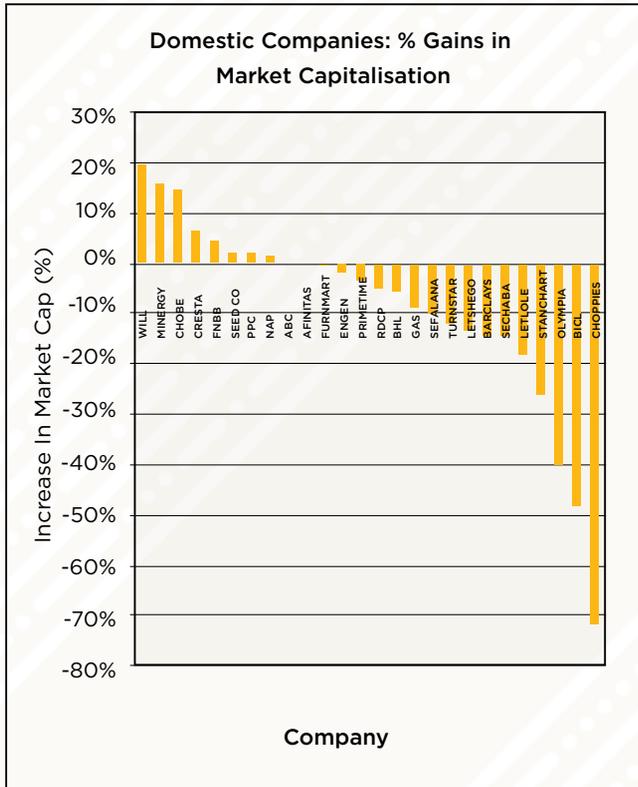
## CEO's REVIEW (CONTINUED)



## CEO's REVIEW (CONTINUED)



## CEO's REVIEW (CONTINUED)



## CEO's REVIEW (CONTINUED)

### 12.0 MARKET STATISTICS

**Table 1: Number of Companies Listed**

	2011	2012	2013	2014	2015	2016	2017	2018
Number of New Listings	6	3	1	1	1	2	3	2
Number of De-listings	1	1	3	1	4	0	2	2
Foreign Listings	12	13	12	12	10	10	11	9
Domestic Listings	23	24	23	23	22	24	24	26
<b>Total</b>	<b>35</b>	<b>37</b>	<b>35</b>	<b>35</b>	<b>32</b>	<b>34</b>	<b>35</b>	<b>35</b>

**Table 2: Market Capitalisation of BSE Listings: 2018**

New Domestic Listings	Number of Shares	Price Per Share (P)	Market Capitalisation (P)
BancABC Botswana Limited	725,000,000	2.00	1,450,000,000.00
Seed Co. International Limited	379,331,127	5.38	2,040,801,463.26

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

	2012	2013	2014	2015	2016	2017	2018
Domestic Market Capitalisation	35,530.83	43,457.57	46,209.87	50,213.85	46,571.96	44,408.06	42,421.0
Foreign Market Capitalisation	376,818.18	373,132.84	371,946.84	370,885.33	374,741.23	373,735.71	370,747.3
<b>Total Market Capitalisation</b>	<b>412,349.01</b>	<b>416,590.41</b>	<b>418,156.71</b>	<b>421,099.19</b>	<b>421,313.19</b>	<b>418,143.76</b>	<b>413,168.3</b>

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

	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18
Domestic Market Capitalisation	45,619.24	46,255.18	44,741.47	44,408.06	43,079.04	42,097.93	39,266.32	42,420.95
Foreign Market Capitalisation	374,110.26	374,307.94	372,272.08	373,735.71	373,526.03	373,087.33	371,135.35	370,747.33
<b>Total Market Capitalisation</b>	<b>419,729.50</b>	<b>420,563.12</b>	<b>417,013.55</b>	<b>418,143.76</b>	<b>416,605.07</b>	<b>415,185.26</b>	<b>410,401.67</b>	<b>413,168.28</b>

## CEO's REVIEW (CONTINUED)

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

INDEX	2011	2012	2013	2014	2015	2016	2017	2018
Banking	16,116.8	16,674.8	19,815.1	17,815.3	17,005.4	14,195.7	12,705.1	13,264.1
Financial Services & Insurance	21,574.8	24,560.7	25,958.9	27,087.9	29,222.2	28,967.5	28,772.5	25,755.1
Retailing & Wholesaling	3,098.3	6,099.8	8,884.8	11,859.5	13,322.2	10,381.0	10,002.3	7,345.6
Property & Property Trust	2,788.2	3,180.4	3,603.8	4,022.4	5,321.7	6,727.9	7,010.4	6,655.0
Mining & Materials	365,238.4	359,135.9	355,342.4	354,005.3	352,642.5	355,972.3	353,374.8	352,393.3
Security Services	480.0	465.6	246.4	229.2	289.6	326.4	319.2	291.2
Information Technology	7.9	11.0	0.0	0.0	0.0	1,029.0	1,932.0	997.5
Funeral Services	175.2	157.1	297.4	285.3	0.0	0.0	0.0	0.0
Energy	881.7	983.9	1,296.9	1,517.4	1,357.6	1,565.3	1,693.1	1,661.1
Tourism	1,242.6	1,079.9	1,144.8	1,264.5	1,938.1	2,148.2	2,334.5	2,719.1
Agriculture	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,086.3

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

	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18
Banking	14,100.38	13,909.24	12,757.15	12,705.12	12,451.88	11,678.58	11,696.45	13,264.08
Financial Services & Insurance	28,829.18	29,321.46	28,805.13	28,772.46	25,968.90	25,787.66	26,205.35	25,755.10
Retailing & Wholesaling	9,168.32	9,165.29	8,909.84	10,002.27	9,968.98	10,093.92	7,353.51	7,345.61
Property & Property Trust	6,861.54	7,078.35	7,176.32	7,010.35	6,935.39	6,777.63	6,710.13	6,655.03
Mining & Materials	355,341.35	355,557.77	353,521.91	353,374.84	352,968.46	352,468.59	352,755.94	352,393.26
Security Services	320.00	320.00	320.00	319.20	296.00	296.00	291.20	291.20
Information Technology	1,344.00	1,491.00	1,564.50	1,932.00	1,281.00	1,291.50	1,123.50	997.50
Energy	1,574.86	1,579.65	1,677.08	1,693.06	1,693.06	1,675.49	1,661.11	1,661.11
Tourism	2,189.70	2,230.36	2,281.61	2,334.47	2,436.04	2,510.51	2,604.47	2,719.09
Agriculture	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,086.32

## CEO's REVIEW (CONTINUED)

**Table 7: Trading Statistics as at Year ended December**

	2012	2013	2014	2015	2016	2017	2018
Volume Traded (Mn)	409.91	710.50	591.60	803.10	778.23	775.01	582.52
Value Traded (P'Mn)	894.70	2,315.40	2,177.40	3,032.40	2,541.16	2,476.65	1,862.25
No. of Deals	6,488	12,029	11,139	12,730	13,707	13,707	9,198
Liquidity Ratio	2.7	5.9	4.9	6.3	5.2	5.4	4.3

**Table 8: Trading Statistics as at Quarter ended**

	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18
Volume Traded (Mn)	173.9	117.5	364.2	119.4	100.7	310.9	59.1	111.8
Value Traded (P'Mn)	532.8	371.1	1,240.5	332.3	236.2	848.5	146.6	631.0
No. of Deals	4,551	3,499	3,906	3,080	2,327	2,777	2,168	1,926

**Table 9: BSE Indices as at Year ended December**

	2011	2012	2013	2014	2015	2016	2017	2018
DCI	6,970.9	7,510.2	9,053.4	9,501.6	10,602.3	9,400.7	8,860.1	7,851.9
FCI	1,703.9	1,599.5	1,583.5	1,577.6	1,572.4	1,585.8	1,574.9	1,570.3
DCTRI	921.9	1,066.1	1,227.0	1,546.4	1,705.9	1,988.1	1,842.9	1,712.6
LASI	795.3	752.7	760.8	781.0	797.3	786.0	794.6	804.3
DFSI	862.5	911.8	1,067.1	1,090.4	1,212.4	1,094.5	1,078.0	1,058.2
FRSI	790.1	731.9	720.3	729.2	726.3	734.1	729.7	744.2
DCFFI	1,904.7	2,143.7	2,643.7	2,926.2	3,376.7	2,813.2	2,874.2	Discontinued
DFSFFI	2,825.0	3,199.1	3,901.3	4,092.4	4,363.0	3,658.4	3,543.6	Discontinued
LASFFI	1,677.5	1,892.1	2,315.3	2,575.3	2,979.5	2,659.1	2,622.8	Discontinued

**Table 10: BSE Indices as at Quarter ended**

	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18
DCI	9,225.2	9,244.2	8,930.4	8,860.1	8,589.6	8,402.7	7,837.3	7,851.9
FCI	1,583.1	1,581.9	1,577.6	1,574.9	1,574.2	1,571.1	1,572.0	1,570.3
DCTRI	1,807.6	1,853.4	1,820.7	1,824.1	1,788.7	1,783.4	1,693.1	1,712.6
LASI	795.1	796.4	792.8	794.6	808.4	806.9	803.2	804.3
DFSI	1,120.1	1,136.5	1,077.8	1,078.0	1,076.1	1,053.4	1,061.8	1,058.2
FRSI	733.5	733.0	730.9	729.7	745.6	744.1	744.9	744.2

## CEO'S REVIEW (CONTINUED)

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

2017		2018	
Company	Volume	Company	Volume
NAP	157.5	Letshego	232.5
Letshego	157.1	NAP	93.0
FNBB	117.1	Choppies	40.4
Choppies	70.8	FNBB	34.8
BTCL	50.0	BTCL	26.6
Primetime	41.9	Sechaba	25.3
Imara	36.2	Cresta	14.6
Turnstar	32.8	RDCP	12.9
Letlole	24.8	Seed Co.	8.4
Sechaba	17.3	Furnmart	7.4

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

2017		2018	
Company	Value	Company	Value
NAP	505.1	Sechaba	481.6
Sechaba	353.1	Letshego	425.9
Letshego	319.2	NAP	298.4
FNBB	296.4	FNBB	80.9
Choppies	176.4	BIHL	73.4
BIHL	145.7	Choppies	58.8
Turnstar	106.9	Seed Co.	46.8
Sefalana	100.3	Barclays	36.3
Imara	76.1	BTCL	31.2
BTCL	67.2	RDCP	29.1

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

2017		2018	
Company	Volume	Company	Volume
CA Sales	8.917	CA Sales	52.430
Shumba	3.441	BOD	0.122
Magnum	0.753	Shumba	0.075
BOD	0.325	lucara	0.042
Lucara	0.301	Raven	0.032
African Energy	0.123	A Cap	0.023

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

2017		2018	
Company	Value	Company	Value
CA Sales	30.779	CA Sales	195.337
Lucara	6.676	Lucara	0.684
Shumba	4.023	Shumba	0.086
BOD	0.068	BOD	0.020
Magnum	0.038	A Cap	0.009
African Energy	0.035	Raven	0.002
A Cap	0.000		

## CEO's REVIEW (CONTINUED)

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

2017		2018	
Company	Market Cap	Company	Market Cap
FNBB	5,973.4	FNBB	6,232.1
BIHL	5,235.2	BIHL	4,941.5
Barclays	5,198.2	Barclays	4,448.3
Letshego	4,030.8	Letshego	3,473.4
Choppies	3,154.8	Sechaba	2,212.3
Sechaba	2,589.8	Sefalana	2,201.4
Sefalana	2,444.6	Seed Co	2,086.3
NAP	1,940.1	NAP	1,964.3
BTCL	1,932.0	Engen	1,661.1
Turnstar	1,882.4	Turnstar	1,659.3

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

2017		2018	
Company	Market Cap	Company	Market Cap
Anglo	344,268.7	Anglo	344,268.7
Investec	16,676.5	Investec	17,115.6
Lucara	7,269.8	Lucara	6,344.2
Blue	2,605.4	CA Sales	1,695.4
CA Sales	1,473.8	Tlou Energy	510.4
Tlou Energy	510.4	A Cap	366.0
Shumba	306.9	Shumba	335.6
A Cap	305.2	BOD	68.9
African Energy	175.5	Raven	42.5
BOD	101.0		

**Table 17: Bond Market Statistics: 2018**

Bond Code	Maturity Date	Nominal Amount (P)	Coupon Rate %	Trade (P)
BW005	12-Sep-18	2,008,000,000	10.00	23,675,201.76
BW007	10-Mar-25	1,974,000,000	8.00	739,476,752.71
BW008	8-Sep-20	2,147,000,000	7.75	68,579,631.61
BW011	10-Sep-31	2,103,000,000	7.75	293,550,675.45
BW012	13-Jun-40	1,528,000,000	6.00	178,882,126.30
BW013	7-Jun-23	939,000,000	4.50	194,208,483.09
BW014	5-Sep-29	596,000,000	4.80	447,872,439.97
BW015	2-Sep-43	301,000,000	5.30	230,570,820.48
DPCF005	2-Jun-19	100,000,000	10.60	-
DPCF006	2-Jun-22	55,000,000	10.75	-
DPCF007	2-Jun-25	35,000,000	10.90	-
IFC001	20-Sep-24	260,000,000	Floating	-
BBS004	26-Nov-19	75,000,000	11.10	111,348.90
BBS005	3-Dec-23	150,000,000	11.20	184,918.00
BHC 020	10-Dec-20	103,000,000	10.10	-
BHC025	10-Dec-25	300,000,000	Floating	-

## CEO's REVIEW (CONTINUED)

Table 17: Bond Market Statistics: 2018 (continued)

Bond Code	Maturity Date	Nominal Amount (P)	Coupon Rate %	Trade (P)
BDC001	9-Jun-29	82,030,000	Floating	369,894.55
BDCL002	16-Aug-22	131,500,000	Floating	-
BDC003	9-Jun-29	142,530,000	Floating	11,857,458.78
BVIO01	7-May-18	70,000,000	11.23	203,934.00
WUC001	26-Jun-18	195,000,000	10.65	515,023.50
WUC002	26-Jun-26	205,000,000	10.60	266,349.20
BBB016	31-Oct-19	156,000,000	Floating	1,120,231.62
BBB017	14-Nov-23	97,410,000	Floating	-
BBB018	14-Nov-23	102,590,000	Floating	-
FML025	23-Oct-25	150,000,000	8.20	440,493.86
FNBB005	11-Nov-20	125,590,000	Floating	100,034.34
FNBB006	11-Nov-20	112,120,000	Floating	100,035.70
FNBB007	6-Dec-26	161,840,000	Floating	-
FNBB008	6-Dec-26	40,000,000	7.48	304,794.00
FNBB009	8-Dec-24	126,350,000	Floating	-
GBL001	24-Feb-22	50,000,000	18.00	-
GBL002	24-Feb-20	21,800,000	15.00	-
GBL003	31-Dec-20	15,000,000	15.00	-
GBL004	10-Apr-21	25,000,000	15.00	-
GBL005	23-Mar-19	5,000,000	11.00	-
INB001	30-Dec-27	USD113,376,758.07	Floating	-
LHL006	8-Nov-23	200,000,000	10.50	492,245.44
LHL007	8-Nov-25	75,000,000	10.50	-
LHL008	8-Nov-27	28,500,000	11.00	863,074.32
SBBL063	15-Oct-19	98,600,000	7.54	206,440.20
SBBL064	18-Jun-20	128,400,000	Floating	149,974.65
SBBL065	18-Jun-20	153,100,000	8.0%	-
SBBL066	15-Jun-27	140,000,000	Floating	6,442,397.07
SBBL067	16-Jun-27	60,000,000	7.80	204,452.00
SCBB003	20-Dec-20	50,000,000	10.50	-
SCBB006	12-May-21	70,000,000	Floating	-
SCBB007	27-Jun-22	50,000,000	Floating	-
SCBB008	27-Jun-22	127,260,000	8.20	-
PTP021	10-Jun-21	96,000,000	Floating	20,935,536.04
PTP024	10-Jun-24	59,000,000	8.50	1,004,647.95
PTP026	29-Nov-26	70,000,000	9.00	-
<b>TOTAL</b>		<b>15,038,108,820.49</b>		<b>2,222,689,415.48</b>

## CEO's REVIEW (CONTINUED)

Table 18: Bond Market Capitalisation By Sector: 2018

Bonds	Maturity Date	Issue Size (P)
<b>Government</b>		
BW007	10-Mar-25	1,974,000,000
BW008	8-Sep-20	2,147,000,000
BW011	10-Sep-31	2,103,000,000
BW012	13-Jun-40	1,528,000,000
BW013	7-Jun-23	939,000,000
BW014	5-Sep-29	596,000,000
BW015	2-Sep-43	301,000,000
<b>Sector Total</b>		<b>9,588,000,000</b>
<b>Quasi</b>		
DPCF005	2-Jun-19	100,000,000
DPCF006	2-Jun-22	55,000,000
DPCF007	2-Jun-25	35,000,000
<b>Sector Total</b>		<b>190,000,000</b>
<b>Supranational</b>		
IFC001	20-Sep-24	260,000,000
<b>Sector Total</b>		<b>260,000,000</b>
<b>Parastatals</b>		
BBS004	26-Nov-19	75,000,000
BBS005	3-Dec-23	150,000,000
BHC 020	10-Dec-20	103,000,000
BHC025	10-Dec-25	300,000,000
BDC001	9-Jun-29	82,030,000
BDCL002	16-Aug-22	131,500,000
BDC003	9-Jun-29	142,530,000
WUC002	26-Jun-26	205,000,000
<b>Sector Total</b>		<b>1,186,060,000</b>

## CEO's REVIEW (CONTINUED)

Table 18: Bond Market Capitalisation By Sector: 2018 (continued)

Corporate		
BBB016	31-Oct-19	156,000,000
BBB017	14-Nov-23	97,410,000
BBB018	14-Nov-23	102,590,000
FML025	23-Oct-25	150,000,000
FNBB005	11-Nov-20	125,590,000
FNBB006	11-Nov-20	112,120,000
FNBB007	6-Dec-26	161,840,000
FNBB008	6-Dec-26	40,000,000
FNBB009	8-Dec-24	126,350,000
GBL001	24-Feb-22	50,000,000
GBL002	24-Feb-20	21,800,000
GBL003	31-Dec-20	15,000,000
GBL004	10-Apr-21	25,000,000
GBL005	23-Mar-19	5,000,000
INB001	30-Dec-27	USD113,376,758.07
LHL006	8-Nov-23	200,000,000
LHL007	8-Nov-25	75,000,000
LHL008	8-Nov-27	28,500,000
SBBL063	15-Oct-19	98,600,000
SBBL064	18-Jun-20	128,400,000
SBBL065	18-Jun-20	153,100,000

## CEO'S REVIEW (CONTINUED)

SBBL066	15-Jun-27	140,000,000
SBBL067	16-Jun-27	60,000,000
SCBB003	20-Dec-20	50,000,000
SCBB006	12-May-21	70,000,000
SCBB007	27-Jun-22	50,000,000
SCBB008	27-Jun-22	127,260,000
PTP021	10-Jun-21	96,000,000
PTP024	10-Jun-24	59,000,000
PTP026	29-Nov-26	70,000,000
<b>Sector Total</b>		<b>3,811,048,820</b>
	<b>TOTAL</b>	<b>15,038,108,820.49</b>



# **Botswana Stock Exchange Limited Group Annual Financial Statements**

for the year ended December 31, 2018



# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## General Information

<b>Country of incorporation and domicile</b>	Botswana
<b>Nature of business and principal activities</b>	Regulating and promoting the listing and dealing in shares and other securities listed on the Botswana Stock Exchange Limited (BSEL)
<b>Directors</b>	<p>Lt. Gen. Tebogo Masire (Chairperson)</p> <p>Ms. Itumeleng Mareko</p> <p>Mr. Basimane Bogopa</p> <p>Mr. Martin Makgatlhe</p> <p>Mr. Davis Tele (Appointed 31/08/2018)</p> <p>Ms. Lekono Phiri (Appointed 31/08/2018)</p> <p>Mr. Norman Moleele (Appointed 31/08/2018)</p> <p>Mr. Ogone Mothooagae (Appointed 31/08/2018)</p> <p>Prof. Onkutlwile Othata (Appointed 31/08/2018)</p> <p>Mr. Patrick O'Fiaherty (Resigned 31/08/2018)</p> <p>Mr. Nelson Letshwene (Resigned 31/08/2018)</p> <p>Mr. Gregory Matsake (Resigned 31/08/2018)</p> <p>Mr. Willie Mokgatlhe (Resigned 31/08/2018)</p> <p>Mr. Kabelo Mohohlo (Resigned 31/08/2018)</p>
<b>Chief Executive Officer</b>	Mr. Thapelo Tsheole (Ex-officio member of Board of Directors)

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## General Information

### Committees of the BSEL Board

#### Risk and Audit Committee

Mr. D. Tele (Chairperson)  
Prof. O. Othata  
Mr. O. Mothooagae

#### Nominations and Governance Committee

Ms. L. Phiri (Chairperson)  
Mr. D. Tele  
Mr. B. Bogopa

#### Regulatory Committee

Mr. B. Bogopa (Chairperson)  
Mr. O. Mothooagae  
Mr. M. Makgatlhe  
Prof. O. Othata  
Mr. T. Tsheole

#### Investigations and Disciplinary Committee

Ms. I. Mareko (Chairperson)  
Mr. B. Bogopa  
Mr. N. Moleele

#### Board Tender Committee

Prof. O. Othata (Chairperson)  
Mr. M. Makgatlhe  
Mrs. I. Mareko  
Mr. T. Tsheole  
Ms. M. Mogasha

### Postal address

Private Bag 00417  
Gaborone

### Bankers

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

### Auditors

Grant Thornton  
Chartered Accountants  
A Botswana member of Grant Thornton International Limited

### Secretary

Ms. Gorata Dibotelo

### Functional currency

Botswana Pula

### Regulator

Non-Bank Financial Institution Regulatory Authority

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Index

The reports and statements set out below comprise the group annual financial statements presented to the shareholders:

	Page
Directors' Responsibilities and Approval	75
Independent Auditor's Report	76-78
Statement of Financial Position	79
Statement of Profit or Loss and Other Comprehensive Income	80
Statement of Changes in Equity	81-82
Statement of Cash Flows	83
Accounting Policies	84-102
Notes to the Group Annual Financial Statements	103-121
The following supplementary information does not form part of the group annual financial statements and is unaudited:	
Detailed Statement of Profit or Loss and Other Comprehensive Income	122 - 123

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Director's Responsibilities and Approval

The Directors are required in terms of the Companies Act to maintain adequate accounting records and are responsible for the content and integrity of the group annual financial statements and related financial information included in this report. It is their responsibility to ensure that the group annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the group annual financial statements.

The group annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the group annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash flow forecast for the year to December 31, 2019 and, in light of this review and the current financial position, they are satisfied that the group has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the group's group annual financial statements. The group annual financial statements have been examined by the group's external auditors and their report is presented on pages 76 to 78.

The group annual financial statements set out on pages 79 to 123, which have been prepared on the going concern basis, were approved by the Board of Directors on 29 March 2019 and were signed on their behalf by:



Director



Director

Chartered Accountants

Grant Thornton  
Acumen Park, Plot 50370  
Fairgrounds, Gaborone  
P O Box 1157  
Gaborone, Botswana

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[twitter.com/GrantThorntonBW](https://twitter.com/GrantThorntonBW)

## Independent Auditor's Report

To the shareholders of Botswana Stock Exchange Limited

### Opinion

We have audited the group annual financial statements of Botswana Stock Exchange Limited set out on pages 79 to 121, which comprise the statement of financial position as at December 31, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the group annual financial statements, including a summary of significant accounting policies.

In our opinion, the group annual financial statements present fairly, in all material respects, the financial position of Botswana Stock Exchange Limited as at December 31, 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the group annual financial statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of group annual financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Botswana. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the group annual financial statements of the current period. These matters were addressed in the context of our audit of the group annual financial statements as a whole, and in forming Our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	The revenue recognition criteria carries an inherent risk of being prone to manipulation by management, thus it has been identified as a key audit matter. Our audit procedures included the testing of the appropriateness of the application of the revenue recognition criteria in line with the requirements of International Accounting Standard 18: Revenue (IAS 18) for all the significant revenue streams. For each revenue stream considered significant, we selected a random sample of transactions to verify that the revenue recognition criteria is being properly applied. All exceptions noted were communicated with the management during the audit.

Botswana Accountancy Oversight Authority registration number: FAP 006 2016 (Audit Firm of Public Interest Entity)  
Botswana Institute of Chartered Accountants membership number: MeFBW11013 (Audit and Non-Audit)

#### Partners

Jotjcranam Ramesh (Chairman), Kolyanoraman Vijay;4 (Managing]\*, Dinesh Malian (Deputy Managing)\*, Aswin Vaidyanathan\*, Madhavan Venkatachary\*, Narayanaswamy Narasimhan\*, Anthony Ouashie, Sunny Mulokulam\* (\*Indian)

  
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## **Independent Auditor's Report**

### **Other information**

The directors are responsible for the other information. The other information comprises the Detailed Statement of Profit or Loss and Other Comprehensive Income, which we obtained prior to the date of this report. Other information does not include the group annual financial statements and our auditor's report thereon.

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

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

### **Responsibilities of the directors for the Group Annual Financial Statements**

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

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

Those charged with governance are responsible for overseeing the company's financial reporting process.

### **Auditor's responsibilities for the audit of the Group Annual Financial Statements**

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

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the group annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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## Independent Auditor's Report

Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the group annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the group annual financial statements, including the disclosures, and whether the group annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.  
Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated group annual financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

*Grant Thornton*

Chartered Accountants

Certified Auditor: Mr. Madhavan Venkatachary: BICA Membership 20030049

Certified Auditor of Public Interest Entity

Certificate Number: CAP 0017 2019

29 March 2019

Gaborone

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **31 December, 2018**

## Statement of Financial Position as at December 31, 2018

Figures in Pula	Note	Group		Company	
		2018	2017	2018	2017
<b>Assets</b>					
Non-Current Assets					
Property, plant and equipment	4	9,988,441	9,960,933	9,014,277	9,799,433
Investments in subsidiaries	5	-	-	100	100
		<b>9,988,441</b>	<b>9,960,933</b>	<b>9,014,377</b>	<b>9,799,533</b>
Current Assets					
Trade and other receivables	7	2,523,991	5,597,301	2,843,894	5,633,037
Financial assets	6	83,839,732	77,916,606	61,073,705	51,682,519
Cash and cash equivalents	8	10,523,637	7,012,548	3,539,957	4,437,970
		<b>96,887,360</b>	<b>90,526,455</b>	<b>67,457,556</b>	<b>61,753,526</b>
<b>Total Assets</b>		<b>106,875,801</b>	<b>100,487,388</b>	<b>76,471,933</b>	<b>71,553,059</b>
<b>Equity and Liabilities</b>					
<b>Equity</b>					
Stated Capital	9	782,676	782,676	782,676	782,676
Shares pending allotment	9	34,817,324	-	34,817,324	-
Capital Grant		-	17,163,365	-	13,663,365
Retained Income		48,553,438	76,086,832	22,034,455	49,670,362
		<b>84,153,438</b>	<b>94,032,873</b>	<b>57,634,455</b>	<b>64,116,403</b>
<b>Liabilities</b>					
Non-Current Liabilities					
Deferred income	13	18,833,165	-	15,333,165	-
Current Liabilities					
Trade and other payables	12	3,747,878	4,502,842	3,362,993	5,484,983
Operating lease liability		141,320	-	141,320	-
Botswana Stock Exchange Security Fund	11	-	1,951,673	-	1,951,673
		<b>3,889,198</b>	<b>6,454,515</b>	<b>3,504,313</b>	<b>7,436,656</b>
<b>Total Liabilities</b>		<b>22,722,363</b>	<b>6,454,515</b>	<b>18,837,478</b>	<b>7,436,656</b>
<b>Total Equity and Liabilities</b>		<b>106,875,801</b>	<b>100,487,388</b>	<b>76,471,933</b>	<b>71,553,059</b>

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Statement of Profit or Loss and Other Comprehensive Income

Figures in Pula	Note(s)	Group		Company	
		2018	2017	2018	2017
Revenue	14	32,612,019	33,749,202	26,926,617	26,819,631
Other operating income	15	2,349,833	3,905,230	2,231,531	3,905,230
Other operating gains (losses)	16	38,455	(279,472)	38,455	(279,472)
Movement in credit loss allowances	17	(225,893)	(358,572)	(207,719)	(358,572)
Other operating expenses	17	(31,184,968)	(31,602,173)	(24,365,149)	(25,331,325)
<b>Operating profit</b>		<b>3,589,446</b>	<b>5,414,215</b>	<b>4,623,735</b>	<b>4,755,492</b>
Finance income	18	3,694,484	3,030,760	2,557,683	2,089,855
<b>Profit for the year</b>		<b>7,283,930</b>	<b>8,444,975</b>	<b>7,181,418</b>	<b>6,845,347</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the year</b>		<b>7,283,930</b>	<b>8,444,975</b>	<b>7,181,418</b>	<b>6,845,347</b>

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Statement of Changes in Equity

	Proprietary Rights Capital/ Stated Capital	Rights premium	Total equity capital	Shares pending allotment	Capital grants	Total reserves	Retained Income	Total equity
Figures in Pula								
<b>Group</b>								
<b>Balance at 1 January, 2017</b>	<b>5,200</b>	<b>777,476</b>	<b>782,676</b>	<b>-</b>	<b>13,476,959</b>	<b>13,476,959</b>	<b>69,593,530</b>	<b>83,853,165</b>
Profit for the year	-	-	-	-	-	-	8,444,975	8,444,975
Other comprehensive income	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,444,975</b>	<b>8,444,975</b>
Transfer to Botswana Security Exchange Fund	-	-	-	-	-	-	(1,951,673)	(1,951,673)
Capital grants received	-	-	-	-	4,250,000	4,250,000	-	4,250,000
Amortisation of capital grants	-	-	-	-	(563,594)	(563,594)	-	(563,594)
<b>Total other movements</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,686,406</b>	<b>3,686,406</b>	<b>(1,951,673)</b>	<b>1,734,733</b>
<b>Balance at 1 January, 2018</b>	<b>5,200</b>	<b>777,476</b>	<b>782,676</b>	<b>-</b>	<b>17,163,365</b>	<b>17,163,365</b>	<b>76,086,832</b>	<b>94,032,873</b>
Profit for the year	-	-	-	-	-	-	7,283,930	7,283,930
Other comprehensive income	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,283,930</b>	<b>7,283,930</b>
Transfer from retained income	-	-	-	34,817,324	-	34,817,324	(34,817,324)	-
Transfer to Stated Capital	777,476	(777,476)	-	-	-	-	-	-
Transfer to deferred income	-	-	-	-	(17,163,365)	(17,163,365)	-	(17,163,365)
<b>Total other movements</b>	<b>777,476</b>	<b>(777,476)</b>	<b>-</b>	<b>34,817,324</b>	<b>(17,163,365)</b>	<b>17,653,959</b>	<b>(34,817,324)</b>	<b>(17,163,365)</b>
<b>Balance at 31 December, 2018</b>	<b>782,676</b>	<b>-</b>	<b>782,676</b>	<b>34,817,324</b>	<b>-</b>	<b>34,817,324</b>	<b>48,553,438</b>	<b>84,153,438</b>
Note	9	9	9		10			

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Statement of Changes in Equity

	Proprietary Rights Capital/ Stated Capital	Rights premium	Total equity capital	Shares pending allotment	Capital grants	Total reserves	Retained Income	Total equity
Figures in Pula								
<b>Company</b>								
<b>Balance at 1 January, 2017</b>	<b>5,200</b>	<b>777,476</b>	<b>782,676</b>	-	<b>11,726,959</b>	<b>11,726,959</b>	<b>44,776,688</b>	<b>57,286,323</b>
Profit for the year	-	-	-	-	-	-	6,845,347	6,845,347
Other comprehensive income	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,845,347</b>	<b>6,845,347</b>
Transfer to Botswana Stock Exchange Securities Fund	-	-	-	-	-	-	(1,951,673)	(1,951,673)
Capital grant received	-	-	-	-	2,500,000	2,500,000	-	2,500,000
Amortisation of capital grant	-	-	-	-	(563,594)	(563,594)	-	(563,594)
<b>Total other movements</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,936,406</b>	<b>1,936,406</b>	<b>(1,951,673)</b>	<b>(15,267)</b>
<b>Balance at 1 January, 2018</b>	<b>5,200</b>	<b>777,476</b>	<b>782,676</b>	-	<b>13,663,365</b>	<b>13,663,365</b>	<b>49,670,361</b>	<b>64,116,402</b>
Profit for the year	-	-	-	-	-	-	7,181,418	7,181,418
Other comprehensive income	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,181,418</b>	<b>7,181,418</b>
Transfer from retained income	-	-	-	34,817,324	-	34,817,324	(34,817,324)	-
Transfer to stated capital	777,476	(777,476)	-	-	-	-	-	-
Transfer to deferred income	-	-	-	-	(13,663,365)	(13,663,365)	-	(13,663,365)
<b>Total other movements</b>	<b>777,476</b>	<b>(777,476)</b>	<b>-</b>	<b>34,817,324</b>	<b>(13,663,365)</b>	<b>21,153,959</b>	<b>(34,817,324)</b>	<b>(13,663,365)</b>
<b>Balance at 31 December, 2018</b>	<b>782,676</b>	<b>-</b>	<b>782,676</b>	<b>34,817,324</b>	<b>-</b>	<b>34,817,324</b>	<b>22,034,455</b>	<b>57,634,455</b>
Note	9	9	9		10			

The accounting policies on pages 84 to 102 and the notes on pages 103 to 121 form an integral part of the group annual financial statements.

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Statement of Cash Flows

Figures in Pula	Note	Group		Company	
		2018	2017	2018	2017
<b>Cash flows from operating activities</b>					
Cash generated from operations	20	7,210,944	2,329,974	6,206,703	2,860,687
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	4	(1,650,495)	(5,439,802)	(1,650,495)	(5,439,802)
Sale of property, plant and equipment	4	38,455	177,770	1,238,455	177,770
Interest Income		3,694,484	3,030,760	2,557,683	2,089,855
<b>Net cash from investing activities</b>		<b>2,082,444</b>	<b>(2,231,272)</b>	<b>2,145,643</b>	<b>(3,172,177)</b>
<b>Cash flows from financing activities</b>					
Capital grants received		2,092,500	4,250,000	2,092,500	2,500,000
Amounts paid to Botswana Stock Exchange Security Fund		(1,951,673)	(2,934,019)	(1,951,673)	(2,934,019)
<b>Net cash from financing activities</b>		<b>140,827</b>	<b>1,315,981</b>	<b>140,827</b>	<b>(434,019)</b>
<b>Total cash movement for the year</b>		<b>9,434,215</b>	<b>1,414,683</b>	<b>8,493,173</b>	<b>(745,509)</b>
Cash at the beginning of the year		84,929,154	83,514,471	56,120,489	56,865,998
<b>Total cash at end of the year</b>	<b>8</b>	<b>94,363,369</b>	<b>84,929,154</b>	<b>64,613,662</b>	<b>56,120,489</b>

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Accounting Policies

### 1. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate group annual financial statements are set out below.

#### 1.1 Basis of preparation

The consolidated and separate group annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these group annual financial statements and the Companies Act.

The group annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Pulas, which is the group and company's functional currency.

These accounting policies are consistent with the previous period, except for the changes set out in note 2.

#### 1.2 Consolidation

##### Basis of consolidation

The consolidated group annual financial statements incorporate the group annual financial statements of the company and all subsidiaries. Subsidiaries are entities (including structured entities) which are controlled by the group.

The group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use its power over the entity.

The results of subsidiaries are included in the consolidated group annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the group annual financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All inter-company transactions, balances, and unrealised gains on transactions between group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

##### Investments in subsidiaries in the separate financial statements

In the company's separate financial statements, investments in subsidiaries are carried at cost less any accumulated impairment losses. This excludes investments which are held for sale and are consequently accounted for in accordance with IFRS 5 Non current Assets Held for Sale and Discontinued Operations.

#### 1.3 Significant judgements and sources of estimation uncertainty

The preparation of group annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Accounting Policies

### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Key sources of estimation uncertainty

##### Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

##### Fair value estimation

Certain assets and liabilities of the group are either measured at fair value or disclosure is made of their fair values. Observable market data is used as inputs to the extent that it is available.

##### Impairment testing

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

##### Useful lives of property, plant and equipment

Management assess the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of motor vehicles, furniture and computer equipment are determined based on group replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

##### Proprietary rights

Proprietary rights capital was recognised at the fair value of the consideration received by the Group. In the current year, these rights have been reassigned as Stated Capital which is the equity interest in the company.

##### Taxation

The company and its subsidiary are exempt from tax for a period of 5 years since the establishment of Botswana Stock Exchange was demutualised to form Botswana Stock Exchange Limited, the reporting company.

##### Measurement of expected credit loss allowance

The measurement of expected credit loss allowance for financial assets measured at amortised cost is an area that requires use of both simple and complex models and significant assumptions about future economic conditions and credit behaviour. The include, but are not limited to likelihood of customers defaulting and resulting in losses.

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Accounting Policies

### 1.4 Property, plant and equipment

Property, plant and equipment are tangible assets which the group holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the group, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the group and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the group. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	10 years
Motor vehicles	Straight line	4 years
Computer and office equipment	Straight line	4 years
Leasehold improvements	Straight line	the lower of period of lease and ten years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Accounting Policies

### 1.5 Financial instruments

Financial instruments held by the group are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the group, as applicable, are as follows:

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income.

Financial assets which are debt instruments:

- Amortised cost ; or
- Fair value through other comprehensive income ; or
- Mandatorily at fair value through profit or loss; or
- Designated at fair value through profit or loss.

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss ; or
- Designated at fair value through profit or loss.

Note 23 Financial instruments and risk management presents the financial instruments held by the group based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the group are presented below:

#### Loans receivable at amortised cost

##### Classification

Money market placements are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows on these loans.

##### Recognition and measurement

Loans receivable are recognised when the group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Accounting Policies

### 1.5 Financial instruments (continued)

#### Application of the effective interest method

Interest income is calculated using the effective interest method, and is included in profit or loss in finance income (note 18). The application of the effective interest method to calculate interest income on a loan receivable is dependent on the credit risk of the loan as follows:

- The effective interest rate is applied to the gross carrying amount of the loan, provided the loan is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance. If a loan is purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the loan, even if it is no longer credit-impaired.
- If a loan was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the loan in the determination of interest. If, in subsequent periods, the loan is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

#### Impairment

The group recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The group measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the group considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

#### Significant increase in credit risk

In assessing whether the credit risk on a loan has increased significantly since initial recognition, the group compares the risk of a default occurring on the loan as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Accounting Policies

### 1.5 Financial instruments (continued)

Irrespective of the outcome of the above assessment, the credit risk on a loan is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the group has reasonable and supportable information that demonstrates otherwise.

By contrast, if a loan is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the loan has not increased significantly since initial recognition.

The group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

#### Definition of default

For purposes of internal credit risk management purposes, the group consider that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Irrespective of the above analysis, the group considers that default has occurred when a loan instalment is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

#### Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default is the gross carrying amount of the loan at the reporting date.

Lifetime ECL is measured on a collective basis in cases where evidence of significant increases in credit risk are not yet available at the individual instrument level. Loans are then grouped in such a manner that they share similar credit risk characteristics, such as nature of the loan, external credit ratings (if available), industry of counterparty etc.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the group measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, and visa versa.

An impairment gain or loss is recognised for all loans in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (note 17).

#### Credit risk

Details of credit risk related to loans receivable are included in the specific notes and the financial instruments and risk management (note 23).

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Accounting Policies

### 1.5 Financial instruments (continued)

#### Trade and other receivables

##### Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 7).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows on trade and other receivables.

##### Recognition and measurement

Trade and other receivables are recognised when the group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

##### Impairment

The group recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The group measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

##### Measurement and recognition of expected credit losses

The group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (note 17).

##### Write off policy

The group writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Accounting Policies

### 1.5 Financial instruments (continued)

#### Credit risk

Details of credit risk are included in the trade and other receivables note (note 7) and the financial instruments and risk management note (note 23).

#### Trade and other payables

#### Classification

Trade and other payables (note 12), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

#### Recognition and measurement

They are recognised when the group becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

#### Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

### 1.6 Financial instruments: IAS 39 comparatives

#### Classification

The group classifies financial assets and financial liabilities into the following categories:

- Loans and receivables  
Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained or incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

#### Initial recognition and measurement

Financial instruments are recognised initially when the group becomes a party to the contractual provisions of the instruments. The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at trade date.

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Accounting Policies

### 1.6 Financial instruments: IAS 39 comparatives (continued)

#### Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

#### Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

#### Financial assets

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

#### Impairment of financial assets

At each reporting date the group assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss- measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Accounting Policies

### 1.6 Financial instruments: IAS 39 comparatives (continued)

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

#### Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. 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 allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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 operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

#### Trade and other payables

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

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at amortised cost which equals its fair value.

#### Financial liabilities

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Accounting Policies

### 1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

### 1.8 Impairment of assets

The group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Accounting Policies

### 1.9 Stated capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

### 1.10 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid annual leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to AON Botswana (Pty) Ltd who administers a pension plan for the group. Retirement benefit schemes are dealt with as defined contribution plans where the group's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

### 1.11 Provisions and contingencies

Provisions are recognised when:

the group has a present obligation as a result of a past event;

it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised.

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Accounting Policies

### 1.12 Government subvention

Government grants are recognised when there is reasonable assurance that:

- the group will comply with the conditions attaching to them; and the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are recognised in the profit /Loss under other income.

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

### 1.13 Revenue

The group recognises revenue from the following major sources:

- Provision of Exchange related services

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The group recognises revenue when it transfers control of a product or service to a customer.

#### Botswana Stock Exchange fees

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

#### 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.

#### Listing fees

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

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Accounting Policies

### 1.13 Revenue (continued)

#### Annual sustaining fees

Annual sustaining fees are invoiced in advance for the year unless collection is in doubt.

#### Member fees

Annual member/dealer fees are invoiced in advance for the year unless collection is in doubt.

#### Central Securities Depository (CSD) fees

CSD fee is charged on the transactions (for both the buyer and the seller) at 0.12% on the transaction value. Revenue is recognised on the trading date unless collectability is in doubt.

#### Other income

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

#### X News Publication revenue

X News publication revenue is recognised when the publication is received from the members listed on the Stock Exchange. Revenue is recognised on the trading date unless collectability is in doubt.

### 1.14 Translation of foreign currencies

#### Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Pulas, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

foreign currency monetary items are translated using the closing rate;  
non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and

non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous group annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Pulas by applying to the foreign currency amount the exchange rate between the Pula and the foreign currency at the date of the cash flow.

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Changes in Accounting Policies

### 2. Changes in accounting policy

The group annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

#### Application of IFRS 9 Financial Instruments

In the current year, the group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 replaces IAS 39 Financial Instruments and introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the group's financial statements are described below.

The group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

#### Classification and measurement of financial assets

The date of initial application (i.e. the date on which the group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is January 1, 2018. Accordingly, the group has applied the requirements of IFRS 9 to instruments that have not been derecognised as at January 1, 2018 and has not applied the requirements to instruments that have already been derecognised as at January 1, 2018. Comparatives in relation to instruments that have not been derecognised as at January 1, 2018 have not been restated. Instead, cumulative adjustments to retained earnings have been recognised in retained earnings as at January 1, 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

#### Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the group to recognise a loss allowance for expected credit losses on debt investments subsequently measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets and loan commitments and financial guarantee contracts to which the impairment requirements of IFRS 9 apply. In particular, IFRS 9 requires the group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the group is required to measure the loss allowance for that financial instrument at an amount equal to 12 months expected credit losses. IFRS 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables in certain circumstances.

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Changes in Accounting Policies

### 2. Changes in accounting policy (Continued)

As at January 1, 2018, the directors reviewed and assessed the group's existing financial assets, amounts due from customers and financial guarantee contracts for impairment using reasonable and supportable information that was available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at January 1, 2017 and January 1, 2018. The result of the assessment is as follows:

Items existing on January 1, January 1, 2018 2018 that are subject to the impairment provisions of IFRS 9:	Note	Credit risk attributes at January 1, 2017 and January 1, 2018	Cumulative additional loss allowance recognised on:	
			January 1, 2018	January 1, 2017
Trade and other receivables	7	The group applies the simplified approach and recognises lifetime expected credit losses for these assets.	97,374	97,374

### 3. New Standards and Interpretations

#### 3.1 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after January 1, 2019 or later periods:

#### Prepayment Features with Negative Compensation - Amendment to IFRS 9

The amendment to Appendix B of IFRS 9 specifies that for the purpose of applying paragraphs 84.1.11(b) and B4.1.12(b), irrespective of the event or circumstance that causes the early termination of the contract, a party may pay or receive reasonable compensation for that early termination.

The effective date of the amendment is for years beginning on or after January 1, 2019.

It is unlikely that the amendment will have a material impact on the group's group annual financial statements.

#### Amendments to IFRS 3 Business Combinations: Annual Improvements to IFRS 2015-2017 cycle

The amendment clarifies that when a party to a joint arrangement obtains control of a business that is a joint operation, and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. The acquirer shall therefore apply the requirements for a business combination achieved in stages.

The effective date of the amendment is for years beginning on or after January 1, 2019.

It is unlikely that the amendment will have a material impact on the group's group annual financial statements.

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Changes in Accounting Policies

### 3. New Standards and Interpretations (Continued)

#### Amendments to IFRS 11 Joint Arrangements: Annual Improvements to IFRS 2015-2017 cycle

The amendment clarifies that if a party participates in, but does not have joint control of, a joint operation and subsequently obtains joint control of the joint operation (which constitutes a business as defined in IFRS 3) that, in such cases, previously held interests in the joint operation are not remeasured.

The effective date of the amendment is for years beginning on or after January 1, 2019.

It is unlikely that the amendment will have a material impact on the group's group annual financial statements.

#### Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015-2017 cycle

The amendment specifies that the income tax consequences on dividends are recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the events or transactions which generated the distributable reserves.

The effective date of the amendment is for years beginning on or after January 1, 2019.

It is unlikely that the amendment will have a material impact on the group's group annual financial statements.

#### Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015- 2017 cycle

The amendment specifies that when determining the weighted average borrowing rate for purposes of capitalising borrowing costs, the calculation excludes borrowings which have been made specifically for the purposes of obtaining a qualifying asset, but only until substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

The effective date of the amendment is for years beginning on or after January 1, 2019.

It is unlikely that the amendment will have a material impact on the group's group annual financial statements.

#### Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. Specifically, if it is probable that the tax authorities will accept the uncertain tax treatment, then all tax related items are measured according to the planned tax treatment. If it is not probable that the tax authorities will accept the uncertain tax treatment, then the tax related items are measured on the basis of probabilities to reflect the uncertainty. Changes in facts and circumstances are required to be treated as changes in estimates and applied prospectively.

The effective date of the interpretation is for years beginning on or after January 1, 2019.

The group has adopted the interpretation for the first time in the 2019 group annual financial statements.

It is unlikely that the interpretation will have a material impact on the group's group annual financial statements.

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Changes in Accounting Policies

### 3. New Standards and Interpretations (continued)

#### IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the group are as follows:

Group as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.  
The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Group as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Changes in Accounting Policies

- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

Sale and leaseback transactions:

- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of-use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16
- If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

The effective date of the standard is for years beginning on or after January 1, 2019.

The group expects to adopt the standard for the first time in the 2019 group annual financial statements.

The impact of the standard is expected to increase both by operating lease assets and liability by P6 374 163 on the entity's financial statements.

### **Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parents' profit or loss only to the extent of the unrelated investors' interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture. The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parents' profit or loss.

The effective date of the amendment is to be determined by the IASB.

The group does not envisage the adoption of the amendment until such time as it becomes applicable to the group's operations.

It is unlikely that the amendment will have a material impact on the group's group annual financial statements.

### **Long-term Interests in Joint Ventures and Associates -Amendments to IAS 28**

The amendment now requires that an entity also applies IFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture.

The effective date of the amendment is for years beginning on or after January 1, 2019.

The group does not envisage the adoption of the amendment until such time as it becomes applicable to the group's operations.

It is unlikely that the amendment will have a material impact on the group's group annual financial statements.

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Notes to the Group Annual Financial Statements

### 4. Property, plant and equipment

Group	2018			2017		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	2,188,058	(458,956)	1,729,102	1,164,267	(259,472)	904,795
Motor vehicles	1,135,044	(797,544)	337,500	1,281,553	(719,053)	562,500
Computers and Office equipments	9,475,417	(4,667,202)	4,808,215	9,038,713	(3,721,139)	5,317,574
Leasehold improvements	2,635,225	(252,440)	2,382,785	2,445,225	-	2,445,225
Capital- Work in progress	730,839	-	730,839	730,839	-	730,839
<b>Total</b>	<b>16,164,583</b>	<b>(6,176,142)</b>	<b>9,988,441</b>	<b>14,660,597</b>	<b>(4,699,664)</b>	<b>9,960,933</b>
Company	2018			2017		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	2,147,615	(436,012)	1,711,603	1,123,824	(240,572)	883,252
Motor vehicles	1,135,044	(797,544)	337,500	1,281,553	(719,053)	562,500
Computers and Office equipments	5,470,907	(1,619,357)	3,851,550	6,234,203	(1,056,586)	5,177,617
Leasehold improvements	2,635,225	(252,440)	2,382,785	2,445,225	-	2,445,225
Capital -Work in progress	730,839	-	730,839	730,839	-	730,839
<b>Total</b>	<b>12,119,630</b>	<b>(3,105,353)</b>	<b>9,014,277</b>	<b>11,815,644</b>	<b>(2,016,211)</b>	<b>9,799,433</b>

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Notes to the Group Annual Financial Statements

### 4. Property, plant and equipment (Continued)

#### Reconciliation of property, plant and equipment- Group- 2018

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	904,795	1,023,791	(199,484)	1,729,102
Motor vehicles	562,500	-	(225,000)	337,500
Computers and Office equipments	5,317,574	436,704	(946,063)	4,808,215
Leasehold improvements	2,445,225	190,000	(252,440)	2,382,785
Capital -Work in progress	730,839	-	-	730,839
	<b>9,960,933</b>	<b>1,650,495</b>	<b>(1,622,987)</b>	<b>9,988,441</b>

#### Reconciliation of property, plant and equipment- Group- 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	194,524	833,583	(53,286)	(70,026)	904,795
Motor vehicles	787,500	-	-	(225,000)	562,500
Computers and Office equipments	4,970,848	1,430,155	(315,105)	(768,324)	5,317,574
Leasehold improvements	133,253	2,445,225	(88,851)	(44,402)	2,445,225
Capital -Work in progress	-	730,839	-	-	730,839
	<b>6,086,125</b>	<b>5,439,802</b>	<b>(457,242)</b>	<b>(1,107,752)</b>	<b>9,960,933</b>

#### Reconciliation of property, plant and equipment- Company- 2018

	Opening balance	Additions	Transfers to related party	Depreciation	Total
Furniture and fixtures	883,252	1,023,791	-	(195,440)	1,711,603
Motor vehicles	562,500	-	-	(225,000)	337,500
Computers and Office equipments	5,177,617	436,704	(1,200,000)	(562,771)	3,851,550
Leasehold improvements	2,445,225	190,000	-	(252,440)	2,382,785
Capital - Work in progress	730,839	-	-	-	730,839
	<b>9,799,433</b>	<b>1,650,495</b>	<b>(1,200,000)</b>	<b>(1,235,651)</b>	<b>9,014,277</b>

#### Reconciliation of property, plant and equipment- Company- 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	168,937	833,583	(53,286)	(65,982)	883,252
Motor vehicles	787,500	-	-	(225,000)	562,500
Computers and Office equipments	4,708,952	1,430,155	(315,105)	(646,385)	5,177,617
Leasehold improvements	133,253	2,445,225	(88,851)	(44,402)	2,445,225
Capital -Work in progress	-	730,839	-	-	730,839
	<b>5,798,642</b>	<b>5,439,802</b>	<b>(457,242)</b>	<b>(981,769)</b>	<b>9,799,433</b>

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Notes to the Group Annual Financial Statements

Figures in Pula	Group		Company	
	2018	2017	2018	2017

### 5. Interests in subsidiaries including consolidated structured entities

The following table lists the entities which are controlled by the group, either directly or indirectly through subsidiaries.

#### Company

Name of company	% voting power 2018	% voting power 2017	% holding 2018	% holding 2017	Carrying amount 2018	Carrying amount 2017
Central Securities Depository Company of Botswana Limited	100.00%	100.00%	100.00%	100.00%	100	100

### 6. Financial assets -Comparative information as per IAS 39

#### Loans and receivables

Money market placements

The short term investments are unsecured, earns average interest of 3.33% (2017: 3.33%) per annum and has no fixed maturity date. The investments can be liquidated subject to an average notice period of 48 hours to the investee company

83,839,732	77,916,606	61,073,705	51,682,519
83,839,732	77,916,606	61,073,705	51,682,519

#### Current assets

Loans and receivables

The group has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

#### Fair values of loans and receivables

The fair values of the money market placements classified as loans and receivables under IAS 39 equate their carrying amounts due to their short term maturity pattern.

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

#### Credit quality of other financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

#### Loans and receivables

##### Not rated

Stanlib Investment Management Services	76,997	17,283,057	26,982	7,514,499
African Alliance Asset Management	25,287,619	20,752,411	24,794,500	14,186,849
Botswana Insurance Fund	58,434,114	39,881,139	36,231,680	29,981,172
iPro Botswana Fund Management	41,003	-	20,544	-
	<b>83,839,733</b>	<b>77,916,607</b>	<b>61,073,706</b>	<b>51,682,520</b>

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Notes to the Group Annual Financial Statements

Figures in Pula	Group		Company	
	2018	2017	2018	2017
<b>7. Trade and other receivables</b>				
Financial instruments:				
Trade receivables	1,880,928	1,115,646	1,672,730	1,069,317
Loss allowance	(97,374)	-	(79,200)	-
Trade receivables at amortised cost	1,783,554	1,115,646	1,593,530	1,069,317
Deposits	395,593	453,613	395,593	453,613
Central Securities Depository Company of Botswana	-	631'181	551,007	631'181
Other receivable	69,361	2,348,414	69,361	2,490,950
<b>Non-financial instruments:</b>				
VAT	-	549,733	-	517,253
Employee costs in advance	19,528	269,594	19,528	269,594
Prepayments	255,955	229,120	214,875	201'129
<b>Total trade and other receivables</b>	<b>2,523,991</b>	<b>5,597,301</b>	<b>2,843,894</b>	<b>5,633,037</b>
<b>Split between non-current and current portion</b>				
Current assets	2,523,991	5,597,301	2,843,894	5,633,037
<b>Categorisation of trade and other receivables</b>				
Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:				
At amortised cost	2,248,508	4,548,854	2,609,491	4,645,061
Non-financial instruments	275,483	1,048,447	234,403	987,976
	<b>2,523,991</b>	<b>5,597,301</b>	<b>2,843,894</b>	<b>5,633,037</b>

### Exposure to credit risk

Trade receivables inherently expose the group to credit risk, being the risk that the group will incur financial loss if customers fail to make payments as they fall due.

The estimation techniques explained have been applied for the first time in the current financial period, as a result of the adoption of IFRS 9. Trade receivables were previously impaired only when there was objective evidence that the asset was impaired. The impairment was calculated as the difference between the carrying amount and the present value of the expected future cash flows.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The group's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. Included in the trade and other receivables are balances owed by Government of Botswana whose credit rating is A2 by Standard and Poor. These balances make up significant portion of the receivables. There has not been any significant increase in credit risk or risk of default on these balances and based on probability of default, loss given default, the expected credit loss is determined at Nil for both the current and previous year. The loss allowance provision is determined as follows:

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Notes to the Group Annual Financial Statements

Figures in Pula	Group		Company	
	2018	2017	2018	2017

### 7. Trade and other receivables (Continued)

Group	2018	2018	2017	2017
	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
<b>Expected credit loss rate:</b>				
>91 days past due:100% (2017: 100%)	97,374	97,374	358,572	358,572

#### Credit risk disclosures for comparatives under IAS 39

The following sections provide comparative information for trade and other receivables which have not been restated. The information is provided in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

#### Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

#### Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. The ageing of amounts past due but not impaired is as follows:

Upto 3 months past due	1,115,641	1,069,316
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#### Trade and other receivables impaired

As of December 31, 2017, trade and other receivables of P 358,572 were impaired and provided for. The ageing of these loans is as follows:

Over 6 months	358,572	358,572
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The maximum exposure to credit risk at the reporting date is the fair value of each class of trade and other receivable mentioned above. The group does not hold any collateral as security.

#### Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts.

### 8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4,500	4,500	4,500	4,500
Bank balances	10,519,137	7,008,048	3,535,457	4,433,470
Financial assets - Money market placements	83,839,732	77,916,606	61,073,705	51,682,519
	<b>94,363,369</b>	<b>84,929,154</b>	<b>64,613,662</b>	<b>56,120,489</b>

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Notes to the Group Annual Financial Statements

Figures in Pula	Group		Company	
	2018	2017	2018	2017
<b>8. Cash and cash equivalents (Continued)</b>				
Fiduciary held bank accounts	546,839	1,407,154	-	-

The group, through its subsidiary Central Securities Depository Company of Botswana Limited, is a custodian of brokers liquidity bank accounts. Brokers liquidity bank accounts are used to mitigate the systematic risk of transactions carried out on the Botswana Stock Exchange.

### Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings or historical information about counterparty default rates:

### 9. Stated Capital

#### Issued

Proprietary Rights Capital	-	5,200	-	5,200
Rights Premium	-	777,476	-	777,476
Stated Capital	782,676	-	782,676	-
	<b>782,676</b>	<b>782,676</b>	<b>782,676</b>	<b>782,676</b>
Shares pending allotment	34,817,324	-	34,817,324	-
	<b>35,600,000</b>	<b>782,676</b>	<b>35,600,000</b>	<b>782,676</b>

During the year, the Exchange which earlier operated as a statutory entity by virtue of the Botswana Stock Exchange Act transitioned into a company limited by Shares under the Companies Act through a demutualisation process. To establish the Botswana Stock Exchange Limited, the BSE Transition Act, 2015 was enacted which amongst others established that Botswana Stock Exchange Limited would assume all the assets and liabilities of BSE as though the entity always existed. Furthermore, the Transition Act also laid out the conversion of the hitherto " Proprietary Rights Capital" and grants received from the Government of Botswana into share capital of BSE Limited. On 28 June 2018, the Hon Ministry of Finance and Economic Development issued directives to the company for the issue of shares equal to the value of P35 600 000. The Company did not receive any further sums from the shareholders towards these shares and opted to raise the value equity capital to reflect the value determined through issue of shares from the accumulated surplus. As at the year end, the shares are yet to be allotted to the identified shareholders.

### 10. Capital grants

In the current year, the Stock Exchange has transitioned into a Company Limited by Shares under the Companies Act. Until this transition, the Capital grants represented the equity contribution made by the Government of Botswana to supplements the Group's acquisition of non-financial assets. After the transition, the shareholders of the entity include certain stock brokers in addition to Government of Botswana. With the transition, the Group's unutilised capital grants is transferred to deferred income as required under IAS 20 on Government Grants.

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Notes to the Group Annual Financial Statements

Figures in Pula	Group		Company	
	2018	2017	2018	2017
<b>10. Capital Grants (Continued)</b>				
Opening balance	17,163,365	13,476,959	13,663,365	11,726,959
Transfer to deferred income	(17,163,365)	-	(13,663,365)	-
Grants received during the year	-	4,250,000	-	2,500,000
Amortisation of capital grants	-	(563,594)	-	(563,594)
<b>Closing balance</b>	<b>-</b>	<b>17,163,365</b>	<b>-</b>	<b>13,663,365</b>

### 11. Botswana Stock Exchange Security Fund

Reconciliation of Botswana stock exchange security fund- Group - 2018

	Opening balance	Settled during the year	Total
Botswana Stock Exchange Security Fund	1,951,673	(1,951,673)	-

Reconciliation of Botswana Stock Exchange Security Fund- Group- 2017

	Opening balance	Statutory transfers for the year	Settled during the year	Total
Botswana Stock Exchange Security Fund	2,934,019	1,951,673	(2,934,019)	1,951,673

Reconciliation of Botswana Stock Exchange Security Fund - Company - 2018

	Opening balance	Settled during the year	Total
	1,951,673	(1,951,673)	-

Reconciliation of Botswana Stock Exchange Security Fund- Company- 2017

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Notes to the Group Annual Financial Statements

Figures in Pula	Group		Company	
	2018	2017	2018	2017
	Opening balance	Statutory transfers for the year	Settled during the year	Total
Botswana Stock Exchange Security Fund	2,934,019	1,951,673	(2,934,019)	1,951,673

### 12. Trade and other payables

Financial instruments:

Trade payables

Payroll accrual

Other payables

Non-financial instruments:

VAT

819,215	2,226,729	716,474	2,008,870
2,685,853	2,276,113	2,491,700	2,276,113
-	-	-	1,200,000
242,810	-	154,819	-
<b>3,747,878</b>	<b>4,502,842</b>	<b>3,362,993</b>	<b>5,484,983</b>

### 13. Deferred income

Opening balance

Transfer from unutilised capital grant

Amounts received in the current period

Amounts transferred to income statement

Amount spent during the period

-	-	-	-
17,163,365	-	13,663,365	-
2,618,188	-	2,618,188	-
(920,311)	-	(920,311)	-
(28,077)	-	(28,077)	-
<b>18,833,165</b>	<b>-</b>	<b>15,333,165</b>	<b>-</b>

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

The company is in receipt of grants from Government of Botswana towards the upgrade, acquisition and installation of technological hardware and software detailed below.

#### Breakdown of Deferred Income

Internet trading system

Surveillance system

Ticker Screen at Fairscape Precinct

Stock Market Bull at Fairscape Precinct

Securities Borrowing and lending system

ATS System

5,000,000	-	5,000,000	-
5,000,000	-	5,000,000	-
1,092,500	-	1,092,500	-
1,000,000	-	1,000,000	-
3,500,000	-	-	-
<u>3,240,665</u>	<u>-</u>	<u>3,240,665</u>	<u>-</u>
<b>18,833,165</b>	<b>-</b>	<b>15,333,165</b>	<b>-</b>

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Notes to the Group Annual Financial Statements

Figures in Pula	Group		Company	
	2018	2017	2018	2017
<b>14. Revenue</b>				
<b>Revenue from contracts with customers</b>				
Listing and sustaining fees	21,378,066	19,456,203	21,378,066	19,456,203
Members fee income	16,500	15,750	16,500	15,750
Commissions received	9,425,535	12,563,529	4,881,051	6,581,678
News publications	651,000	766,000	651,000	766,000
Miscellaneous other revenue	1,140,918	947,720	-	-
	<b>32,612,019</b>	<b>33,749,202</b>	<b>26,926,617</b>	<b>26,819,631</b>
<b>15. Other operating income</b>				
Amortisation of capital grants	422,696	-	422,696	-
Training income	352,795	350,429	352,795	350,429
Other income	1,076,031	1,354,801	957,729	1,354,801
Government grants	498,311	2,200,000	498,311	2,200,000
	<b>2,349,833</b>	<b>3,905,230</b>	<b>2,231,531</b>	<b>3,905,230</b>
<b>16. Other operating gains (losses)</b>				
<b>Gains (losses) on disposals of assets</b>				
Property, plant and equipment	4 38,455	(279,472)	38,455	(279,472)
<b>17. Operating profit (loss)</b>				
Operating profit for the year is stated after charging (crediting) the following, amongst others:				
<b>Auditor's remuneration - internal</b>				
Audit fees	142,470	361,752	110,370	217,051
<b>Auditor's remuneration -external</b>	76,448	169,906	54,230	108,060
<b>Employee costs</b>				
Salaries, wages, bonuses and other benefits	15,485,316	14,858,118	11,589,281	11,352,614
Gratuity and Pension	1,806,782	1,816,846	1,806,782	1,816,846
<b>Total employee costs</b>	<b>17,292,098</b>	<b>16,674,964</b>	<b>13,396,063</b>	<b>13,169,460</b>

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Notes to the Group Annual Financial Statements

Figures in Pula	Group		Company	
	2018	2017	2018	2017
<b>Leases</b>				
<b>Operating lease charges</b>				
Rental - Premises	1,953,187	986,164	1,701,229	860,373
<b>Depreciation and amortisation</b>				
Depreciation of property, plant and equipment	1,622,987	1,107,752	1,235,651	981,769
<b>Movement in credit loss allowances</b>				
Trade and other receivables	225,893	358,572	207,719	358,572

### Expenses by nature

The total general and administrative expenses, maintenance expenses and other operating expenses are analysed by nature as follows:

Employee costs	17,292,098	16,674,964	13,396,063	13,169,460
Operating lease charges	1,953,187	986,164	1,701,229	860,373
Depreciation, amortisation and impairment	1,622,987	1,107,752	1,235,651	981,769
Other expenses	1,087,280	1,741,367	786,565	1,254,330
Computer expenses	3,814,216	4,024,117	2,593,718	2,801,209
Consultancy fees	184,760	1,346,197	115,640	1,346,197
Members' sitting allowances	214,650	208,380	165,600	122,430
Office expenses	157,293	203,551	119,222	163,899
Insurance	272,605	259,377	188,230	175,002
Advertising expenses	2,068,524	2,439,021	1,883,964	2,363,725
Seminars and conferences	404,227	205,965	404,227	205,965
Printing and stationery	236,208	380,847	61,240	96,172
Staff welfare	478,567	512,048	478,567	512,048
Communication expenses	310,909	385,533	279,458	346,912
Training expenses	322,924	340,587	218,852	155,714
Travelling and accommodation expense	764,533	786,303	736,923	776,120
	<b>31,184,968</b>	<b>31,602,173</b>	<b>24,365,149</b>	<b>25,331,325</b>

### 18. Finance income

#### Interest income

#### Investments in financial assets:

Interest income	3,694,484	3,030,760	2,557,683	2,089,855
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Investment income on financial instruments which are available for sale or held to maturity are only presented for comparative purposes for financial instruments held in the prior reporting period but which were disposed of prior to the beginning current reporting period, which is the date of adoption of IFRS 9 Financial Instruments. Investment income on all other financial assets has been reclassified in compliance with IFRS 9.

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Notes to the Group Annual Financial Statements

Figures in Pula	Group		Company	
	2018	2017	2018	2017

### 19. Taxation

The company is exempt from income tax in accordance with paragraph (XV) of part 1 of the second schedule of the Income Tax Act (Chapter 52:01).

### 20. Cash generated from operations

Profit before taxation	7,283,930	8,444,975	7,181,418	6,845,347
<b>Adjustments for:</b>				
Depreciation and amortisation	1,622,987	1,107,752	1,235,651	981,769
(Gains) losses on disposals, scrapings and settlements of assets and liabilities	(38,455)	279,472	(38,455)	279,472
Finance income	(3,694,484)	(3,030,760)	(2,557,683)	(2,089,855)
Net impairments and movements in credit loss allowances	225,893	358,572	207,719	358,572
Movements in operating lease assets and accruals	141,320	(1,340)	141,320	(1,340)
Amortisation of capital grant	(422,700)	(563,594)	(422,700)	(563,594)
<b>Changes in working capital:</b>				
Trade and other receivables	2,847,417	(4,786,841)	2,581,424	(4,703,115)
Trade and other payables	(754,964)	521,738	(2,121,991)	1,753,431
	<b>7,210,944</b>	<b>2,329,974</b>	<b>6,206,703</b>	<b>2,860,687</b>

### 21. Commitments

#### Operating leases- as lessee (expense)

##### Minimum lease payments due

- within one year	1,489,593	-	1,489,593	-
- in second to fifth year inclusive	4,787,637	-	4,787,637	-
	<b>6,277,230</b>	<b>-</b>	<b>6,277,230</b>	<b>-</b>

Operating lease payments represent rentals payable by the group for its office properties. Leases are negotiated for an average term of five years. No contingent rent is payable.

### 22. Related parties

#### Relationships

Subsidiaries  
Related parties

Central Securities Depository Company of Botswana  
Government of Botswana  
Stock Brokers Botswana  
Imara Capital Securities  
African Alliance Botswana Securities  
Motswedi Securities

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Notes to the Group Annual Financial Statements

Figures in Pula	Group		Company	
	2018	2017	2018	2017

### 22. Related parties (continued)

Members of key management- CEO	T. Tsheole
Senior management	M. Mogasha K. Mogorosi M. Pheto T. Mmolai K. Bolokwe T. Moribame

#### Related party balances

##### Amounts included in Trade and other receivables (Trade and other payables) regarding related parties

Government of Botswana	1,188,750	1,612,500	1,188,750	1,175,000
Central Securities Depository Company of Botswana	-	-	-	(1,200,000)
Central Securities Depository Company of Botswana	-	-	51,006	631,181
	<b>1,188,750</b>	<b>1,612,500</b>	<b>1,739,756</b>	<b>606,181</b>

#### Related party transactions

##### Commission fees to (received from) related parties

African Alliance Botswana Securities	(420,259)	-	(213,610)	-
Imara Capital Securities	(2,408,835)	-	(810,480)	-
Motswedi Securities	(2,880,035)	-	(966,570)	-
Stock Brokers Botswana	(621,451)	-	(213,940)	-
	<b>6,330,580</b>	<b>-</b>	<b>(2,204,600)</b>	<b>-</b>

##### Transfer of property, plant and equipment (to)

Central Securities Depository Company of Botswana	-	-	(1,200,000)	-
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#### Membership fees

Stockbrokers Botswana	9,750	3,750	3,750	3,750
Imara Capital Securities	10,500	4,500	4,500	4,500
Motswedi Securities	10,000	3,750	4,000	3,750
African Alliance Botswana Securities	10,500	3,750	4,250	3,750
	<b>40,750</b>	<b>15,750</b>	<b>16,500</b>	<b>15,750</b>

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Notes to the Group Annual Financial Statements

Figures in Pula	Group		Company	
	2018	2017	2018	2017
<b>22. Related parties (continued)</b>				
<b>Listing and annual sustaining fees</b>				
Government bonds (at 0.125% on nominal value of Government bonds)	11,666,250	12,251,250	11,666,250	12,251,250
<b>Government Subvention</b>				
Capital grant (net of expenses)	2,092,500	4,250,000	2,092,500	2,500,000
Subvention income	498,311	2,200,000	498,311	2,200,000
	<b>2,590,811</b>	<b>6,450,000</b>	<b>2,590,811</b>	<b>4,700,000</b>
Transfer to the Botswana Stock Exchange Security Fund	3,180,394	1,951,673	3,180,394	1,951,673
Board Sitting allowances	214,650	208,380	165,600	122,430
Remuneration for senior managers	8,426,399	7,424,916	5,871,927	5,898,002

## 23. Financial instruments and risk management

### Categories of financial instruments

### Categories of financial assets

#### Group- 2018

Trade and other receivables  
Cash and cash equivalents  
Financial assets

Note	Amortised cost	Fair value
7	2,248,508	2,248,508
8	10,523,637	10,523,637
	83,839,732	83,839,732
	<b>96,611,877</b>	<b>96,611,877</b>

#### Group- 2017

Trade and other receivables  
Cash and cash equivalents  
Financial assets

Note(s)	Amortised cost	Fair value
7	4,548,854	4,548,854
8	7,012,548	7,012,548
	77,916,606	77,916,606
	<b>89,478,008</b>	<b>89,478,008</b>

#### Company- 2018

Trade and other receivables  
Cash and cash equivalents  
Financial assets

Note(s)	Amortised cost	Fair value
7	2,609,491	2,609,491
8	3,539,957	3,539,957
	61,073,705	61,073,705
	<b>67,223,153</b>	<b>67,223,153</b>

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Notes to the Group Annual Financial Statements

Figures in Pula	Group		Company	
	2018	2017	2018	2017
<b>Company- 2017</b>				
	Note(s)	<b>Amortised cost</b>	<b>Fair value</b>	
Trade and other receivables	7	4,645,061	4,645,061	
Cash and cash equivalents	8	4,437,970	4,437,970	
Financial assets		51,682,519	51,682,519	
		<b>60,765,550</b>	<b>60,765,550</b>	

### Categories of financial liabilities

#### Group- 2018

	Note(s)	<b>Amortised cost</b>	<b>Leases</b>	<b>Fair value</b>
Trade and other payables	12	3,505,067	-	3,505,067
Operating lease liability		-	141,320	141,320
		<b>3,505,067</b>	<b>141,320</b>	<b>3,646,387</b>

#### Group- 2017

	Note(s)	<b>Amortised cost</b>	<b>Fair value</b>
Trade and other payables	12	4,502,843	4,502,843

#### Company- 2018

	Note(s)	<b>Amortised cost</b>	<b>Leases</b>	<b>Fair value</b>
Trade and other payables	12	3,208,175	-	3,208,175
Operating lease liability		141,320	141,320	
		<b>3,208,175</b>	<b>141,320</b>	<b>3,349,495</b>

#### Company- 2017

	Note(s)	<b>Amortised cost</b>	<b>Fair value</b>
Trade and other payables	12	5,484,984	5,484,984

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Notes to the Group Annual Financial Statements

### 23. Financial instruments and risk management (continued)

#### Capital risk management

The group's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the group's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainability.

The group manages capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain the capital structure, the group may adjust the amount of dividends paid to the shareholders, return capital to the shareholders, repurchase shares currently issued, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or sell assets to reduce debt.

#### Financial risk management

##### Overview

The group is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk).

The directors has overall responsibility for the establishment and oversight of the group's risk management framework. The board has established the risk committee, which is responsible for developing and monitoring the group's risk management policies. The committee reports quarterly to the on its activities.

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 group audit committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee and the risk committee.

#### Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The group only deals with reputable counterparties with consistent payment histories. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

Credit risk exposure arising on cash and cash equivalents is managed by the group through dealing with well-established financial institutions with high credit ratings.

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Notes to the Group Annual Financial Statements

### 23. Financial instruments and risk management (continued)

In order to calculate credit loss allowances, management determine whether the loss allowances should be calculated on a 12 month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year.

Management apply the principle that if a financial asset's credit risk is low at year end, then, by implication, the credit risk has not increased significantly since initial recognition. In all such cases, the loss allowance is based on 12 month expected credit losses. Credit risk is assessed as low if there is a low risk of default (where default is defined as occurring when amounts are 90 days past due). When determining the risk of default, management consider information such as payment history to date, industry in which the customer is employed, period for which the customer has been employed, external credit references etc. In any event, if amounts are 30 days past due, then the credit risk is assumed to have increased significantly since initial recognition. Credit risk is not assessed to be low simply because of the value of collateral associated with a financial instrument.

If the instrument would not have a low credit risk in the absence of collateral, then the credit risk is not considered low when taking the collateral into account. Trade receivable and contract assets which do not contain a significant financing component are the exceptions and are discussed below.

Where necessary, the assessment for a significant increase in credit risk is made on a collective basis. Management typically adopt this approach when information relevant to the determination of credit risk is not available on an individual instrument level. Often, the only information available on individual instruments which could indicate an increase in credit risk, is "past due" information. It is typical that more forward-looking information is generally more readily available on a collective basis. Therefore, making the determination on a collective basis, helps to ensure that credit loss allowances are determined on the basis of lifetime expected credit losses before they reach the point of being past due. Forward looking, macro-economic information is applied on a collective basis when it is readily available without undue cost or effort. When loss allowances are determined on a collective basis, management determines the loss allowances by grouping financial instruments on the basis of shared credit risk characteristics.

For trade receivables and contract assets which do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses of the instruments. For all other trade receivables, contract assets and lease receivables, IFRS 9 permits the determination of the credit loss allowance by either determining whether there was a significant increase in credit risk since initial recognition or by always making use of lifetime expected credit losses. Management have chosen as an accounting policy, to make use of lifetime expected credit losses. Management does therefore not make the annual assessment of whether the credit risk has increased significantly since initial recognition for trade receivables, contract assets or lease receivables.

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Notes to the Group Annual Financial Statements

### 23. Financial instruments and risk management (continued)

The maximum exposure to credit risk is presented in the table below:

Group	2018			2017		
	Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Trade and other receivables 7	2,345,882	(97,374)	2,248,508	4,548,854	-	4,548,854
Cash and cash equivalents 8	10,523,637	-	10,523,637	7,012,548	-	7,012,548
Financial assets 21	83,839,732	-	83,839,732	77,916,606	-	77,916,606
	<b>96,709,251</b>	<b>(97,374)</b>	<b>96,611,877</b>	<b>89,478,008</b>	<b>-</b>	<b>89,478,008</b>

Company	2018			2017		
	Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Trade and other receivables 7	2,688,691	(79,200)	2,609,491	4,645,061	-	4,645,061
Cash and cash equivalents 8	3,539,957	-	3,539,957	4,437,970	-	4,437,970
Loan commitments 21	61,073,705	-	61,073,705	51,682,519	-	51,682,519
	<b>67,302,353</b>	<b>(79,200)</b>	<b>67,223,153</b>	<b>60,765,550</b>	<b>-</b>	<b>60,765,550</b>

#### Liquidity risk

The group is exposed to liquidity risk, which is the risk that the group will encounter difficulties in meeting its obligations as they become due.

The group manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows.

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

#### Group- 2018

		Less than 1 year	Total	Carrying amount
<b>Current liabilities</b>				
Trade and other payables	12	3,505,067	3,505,067	3,505,067

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Notes to the Group Annual Financial Statements

### 23. Financial instruments and risk management (continued)

#### Group- 2017

##### Current liabilities

Trade and other payables

Less than 1 year	Total	Carrying amount
4,502,843	4,502,843	4,502,843

#### Company - 2018

##### Current liabilities

Trade and other payables

Less than 1 year	Total	Carrying amount
3,208,175	3,208,175	3,208,175

#### Company- 2017

##### Current liabilities

Trade and other payables

12

Less than 1 year	Total	Carrying amount
5,484,984	5,484,984	5,484,984

#### Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

The company policy with regards to financial assets, is to invest cash at floating rates of interest and to maintain cash reserves in short-term investments in order to maintain liquidity, while also achieving a satisfactory return for shareholders.

There have been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

#### Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Group

#### Increase or decrease in rate

##### Impact on profit or loss:

Interest income from Financial assets- money market investments

2018	2018	2017	2017
Increase	Decrease	Increase	Decrease
419,199	419,199	389,583	389,583

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Notes to the Group Annual Financial Statements

### 23. Financial instruments and risk management (continued)

Company	2018	2018	2017	2017
	Increase	Decrease	Increase	Decrease
<b>Impact on profit or loss:</b>				
Interest income from Financial assets- money market investments	305,368	305,368	258,413	258,413

### 24. Fair value information

#### Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the group can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly. Level 3: Unobservable inputs for the asset or liability.

All fair values disclosed in these financial statements have been categorised into Level 3.

### 25. Events after the reporting period

We are not aware of any events which occurred after the reporting date and up to the date of the report.

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Detailed Statement of Profit or Loss and Other Comprehensive Income

Figures in Pula	Note(s)	Group		Company	
		2018	2017	2018	2017
<b>Revenue</b>					
Listing and annual sustaining fees		21,378,066	19,456,203	21,378,066	19,456,203
Member fees income		16,500	15,750	16,500	15,750
Miscellaneous revenue		1,140,918	947,720	-	-
Commissions income		9,425,535	12,563,529	4,881,051	6,581,678
X-News Publications		651,000	766,000	651,000	766,000
	14	<b>32,612,019</b>	<b>33,749,202</b>	<b>26,926,617</b>	<b>26,819,631</b>
<b>Other operating income</b>					
Amortisation of ATS grants		422,696	-	422,696	-
Training income		352,795	350,429	352,795	350,429
Other income		1,076,031	1,354,801	957,729	1,354,801
Government subvention		498,311	2,200,000	498,311	2,200,000
	15	<b>2,349,833</b>	<b>3,905,230</b>	<b>2,231,531</b>	<b>3,905,230</b>
<b>Other operating gains (losses)</b>					
Profit (losses) on disposal of assets		38,455	(279,472)	38,455	(279,472)
Movement in credit loss allowances-Bad Debts	17	(225,893)	(358,572)	(207,719)	(358,572)
<b>Other operating expenses</b>					
Advertising		(2,068,524)	(2,439,021)	(1,883,964)	(2,363,725)
Auditors remuneration - external audit	17	(76,448)	(169,906)	(54,230)	(108,060)
Auditors remuneration - internal auditors	17	(142,470)	(361,752)	(110,370)	(217,051)
Bank charges		(51,360)	(80,250)	(49,260)	(54,782)
Cleaning		(69,098)	(80,804)	(58,733)	(69,421)
Communication expenses		(310,909)	(385,533)	(279,458)	(346,912)
Computer expenses		(3,814,216)	(4,024,117)	(2,593,718)	(2,801,209)
Consulting and professional fees		(184,760)	(1,346,197)	(115,640)	(1,346,197)
Depreciation and impairments		(1,622,987)	(1,107,752)	(1,235,651)	(981,769)
Electricity charges		(133,585)	(148,992)	(110,847)	(126,796)
Entertainment		(55,625)	(109,548)	(55,625)	(107,888)
Insurance		(272,605)	(259,377)	(188,230)	(175,002)
Lease rentals on operating lease		(1,953,187)	(986,164)	(1,701,229)	(860,373)
Training levies		(34,733)	(46,076)	(25,333)	(32,043)
Library expenses		(715)	(4,389)	(715)	(4,389)
License fees		(181,910)	(173,253)	-	-
Members sitting allowances		(214,650)	(208,380)	(165,600)	(122,430)
Motor vehicle expenses		(89,216)	(104,437)	(89,216)	(104,437)
Office expenses		(157,293)	(203,551)	(119,222)	(163,899)
Printing and stationery		(236,208)	(380,847)	(61,240)	(96,172)

# BOTSWANA STOCK EXCHANGE LIMITED

Group Annual Financial Statements for the year ended **December 31, 2018**

## Detailed Statement of Profit or Loss and Other Comprehensive Income

Figures in Pula	Note(s)	Group		Company	
		2018	2017	2018	2017
Recruitment expenses		(15,809)	(11,348)	(15,809)	(11,348)
Relocation expenses			(94,709)		(94,709)
Repairs and maintenance		(33,177)	(51,669)	(33,177)	(51,669)
Salaries and wages		(17,292,098)	(16,674,964)	(13,396,063)	(13,169,460)
Security		(8,627)	(76,624)	(8,627)	(76,624)
Seminars and conferences		(404,227)	(205,965)	(404,227)	(205,965)
Staff welfare		(478,567)	(512,048)	(478,567)	(512,048)
Subscriptions		(191,342)	(220,241)	(171,490)	(188,739)
Training expenses		(322,924)	(340,587)	(218,852)	(155,714)
Water expenses		(3,165)	(7,369)	(3,133)	(6,374)
Travel and accommodation		(764,533)	(786,303)	(736,923)	(776,120)
		<b>(31,184,968)</b>	<b>(31,602,173)</b>	<b>(24,365,149)</b>	<b>(25,331,325)</b>
<b>Revenue</b>					
Operating profit	17	3,589,446	5,414,215	4,623,735	4,755,492
Interest income	18	3,694,484	3,030,760	2,557,683	2,089,855
Profit for the year		<u>7,283,930</u>	<u>8,444,975</u>	<u>7,181,418</u>	<u>6,845,347</u>

The supplementary information presented does not form part of the group annual financial statements and is unaudited





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