FSG

LIMITED

ANNUAL REPORT

2012

FSG
LIMITED

CONTENTS

GROUP MISSION AND VISION STATEMENT

Group mission

To provide funeral products and related services to the community, in a caring, professional, dignified and compassionate manner, delivering maximum value to our customers through innovative products and solutions and to be the leading funeral service provider in our chosen markets.

Group vision

To be recognised as the premier funeral service provider of choice in Africa through the provision of exceptional customer service through innovative products and solutions and thereby building, enduring, and enhancing our relationship with our customers to the benefit of our stakeholders, employees, and the community at large.

GROUP CORPORATE INFORMATION

Incorporated in the Republic of Botswana
Registration number: CO 2003/5108
Date of incorporation: 07 August 2003
Date of listing on Botswana Stock Exchange: 06 October 2008

Registered office:
Plot 69124, Phase 4
Gaborone West Industrial
Gaborone, Botswana

Independent Auditors:
KPMG
P O Box 1519
Gaborone, Botswana

Company Secretaries:
Corporate Services (Proprietary) Limited
P O Box 406, Gaborone, Botswana

Transfer Secretaries:
DPS Consulting (Proprietary) Limited
P O Box 294, Gaborone, Botswana

Bankers:
Barclays Bank of Botswana Limited
First National Bank of Botswana Limited
Stanbic Bank Botswana Limited
Standard Chartered Bank Botswana Limited

Legal Advisors:
Bookbinder Business Law, Attorneys
Private Bag 382, Gaborone, Botswana

GROUP STRUCTURE

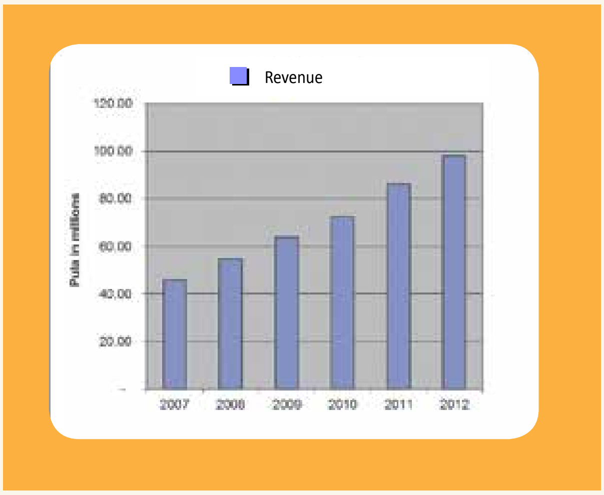
FSG Limited

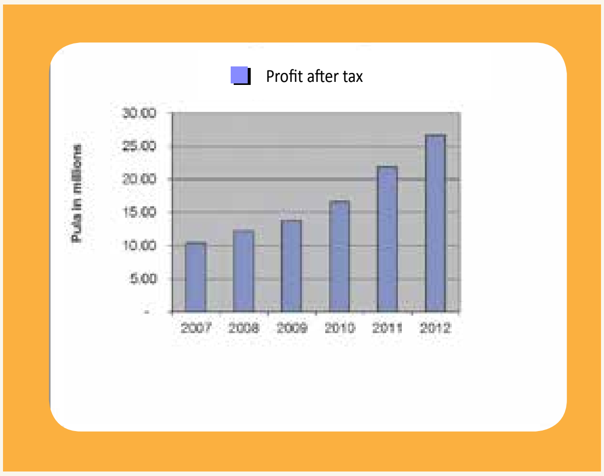
- 100% — FSG Manufacturing (Proprietary) Limited (previously, M & N Coffin and Casket Manufacturers (Proprietary) Limited
- 100% — FSG Services (Proprietary) Limited (previously, Kagiso Funeral Parlour (Proprietary) Limited
- 100% — FSG Private Cemeteries (Proprietary) Limited (previously, Private Cemeteries (Proprietary) Limited
- 100% — FSG Properties (Proprietary) Limited (previously, Imperial Funeral Parlour (Proprietary) Limited
- 100% — FSG Assurance (Proprietary) Limited
- 100% — FSG Investments (Proprietary) Limited
  - 100% — Botswana Funeral Services Group (Propietary) Limited (Incorporated in South Africa)
  - 70% — FSG (Zambia) Limited (incorporated in Zambia)

GROUP PERFORMANCE

SIX-YEAR KEY PERFORMANCE HIGHLIGHTS

	2007	2008	2009	2010	2011	2012
Revenue (Pula millions)	45.7	54.8	63.9	72.6	86.3	97.9
Profit before tax (Pula millions)	12.2	15.0	17.5	20.9	26.6	31.7
Profit after tax (Pula millions)	10.4	12.2	13.8	16.6	21.8	26.6
Earnings per share (Pula)	0.12	0.13	0.12	0.14	0.19	0.22





STATEMENTS OF COMPREHENSIVE INCOME FOR SIX YEARS
ENDING 31 DECEMBER OF EACH YEAR

	2007	2008	2009	2010	2011	2012
	Pula	Pula	Pula	Pula	Pula	Pula
Revenue	45,651,543	54,809,612	63,971,753	72,596,876	86,306,707	97,904,372
Cost of sales	(7,003,330)	(11,150,139)	(13,367,267)	(13,645,791)	(14,133,615)	(17,364,999)
Gross profit	38,648,213	43,659,473	50,604,486	58,951,085	72,173,092	80,539,373
Other operating income	147,481	264,380	737,417	143,755	851,243	1,265,476
Investment revenue	375,401	1,482,282	2,197,949	869,462	1,104,096	1,735,581
Marketing and administration expenses	(25,902,832)	(29,734,955)	(35,401,866)	(38,732,271)	(47,228,982)	(51,713,642)
Finance costs	(1,065,566)	(600,741)	(632,308)	(241,653)	(244,212)	(123,074)
Profit before tax	12,202,697	15,070,439	17,505,678	20,990,378	26,655,237	31,703,714
Income tax	(1,800,760)	(2,894,050)	(3,689,513)	(4,407,246)	(4,779,613)	(5,079,207)
Profit for the year	10,401,937	12,176,389	13,816,165	16,583,132	21,875,624	26,624,507
Other comprehensive income (loss)						
Gain on revaluation of property, plant and equipment	-	10,024,698	-	6,963,511	11,637,508	8,552,871
Loss on partial disposal of subsidiary	-	-	-	(236,806)	-	-
Exchange difference on translating foreign operations	79,176	(399,080)	(464,504)	289,765	176,893	224,685
Income tax on components of other comprehensive income	-	(2,112,673)	-	(1,795,275)	(1,613,727)	(1,922,711)
Other comprehensive income for the year	79,176	7,512,945	(464,504)	5,221,195	10,200,674	6,854,845
Total comprehensive income for the year	10,481,113	19,689,334	13,351,661	21,804,327	32,076,298	33,479,352
Profit attributable to:						
Owners of the company	10,401,937	12,176,389	13,816,165	17,171,771	22,405,979	26,758,184
Non-controlling interests	-	-	-	(588,639)	(530,355)	(133,677)
	10,401,937	12,176,389	13,816,165	16,583,132	21,875,624	26,624,507
Total comprehensive income attributable to:						
Owners of the company	10,481,113	19,689,334	13,351,661	21,989,433	32,505,963	33,539,960
Non-controlling interests	-	-	-	(185,106)	(429,665)	(60,608)
	10,481,113	19,689,334	13,351,661	21,804,327	32,076,298	33,479,352
Earnings per share						
Basic (Pula per share)	0.12	0.13	0.12	0.14	0.19	0.22
Diluted (Pula per share)	0.12	0.13	0.11	0.14	0.19	0.22

STATEMENTS OF FINANCIAL POSITION FOR SIX YEARS
AS AT 31 DECEMBER OF EACH YEAR

	2007	2008	2009	2010	2011	2012
ASSETS	Pula	Pula	Pula	Pula	Pula	Pula
Non-current assets						
Property, plant and equipment	37,297,277	56,879,538	74,844,502	86,359,529	102,592,599	104,464,439
Goodwill	27,217,880	27,189,768	27,080,631	26,708,295	26,797,269	26,822,003
Deferred tax assets	-	21,909	104,546	382	271,101	675,019
Inventories	-	-	3,457,143	3,409,973	3,380,330	3,343,188
Total non-current assets	64,515,157	84,091,215	105,486,822	116,478,179	133,041,299	134,304,649
Current assets						
Inventories	3,209,732	4,174,705	4,343,340	5,448,860	7,918,537	7,415,067
Trade and other receivables	4,148,499	2,408,221	3,013,396	1,700,261	3,327,858	3,452,342
Loan to related party	924,426	924,426	924,426	-	-	-
Current tax assets	-	-	9,450	8,991	87,335	104,824
Bank and cash balances	3,338,529	39,664,048	13,714,554	18,956,099	25,479,450	50,864,812
Total current assets	11,621,186	47,171,400	22,005,166	26,114,211	36,813,180	61,837,045
Total assets	76,136,343	131,262,615	127,491,988	142,592,390	169,854,479	197,141,694
EQUITY AND LIABILITIES						
Capital and reserves						
Stated capital	34,001,000	68,301,000	68 301,000	68,301,000	68,301,000	69,525,100
Reserves	4,288,215	11,682,449	11,337,945	16,822,207	26,713,884	31,640,508
Retained earnings	11,425,508	16,661,784	25,677,949	35,649,720	49,316,766	65,827,534
Equity attributable to owners of the company	49,714,723	96,645,233	105,316,894	120,772,927	144,331,650	166,993,142
Non-controlling interest	-	-	-	718,739	289,074	228,466
Capital and reserves	49,714,723	96,645,233	105,316,894	121,491,666	144,620,724	167,221,608
Non-current liabilities						
Borrowings	15,000,000	-	-	-	-	-
Deferred tax liabilities	3,284,421	5,569,326	5,706,938	7,467,235	7,666,417	9,612,595
Total non-current liabilities	18,284,421	5,569,326	5,706,938	7,467,235	7,666,417	9,612,595
Current liabilites						
Trade and other payables	7,442,167	10,229,366	11,220,628	11,364,960	14,092,077	17,648,573
Bank overdraft	228,796	2,339,763	3,669,975	-	735,240	781,904
Borrowings	-	15,000,000	-	-	-	-
Current tax liabilities	466,236	1,478,927	1,577,553	2,268,529	2,740,021	1,877,014
Total current liabilities	8,137,199	29,048,056	16,468,156	13,633,489	17,567,338	20,307,491
Total liabilities	26,421,620	34,617,382	22,175,094	21,100,724	25,233,755	29,920,086
Total equity and liabilities	76,136,343	131,262,615	127,491,988	142,592,390	169,854,479	197,141,694

BOARD OF DIRECTORS

Daniel Neo Moroka (independent and non-executive) *(Motswana)*

Daniel Neo Moroka is a Biologist by profession and has vast experience in Wildlife Biology. He is also a qualified banker with extensive experience in the banking industry. He served as Agricultural Advisor to Barclays Bank of Botswana and was also involved in retail and corporate banking. He is the Resident Director and Chief Executive Officer of De Beers Botswana. His responsibilities include strategic direction including administration, legal and tax matters for all De Beers entities in Botswana. He sits on the main De Beers Group Executive Committee and on the Boards of Debswana Diamond Company and Diamond Trading Company Botswana. He was elected as Member of Parliament for Kgalagadi South and was Minister of Trade and Industry from end of 2004 to 2009. He also sits on the Board of Barclays Bank of Botswana and is the Chairman of Sefalana Holding Company Limited. His past Board directorships include, among others, National Development Bank, Bank of Botswana, BP Mozambique, BP Zambia, BP Southern Africa, Botswana Meat Commission as well as the Debswana Diamond Mining Company. He was the winner of the inaugural Bank of Botswana "Banker of the Year" Award.

Milivoje Nikolic – Group Managing Director (Executive) *(Serbian)*

Milivoje Nikolic, ("Mike") a Mechanical Engineer, is the Group's Managing Director. Mike together with his wife Lynette are the founder shareholders and promoters. They first established Lyn's Funeral Parlour ("Lyns") in 1993 and thereafter expanded to Northern Botswana through the vehicle of Kagiso Funeral Parlour. Over the last twenty years Mike has successfully made Lyn's into a household name, the service provider of choice for funeral services throughout Botswana.

Jeffrey Samuel Bookbinder (Independent and non-executive) *(Canadian)*

Jeffrey Samuel Bookbinder is partner at Bookbinder Business Law, Attorneys in Gaborone, Botswana. He is an Attorney of the High Court of Botswana and is admitted as a solicitor in England and Wales as well as a barrister and solicitor in Ontario, Canada. Jeffrey came to Botswana in 1990 to teach law at the University of Botswana and entered private practice in 1992. He specialises in corporate/commercial law, securities, mergers and acquisitions and alternative dispute resolution. Jeffrey is the author of chapters on the law of Botswana in the following publications: - "Trade Marks – World Law and Practice Journal", "International Financial Services Law and Practice" and "Global Financial Regulators".

BOARD OF DIRECTORS (continued)

John Alexander Burbidge (Independent and non-executive) *(British)*

John Alexander Burbidge, a Chartered Accountant (UK), is a former Chief Executive Officer of Botswana Insurance Holdings Limited and executive director of the Group responsible for international operations. He has over 30 years experience in the financial services industry. He is also a non-executive director of Letshego Holdings Limited and of African Reinsurance Corporation. He is the Chairman of the Audit & Risk Committee.

Catherine Lesetedi-Letegele (Non-executive) *(Motswana)*

Catherine Lesetedi-Letegele joined the insurance industry in 1992 as a Supervisor at Botswana Life Insurance Limited and rose through the ranks to be Divisional Manager in 2000. She has eighteen years experience in insurance industry. She is the Chief Executive Officer of Botswana Life Insurance Limited. Her qualifications include BA Statistics (UCT), ACII. She is Member of the Advisory Board for the Faculty of Business at University of Botswana and is President of the newly established Insurance Council of Botswana (ICB).

Kate Maphage (Non-executive) *(Motswana)*

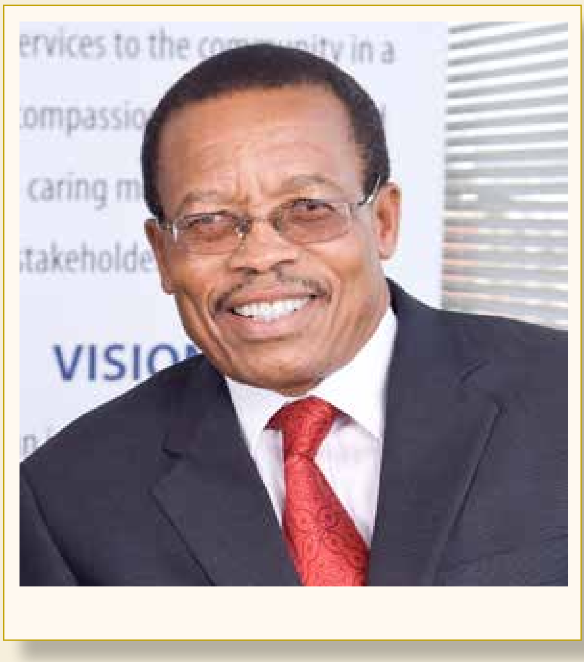
Kate Maphage is an entrepreneur who is involved in businesses across a variety of sectors. She is a founding member of the consortium which formed Mascom Wireless and she subsequently led the Commercial and Human Resource divisions of the company for a number of years. Kate serves on a number of boards and is Chairperson of Kgalagadi Beverages Trust, Mobility and Maemo Cell Insurance (Pty) Limited. She holds a Bachelor of Commerce and a Masters degree in Business Leadership. She is the Chairperson of the Remuneration Committee.

BOARD OF DIRECTORS (continued)

Lynette Sybil Nikolic (Non-executive) *(Motswana)*

Lynette Sybil Nikolic is one of the founding shareholders and promoters of the Group. Prior to this she was Assistant to the Group Company Secretary with Botswana Development Corporation Limited. Lynette has been a director since inception and a key force behind the Group's development. For the last eight years she has served the Group as a non-executive director.

CHAIRMAN'S REPORT



I am pleased to present my report for the year ended 31 December 2012 to the shareholders of FSG Limited.

The economic environment

The year 2012 was characterized by declining global economic growth. Major European and emerging market economies endeavored to reduce their fiscal deficits to overcome the various economic challenges within their economies. This led to an uncertain economic environment and moderated consumer demand, which negatively impacted the economy of Botswana by a decline in demand for mineral exports. Overall, the economy of Botswana continued to grow, albeit, slowly.

Financial performance

In the background of the challenging economic environment, the Group continued its good performance and achieved significant growth in terms of turnover and profitability.

In Botswana, the Group continued to invest in infrastructure development to enable it to render efficient and effective customer service. The Group has invested in a new branch in Pilane, which commenced operations in January 2013. Additional branches will be opened in Kasane and Palapye in 2013.

In line with its corporate strategy to 2015, the Group continued its offshore expansion plans and invested in a new branch in Ndola, Zambia. This branch became operational in January 2013.

Corporate governance

During the year, the Board committees namely, the Audit and Risk Committee, Remuneration Committee and Investment Committee assisted the Board in its endeavor to manage the business in accordance with global best practice in corporate governance. A comprehensive section on corporate governance and compliance thereto is provided elsewhere in this Annual Report.

Restructuring

Effective 01 January 2013, the Group was restructured such that each of the six subsidiaries will now specialize in only one business activity. These activities are manufacturing, services, assurance, properties, investment and private cemeteries. This restructuring is expected to improve operational efficiencies going forward.

Social responsibility

During the year, management and staff participated in various social responsibility programs to benefit local community in areas where the Group has presence. It is our firm belief that social responsibility is part of our license to do business and as such we shall endeavor to continue to give back to those in areas where we operate.

Acknowledgement

I wish to acknowledge and thank my Board colleagues for their assistance, efforts, vision and guidance throughout the year. I also acknowledge and commend the management and staff for their commitment, persistence, and effort during the year which led to the excellent results for the year just ended.

Daniel Neo Moroka
CHAIRMAN

GROUP MANAGING DIRECTOR'S REPORT

I have pleasure in presenting my fifth report to the shareholders since the company was listed on the Botswana Stock Exchange in 2008.

Financial performance

The Group has performed in line with expectations in 2012. It achieved reasonable growth in terms of revenue and profitability.

Revenue increased by 13% and profit before tax by 19% over that of the previous year. The administration expenses saw a growth of 9% which is in line with inflation and growth of the business.

Review of operations

Botswana

The Group's business activities in Botswana continued to show good growth in the 2012. Funeral services business grew 9% and assurance business showed a growth of 24% over the previous year.

In order to render efficient customer service the Group continued to invest in modernising its facilities and vehicles as well as expanding its branch network to enhance its presence within Botswana. In this regard the Group purchased new vehicles and opened a new branch in Pilane which became operational in January this year. The Palapye branch is currently under construction and is expected to open in early 2014 whilst the Kasane branch is expected to open in mid 2013.

Sale of graves in Phomolong memorial park has not shown any remarkable growth and is in line with the previous year. One of the important factors affecting the sale of graves is to have a presence in both Northern and Central Botswana so that customers have a choice of more than one private cemetery within Botswana. The Group is considering development of a private cemetery in Francistown and another in Serowe in the medium term.

Zambia

In Zambia, the Group's revenue increased during the year by 54% over prior year. The Group is now focussed on expanding its operations within Zambia. A new branch in Ndola became operational in January 2013.

Looking ahead

The Group will continue its expansion programme in Botswana. A new branch in Kasane will open in 2013 and the Palapye branch will become operational early next year. Development of a new branch in Kitwe is due to start shortly. Branches in other towns in Zambia will be considered.

Restructuring

In order to streamline the different operating businesses under separate specific entities which will lead to better business administration, it has been resolved that effective 01 January 2013, the Group, which currently constitutes six subsidiaries, shall be restructured. Following the restructure, each company shall specialise in one business only. Accordingly there will be separate companies for manufacturing activity, services activity, assurance activity, investment activity and private cemetries. All properties of the Group shall be owned by a separate entity.

Acknowledgments

I take this opportunity to thank my Board of Directors for the support and direction they have provided and also the management and staff for their hard work, dedication and commitment.

I would also like to acknowledge the support of our customers and express our sincere gratitude for the opportunity given to us to serve them. We shall continue to do our utmost to provide a dignified and caring service to them at all times.

I am confident that we shall continue to grow our businesses in the year ahead.

Milivoje Nikolic
GROUP MANAGING DIRECTOR

SENIOR MANAGEMENT

Group Chief Executive Officer

Until February 2011, Mrs. Kgosietsile was based in New Delhi as Botswana's first resident High Commissioner to India following a year stint in Cape Town as Consul General in 2005/06. Her professional career started at the Auditor General's Office in 1980. From 1982 she served Botswana Development Corporation Ltd (BDC) for sixteen years. Her tenure at BDC entailed portfolio management and compliance, strategic advice, investment and financial planning, operations and board level direction in a wide industrial and commercial space. In addition to directing several business formations and restructures, she served as Director on blue chip entities like BIHL (BIFM and BLIL), Sechaba, NDB and PPADB. She is currently Director of the BSE listed Choppies Group and First National Bank of Botswana; an observer on Botho University, and Trustee of Dinaletsana (an autism action social responsibility group). The group CEO has a proven track record of entrepreneurial attributes, community service and commitment to excellence.

Head: Business Support

Vijayan Narayanan joined FSG Limited in 2007. He has a degree in Commerce and a degree in Law from the University of Mumbai. He is an Associate member of the Institute of Chartered Accountants of India and a Fellow member of the Botswana Institute of Chartered Accountants. As Head of Business Support he is responsible for all support functions of the Group, namely Finance, Human Resources and Information Technology. He has over twenty year's managerial experience in various industries.

Head: Manufacturing

Devarajan Narayanaswamy has been with FSG Limited since 2004. He joined FSG Limited as Finance Manager and was subsequently promoted as Head of Systems and Controls and later as Head of Operations. He is currently Head of Manufacturing. He has Master's Degree in Accounting from University of Kerala. He is a Fellow Member of the Institute of Cost and Management Accountants of India (FCMA), Fellow member of Botswana Institute of Chartered Accountants (FCA) and Associate Member of the Institute of Management Accountants of USA (CMA-USA). He has a Diploma in RDBMS specialising in Oracle and Certificate of Practice in Long Term Insurance with Insurance Institute of South Africa. Devarajan previously worked for Oman Trading Establishment as Finance Executive in the Sultanate of Oman.

Head: Operations

Thapelo Kalake has a Bachelor's degree in Engineering (BEng) from Western Michigan University, MI. USA and an MBA from the University of Botswana. He is Head of Operations. Before joining FSG Limited, Thapelo was Head of Operations at Botswana Post where he was not only instrumental but also the driver in the delivery of key corporate initiatives such as the development and relocation to the New International Mail Sorting facility, UPU Accreditation of Botswana Post processes, introduction of Hybrid Mail Plant and Services, global accreditation of EMS Botswana services among many others. As a UN/UPU accredited process auditor, Thapelo was the lead process evaluator for the accreditation of South African Post Office. He was the Chairman of the UN/UPU Quality of Service Project Group at global level, and also that of SADC Postal Operators (SAPOA) Directors of Operations Committee.

Head: Human Resources

Johanah Motswagole-Konings has been with FSG Limited since 2011. She formerly worked with the Debswana Diamond Company as a graduate trainee, Human Resources Officer, and IT - Business Process Analyst. Following this she joined Tati Nickel Mining Company as Section Manager Employee Services. While at Tati Nickel Mining Company she was instrumental in coming up with processes and procedures as well as ensuring adherence to such. Johanah brings a wealth of experience in Human Resources having spent a good ten years in the mining industry. She graduated in 1997 from the University of Botswana with a Bachelor's Degree in Arts majoring in Economics & Public Administration. She completed a Management Development Programme with the University of Stellenbosch in 2007.

CORPORATE GOVERNANCE

Approach to governance

FSG Limited is committed to the principles of transparency, accountability, integrity and best practices in the conduct of its business as set out in the Botswana Stock Exchange Code of Best Practice on corporate governance. The Board of Directors is cognisant of this responsibility and is aware that the Board is ultimately responsible and accountable for the management and the conduct of the business of the Group.

The Directors are satisfied that the Group has adopted the best practices in the conduct of its business and the Board members continually endeavor to ensure that the Group's policies on corporate governance continue to match global best practices.

Whilst the executive Directors are responsible for the day-to-day management of the Group, the Board recognises that delegation of authority to Management and/or committees of the Directors do not, in any manner, dissipate or mitigate the responsibility of the Board collectively and that of individual Directors' of their responsibilities.

The Board is responsible for ensuring that in managing the affairs of the Group they act independently and in a manner that they reasonably believe to be in the best interest of the business of the Group and that of its stakeholders and in compliance with all applicable laws and regulations. This will involve establishing strategies, effective decision-making, establishing internal controls and systems, compliance checking, effective reporting and performance evaluation.

Directorate

The Constitution of the company provides for a minimum of four directors. The current Board of directors comprises seven directors; three non-executive, three independent non-executive, and one executive director.

The Chairperson of the Board is a non-executive Director. There is a clear distinction in the role and responsibility between the Chairperson and the Group Managing Director.

The Board meets at least four times a year and is responsible for establishing strategies, guiding corporate strategy, taking decisions on business development, assessing and reviewing performance, authorising capital expenditure for business expansion and ensuring compliance with laws and regulations.

Each year one-third of the directors retire by rotation and are eligible for re-election subject to the approval of the shareholders of the company.

Company secretary and professional advice

All directors have unlimited access to the services of the Company Secretaries who are responsible to the Board for ensuring that proper Board procedures are followed.

All directors are entitled to seek independent professional advice concerning the affairs of the company at the company's expense.

Annual financial statements

The Directors are responsible for monitoring the preparation of the annual financial statements, and are also responsible for the approval of these financial statements, thereby ensuring that they fairly present the affairs of the Group and the company for the financial year under review.

The external auditors are responsible for expressing an opinion on the financial statements based on their audit.

The annual financial statements set out in this report have been prepared by Management in accordance with International Financial Reporting Standards and the Companies Act of Botswana (Companies Act, 2003).

Board Committees

To assist the Board in discharging its responsibilities, the following Board committees were formed during the later half of 2008, namely:

- The Audit and Risk Committee;
- The Remuneration Committee; and
- The Investment Committee

Each committee of the Board is constituted with a Charter which determines its membership, purpose, scope of its mandate, powers and authority.

Audit and Risk Committee

The Audit and Risk Committee comprises:

Chairperson:	John Burbidge
Members:	Lynette Sybil Nikolic
	Catherine Lesetedi-Letegele

The external auditors have free access to the Chairman of the committee and are permanent invitees to the meetings and deliberations of the Committee. The Committee has unrestricted access to the Group's accounting records.

The function of the Committee is to assist the Board in discharging its functions under the Companies Act and

CORPORATE GOVERNANCE (continued)

Common Law. In particular it monitors financial controls, accounting systems, reviews accounting policies, and recommends the approval of the annual financial statements to the Board of Directors.

The Committee monitors the company's risk profile and makes appropriate recommendations. The Committee also monitors the ethical conduct of the Group, its executives and senior officials.

Remuneration Committee

The Remuneration Committee comprises:

Chairperson:	Catherine Lesetedi-Letegele
Members:	Kate Maphage
	Jeffery Samuel Bookbinder

The Committee approves the remuneration of the Directors, executives and employees and seeks to provide appropriate and fair rewards and incentives. Executive directors play no part in decisions regarding their own remuneration.

Investment Committee

The Investment Committee was established during the year and comprises:

Chairperson:	Daniel Neo Moroka
Members:	John Burbidge
	Milivoje Nikolic

The Committee reviews new projects and investment proposals for recommendation to the Board.

Internal control

The Board of Directors and Management are responsible for implementing appropriate internal control systems. Internal control comprises methods and procedures designed by Management to assist in achieving the objectives of safeguarding assets, detecting and preventing fraud and error, and ensuring the accuracy and completeness of accounting records. These systems assist in reducing, but do not eliminate, the possibility of fraud and error.

To fulfill its responsibilities, Management maintains adequate accounting records and has developed, and continues to maintain a system of internal controls. The Directors report that the Company's internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of the financial statements.These controls adequately safeguard, verify and maintain accountability of assets and are implemented by trained and skilled personnel.

Nothing has come to the attention of the company's Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

Succession planning

The Group is committed to ensuring that its staff and management are given the necessary training to enable them to develop their skills and to progress to higher positions within the Group.

MAJOR SHAREHOLDERS' AT 31 DECEMBER 2012

No.	Shareholder	Number of shares held	%
1.	Botswana Life Insurance Limited	34,377,779	28.44
2.	FNB Nominees Re: AG BPOPF	8,109,758	6.71
3.	FNB Nominees Re: CFM BPOPF	7,850,238	6.49
4.	Dorcas Anna Kgosietsile	5,486,500	4.54
5.	Tebelelo Seretse	5,465,200	4.52
6.	Julia Shathani Majaha-Jartby	5,460,000	4.52
7.	Lynette Sybil Nikolic	5,400.000	4.47
8.	Catherine Kate Maphage	4,679,639	3.87
9.	Milivoje Nikolic	4,600,000	3.81
10.	Petronella Rapelang Matumo	2,763,514	2.28
		84,192,628	
Percent of total shares in issue		69.66%	

Group Annual Financial Statements

For the year ended
31 December 2012

GROUP ANNUAL FINANCIAL STATEMENTS
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DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the group annual financial statements and the annual financial statements of FSG Limited, comprising the statements of financial position at 31 December 2012, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards ("IFRS").

The directors are required by the Companies Act of Botswana (Companies Act, 2003), to maintain adequate accounting records and are responsible for the content and integrity of and related financial information included in this report. It is their responsibility to ensure that the annual financial statements and consolidated annual financial statements fairly present the state of affairs of the company and group as at the end of the financial year and the results of their operations and cash flows for the year then ended, in conformity with IFRS. The external auditors are engaged to express an independent opinion on the annual financial statements.

The directors are responsible for such internal control as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates. The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as preparation of the supplementary schedules included in these financial statements.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board 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 company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company 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 have made an assessment of the company's and group's ability to continue as a going concern and there is no reason to believe the business will not be a going concern in the year ahead.

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 annual financial statements.

The auditor is responsible for reporting whether the group annual financial statements and annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

The annual financial statements have been examined by the company's external auditors and their report is presented on page 22.

DIRECTORS' APPROVAL OF THE GROUP ANNUAL FINANCIAL STATEMENTS

Against this background, the directors accept responsibility for the group annual financial statements and the annual financial statements of the company on pages 23 to 58 which were approved on 13 March 2013 and signed on behalf of the Board by:

Daniel Neo Moroka
Chairman of the Board

Milivoje Nikolic
Group Managing Director

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FSG LIMITED

We have audited the accompanying group annual financial statements and annual financial statements of FSG Limited, which comprise the statements of financial position as at 31 December 2012, and statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 23 to 58.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Audit opinion

In our opinion, these annual financial statements give a true and fair veiw of the consolidated and separate financial position of FSG Limited as at 31 December 2012, and its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG
KPMG
Certified Auditors
Practicing Member: AG Devlin (19960060:23)

Gaborone
19 March 2013

STATEMENTS OF COMPREHENSIVE INCOME
FOR YEAR ENDED 31 DECEMBER 2012

		GROUP		COMPANY	
		2012	2011	2012	2011
	Notes	Pula	Pula	Pula	Pula
Revenue	5	97,904,372	86,306,707	-	-
Cost of sales		(17,364,999)	(14,133,615)	-	-
Gross profit		80,539,373	72,173,092	-	-
Other operating income		1,265,476	851,243	240,000	240,000
Investment revenue	7	1,735,581	1,104,096	1,050,697	23,209,880
Marketing and administration expenses		(51,713,642)	(47,228,982)	(158,022)	(92,737)
Finance costs	8	(123,074)	(244,212)	(869,883)	-
Profit before tax	10	31,703,714	26,655,237	262,792	23,357,143
Income tax	9	(5,079,207)	(4,779,613)	(57,814)	(2,963,835)
Profit for the period		26,624,507	21,875,624	204,978	20,393,308
Other comprehensive income					
Gain on revaluation of property, plant and equipment		8,552,871	11,637,508	-	-
Exchange difference on translating foreign operations		224,685	176,893	-	-
Income tax on components of other comprehensive income		(1,922,711)	(1,613,727)	-	-
Other comprehensive income for the period		6,854,845	10,200,674	-	-
Total comprehensive income for the period		33,479,352	32,076,298	204,978	20,393,308
Profit attributable to :					
Owners of the company		26,758,184	22,405,979		
Non-controlling interests		(133,677)	(530,355)		
		26,624,507	21,875,624		
Total comprehensive income attributable to :					
Owners of the company		33,539,960	32,505,963		
Non-controlling interests		(60,608)	(429,665)		
		33,479,352	32,076,298		
Earnings Per Share	11				
Basic (Pula per share)		0.22	0.19		
Diluted (Pula per share)		0.22	0.19		

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

		GROUP		COMPANY	
		2012	2011	2012	2011
ASSETS	Notes	Pula	Pula	Pula	Pula
Non-current assets					
Property, plant and equipment	12	104,464,439	102,592,599	-	-
Goodwill	13	26,822,003	26,797,269	-	-
Deferred tax assets	9	675,019	271,101	-	-
Investment in subsidiaries	14	-	-	65,314,485	64,090,385
Inventories	15	3,343,188	3,380,330	-	-
Total non-current assets		135,304,649	133,041,299	65,314,485	64,090,385
Current assets					
Inventories	15	7,415,067	7,918,537	-	-
Trade and other receivables	16	3,452,342	3,327,858	340	646,358
Current tax assets		104,824	87,335	50,745	77,557
Bank and cash balances		50,864,812	25,479,450	25,355,375	17,802,341
Total current assets		61,837,045	36,813,180	25,406,460	18,526,256
Total assets		197,141,694	169,854,479	90,720,945	82,616,641
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	17	69,525,100	68,301,000	69,525,100	68,301,000
Reserves		31,640,508	26,713,884	(365,522)	(365,522)
Retained earnings		65,827,534	49,316,766	563,154	11,236,926
Equity attributable to owners of the company		166,993,142	144,331,650	69,722,732	79,172,404
Non-controlling interest		228,466	289,074	-	-
Capital and reserves		167,221,608	144,620,724	69,722,732	79,172,404
Non-current liabilities					
Deferred tax liabilities	9	9,612,595	7,666,417	-	-
Current liabilities					
Trade and other payables	18	17,648,573	14,092,077	20,998,213	3,203,220
Bank overdraft	19	781,904	735,240	-	-
Current tax liabilities		1,877,014	2,740,021	-	241,017
Total current liabilities		20,307,491	17,567,338	20,998,213	3,444,237
Total liabilities		29,920,086	25,233,755	20,998,213	3,444,237
Total equity and liabilities		197,141,694	169,854,479	90,720,945	82,616,641

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

GROUP	Stated capital	Revaluation reserve	Equity-settled employee benefit reserve	Reserve arising on partial disposal of subsidiary	Foreign currency translation reserve	Total reserves	Retained earnings	Attributable to owners of the company	Non-controlling interest	Total
	Pula	Pula	Pula	Pula	Pula	Pula	Pula	Pula	Pula	Pula
Balance at 1 January 2011	68,301,000	16,767,056	786,600	(236,806)	(494,643)	16,822,207	35,649,720	120,772,927	718,739	121,491,666
Recognition of share-based payments	-	-	437,500	-	-	437,500	-	437,500	-	437,500
Total comprehensive income/(loss) for the year	-	9,923,091	-	-	176,893	10,099,984	22,405,979	32,505,963	(429,665)	32,076,298
Transfer to retained earnings on disposal of revalued property, plant and equipment	-	(645,807)	-	-	-	(645,807)	645,807	-	-	-
Transfer from deferred tax to retained earnings on disposal of revalued property, plant and equipment	-	-	-	-	-	-	215,260	215,260	-	215,260
Dividends declared and paid	-	-	-	-	-	-	(9,600,000)	(9,600,000)	-	(9,600,000)
Balance at 31 December 2011	68,301,000	26,044,340	1,224,100	(236,806)	(317,750)	26,713,884	49,316,766	144,331,650	289,074	144,620,724
Recognition of share-based payments	-	-	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) for the year	-	6,557,091	-	-	224,685	6,781,776	26,758,184	33,539,960	(60,608)	33,479,352
Transfer to retained earnings on disposal of revalued property, plant and equipment	-	(631,052)	-	-	-	(631,052)	631,052	-	-	-
Transfer from deferred tax to retained earnings on disposal of revalued property, plant and equipment	-	-	-	-	-	-	282	282	-	282
Transfer from equity-settled employee benefit reserve to stated capital on issue of shares	1,224,100	-	(1,224,100)	-	-	(1,224,100)	-	-	-	-
Dividends declared and paid	-	-	-	-	-	-	(10,878,750)	(10,878,750)	-	(10,878,750)
Balance at 31 December 2012	69,525,100	31,970,379	-	(236,806)	(93,065)	31,640,508	65,827,534	166,993,142	228,466	167,221,608
COMPANY										
Balance at 1 January 2011	68,301,000	-	-	(365,522)	-	(365,522)	443,618	68,379,096	-	68,379,096
Total comprehensive income for the year	-	-	-	-	-	-	20,393,308	20,393,308	-	20,393,308
Dividends declared and paid	-	-	-	-	-	-	(9,600,000)	(9,600,000)	-	(9,600,000)
Balance at 31 December 2011	68,301,000	-	-	(365,522)	-	(365,522)	11,236,926	79,172,404	-	79,172,404
Total comprehensive income for the year	-	-	-	-	-	-	204,978	204,978	-	204,978
Shares issued during the year towards share-based incentive	1,224,100	-	-	-	-	-	-	1,224,100	-	1,224,100
Dividends declared and paid	-	-	-	-	-	-	(10,878,750)	(10,878,750)	-	(10,878,750)
Balance at 31 December 2012	69,525,100	-	-	(365,522)	-	(365,522)	563,154	69,722,732	-	69,722,732

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	GROUP		COMPANY	
	2012	2011	2012	2011
	Pula	Pula	Pula	Pula
Cash flows from operating activities				
Profit before tax	31,703,714	26,655,237	262,792	23,357,143
Adjusted for:				
Interest received	(1,735,581)	(1,104,096)	(1,050,697)	(859,880)
Finance costs	123,074	244,212	869,883	-
Dividends received	-	-	-	(22,350,000)
Share-based payments expense	-	437,500	-	-
Depreciation of property, plant and equipment	4,645,684	4,679,033	-	-
(Gain)/loss on disposal of property, plant and equipment	(296,477)	595,832	-	-
Operating income before working capital changes	34,440,414	31,507,718	81,978	147,263
Movement in inventories	557,476	(2,478,765)	-	
Movement in trade and other receivables	(115,550)	(1,644,102)	646,018	3,704,742
Movement in trade and other payables	3,440,974	2,201,287	17,794,966	2,948,428
Cash generated from operations	38,323,314	29,586,138	18,522,962	6,800,433
Income tax paid	(6,322,675)	(6,447,794)	(271,992)	(2,809,532)
Net cash generated from operating activities	32,000,639	23,138,344	18,250,970	3,990,901
Cash flows from investing activities				
Purchase of property, plant and equipment	(8,482,463)	(9,358,682)	-	-
Interest received	1,735,581	1,104,096	1,050,697	859,880
Dividends received	-	-	-	22,350,000
Proceeds on disposal of property, plant and equipment	11,074,946	742,108	-	-
Net cash generated/(used in) from investing activities	4,328,064	(7,512,478)	1,050,697	23,209,880
Cash flows from financing activities				
Interest paid	(123,074)	(244,212)	(869,883)	-
Dividends paid	(10,878,750)	(9,600,000)	(10,878,750)	(9,600,000)
Net cash used from financing activities	(11,001,824)	(9,844,212)	(11,748,633)	(9,600,000)
Net movement in cash and cash equivalents	25,326,879	5,781,654	7,553,034	17,600,781
Exchange difference on the balance of cash held in foreign currencies	11,819	6,457	-	-
Cash and cash equivalents at the beginning of the year	24,744,210	18,956,099	17,802,341	201,560
Cash and cash equivalents at the end of the year	50,082,908	24,744,210	25,355,375	17,802,341
Represented by:				
Bank and cash balances	50,864,812	25,479,450	25,355,375	17,802,341
Bank overdraft	(781,904)	(735,240)	-	-
	50,082,908	24,744,210	25,355,375	17,802,341

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 DECEMBER 2012

1. General information

FSG Limited ("the Company") is a public Company incorporated in Botswana. The addresses of its registered office and principal place of business are disclosed in the introduction to the Annual Report.

The Company through its wholly-owned subsidiaries (all collectively, "the Group"), namely, FSG Manufacturing (Proprietary) Limited (*previously*, M & N Coffin and Casket Manufacturers (Proprietary) Limited), FSG Services (Proprietary) Limited (*previously*, Kagiso Funeral Parlour (Proprietary) Limited), FSG Properties (Proprietary) Limited (*previously*, Imperial Funeral Parlour (Proprietary) Limited), FSG Assurance (Proprietary) Limited, FSG Investments (Proprietary) Limited, FSG (Zambia) Limited (a Company registered in Zambia), Botswana Funeral Services Group (Proprietary) Limited (a Company registered in South Africa), carries on the principal business activity of manufacturing and retail of coffins and caskets, provision of funeral related services and provision of funeral insurance in partnership with Botswana Life Insurance Limited. The Company has another wholly owned subsidiary namely, FSG Private Cemeteries (Proprietary) Limited (*previously*, Private Cemeteries (Proprietary) Limited and Jorde' (Proprietary) Limited) that is engaged in the business of establishing and managing private cemeteries in Botswana.

2. Adoption of new and revised International Financial Reporting Standards (IFRS's)

2.1 Standards and interpretations effective in the current period

The new standards or interpretations that have been adopted in the current year are:

New/Revised International Financial Reporting Standards	Effective Date
IAS 1 – Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)	Annual periods beginning on or after 1 July 2012
IAS 12 – Income Taxes – Limited scope amendment (recovery of underlying assets)	Annual periods beginning on or after 1 January 2012

The adoption of these standards and interpretations had no significant impact on these annual financial statements.

2.2 Standards and interpretations in issue not yet adopted

New/Revised International Financial Reporting Standards	Effective Date
IFRS 7 – Financial instruments: disclosures (offsetting of assets and liabilities)	Annual periods beginning on or after 1 January 2013
IFRS 7 – Financial instruments: disclosures (initial application of IFRS 9)	Annual periods beginning on or after 1 January 2015
IFRS 9 – Financial Instruments : (Classification and measurement)	Annual periods beginning on or after 1 January 2015
IFRS 9 – Financial Instruments : (Financial liabilities and derecognition)	Annual periods beginning on or after 1 January 2015
IFRS 10 – Consolidated Financial Statements	Annual periods beginning on or after 1 January 2013
IFRS 11 – Joint Arrangements	Annual periods beginning on or after 1 January 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
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2. Adoption of new and revised International Financial Reporting Standards (IFRS's) (continued)

2.2 Standards and interpretations in issue not yet adopted (continued)

New/Revised International Financial Reporting Standards	Effective Date
Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition Guidance	Annual periods beginning on or after 1 January 2013
IFRS 12 – Disclosure of Interests in Other Entities	Annual periods beginning on or after 1 January 2013
IFRS 13 – Fair Value Measurement	Annual periods beginning on or after 1 January 2013
IAS 19 – Employee Benefits: (Post employment and Termination Benefits projects)	Annual periods beginning on or after 1 January 2013
IAS 27 (Revised) – Separate Financial Statements	Annual periods beginning on or after 1 January 2013
IAS 28 (Revised) – Investments in associates and joint ventures	Annual periods beginning on or after 1 January 2013
Amendment to IFRS 1 – First-time adoption of International Financial Reporting Standards – Government loans	Annual periods beginning on or after 1 January 2013
Amendment to IFRS 7 – Financial Instruments: Disclosures – Offsetting financial assets and financial liabilities	Annual periods beginning on or after 1 January 2013
IFRIC 20 – Stripping costs in the production phase of a surface mine	Annual periods beginning on or after 1 January 2013
Annual improvements 2011	Annual periods beginning on or after 1 January 2013
Amendment to IAS 32 – Financial Instruments: Presentation – Offsetting financial assets and financial liabilities	Annual periods beginning on or after 1 January 2014
IFRS 9 – Financial Instruments	Annual periods beginning on or after 1 January 2015

The management is of the view that adoption of these standards and interpretations which are not yet effective is unlikely to have any significant impact on the company's annual financial statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

3. Significant accounting policies

3.1 Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards.

3.2 Basis of preparation
The financial statements have been prepared on the historical cost basis, except for revaluation of certain non-current assets. The principal accounting policies are set out below.

3.3 Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (collectively referred to as the "Group"). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired during the year are included in the consolidated financial statements from the effective date of acquisition.

<u>Changes in the Group's ownership interests in existing subsidiaries</u>
Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company. When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3.4 Business combinations
Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after re-assessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities, and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in statement of comprehensive income.

3. Significant accounting policies (continued)

3.5 Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities, and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.6 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

3.6.1 Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Company has transferred to the buyer significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

3.6.2 Rendering of service

Revenue from a contract to provide services is recognised by reference to the stage of completion of the services contract.

3.6.3 Income from package scheme

The Company through its operating subsidiaries acts as authorised agents for the provision of funeral policies. The profit share comprises gross premiums less claims, administration fee, provision for claims not yet reported refundable by the insurer and other directly attributable expenses. Commission earned as agents for the provision of these funeral policies is recognised as revenue on the effective commencement or renewal date of the policies.

3.6.4 Interest revenue

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

3.7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

3. Significant accounting policies (continued)

3.8 Taxation
Income tax expense represents the sum of the tax currently payable and deferred tax.

3.8.1 Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit reported in the statement of comprehensive income, because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

3.8.2 Deferred tax
Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for, using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all deductible temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of the deferred tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax and liabilities are measured at the tax rates that are expected to apply in the period in which liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the date of the statement of financial position. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they related to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3.9 Property, plant and equipment
Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at cost or, where applicable, at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity under the heading revaluation reserve.

Properties in the course of construction, production, rental or administrative purposes or for purposes not yet determined are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs is capitalized in accordance with the Company's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. Freehold land is not depreciated. The estimated useful lives used for arriving at depreciation rates are:

- Building: the lower of remaining lease period and the useful lives;
- Motor vehicles: 6 years;

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

3. Significant accounting policies (continued)

3.9 Property, plant and equipment (continued)

- Plant and machinery: 5 years;
- Furniture and fittings: 5 years; and
- Computers and office equipment: 4 years

3.10 Private cemeteries

The cost of developing infrastructure on private cemeteries is classified as property, plant and equipment, and accounted for as set out in note 3.9. The cost of land and other cost directly related to the development of the graves is classified as inventories and accounted for as set out in note 3.12.

3.11 Impairment of tangible assets

At each statement of financial position date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.12 Inventories

Inventories and assets held for resale are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Provision is made for slow moving or obsolete items.

3.13 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the date of the statement of financial position taking into account the risks and uncertainties surrounding the obligation.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

3. Significant accounting policies (continued)

3.14 Share-based payments
Equity-settled share-based payments to employees and others providing similar services are measured at fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of the equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

The policy described above is applied to all equity-settled share-based payments that were granted on or after 01 July 2009. No amounts have been recognised in the financial statements in respect of other equity-settled share-based payments.

3.15 Related party transactions
Related parties are defined as those parties:

(a) that directly, or indirectly through one or more intermediaries,
- (i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
- (ii) has an interest in the entity that gives it significant influence over the entity; or

(b) that are members of the key management personnel of the entity or its parent including close members of the family.

All dealings with related parties are transacted on negotiated terms and accordingly included in the statement of comprehensive income for the year.

3.16 Financial Instruments
Financial assets

The Company's financial assets are 'loans and receivables' including cash and cash equivalents. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets are recognised and derecognised on trade date and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on 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 asset, or, where appropriate, a shorter period.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

3. Significant accounting policies (continued)

3.16 Financial Instruments (continued)
Financial assets, such as trade receivables, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognised.

Financial liabilities
The Company's financial liabilities are borrowings and trade and other payables.

Financial liabilities are initially measured at fair value, net of transaction costs and subsequently measured at amortized cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortized 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 through the expected life of the financial liability, or, where appropriate, a shorter period.

Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition of financial liabilities
The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

3.17 Retirement benefit costs
The Company has no pension fund arrangements for its employees. In terms of Labour Law Legislation, severance pay is due upon termination of employment of employees who are not eligible for gratuities. Provision for these benefits is raised in the statement of comprehensive income in the period in which they arise.

3.18 Foreign currencies
Transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the statement of financial position date.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

3. Significant accounting policies (continued)

3.18 Foreign currencies (continued)

Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Botswana Pula using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange difference are re-attributed to non-controlling interests and are not recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies that are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may vary from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

a) Critical judgement in applying accounting policies

The following are the critical judgements, apart from those involving estimations that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revaluation of property - Note 12 describes the valuation method adopted by the directors to determine the fair value of investment property at 31 December 2012. In making its judgement, the directors considered the revaluation on an open market basis prepared by the independent valuers, escalation factor on leases, the self repairing element of certain leases and benchmark yields. The rentals were discounted over the period of the relevant leases and capitalised.

b) Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

b) Key sources of estimation uncertainty (continued)

Impairment loss on receivables
The Company reviews its receivables to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in profit or loss, the Company make judgements as to whether there is any observable data indicating that there is a measurable decrease in estimated cash flows from a portfolio of receivables. Management uses estimates based on historical loss experience of assets.The assumptions used for estimating the amount and timing of cash flows are reviewed regularly to reduce any difference between loss estimates and actual loss experience.

Residual values and useful lives
Residual values and useful lives of property, plant and equipment are based on current estimates of the values of these assets at the end of their useful lives.

Current /non-current classification split for inventories
The split of inventories, being graves in Phomolong Memorial Park, into current and non-current categories is based on current estimates of number of graves expected to be sold in the next financial year.

Impairment of goodwill
The Company makes an annual assessment of goodwill, based on discounted cash flows of estimated future earnings.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

	GROUP		COMPANY	
	2012	2011	2012	2011
	Pula	Pula	Pula	Pula
5 Revenue				
Sale of goods and services				
Revenue from sale of goods	63,693,060	56,425,920	-	-
Revenue from rendering of services	3,857,635	5,481,407	-	-
Income from package scheme				
Commission receiveable	8,683,701	7,479,218	-	-
Administration fees receiveable	5,854,367	5,053,926	-	-
Share of profit	15,815,609	11,866,236	-	-
	97,904,372	86,306,707	-	-
Revenue analysed by nature of customers				
Non-package scheme customers	50,091,546	44,487,085	-	-
Package scheme customers	17,459,149	17,420,242	-	-
Sale of goods and services	67,550,695	61,907,327	-	-
Income from package scheme	30,353,677	24,399,380	-	-
	97,904,372	86,306,707	-	-

6 Operating segments

The Group has three reportable operating segments which are reported to the Group's Managing Director (Chief operating decision-maker) for purpose of resource allocation and assessment.

The segments are identified based on geographical location as follows:

- Botswana
- Zambia
- South Africa

For each of the above segments, the Group's Managing Director reviews internal management reports on at least a quarterly basis.

There are varying levels of integration between the reportable segments. This integration includes transfer of raw materials. Inter-segment pricing is determined on an arm's length basis.

Information regarding the results of each reporting segment is included below. Performance is measured based on segment profit before tax as included in the internal management reports that are reviewed by the Group's Managing Director. Segment profit is used to measure performance as management believes such information is the most relevant in evaluating their results.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

6 Operating segments (continued)

Information about operating segments:

	Botswana	Zambia	South Africa	Inter-segment eliminations	Total
	Pula	Pula	Pula	Pula	Pula
31 DECEMBER 2012					
Revenue from external customers	89,673,690	8,230,682	-	-	97,904,372
Inter-segment revenues	2,394,817	-	-	(2,394,817)	-
Investment revenue	2,398,101	53,284	-	(715,804)	1,735,581
Finance costs	(123,074)	(677,167)	(38,637)	715,804	(123,074)
Depreciation	(4,085,095)	(560,589)	-	-	(4,645,684)
Income tax	(5,604,658)	416,196	23,738	85,517	(5,079,207)
Reportable segment profit after tax	27,296,945	(445,589)	(72,470)	(154,379)	26,624,507
Reportable segment assets	193,820,351	9,367,046	603,976	(6,649,679)	197,141,694
Additions to segment non-current assets	8,143,412	339,051	-	-	8,482,463
Reportable segment liabilities	(27,285,236)	(8,479,580)	(799,168)	6,643,898	(29,920,086)
31 DECEMBER 2011					
Revenue from external customers	81,109,791	5,196,916	-	-	86,306,707
Inter-segment revenues	1,511,721	-	-	(1,511,721)	-
Investment revenue	1,104,096	-	-	-	1,104,096
Finance costs	(244,212)	(976,169)	(35,321)	1,011,490	(244,212)
Depreciation	(3,910,455)	(768,578)	-	-	(4,679,033)
Income tax	(5,076,137)	173,142	46,823	76,559	(4,779,613)
Reportable segment profit after tax	23,894,324	(1,767,852)	(131,832)	(119,016)	21,875,624
Reportable segment assets	167,436,193	14,626,250	600,721	(12,808,685)	169,854,479
Additions to segment non-current assets	8,892,721	465,961	-	-	9,358,682
Reportable segment liabilities	(23,720,817)	(13,571,512)	(726,521)	12,785,095	(25,233,755)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

	GROUP		COMPANY	
	2012	2011	2012	2011
	Pula	Pula	Pula	Pula
7 Investment revenue				
Interest revenue:				
Bank deposits	1,735,581	1,104,096	1,050,697	859,880
Dividend revenue:				
Dividends received from subsidiaries	-	-	-	22,350,000
	1,735,581	1,104,096	1,050,697	23,209,880
8 Finance costs				
Interest on bank overdrafts and loans	36,149	91,713	-	-
Interest paid to Botswana Unified Revenue Service	86,925	152,499	-	-
Interest paid to related companies	-	-	869,883	-
	123,074	244,212	869,883	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

	GROUP		COMPANY	
	2012	2011	2012	2011
9 Income tax	Pula	Pula	Pula	Pula
9.1 Income tax recognised in comprehensive income				
Tax on manufacturing income	1,504,756	85,366	-	-
Tax on non-manufacturing income	5,001,656	6,655,316	57,814	241,017
Current taxation	6,506,412	6,740,682	57,814	241,017
Prior year (over)/under provision on current tax	(991,339)	90,318	-	90,318
Withholding tax on dividend paid	-	2,692,500	-	2,692,500
Less: Withholding tax set-off on dividends paid	-	(3,412,500)	-	(60,000)
Deferred taxation - current year	(435,866)	(467,193)	-	-
Deferred taxation - effect of change in tax rate	-	(864,194)	-	-
Income tax expense	5,079,207	4,779,613	57,814	2,963,835
Taxation reconciliation:				
The charge for the period can be reconciled to the accounting profit as follows:				
Profit before tax	31,703,714	26,655,237	262,792	23,357,143
Tax on manufacturing income	1,242,822	(178,373)	-	-
Tax on non-manufacturing income	4,919,751	5,875,129	57,814	5,138,571
	6,162,573	5,696,756	57,814	5,138,571
Less: Withholding tax on dividends set-off	-	(3,412,500)	-	(60,000)
Less: Effect on income not taxable	-	-	-	(4,917,000)
Withholding tax on dividend paid	-	2,692,500	-	2,692,500
Prior year (over)/under provision on current tax	(991,339)	90,318	-	90,318
Effect of change in tax rate	-	(864,194)	-	-
Effect of expenses not deductible in determining taxable profit	(92,027)	576,733	-	19,446
Income tax expense	5,079,207	4,779,613	57,814	2,963,835
9.2 Deferred tax balances				
Balance at the beginning of the year	7,395,316	7,466,853	-	-
Deferred tax arising from revaluations	1,922,711	1,613,727	-	-
Transfer to retained earnings on disposal of revalued property, plant and equipment.	(388,390)	(215,260)	-	-
Deferred tax arising on temporary differences charged to income	(282)	(1,331,387)	-	-
Foreign currency exchange difference	8,221	(138,617)	-	-
Balance at the end of the year	8,937,576	7,395,316	-	-
Disclosed as under:				
Deferred tax asset	675,019	271,101	-	-
Deferred tax liabilities	(9,612,595)	(7,666,417)	-	-
	(8,937,576)	(7,395,316)	-	-
Analysis of deferred taxation by type of temporary difference:				
Capital allowances	752,179	728,712	-	-
Tax loss	(675,019)	(271,101)	-	-
Revaluation of property, plant and equipment	8,860,416	6,937,705	-	-
	8,937,576	7,395,316	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

	GROUP 2012 Pula	GROUP 2011 Pula	COMPANY 2012 Pula	COMPANY 2011 Pula
10 Profit before tax				
Profit before tax is stated after taking into account the following:				
Audit fees - Audit services	375,320	499,119	10,000	11,000
Depreciation of property, plant and equipment	4,645,684	4,679,033	-	-
Directors' remuneration - managerial services	2,887,162	2,624,053	-	-
- fees for services as directors	600,000	270,000	-	-
Dividends received from subsidiaries	-	-	-	(22,350,000)
Foreign exchange gains	(980,081)	(115,466)	-	-
Employee remuneration and benefits	20,209,883	18,826,577	-	-
Operating lease expenses	1,021,789	166,196	-	-
(Gain)/loss on disposal of property, plant and equipment	(296,477)	595,832	-	-
Employee remuneration and benefits	20,209,883	18,826,577		
- Salaries and wages	18,683,237	16,940,347	-	-
- Share-based employee benefits	-	437,500	-	-
- Staff rent	1,140,000	1,229,604	-	-
- Staff welfare	386,646	219,126	-	-

Under the Group's employee equity-settled share-based payment plan approved by the shareholders, the Remuneration Committee made two series of grants to the Group Managing Director and senior management employees. The vesting conditions are continued employment for the duration of the vesting period and achievement of set perfomance targets. The following equity-settled share-based payment arrangements were in existence during the current and prior reporting periods.

Option series (Issue date)	Number of shares granted	Grant date	Number of shares 31 Dec 2011	Expiry date	Price on grant date	Market price on 31 Dec 2011
01/07/2009	480,000	01/07/2009	480,000	31/12/2011	1.25	1.48
01/01/2010	540,000	01/01/2010	395,000	31/12/2011	1.58	1.48

	GROUP 31 Dec 2012 Pula	GROUP 31 Dec 2011 Pula
11 Earnings per share		
Basic earnings (Pula per share)	0.22	0.19
Diluted earnings (Pula per share)	0.22	0.19
11.1 *Basic earnings per share*		
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Profit for the year attributable to owners of the company	26,758,184	22,405,979
Shares at the beginning of the year (number)	120,000,000	120,000,000
Shares issued for no consideration in respect of share-based employee benefits	875,000	-
Shares at the beginning and end of the period (number)	120,875,000	120,000,000
Weighted average number of ordinary shares for the purposes of basic earnings per share	120,656,250	120,000,000
11.2 *Diluted earnings per share*		
The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	120,656,250	120,000,000
Shares deemed to be issued for no consideration in respect of share-based employee benefits during this period	-	875,000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	120,656,250	120,875,000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

12 Property, plant and equipment

Group	Land and buildings	Capital work-in-progress	Motor vehicles	Plant and machinery	Furniture and fittings	Office machines	Total
	Pula	Pula	Pula	Pula	Pula	Pula	Pula
Cost or valuation							
Balance at 1 January 2011	66,869,767	-	13,476,823	5,335,696	1,937,077	5,948,264	93,567,627
Revaluation	10,615,878	-	(1,575,050)	-	-	-	9,040,828
Additions	4,150,993	-	4,591,906	271,682	29,903	314,198	9,358,682
Disposals	-	-	(1,601,695)	-	-	-	(1,601,695)
Effect of movements in exchange rate	1,110,547	-	100,569	113,853	-	-	1,324,969
Balance at 31 December 2011	82,747,185	-	14,992,553	5,721,231	1,966,980	6,262,462	111,690,411
Revaluation	3,153,871	-	(1,053,614)	-	-	-	2,100,257
Additions	72,843	2,998,678	4,023,879	754,472	215,313	417,278	8,482,463
Disposals	(10,900,240)	-	(188,582)	-	-	-	(11,088,822)
Effect of movements in exchange rate	238,587	-	27,911	36,388	-	-	302,886
Balance at 31 December 2012	75,312,246	2,998,678	17,802,147	6,512,091	2,182,293	6,679,740	111,487,195
Accumulated depreciation							
Balance at 1 January 2011	1,144,128	-	1,722,120	1,586,819	873,219	1,881,812	7,208,098
Depreciation on revalued assets	(1,144,131)	-	(1,452,549)	-	-	-	(2,596,680)
Charge for the year	1,308,985	-	2,003,546	605,915	231,444	529,143	4,679,033
Disposals	-	-	(263,755)	-	-	-	(263,755)
Effect of movements in exchange rate	14,700	-	13,768	42,648	-	-	71,116
Balance at 31 December 2011	1,323,682	-	2,023,130	2,235,382	1,104,663	2,410,955	9,097,812
Depreciation on revalued assets	(2,029,651)	-	(4,422,963)	-	-	-	(6,452,614)
Charge for the year	1,064,522	-	2,424,755	592,823	142,502	421,082	4,645,684
Disposals	(272,388)	-	(37,966)	-	-	-	(310,354)
Effect of movements in exchange rate	5,965	-	13,044	23,219	-	-	42,228
Balance at 31 December 2012	92,130	-	-	2,851,424	1,247,165	2,832,037	7,022,756
Carrying amount							
As at 31 December 2012	75,220,116	2,998,678	17,802,147	3,660,667	935,128	3,847,703	104,464,439
As at 31 December 2011	81,423,503	-	12,969,423	3,485,849	862,317	3,851,507	102,592,599

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

12 Property, plant and equipment (continued)

The following are the details of land and buildings together with open market values as at valuation date:

Area	Plot No	Type	Period	Commencement	2012	2011
Gaborone	22150 & 22151 (Consolidated as Plot 69124, Gaborone West)	Leasehold	50 years	19-Sep-1991 & 12-May-1999	26,000,000	26,000,000
Gaborone	17848	Leasehold	50 years	3/Feb/1984	2,800,000	2,600,000
Kanye	Tribal Lot 1554	Leasehold	50 years	11/Jan/2001	1,500,000	1,400,000
Mahalapye	Tribal lot 4959	Leasehold	50 years	27/May/1998	2,100,000	2,100,000
Molepolole	Tribal Lot 62 & 63	Leasehold	50 years	18/Sep/2002	1,500,000	1,500,000
Thamaga	Tribal Lot	Leasehold	50 years	1/Jul/2003	1,400,000	1,400,000
Masunga	Tribal Lot	Leasehold	50 years	1/Apr/1990	800,000	750,000
Tutume	Tribal Lot	Leasehold	50 years	1/Jul/1989	900,000	800,000
Francistown	Plot 6183	Leasehold	25 years	1/Feb/1998	3,000,000	2,500,000
Selebi-Phikwe	Tribal Lot 4240	Leasehold	50 years	18/Dec/1987	1,400,000	1,400,000
Serowe	Tribal Lot 2400	Leasehold	50 years	16/Sep/2003	190,000	177,000
Serowe	Tribal Lot 164	Leasehold	50 years	1/Jan/1986	1,800,000	1,500,000
Palapye	Tribal Lot 404	Leasehold	50 years	1/Sep/1989	532,001	532,001
Gumare	Tribal Lot	Leasehold	50 years	26/Sep/2001	370,000	350,000
Letlhakeng	Tribal Lot	Leasehold	50 years	-	30,000	26,000
Tsamaya Tati	Tribal Lot	Leasehold	50 years	1/Jan/1995	285,246	285,246
Shakawe	Tribal Lot	Leasehold	50 years	1/Oct/1995	370,000	300,000
Maun	Tribal Lot 522	Leasehold	50 years	22/Aug/2000	1,200,000	1,100,000
Tonota	Tribal Lot	Leasehold	50 years	1/Nov/2000	560,000	500,000
Kang	Lot 163	Leasehold	50 years	16/Aug/1996	75,000	70,000
Pilane	Plot 30	Leasehold	50 years	1/Oct/1977	2,100,000	-
Gaborone	Plot 68327	Freehold	50 years	Freehold	20,500,000	18,800,000
Lusaka	Sub-division 170 of Farm 110a	Leasehold	50 years	1/Jul/1975	-	10,656,938
Francistown	Portion 2 of Farm 369-NQ	Leasehold	50 years	1/Jul/2011	8,000,000	8,000,000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
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12 Property, plant and equipment (continued)

Assets pledged as security

Leasehold land and building, being Plot 69124, Gaborone West has been mortgaged to the value of P10,000,000 (2011: P10,000,000) to secure an overdraft facility of P5,140,000 for the company with First National Bank of Botswana Limited.

The re-valued carrying amount of this asset is P 26,000,000.

Valuation

The Group's land and buildings and motor vehicles are revalued by an independent professional valuer every year.

Land and buildings were last valued in December 2012 based on an independent valuation performed by Apex Properties (Proprietary) Limited, in accordance with generally accepted valuation standards.

Motor vehicles were last valued in December 2012 based on an independent valuation performed by Savvy Holdings (Proprietary) Limited, in accordance with generally accepted valuation standards

The directors have no reason to believe there has been any material change to these values as at the statement of financial position date.

Had the Group's leasehold land and buildings and motor vehicles been measured on historical cost basis, their carrying amount would have been as follows:

	GROUP		COMPANY	
	2012	2011	2012	2011
	Pula	Pula	Pula	Pula
Land and buildings	47,815,397	53,128,195	-	-
Motor vehicles	11,002,400	9,964,849	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

	GROUP		COMPANY	
	2012	2011	2012	2011
	Pula	Pula	Pula	Pula
13 Goodwill				
Cost				
Balance at the beginning of the year	26,797,269	26,708,295	-	-
Foreign currency exchange difference	24,734	88,974	-	-
Balance at the end of the year	26,822,003	26,797,269	-	-
Carrying amount				
Carrying amount at the end of the year	26,822,003	26,797,269	-	-
Goodwill arose on the re-structure of the ownership of FSG Services (Proprietary) Limited and FSG Manufacturing (Proprietary) Limited and on the acquisition of a subsidiary in Zambia, FSG (Zambia) Limited as follows:				
Re-structure of ownership FSG Manufacturing (Proprietary) Limited and FSG Services (Proprietary) Limited	26,012,840	26,012,840	-	-
Acquisition of FSG (Zambia) Limited	809,163	784,429	-	-
	26,822,003	26,797,269	-	-
13.1 Annual test for impairment				
During the year, the Group assessed the recoverable amount of goodwill, based on discounted cash flows of estimated future earnings and determined that goodwill was not impaired and accordingly no provision for impairment losses has been recognised.				
Goodwill has been allocated for impairment to the three individual cash generating units as follows:				
FSG Manufacturing (Proprietary) Limited	15,859,897	15,859,897	-	-
FSG Services (Proprietary) Limited	10,152,943	10,152,943	-	-
FSG (Zambia) Limited	809,163	784,429	-	-
	26,822,003	26,797,269	-	-

The recoverable amount for FSG Manufacturing (Proprietary) Limited and FSG Services (Proprietary) Limited is determined based on the discounted cash flow projection using an average 12% growth rate of income for a five-year period and an average cost of capital of 10% (2011: 10%) .

The recoverable amount for FSG (Zambia) Limited is determined based on discounted cash flow projection using an average 25% growth rate of income for a five-year period and an average cost of capital of 10% (2011: 10%)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

	COMPANY		COMPANY	
	Percentage holding		Carrying amount	
	2012	2011	2012	2011
	%	%	Pula	Pula
14 Investments in subsidiaries				
FSG Manufacturing (Proprietary) Limited	100	100	26,730,128	25,689,628
FSG Services (Proprietary) Limited	100	100	13,453,972	13,270,372
FSG (Zambia) Limited	70	70	3,880,204	3,880,204
FSG Private Cemeteries (Proprietary) Limited	100	100	21,250,000	21,250,000
Botswana Funeral Services Group (Proprietary) Limited	100	100	181	181
			65,314,485	64,090,385

	GROUP		COMPANY	
	2012	2011	2012	2011
	Pula	Pula	Pula	Pula
15 Inventories				
Raw materials	1,030,178	1,442,576	-	-
Work in progress	32,398	152,599	-	-
Finished goods	9,349,244	9,201,898	-	-
Consumables	346,435	501,794	-	-
	10,758,255	11,298,867	-	-
Less: inventories classified as non-current	(3,343,188)	(3,380,330)	-	-
	7,415,067	7,918,537	-	-

The non-current portion of inventories relates to the cost of graves that are not expected to be sold within the following financial year. The classification is based on current estimate of number of graves expected to be sold in the next financial year.

	GROUP		COMPANY	
	2012	2011	2012	2011
16 Trade and other receivables				
Trade receivables	1,199,637	1,618,976	-	-
Provision for doubtful debts	(496,928)	(449,264)	-	-
	702,709	1,169,712	-	-
Other receivables	2,749,633	2,158,146	340	340
Due from related parties (note 20)	-	-	-	646,018
	3,452,342	3,327,858	340	646,358

Credit policy

The Group primarily trades on cash basis and extends credit terms to government departments and limited private customers where the average credit period is 60 days (2011: 60). No interest is charged on outstanding balances due from third parties. Amounts due from related parties accrues interest at 11% per annum (2011: 11%).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

	GROUP		COMPANY	
	2012 Pula	2011 Pula	2012 Pula	2011 Pula
16 Trade and other receivables (continued)				
Provision for doubtful debts				
The provision for doubtful debts is made based on estimated irrecoverable amounts determined by reference to past default experience. In assessing the trade receivables for impairment, the Group considers the change in the quality of the trade receivable from the date the credit was granted up to the reporting date. The movement in the provision during the year is as follows:				
Movement in provision for doubtful debts				
Opening balance	449,264	327,163	-	-
Raised during the year	25,393	208,281	-	-
Written back (off) during the year	22,271	(86,180)	-	-
Closing balance	496,928	449,264	-	-
Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.				
Ageing of past due but not impaired				
61-90 days	86,750	60,074	-	-
91-120 days	55,940	43,810	-	-
above 120 days	-	41,700	-	-
Total	142,690	145,584	-	-
17 Stated capital				
120,875,000 (2011: 120,000,000) Ordinary shares of no par value	69,525,100	68,301,000	69,525,100	68,301,000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

	GROUP		COMPANY	
	2012	2011	2012	2011
	Pula	Pula	Pula	Pula
18 Trade and other payables				
Trade payables	3,752,293	3,657,188	-	-
Accruals and other liabilities	8,693,507	6,115,488	159,299	105,013
Related party payables (note 20)	5,202,773	4,319,401	20,838,914	3,098,207
	17,648,573	14,092,077	20,998,213	3,203,220
19 Bank overdraft	781,904	735,240	-	-

The average credit period is 60 days (2011: 60 days). No interest is incurred on outstanding balances due to third parties. Amounts due to subsidiaries accrues interest at 11% per annum (2011: 11%).

The Group has an overdraft facility of P5,140,000 (2011:P5,140,000) with First National Bank of Botswana Limited secured by first Mortgage Bond over leasehold Land and Building, being Lot 69124, Gaborone.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

20 Related party transactions

FSG Limited, FSG Manufacturing (Proprietary) Limited (*previously*, M & N Coffin and Casket Manufacturers (Proprietary) Limited), FSG Services (Proprietary) Limited (*previously*, Kagiso Funeral Parlour (Proprietary) Limited), FSG Properties (Proprietary) Limited (*previously*, Imperial Funeral Parlour (Proprietary) Limited), FSG Assurance (Proprietary) Limited, FSG Private Cemeteries (Proprietary) Limited (*previously*, Private Cemeteries (Proprietary) Limited), FSG Investments (Proprietary) Limited, FSG Zambia Limited (a company incorporated in Zambia) and Botswana Funeral Services Group (Proprietary) Limited (a company incorporated in South Africa) are under common control or ownership of the directors and shareholders. All transactions with related company are carried out at arms-length. Effective 01 January 2010, 30% of the shares held by FSG Limited in FSG (Zambia) Limited is held by Combined Consortium Limited a company incorporated in Zambia which is wholly owned by Zambian nationals.

Botswana Life Insurance Limited holds 28.44% (2011: 28.64%) of the equity of the company. The company acts as independent agent of Botswana Life Insurance Limited and operates the "Funeral Package Scheme" on behalf of Botswana Life Insurance Limited. Transactions during the year and the balance at the year-end are set out below.

Transactions with related parties during the year were as follows:

	GROUP		COMPANY	
	2012	2011	2012	2011
	Pula	Pula	Pula	Pula
Dividend received included in investment revenue				
FSG Manufacturing (Proprietary) Limited	-	-	-	16,200,000
FSG Services (Proprietary) Limited	-	-	-	6,150,000
	-	-	-	22,350,000
Botswana Life Insurance Limited - Funeral package scheme				
Commission received	8,683,701	7,479,218	-	-
Adminstration fees received	5,854,367	5,053,926	-	-
Share of profit	15,815,609	11,866,236	-	-
	30,353,677	24,399,380	-	-
Management fees received included in other income				
FSG Manufacturing (Proprietary) Limited	-	-	240,000	240,000
Transactions with other related parties are as follows:				
Directors' remuneration - management services	2,887,162	2,624,053	-	-
Rental paid to companies under the control of certain shareholders/directors	600,000	560,000	-	-
Balances with related parties as at 31 December were as follows:				
Amounts included in receivables and loans				
FSG Services (Proprietary) Limited	-	-	-	646,018
Amounts included in trade and other payables				
FSG Manufacturing (Proprietary) Limited	-	-	14,799,126	3,098,207
FSG Services (Proprietary) Limited	-	-	6,039,788	-
Combined Consortium Limited	218,924	679,401	-	-
Botswana Life Insurance Limited	4,983,849	3,640,000	-	-
	5,202,773	4,319,401	20,838,914	3,098,207

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

	GROUP		COMPANY	
	2012	2011	2012	2011
	Pula	Pula	Pula	Pula
21 Operating lease commitments				
The company as lessee				
Operating leases relate to funeral homes and collection pay-points with lease terms of up to three years and are based on market-related rentals. These leases do not contain any option to purchase the leased asset at the expiry of the lease period.				
The future minimum lease payments under non-cancellable rental operating leases are as follows:				
Up to one year	845,230	338,654	-	-
Between two and five years	2,942,684	363,349	-	-
	3,787,914	702,003	-	-

22 Contingent liabilities

Bank guarantees

First National Bank of Botswana Limited, on the instruction of the Group, has issued the following bank guarantees which were outstanding as at 31 December 2012:

-for the sum of P67,000 (2011: P67,000) in favour of Botswana Unified Revenue Service as security towards operating a deferred VAT account.

-for a total sum of P48,000 (2011: P48,000) in favour of Botswana Power Corporation, in lieu of security deposit for supply of power.

23 Subsequent events

Effective 01 January 2013, FSG Group restructured its business in a manner that one subsidiary shall specialise in one business activity only rather than engaging in multiple business activities. This restructuring is expected to bring about business synergies and assist in better administration of the Group.

Under the new structure:

FSG Manufacturing (Proprietary) Limited shall engage in manufacturing of coffins and caskets only;

FSG Services (Proprietary) Limited shall engage in providing funeral services only;

All properties currently owned by FSG Manufacturing (Proprietary) Limited and FSG Services (Proprietary) Limited will be transferred to FSG Properties (Proprietary) Limited;

FSG Private Cemeteries (Proprietary) Limited shall own private cemeteries within Botswana; and

FSG Assurance (Proprietary) Limited shall act as agent for selling and administration of funeral policies underwritten by Botswana Life Insurance Limited.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

24 Financial risk management

Transactions in financial instruments result in the Group assuming financial risks. These include market risk, credit risk, foreign currency risk and liquidity risk. Each of these financial risks is described below, together with a summary of the ways in which the Group manages these risks.

Capital risk:

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through optimization of equity and debt balances. The Group's overall strategy remained unchanged from 2011.

Market risk:

Market risk can be described as the risk of a change in the fair value of a financial instrument brough about by changes in interest rates.

Interest rate risk:

Fluctuation in interest rates impact on the value of short-term cash investments, giving rise to price risk. Other than ensuring optimum money market rates for deposits, the Group does not make use of financial instruments to manage this risk. Due to the short-term nature of the Group's fixed interest investments, the risk is not significant.

The Group invests with reputable institutions and has obtained loans and overdraft facilities, which are subject to normal market interest rate risk. The effective interest rates per annum on the Group's call deposits, bank overdrafts and related party balances at year-end were as follows:

	GROUP		COMPANY	
	2012	2011	2012	2011
Related party balances	-	-	11%	11%
Bank call accounts	3 - 6.5%	3 - 6%	3 - 6.5%	3 - 6%
Bank overdraft balances	11%	11%	-	-

The following are the Pula equivalent of the balances susceptible to interest rate risk:

	GROUP		COMPANY	
	2012	2011	2012	2011
	Pula	Pula	Pula	Pula
Related party receivables	-	-	-	646,018
Related party payables	-	-	20,838,914	3,098,207
Bank balances on hand	50,822,952	25,437,416	25,355,375	17,802,341
Bank overdraft	781,904	735,240	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

24 Financial risk management (continued)

Intrest rate risk (continued):

Interest rate risk sensitivity analysis:

With average interest rates as noted above, a change of 50 basis points in interest rates during the reporting period would have the following impact on the Group and Company's reported profit before taxation.

	GROUP		COMPANY	
	2012	2011	2012	2011
	Pula	Pula	Pula	Pula
Increase of 50 basis points				
Related party receivables	-	-	-	3,230
Related party payables	-	-	(104,195)	(15,491)
Bank balances on hand	254,115	127,187	126,777	89,012
Bank overdraft	(3,910)	(3,676)	-	-
Increase in profit before tax	250,205	123,511	22,582	76,751
Decrease of 50 basis points				
Related party receivables	-	-	-	(3,230)
Related party payables	-	-	104,195	15,491
Bank balances on hand	(254,115)	(127,187)	(126,777)	(89,012)
Bank overdraft	3,910	3,676	-	-
Decrease in profit before tax	(250,205)	(123,511)	(22,582)	(76,751)

Credit risk:

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

- amounts due from related companies;
- amounts due from trade and other receivables; and
- investments in cash and cash equivalents.

The Group limits the levels of credit risk that it accepts by placing limits on its exposure to a single counter-party or groups of counterparties. Credit risk is monitored as part of the credit control process.

Reputable financial institutions are used for investing and cash handling purposes. All money market instruments and cash equivalents are placed with financial institutions registered in Botswana. Banks in Botswana are not rated but each of the banks concerned are subsidiaries of major South African and United Kingdom registered institutions.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

24 Financial risk management (continued)

Credit risk (continued):

	GROUP		COMPANY	
	2012	2011	2012	2011
	Pula	Pula	Pula	Pula
Trade receivables	702,709	1,169,712	-	-
Other receivables	2,749,633	2,158,146	340	340
Due from related parties	-	-	-	646,018
Bank balances	50,864,812	25,479,450	25,355,375	17,802,341
	54,317,154	28,807,308	25,355,715	18,448,699

The ageing of trade receivables for the Group at the reporting date is analysed as follows:

	2012		2011	
	Gross	Impairment	Gross	Impairment
	Pula	Pula	Pula	Pula
Not past due	1,056,947	354,238	1,473,392	303,680
Past due 61 -120 days	142,690	142,690	103,884	103,884
Past due, above 120 days	-	-	41,700	41,700
	1,199,637	496,928	1,618,976	449,264

The movement in the allowance for impairment in respect of trade receivables during the year is analysed as follows:

	GROUP		COMPANY	
	2012	2011	2012	2011
	Pula	Pula	Pula	Pula
Balance at the beginning of the year	449,264	327,163	-	-
Movement in impairment	47,664	122,101	-	-
Balance at the end of the year	496,928	449,264	-	-

Liquidity risk:

The Group is exposed to daily operational payments of trade payables. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Group sets limits on the minimum proportion of maturing funds available to meet such calls and unexpected levels of demand. The following are classified as non-derivate financial liabilities:

	GROUP		COMPANY	
	2012	2011	2012	2011
	Pula	Pula	Pula	Pula
Related party payables	5,202,773	4,319,401	20,838,914	3,098,207
Trade payables	3,752,293	3,657,188	-	-
Other payables	8,693,507	6,115,488	159,299	105,013
Bank overdraft	781,904	735,240	-	-
	18,430,477	14,827,317	20,998,213	3,203,220

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

24 Financial risk management (continued)

Liquidity risk (continued):

The following are the contractual maturities of the non-derivative financial liabilities, excluding interest payments and the impact of netting agreements.

Group	Carrying amounts	Contractual cash flows	12 months or less
2012	Pula	Pula	Pula
Related party payables	5,202,773	5,202,773	5,202,773
Trade payables	3,752,293	3,752,293	3,752,293
Other payables	8,693,507	8,693,507	8,693,507
Bank overdraft	781,904	781,904	781,904
	18,430,477	18,430,477	18,430,477

Group	Carrying amounts	Contractual cash flows	12 months or less
2011	Pula	Pula	Pula
Related party payables	4,319,401	4,319,401	4,319,401
Trade payables	3,657,188	3,657,188	3,657,188
Other payables	6,115,488	6,115,488	6,115,488
Bank overdraft	735,240	735,240	735,240
	14,827,317	14,827,317	14,827,317

Company	Carrying amounts	Contractual cash flows	12 months or less
2012	Pula	Pula	Pula
Related party payables	20,838,914	20,838,914	20,838,914
Other payables	159,299	159,299	159,299
	20,998,213	20,998,213	20,998,213

Company	Carrying amounts	Contractual cash flows	12 months or less
2011	Pula	Pula	Pula
Related party payables	3,098,207	3,098,207	3,098,207
Other payables	105,013	105,013	105,013
	3,203,220	3,203,220	3,203,220

Foreign currency risk:

The Group is exposed to foreign currency risk in respect of transactions that are denominated in currencies other than the Pula. The Group does not take cover on foreign currency as it regards the Pula as a stable currency. Foreign denominated transactions are predominantly in South African Rand, US Dollar and Zambian Kwacha.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

24 Financial risk management (continued)

Foreign currency risk (continued):
The Group's exposure to foreign currency risk, based on notional amounts, is analysed as follows:

	2012		2011	
	Foreign currency amount	Pula equivalent	Foreign currency amount	Pula equivalent
Group				
2012				
South African Rand denominated assets	(650,480)	(597,978)	(618,210)	(569,359)
South African Rand denominated liabilities	1,041,138	955,523	1,121,329	1,032,721
Zambian Kwacha denominated assets	(3,420,969,755)	(5,105,925)	(829,463,212)	(1,210,895)
Zambian Kwacha denominated liabilities	1,629,820,930	2,432,569	981,479,062	1,432,816
Net exposure		(2,315,811)		685,283

A 5 percent strengthening of the Botswana Pula against these currencies at year-end would have (decreased)/increased the Group's profit before taxation by the amounts indicated below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	GROUP		COMPANY	
	2012	2011	2012	2011
Currency	Pula	Pula	Pula	Pula
South African Rand	17,026	22,065	-	-
Zambian Kwacha	-	10,568	-	-
Net increase in profit before tax	17,026	32,633	-	-
Zambian Kwacha	(127,303)	-	-	-
Net decrease in profit before tax	(127,303)	-	-	-

A 5 percent weakening of the Botswana Pula against these currencies at year-end would have an equal and opposite effective on the Group's profit before taxation by the amounts shown above on the basis that all other variables, in particular interest rates, remain constant.

	GROUP		COMPANY	
Foreign exchange rates at reporting date:				
	2012	2011	2012	2011
South African Rand	1 Pula	1 Pula	1.09	1.09
Zambian Kwacha	1 Pula	1 Pula	670.00	685.00

Fair values:

Financial instruments carried at fair value are categorised in 3 levels by valuation method. The different levels have been defined as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable data).

All the Group's financial statements carried at fair value are categorised as Level 3.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

24 Financial risk management (continued)

Fair values: (continued):

Categorisation of assets and liabilities — Pula

Group

2012 Assets	Total	Financial assets and liabilities: Financial assets designated at fair values	Loans and receivables	Financial assets/ liabilities at amortised cost	Other assets and liabilities	Current/non-current distinction: Current assets and liabilities	Non-current assets and liabilities
Property, plant and equipment	104,464,439	-	-	-	104,464,439	-	104,464,439
Goodwill	26,822,003	-	-	-	26,822,003	-	26,822,003
Inventories	10,758,255	-	-	-	10,758,255	7,415,067	3,343,188
Trade and other receivables	3,452,342	-	3,452,342	-	-	3,452,342	-
Deferred taxation	675,019	-	-	-	675,019	-	675,019
Current tax assets	104,824	-	-	-	104,824	104,824	-
Cash and cash equivalents	50,864,812	-	50,864,812	-	-	50,864,812	-
	197,141,694	-	54,317,154	-	142,824,540	61,837,045	135,304,649
Liabilities							
Deferred taxation	9,612,595	-	-	-	9,612,595	-	9,612,595
Amounts due to related companies	5,202,773	-	5,202,773	-	-	5,202,773	-
Trade and other payables	12,445,800	-	12,445,800	-	-	12,445,800	-
Taxation payable	1,877,014	-	-	-	1,877,014	1,877,014	-
Bank overdraft	781,904	-	781,904	-	-	781,904	-
	29,920,086	-	18,430,477	-	11,489,609	20,307,491	9,612,595

2011 Assets	Total	Financial assets and liabilities: Financial assets designated at fair values	Loans and receivables	Financial assets/ liabilities at amortised cost	Other assets and liabilities	Current/non-current distinction: Current assets and liabilities	Non-current assets and liabilities
Property, plant and equipment	102,592,599	-	-	-	102,592,599	-	102,592,599
Goodwill	26,797,269	-	-	-	26,797,269	-	26,797,269
Inventories	11,298,867	-	-	-	11,298,867	7,918,537	3,380,330
Trade and other receivables	3,327,858	-	3,327,858	-	-	3,327,858	-
Deferred taxation	271,101	-	-	-	271,101	-	271,101
Current tax assets	87,335	-	-	-	87,335	87,335	-
Cash and cash equivalents	25,479,450	-	25,479,450	-	-	25,479,450	-
	169,854,479	-	28,807,308	-	141,047,171	36,813,180	133,041,299
Liabilities							
Deferred taxation	7,666,417	-	-	-	7,666,417	-	7,666,417
Amounts due to related companies	4,319,401	-	4,319,401	-	-	4,319,401	-
Trade and other payables	9,772,676	-	9,772,676	-	-	9,772,676	-
Taxation payable	2,740,021	-	-	-	2,740,021	2,740,021	-
Bank overdraft	735,240	-	735,240	-	-	735,240	-
	25,233,755	-	14,827,317	-	10,406,438	17,567,338	7,666,417

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

24 Financial risk management (continued)

Fair values: (continued):

Pula

Company	Total	Financial assets and liabilities				Current/non-current distinction	
2012 **Assets**		Financial assets designated at fair values	Loans and receivables	Financial assets/ liabilities at amortised cost	Other assets	Current assets and liabilities	Non-current assets and liabilities
Investments in subsidiaries	65,314,485	-	-	-	65,314,485	-	65,314,485
Trade and other receivables	340	-	340	-	-	340	-
Current tax assets	50,745	-	-	-	50,745	50,745	-
Cash and cash equivalents	25,355,375	-	25,355,375	-	-	25,355,375	-
	90,720,945	-	25,355,715	-	65,365,230	25,406,460	65,314,485
Liabilities							
Amounts due to related companies	20,838,914	-	20,838,914	-	-	20,838,914	-
Trade and other payables	159,299	-	159,299	-	-	159,299	-
	20,998,213	-	20,998,213	-	-	20,998,213	-

	Total	Financial assets and liabilities				Current/non-current distinction	
2011 **Assets**		Financial assets designated at fair values	Loans and receivables	Financial assets/ liabilities at amortised cost	Other assets and liabilities	Current assets and liabilities	Non-current assets and liabilities
Investments in subsidiaries	64,090,385	-	-	-	64,090,385	-	64,090,385
Trade and other receivables	646,358	-	646,358	-	-	646,358	-
Current tax assets	77,557	-	-	-	77,557	77,557	-
Cash and cash equivalents	17,802,341	-	17,802,341	-	-	17,802,341	-
	82,616,641	-	18,448,699	-	64,167,942	18,526,256	64,090,385
Liabilities							
Amounts due to related companies	3,098,207	-	3,098,207	-	-	3,098,207	-
Trade and other payables	105,013	-	105,013	-	-	105,013	-
Taxation payable	241,017	-	-	-	241,017	241,017	-
	3,444,237	-	3,203,220	-	241,017	3,444,237	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

25 Financial support

The company has pledged its continued financial support to certain companies within the Group which are technically insolvent with their liabilities exceeding their equity and assets in order for these companies to operate as going concerns in the foreseeable future.

Based on the ability of the company, the financial support provided will continue for each individual company until such time the company's equity and assets, fairly valued, exceed their liabilities.

The shareholder's deficits for each of the companies are as follows:

	2012	2011
	Pula	Pula
Botswana Funeral Services Group (Proprietary) Limited	(195,193)	125,800)

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2013 Annual General Meeting of Shareholders of FSG Limited will be held at the offices of the company Plot 69124, Gaborone West Industrial, Gaborone, Botswana on Friday 28th June 2013 at 3.30 pm for the purpose of transacting the following business:

AGENDA

1. To read the notice convening the meeting.
2. To receive and approve the audited annual financial statements for the year ended 31 December 2012.
3. To re-elect directors of the company:
   In terms of the Constitution, Daniel Neo Moroka, John Alexander Burbidge and Kate Maphage retire by rotation, and being eligible offer themselves for re-election.
4. To approve the remuneration for the directors for the year ended 31 December 2012.
5. To approve the remuneration of the auditors for the year ended 31 December 2012.
6. To appoint auditors for the ensuing year and to fix their remuneration.
7. To transact other such business as may be transacted at an Annual General Meeting.

PROXIES

A member entitled to attend and vote may appoint a proxy to attend and vote on their behalf and such proxy need not be a member of the company. The instrument appointing such a proxy must be deposited at the office of the Company Secretaries not less than 48 hours before the meeting. A proxy form is enclosed with this notice.

By Order of the Board

Corporate Services (Proprietary) Limited
Company Secretaries
Unit 5, Kgale Mews
P O Box 406, Gaborone, Botswana
Date: 21 May 2013

PROXY FORM

For completion by holders of Ordinary shares

Please read the notes overleaf before completing this Form
For use at the Annual General Meeting of Shareholders of the Company to be held at FSG Offices at 3.30 pm on Friday, 28th June 2013.

I/We
(Name in block letters)

____

Of
(Address)

____

Appoint (see Note 2)

1.________________________ or failing him/her, ________________________

2. ________________________ or failing him/her, ________________________

3. the Chairman of the Meeting

as my/our proxy to act for me/us at the General Meeting which will be held, to vote for or against the resolutions and/or abstain from voting in respect of the Ordinary Shares registered in my/our name in accordance with the following instruction (see note 2)

Number of ordinary shares

		For	Against	Abstain
Ordinary resolution 1				
Ordinary resolution 2				
Ordinary resolution 3				
Ordinary resolution 4				
Ordinary resolution 5				

Signed at ____________________ on ____________________ 2013

Signature ________________________________

Assisted by (where applicable) ____________________

Each Shareholder is entitled to appoint one or more proxies (who need not be member/s of the Company) to attend, speak and vote in place of the Shareholder at the General Meeting. Please read the notes on the reverse side hereof.

1. A Shareholder must insert the names of two alternative proxies of the Shareholder's choice in the space provided with or without deleting "Chairman of the Annual General Meeting". The person whose name appears first on the form of proxy and whose name has not been deleted shall be entitled to act as proxy to the exclusion of those whose names follow.

2. A Shareholder's instruction to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the Shareholder in the appropriate space provided. Failure to comply herewith will be deemed to authorise the proxy to vote at the General Meeting as he/she deems fit in respect of the Shareholder's votes exercisable thereat, but where the proxy is the Chairman, failure to comply will be deemed to authorise the proxy to vote in favour of the resolution. A Shareholder or his/her proxy is obliged to use all the votes exercisable by the Shareholder or by his/her proxy.

3. Forms of proxy must be lodged at or posted to the Company Secretaries of the Company, Corporate Services (Proprietary) Limited, Unit 5, Kgale Mews, P O Box 406, Gaborone, Botswana to be received not less than 48 hours before the General Meeting on 28th June 2013.

4. The completion and lodging of this form will not preclude the relevant Shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such Shareholder wish to do so.

5. The Chairman of the General Meeting may reject or accept any form of proxy not completed and/or received other than in accordance with these notes provided that he/she is satisfi ed as to the manner in which the Shareholder concerned wishes to vote.

6. An instrument of proxy shall be valid for the General Meeting as well as for any adjournment thereof, unless the contrary is stated thereon.

7. A vote given in accordance with the terms of a proxy shall be valid, notwithstanding the previous death or insanity of the Shareholder, or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the Ordinary Shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, or revocations shall have been received by the Company not less than one hour before the commencement of the General Meeting or adjourned General Meeting at which the proxy is to be used.

8. The authority of a person signing the form of proxy under a power of attorney or on behalf of a company must be attached to the form of proxy, unless the authority or full power of attorney has already been registered by the Company or the Transfer Secretaries.

9. Where Ordinary Shares are held jointly, all joint Shareholders must sign. A minor must be assisted by his/her guardian, unless relevant documents establishing his/her legal capacity are produced or have been registered by the Company.

FSG

LIMITED