



2019

Annual Report



A Market Built On Resilience



To be resilient, therefore, is a posture for adaptation and survival. Transformation, re-invention and introspection with a view to seeking new opportunities are a necessity for endurance in this landscape.



LIEUTENANT GENERAL TEBOGO CARTER MASIRE

CHAIRPERSON OF THE BOARD OF DIRECTORS

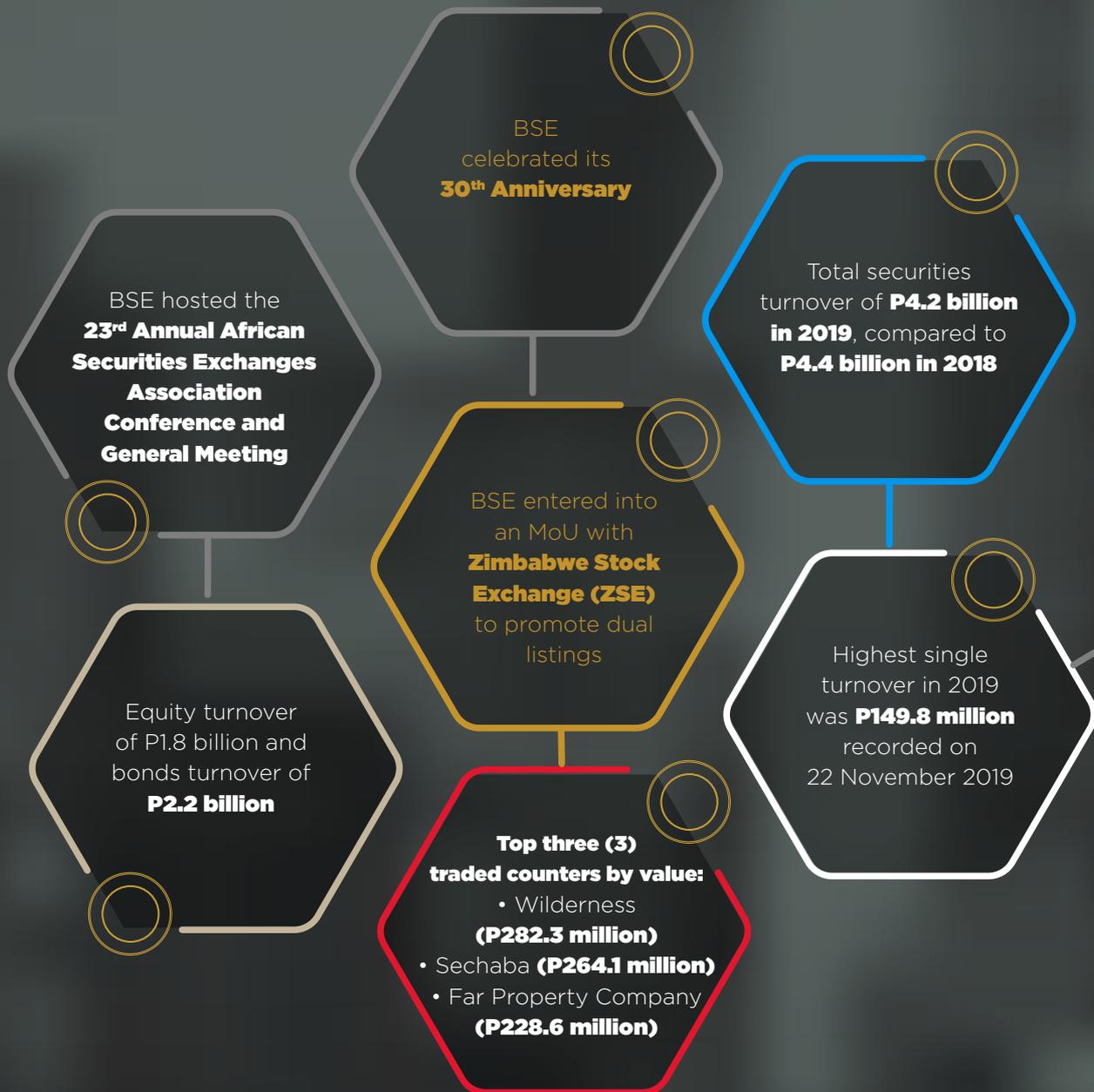


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2019 HIGHLIGHTS



2019 HIGHLIGHTS

Continued



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 (herein referred to as the “BSE Limited”, “BSE” or the “Exchange”) 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 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 Botswana Stock Exchange (BSE) where trading opened in November 1995. In March 1998, Ernst and Young took the full administration of the BSE. With effect from July 2001, a full time Chief Executive Officer was appointed with the aim of making the BSE completely independent. In April 2003, 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. The BSE’s demutualization process commenced on the 1st of December 2015 and completed with the conversion, on the 2nd of August 2018, from a member owned, not-for-profit, entity to a for-profit public company limited by shares under the Companies Act. The BSE owned by the Government of the Republic of Botswana and the four stock brokerage firms.

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 Exchange under the UK’s Her Majesty Revenue and Customs (HMRC).

OUR PRODUCTS

At present, instruments that can be listed on the BSE include Equities, Bonds and Exchange Traded Funds (ETFs). The BSE is 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 and thus is host to a broad range of companies doing business in Botswana and across the world, including multinational companies.

BOTSWANA STOCK EXCHANGE LIMITED OVERVIEW Continued

As at the end of 2019, there were thirty-three (33) listed companies on the BSE comprised of twenty-five (25) domestic companies, eight (8) foreign companies across the various boards.

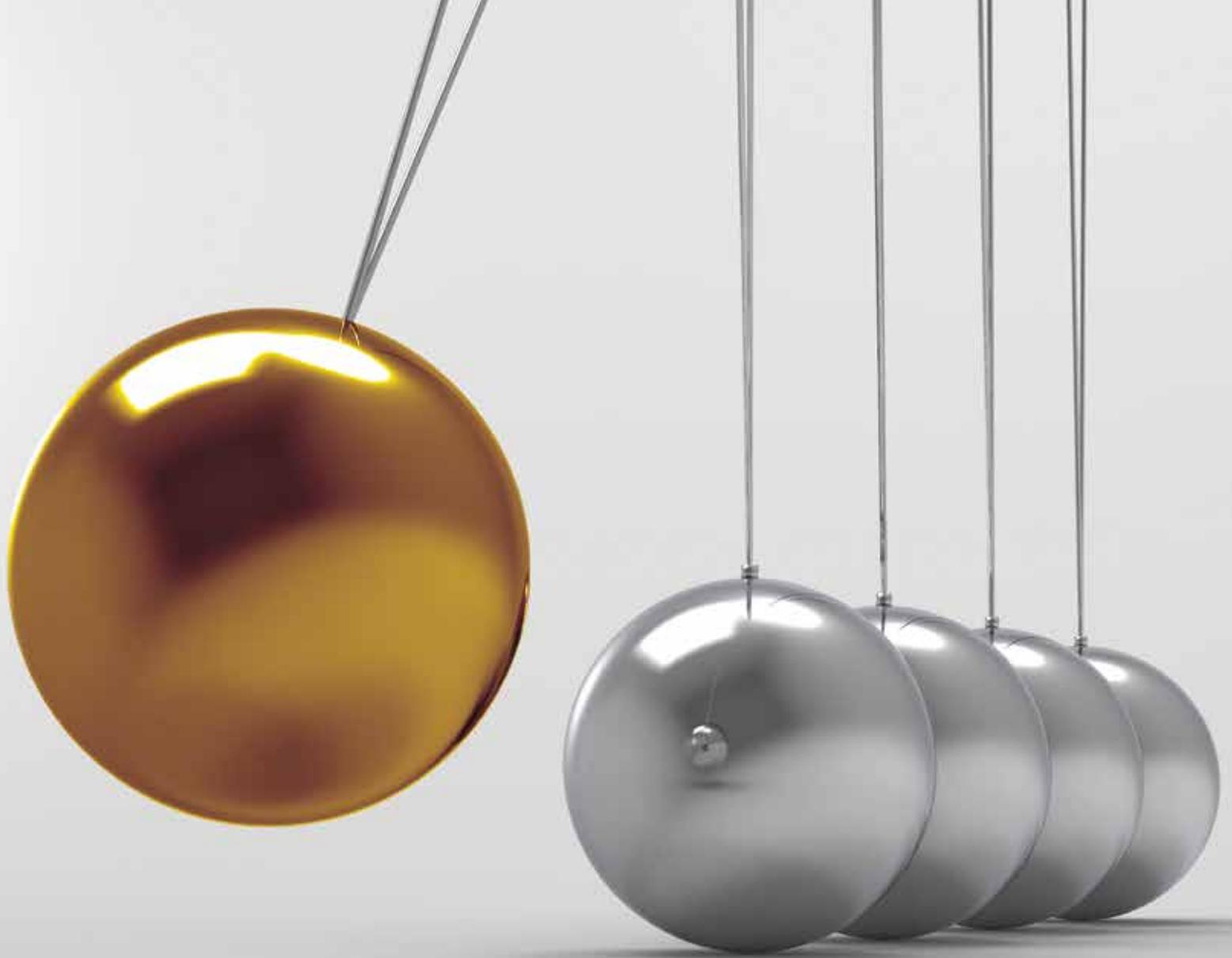
These companies represent a wide range of economic sectors; being Agriculture, Banking, Financial Services, Wholesaling & Retailing, Tourism, Energy, Mining & Materials, Property & Trust, Security and Telecommunications. As at the end of 2019, there were thirty-three (33) listed companies on the BSE comprised of twenty-five (25) domestic companies, eight (8) foreign companies across the various boards. Further, the BSE there were forty-six (46) listed bonds and three (3) ETFs at year end.

OUR REGULATORY ENVIRONMENT

The BSE is governed and regulated through various laws and statutory bodies that include the Companies

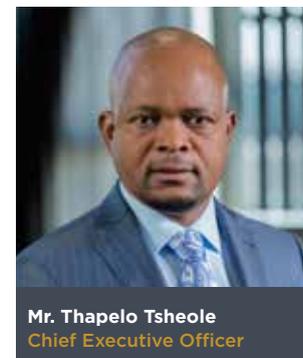
Act, the Securities Act and the Non-Bank Financial Institutions Regulatory Authority. The BSE, as a public limited company, is also governed by its Constitution. For regulating the affairs of the members (stock brokers), the BSE utilises the Members Rules which provide, as the main objective thereof, "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 Exchange 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.



A Market Built On Resilience

OUR BOARD OF DIRECTORS



CSDB BOARD OF DIRECTORS



Mr. Basimane Bogopa
Chairperson



Mr. Davis Tele
Member



Ms. Kelebogile Kewagamang
Member



Mr. Lame Gare
Member



Mr. Martin Makgathe
Member



Ms. Pascaline Sefawe
Member



Mr. Vincent Baituti
Member



Mr. Thapelo Tsheole
Chief Executive Officer

CORPORATE GOVERNANCE

1. BOARD OF DIRECTORS

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 BSE and in the exercise of such powers may adopt such rules, issue such orders and directions and make such decisions as it may deem appropriate.

The Board shall consist of the Chairperson of the Board, the Chief Executive Officer (CEO), 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 CEO. The CEO 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
Lt. Gen. Tebogo C. Masire	Chairperson	31 August 2018
Mr. Basimane Bogopa	Member	31 August 2018
Mr. Martin Makgatlhe	Member	31 August 2018
Mrs. 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
Mrs. Sethunya Makepe- Garebatho	Member	15 November 2019
Mr. Davis Tele	Member	31 August 2018
Mr. Thapelo Tsheole *	CEO	31 August 2018

* Ex-Officio Member

2. BOARD COMMITTEES

2.1 RISK AND AUDIT COMMITTEE (RAC)

The purpose of the 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 RAC are:

Member	Meeting Attendance
Mr. Davis Tele (Chairperson)	4/4
Mr. Ogone Mothooagae	4/4
Professor Onkutlwile Othata	4/4

CORPORATE GOVERNANCE

Continued

2.2 NOMINATIONS AND GOVERNANCE COMMITTEE (NGC)

The 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 NGC are:

Member	Meeting Attendance
Mrs. Lekono Phiri (Chairperson)*	0/4
Mr. Basimane Bogopa**	4/4
Mr. Davis Tele	3/4
Mr. Norman Moleele***	1/4

*Resigned on 1st February 2019

**Elected Chairperson on 29th March 2019

***Elected as Member on 29th March 2019

2.3 ADMISSIONS AND DISCIPLINARY COMMITTEE (ADC)

The purpose of the 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 ADC are:

Member	Meeting Attendance
Mrs. Itumeleng Mareko (Chairperson)	0/0
Mr. Basimane Bogopa	0/0
Mr. Norman Moleele	0/0

2.4 REGULATORY COMMITTEE (RC)

The purpose of the 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 RC are:

Member	Meeting Attendance
Mr. Basimane Bogopa (Chairperson)	1/1
Mr. Martin Makgatlhe	0/1
Mr. Ogone Mthooagae	1/1
Professor Onkutlwile Othata	1/1

CORPORATE GOVERNANCE

Continued

2.5 BOARD TENDER COMMITTEE (BTC)

The purpose of the 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.

The members of the BTC are:

Member	Meeting Attendance
Professor Onkutlwile Othata (Chairperson)	4/4
Mr. Martin Makgatlhe	1/4
Mrs. Itumeleng Mareko	4/4
Mr. Thapelo Tsheole	4/4
Mrs. Mpho Mogasha	4/4

2.6 ATTENDANCE OF BOARD MEETINGS AND COMMITTEE MEETINGS

Member	Board	RAC	NGC	ADC	BTC	RC
Lt. Gen. Tebogo C. Masire.	4					
Mr. B. Bogopa	4		4	0		1
Mr. M. Makgatlhe	4				2	1
Mrs. I. Mareko	3			0	2	
Mr. N. Moleele	4		1	0		
Mr. O. Mothooagae	3	4				1
Prof. O. Othata	4	4			2	1
Mrs. L. Phiri*	1					
Mr. D. Tele	4	4	3			
Mr. T. Tsheole	4	4	4	0	2	1

2.7 BOARD AND COMMITTEE SITTING ALLOWANCE

The BSE pays a sitting allowance of P4,500.00 for any Member chairing a meeting and P3,800.00 for any member that attends a meeting.

OUR MANAGEMENT TEAM



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 the BSE 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), inter alia. He has also attended a Leadership Development Programme at the University of Stellenbosch Business School (RSA).



Masego Pheto
Head of Clearing & 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).

OUR MANAGEMENT TEAM

Continued



Mpho Mogasha
Head of Finance & Administration

Ms. Mogasha joined the BSE in 2006 as Operations Officer – Finance & Admin, a position she held until July 2013, when she was appointed to the role of Acting Finance & Admin Manager. She assumed the role of Finance & Administration Manager in February 2014.

Prior to joining the BSE she worked for Motswedi Securities as Accountant. Before then, she worked for Grunwald Construction as Assistant Accountant. Ms. Mogasha graduated with a BA in Accounting from the University of Botswana. She is ACCA qualified and a member of the Botswana Institute of Chartered Accountants (BICA). She has completed both the Management Development Programme (MDP) and Executive Development Program (EDP) at University of Stellenbosch Business School (RSA).



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).

OUR MANAGEMENT TEAM

Continued



Tsametse Mmolai
Head of Listings & Trading

Mr. Mmolai started his career at Botswana Insurance Fund Management (BIFM) Limited as an Investment Accountant and joined the BSE in 2008.

Mr. Mmolai graduated with a BCom (Finance) from Macquarie University in Sydney, Australia and is an Accredited Member of the Compliance Institute of Southern Africa. He has also attended Compliance and Financial Regulation courses at 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) in 2016 and 2018 respectively.



Kopano Bolokwe
Head of Product Development

Mr. Bolokwe joined the BSE in May 2011 as Product Development Operations Officer and was appointed to the current position in August 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) Charterholder 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 MANAGEMENT TEAM

Continued



Thapelo Moribame
Head of Market Development

Ms. Moribame joined the BSE in August 2016 from Air Botswana where she was the Marketing Manager from November 2012 to July 2016. Prior to 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 (Economics and Public Administration) from the University of Botswana. She has studied International Trade and the Multilateral Trading System at the United Nations University in Tokyo, Japan. She has completed a Management Development Programme at the University of Stellenbosch Business School (RSA).

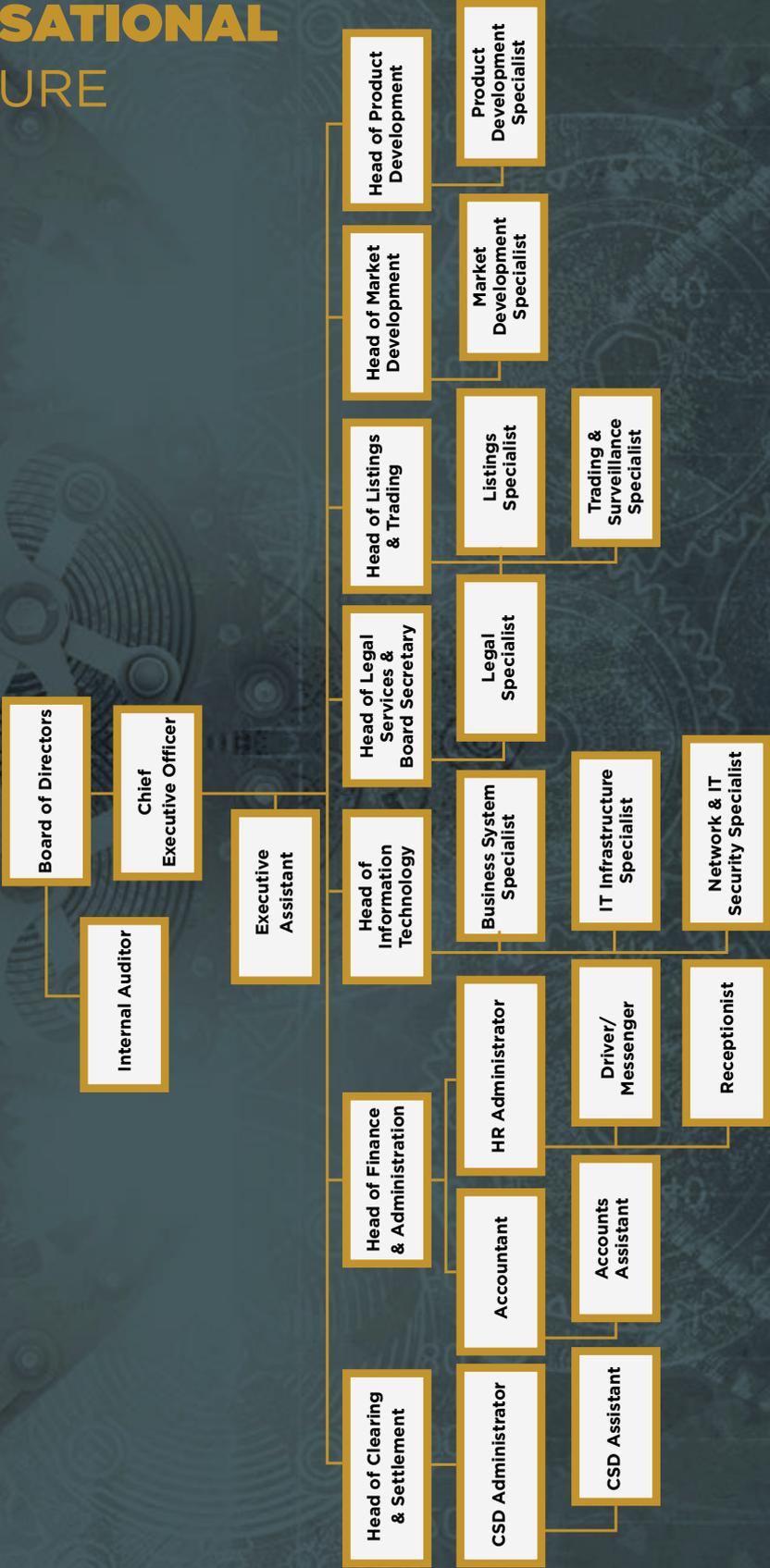


Gorata Tlhale Dibotelo
Head of Legal Services & Board Secretary

Ms. Dibotelo was appointed Head of Legal Services and Board Secretary in October 2019, having joined the BSE in August 2016 as a Legal & Corporate Affairs Officer. Prior to that she was an Associate Attorney at Armstrongs Attorneys from 2011.

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's Degree from the University of Cape Town in 2013.

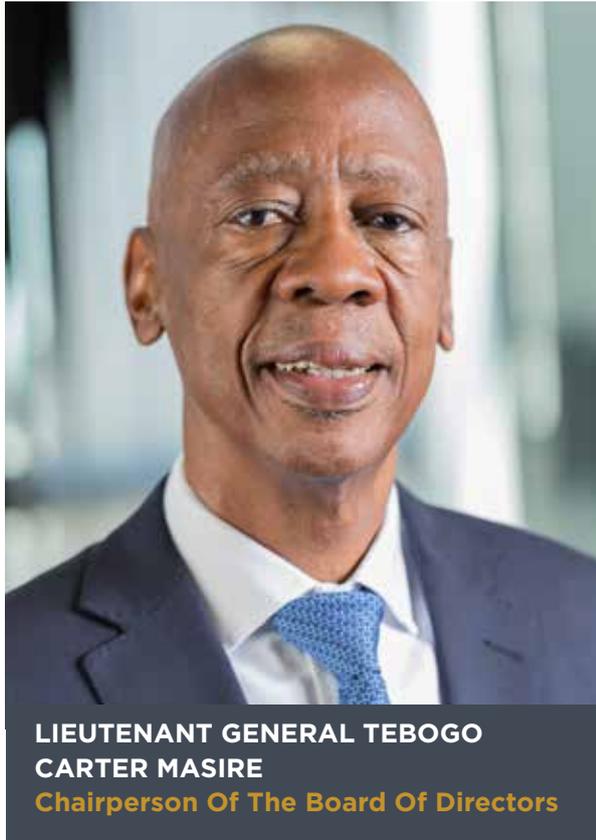
ORGANISATIONAL STRUCTURE







CHAIRPERSON'S STATEMENT



Dear Valued Stakeholder, it has been a year and four months since BSE Limited was established as a company following the demutualisation and subsequent conversion to a company limited by shares on 2nd August 2018. It therefore gives me an honour and pleasure to present to you the annual report of the new BSE Group for the year ended December 2019.

The shift in our composition and focus at Board level has been influential in repositioning the company for its newly defined trajectory. With the benefit of having led the BSE under the mutual structure, I motivated the Board to ensure that our stewardship sufficiently lives to the expectations of the new structure and the ongoing strategy and sets a blueprint commensurate with the new BSE stature. To my pleasure, the post-demutualisation Board of Directors has performed exceptionally well over the past year in respect to interrogating the strategic undertakings, providing expert insights and supporting the company's strategic focus. This goes to show the power of team work and the value of aligning with international best practice as regards corporate governance.

To my pleasure, the post-demutualisation Board of Directors has performed exceptionally well over the past year in respect to interrogating the strategic undertakings, providing expert insights and supporting the company's strategic focus.

One of our priorities in the year under review was to approve the new equity commission structure as executive management had made an assessment of the impediments of the old structure to trading activity and investor participation. The convergence of ideas on this matter, characterised by thoughtfulness, independence and objectivity was impressive. It was also commendable that the regulator responded within sufficient time to approve our requests for implementation within the same year. Potentially, this could have been a lengthy process of conflicted interests under the old mutual, member-owned set up. This year highlighted to us, in greater detail, the challenges that the securities industry continues to face.

CHAIRPERSON'S STATEMENT

Continued

One such is the slowdown in listings which happened to be a global phenomenon in 2019. Evidently, there has generally been a downward trend in new listings in recent years and most markets have fallen below their peak years in respect of new listings.

According to PwC, the number of new listings in global equity markets are at their lowest level in three years and between 2018 and 2019, global IPOs fell by 13.2%. In the context of a challenging economic environment, heightened but well-deserved capital markets regulation, increased competition from global alternative trading platforms and private suppliers of capital – the traditional business of stock exchange is being challenged now more than ever before.

To be resilient, therefore, is a posture for adaptation and survival. Transformation, re-invention and introspection with a view to seeking new opportunities are a necessity for endurance in this landscape from many fronts we are steadfast on adapting to the changing environment to protect the viability of our mandate.

Our investment in technology this year, particularly the new world-class CSD system seeks to satisfy to our clients and stakeholders by availing a broader spectrum of new services, products, efficient and safer practices in clearing, settlement and custody of instruments. By

all means, we are cognizant of the ever-escalating levels of positive disruption in technology and regulation and we are positioning the CSD business to retain its clientele and attract new ones to support its viability. The BSE continues to invest in promoting access to markets, elevating investor education, attracting innovative products, increasing its visibility and integrating itself into the global securities and investment network.

To this extent, on behalf of the Board, I must congratulate management of the BSE for the successful hosting of the 23rd African Securities Exchanges Association (ASEA) Annual Conference and General Meeting that took place in November 2019 in Kasane. In the 3 years that the CEO, Mr. Thapelo Tsheole, has been a member of ASEA Executive Committee he has capitalized on that opportunity to convince the continent that Botswana has the capacity to host international delegates from the global financial services industry. Undoubtedly, the conference provided everlasting memories given its unique location and also marketed the country's tourism industry. In addition, it brought the domestic market players closer to the international players – international investors, potential investors, companies, vendors, strategic partners and regulators, among others. Furthermore, it has given the BSE substantial global media coverage which will certainly ease our solicitation in respect of the necessary alliances and partnerships for future growth.

Political stability is the most important consideration in domestic and global capital allocation. Certainly, the smooth transition, following the 2019 general elections has alleviated political uncertainty and inspired

CHAIRPERSON'S STATEMENT

Continued

confidence in international investor participation. Whilst our economic forecasts show optimism about the years ahead as the National Budget Speech's projected growth of 4.4% in 2020, we remain highly alert to the sustained global economic uncertainty and the potential exogenous shocks that always transcend into the local economy. As emphasized by His Excellency the President, Dr. M.E.K Masisi, at the 2019 ASEA Conference, his leadership is committed to strengthening the country's economic resilience, promoting economic diversification, and upholding policies that support the development of efficient and vibrant capital markets, for capital markets to further support economic development and sustainability. This, therefore, spurs us to scale up our ambitions and pursue innovative ways to honor our mission of driving sustainable economic growth by providing a gateway for raising capital and accessing investment opportunities.

In February 2019, Mrs. Lekono Phiri resigned from the Board and was replaced by Mrs. Sethunya Makepe-Garebatho in November 2019. On behalf of the Board and shareholders I take this opportunity to thank Mrs. Phiri for her contribution during her tenure and wish her prosperity. Similarly, I would like to cordially welcome Mrs. Makepe-Garebatho, who currently is the CEO of People Connection, to the Board. We hope to benefit immensely from her wealth of experience and expertise. On that note let me also extend my sincere gratitude

to the members of Board of Directors of the BSE for a successful first year and a few months on this important role. I commend them for their expert contributions, diverse insights and the speed with which decisions have been taken. I also thank the industry players and stakeholders for their support of our activities and engagements.

Lastly, let me express my appreciation to the BSE management and staff for living to their promises in the year, while I acknowledge the challenges they have had to put up with in executing their strategic plans. An old adage goes thus, "If you want to go fast, go alone. If you want to go far, go together" – the latter part resonates well with the observable cohesive culture within the organisation which I believe is an essential ingredient for long term growth and prosperity.

Thank you.



LIEUTENANT GENERAL TEBOGO CARTER MASIRE
CHAIRPERSON OF THE BOARD OF DIRECTORS



Resilience shines through

CEO's REVIEW



THAPELO TSHEOLE
Chief Executive Officer

1.0 THEME: “A MARKET BUILT ON RESILIENCE”

“Global Initial Public Offerings (IPOs) continued to slowdown in 2019 primarily as a result of geopolitical and economic uncertainty emanating from US-China trade relations and Brexit, and also as a result of increased investor focus on IPO pricing and the bias for companies to prefer substantial scaling before coming to public markets.”

PwC's Global IPO Watch of 2019 indicates that the number of new listings in global equity markets went down by 31.7% from the three-year high in 2015. IPOs have declined year-on-year since 2015. In 2019, new listings in the Americas dropped by 18.8% and by 45.8% in the Europe, Middle East and Africa (EMEA) region. On the contrary, Asia-Pacific registered a negligible 1% increase in listings.

Data from the World Bank, and other sources, point out that markets worldwide are experiencing a dramatic fall in listings in relation to their peak years. At mid-year, African IPOs were estimated to have declined by just over 28%, according to data compiled a global law firm, Baker McKenzie. As a result of this trend, capital raising in equity markets has fallen dramatically. The largest public market in Africa, the Johannesburg Stock Exchange (JSE), reported a 58.3% drop in new equity market listings between 2018 and 2019, managing only to register five (5) companies relative to twelve (12) in the previous year. In the context of African markets, the decline was largely attributed to political transitions underpinning some countries in the past 12 months and the lengthened political uncertainty, on the part of investors, affiliated with such events.

For our country, the year under review was a very crucial and indeed an eventful one from a political standpoint. In addition, it was a unique period for us given that we got to experience a drought in new listings for the first time since 2009. To some extent, this experience similarly reflects the difficulty and uncertainty that characterizes an election year, especially an election that culminates from transfer of leadership. Understandably, investors would sit on the sidelines until they are assured of a peaceful transition of leadership and subsequent policy stance of the incumbent government. As has been the tradition, stability triumphed in our elections and with

CEO's REVIEW

Continued

this triumph came confidence and certainty in policy direction which has re-energize activity in the capital markets.

The role that the regulatory landscape plays in shaping the kind of corporates we have in the present environment and in challenging the continuity of some cannot be overemphasized. The listings requirements, as a regulatory instrument, serve a key function of, among others, protecting minorities and facilitating the operation of an efficient, fair and equitable market. With these constructs, stock exchanges are adequately empowered to suspend entities that contravene the provisions of the regulatory environment and take further actions including, but not limited to, involuntary terminating of any listing. We have applied these provisions a few times in the past 2 years including the involuntary termination of the listing of Raven on the equity foreign capital market board in October 2019. In some parts, suspensions came on the back of a slow pace of adapting to escalating disclosure requirements, as has been the case with the International Financial Reporting Standard (IFRS) 9 that some listed companies had to comply with for the first time in 2019. Such a development as this one is highly warranted and I am pleased with the transparency and speed with which the disclosure about the challenges were communicated to us and subsequently resolved, for timeous publication of financial and corporate information to stakeholders.

Governance has become a key risk consideration to enterprises. In response, governance controls and investor demands in respect of best practices have strongly risen. Naturally, companies with weaker governance practices erode shareholder value and/or completely vanish from existence. With this background, Exchanges continue to tighten regulatory loopholes, by incorporating governance codes in the listings

requirements as an example, in order to protect the integrity of capital markets. In the long run, it adds to elevating the quality of the investable universe. In our case, over and above the King Code which is incorporated in the new equity listings requirements, we encourage and welcome shareholder activism as regards advocating for quality and purposeful governance, as against box-ticking compliance, by listed entities. We remain accessible to the investor community and listed companies and will continue to engage the industry and stakeholders at large to motivate for scrutiny and action in response to non-compliance with the securities laws and other applicable prudential frameworks.

On account of the trends outlined above, resilience is critical to foster a continually robust and vibrant market. Internally, we are responding to the emerging challenges to the business model of stock exchanges.

Other than technological advancements, we have broadened our efforts to build a medium to long terms pipeline of listing by nurturing SMEs through education, mentorship, empowerment and visibility. Thus, this year we launched new listings requirements to support the Tshipidi SME Board and subsequently conducted a mentorship program where seventeen (17) SMEs from various industries participated and graduated. We believe that the exposure derived from this activity will be leveraged to restructure, corporatize and position the entities for eventual listing. It is an investment we will continue to make and to enhance with the support of the industry participants.

CEO's REVIEW

Continued

The domestic market held it fort with resilience in the year under review, albeit a decline of 4.5% in total market turnover, and a lower 4.6% decline in market returns relative to 2018. To continue to better serve our stakeholders, we commenced the implementation of the new CSD system as part of our strategy on centralization of trading, clearing and settlement of securities at the BSE. This is expected to be commissioned in the second half of 2020.

This year we successfully cushioned listed companies against the amendments of the Transfer Duty Act which shall be effective in 2020. With our lobbying, listed entities shall be exempted from the 30% transfer duty that is imposed on entities defined as non-citizens. We will persist to lobby and provide the necessary support for the promulgation of the legislation of, and the transition to, Real Estate Investment Trusts (REITs) as a long-term viable alternative and in tandem with international best practice.

Several of our achievements in the year are discussed in detail in this report in various areas of clearing and settlement, sustainability, regulatory reforms, market and product development, technology and infrastructure, regulation, human capital development as well as international participation. We are aligned with our strategic undertakings and very much alive to, and adequately respond to, the developments which we

could not have foreseen at the time that we formulated our five-year strategic plan.

I am pleased about solidarity with our international alliances and strategic partners, stakeholders and participants in the domestic capital market and the impact of such alliances in the market. Following the successful hosting of the 23rd ASEA annual conference, I take this opportunity to thank the Executive Committee of ASEA, sponsors of the conference, dignitaries and participants from all over the world for a historic and very successful convention by several measures. We will build on this legacy and the relations forged to strengthen the resilience of our market and deliver on stakeholder expectations.

I would also like to express my gratitude to the shareholders, stakeholders, the Board of Directors, and staff for their dedication to our vision of becoming a world-class securities exchanges.

1.1 Global Economic and Market Highlights

The World Economic Outlook (WEO) report of January 2020 highlights that global economic growth in 2019 is estimated at 2.9 %, down from an estimated 3.7% in 2018. Going into 2020, growth is projected to increase by 3.3% underpinned by optimistic projections in emerging markets as advanced economies continue to slow gradually towards their potential growth rates. Global growth for 2019, the weakest since the global financial crisis was weighed down by increased trade barriers and geopolitical risks and the dampening of business sentiment and economic activity for the major portion of the year. Some advanced economies, and indeed China, have shown cyclical slowdowns as a result of trade tensions. Emerging markets are estimated to register growth of 3.9% in 2019 compared to 4.5% in 2018. In sub-Saharan Africa, estimated growth for 2019

CEO's REVIEW

Continued

is estimated 3.2%. Notwithstanding, the substantial monetary policy easing across advanced and emerging market economies which supported economic activity in 2019 is expected to influence economic output in 2020 towards the 3.3% growth projection.

In the equity markets, the S&P 500, a key US equity market index, gathered 31.5% in the year, its best annual performance since 2013. The dominance of growth over value characterized equity markets for most of 2019, despite the lackluster IPO scenery worldwide and in the US. Similarly, emerging markets rallied on the back of increased sentiment and the global search for diversification, with the MSCI appreciating by 15.5% in the year. Despite the impressive global equity market returns globally, the World Federation of Exchanges (WFE) in its current global market highlights for 2019 indicates that the value of trades in equity shares decreased by 11% across the world. More specifically, both the Americas and the EMEA regions saw sharp decreases of 17.4% and 25.8% respectively in turnover and volume of equity shares traded. Evidently, prosperity in 2019 was mixed considering a consistent decline in IPOs, capital raising, turnover amid rising market returns.

1.2 Domestic Economic Highlights & Implications for the Capital Market

The Bank of Botswana (BoB) estimates that Botswana's real gross domestic product (gdp) grew by 3.9% in the twelve months to June 2019, compared to a faster expansion of 4.9% in the corresponding period in 2018

The lower rate of increase in output was mainly due to a deceleration in growth of both the mining and the non-mining sectors in the review period. Mining output grew by 1.4% in the year to June 2019, compared to an increase of 5.6% in the corresponding period in 2018. The domestic securities market in general moved in line with trends observed in various regions as per the WFE global market highlights. Although equity trading values finished the year slightly lower than in 2018, there were indications of recovery in market returns, also in line with the trend in global equity markets in 2019. In addition, there was noticeable resurgence in investor sentiment relative to 2018 owing to various successful interventions of the BSE in the latter part of the year in an environment that was challenging at both macro and industry level for investors as well as for issuers.

The prudence and consistency with which listings requirements have been applied in instances of transgressions by corporates was an important driver of confidence in the year and a token of affirmation to equitable treatment of shareholders and the protection of the minorities.

The consistent engagement with the public on these matters, to not only clarify the matters to the public from the perspective of the BSE but to equally ensure timeous flow of relevant updates, has been well acknowledged by the investor community. Outreach programmes, such as the Monthly Opening Bell Ceremonies as well as information channels - BSE Magazine, X-News and Social Media - have proven to be instrumental in this regard. In the latter part of the year,

CEO's REVIEW

Continued

the implementation of a new brokerage commission structure also generated positive response which could continue to influence activity going into 2020. These developments inspire optimism going into 2020 and provide the necessary fortitude for sustainable positive activity on the BSE.

2.0 EQUITY MARKET PERFORMANCE

2.1 Analysis of Equity Indices

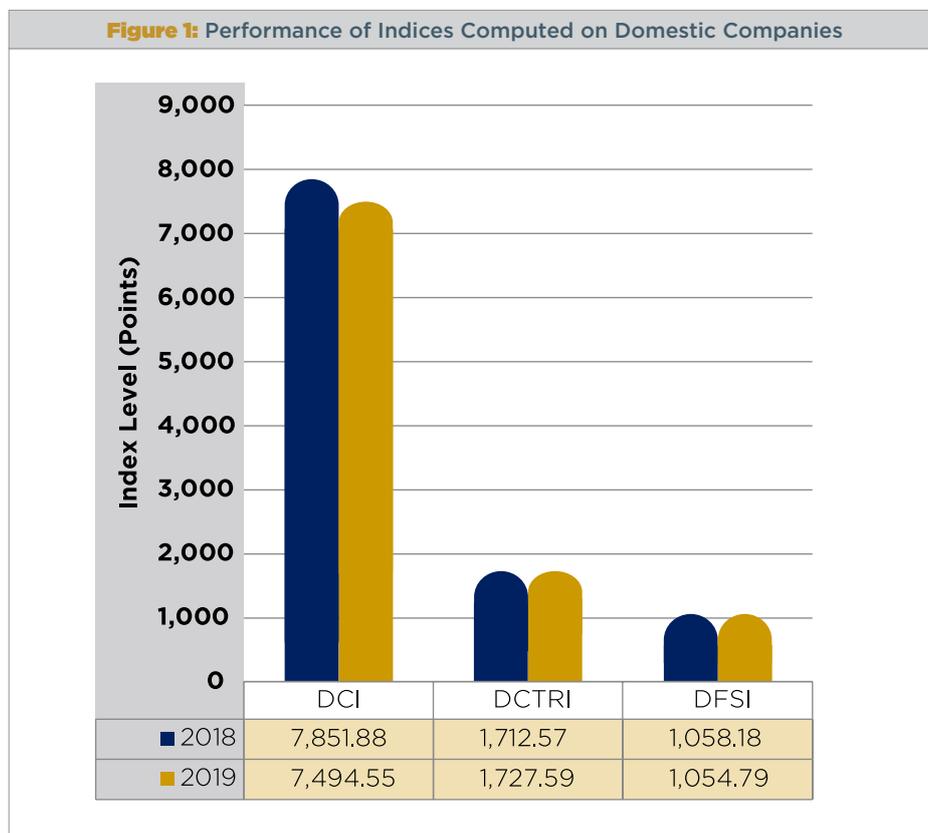
2.1.1 Indices Computed on Domestic Companies

The Domestic Company Index (DCI) closed the year with a depreciation of 4.6% in comparison to a depreciation of 11.4% in 2018, ending the year with 7,494.55 points as depicted in Figure 1. This was attributable to a rebound in share prices on the back

of modest growth in earnings over the year among the majority of the listed companies. Over this period, 11 companies (compared to 8 in 2018) registered positive price changes, 10 (compared to 14 in 2018) registered negative price movements and 3 (compared to 4 in 2018) closed the year with share prices back to their 2018 levels.

The Domestic Company Total Return Index (DCTRI) ended the year with a marginal 0.9% appreciation from its depreciation of 0.1% in the previous year. Dividend payouts correlated with the rebound in corporate earnings added to the trajectory of the DCTRI with the dividend yield rising marginally above its five-year average.

On that note, the DCTRI ended the year with 1,727.49 points as also depicted in Figure 1.



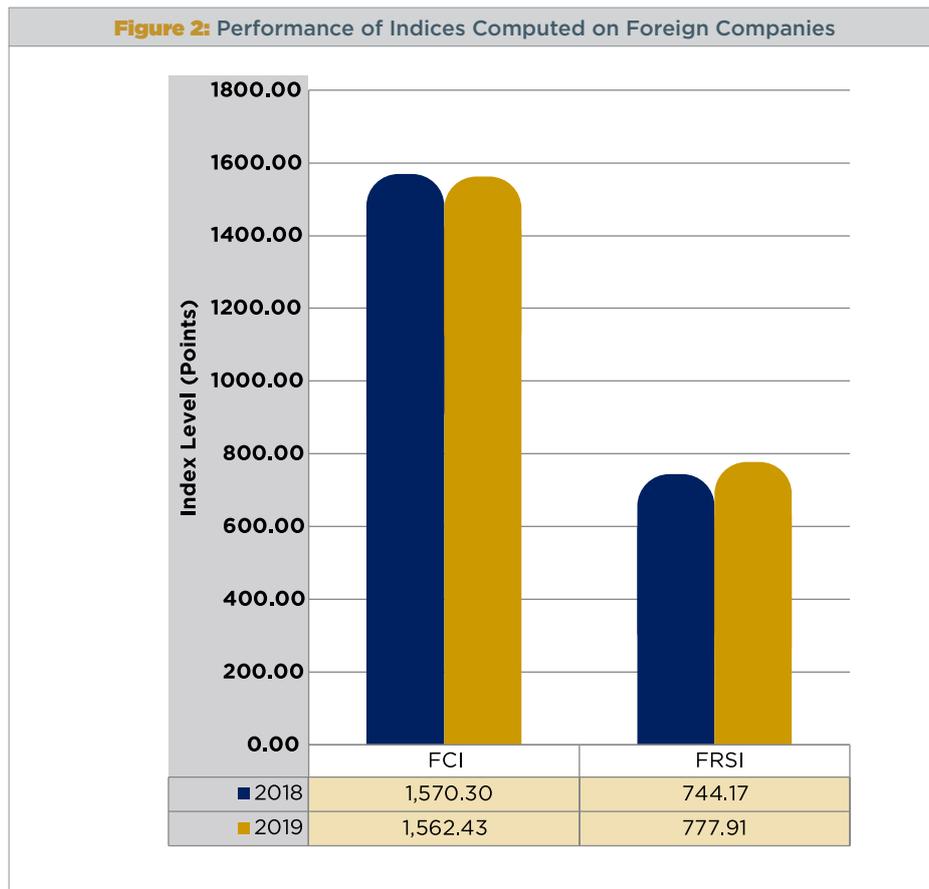
Source: BSE

CEO's REVIEW

Continued

2.1.2 Indices Computed on Foreign Companies Indices

The Foreign Company Index (FCI), as shown in Figure 2, closed the year at 1,562.43 points, registering a marginal decrease of 0.5% compared with a 0.3% depreciation in 2018. Conversely, the Foreign Resources Sector Index (FRSI), which tracks the performance of the mining and minerals companies, appreciated by 4.5% in 2019 relative to a 2.0% appreciation in 2018. The FRSI continues to benefit from some constituents' consistent dividend pay-outs at a time that other constituents are in various stages of intensive cash deployment projects.



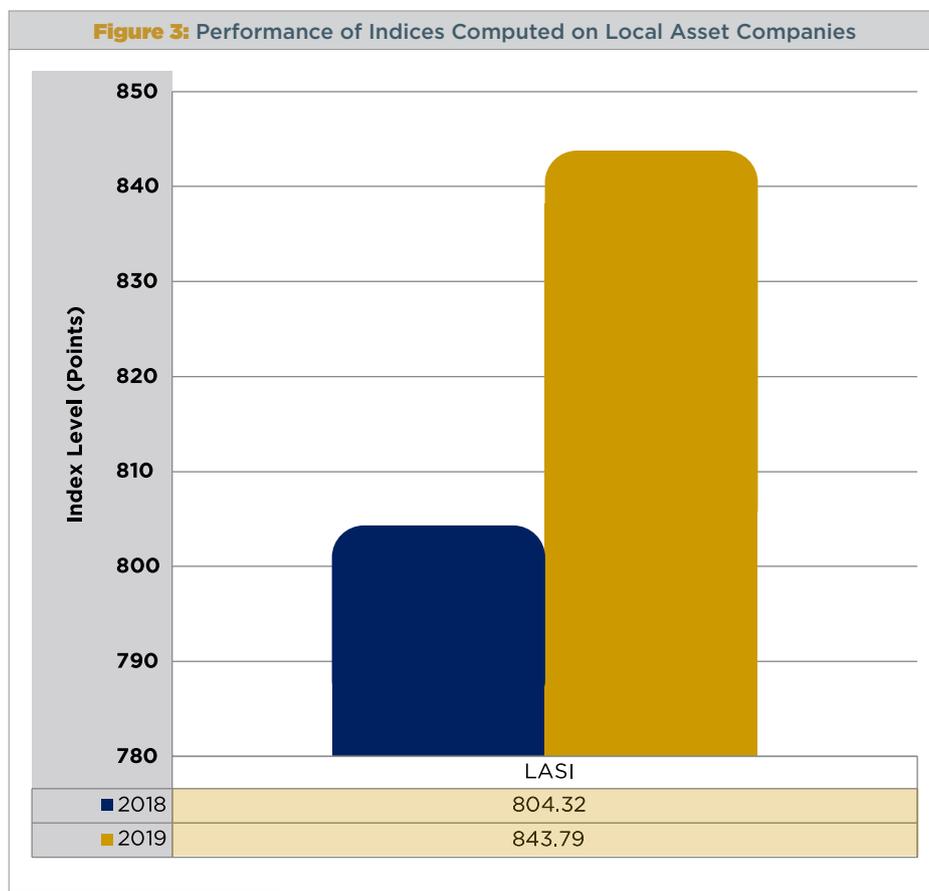
Source: BSE

CEO's REVIEW

Continued

2.1.3 Indices Computed on Local Asset Status Companies

As shown in Figure 3, in 2019, the Local Asset Status Index (LASI) appreciated by 4.9% compared to a 1.2% decline in 2018.



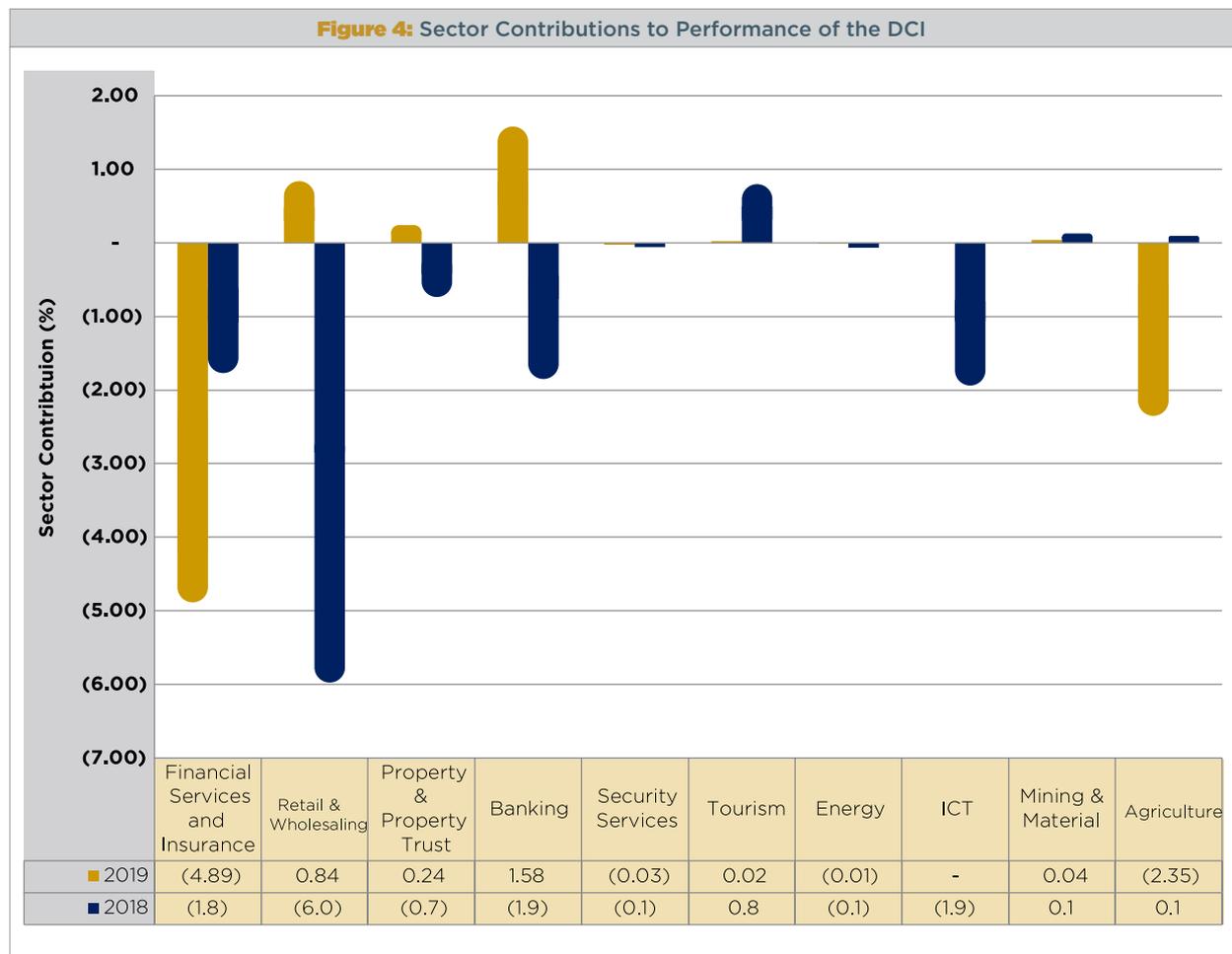
Source: BSE

CEO's REVIEW

Continued

2.1.4 Sector Contributions to Performance of the DCI

The Retail & Wholesaling, Property, Banking, Tourism, ICT and Mining & Material sectors contributed 2.7 percentage points to the movement in the DCI. However, their gains were dampened by the higher losses in the other sectors which contributed a negative 7.3 percentage points to the 4.6% depreciation of the DCI. This is illustrated in Figure 4.

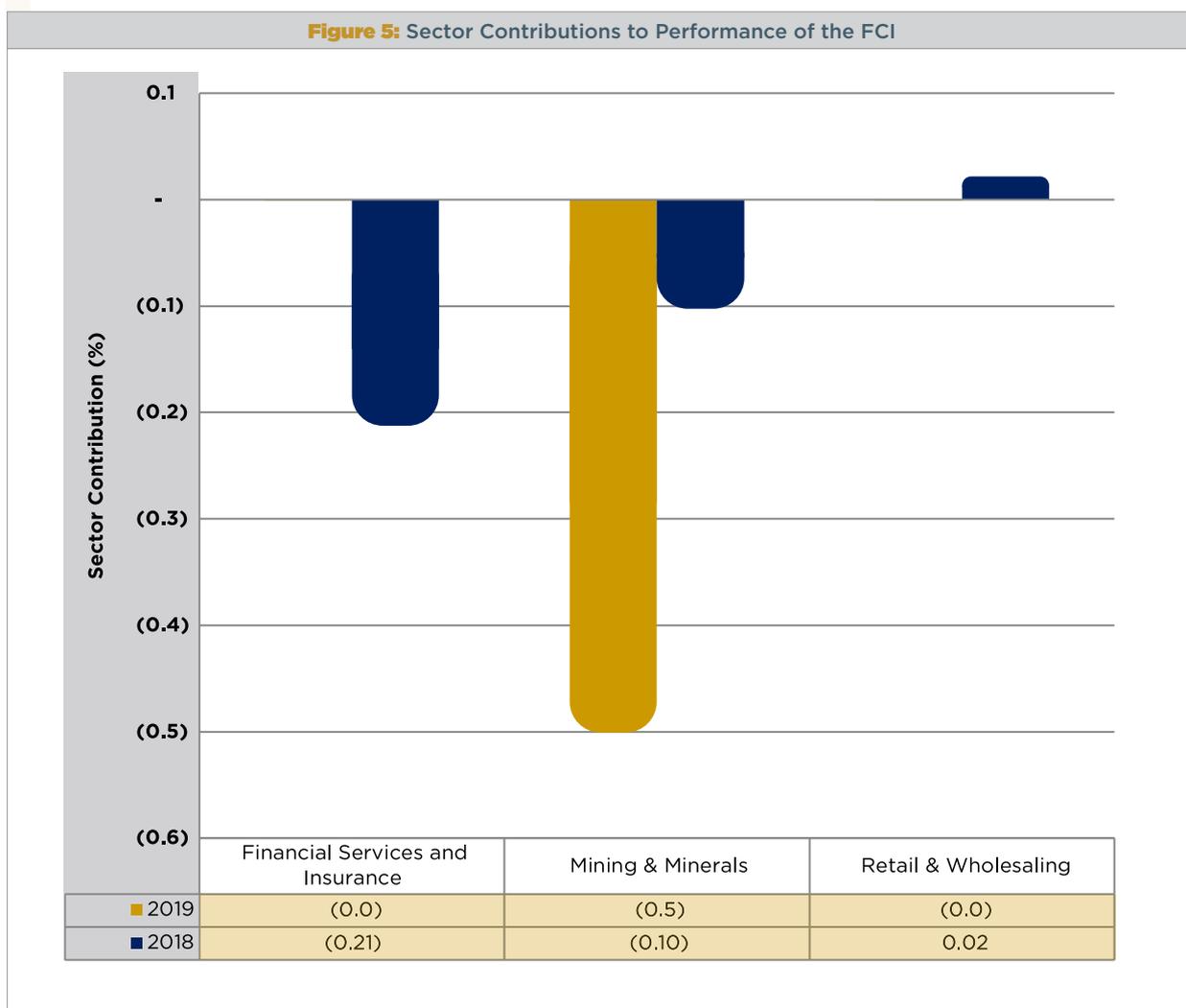


Source: BSE

CEO's REVIEW

Continued

Figure 5 shows the sector contribution to performance of the FCI. The Mining & Minerals sector continues to dominate the foreign equity board. This sector accounted for 93.2% of the foreign companies' market capitalisation in 2019 and was solely accountable for the 0.5% depreciation in the FCI.



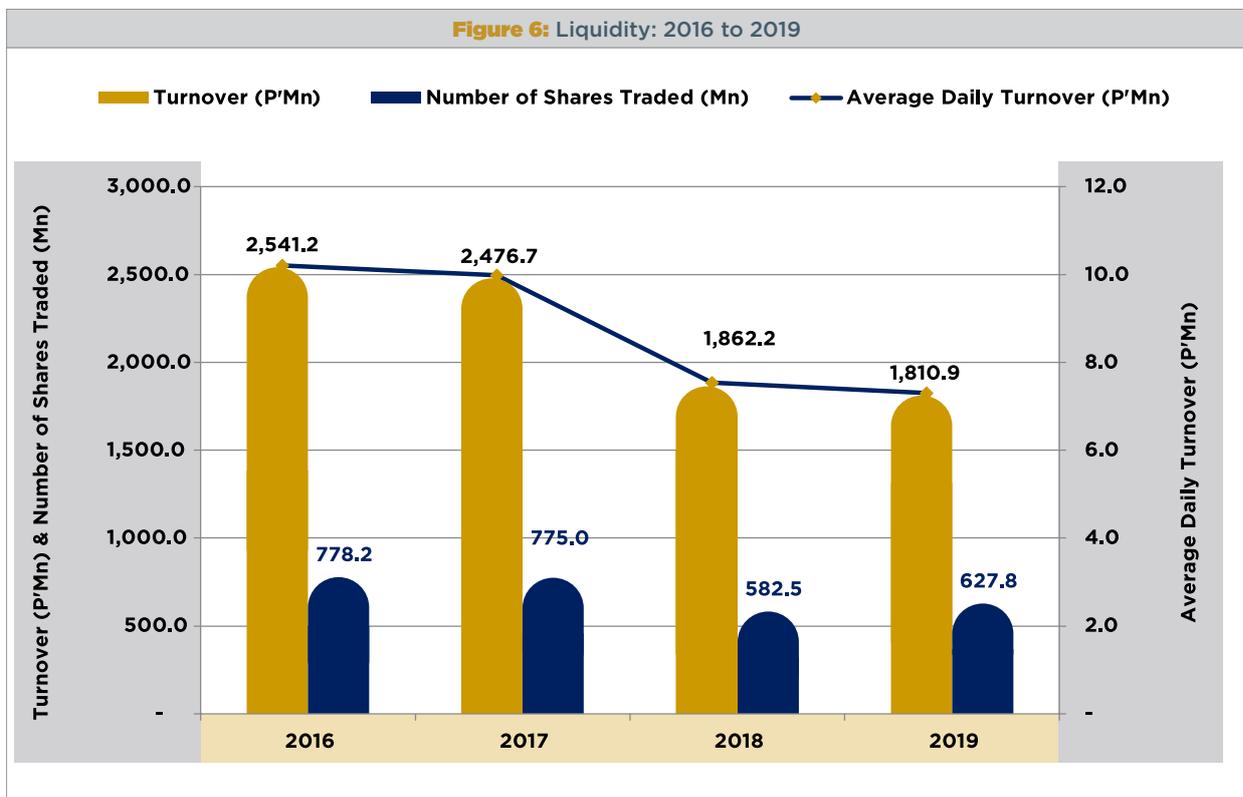
Source: BSE

CEO's REVIEW

Continued

2.2 Indicators of Turnover

Figure 6 gives a review of equity turnover over the past four years. In 2019, equity turnover amounted to P1,810.9 Mn, a slight decrease of 2.8% from P1,862.2 Mn registered in 2018. As a result, the average daily turnover amounted to P7.3 Mn relative to P7.5 Mn in 2018. The volume of shares traded in 2019 was 627.8 Mn in comparison to 582.5 Mn shares in 2018.



Source: BSE

Although turnover was low in 2019, it was relatively stable and in line with the other years other than it was in 2018. This can be noted from the coefficient of variation of 3.3% and a relatively lower standard deviation for 2019 turnover. Liquidity on account of shares traded relative to shared listed also picked from 4.2% in 2018 to 4.4% in 2019 and in line with turnover velocity of 4.5% in 2019.

CEO's REVIEW

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Figure 7: Indicators of Liquidity: 2016 to 2019

Indicators	2016	2017	2018	2019
Turnover/ Average Market Cap (%)	5.3	5.4	4.3	4.5
Standard Deviation (P'Mn)	33.8	33.5	35.6	24.1
Coefficient of Variation (CoV)	3.3	3.4	4.7	3.3
Shares Traded/Shares Listed (%) ^{Note 1}	6.4	5.9	4.2	4.4

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

Source: BSE

As per Figure 8, more than half of the turnover was generated in the second half of 2019 with a third of total turnover being accounted for by the fourth quarter. This is supportive of our inference of a resurgence in investor sentiment in the latter part of the year, and the

certainty generated by the stable and peaceful election process in the fourth quarter of the year. The variation quarter-on-quarter was less minimal in comparison to 2018, which also explains the improved relative stability as already alluded to.

Figure 8: Quarterly Market Turnover: 2019

Indicators	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Turnover (P'Mn)	320.0	546.9	340.0	604.0
Average Daily Turnover (P'Mn)	5.2	9.0	5.5	10.1
Turnover/ Average Market Cap (%)	0.8	1.3	0.9	1.6
Standard Deviation	11.0	26.8	29.0	25.6
Coefficient of Variation	2.1	3.0	5.3	2.5
No. of Shares Traded (Mn)(domestic)	156.1	101.2	130.1	240.3
Shares Traded/Average Shares Listed (%) ^{Note}	1.2	0.7	0.9	1.8

Note: For Domestic Companies and based on average shares listed

Source: BSE

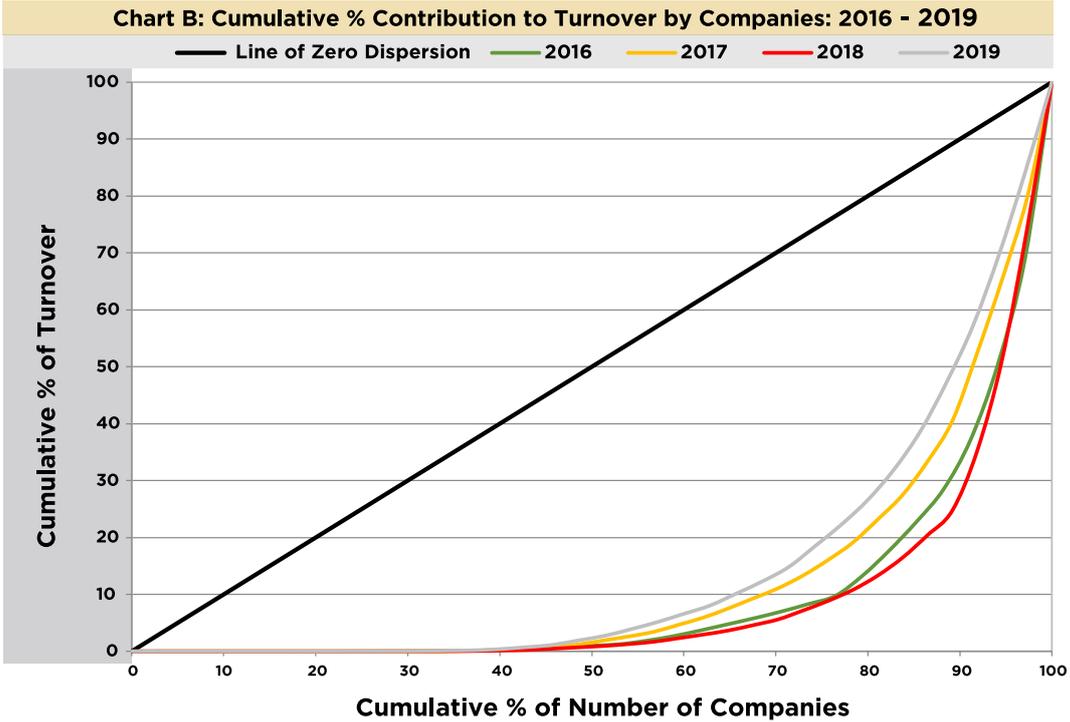
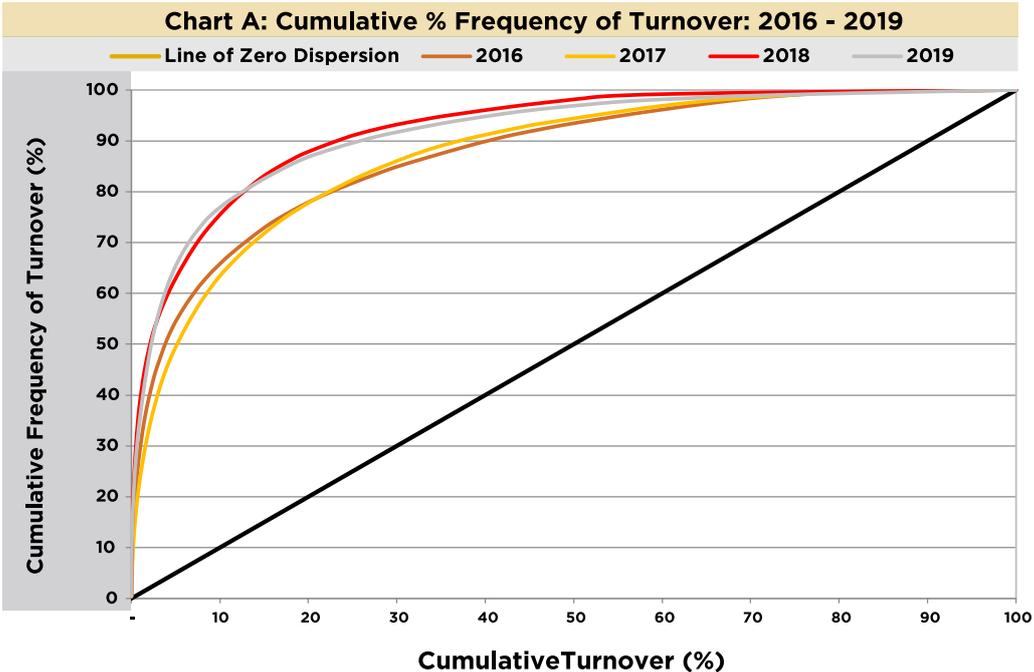
In Figure 9, the Lorenz Curve analysis augments the deduction of relative stability in turnover between 2018 and 2019 as can be noted from the reduced dispersion in Chart A.

Attributable to the stability is that an increased number of companies traded during the year relative to 2018. This trend in 2019 demonstrates the potential for investors to unlock liquidity and value by scrutinising all the available opportunities across the bourse.

CEO's REVIEW

Continued

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



CEO's REVIEW

Continued

2.3 Trends and Forecasts in Average Daily Turnover

In Figure 10, we present the forecasted average daily turnover (ADT) over the medium and long term to draw a comparison between the forecasts and the actual ADT for 2019. This is to gauge the extent to which the actual ADT for 2019 varies from the forecasts that are based on actual historical ADT.

In Chart A of Figure 10, the medium term trend (based on recorded turnover from 2005 to 2018) would have forecasted ADT of P13.0 Mn for 2019.

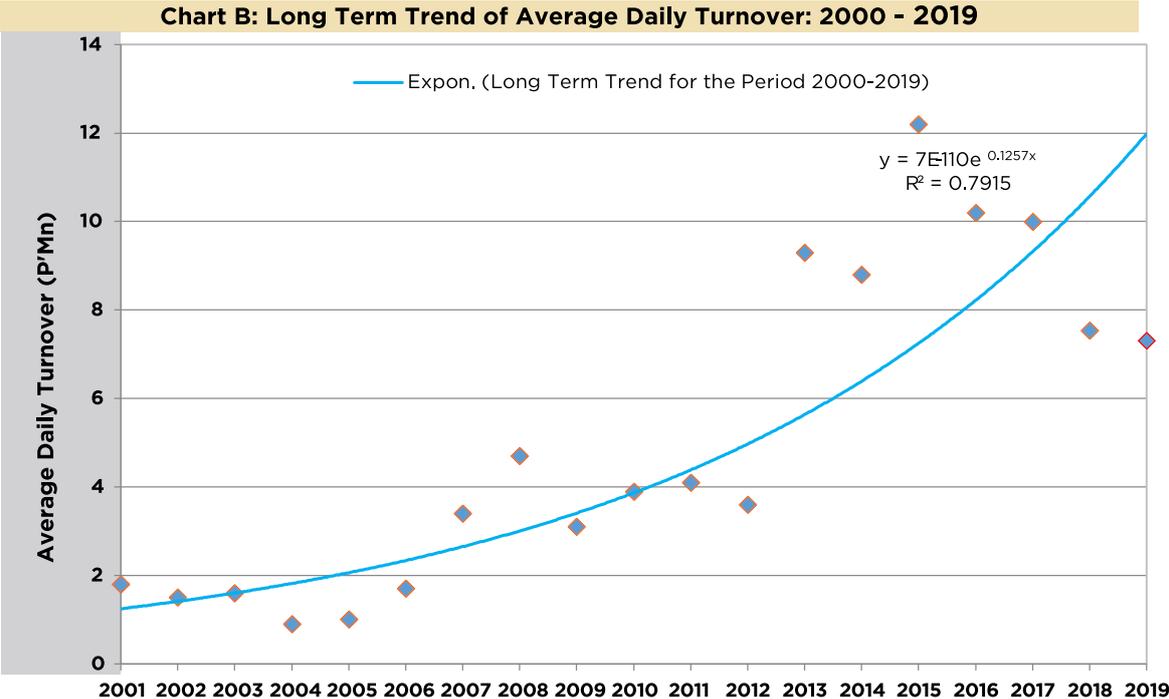
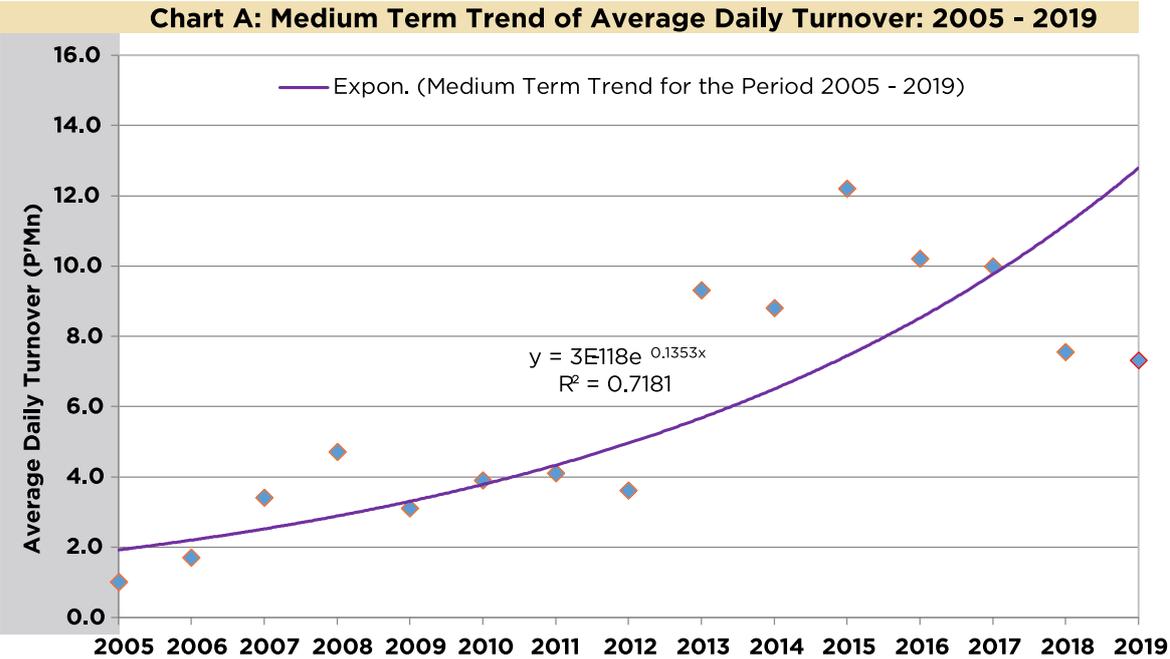
In Chart B of Figure 10, the long term trend (based on recorded turnover from 2000 to 2018) would have forecasted ADT of P12.0 Mn for 2019.

As it can be noted, the ADT of P7.3 Mn for 2019 significantly varies from the medium and long term forecasts as it sits below both of them. This is primarily because of the consistent decline in liquidity in the recent years, and also the impact of the record turnover levels of 2015 which have had an upward bias on future projections on the basis of the time series analysis. The trend requires at least doubling the turnover to align with the forecasts.

CEO's REVIEW

Continued

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



CEO's REVIEW

Continued

2.4 Sector Contributions to Liquidity

In 2019, 97.8% of the total equity turnover was accounted for by domestic counters, up from 89.5% in 2018 as reflected in Figure 11. On the domestic board, the Property sector traded the highest number of shares and accounted for the highest turnover velocity ratio. Sectors that traded lower volumes of less than a million shares in 2018 (Mining, Energy, Security Services) also registered a significant improvement in volumes in 2019.

The Foreign Mining Sector dominated in terms of value, but continued to be illiquid in terms of trading volumes.

Figure 11: Sector Contributions to Liquidity: 2018 and 2019

Sector	2018				2019			
	Turnover/ Avg Market Cap (%)		Shares Traded (Mn)	Shares Traded/ Avg Shares Listed (%)	Turnover/ Avg Market Cap (%)		Shares Traded (Mn)	Shares Traded/ Avg Shares Listed (%)
	Note 1	Note 2 ^A	Note 1	Note 2 ^B	Note 1	Note 2 ^A	Note 1	Note 2 ^B
DOMESTIC								
Financial Services	1.15	0.12	236.69	8.96	0.72	0.07	151.28	5.73
Retail	1.30	0.14	77.02	3.33	0.99	0.10	126.80	5.51
Property	0.84	0.09	120.26	4.90	1.17	0.12	196.25	7.95
Banking	0.27	0.03	41.57	1.02	0.47	0.05	63.23	1.43
Security Services	0.00	0.00	0.02	0.03	0.00	0.00	0.31	0.39
Tourism	0.07	0.01	16.06	3.14	0.73	0.07	51.57	10.07
Energy	0.03	0.00	1.15	0.72	0.09	0.01	3.77	2.36
ICT	0.07	0.01	26.60	2.53	0.00	0.00	15.90	1.51
Mining	0.00	0.00	1.95	0.48	0.04	0.00	0.74	0.17
Agriculture	0.11	0.01	8.37	2.21	0.05	0.01	7.01	1.84
FOREIGN								
Financial Services	0.000	0.000	0.00	0.00	0.000	0.000	0.00	0.00
Mining	0.000	0.000	0.40	0.01	0.000	0.00003	0.87	0.02
Retail	0.052	0.047	52.43	12.07	0.010	0.009	10.11	2.25

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

2.5 Investor Contribution to Equity Turnover

As already alluded to, an increased number of companies traded in 2019 and some sectors traded relatively higher volumes relative to 2018. In such occurrences, retail investor participation tends to increase relative to institutional activity. Indeed, local retail investor participation almost doubled in 2019 from 4.5% to a share of 9.9% of total turnover. In monetary terms, net inflows by local retail investors rose from P83.8 Mn 2018 to P178.5 Mn in 2019, an increase of 113%. Similarly, local institutional investor activity also increased to a share of 56.7% of total trading activity.

At the close of the year the number of investor accounts amounted to 94,051 in comparison to 90,828 accounts in the prior year. As BSE continues to conduct financial awareness and literacy programmes, the amount of interest in the stock market by Batswana has clearly risen, bearing testimony about the importance of these outreach initiatives in promoting citizen economic empowerment. It is also pleasing to note that the number of investor participation increased even without any new IPO in the new. Generally, IPOs are very instrumental in drawing attention and participation to the stock market.

Figure 12: Investor Contribution to Turnover: 2015 to 2019

Investors	Turnover (%)				
	2015	2016	2017	2018	2019
Foreign Companies	33.8	35.8	34.4	40.6	32.1
Foreign Individuals	2.0	1.3	1.3	1.3	1.2
Local Individuals	2.4	4.1	5.7	4.5	9.9
Local Companies	61.6	58.6	58.3	53.2	56.7
Brokers	0.2	0.3	0.3	0.3	0.1
TOTAL	100.0	100.0	100.0	100.0	100.0

Source: CSDB

Figure 13 presents a quarterly analysis of investor contribution to turnover in 2018 and 2019. The quantum of trading in Quarter 3 of 2019 was driven largely by foreign institutional investors, followed by local retail investors with a share of 36.7%. It is very important to cultivate a heterogeneous investor base and the importance of a vibrant retail investor base cannot be overemphasized. Unlike institutional investors who are predominantly long term investors with a buy-and-hold investment approach, retail investors tend to combine both a short and long term outlook on investing and sometimes tend to be speculative. This contributes to the vibrancy of a market and to sustained activity that supports order flow on either the buy and sell sides.

Figure 13: Investor Contribution to Equity Turnover on a Quarterly Basis (%)

Investors	2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Foreign Companies	34.8	34.8	46.9	49.2	24.6	40.0	42.4	23.2
Foreign Individuals	1.1	1.4	3.8	0.7	0.8	1.4	1.0	1.4
Local Individuals	5.7	2.9	11.8	4.6	7.8	3.3	36.7	1.7
Local Companies	57.6	60.8	36.6	45.4	66.4	55.2	19.8	73.7
Brokers	0.8	0.1	0.9	0.1	0.4	0.1	0.0	0.0
TOTAL	100.0							

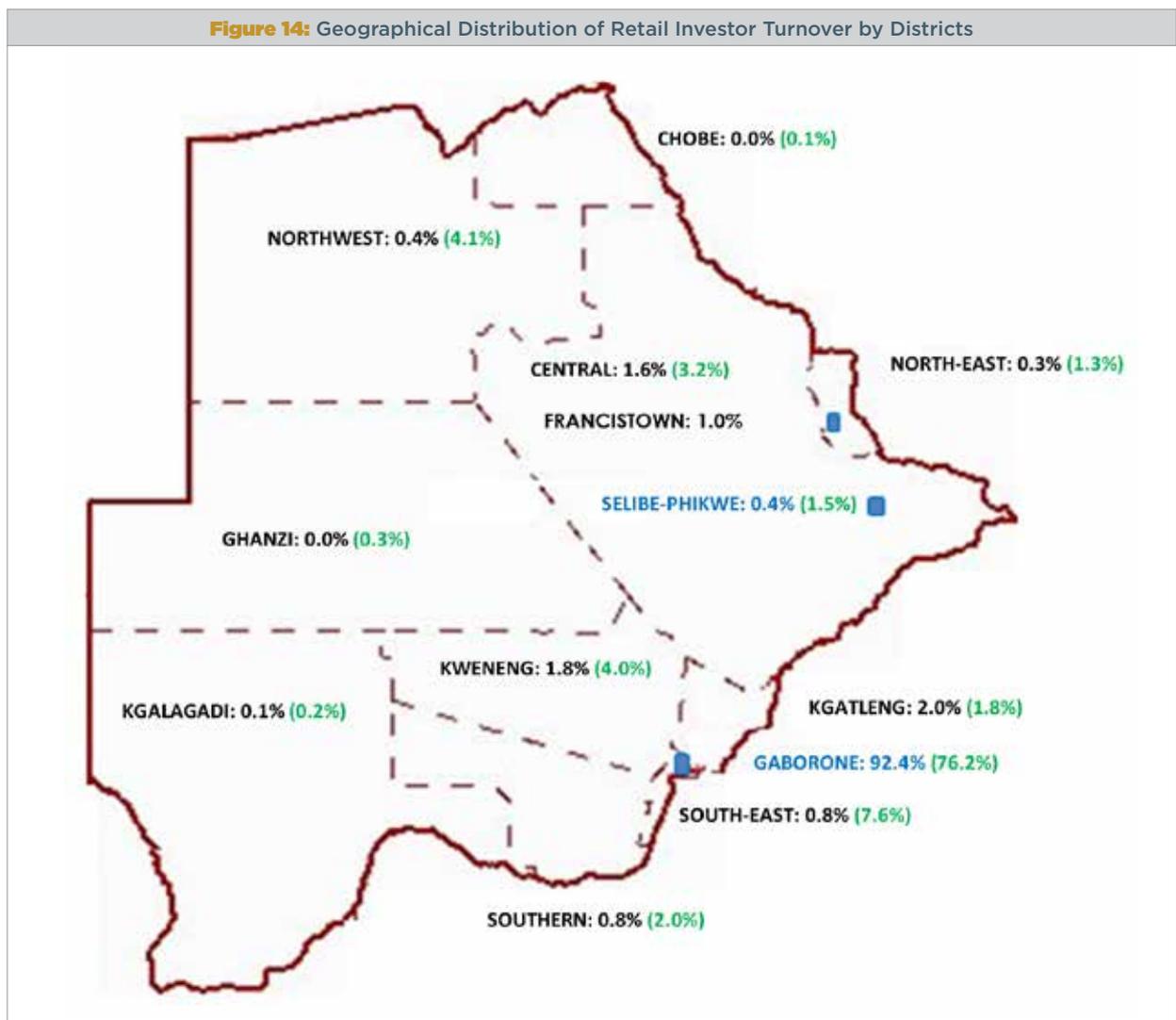
Source: CSDB

CEO's REVIEW

Continued

2.6 Geographical Distribution of Retail Investor Turnover

Figure 14 presents the distribution of retail investor turnover by districts and major towns and cities across Botswana in 2019 and 2018. In other parts of the country, retail investor participation still remains very low and the Exchange has responded by prioritizing these areas for Open Days.



Source: CSDB

Note 1: The contribution to turnover in 2018 is indicated in parenthesis

Note 2: Blue box depicts major cities/towns

CEO's REVIEW

Continued

3.0 THE EXCHANGE TRADED FUND (ETF) MARKET

3.1 Performance of the NewGold ETF

The NewGold ETF trading activity hit a 5-year record with volumes and turnover rising fourfold and five times, respectively. The statistics of the NewGold ETF trading activity is presented in Figure 15.

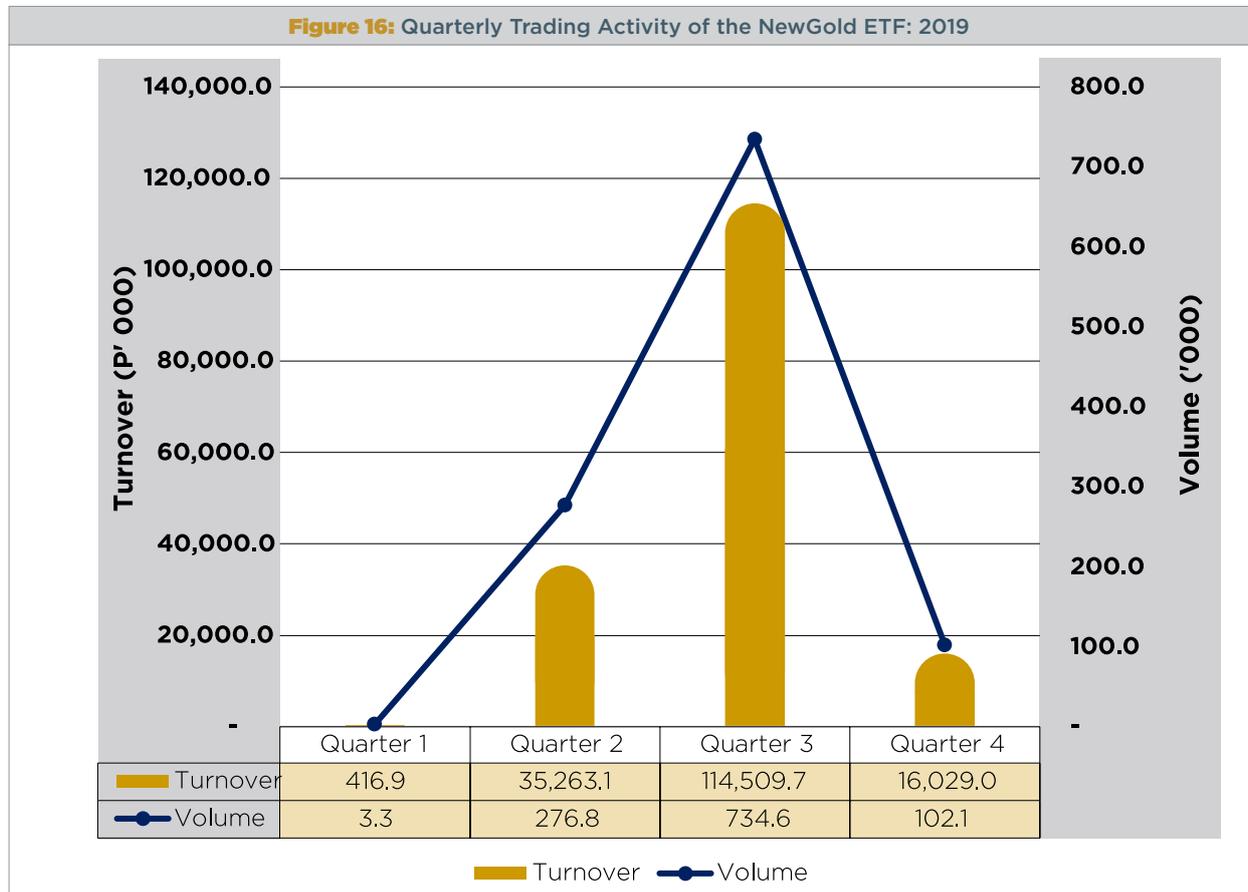
The price of the ETF on the BSE appreciated by 17% over the year, and the ETF traded at prices ranging between P126.20 and P162.85 per unit.

Figure 15: Trading Activity of the NewGold ETF: 2015 to 2019

NewGold ETF	2015	2016	2017	2018	2019
Turnover (Pula)	30,035,381	137,570,634	9,993,373	33,658,376	166,218,657
Units Traded	265,452	1,020,489	80,300	275,340	1,116,741
Unit Price (Pula)	115.10	117.20	119.50	126.40	147.90

Source: BSE

Figure 16: Quarterly Trading Activity of the NewGold ETF: 2019

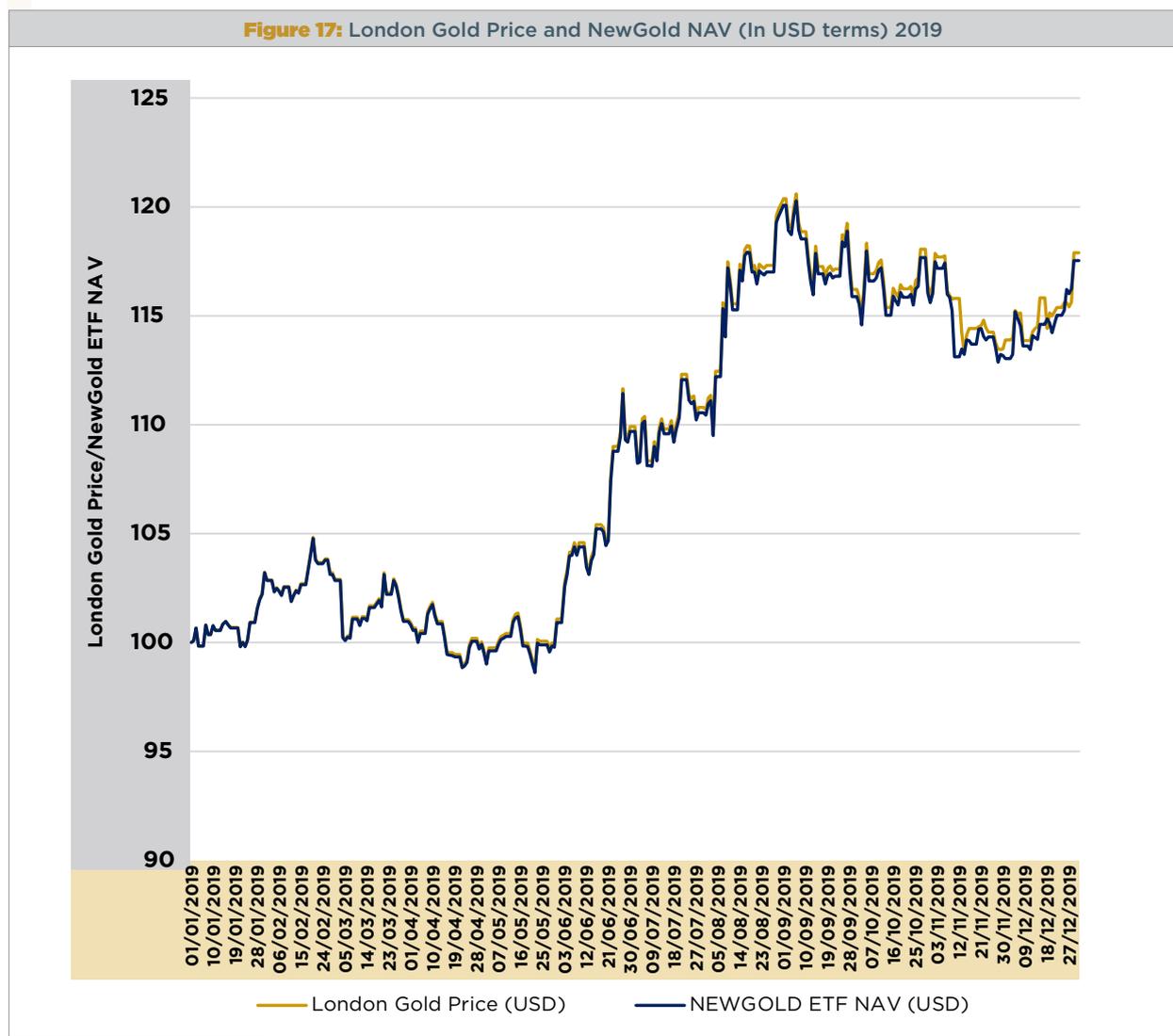


Source: BSE

CEO's REVIEW

Continued

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 was very high based on the 99.9% correlation between the two.

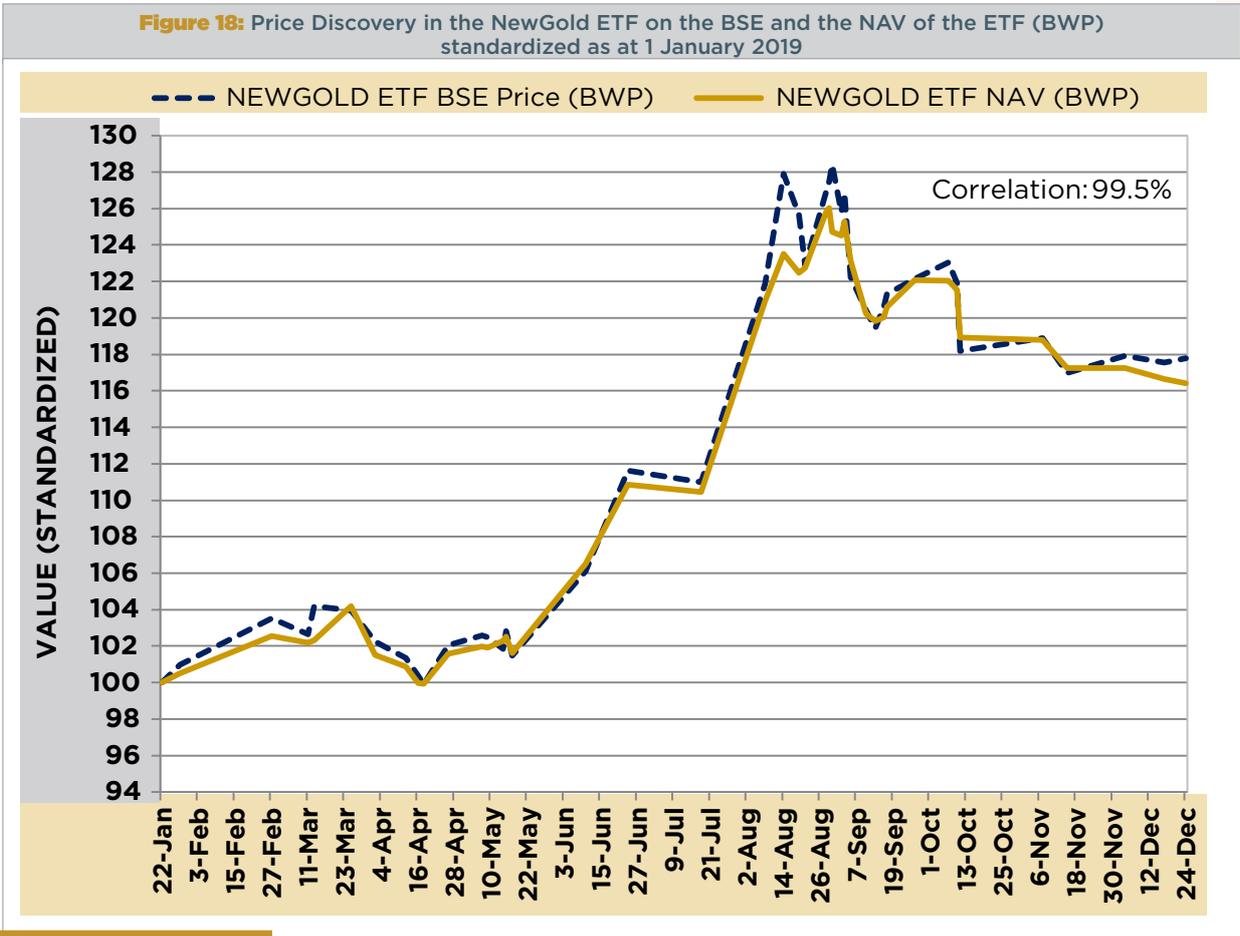


Source: BSE, Absa Capital

CEO's REVIEW

Continued

Figure 18 presents 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 99.5%, a significant improvement from 79.3% realized in 2018.



Source: BSE, Absa Capital

3.2 Performance of the NewPlat ETF

The Platinum tracking ETF, NewPlat, registered a turnover of P29.9 Mn with volumes of 338,362 units. NewPlat appreciated by 15.9% in 2019 on the BSE.

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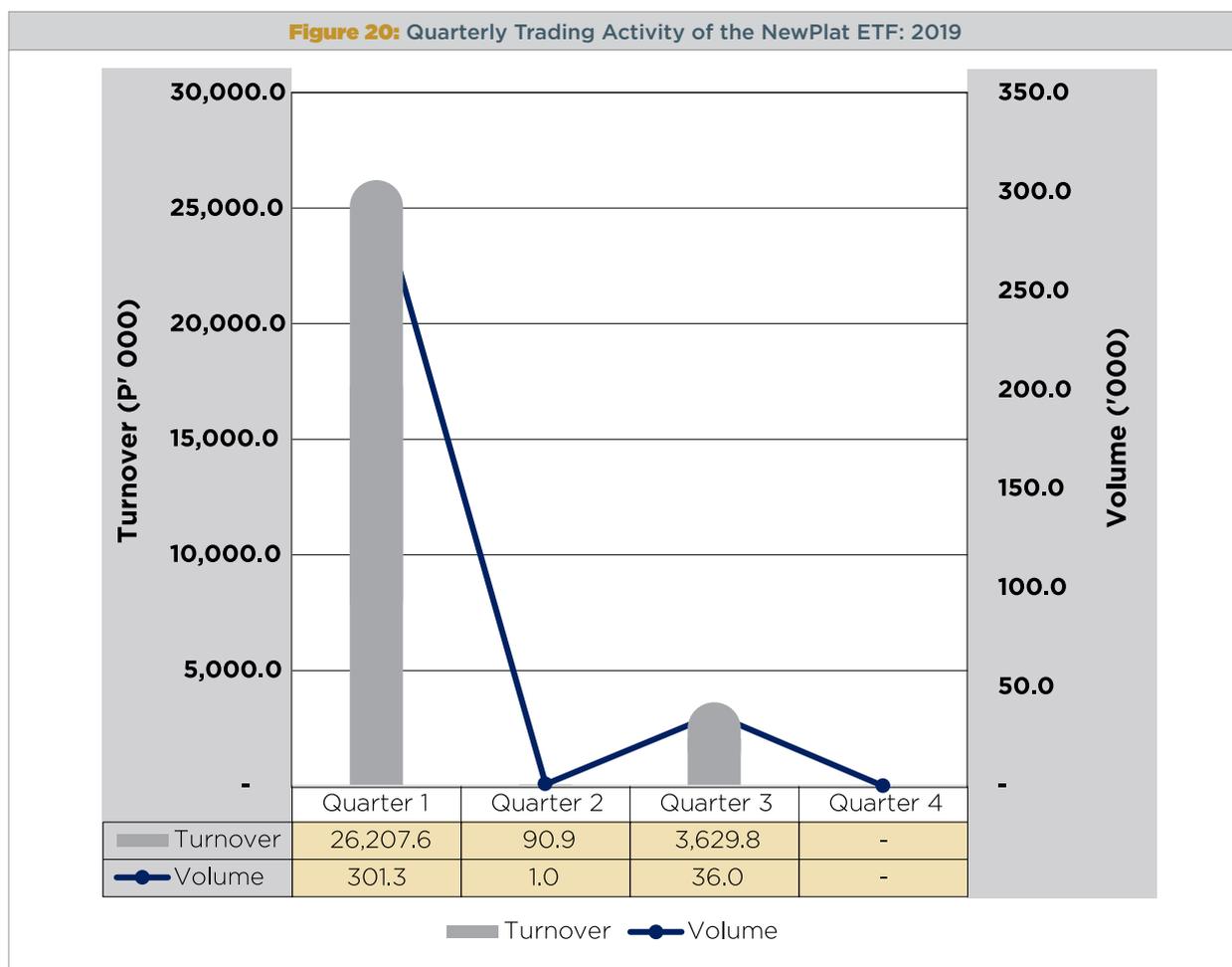
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Figure 19: Trading Activity of the NewPlat ETF: 2015 to 2019

NewGold ETF	2015	2016	2017	2018	2019
Turnover (P)	61,859,814	95,726,798	13,138,060	246,420,471	29,928,243
Units Traded	554,504	898,418	137,018	2,751,911	338,362
Unit Price (Pula)	97.00	104.90	93.10	86.90	100.75

Source: BSE

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

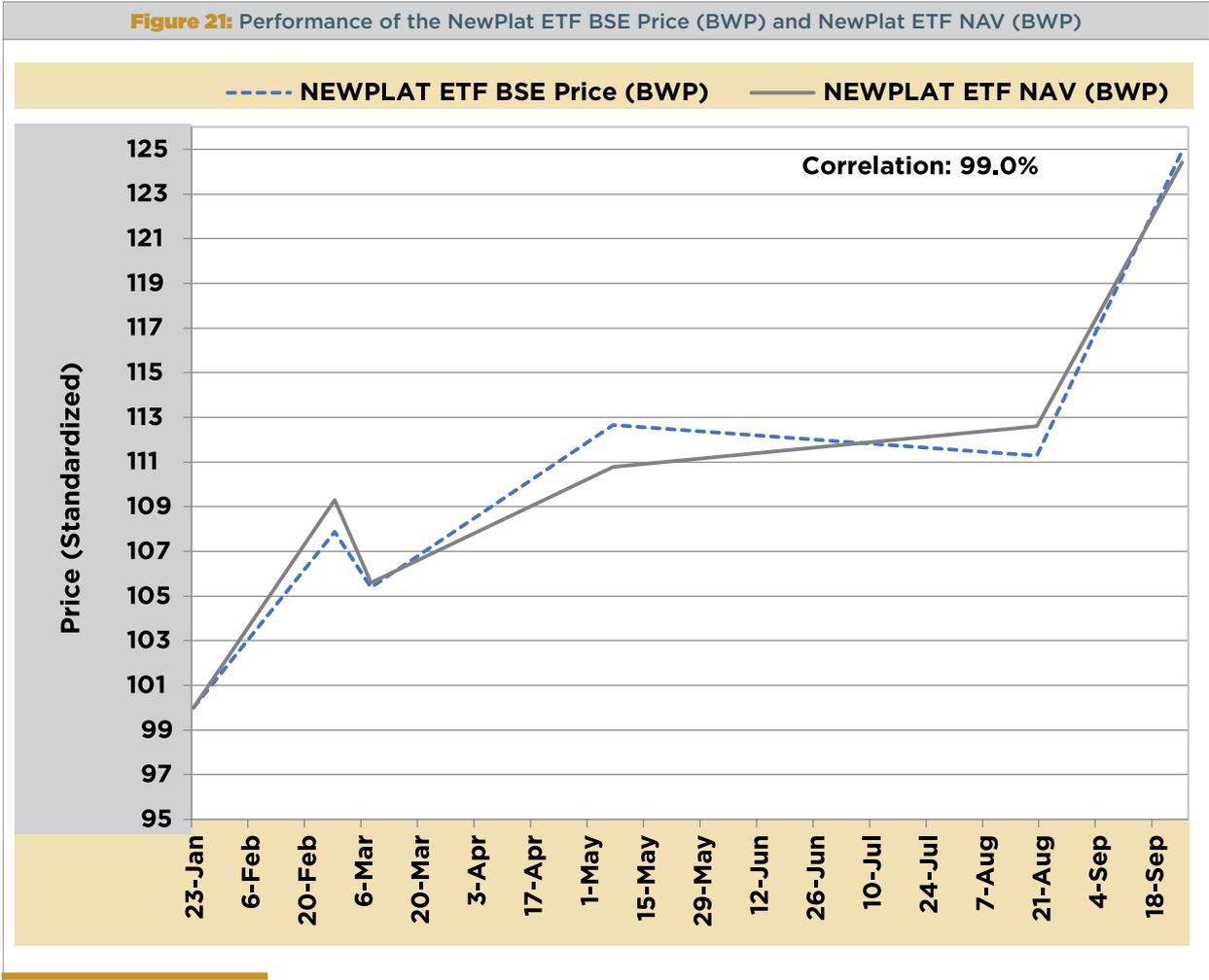


Source: BSE

On the days that the ETF traded on the BSE, as shown in Figure 21, the correlation between the BSE price of the ETF and its NAV in Pula terms amounted to 99.0%.

CEO's REVIEW

Continued



Source: BSE, Absa Capital

3.3 Performance of the NewFunds ILBI ETF

The NewFunds Inflation-Linked Bond Index (ILBI) ETF registered a turnover of P21,144 and recorded a volume of 416 units. The ETF has not traded in prior years.

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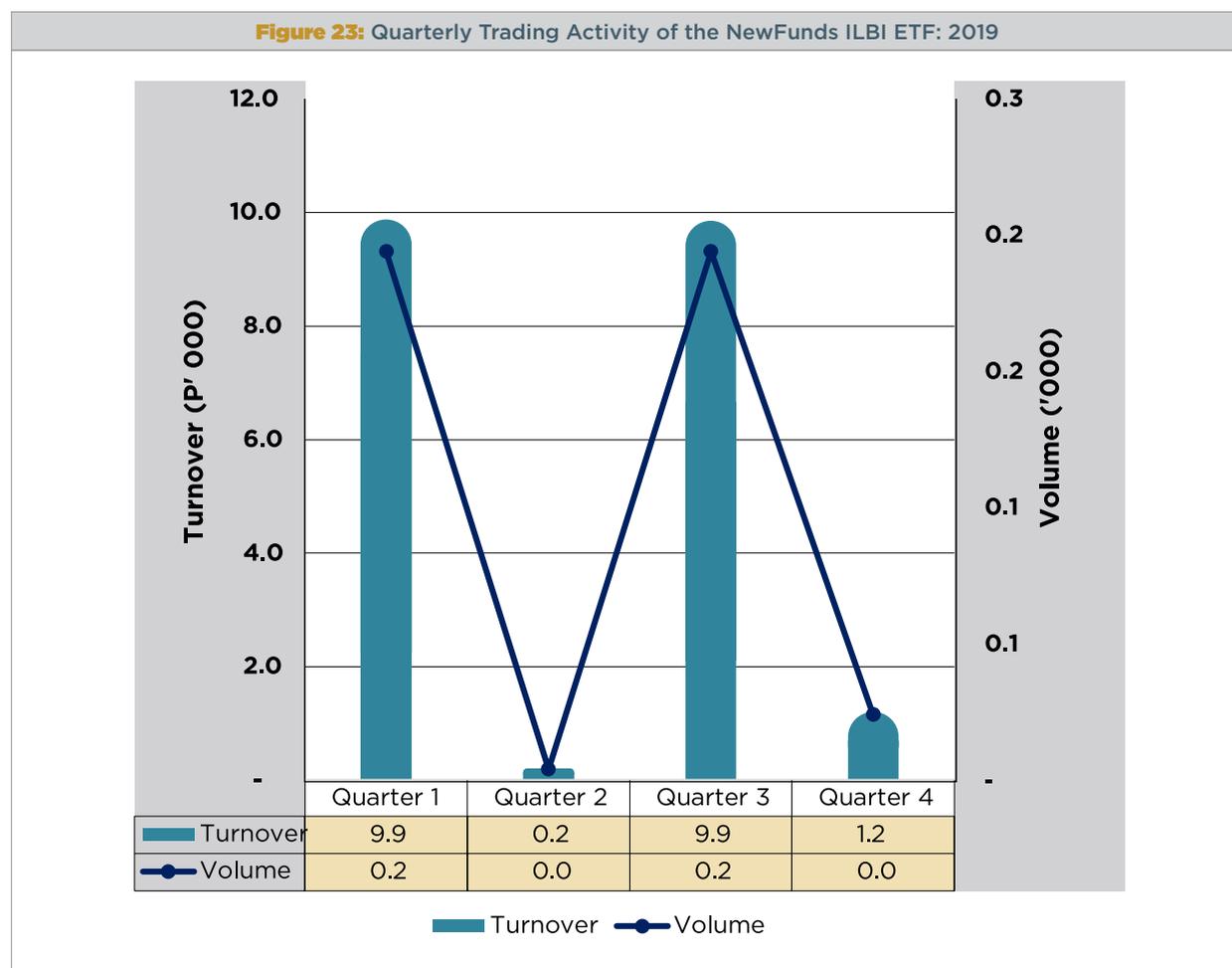
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Figure 22: Trading Activity of the NewFunds ILBI ETF: 2019NewFunds

NewFunds ILBI ETF	Amount
Turnover (P)	21,143.76
No. of Units Traded	416
NewFunds Price (BWP)	50.19

Source: BSE

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



Source: BSE, Absa Capital

CEO's REVIEW

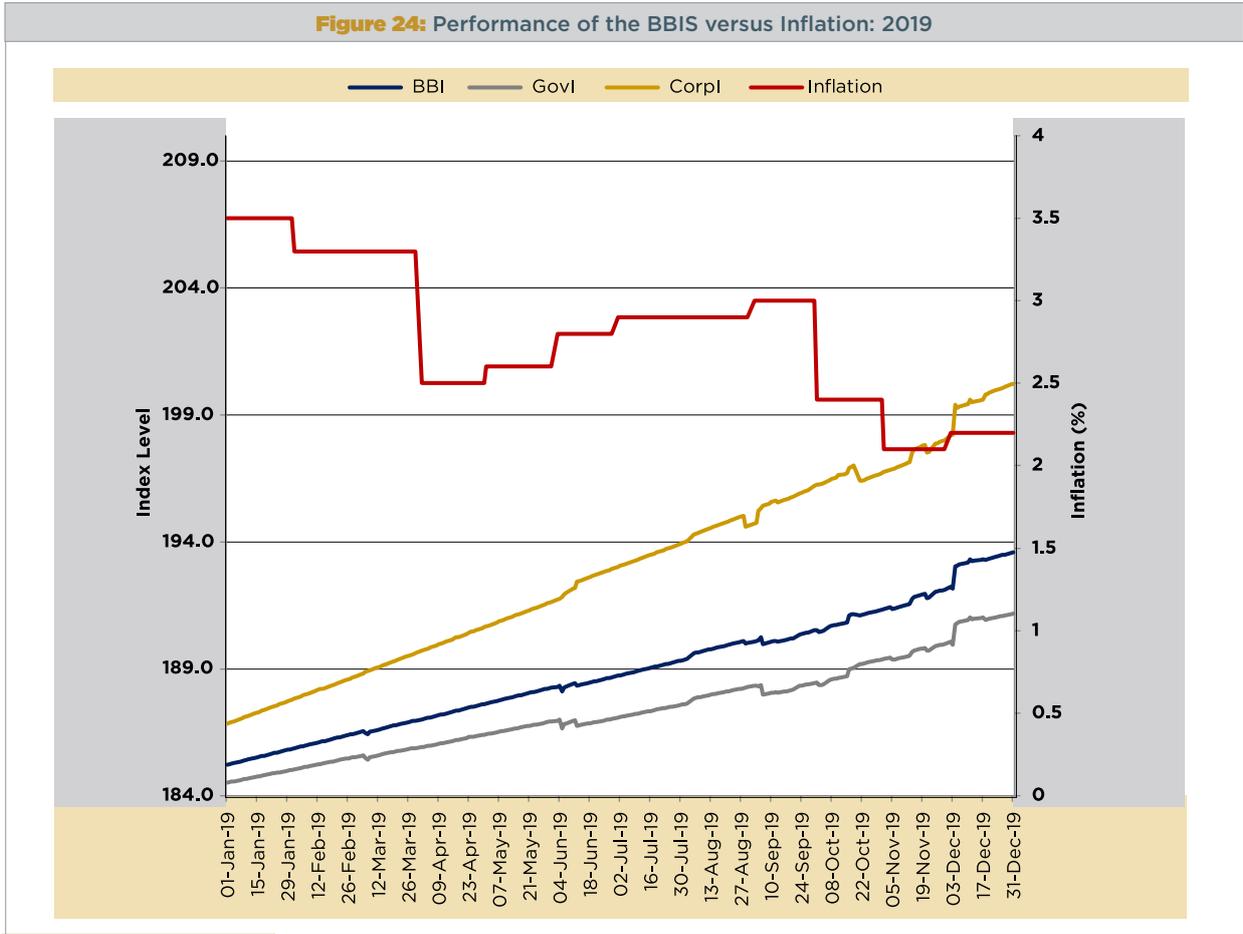
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4.0 BOND MARKET PERFORMANCE

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.

During the year under review, the BBI appreciated by 4.5% whereas the GovI and Corpl registered returns of 3.6% and 7.2% respectively. The BBIFixed returned 4.1% for the year while inflation averaged 2.8% in 2019. During the year, inflation predominantly registered below the central bank's objective range of 3%-6% and ended the year at 2.2%. The performance of the indices is detailed in Figure 24.



Source: BSE, BoB

CEO's REVIEW

Continued

The BoB's Monetary Policy Committee (MPC) sat six (6) times in the year; on 26th February, 24th April, 27th June, 29th August, 31st October and 5th December. At the 29th August meeting, the MPC reduced the Bank Rate by 25 basis points from 5.0% to 4.75% and maintained the reduced rate of 4.75% at subsequent meetings during the year.

4.2 Turnover in the Bond Market

As illustrated in Figure 25, activity in the bond market decreased marginally in 2019 relative to 2018. The value of bonds traded decreased by 2.1% from P2,222.7 Mn in 2018 to P2,175.4 Mn in 2019. Government bonds continued to dominate liquidity of the market accounting for 98.4% of total trades. The BSE listed five (5) new bonds in 2019 compared to ten (10) bonds in 2018.

At sector level, Government bonds accounted for 68.6% of market capitalization, Quasi-Government (0.5%), Parastatals (6.4%), Corporates (22.9%) and Supranational (1.5%).

Figure 25: Analysis of Bond Market Performance

	2018	2019
Liquidity (P'Mn)		
Government Bonds	2,176.8	2,141.1
Corporate Bonds	45.9	34.3
TOTAL	2,222.7	2,175.4
Market Capitalisation (P'Bn)		
Government Bonds	9.6	11.9
Corporate Bonds	5.5	5.4
TOTAL	15.0	17.3
Number of Bonds Listed		
Government Bonds	7	7
Corporate Bonds	42	39
TOTAL	49	46

Source: BSE

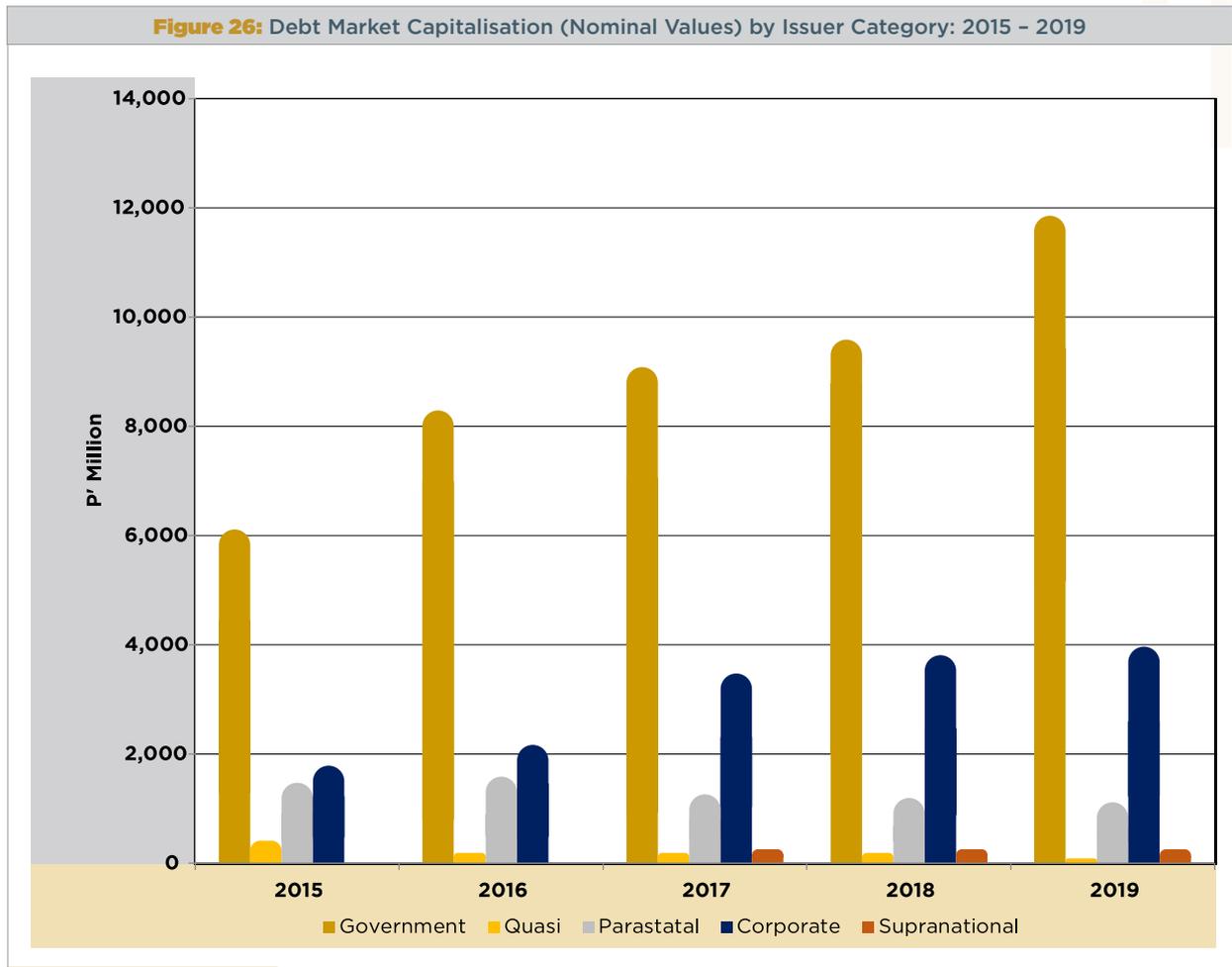
4.3 Bond Market Capitalisation and Issuer Profile

There were forty-six (46) bonds listed on the BSE as at the end of 2019 compared to forty-nine (49) bonds at the end of 2018. Figure 26 shows the growth of the debt capital market analysed by issuer profile since 2015. The total nominal debt market capitalisation amounted to P17.3 Bn in 2019 in comparison to P15.0 Bn in 2018.

This increase in the size of the bond market is attributable to the five (5) new corporate bond listings which added P627.2 Mn to the market capitalization and Government bonds tap issuances of P2.3 Bn during the year.

CEO's REVIEW

Continued



Source: BSE

5.0 MARKET INDICATORS

5.1 Indicators of Value

As can be seen from Figure 27, the overall market P/E ratio edged up in 2019 to 12.4 times while the Dividend Yield for the market declined to 4.8% in 2019 albeit remaining slight above its 5-year average. The market's Price to Book ratio remained constant at 1.5 times in 2019.

CEO's REVIEW

Continued

Figure 27: Market Indicators for Domestic Companies: 2015 to 2019

Domestic Companies	2015	2016	2017	2018	2019
Market indicators					
P/E Ratio (times)	12.3	13.4	13.3	11.2	12.4
Dividend Yield (%)	4.0	4.4	5.1	5.5	4.8
Price/Book Value (times)	2.2	1.8	1.7	1.5	1.5

Source: BSE

5.2 Equity Market Capitalisation

The BSE's domestic companies' market capitalisation stood at P38.7 Bn at the end of 2019 in comparison to P42.4 Bn in 2018, a reduction of 8.7%. As a result, the ratio of domestic market capitalisation to GDP decreased to 21.1% in 2019 from 23.8% in 2018. Conversely, the ratio of turnover to market capitalization slightly increased from 4.3% in 2018 to 4.5% in 2019.

Figure 28: Market Capitalization and Relative Performance: 2015 – 2019

	2015	2016	2017	2018	2019
Market Capitalisation					
Domestic Companies (P'Mn)	50,213.9	46,571.96	44,408.06	42,420.95	38,709.40
Foreign Companies (P'Mn)	370,885.3	374,741.23	373,735.71	370,747.33	369,164.80
Total (P'Mn)	421,099.2	421,313.19	418,143.76	413,168.28	407,874.20
Relative Performance					
Domestic Market Cap/GDP (%) ^{Note 1}	34.3	29.6	26.4	23.8	21.1
Turnover/Avg. Domestic Co Mkt Cap (%)	6.3	5.3	5.4	4.3	4.5
Turnover/ Avg. All Co Market Cap (%)	0.7	0.6	0.6	0.4	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

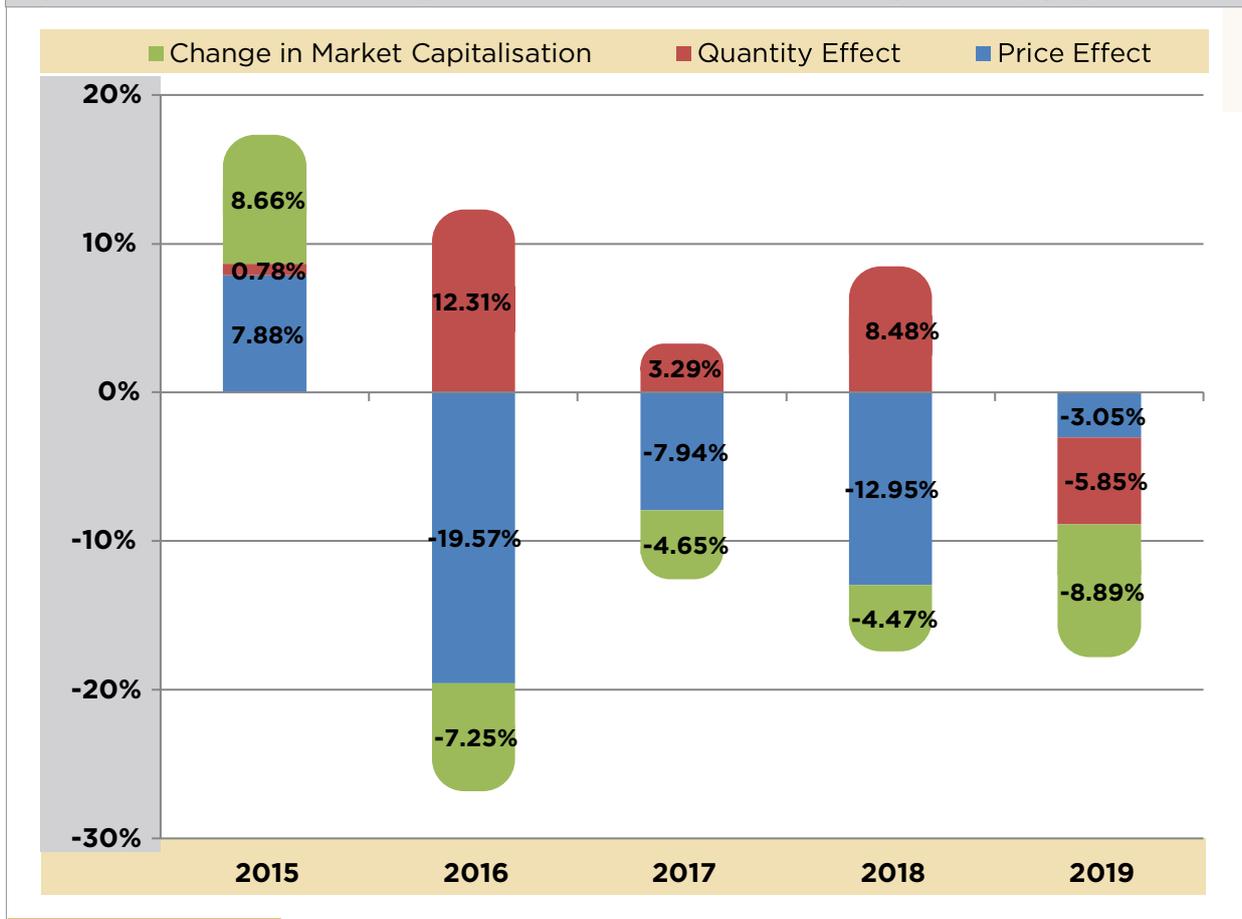
Source: BSE, Statistics Botswana

As can be seen in Figure 29, the change in market capitalisation in 2019 is attributed to the impact of a price effect of -3.05% and a quantity effect of 5.85%. The impact of delistings or the reduction in the number of issued shares outweighed the impact of reduced prices in 2019.

CEO's REVIEW

Continued

Figure 29: Estimated Price and Quantity Effect on the Growth of Domestic Market Capitalisation (Equity): 2015 - 2019



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.

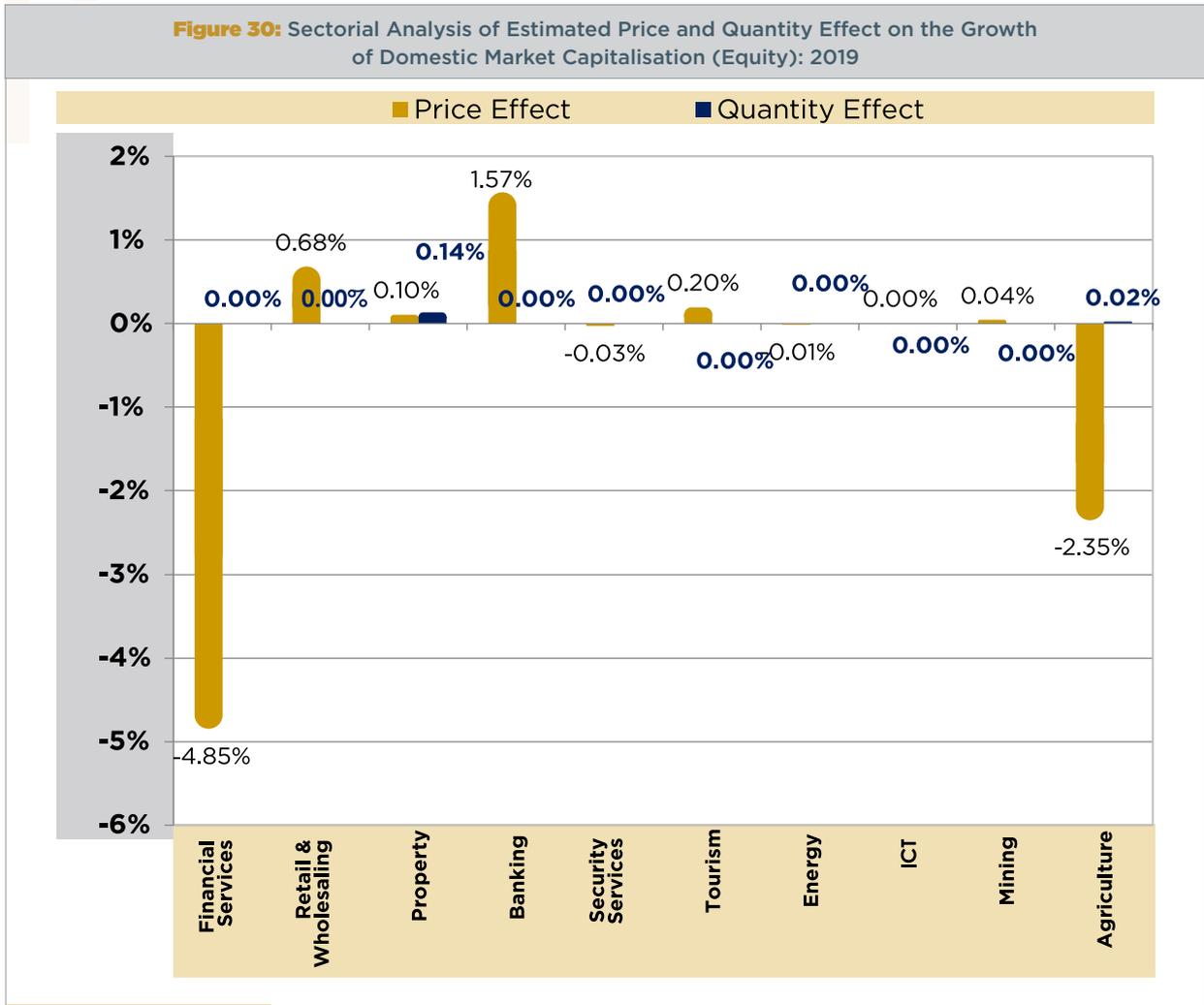
At sector level, the Banking and Retail & Wholesaling sectors contributed largest price effects, of 1.75% and 0.68% respectively, to the change in the domestic market capitalisation. The Financial Services (-4.85%) and Agriculture (2.35%) sectors contributed the least price effects to the growth of domestic market capitalisation.

From the quantity effect standpoint, the Property and Agriculture sectors provided the largest effects with the former contributing 0.14% and the latter contributing 0.02% to the change of domestic market capitalization.

CEO's REVIEW

Continued

Figure 30: Sectorial Analysis of Estimated Price and Quantity Effect on the Growth of Domestic Market Capitalisation (Equity): 2019



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

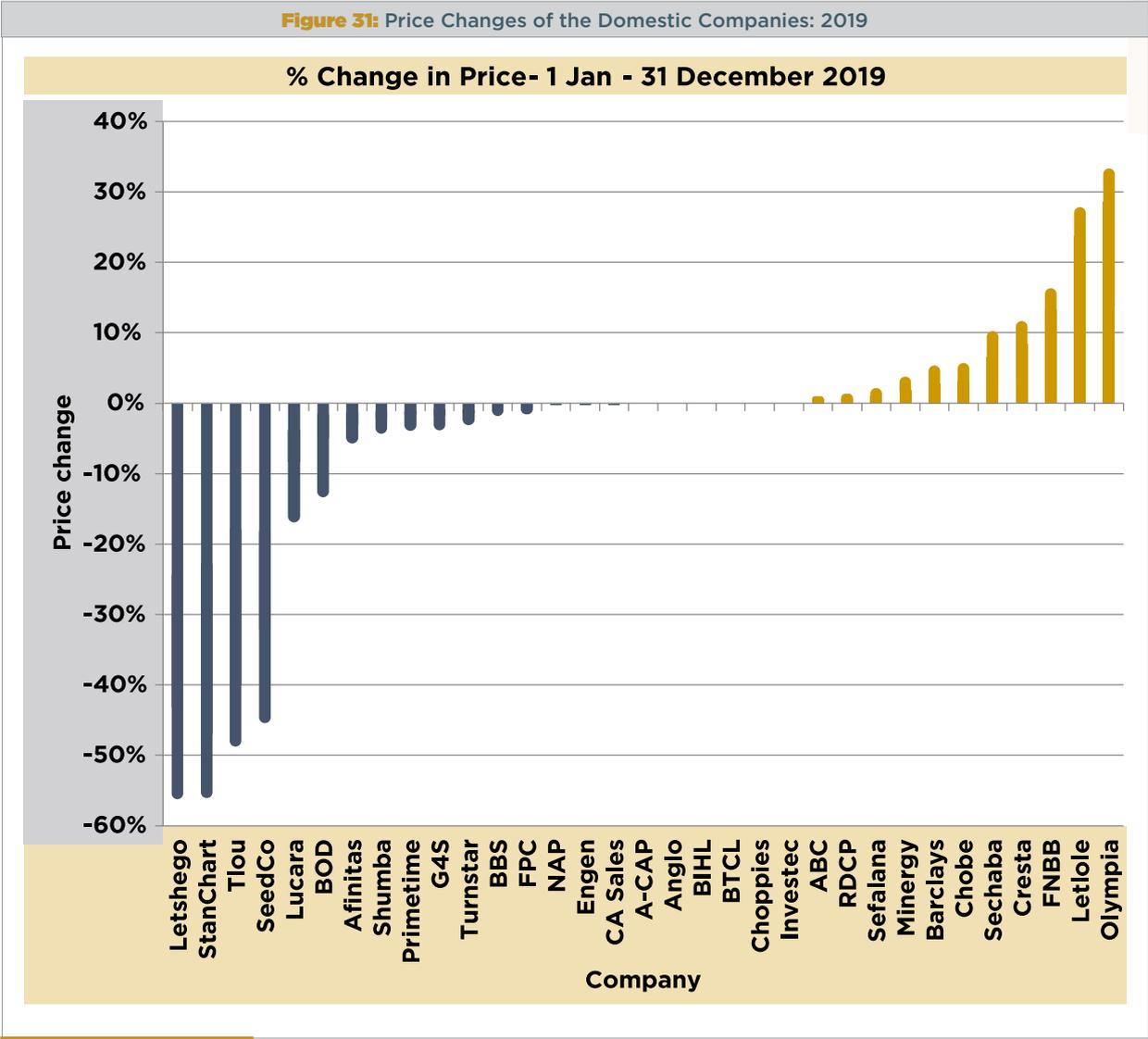
5.3 Price Changes of Domestic Companies

In 2019, the number of domestic companies that recorded declines in their share prices (10) were less than the number of domestic companies that realized share price appreciation (11). On the other hand, the prices of (3) companies remained unchanged.

The top three (3) gainers were Olympia Limited (+33.3%), Letlole La Rona (LLR) Limited (+27.8%) and First National Bank Botswana Limited (+16.3%). LLR was also the most traded counter in the year.

CEO's REVIEW

Continued



Source: BSE

6.0 COMPARISON WITH SELECTED MARKETS

6.1 Relative Valuations

Figure 32 presents relative valuations of the BSE and other markets. In relative terms, the BSE closed the year comparatively cheaper from a value perspective than the both JSE and SEM who registered a P/E ratio of 14.9 times and 17.2 times respectively, in comparison to the BSE's P/E ratio of 12.4 times in 2019.

CEO's REVIEW

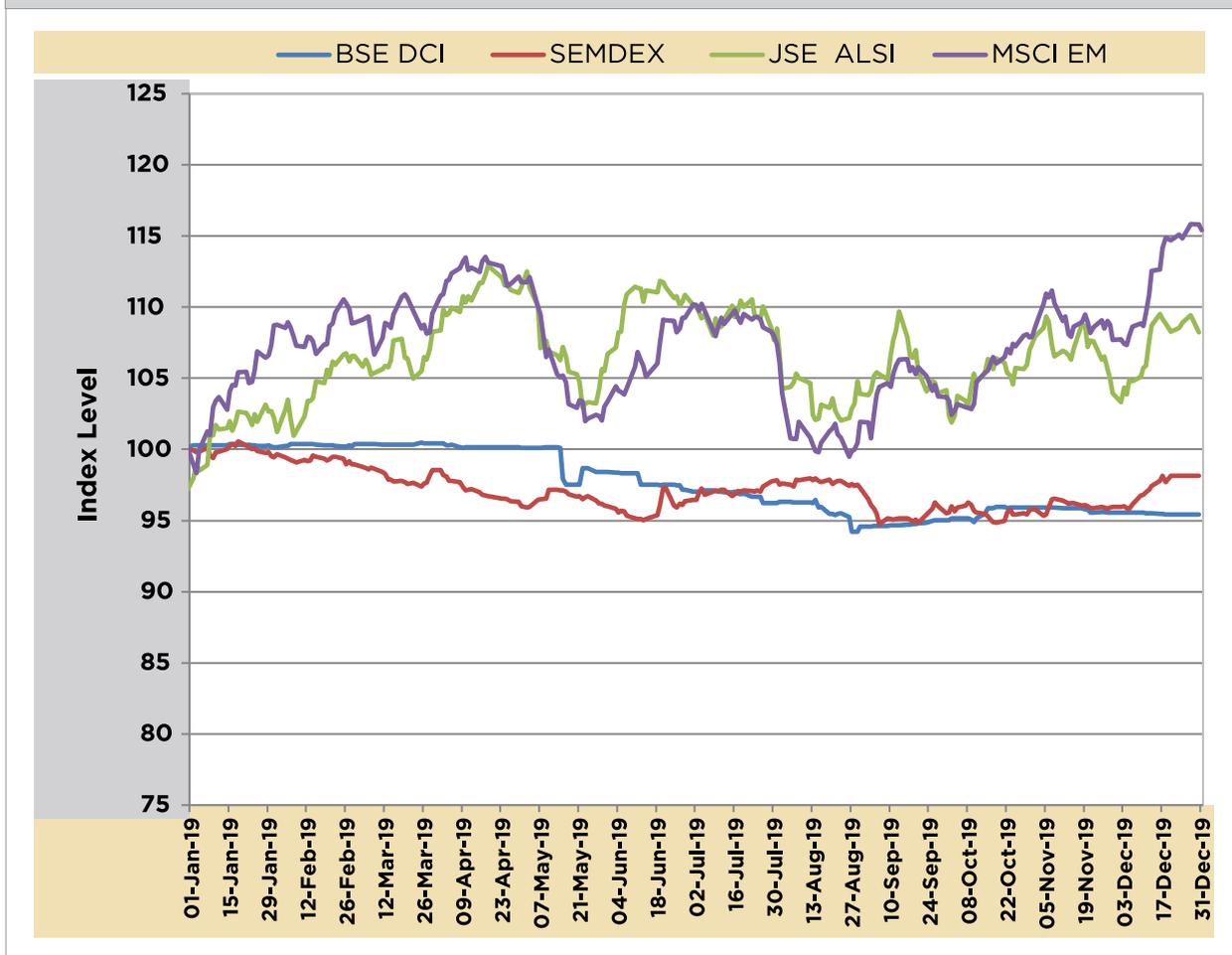
Continued

Figure 32: Comparative Performance with Other Markets: 2018 and 2019

	Index Change (%)		P/E Ratio (times)	
	2018	2019	2018	2019
Johannesburg Stock Exchange (JSE)	(11.4)	8.0	16.4	14.9
Stock Exchange of Mauritius (SEM)	0.7	(1.9)	18.1	17.2
Botswana Stock Exchange	(11.4)	(4.6)	11.2	12.4
MSCI Emerging Markets	(16.6)	15.5	n/a	n/a

Source: BSE

Figure 33: Comparative Performance of DCI with Other African Markets and MSCI Emerging Markets Index standardised as at 1 January 2019 (Domestic Currencies)



Source: BSE, JSE, SEM

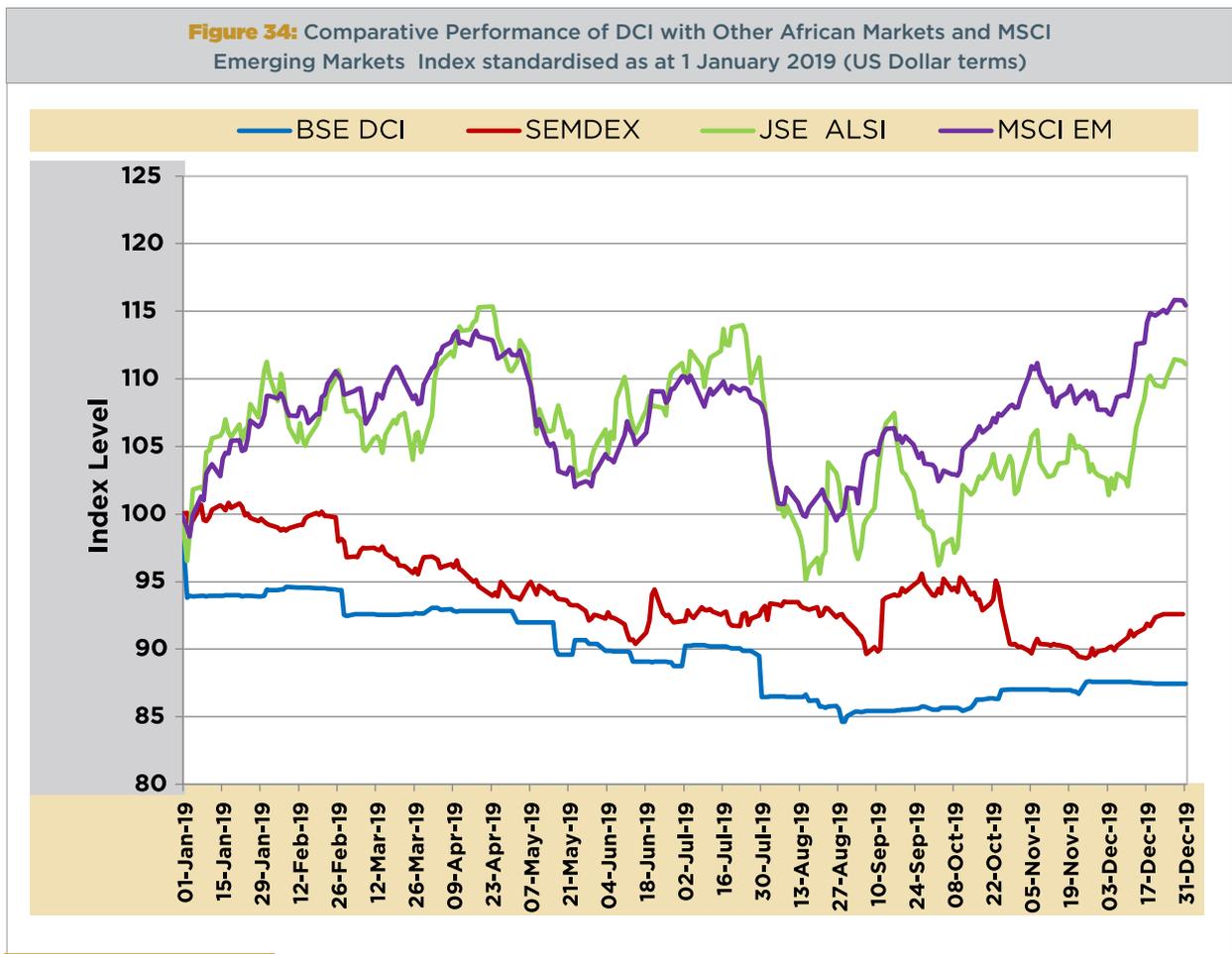
CEO's REVIEW

Continued

As shown in Figure 33, the MSCI Emerging Market (EM) Index outperformed the other three indices during 2019 as emerging posted impressive gains along with developed markets.

The MSCI EM index appreciated by 15.5% in 2019 while the BSE's DCI lost 4.6%. The JSE's ALSI gained 8.0% and the SEMDEX lost 1.9% in the year.

Figure 34 below outlines the comparative performance, in US dollar terms, of the BSE and its regional counterparts. Owing to the Pula's 8.4% depreciation against the US dollar in 2019, the DCI registered an 12.5% decline in US Dollar terms. The JSE ALSI appreciated by 11.1% and SEMDEX declined by 7% in US Dollar terms.



Source: BSE, JSE, SEM

CEO's REVIEW

Continued

As detailed in Figure 35, the DCI has recovered 23.4% since 13 May 2009, the point at which the index bottomed subsequent to the financial crisis.

Figure 35: Comparative Performance of Indices since the Financial Crisis

INDEX	Steepest Decline Since 13-Sep-2008		Recovery to 31-Dec-19	13-Sep-08 to 31-Dec-19	Jan-Dec 2019
	% Change	Date	% Change	% Change	% Change
JSE ALSI	▼ 32.0	20 - Nov -08	▲ 222.4	119.6	8.0
SEMDEX	▼ 44.4	03 - Mar - 09	▲ 136.7	31.6	-1.9
DCI	▼ 24.4	13 - May - 09	▲ 23.4	-7.3	(4.6)
FCI	▼ 57.4	12 - May - 09	▲ 43.4	(38.2)	(0.5)

Source: BSE, Iress

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 2015 by making reference to four (4) variables.

The footprint of the BSE relative to 2015 is presented in Figure 36 and Figure 37. These are computed on the basis of the relative size of the market (measured by Market Capitalisation/GDP), turnover (measured by Average Daily Turnover), liquidity (measured by Turnover/Market Capitalisation) and value (measured by the Earnings Yield - the reciprocal of the P/E ratio).

Figure 36: BSE Footprint in Relation to 2015

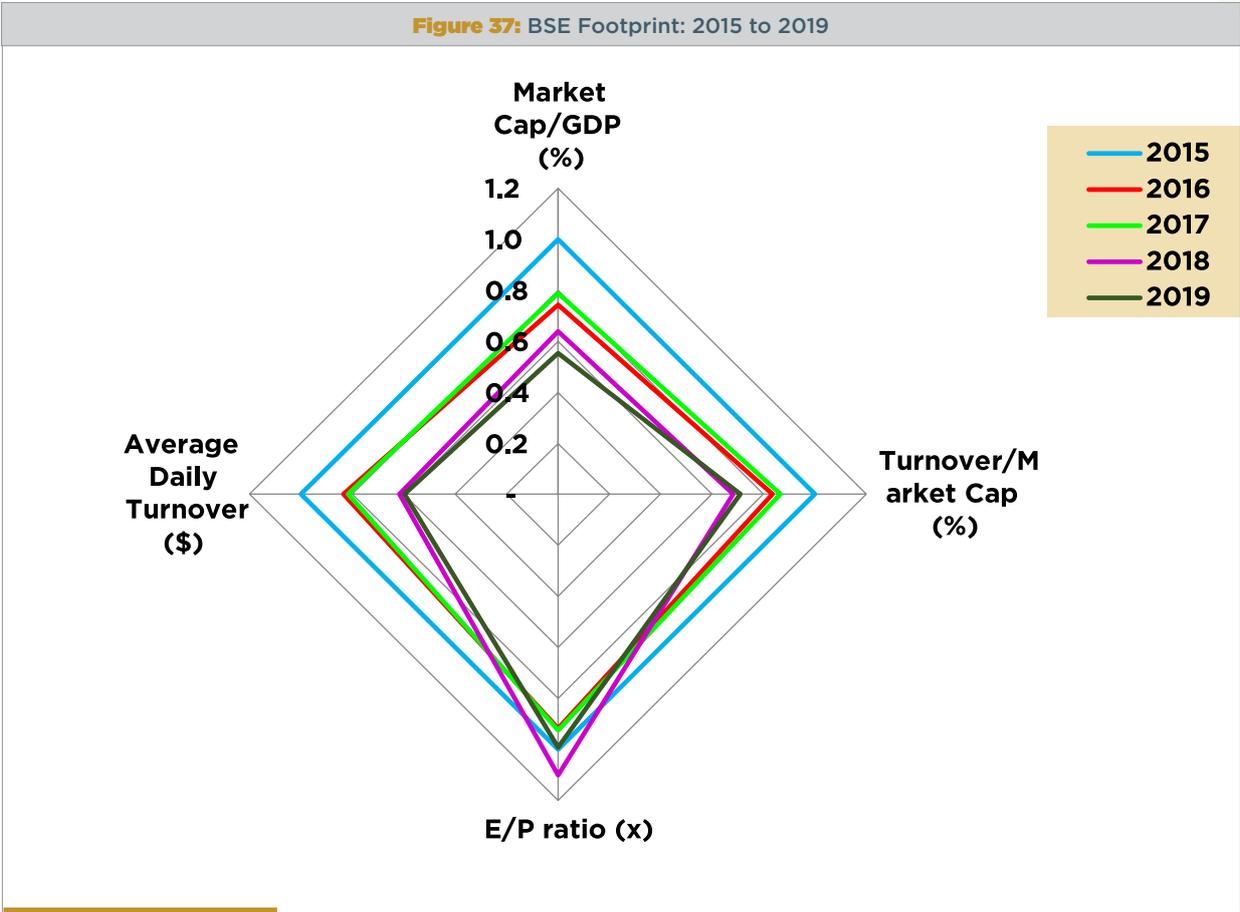
	2015	2016	2017	2018	2019
Market Cap/GDP (%)	1.00	0.62	0.66	0.41	0.36
Turnover/Mkt Cap (%)	1.00	0.77	0.78	0.71	0.65
E/P Ratio (x)	1.00	1.39	1.44	1.13	1.01
Average Daily Turnover (P)	1.00	0.69	0.72	0.56	0.50
Area of footprint	2.00	0.62	0.66	0.41	0.36
Relative Area of Footprint in relation to 2015 (x)	1.00	0.77	0.78	0.71	0.65

Source: BSE, Statistics Botswana

CEO's REVIEW

Continued

Relative to the other years, the liquidity in 2019 was low but higher than in 2018. However, in terms of the Earnings Yield 2019 outperformed the other years other than 2018.



Note: Domestic Market Capitalisation/ GDP, Turnover/ Domestic Market Capitalisation. E/P ratio and Average daily turnover for 2015 were standardized to 1 and the BSE's footprint for 2015 to 2019 was compared to the standardized footprint for 2015
 Source: BSE, Statistics Botswana

CEO's REVIEW

Continued

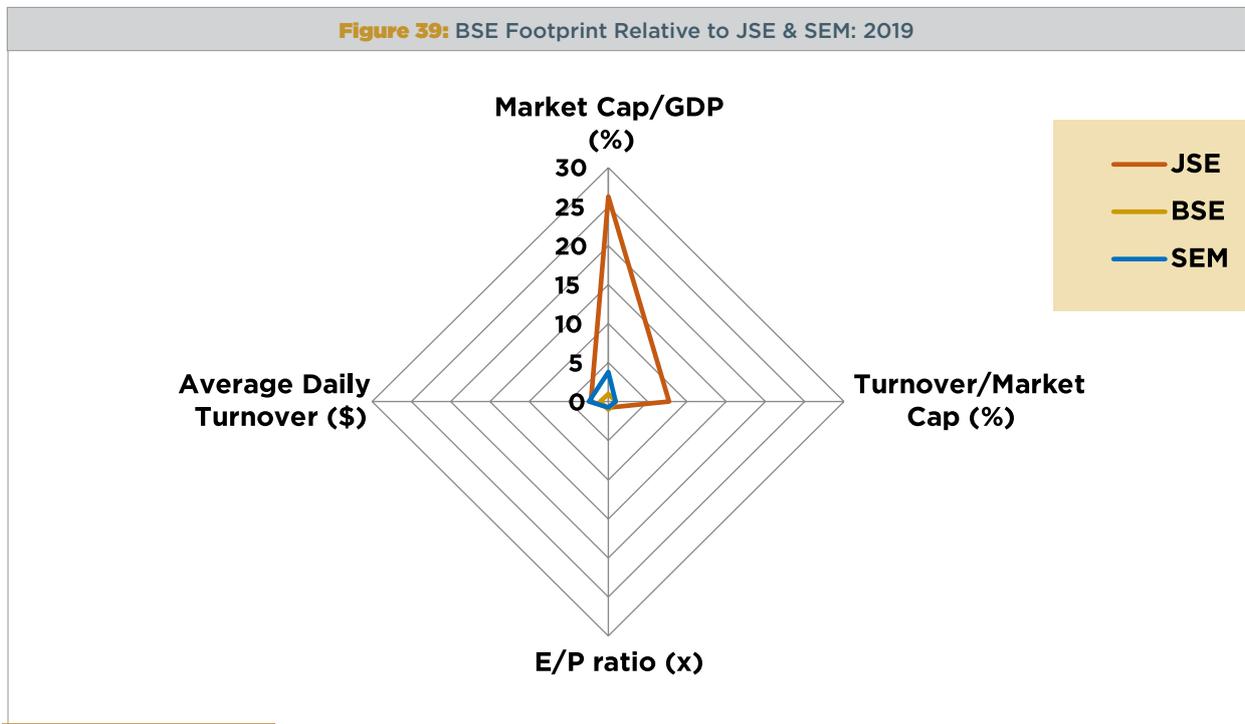
Figure 38 and Figure 39 detail the footprint of the BSE in relation to the footprint of the JSE and SEM in 2019. Owing to the decrease of BSE's turnover and market capitalisation, the relative footprint of the BSE relative to the SEM and the JSE.

Figure 38: BSE Footprint Relative to JSE & SEM: 2019

2019	BSE	JSE	SEM
Market Cap/GDP (%)	1.00	26.29	3.81
Turnover/Mkt Cap (%)	1.00	7.76	0.96
E/P Ratio (x)	1.00	0.75	0.72
Average Daily Turnover (\$)	1.00	2,182.04	2.43
Area of footprint	2.00	29,615.13	6.46
BSE footprint in relation to JSE and SEM (%)	100.00	0.01	26.03

Source: Statistics Botswana, BSE, IMF, Iress

Figure 39: BSE Footprint Relative to JSE & SEM: 2019



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

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

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

CEO's REVIEW

Continued

As illustrated in Figure 40 below, the percentage footprint of the BSE was 26.03% in 2019 relative to the footprint of SEM. Similarly, the percentage footprint of the BSE relative to the JSE remained constant at 0.01% in both 2019 and 2018.

Figure 40: BSE Footprint in Relation to JSE & SEM: 2013 to 2019

	2015	2016	2017	2018	2019
BSE relative to SEM (%)	53.97	56.96	17.52	30.22	26.03
BSE relative to JSE (%)	0.04	0.02	0.01	0.01	0.01

Source: BSE

7.0 PRIMARY MARKET

7.1 Equity

Owing to the tough economic and market environment, no equity listing occurred during the year. Nonetheless, the interest in floating public equity continued to rise due to higher levels of awareness and the need to raise capital.

7.2 Fixed Income

In total there were five (5) new bonds listed on the BSE during 2019. Five (5) new corporate bonds were listed in 2019. These were RDCP001 (P46.35 Mn), CGL001 (128.51 Mn), SBBL068 (P212 Mn), SBBL069 (P88 Mn), and FNBB010 (P196.8 Mn). Eight (8) bonds were redeemed or matured during the period under review and the market ended the year with forty-six (46) listed bonds in total. Additionally, BoB conducted its quarterly auctions as follows:

Quarter 1: At its first bond auction of 2019 on 1 March, additional tranches of the following were offered; BW013 (P137 Mn allotted) and BW014 (P355 Mn allotted).

Quarter 2: At its second auction of the year conducted on 31st May 2019, the following bonds were reopened; BW007 (P150 Mn allotted), BW014 (P227 Mn allotted) and BW015 (P100 Mn allotted).

Quarter 3: The third Government Bond Auction conducted on 30th August 2019 saw the re-opening of the BW013 (P200 Mn allotted), BW014 (P232 Mn allotted) and BW015 (P250 Mn allotted).

Quarter 4: At the auction on 29th November 2019, three bonds were re-opened. The re-opened bonds were BW007 (P200 Mn allotted), BW014 (P350 Mn allotted), and BW012 (P90 Mn)

8.0 DEPARTMENTAL REVIEWS

8.1 Central Securities Depository (CSD)

8.1.1 Drafting of Securities Borrowing and Lending (SBL) Rules

The initial draft of the Securities Borrowing and Lending Rules has been completed and published to the market for comments. However, the finalisation of these Rules has been deferred to post-implementation of the new CSD system.

8.1.2 Progress on Account Opening

The number of accounts opened by investors (excluding joint accounts and multiple registrations) as at 31st December 2019 stood at 94,051, an increase of 3.5% year-on-year. 3,223 new CSDB accounts were opened in 2019.

CEO's REVIEW

Continued

Figure 41: Status of CSD Accounts as at December: 2018 and 2019

Client Classification	2018		2019	
	Total	% of Total	Total	% of Total
Foreign Companies	4,119	4.5	4,255	5.0
Foreign Residents	1,578	1.7	1,625	2.0
Foreign Individuals	830	0.9	933	1.0
Foreign Juniors	77	0.1	74	0.0
Local Companies	1,019	1.1	1,136	1.0
Local Individuals	75,797	83.5	78,777	84.0
Local Juniors	7,408	8.2	7,251	8.0
Total	90,828	100.00	94,051	100.00

Source: CSDB

8.1.3 CSDB Client Holdings

Figure 42 illustrates that local companies, which are largely local institutional investors, continue to dominate the holdings on the CSD. However, their holdings increased slightly from 66.0% as at the end of 2018 to 67.0% at the end of 2019.

Figure 42: CSDB Client Holdings by Client Category

Client Suffix	2018	2019
Local Company	66.0%	67.0%
Foreign Company	20.2%	19.3%
Local Individual	11.9%	11.4%
Other Clients	1.9%	2.3%
Total	100.0%	100.0%

Source: CSDB

As detailed in Figure 43, local citizens dominated the overall holdings on the CSD.

Figure 43: CSDB Client Holdings by Geography

Client Domicile	2018	2019
Local Citizens	77.9%	78.6%
US Citizens	1.4%	1.5%
UK Citizens	1.8%	1.5%
SADC Region	7.7%	11.5%
Other Regions	11.1%	6.9%
Total	100.0%	100.0%

Source: CSDB

CEO's REVIEW

Continued

8.2 Market Development

8.2.1 Opening Bell Ceremonies



October 2019 Opening Bell Ceremony: Official Bell Ringing - During this Ceremony, the BSE hosted local tertiary institutions to discuss the importance of financial education facilitated in our country amongst the student community.

The BSE continued its initiative of hosting the monthly Opening Bell ceremonies, and these were conducted from January until November. The ceremonies were held under various targeted topics that aimed to uphold and address topical notions and disciplines important to the mandate of the BSE, its role in society and in deepening the capital market which such themes as collaboration, health, financial literacy and bond markets, among others. The platform was also used to acknowledge and showcase the various strategic project in the BSE such as the annual finance and investment secondary schools' competition, the bond market conference and the ASEA Conference which was held for the first time in Botswana in 2019.

8.2.2 Annual Senior Secondary Schools Finance & Investment Competition

On 17th August, the BSE held the 7th Annual BSE Senior Secondary Schools Finance & Investment Competition in Gaborone. This competition is the BSE's annual flagship, youth-focused initiative aimed at promoting financial literacy at a grass-root level and cultivating a culture of saving and investing among the youth.

In April, the BSE was awarded the Best Exchange Education Initiative award by SRP, a part of the Euromoney Institutional Investor PLC, at the Structured Retail Products (SRP) Conference in

Cape Town, South Africa as recognition of this flagship initiative. This initiative is an important contributor to increasing youth financial literacy in the long run, improving socio-economic status in Botswana and promoting the participation of retail investors in the stock market. It not only seeks to interest student about and get them started in the stock market but it also contributes towards meeting the more important Sustainable Development Goals (SDGs) which include Reduced Inequalities, No Poverty and Quality Education. It was mainly for its noble sustainable socio-economic impact that the BSE received this coveted award.



All the participating schools of the 7th Annual BSE Senior Secondary Schools Finance & Investment Competition 2019 with BSE Management & Staff.

CEO's REVIEW

Continued

8.2.3 Open Days

Open Days continue to help increase the reach and accessibility of the BSE to promote stock market education as well as promote the listing value proposition. In 2019, BSE hosted four (4) Open Days in Hukuntsi, Nata, Molepolole

and Bobonong. These Open Days were well attended by members of the public. This initiative is conducted with the support of the broker community and other investment management firms. It is in line with the BSE's effort to develop Botswana's financial literacy levels and investor participation in the stock market.



Members of the public attending the BSE Hukuntsi Open Day.

8.2.4 BSE Quarterly Magazine



The 'Botswana Stock Exchange Limited News' magazine is a quarterly publication that disseminates domestic and global information about the capital markets. It primarily serves to generate revenue for the BSE through advertisement and to promote the visibility of the domestic capital market to enhance information flow and investor participation. The publication is accessible across various platforms such as retail outlets, book shops, hotels, events, Embassies in Botswana, as well as the BSE website.

Issue 8 of BSE NEWS

CEO's REVIEW

Continued

8.2.5 Data Display Screens

BSE embarked on a project to introduce data display screens. The tender was awarded successfully and two display screens, one indoors and another outdoors, are mounted at the BSE offices and another outside the Zambezi Building at the Central Business District in Gaborone. The data display screens show prices of listed securities and broad market indices. Further, the outdoors screen located at the Central Business District also displays live market data and advertisements for revenue generation by the Exchange.

8.2.6 23rd African Securities Exchanges Association (ASEA) Annual General Meeting and Conference

From the 25th to 26th November 2019, over three hundred (300) capital market participants attended the 23rd Annual General Meeting and Conference of the African Securities Exchanges Association (ASEA) hosted the

BSE. The conference was officially opened by His Excellency, the President of the Republic of Botswana, Dr. Mokgweetsi Eric Masisi. Dr. Masisi's remarks underscored the importance of capital markets as crucial links between the real economy and the financial economy, allowing the African continent to realise positive outcomes such as improved products and services, as well as mobilization of capital for broader improvement of livelihoods. Throughout the conference, thematic panel discussions and presentations were made encompassing Small-Medium Enterprise (SME) Financing through Capital Markets, the Value of Market Infrastructure, and the Rise of Alternative Assets in African Capital Markets, among others.

The conference also featured the signing of the MoU between ASEA and the Chartered Financial Analyst (CFA) Institute and the subsequent launch of a research brief focusing on African capital markets, as well as studies conducted by the various ASEA working groups on pertinent issues and strategic priorities of ASEA. The BSE is one of the countries covered in the CFA research brief.



His Excellency, the President of the Republic of Botswana, Dr. Mokgweetsi E. K. Masisi delivers Official Opening Address at the 23rd ASEA Conference held in Kasane.



His Excellency, the President of the Republic of Botswana, Dr Mokgweetsi E.K Masisi, Cabinet Ministers, ASEA EXCO & BSE Board at the 23rd ASEA Conference held in Kasane.

CEO's REVIEW

Continued

8.2.7 BSE Conducts the inaugural Tshipidi Mentorship Program

In the second half of the year, BSE introduced the BSE Tshipidi Mentorship Program to compliment the Tshipidi SME Board introduced with the newly effected BSE Equity Listing requirements. The program was meant to prepare local SMEs to transition into capable corporations that can potentially access long-term equity capital through a listing on the BSE and grow beyond the borders of Botswana. The program ran for three months (June to August 2019), with two-day workshops for

each month. For the year 2019, twenty (20) companies participated and graduated from the program. Participating sectors included Banking, Manufacturing, Transportation, Retail, Energy, and Financial Services among others. BSE designed this program to blend theoretical learnings with practical applications that are deemed appropriate for SME business prosperity and to be a guide in assisting SMEs access long-term financing on the BSE. It is to be strengthened with more intimate follows-ups in 2020 and one-on-one mentorships volunteered by CEOs of listed companies, unto managers and owners of the businesses that participated in the program.



Group Picture - Graduates of the Inaugural Tshipidi Mentorship Program with BSE Chairperson, Lt. Gen. Tebogo C. Masire, BSE CEO, Mr. Thapelo Tsheole and Business Botswana President, Mr. Gobusamang Keebine

8.3 Information Technology

8.3.1 Implementation of New CSD System

The implementation of a new CSD system that comes with new functionalities such as Securities Borrowing and Lending (SBL), management of the Settlement Guarantee Fund, IPO processing, E-Voting for listed entities, repo management and online investor access among others, commenced in the first quarter of 2019. The system is an integral element of the ongoing

Single CSD project pioneered the Ministry of Finance & Economic Development, NBFIRA and BSE. With its ability to connect real time to the Botswana Interbank Settlement System (BISS), it will ensure settlement in central bank money and reduce counterparty risk, in the process helping improve settlement efficiency and compliance with the IOSCO Principles for Financial Markets Infrastructures (PFMIs). The project progressed very well and the system is set to 'Go-live' during the second quarter of 2020.

CEO's REVIEW

Continued

8.3.2 Revamped Website and Mobile Application

Both the new BSE website and mobile application will feature new capabilities that include real-time market price tickers utilizing the BSE's new Data Analytics and Reporting System (DARS). With respect to the mobile application the developer and the BSE have finalized the custom interface and capabilities as per the BSE's requirements. The application is currently undergoing testing and will be ready for launch during the first quarter of 2020. This is in line with the BSE's digitization strategy to improve efficiency and enhance engagements with all stakeholders.

8.4 Product Development

8.4.1 Guidance for Listed Companies on Reporting ESG Information to Investors and hosts Responsible Investing and ESG Workshop

In January 2019, the BSE published its inaugural Guidance for Listed Companies on Reporting ESG Information to Investors. This was as a result of the BSE's commitment to promote long-term sustainable investment and improved environmental, social and corporate governance disclosure and performance among listed companies. The BSE is a Partner Exchange of the United Nations Sustainable Stock Exchange (SSE) initiative. The SSE initiative is a peer-to-peer

learning platform for exploring how exchanges, enhance corporate transparency and performance on ESG (Environmental, Social and Governance) issues and encourage sustainable investment.

In June, the BSE hosted a workshop on Responsible Investing and ESG which was well attended by issuers, potential issuers and investors. The workshop featured speakers from the BSE, the Ministry of Finance and Economic Development (MFED), the United Nations-supported Principles for Responsible Investment (PRI), the Sustainable Stock Exchanges (SSE) Initiative and local institutional investors.

8.4.2 Bond Market Conference 2019

On 20 June 2019, Botswana Bond Market Association (BBMA) hosted the 2019 Bond Market Conference under the theme "Strengthening the Bond Market to Support the Fiscus and Private Sector Development." The conference was attended by just over 200 delegates from various financial institutions, pension funds, and by representatives from other private and public corporations and featured speakers from local and international organisation within the industry, such as the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI), the International Finance Corporation (IFC), and the African Development Bank (AfDB).



Botswana Bond Market Association Committee Members at the 2019 Botswana Bond Market Conference

CEO's REVIEW

Continued

8.4.3 Market Participants Training Seminars



Participants of the Fundamentals of Investments Workshop

On the 11th July and 8th August, the BSE, in conjunction with Arthur Portland College, held two (2) Fundamentals of Investments Seminar. The objective of the seminar was to enhance knowledge of BSE listed instruments among individual investors, pension fund trustees, finance officers, and the general public. The seminars were designed to offer a blend of theory and practical approaches to investing in various asset classes including those offered on the BSE. The topics covered were; Understanding Financial & Capital Markets, Fundamentals of Equity Investments, Fundamentals of Fixed-income Securities, Basic Principles of Financial Statements, Understanding Exchange Traded Funds (ETFs) and an Overview of Alternative Investments and Cryptocurrencies. A total of forty-eight (48) candidates participated in the paid seminars for the year.

8.5 Legislation And Regulation

8.5.1 New Equity Listings Requirements and Rules for Market-Makers

At the beginning of 2019 the BSE implemented the new Equity Listings Requirements aimed at providing a comprehensive process of how companies can list their equity securities on the Exchange. The new requirements include improved disclosure requirements across the different boards, provide rules for the listing of investment entities, and Special Acquisition Companies (SACs), among others. Included in the new Equity Listings Requirements are the Requirements for listing on the Tshipidi SME Board, which facilitates the listing of companies with relatively smaller capital bases. These requirements are relatively more accommodative than those of the Main and Venture Capital Boards and they further cement the BSE's commitment of developing Small-Medium Enterprises which are integral to the development of Botswana's economy. In the same fashion, Rules for Regulating Market-Makers were introduced at the beginning of the

year. These Rules have been framed in order to regulate Market-Makers whose purpose on the Exchange is to provide liquidity in listed securities by submitting both bids and offers for a designated security during the designated Market-Making session. These Rules apply to all entities conducting market-making activities on the Exchange currently and in future and will further assist develop market liquidity of listed securities.

8.5.2 Revised Equity Brokerage Commission Structure

In December, NBFIRA approved the new equity brokerage commission structure and this was implemented before the close of the year. The new structure is tiered, on a sliding scale basis unlike the old structure that had a floor of 0.60% and a ceiling of 1.85%. The revision came as a result of the recognisable impact of the old structure on trading activity – which effectively had increased the transaction costs and inhibited trading activity. In concert with market participants a new viable structure was proposed by the BSE and endorsed. Due to reduced transaction costs, trading activity is expected to rebound progressively.

8.5.3 Refresher Workshops and AML Workshop

In August the BSE held a two (2) day workshop on Anti-Money Laundering/ Counter-Financing of Terrorism. The AML/CFT Workshop was designed to equip reporting entities with the knowledge and skills to understand their obligations under relevant AML/CFT laws and regulations in Botswana including implementing an effective risk-based approach to combat money laundering and terrorism financing and their AML/CFT reporting obligations. The workshop was done in partnership with Mr. Chris Douglas, a former Australian police officer who served for 31 years with the Australian Federal Police (AFP) and covered the following topics; Introduction to Money Laundering, International AML/CFT Framework, AML/CFT System of Botswana, Overview of 2017 Mutual Evaluation of Botswana, AML/CFT Risk Based Approach, and Know Your Customer (Customer Due-Diligence, Enhanced Customer Due-Diligence, Ongoing, Monitoring & Financial Inclusion). Over fifty (50) people attended this paid workshop which included Government Regulators, Brokers and Dealers, Institutional and Retail Investors, Financial Institutions, Non-Bank Financial Institutions, Commercial Banks and Bureau de Change, Company & Trustee Providers, Financial Advisers & Wealth Managers, Casinos and Regulators.

8.6 Human Capital

Two (2) of the BSE staff members, Mr. Kopano Bolokwe, Head of Product Development and Mr. Tsametse Mmolai, Head of Listings and Trading were admitted to the International Finance Corporation-Milken Institute Capital Markets Program (IFC-MI CMP). The program commenced in August 2019 for completion in April 2020. The two among the twenty-three (23) members of the cohort from frontier markets. On the basis of the selection, the two were awarded scholarships covered by the IFC and the Milken Institute. The IFC-MI CMP is a fully accredited program that aims to build future leaders and role models for public service and financial market development.

The program comprises of a four (4) month tailored course-work and training workshops at the George Washington University School of Business and a four (4) month internship in private and public sector institutions across the US financial industry.

The BSE also continued to send its staff members to several training programs on their field of expertise locally and across the borders.

8.7 International Participation

8.7.1 Domestic and International Activities

The BSE staff participated at various forums during the year and these included the SRP conference in South Africa, the Emerging and Frontier Markets Forum organised by Michael Bloomberg in London, the AFSIC conference in London, and several local conferences, workshops and seminars.

9.0 CEO's APPRECIATION

We are at the end of our 3rd year of our strategic plan going into the 4th year and the last three (3) years have propelled us into a tremendous phase of development as an organisation and as an industry. We are also a year and four (4) months into our new stature following the completion of demutualisation and the conversion to a company in August 2018. The cultural shift has been remarkably smooth, and credit on this account accrues to the stewardship of our Board and the immense support of the shareholders. We have been able to leapfrog into the new territory without any operational challenges.

As usual, we recognise that our contribution to be industry and to the national economy at large is of immense importance in the context of our mandate and we continually strive to position Botswana as a competitive investment destination in the global scale, particularly among our peers in frontier markets. This can be noted from our courage in hosting the 23rd ASEA conference in just three (3) years of BSE representation in the

ASEA Executive Committee. This audacity has put us at par with larger markets in the continent and launched new relationships with peers globally.

Subsequent to hosting the Zimbabwe capital markets delegation in the middle of the year to appraise them about various developments in Botswana capital markets, we signed an MoU

with ZSE to explore opportunities for dual listings and cross border investing. Inevitably, attracting foreign companies is a credible way of importing assets into the capital-surplus local market. In recent times, we have been magnetic to Pan-African corporates and we intend to intensify our efforts to become even more visible across the region. This MoU will, in part, facilitate this.



Signing of the MoU between BSE CEO, Mr. Thapelo Tsheole and ZSE CEO, Mr. Justin Bgoni.

In 2020, our technological offerings will take effect, and we expect these to materially improve service delivery and efficiencies. Furthermore, we have been undertaking significant ground work locally and internationally exploring innovative opportunities and we hope to see to results of the short to medium term in respect of listed instruments and investor participation.

With this review and remarks, I would like to express my appreciation to the shareholders, the Board of the BSE, market participants, listed entities and to our partners across the world. With

sincerity, I congratulate the BSE staff for a good year and recognise their perseverance in delivering our strategy.

Thank you.

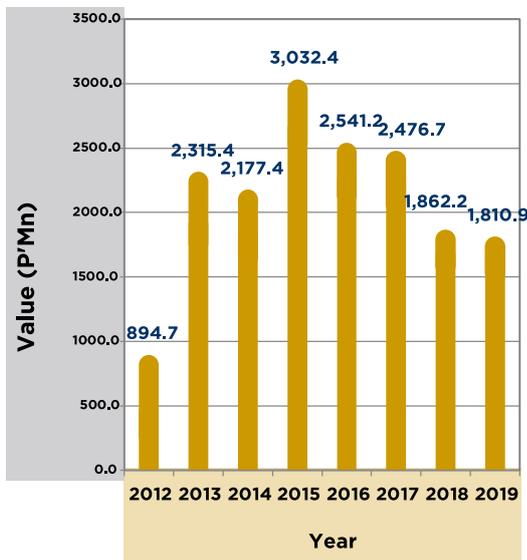
THAPELO TSHEOLE
CHIEF EXECUTIVE OFFICER

CEO's REVIEW

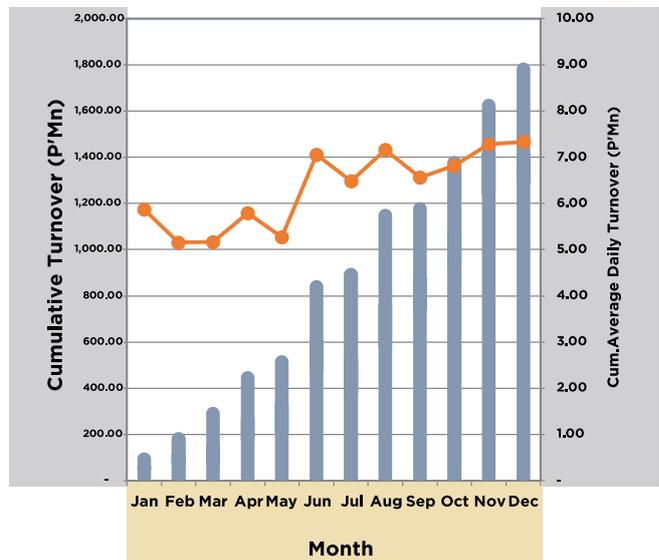
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10.0 GRAPHICAL REVIEW

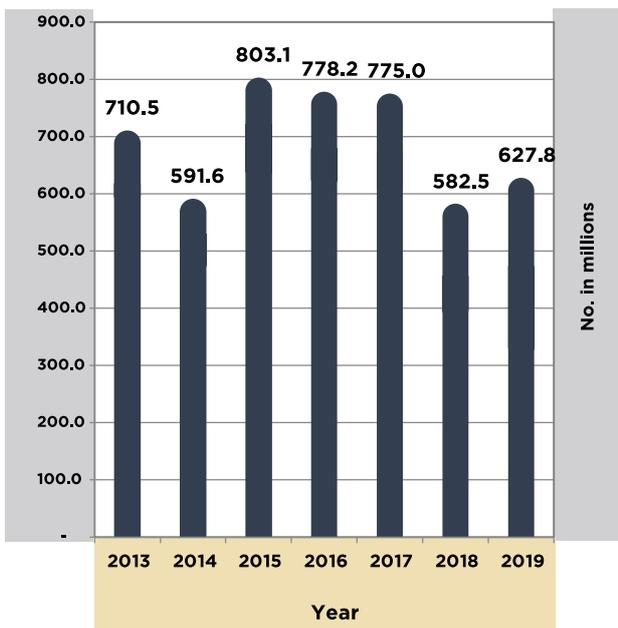
Value of Shares Traded



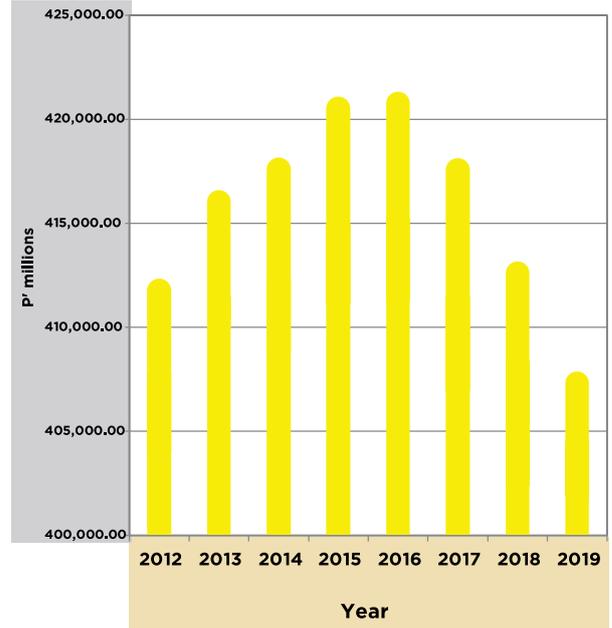
Cumulative Turnover (P'Mn)
Cum. Avg Daily Turn



Volume of Shares Traded

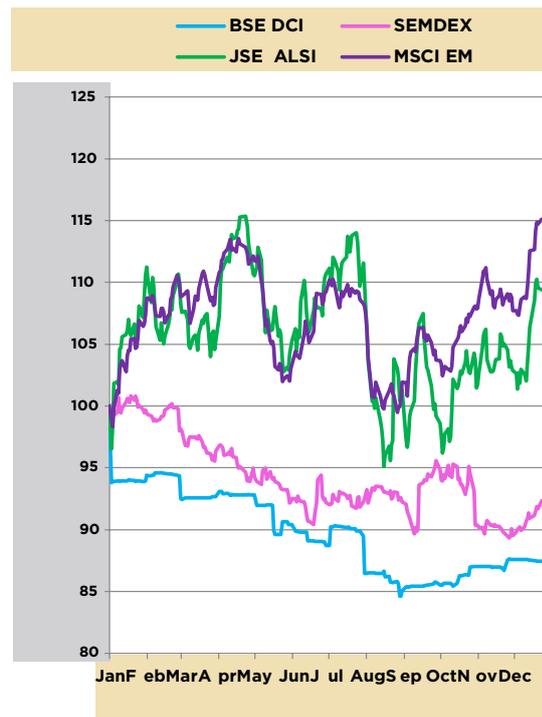
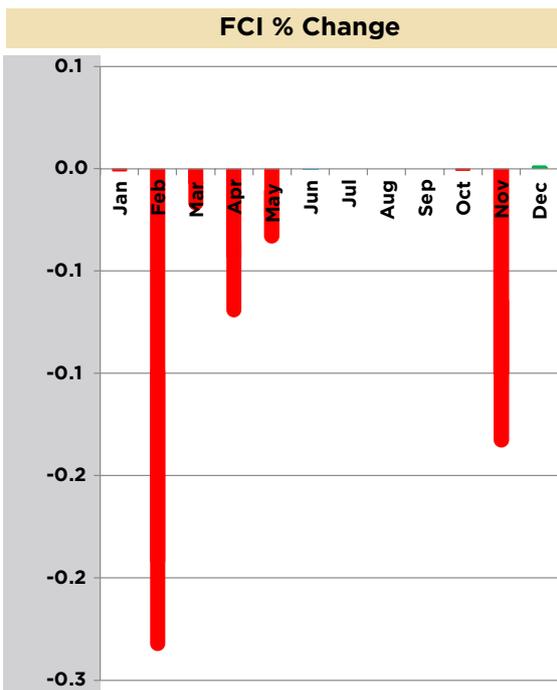
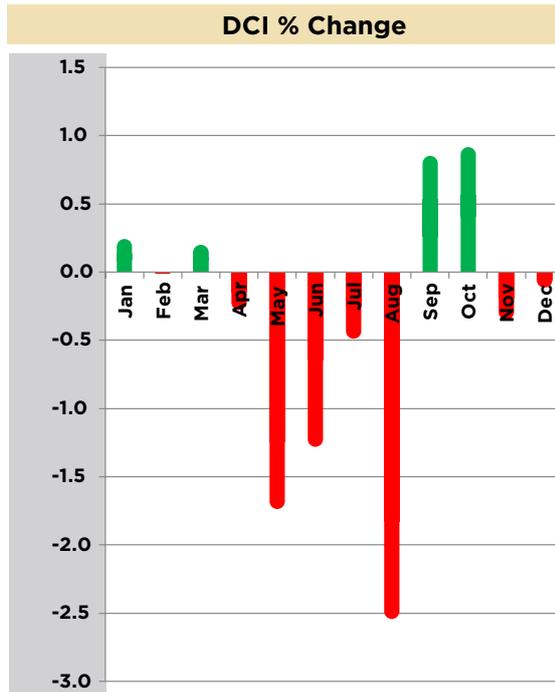
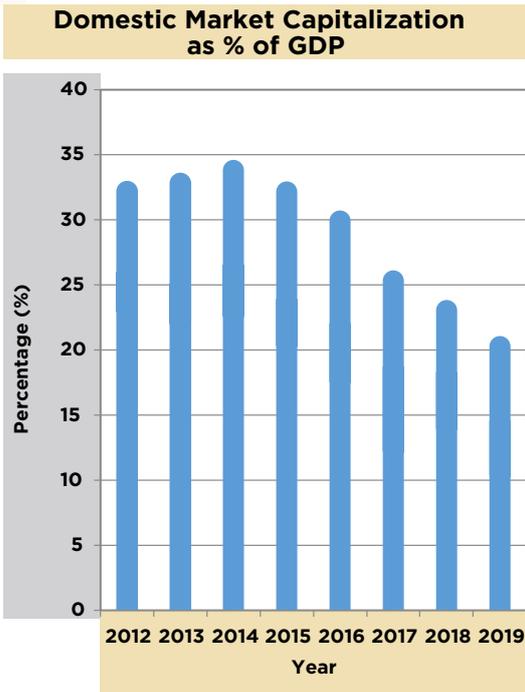


Total Equity Market Capitalization



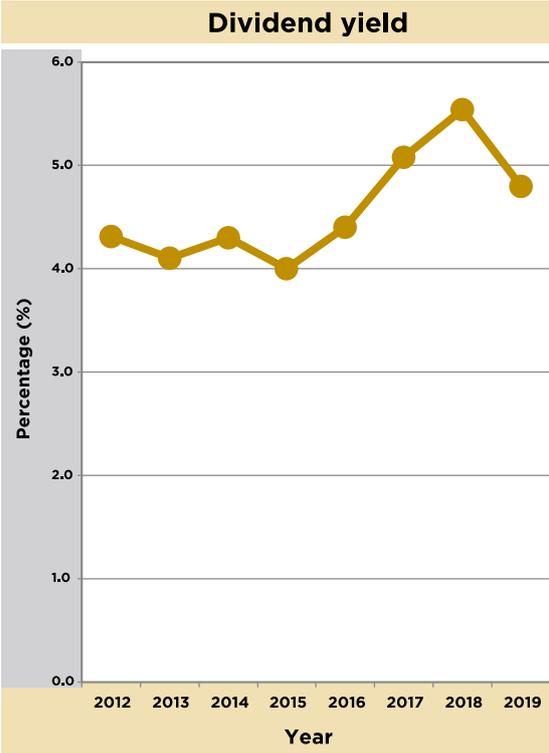
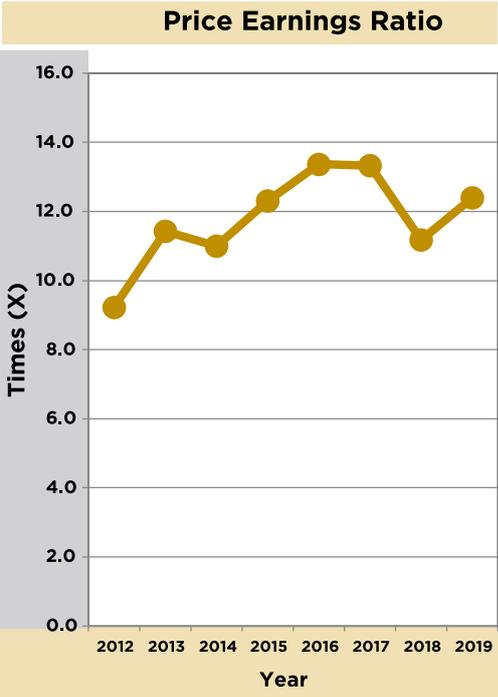
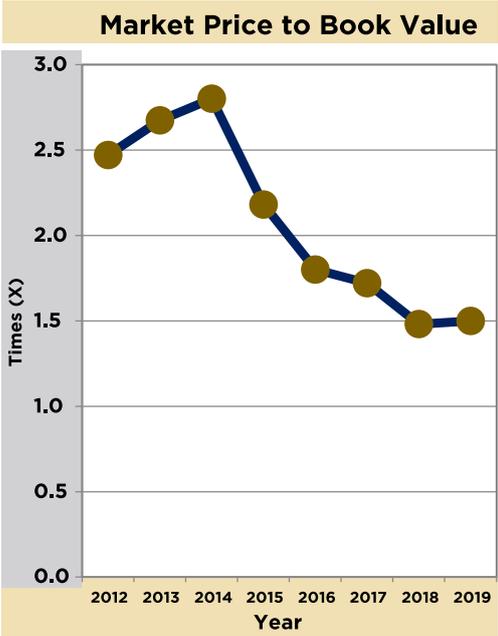
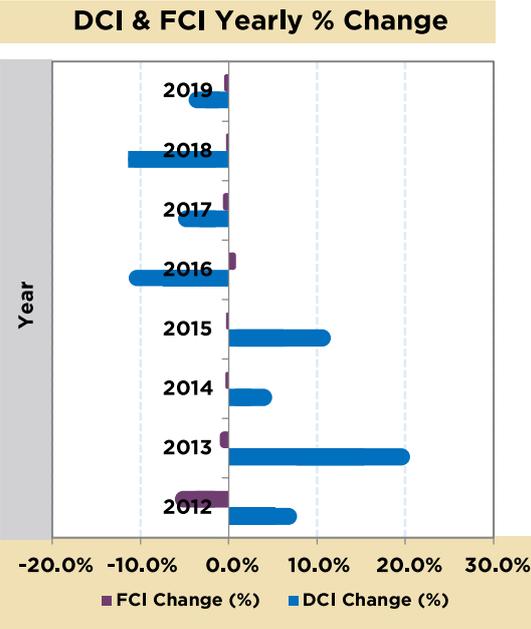
CEO's REVIEW

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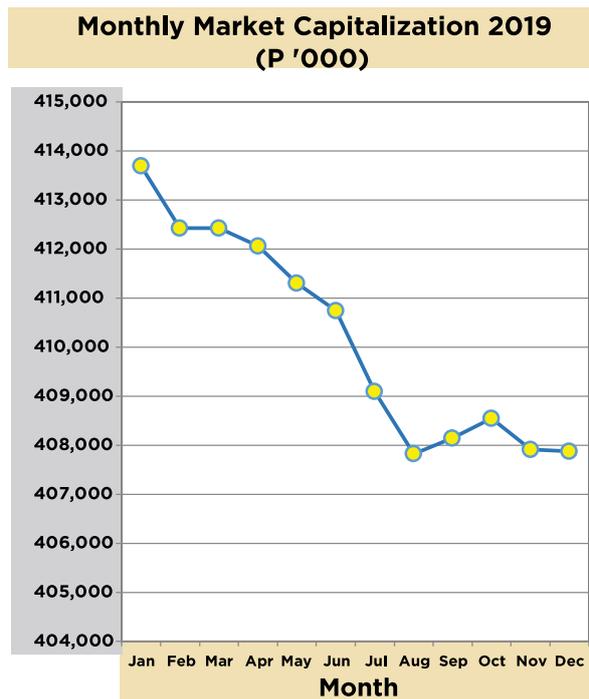
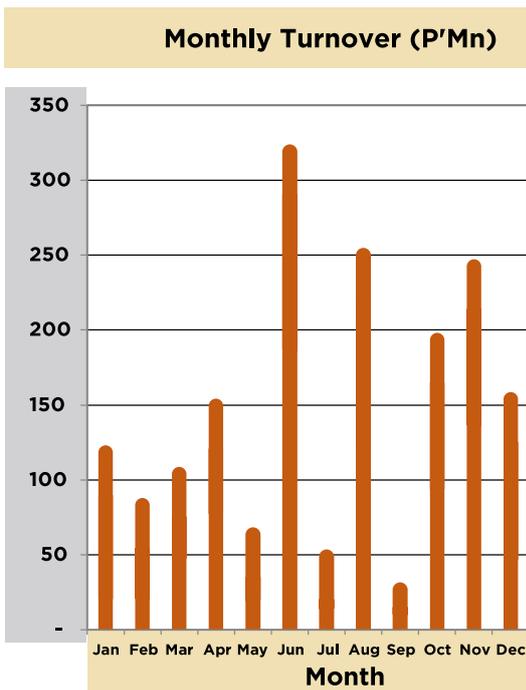
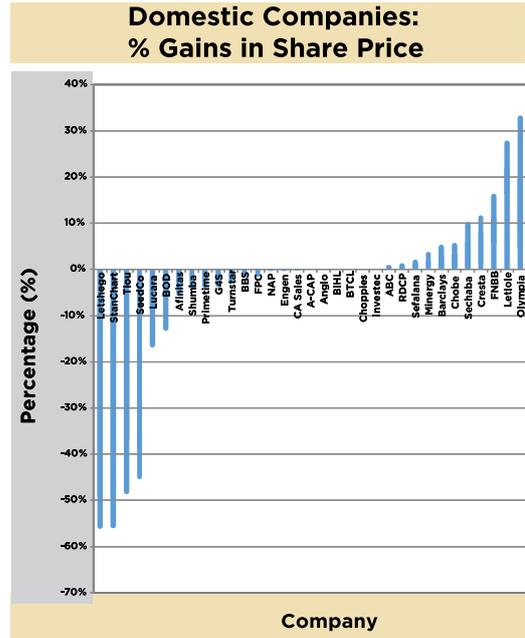
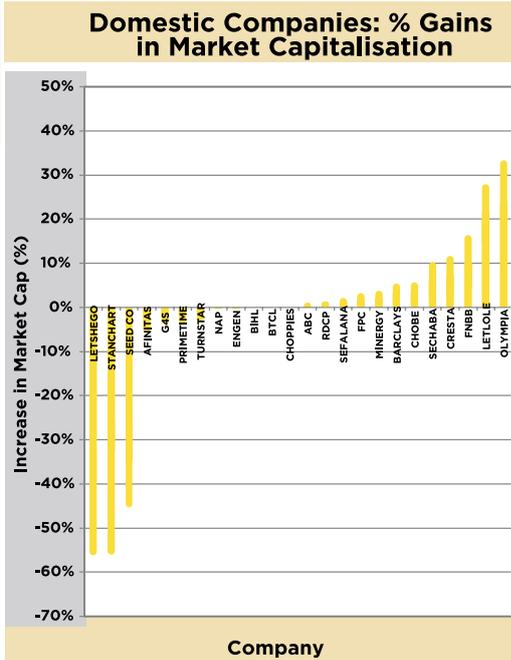
CEO's REVIEW

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CEO's REVIEW

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CEO's REVIEW

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11.0 MARKET STATISTICS

Table 1: Number of Companies Listed

	2012	2013	2014	2015	2016	2017	2018	2019
Number of New Listings	3	1	1	1	2	3	2	0
Number of De-listings	1	3	1	4	0	2	2	3
Foreign Listings	13	12	12	10	10	11	9	8
Domestic Listings	24	23	23	22	24	24	26	25
Total	37	35	35	32	34	35	35	33

Table 2: BSE Market Capitalization as at Year ended December (P'000,000)

	2013	2014	2015	2016	2017	2018	2019
Domestic Market Capitalization	43,457.57	46,209.87	50,213.85	46,571.96	44,408.06	42,421.0	38,709.40
Foreign Market Capitalization	373,132.84	371,946.84	370,885.33	374,741.23	373,735.71	370,747.3	369,164.84
Total Market Capitalization	416,590.41	418,156.71	421,099.19	421,313.19	418,143.76	413,168.3	407,874.24

Table 3: Market Capitalization as at Quarter ended (P'000,000)

	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19	Jun 19	Sep 19	Dec 19
Domestic Market Capitalisation	43,079.04	42,097.93	39,266.32	42,420.95	42,212.40	40,804.20	38,481.80	38,709.40
Foreign Market Capitalization	373,526.03	373,087.33	371,135.35	370,747.33	370,216.20	369,938.30	369,661.80	369,164.80
Total Market Capitalization	416,605.07	415,185.26	410,401.67	413,168.28	412,428.60	410,742.50	408,143.60	407,874.20

CEO's REVIEW

Continued

Table 4: Market Capitalization by sector as at Year ended December (P'000,000)

	2012	2013	2014	2015	2016	2017	2018	2019
Banking	16,674.8	19,815.1	17,815.3	17,005.4	14,195.7	12,705.1	13,264.1	13,899.2
Financial Services & Insurance	24,560.7	25,958.9	27,087.9	29,222.2	28,967.5	28,772.5	25,755.1	23,791.2
Retailing & Wholesaling	6,099.8	8,884.8	11,859.5	13,322.2	10,381.0	10,002.3	7,345.6	7,285.8
Property & Property Trust	3,180.4	3,603.8	4,022.4	5,321.7	6,727.9	7,010.4	6,655.0	6,751.8
Mining & Materials	359,135.9	355,342.4	354,005.3	352,642.5	355,972.3	353,374.8	352,393.3	350,829.9
Security Services	465.6	246.4	229.2	289.6	326.4	319.2	291.2	280.0
Information Technology	11.0	0.0	0.0	0.0	1,029.0	1,932.0	997.5	997.5
Funeral Services	157.1	297.4	285.3	0.0	0.0	0.0	0.0	0.0
Energy	983.9	1,296.9	1,517.4	1,357.6	1,565.3	1,693.1	1,661.1	1,656.3
Tourism	1,079.9	1,144.8	1,264.5	1,938.1	2,148.2	2,334.5	2,719.1	1,240.2
Agriculture	0.0	0.0	0.0	0.0	0.0	0.0	2,086.3	1,142.4

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

	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19	Jun 19	Sep 19	Dec 19
Banking	12,451.88	11,678.58	11,696.45	13,264.08	13,530.83	13,496.57	13,599.53	13,899.18
Financial Services & Insurance	25,968.90	25,787.66	26,205.35	25,755.10	25,712.22	25,369.17	24,091.35	23,791.18
Retailing & Wholesaling	9,968.98	10,093.92	7,353.51	7,345.61	7,020.39	7,014.49	7,114.78	7,285.76
Property & Property Trust	6,935.39	6,777.63	6,710.13	6,655.03	6,599.18	6,610.03	6,676.62	6,751.80
Mining & Materials	352,968.46	352,468.59	352,755.94	352,393.26	351,866.49	351,581.72	351,326.82	350,829.86
Security Services	296.00	296.00	291.20	291.20	288.00	280.00	280.00	280.00
Information Technology	1,281.00	1,291.50	1,123.50	997.50	945.00	934.50	1,060.50	997.50
Energy	1,693.06	1,675.49	1,661.11	1,661.11	1,659.51	1,657.92	1,657.92	1,656.32
Tourism	2,436.04	2,510.51	2,604.47	2,719.09	2,723.12	2,660.07	1,198.04	1,240.19
Agriculture	0.00	0.00	0.00	2,086.32	2,086.32	1,137.99	1,137.99	1,142.45

CEO's REVIEW

Continued

Table 6: Trading Statistics as at Year ended December

	2012	2013	2014	2015	2016	2017	2018	2019
Volume Traded (Mn)	409.91	710.50	591.60	803.10	778.23	775.01	582.52	627.80
Value Traded (P'Mn)	894.70	2,315.40	2,177.40	3,032.40	2,541.16	2,476.65	1,862.25	1,810.90
No. of Deals	6,488	12,029	11,139	12,730	13,707	13,707	9,198	7,880
Liquidity Ratio	2.7	5.9	4.9	6.3	5.2	5.4	4.3	4.5

Table 7: Trading Statistics as at Quarter ended

	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19	Jun 19	Sep 19	Dec 19
Volume Traded (Mn)	100.7	310.9	59.1	111.8	156.1	101.2	130.1	240.3
Value Traded (P'Mn)	236.2	848.5	146.6	631.0	320.0	546.8	340.0	604.0
No. of Deals	2,327	2,777	2,168	1,926	2,120	2,232	1,834	1,694

Table 8: BSE Indices as at Year ended December

	2012	2013	2014	2015	2016	2017	2018	2019
DCI	7,510.2	9,053.4	9,501.6	10,602.3	9,400.7	8,860.1	7,851.9	7,494.6
FCI	1,599.5	1,583.5	1,577.6	1,572.4	1,585.8	1,574.9	1,570.3	1,562.4
DCTRI	1,066.1	1,227.0	1,546.4	1,705.9	1,988.1	1,842.9	1,712.6	1,727.6
LASI	752.7	760.8	781.0	797.3	786.0	794.6	804.3	843.8
DFSI	911.8	1,067.1	1,090.4	1,212.4	1,094.5	1,078.0	1,058.2	1,054.8
FRSI	731.9	720.3	729.2	726.3	734.1	729.7	744.2	777.9

Table 9: BSE Indices as at Quarter ended

	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19	Jun 19	Sep 19	Dec 19
DCI	8,589.6	8,402.7	7,837.3	7,851.9	7,885.6	7,622.5	7,461.0	7,494.6
FCI	1,574.2	1,571.1	1,572.0	1,570.3	1,566.3	1,564.6	1,564.6	1,562.4
DCTRI	1,788.7	1,783.4	1,693.1	1,712.6	1,730.9	1,707.5	1,695.4	1,727.6
LASI	808.4	806.9	803.2	804.3	818.5	822.0	842.0	843.8
DFSI	1,076.1	1,053.4	1,061.8	1,058.2	1,079.8	1,083.1	1,029.2	1,054.8
FRSI	745.6	744.1	744.9	744.2	758.6	758.0	779.0	777.9

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Table 10: Top Ten Domestic Companies by Volume Traded (Mn)

2018		2019	
Company	Volume	Company	Volume
Letshego	232.5	Letshego	141.0
NAP	93.0	Furnmart	105.2
Choppies	40.4	FPC	92.6
FNBB	34.8	Letlole	69.8
BTCL	26.6	Wilderness	45.2
Sechaba	25.3	FNBB	35.5
Cresta	14.6	BTCL	15.9
RDCP	12.9	NAP	14.2
Seed Co.	8.4	Sechaba	12.5
Furnmart	7.4	Barclays	12.5

Table 11: Top Ten Domestic Companies by Value Traded (P' Mn)

2018		2019	
Company	Value	Company	Value
Sechaba	481.6	Wilderness	282.3
Letshego	425.9	Sechaba	264.1
NAP	298.4	FPC	228.6
FNBB	80.9	BIHL	179.0
BIHL	73.4	Letlole	156.5
Choppies	58.8	Letshego	121.3
Seed Co.	46.8	FNBB	97.4
Barclays	36.3	Sefalana	78.1
BTCL	31.2	Furnmart	68.4
RDCP	29.1	Barclays	66.5

Table 12: Top Ten Foreign Companies by Volume Traded (Mn)

2018		2019	
Company	Volume	Company	Volume
CA Sales	52.430	CA Sales	10.110
BOD	0.122	BOD	0.527
Shumba	0.075	Tlou	0.192
lucara	0.042	Lucara	0.042
Raven	0.032	Shumba	0.068
A Cap	0.023	A Cap	0.010

Table 13: Top Ten Foreign Companies by Value Traded (P' Mn)

2018		2019	
Company	Value	Company	Value
CA Sales	195.337	CA Sales	38.120
Lucara	0.684	Lucara	1.018
Shumba	0.086	Tlou	0.154
BOD	0.020	Shumba	0.075
A Cap	0.009	BOD	0.067
Raven	0.002	A Cap	0.004

Table 14: Top Ten Domestic Companies by Market Capitalization (P' Mn)

2018		2019	
Company	Market Cap	Company	Market Cap
FNBB	6,232.1	FNBB	7,249.5
BIHL	4,941.5	BIHL	4,941.5
Barclays	4,448.3	Barclays	4,686.9
Letshego	3,473.4	Sechaba	2,439.1
Sechaba	2,212.3	Sefalana	2,249.0
Sefalana	2,201.4	NAP	1,958.2
Seed Co	2,086.3	ENGEN	1,656.3
NAP	1,964.3	Turnstar	1,607.8
Engen	1,661.1	Letshego	1,522.3
Turnstar	1,659.3	ABC	1,464.5

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

2018		2019	
Company	Market Cap	Company	Market Cap
Anglo	344,268.7	Anglo	343,978.7
Investec	17,115.6	Investec	17,115.6
Lucara	6,344.2	Lucara	5,274.2
CA Sales	1,695.4	CA Sales	1,693.6
Tlou Energy	510.4	Tlou Energy	360.1
A Cap	366.0	A Cap	340.0
Shumba	335.6	Shumba	321.0
BOD	68.9	BOD	81.6
Raven	42.5		

CEO's REVIEW

Continued

Table 16: Bond Market Statistics: 2019

Bond Code	Maturity Date	Nominal Amount (P)	Coupon Rate %	Trade (P)
BW007	10-Mar-25	2,324,000,000	8.00	385,287,824.28
BW008	8-Sep-20	2,147,000,000	7.75	79,360,318.03
BW011	10-Sep-31	2,103,000,000	7.75	4,693,378.75
BW012	13-Jun-40	1,618,000,000	6.00	109,560,377.48
BW013	7-Jun-23	1,276,000,000	4.50	235,504,497.32
BW014	5-Sep-29	1,740,000,000	4.80	975,039,755.71
BW015	2-Sep-43	651,000,000	5.30	351,653,588.43
CGL001	8-Apr-24	128,510,000	Floating	760,004.22
DPCF006	2-Jun-22	55,000,000	10.75	11,874.95
DPCF007	2-Jun-25	35,000,000	10.90	13,598.11
IFC001	20-Sep-24	260,000,000	Floating	852,440.42
BBS004	26-Nov-19	75,000,000	11.10	219,162.22
BBS005	3-Dec-23	150,000,000	11.20	533,019.14
BHC 020	10-Dec-20	103,000,000	10.10	-
BHC025	10-Dec-25	300,000,000	Floating	-
BDC001	9-Jun-29	82,030,000	Floating	1,949,477.17
BDCL002	16-Aug-22	131,500,000	Floating	1,314,944.70
BDC003	9-Jun-29	142,530,000	Floating	1,386,140.94
WUC002	26-Jun-26	205,000,000	10.60	205,760.08
BBB016	31-Oct-19	156,000,000		1,695,511.89
BBB017	14-Nov-23	97,410,000	Floating	330,355.78
BBB018	14-Nov-23	102,590,000	Floating	220,271.29
FML025	23-Oct-25	150,000,000	8.20	997,291.30
FNBB005	11-Nov-20	125,590,000	Floating	5,166,228.08
FNBB006	11-Nov-20	112,120,000	Floating	713,645.88
FNBB007	6-Dec-26	161,840,000	Floating	1,188,008.19
FNBB008	6-Dec-26	40,000,000	7.48	674,945.02
FNBB009	8-Dec-24	126,350,000	Floating	401,008.10
FNBB010	2-Dec-29	196,802,000	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	-
INB001	30-Dec-27	USD113,376,758.07	Floating	-
LHL006	8-Nov-23	200,000,000	10.50	2,840,951.48
LHL007	8-Nov-25	75,000,000	10.50	-
LHL008	8-Nov-27	28,500,000	11.00	549,949.64
SBBL063	15-Oct-19	98,600,000	7.54	1,702,847.97
SBBL064	18-Jun-20	128,400,000	Floating	3,290,221.14

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Continued

Bond Code	Maturity Date	Nominal Amount (P)	Coupon Rate %	Trade (P)
SBBL065	18-Jun-20	153,100,000	8.0%	500,166.10
SBBL066	15-Jun-27	140,000,000	Floating	2,501,826.69
SBBL067	16-Jun-27	60,000,000	7.80	683,419.92
SBBL068	28-Nov-29	212,000,000	Floating	-
SBBL069	28-Nov-29	88,000,000	7.75	-
SCBB003	20-Dec-20	50,000,000	10.50	357,548.00
PTP021	10-Jun-21	96,000,000	Floating	2,245,016.75
PTP024	10-Jun-24	59,000,000	8.50	907,064.59
PTP026	29-Nov-26	70,000,000	9.00	-
RDCP001	29-Mar-26	47,350,000	Floating	50,109.59
TOTAL				2,175,362,549.32

Table 17: Bond Market Capitalization by Sector: 2019

Bonds	Maturity Date	Issue Size (P)
Government		
BW007	10-Mar-25	2,324,000,000
BW008	8-Sep-20	2,147,000,000
BW011	10-Sep-31	2,103,000,000
BW012	13-Jun-40	1,618,000,000
BW013	7-Jun-23	1,276,000,000
BW014	5-Sep-29	1,740,000,000
BW015	2-Sep-43	651,000,000
		11,859,000,000
Quasi		
DPCF006	2-Jun-22	55,000,000
DPCF007	2-Jun-25	35,000,000
		90,000,000
Supranational		
IFC001	20-Sep-24	260,000,000
		260,000,000
Parastatals		
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
		1,114,060,000

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Continued

Corporate		
BBB017	14-Nov-23	97,410,000
BBB018	14-Nov-23	102,590,000
CGL001	8-Apr-24	128,510,000
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
FNBB010	2-Dec-29	196,802,000
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
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
SBBL064	18-Jun-20	128,400,000
SBBL065	18-Jun-20	153,100,000
SBBL066	15-Jun-27	140,000,000
SBBL067	16-Jun-27	60,000,000
SBBL068	28-Nov-29	212,000,000
SBBL069	28-Nov-29	88,000,000
SCBB003	20-Dec-20	50,000,000
PTP021	10-Jun-21	96,000,000
PTP024	10-Jun-24	59,000,000
PTP026	29-Nov-26	70,000,000
RDCP001	29-Mar-26	47,350,000
		3,965,215,965
TOTAL		17,288,275,964.61





Group Annual Financial Statements

for the year ended 31 December 2019

Botswana Stock Exchange Limited

Group Annual Financial Statements for the year ended 31 December 2019

General Information

Country of incorporation and domicile	Botswana
Nature of business and principal activities	Regulating and promoting the listing and dealing in shares and other securities listed on the Botswana Stock Exchange Limited (BSE)
Directors	Lt. Gen. Tebogo C. Masire (Chairperson) Ms. Itumeleng Mareko Mr. Basimane Bogopa Mr. Martin Makgatlhe Mr. Davis Tele Ms. Lekono Phiri (Resigned 01/02/2019) Mr. Norman Moleele Mr. Ogone Mothooagae Prof. Onkutlwile Othata Mrs. Sethunya Makepe- Garebatho (Appointed 18/11/2019)
Chief Executive Officer	Mr. Thapelo Tsheole (Ex-officio member of Board of Directors)
Committees of the BSEL Board	<p>Risk and Audit Committee Mr. D. Tele (Chairperson), Prof. O. Othata, Mr. O. Mothooagae</p> <p>Nominations and Governance Committee Mr. B. Bogopa (Chairperson), Mr. D. Tele, Mr. N Moleele</p> <p>Regulatory Committee Mr. B. Bogopa (Chairperson), Mr. O. Mothooagae, Mr. M. Makgatlhe, Prof. O. Othata, Mr. T. Tsheole (Chief Executive Officer)</p> <p>Investigations and Disciplinary Committee Mrs. I. Mareko (Chairperson), Mr. B. Bogopa, Mr. N. Moleele</p> <p>Board Tender Committee Prof. O. Othata (Chairperson), Mr. M. Makgatlhe, Mrs. I. Mareko, Mr. T. Tsheole (Chief Executive Officer), Mrs. M. Mogasha (Head of Finance and Administration)</p>
Postal address	Private Bag 00417 Gaborone
Bankers	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 Institutions Regulatory Authority

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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	127 - 128
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Botswana Stock Exchange Limited

Group Annual Financial Statements for the year ended 31 December 2019

Directors' Responsibilities and Approval

The Directors are required in terms of the Companies Act of Botswana 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 31 December 2020 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 87 to 89.

The group annual financial statements set out on pages 90 to 126, which have been prepared on the going concern basis, were approved by the Board of Directors on 20 March 2020 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

T +267 395 2313

F +267 397 2357

[linkedin.com/company/Grant-Thornton-Botswana](https://www.linkedin.com/company/Grant-Thornton-Botswana)
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 8 to 44, which comprise the statement of financial position as at 31 December 2019, 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 give a true fair view of, the financial position of Botswana Stock Exchange Limited as at 31 December 2019, 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (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 Financial Reporting Standard 15: Revenue from contracts with customers (IFRS 15) 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.

Partners

Kalyanaraman Vijay (Managing)*, Dinesh R Mallan (Deputy Managing)*, Arwin Vaidyanathan*, Madhavan Venkatachary*, Narayanaswamy Narasimhan*, Anthony Quashie, Sunny K Mulakulam*, Aparna Vijay* (*Indian)

Independent Auditor's Report To the shareholders of Botswana Stock Exchange Limited

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Botswana Stock Exchange Limited group annual financial statements for the year ended 31 December 2019", which includes the Directors' Report and the Audit Committee's Report as required by the Companies Act (Cap 42:01) and the Detailed Statement of Profit or Loss and Other Comprehensive Income, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The 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 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.

The directors are responsible for overseeing the company's financial reporting process



Independent Auditor's Report To the shareholders of Botswana Stock Exchange Limited

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 scepticism 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.
- 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.

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: Madhavan Venkatachary: BICA Membership 20030049

Certified Auditor of Public Interest Entity

BAOA Certificate Number: CAP 0017 2020

20 March 2020

Gaborone

Botswana Stock Exchange Limited

Group Annual Financial Statements for the year ended 31 December 2019

Statement of Financial Position as at 31 December 2019

Figures in Pula		Group		Company	
		2019	2018	2019	2018
Assets					
Non-Current Assets					
Property, plant and equipment	4	14 835 813	9 988 441	8 236 057	9 014 277
Right-of-use assets	5	3 921 265	-	3 311 877	-
Investments in subsidiaries	6	-	-	100	100
		18 757 078	9 988 441	11 548 034	9 014 377
Current Assets					
Trade and other receivables	8	3 109 111	2 523 991	2 896 501	2 843 894
Financial assets	7	85 718 212	83 839 732	64 199 962	61 073 705
Cash and cash equivalents	9	11 425 759	10 523 637	8 860 567	3 539 957
		100 253 082	96 887 360	75 957 030	67 457 556
Total Assets		119 010 160	106 875 801	87 505 064	76 471 933
Equity and Liabilities					
Equity					
Stated capital	10	35 600 000	782 676	35 600 000	782 676
Shares pending allotment		-	34 817 324	-	34 817 324
Retained income		54 957 101	48 553 437	29 062 569	22 034 454
		90 557 101	84 153 437	64 662 569	57 634 454
Liabilities					
Non-Current Liabilities					
Lease liabilities	5&11	2 962 504	-	2 518 129	-
Deferred income	13	18 410 465	18 833 165	9 910 465	15 333 165
		21 372 969	18 833 165	12 428 594	15 333 165
Current Liabilities					
Trade and other payables	12	5 781 745	3 747 879	9 310 308	3 362 994
Lease liabilities	5&11	1 298 345	-	1 103 593	-
Operating lease liability		-	141 320	-	141 320
		7 080 090	3 889 199	10 413 901	3 504 314
Total Liabilities		28 453 059	22 722 364	22 842 495	18 837 479
Total Equity and Liabilities		119 010 160	106 875 801	87 505 064	76 471 933

Botswana Stock Exchange Limited

Group Annual Financial Statements for the year ended 31 December 2019

Statement of Profit or Loss and Other Comprehensive Income

Figures in Pula		Group		Company	
		2019	2018	2019	2018
Revenue	14	33 601 892	32 612 019	27 950 001	26 926 617
Other operating income	15	1 550 689	2 349 833	1 532 515	2 231 531
Other operating gains (losses)	16	(1 388)	38 455	(1 388)	38 455
Movement in credit loss allowances	17	114 780	(225 893)	114 780	(207 719)
Other operating expenses		(32 704 134)	(31 184 969)	(25 361 768)	(24 365 150)
Operating profit	17	2 561 839	3 589 445	4 234 140	4 623 734
Finance income	18	4 159 710	3 694 484	3 064 178	2 557 683
Finance costs	19	(317 888)	-	(270 205)	-
Profit for the year		6 403 661	7 283 929	7 028 113	7 181 417
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		6 403 661	7 283 929	7 028 113	7 181 417

Botswana Stock Exchange Limited

Group Annual Financial Statements for the year ended 31 December 2019

Statement of Changes in Equity

Figures in Pula	Stated	Rights	Total	Shares	Capital	Total	Retained	Total
	Capital	premium	equity	pending				
			capital	allotment				
Group								
Balance at 01 January 2018	5 200	777 476	782 676	-	17 163 365	17 163 365	76 086 832	94 032 873
Profit for the year	-	-	-	-	-	-	7 283 929	7 283 929
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	7 283 929	7 283 929
Transfer between reserves	-	-	-	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)
Total other movements	777 476	(777 476)	-	34 817 324	(17 163 365)	17 653 959	(34 817 324)	(17 163 365)
Balance at 01 January 2019	782 676	-	782 676	34 817 324	-	34 817 324	48 553 440	84 153 440
Profit for the year	-	-	-	-	-	-	6 403 661	6 403 661
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	6 403 661	6 403 661
Shares pending allotment	-	-	-	(34 817 324)	-	(34 817 324)	-	(34 817 324)
Shares issued	34 817 324	-	34 817 324	-	-	-	-	34 817 324
Total other movements	34 817 324	-	34 817 324	(34 817 324)	-	(34 817 324)	-	-
Balance at 31 December 2019	35 600 000	-	35 600 000	-	-	-	54 957 101	90 557 101
Note	10	10	10					

Botswana Stock Exchange Limited

Group Annual Financial Statements for the year ended 31 December 2019

Statement of Changes in Equity

Figures in Pula	Stated Capital	Rights premium	Total equity capital	Shares pending allotment	Capital grants	Total reserves	Retained income	Total equity
Company								
Balance at								
01 January 2018	5 200	777 476	782 676	-	13 663 365	13 663 365	49 670 361	64 116 402
Profit for the year	-	-	-	-	-	-	7 181 417	7 181 417
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	7 181 417	7 181 417
Transfer from retained earnings	-	-	-	34 817 324	-	34 817 324	(34 817 324)	-
Transfer to Stated Capital	777 476	(777 476)	-	-	-	-	-	-
Business combinations	-	-	-	-	(13 663 365)	(13 663 365)	-	(13 663 365)
Total other movements	777 476	(777 476)	-	34 817 324	(13 663 365)	21 153 959	(34 817 324)	(13 663 365)
Balance at 01 January 2019	782 676	-	782 676	34 817 324	-	34 817 324	22 034 456	57 634 456
Profit for the year	-	-	-	-	-	-	7 028 113	7 028 113
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	7 028 113	7 028 113
Shares pending allotment	-	-	-	(34 817 324)	-	(34 817 324)	-	(34 817 324)
Shares Issued	34 817 324	-	34 817 324	-	-	-	-	34 817 324
Total other movements	34 817 324	-	34 817 324	(34 817 324)	-	(34 817 324)	-	-
Balance at								
31 December 2019	35 600 000	-	35 600 000	-	-	-	29 062 569	64 662 569
Note	10	10	10					

Botswana Stock Exchange Limited

Group Annual Financial Statements for the year ended 31 December 2019

Statement of Cash Flows

Figures in Pula	Group		Company	
	2019	2018	2019	2018
Cash flows from operating activities	6 701 963	7 210 944	7 231 280	6 206 703
Cash flows from investing activities				
Purchase of property, plant and equipment	4 (6 617 014)	(1 650 495)	(604 142)	(1 650 495)
Sale of property, plant and equipment	-	38 455	-	1 238 455
Interest Income	4 159 710	3 694 484	3 064 178	2 557 683
Net cash from investing activities	(2 457 304)	2 082 444	2 460 036	2 145 643
Cash flows from financing activities				
Capital grants received	-	2 092 500	-	2 092 500
Amounts paid to Botswana Stock Exchange Security Fund	-	1 951 673	-	-
Payment on lease liabilities	1 146 169	-	(974 244)	-
Finance costs	(317 888)	-	(270 205)	-
Net cash from financing activities	(1 464 057)	140 827	(1 244 449)	140 827
Total cash movement for the year	2 780 602	9 434 215	8 446 867	8 493 173
Cash and cash equivalents at the beginning of the year	94 363 369	84 929 154	64 613 662	56 120 489
Total cash and cash equivalents at end of the year	9 97 143 971	94 363 369	73 060 529	64 613 662

Botswana Stock Exchange Limited

Group Annual Financial Statements for the year ended 31 December 2019

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 (CAP 42:01).

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.

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.

Botswana Stock Exchange Limited

Group Annual Financial Statements for the year ended 31 December 2019

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

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.

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.

Botswana Stock Exchange Limited

Group Annual Financial Statements for the year ended 31 December 2019

Accounting Policies

1.4 Property, plant and equipment (continued)

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.

1.5 Financial instruments

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

Botswana Stock Exchange Limited

Group Annual Financial Statements for the year ended 31 December 2019

Accounting Policies

1.5 Financial instruments (continued)

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

Financial liabilities:

- Amortised cost

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:

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.

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.

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Accounting Policies

1.5 Financial instruments (continued)

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, taking the time value of money into consideration.

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).

Trade and other receivables and financial assets

Classification

Trade and other receivables and money markets instruments with no fixed date of maturity, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 8).

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.

Botswana Stock Exchange Limited

Group Annual Financial Statements for the year ended 31 December 2019

Accounting Policies

1.5 Financial instruments (continued)

Trade and other receivables and financial assets (continued)

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.

Application of the effective interest method

For receivables which contain a significant financing component, 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 trade receivables is dependent on the credit risk of the receivable as follows:

- The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a receivable 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 receivable, even if it is no longer credit-impaired.
- If a receivable 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 receivable in the determination of interest. If, in subsequent periods, the receivable 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 trade and other receivables and other financial assets, 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.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 8.

Botswana Stock Exchange Limited

Group Annual Financial Statements for the year ended 31 December 2019

Accounting Policies

1.5 Financial instruments (continued)

Measurement and recognition of expected credit losses (continued)

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.

Credit risk

Details of credit risk are included in the trade and other receivables note (note 8) and the financial instruments and risk management note (note 23).

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss in the derecognition gains (losses) on financial assets at amortised cost line item (note).

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.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 19).

Trade and other payables expose the group to liquidity risk and possibly to interest rate risk. Refer to note 23 for details of risk exposure and management thereof.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value. Cash and cash equivalents comprises cash in hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

Botswana Stock Exchange Limited

Group Annual Financial Statements for the year ended 31 December 2019

Accounting Policies

1.6 Leases

The group assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the group has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Group as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the group is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the group recognises the lease payments as an operating expense (note 17) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

However as an exception to the preceding paragraph, the group has elected not to separate the non-lease components for leases of land and buildings.

Details of leasing arrangements where the group is a lessee are presented in note 5 Leases (group as lessee).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the group under residual value guarantees;
- the exercise price of purchase options, if the group is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (note 5).

Botswana Stock Exchange Limited

Group Annual Financial Statements for the year ended 31 December 2019

Accounting Policies

1.6 Leases (continued)

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 19).

The group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the group will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

Right-of-use assets are presented as a separate line item on the Statement of Financial Position.

Lease payments included in the measurement of the lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the group incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

Botswana Stock Exchange Limited

Group Annual Financial Statements for the year ended 31 December 2019

Accounting Policies

1.6 Leases (continued)

Right-of-use assets (continued)

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 a right-of-use asset with a cost that is significant in relation to the total cost of the asset 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.

1.7 Leases (Comparatives under IAS 17)

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.

Botswana Stock Exchange Limited

Group Annual Financial Statements for the year ended 31 December 2019

Accounting Policies

1.8 Impairment of assets (continued)

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.

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 vacation 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 31 December 2019

Accounting Policies

1.11 Provisions and contingencies (continued)

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.

1.12 Government grants

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 presented as a credit in the profit or loss (separately).

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 from contracts with customers

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.

Botswana Stock Exchange Limited

Group Annual Financial Statements for the year ended 31 December 2019

Accounting Policies

1.13 Revenue from contracts with customers (continued)

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.

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 the 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 31 December 2019

Notes to the Group Annual Financial Statements

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 16 Leases

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new Standard has resulted in the company recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the company has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Institute has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straightline basis over the remaining lease term.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 6.5%.

The company has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

The following is a reconciliation of the financial statement line items from IAS 17 to IFRS 16 at 1 January 2019:

	Carrying amount at 31 December		carrying amount at
	2018	Remeasurement	1 January 2019
Right-of-use assets	-	5 124 379	5 124 379
Lease liability	-	(5 265 699)	(5 265 699)
Operating lease liability	(141 320)	141 320	-
	(141 320)	-	(141 320)
Total operating lease commitments disclosed at 31 December 2018			6 162 589
Recognition exemptions			
Leases of low value assets			-
Leases with remaining lease term of less than 12 months			-
Operating lease liabilities before discounting			6 162 589
Discounted using incremental borrowing rate			(896 890)
Total lease liabilities recognised under IFRS 16 at 1 January 2019			5 265 699

Botswana Stock Exchange Limited

Group Annual Financial Statements for the year ended 31 December 2019

Notes to the Group Annual Financial Statements

3. New Standards and Interpretations

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IFRS 17 Insurance Contracts	01 January 2021	Unlikely there will be a material impact
• Plan Amendment, Curtailment or Settlement - Amendments to IAS 19	01 January 2019	Unlikely there will be a material impact
• Long-term Interests in Joint Ventures and Associates - Amendments to IAS 28	01 January 2019	Unlikely there will be a material impact
• Prepayment Features with Negative Compensation - Amendment to IFRS 9	01 January 2019	Unlikely there will be a material impact
• Amendments to IFRS 3 Business Combinations: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	Unlikely there will be a material impact
• Amendments to IFRS 11 Joint Arrangements: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	Unlikely there will be a material impact
• Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	Unlikely there will be a material impact
• Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	Unlikely there will be a material impact
• Uncertainty over Income Tax Treatments	01 January 2019	Unlikely there will be a material impact
• IFRS 16 Leases	01 January 2019	Unlikely there will be a material impact

3.2 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 01 January 2020 or later periods:

IFRS 17 Insurance Contracts

The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

The effective date of the standard is for years beginning on or after 01 January 2021.

The group expects to adopt the standard for the first time in the 2021 group annual financial statements.

It is unlikely that the standard 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 31 December 2019

Notes to the Group Annual Financial Statements

3. New Standards and Interpretations (continued)

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 annual financial statements

4. Property, plant and equipment

Figures in Pula

Group	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	2 188 058	(660 586)	1 527 472	2 188 058	(458 956)	1 729 102
Motor vehicles	1 351 518	(1 076 664)	274 854	1 135 044	(797 544)	337 500
Computer and office equipment	9 813 372	(5 692 574)	4 120 798	9 475 417	(4 667 202)	4 808 215
Leasehold improvements	2 635 225	(515 960)	2 119 265	2 635 225	(252 440)	2 382 785
Capital - Work in progress	6 793 424	-	6 793 424	730 839	-	730 839
Total	22 781 597	(7 945 784)	14 835 813	16 164 583	(6 176 142)	9 988 441

Company	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	2 147 615	(633 598)	1 514 017	2 147 615	(436 012)	1 711 603
Motor vehicles	1 351 518	(1 076 664)	274 854	1 135 044	(797 544)	337 500
Computer and office equipment	5 808 862	(2 261 493)	3 547 369	5 470 907	(1 619 357)	3 851 550
Leasehold improvements	2 635 225	(515 960)	2 119 265	2 635 225	(252 440)	2 382 785
Capital - Work in progress	780 552	-	780 552	730 839	-	730 839
Total	12 723 772	(4 487 715)	8 236 057	12 119 630	(3 105 353)	9 014 277

Botswana Stock Exchange Limited

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Notes to the Group Annual Financial Statements

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2019

Figures in Pula

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	1 729 102	-	(201 630)	1 527 472
Motor vehicles	337 500	216 473	(279 119)	274 854
Computer and office equipment	4 808 215	337 956	(1 025 373)	4 120 798
Leasehold improvements	2 382 785	-	(263 520)	2 119 265
Capital - Work in progress	730 839	6 062 585	-	6 793 424
	9 988 441	6 617 014	(1 769 642)	14 835 813

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
Computer and office equipment	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
	9 960 933	1 650 495	(1 622 987)	9 988 441

Reconciliation of property, plant and equipment - Company - 2019

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	1 711 603	-	(197 586)	1 514 017
Motor vehicles	337 500	216 473	(279 119)	274 854
Computer and office equipment	3 851 550	337 956	(642 137)	3 547 369
Leasehold improvements	2 382 785	-	(263 520)	2 119 265
Capital - Work in progress	730 839	49 713	-	780 552
	9 014 277	604 142	(1 382 362)	8 236 057

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
Computer and office equipment	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
	9 799 433	1 650 495	(1 200 000)	(1 235 651)	9 014 277

Capital work in progress

Capital work in progress represents the capital payments made towards the acquisition and implementation of a new IT system.

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Figures in Pula	Group		Company	
	2019	2018	2019	2018
5. Right of use asset				
Net carrying amounts of right-of-use assets				
The carrying amounts of right-of-use assets are included in the following line items:				
Buildings	3 921 265	-	3 921 265	-
Additions to right-of-use assets				
Buildings	5 407 018	-	4 595 966	-
Depreciation recognised on right-of-use assets				
Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 17), as well as depreciation which has been capitalised to the cost of other assets.				
Buildings	1 344 434	-	1 142 769	-

6. Interests in subsidiaries

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

Company

Name of company	Held by	% voting power	% voting power 2018	% holding 2019	% holding 2018	Carrying amount 2019	Carrying amount 2018
Central Securities Depository Company of Botswana Limited		100.00 %	100.00 %	100.00 %	100.00 %	100	100

7. Financial assets

Money market placements 85 718 212 83 839 732 64 199 962 61 073 705

Money market placements

The short term investments are unsecured, earns average interest of 3.33% (2018: 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

Current assets

Money market placements	85 718 212	83 839 732	64 199 962	61 073 705
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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.

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

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Figures in Pula	Group		Company	
	2019	2018	2019	2018
7. Financial assets (continued)				
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.				
The fair values of the financial assets is estimated using techniques applicable to level 2 category of fair value measurement under IFRS 13. These approximate to the carrying value due to their short term nature.				
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				
Credit rating- None of the counterparties below are rated				
Stanlib Investment Management Services	100 138	76 997	48 072	26 982
Standard Chartered Bank of Botswana Limited	3 800 120	-	-	-
African Alliance Asset Management	128 322	25 287 619	83 009	24 794 500
Botswana Insurance Fund Management	37 386 212	58 434 114	33 583 852	36 231 680
iPro Botswana Fund Management	22 294 856	41 002	16 591 571	20 543
Bank Gaborone Limited	17 711 829	-	13 893 458	-
Morula Capital partners	4 296 735	-	-	-
	85 718 212	83 839 732	64 199 962	61 073 705
8. Trade and other receivables				
Financial instruments:				
Trade receivables	2 073 036	1 880 928	1 871 810	1 672 730
Loss allowance	(60 339)	(97 374)	(60 339)	(79 200)
Trade receivables at amortised cost	2 012 697	1 783 554	1 811 471	593 530
Deposits	454 113	395 593	454 113	395 593
Central Securities Depository Company of Botswana	-	-	-	551 007
Other receivable	101 130	69 361	101 130	69 361
Non-financial instruments:				
Employee costs in advance	168 833	19 528	168 833	19 528
Prepayments	372 338	255 955	360 954	214 875
Total trade and other receivables	3 109 111	2 523 991	2 896 501	2 843 894
Financial instrument and non-financial instrument components of trade and other receivables				
At amortised cost	2 567 940	2 248 508	2 366 714	2 609 491
Non-financial instruments	541 171	275 483	529 787	234 403
	3 109 111	2 523 991	2 896 501	2 843 894

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8. Trade and other receivables (continued)

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.

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

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The group measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

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. The loss allowance provision is determined as follows:

Group	2019	2019	2018	2018
	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Expected credit loss rate:				
Not past due	1 782 983	-	1 681 203	-
31-60 days past due	180 358	-	102 308	-
91 days past due	109 695	(60 339)	97 417	(97 374)
Total	2 073 036	(60 339)	1 880 928	(97 374)

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Figures in Pula	Group		Company	
	2019	2018	2019	2018
8. Trade and other receivables (continued)				
Company	2019	2019	2018	2018
	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Expected credit loss rate:				
Not past due	1 701 396	-	1 517 150	-
31-60 days past due	88 785	-	76 380	-
91 days past due	81 629	(60 339)	79 200	(79 200)
Total	1 871 810	(60 339)	1 672 730	(79 200)

Fair value of trade and other receivables

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

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4 500	4 500	4 500	4 500
Bank balances	11 421 259	10 519 137	8 856 067	3 535 457
	11 425 759	10 523 637	8 860 567	3 539 957
Current assets	11 425 759	10 523 637	8 860 567	3 539 957
Financial assets	85 718 212	83 839 732	64 199 962	61 073 705
	97 143 971	94 363 369	73 060 529	64 613 662
Fiduciary held bank accounts	1 711 802	546 839	-	-

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.

For the purposes of cash flow statement, financial assets are also included as cash and cash equivalents due to its short term maturity and liquidity position.

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 (if available) or historical information about counterparty default rates. Banks in Botswana are not rated, but are subsidiaries of rated institutions in Republic of South Africa and United Kingdom. Details of all the financial institutions where the financial assets are placed in included in note 7.

Credit rating- None of the financial institutions below are rated

Standard Chartered Bank of Botswana Limited	8 893 713	8 528 659	6 328 521	1 544 979
First National Bank of Botswana Limited	2 527 546	1 554 953	2 527 546	1 554 953
Barclays Bank of Botswana	-	435 525	-	435 525
	11 421 259	10 519 137	8 856 067	3 535 457

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Figures in Pula	Group		Company	
	2019	2018	2019	2018
10. Stated capital				
Issued				
Ordinary	35 600 000	782 676	35 600 000	782 676
<p>During the previous 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 and at the end of the previous year, the shares identified for issue were treated as "Shares pending allotment". During the current year, all conditions relating to the share issue were met and the shares were issued. Movement of these amounts are reflected in Statement of Changes in Equity.</p>				
11. Lease liabilities				
Minimum lease payments due				
- within one year	1 537 260	-	1 306 671	-
- in second to fifth year inclusive	3 161 271	-	2 687 080	-
	4 698 531	-	3 993 751	-
less: future finance charges	(437 682)	-	(372 029)	-
Present value of minimum lease payments	4 260 849	-	3 621 722	-
Present value of minimum lease payments due				
- within one year	1 298 344	-	1 103 593	-
- in second to fifth year inclusive	2 962 505	-	2 518 129	-
	4 260 849	-	3 621 722	-
Non-current liabilities	2 962 504	-	2 518 129	-
Current liabilities	1 298 345	-	1 103 593	-
	4 260 849	-	3 621 722	-
12. Trade and other payables				
Financial instruments:				
Trade payables	532 335	818 363	338 461	716 475
Trade payables - related parties	-	-	4 135 529	-
Other payables	1 097 012	2 492 553	1 096 159	2 491 700
Payroll accruals	3 842 984	1 941 153	3 576 143	-
Non-financial instruments:				
Value added tax	-	309 414	194 153	242 810
	3 576 143	164 016	-	154 819
	5 781 745	3 747 879	9 310 308	3 362 994

Fair value of trade and other payables

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

Botswana Stock Exchange Limited

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Figures in Pula	Group		Company	
	2019	2018	2019	2018
13. Deferred income				
Deferred income				
Transfer from unutilised capital grant	18 833 165	17 163 365	15 333 165	13 663 365
Amounts received in the current period	-	2 618 188	-	2 618 188
Amounts transferred to income statement	(422 700)	(920 311)	(422 700)	(920 311)
Amount spent during the period	-	(28 077)	-	(28 077)
Transfer to Central Security Depository Company of Botswana Limited	-	-	(5 000 000)	-
	18 410 465	18 833 165	9 910 465	15 333 165
The company recognises the unspent government assistance which was received towards the upgrade, acquisition and installation of technological hardware and software detailed below.				
Breakdown of Deferred Income				
Internet trading system	5 000 000	5 000 000	5 000 000	5 000 000
Surveillance system	-	5 000 000	-	5 000 000
Ticker Screen at Fairscape Precinct	2 092 500	1 092 500	1 092 500	1 092 500
Stock market Bull at Fairscape Precinct	-	1 000 000	1 000 000	1 000 000
Securities Borrowing and lending system	8 500 000	3 500 000	-	-
ATS System	2 817 965	3 240 665	2 817 965	3 240 665
	18 410 465	18 833 165	9 910 465	15 333 165
14. Revenue				
Revenue from contracts with customers				
Listing and sustaining fees	22 242 933	21 378 066	22 242 933	21 378 066
Members fee income	16 250	16 500	16 250	16 500
Commissions received	9 186 026	9 425 535	4 788 747	4 881 051
News publications	902 071	651 000	902 071	651 000
Miscellaneous other revenue	1 254 612	1 140 918	-	-
	33 601 892	32 612 019	27 950 001	26 926 617
15. Other operating income				
Bad debts recovered	18 174	-	-	-
Registered advisors	145 000	-	145 000	-
Amortisation of capital grants	422 696	422 696	422 696	422 696
Training income	411 170	352 795	411 170	352 795
Other income	553 649	1 076 031	553 649	957 729
Government grants	-	498 311	-	498 311
	1 550 689	2 349 833	1 532 515	2 231 531
16. Other operating gains (losses)				
Gains on disposals, scrappings and settlements				
Property, plant and equipment	-	38 455	-	38 455
Foreign exchange (losses)				
Net foreign exchange loss	(1 388)	-	(1 388)	-
Total other operating gains (losses)	(1 388)	38 455	(1 388)	38 455

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Figures in Pula	Group		Company	
	2019	2018	2019	2018
17. Operating profit (loss)				
Operating profit for the year is stated after charging (crediting) the following, amongst others:				
Auditor's remuneration - external				
Audit fees	163 100	142 470	126 352	110 370
Auditor's remuneration - internal	400 127	76 448	249 667	54 230
Employee costs				
Salaries, wages, bonuses and other benefits	18 320 395	17 292 098	14 166 504	13 396 063
Leases				
Operating lease charges				
Premises	256 695	1 953 187	202 093	1 701 229
Depreciation and amortisation				
Depreciation of property, plant and equipment	1 769 642	1 622 987	1 382 362	1 235 651
Depreciation of right-of-use assets	1 344 434	-	1 142 769	-
Total depreciation and amortisation	3 114 076	1 622 987	2 525 131	1 235 651
Movement in credit loss allowances				
Trade and other receivables	(114 780)	225 893	(114 780)	207 719
Expenses by nature				
The total cost of sales, selling and distribution expenses, marketing expenses, general and administrative expenses, research and development expenses, maintenance expenses and other operating expenses are analysed by nature as follows:				
Employee costs	18 320 395	17 292 098	14 166 504	13 396 063
Lease expenses	256 695	1 953 187	202 093	1 701 229
Depreciation, amortisation and impairment	3 114 076	1 622 987	2 525 131	1 235 651
Other expenses	2 359 678	1 087 281	1 375 782	786 566
Computer expenses	3 916 044	3 814 216	2 699 157	2 593 718
Consultancy fees	32 449	184 760	32 449	115 640
Members sitting allowances	272 244	214 650	272 244	165 600
Office expenses	108 352	157 293	108 352	119 222
Insurance	154 682	272 605	154 682	188 230
Advertising expenses	1 526 465	2 068 524	1 507 922	1 883 964
Seminars and conferences	6 322	404 227	6 322	404 227
Printing and stationery	69 443	236 208	69 443	61 240
Staff welfare	542 119	478 567	542 119	478 567
Communication expenses	243 094	310 909	229 406	279 458
Training expenses	479 888	322 924	188 317	218 852
Travelling and accommodation expense	1 302 188	764 533	1 281 845	736 923
	32 704 134	31 184 969	25 361 768	24 365 150
18. Finance income				
Interest income				
Investments in financial assets:				
Interest income	4 159 710	3 694 484	3 064 178	2 557 683

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Notes to the Group Annual Financial Statements

Figures in Pula	Group		Company	
	2019	2018	2019	2018
19. Finance costs				
Lease interest	317 888	-	270 205	-
20. Taxation				
As per the Botswana Stock Exchange Transition Act, The income of the exchange shall be exempt from income tax for the period of 5 years following the conversion date.				
21. Cash generated from operations				
Profit before taxation	6 403 661	7 283 929	7 028 113	7 181 417
Adjustments for:				
Depreciation and amortisation	3 114 076	1 622 987	2 525 131	1 235 651
Gains on disposals, scrappings and settlements of assets and liabilities	-	(38 455)	-	(38 455)
Finance income	(4 159 710)	(3 694 484)	(3 064 178)	(2 557 683)
Finance costs	317 888	-	270 205	-
Net impairments and movements in credit loss allowances	(114 780)	225 893	(114 780)	207 719
Movements in operating lease assets and accruals	-	141 320	-	141 320
Amortisation of capital grant	-	(422 700)	-	(422 700)
Changes in working capital:				
Trade and other receivables	(470 340)	2 847 417	62 173	2 581 424
Trade and other payables	2 033 868	(754 963)	5 947 316	(2 121 990)
Deferred income	(422 700)	-	(5 422 700)	-
	6 701 963	7 210 944	7 231 280	6 206 703

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

Members of key management- CEO
Senior management

T Tsheole
M Mogasha
K Mogorosi
M Pheto
T Mmolai
K Bolokwe
T Moribame
G Dibotelo

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Figures in Pula	Group		Company	
	2019	2018	2019	2018
22. Related parties (continued)				
Related party balances				
Amounts included in Trade and other receivables (Trade and other payables) regarding related parties				
Government of Botswana	-	1 188 750	-	1 188 750
Central Securities Depository Company of Botswana	-	-	4 135 529	551 006
	-	1 188 750	4 135 529	1 739 756
Related party transactions				
Commission fees to (received from) related parties				
African Alliance Botswana Securities	(99 484)	(420 259)	(51 783)	(213 610)
Imara Capital Securities	(620 580)	(2 408 835)	(324 498)	(810 480)
Motswedi Securities	(1 130 072)	(2 880 035)	(374 531)	(966 570)
Stock Brokers Botswana	(1 388 569)	(621 451)	(707 492)	(213 940)
	(3 238 705)	(6 330 580)	(1 458 304)	(2 204 600)
Transfer of property, plant and equipment (to)				
Central Securities Depository Company of Botswana	-	-	-	(1 200 000)
Membership fees				
Stockbrokers Botswana	8 000	9 750	4 000	3 750
Imara Capital Securities	9 000	10 500	4 500	4 500
Motswedi Securities	7 500	10 000	3 750	4 000
African Alliance Botswana Securities	8 000	10 500	4 000	4 250
	32 500	40 750	16 250	16 500
Listing and annual sustaining fees				
Government bonds (at 0.125% on nominal value of Government bonds)	11 985 000	11 666 250	11 985 000	11 666 250
Government Subvention				
Capital grant (net of expenses)	-	2 092 500	-	2 092 500
Subvention income	-	498 311	-	498 311
	-	2 590 811	-	2 590 811
Board Sitting allowances	377 300	214 650	251 300	165 600
Remuneration for senior management				
Salaries	5 893 855	5 659 974	4 007 062	3 494 762
Terminal benefits	3 491 606	2 766 365	3 041 312	2 377 165
	9 385 461	8 426 339	7 048 374	5 871 927

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23. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

Group - 2019

	Amortised cost	Total
Trade and other receivables	2 567 940	2 567 940
Cash and cash equivalents	11 425 759	11 425 759
Financial assets	85 718 212	85 718 212
	99 711 911	99 711 911

Group - 2018

	Amortised cost	Total
Trade and other receivables	2 248 508	2 248 508
Cash and cash equivalents	10 523 637	10 523 637
Financial assets	83 839 732	83 839 732
	96 611 877	96 611 877

Company - 2019

	Amortised cost	Total
Trade and other receivables	2 366 714	2 366 714
Cash and cash equivalents	8 860 567	8 860 567
Financial assets	64 199 962	64 199 962
	75 427 243	75 427 243

Company - 2018

	Amortised cost	Total
Trade and other receivables	2 609 491	2 609 491
Cash and cash equivalents	3 539 957	3 539 957
Financial assets	61 073 705	61 073 705
	67 223 153	67 223 153

Categories of financial liabilities

Group - 2019

	Amortised cost	Leases	Total
Trade and other payables	5 472 327	-	5 472 327
Lease obligations	-	4 260 849	4 260 849
	5 472 327	4 260 849	9 733 176

Group - 2018

	Amortised cost	Total
Trade and other payables	3 505 066	3 505 066

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Notes to the Group Annual Financial Statements

23. Financial instruments and risk management (continued)

Company - 2019	Amortised cost	Leases	Total
Trade and other payables	9 146 291	-	9 146 291
Lease obligations	-	3 621 722	3 621 722
	9 146 291	3 621 722	12 768 013

Company - 2018	Amortised cost	Total
Trade and other payables	3 208 174	3 208 174

Capital risk management

The group's objective when managing capital (which includes share capital, 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 sustainably.

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.

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23. Financial instruments and risk management (continued)

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.

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.

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23. Financial instruments and risk management (continued)

For trade receivables 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.

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

Group	2019			2018		
	Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Financial assets	85 718 212	-	85 718 212	83 839 732	-	83 839 732
Trade and other receivables	2 628 279	(60 339)	2 567 940	2 345 882	(97 374)	2 248 508
Cash and cash equivalents	11 425 759	-	11 425 759	10 523 637	-	10 523 637
	99 772 250	(60 339)	99 711 911	96 709 251	(97 374)	96 611 877

	2019			2018		
	Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Financial assets	64 199 962	-	64 199 962	61 073 705	-	61 073 705
Trade and other receivables	2 427 053	(60 339)	2 366 714	2 688 691	(79 200)	2 609 491
Cash and cash equivalents	8 860 567	-	8 860 567	3 539 957	-	3 539 957
	75 487 582	(60 339)	75 427 243	67 302 353	(79 200)	67 223 153

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.

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23. Financial instruments and risk management (continued)

Group - 2019		Less than 1 year	Total	Carrying amount
Non-current liabilities				
Lease liabilities	11	2 962 504	2 962 504	2 962 504
Current liabilities				
Trade and other payables	12	5 472 327	5 472 327	5 472 327
Lease liabilities	11	1 298 345	1 298 345	1 298 345
		9 733 176	9 733 176	9 733 176
Group - 2018				
Current liabilities				
Trade and other payables	11	3 505 066	3 505 066	3 505 066
Company - 2019				
Non-current liabilities				
Lease liabilities	11	2 518 129	2 518 129	2 518 129
Current liabilities				
Trade and other payables	11	9 146 291	9 146 291	9 146 291
Lease liabilities	11	1 103 593	1 103 593	1 103 593
		12 768 013	12 768 013	12 768 013
Company - 2018				
Current liabilities				
Trade and other payables	12	3 208 174	3 208 174	3 208 174

Interest rate risk

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

The group 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.

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Notes to the Group Annual Financial Statements

23. Financial instruments and risk management (continued)

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	2019	2019	2018	2018
	Increase	Decrease	Increase	Decrease
Increase or decrease in rate Impact on profit or loss:				
Interest income from Financial assets and bank balances (50 basis points)	606 044	606 044	419 199	419 199
Company	2019	2019	2018	2018
	Increase	Decrease	Increase	Decrease
Increase or decrease in rate Impact on profit or loss:				
Interest income from Financial assets and bank balances (50 basis points)	267 052	267 052	305 368	305 368

24. Fair value information

Fair value hierarchy

The levels 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.

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.

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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

Figures in Pula	Group		Company	
	2019	2018	2019	2018
Revenue				
Listing and annual sustaining fees	22 242 933	21 378 066	22 242 933	21 378 066
Member fees income	16 250	16 500	16 250	16 500
Miscellaneous revenue	1 254 612	1 140 918	-	-
Commissions income	9 186 026	9 425 535	4 788 747	4 881 051
X-News Publications	902 071	651 000	902 071	651 000
14	33 601 892	32 612 019	27 950 001	26 926 617
Other operating income				
Bad debts recovered	18 174	-	-	-
Registered advisors	145 000	-	145 000	-
Amortisation of ATS grants	422 696	422 696	422 696	422 696
Training income	411 170	352 795	411 170	352 795
Other income	553 649	1 076 031	553 649	957 729
Government subvention	-	498 311	-	498 311
15	1 550 689	2 349 833	1 532 515	2 231 531
Other operating gains (losses)				
Profit (losses) on disposal of assets	-	38 455	-	38 455
Foreign exchange losses	(1 388)	-	(1 388)	-
16	(1 388)	38 455	(1 388)	38 455
Movement in credit loss allowances-Bad Debts	17	114 780	(225 893)	114 780
		(207 719)		
Other operating expenses				
Advertising	(1 526 465)	(2 068 524)	(1 507 922)	(1 883 964)
Auditors remuneration - Internal audit	17	(400 127)	(76 448)	(249 667)
Auditors remuneration -external auditors	17	(163 100)	(142 470)	(126 352)
Bank charges	(47 729)	(51 360)	(45 377)	(49 260)
Cleaning	(82 293)	(69 098)	(70 918)	(58 733)
Communication expenses	(243 094)	(310 909)	(229 406)	(279 458)
Computer expenses	(3 916 044)	(3 814 216)	(2 699 157)	(2 593 718)
Consulting and professional fees	(32 449)	(184 760)	(32 449)	(115 640)
Depreciation and impairments	(3 114 076)	(1 622 987)	(2 525 131)	(1 235 651)
Electricity charges	(164 723)	(133 585)	(130 886)	(110 847)
Entertainment	(46 713)	(55 625)	(46 713)	(55 625)
Insurance	(279 537)	(272 605)	(182 202)	(188 230)
Lease rentals on operating lease	(256 695)	(1 953 187)	(202 093)	(1 701 229)
Library expenses	(2 728)	(715)	(2 728)	(715)
License fees	(200 400)	(181 910)	-	-

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Group Annual Financial Statements for the year ended 31 December 2019

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

Figures in Pula	Group		Company	
	2019	2018	2019	2018
Members sitting allowances	(377 300)	(214 650)	(251 300)	(165 600)
Board expenses	(32 912)	-	(20 944)	-
Motor vehicle expenses	(124 688)	(89 217)	(124 688)	(89 217)
Office expenses	(175 886)	(190 470)	(135 656)	(152 399)
Printing and stationery	(211 764)	(236 208)	(69 443)	(61 240)
Recruitment expenses	(11 838)	(15 809)	(11 838)	(15 809)
Registration fees	(2 892)	-	(2 892)	-
Salaries and wages	(18 320 395)	(17 292 098)	(14 166 504)	(13 396 063)
Security	(6 322)	(8 627)	(6 322)	(8 627)
Seminars and conferences	(99 151)	(404 227)	(99 151)	(404 227)
Staff welfare	(542 119)	(478 567)	(542 119)	(478 567)
Subscriptions	(486 458)	(191 342)	(367 690)	(171 490)
Training expenses	(333 509)	(322 924)	(188 317)	(218 852)
Training levies	(39 284)	(34 733)	(27 182)	(25 333)
Travel and accommodation	(1 448 567)	(764 533)	(1 281 845)	(736 923)
Water expenses	(14 876)	(3 165)	(14 876)	(3 133)
	(32 704 134)	(31 184 969)	(25 361 768)	(24 365 150)
Operating profit	17 2 561 839	3 589 445	4 234 140	4 623 734
Interest income	18 4 159 710	3 694 484	3 064 178	2 557 683
Finance costs	19 (317 888)	-	(270 205)	-
Profit for the year	6 403 661	7 283 929	7 028 113	7 181 417



BSE PHYSICAL ADDRESS:

Plot 70667 | Fairscape Precinct | 4th Floor
Fairgrounds, Gaborone
Private Bag 00417

BSE CONTACT DETAILS:

Tel: +267 367 4400 | Fax: +267 318 0175
Email: info@bse.co.bw
Web: www.bse.co.bw

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