FSG Limited
Plot 69124, Kgomokasitwa Road
Gaborone West Industrial

Private Bag BO 211, Gaborone
www.fsgbotswana.com

FSG LIMITED

2013 Annual Report

CONTENTS

GROUP MISSION, VISION AND VALUES

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 Southern 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 values

Respect

Innovation

Honesty

Integrity

Passion

Compassion

Dignity

Empathy

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
Bank Gaborone Limited

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

GROUP STRUCTURE

FSG Limited

FSG Manufacturing (Proprietary) Limited — 100%

Office:
- Gaborone

FSG Services (Proprietary) Limited — 100%

Offices:
- Gaborone
- Lobatse
- Kanye
- Molepolole
- Pilane
- Mahalapye
- Thamaga
- Francistown
- Serowe
- Selebi-Phikwe
- Tonota
- Masunga
- Tutume
- Maun
- Gumare
- Shakawe
- Kasane
- Kgagodi

FSG Private Cemeteries (Proprietary) Limited — 100%

Offices:
- Gaborone
- Francistown

FSG Properties (Proprietary) Limited — 100%

Offices:
- Gaborone
- Lobatse
- Kanye
- Molepolole
- Pilane
- Mahalapye
- Thamaga
- Francistown
- Serowe
- Selebi-Phikwe
- Tonota
- Masunga
- Tutume
- Maun
- Gumare
- Shakawe
- Kasane
- Kgagodi

FSG Assurance (Proprietary) Limited — 100%

Office:
- Gaborone

FSG Investments (Proprietary) Limited — 100%

- **Botswana Funeral Services Group (Propietary) Limited (Incorporated in South Africa)** — 100%

  Office:
  - Pretoria

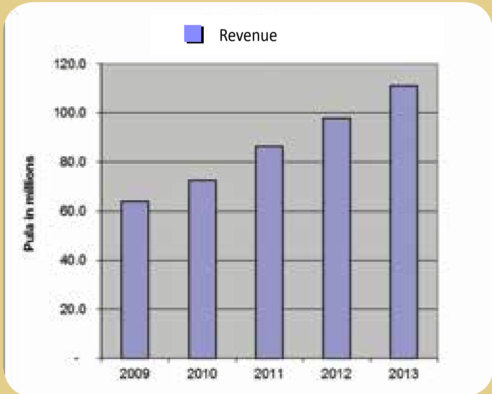
- **FSG (Zambia) Limited (incorporated in Zambia)** — 70%

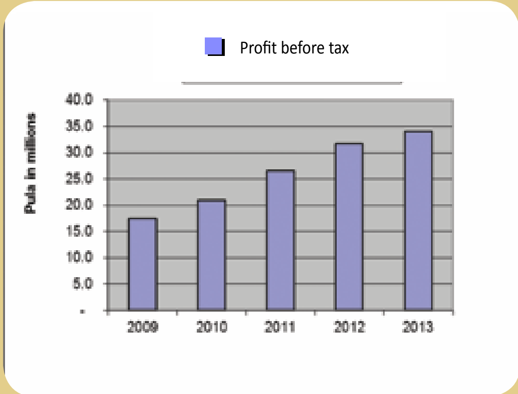
  Offices:
  - Lusaka
  - Ndola

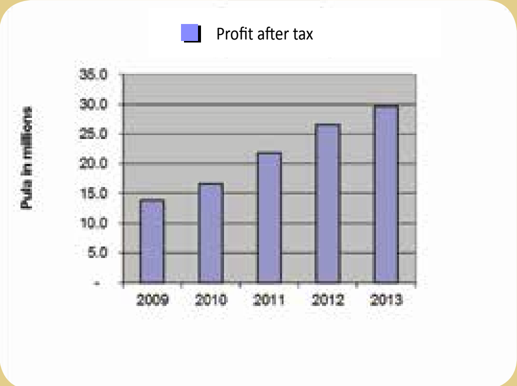
GROUP PERFORMANCE

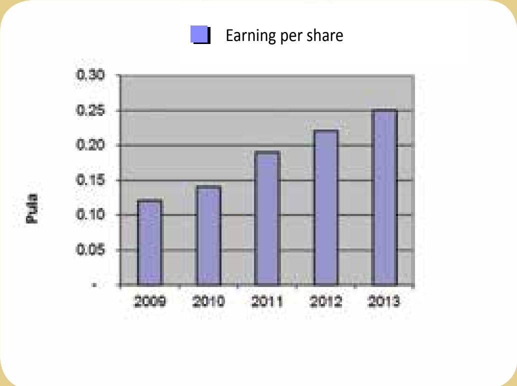
FIVE-YEAR KEY PERFORMANCE HIGHLIGHTS

	2009	2010	2011	2012	2013
Revenue (Pula in millions)	63.9	72.6	86.3	97.9	111.2
Profit before tax (Pula in millions)	17.5	21.0	26.6	31.7	34.0
Profit after tax (Pula in millions)	13.8	16.6	21.8	26.6	29.7
Earnings per share (Pula)	0.12	0.14	0.19	0.22	0.25









STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR FIVE YEARS ENDING 31 DECEMBER OF EACH YEAR

	2009	2010	2011	2012	2013
	Pula	Pula	Pula	Pula	Pula
Revenue	63,971,753	72,596,876	86,306,707	97,904,372	111,241,786
Cost of sales	(13,367,267)	(13,645,791)	(14,133,615)	(17,364,999)	(17,637,134)
Gross profit	50,604,486	58,951,085	72,173,092	80,539,373	93, 604, 652
Other operating income	737,417	143,755	851,243	1,265,476	1,222,399
Investment revenue	2,197,949	869,462	1,104,096	1,735,581	2,935,556
Marketing and administration expenses	(35,401,866)	(38,732,271)	(47,228,982)	(51,713,642)	(63,411,715)
Finance costs	(632,308)	(241,653)	(244,212)	(123,074)	(223,248)
Profit before tax	17,505,678	20,990,378	26,655,237	31,703,714	34,027,644
Income tax	(3,689,513)	(4,407,246)	(4,779,613)	(5,079,207)	(4,294,665)
Profit for the year	13,816,165	16,583,132	21,875,624	26,624,507	29,732,979
Other comprehensive income (loss)					
Gain on revaluation of property, plant and equipment	-	6,963,511	11,637,508	8,552,871	2,171,081
Loss on partial disposal of subsidiary	-	(236,806)	-	-	-
Exchange difference on translating foreign operations	(464,504)	289,765	176,893	224,685	142,375
Income tax on components of other comprehensive income	-	(1,795,275)	(1,613,727)	(1,922,711)	(413,863)
Other comprehensive (loss) / income for the year	(464,504)	5,221,195	10,200,674	6,854,845	1,899,593
Total comprehensive income for the year	13,351,661	21,804,327	32,076,298	33,479,352	31,632,572
Profit attributable to:					
Owners of the company	13,816,165	17,171,771	22,405,979	26,758,184	30,145,197
Non-controlling interests	-	(588,639)	(530,355)	(133,677)	(412,218)
	13,816,165	16,583,132	21,875,624	26,624,507	29,732,979
Total comprehensive income attributable to:					
Owners of the company	13,351,661	21,989,433	32,505,963	33,539,960	31,959,972
Non-controlling interests	-	(185,106)	(429,665)	(60,608)	(327,400)
	13,351,661	21,804,327	32,076,298	33,479,352	31,632,572
Earnings per share					
Basic (Pula per share)	0.12	0.14	0.19	0.22	0.25
Diluted (Pula per share)	0.11	0.14	0.19	0.22	0.25

STATEMENT OF FINANCIAL POSITION FOR FIVE YEARS
AS AT 31 DECEMBER OF EACH YEAR

	2009	2010	2011	2012	2013
ASSETS	Pula	Pula	Pula	Pula	Pula
Non-current assets					
Property, plant and equipment	74,844,502	86,359,529	102,592,599	104,464,439	115,451,734
Goodwill	27,080,631	26,708,295	26,797,269	26,822,003	26,822,003
Deferred tax assets	104,546	382	271,101	675,019	2,030,843
Inventories	3,457,143	3,409,973	3,380,330	3,343,188	3,301,402
Total non-current assets	105,486,822	116,478,179	133,041,299	134,304,649	147,605,982
Current assets					
Inventories	4,343,340	5,448,860	7,918,537	7,415,067	11,261,384
Trade and other receivables	3,013,396	1,700,261	3,327,858	3,452,342	5,012,200
Loan to related party	924,426	-	-	-	-
Current tax assets	9,450	8,991	87,335	104,824	1,640,605
Bank and cash balances	13,714,554	18,956,099	25,479,450	50,864,812	50,857,246
Total current assets	22,005,166	26,114,211	36,813,180	61,837,045	68,771,435
Total assets	127,491,988	142,592,390	169,854,479	197,141,694	216,377,417
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	68 301,000	68,301,000	68,301,000	69,525,100	69,525,100
Reserves	11,337,945	16,822,207	26,713,884	31,640,508	32,821,901
Retained earnings	25,677,949	35,649,720	49,316,766	65,827,534	83,449,207
Equity attributable to owners of the company	105,316,894	120,772,927	144,331,650	166,993,142	185,796,208
Non-controlling interest	-	718,739	289,074	228,466	(98,934)
Capital and reserves	105,316,894	121,491,666	144,620,724	167,221,608	185,697,274
Non-current liabilities					
Deferred tax liabilities	5,706,938	7,467,235	7,666,417	9,612,595	7,403,897
Current liabilites					
Trade and other payables	11,220,628	11,364,960	14,092,077	17,648,573	21,304,499
Bank overdraft	3,669,975	-	735,240	781,904	372,357
Current tax liabilities	1,577,553	2,268,529	2,740,021	1,877,014	1,599,390
Total current liabilities	16,468,156	13,633,489	17,567,338	20,307,491	23,276,246
Total liabilities	22,175,094	21,100,724	25,233,755	29,920,086	30,680,143
Total equity and liabilities	127,491,988	142,592,390	169,854,479	197,141,694	216,377,417

BOARD OF DIRECTORS

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

Daniel 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 has been appointed 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. His past Board directorships include, among others, National Development Bank, Bank of Botswana, BP Mozambique, BP Zambia, BP Southern Africa, Botswana Meat Commission, the Debswana Diamond Mining Company and Sefalana Holding Company Limited. 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 ("Lyn's") in 1993 and thereafter expanded to Northern Botswana through the vehicle of Kagiso Funeral Parlour. Over the last twenty one years Mike has successfully made Lyn's into a household name, the service provider of choice for funeral services throughout Botswana.

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

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

BOARD OF DIRECTORS (continued)

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

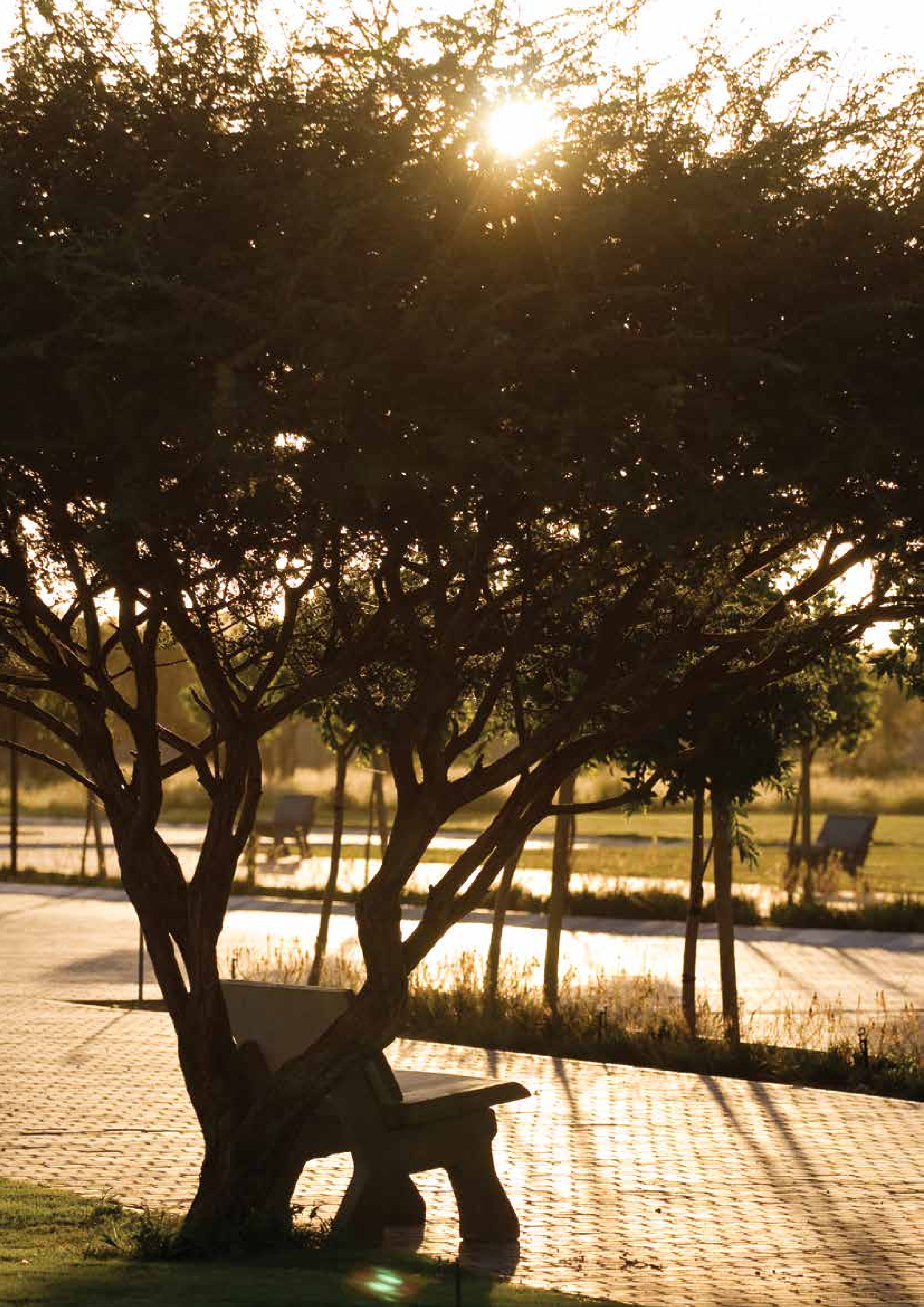
Catherine Lesetedi - Letegele is the CEO of Botswana Life Insurance Limited, appointed in July 2010. She is a seasoned insurance professional with over 20 years' experience in the life industry. She first joined the BIHL Group in June of 1992 as a Supervisor and was promoted to Assistant Manager in 1998 and then became a Divisional Manager in 2000. She left BLIL and joined AON Botswana as Senior Accounts Executive in October 2004, she was later promoted to the position of General Manager Life and Employee Benefits, in August 2006. Ms. Lesetedi-Letegele then returned to Botswana Life Insurance Limited in 2007 and assumed the role of Head of High Value Corporate Business until March 2010 when she was appointed Acting CEO of BLIL. She currently sits on the Board of FMRE a re-insurance company. She is also the President of the Insurance Council of Botswana. She has a BA in Statistics and Demography from the University of Botswana as well as professional qualification in Advanced Insurance Practice from UNISA. She is also an Associate of the Insurance Institute of South Africa (AIISA). She has an MDP from the Graduate School of Business, UCT and a Certificate program in Executive Leadership, through Cornell University in New York City, USA.

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

Lynette 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 nine years she has served the Group as a non-executive director.

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 is a director of Sechaba Breweries Limited, Kgalagadi Breweries (Proprietary) Limited RDC Properties Limited and she is the Chairman of Kgalagadi Beverages Trust,. She holds a Bachelor of Commerce and a Masters degree in Business Leadership. She is Chairman of the Remuneration Committee.



CHAIRMAN'S REPORT

It is my pleasure to present my report for the year ended 31 December 2013 to the shareholders of FSG Limited.

The economic environment

The global economic environment during the first half of 2013 continued to be a challenging one and marginally strengthened in the second half of the year due to economic recovery seen in some advanced economies. Governments of major economies continued to maintain their stimulus policies to assist growth in their respective economies. Mining sector in Botswana continued to grow and contributed to overall economic growth during the year. Employment generation, productivity improvement, infrastructure development, economic reform, and investing in human capital continued to be key factors guiding policy makers.

Financial performance

During the year, the Group grew steadily in terms of revenue and profitability. The overall performance for the year was satisfactory. The Group continued to invest in expansion and infrastructure development so that it can continue to be the leader of choice in the market. The process of restructuring the Group's business activities into separate companies, each specializing in one area of business activity, was undertaken during the year. This will enable better management of the Group. New branches are being established in Botswana and Zambia. Opportunities are being explored in other neighbouring markets.

Corporate governance

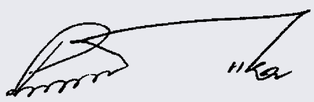
The Board and management continuously endeavor to ensure that best global practice of corporate governance is followed. In discharging its various functions the Board is assisted by the Audit and Risk Committee, Remuneration Committee and Investment Committee. A comprehensive section on corporate governance is provided elsewhere in this Annual Report.

Social responsibility

The management is conscious of its social responsibilities and the need for community welfare and development. The management and staff of the Group participated in various programs that assisted local communities during the year.

Acknowledgement

I would like to acknowledge and thank my colleagues on the Board for their efforts, vision and guidance during the year. I would also commend the management and staff for their effort and dedication without which the excellent performance of the Group would not have been achieved.



Daniel Neo Moroka
CHAIRMAN

GROUP MANAGING DIRECTOR'S REPORT

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

Financial performance

During the year 2013 the Group performed well and achieved significant growth in revenue and profit after tax. The total assets of the Group crossed P200 million to reach P216 million.

The total revenue of the Group grew by 13.6% and profit after tax by 11.7% as compared with 2012.

The Group's administration expenses increased by 22.6% over the previous year as the Group is in the process of building its infrastructure to support the growth in its business within Botswana and overseas in the coming years.

Review of operations

Botswana

The Group's business activities continued to grow consistent with management expectations largely due to investments made in infrastructure development in prior years. During the year revenue from assurance business grew by 21.7% and revenue from services by 10% over the previous year.

During the year the Group opened new branches in Kasane and in Pilane. The Group continued with its policy of investing in modernizing its infrastructure as part of the business strategy to remain as the market leader. A new branch in Palapye is under construction which will commence operations in 2014. The Group also expanded its mobile business fleet which facilitates easy payment of monthly premium by customers. During the year, an exercise of re-branding of the Group was also completed.

Sale of graves in Phomolong Memorial park has not witnessed any significant growth although the concept is gradually gaining acceptance by the community.

The process of restructuring the various businesses of the Group into six separate subsidiaries, each entity specializing in a particular business activity was done during the year and it is expected to lead to better administration of the Group.

Zambia

The performance of Lusaka branch in 2013 has been encouraging, although not yet profitable. The business activity of Ndola branch which opened in late 2012 is showing a stable growth. Land for a branch in Kitwe is being acquired and the branch will open in 2015. The Group continues to focus on developing the funeral insurance base in Zambia and we have received an encouraging response for group schemes.

Looking ahead

The Group will continue with its expansion plans in Botswana and Zambia. The Group is looking for opportunities for business expansion in neighbouring countries.

Acknowledgments

I would like to thank my Board of Directors for their wise counsel and support during the year and the management and staff for their hard work, dedication, support and commitment to provide our customers with exemplary service which they richly deserve.

I also acknowledge our sincere gratitude to all our customers for entrusting us with their business and would like to assure them that we shall do our utmost to provide them with the most caring service.

I am confident of continued success and look forward to the challenges and opportunities in the year ahead.

Milivoje Nikolic
GROUP MANAGING DIRECTOR

SENIOR MANAGEMENT

Group Chief Executive Officer

Dorcas Kgosietsile joined FSG Limited as Group Chief Executive Officer in 2011. 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 for two years 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 the 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. 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. Johanah 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 six directors; two independent non-executive, three non-executive, and one executive director.

The Chairperson of the Board is an independent 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, authorizing 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.

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 Common Law. In particular it monitors financial controls,

CORPORATE GOVERNANCE (continued)

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:	Kate Maphage
Members:	Catherine Lesetedi-Letegele
	Lynette Sybil Nikolic

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 2013

No.	Shareholder	Number of shares held	%
1.	Botswana Life Insurance Limited	40,943,191	33.9
2.	Flip Coin (Proprietary) Limited	31,274,118	25.9
3.	FNB Nominees Re: AG BPOPF	8,109,758	6.7
4.	FNB Nominees Re: CFM BPOPF	7,850,238	6.5
5.	Tebelelo Seretse	5,465,200	4.5
6.	Lynette Sybil Nikolic	5,400,000	4.5
7.	Milivoje Nikolic	4,600,000	3.8
	Total	103,642,505	
	Percent of total shares in issue	85.8%	

FSG LIMITED

Group and Company Annual Financial Statements

For the year ended
31 December 2013

GROUP AND COMPANY ANNUAL FINANCIAL STATEMENTS
31 DECEMBER 2013

Contents

GROUP AND COMPANY ANNUAL FINANCIAL STATEMENTS
31 DECEMBER 2013

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the group and company annual financial statements of FSG Limited, comprising the statements of financial position at 31 December 2013, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory information, in accordance with International Financial Reporting Standards ("IFRS"). In addition the directors are responsible for preparing the directors' report.

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 directors are responsible 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, and for maintaining adequate accounting records and an effective system of risk management.

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.

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 ability of the company and its subsidiaries 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 consolidated and separate 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 AND COMPANY 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 61 which were approved on 12 March 2014 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 MEMBERS OF FSG LIMITED

We have audited the consolidated and separate annual financial statements of FSG Limited, which comprise the statements of financial position as at 31 December 2013, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 23 to 61.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as the 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 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 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

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

Gaborone
27 March 2014

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

		GROUP		COMPANY	
		31 DEC 2013	31 DEC 2012	31 DEC 2013	31 DEC 2012
	Notes	Pula	Pula	Pula	Pula
Revenue	5	111,241,786	97,904,372	13,296,250	-
Cost of sales		(17,637,134)	(17,364,999)	-	-
Gross profit		93,604,652	80,539,373	13,296,250	-
Other operating income		1,122,399	1,265,476	65,000	240,000
Marketing and administration expenses		(63,411,715)	(51,713,642)	(101,951)	(158,022)
Operating profit		31,315,336	30,091,207	13,259,299	81,978
Finance income	7	2,935,556	1,735,581	1,369,153	1,050,697
Finance costs	8	(223,248)	(123,074)	-	(869,883)
Net finance income		2,712,308	1,612,507	1,369,153	180,814
Profit before tax	10	34,027,644	31,703,714	14,628,452	262,792
Income tax expense	9	(4,294,665)	(5,079,207)	(313,330)	(57,814)
Profit for the period		29,732,979	26,624,507	14,315,122	204,978
Other comprehensive income					
Items that will never be re-classified to profit or loss					
Gain on revaluation of property, plant and equipment		2,171,081	8,552,871	-	-
Related tax		(382,542)	(1,873,280)	-	-
		1,788,539	6,679,591	-	-
Items that are or may be re-classified to profit or loss					
Exchange difference on translating foreign operations		142,375	224,685	-	-
Related tax		(31,321)	(49,431)		
		111,054	175,254	-	-
Other comprehensive income for the period		1,899,593	6,854,845	-	-
Total comprehensive income for the period		31,632,572	33,479,352	14,315,122	204,978
Profit attributable to:					
Owners of the company		30,145,197	26,758,184		
Non-controlling interests		(412,218)	(133,677)		
		29,732,979	26,624,507		
Total comprehensive income attributable to :					
Owners of the company		31,959,972	33,539,960		
Non-controlling interests		(327,400)	(60,608)		
		31,632,572	33,479,352		
Earnings per share					
Basic (Pula per share)	11	0.25	0.22		
Diluted (Pula per share)	11	0.25	0.22		

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

		GROUP		COMPANY	
		31 DEC 2013	31 DEC 2012	31 DEC 2013	31 DEC 2012
ASSETS	Notes	Pula	Pula	Pula	Pula
Non-current assets					
Property, plant and equipment	12	115,451,734	104,464,439	-	-
Goodwill	13	26,822,003	26,822,003	-	-
Deferred tax assets	9	2,030,843	675,019	-	-
Investment in subsidiaries	14	-	-	65,314,685	65,314,485
Inventories	15	3,301,402	3,343,188	-	-
Total non-current assets		147,605,982	135,304,649	65,314,685	65,314,485
Current assets					
Inventories	15	11,261,384	7,415,067	-	-
Trade and other receivables	16	5,012,200	3,452,342	140	340
Current tax assets		1,640,605	104,824	89,791	50,745
Bank and cash balances		50,857,246	50,864,812	9,900,183	25,355,375
Total current assets		68,771,435	61,837,045	9,990,114	25,406,460
Total assets		216,377,417	197,141,694	75,304,799	90,720,945
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	17	69,525,100	69,525,100	69,525,100	69,525,100
Reserves		32,821,901	31,640,508	(365,522)	(365,522)
Retained earnings		83,449,207	65,827,534	1,582,026	563,154
Equity attributable to owners of the company		185,796,208	166,993,142	70,741,604	69,722,732
Non-controlling interest		(98,934)	228,466	-	-
Capital and reserves		185,697,274	167,221,608	70,741,604	69,722,732
Non-current liabilities					
Deferred tax liabilities	9	7,403,897	9,612,595	-	-
Current liabilities					
Trade and other payables	18	21,304,499	17,648,573	4,369,448	20,998,213
Bank overdraft	19	372,357	781,904	25,159	-
Current tax liabilities		1,599,390	1,877,014	168,588	-
Total current liabilities		23,276,246	20,307,491	4,563,195	20,998,213
Total liabilities		30,680,143	29,920,086	4,563,195	20,998,213
Total equity and liabilities		216,377,417	197,141,694	75,304,799	90,720,945

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

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 interests	Total
	Pula	Pula	Pula	Pula	Pula	Pula	Pula	Pula	Pula	Pula
Balance at 01 January 2012	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
Total comprehensive income										
Profit for the period	-	-	-	-	-	-	26,758,184	26,758,184	(133,677)	26,624,507
Other comprehensive income	-	6,606,522	-	-	175,254	6,781,776	-	6,781,776	73,069	6,854,845
Total comprehensive income	-	6,606,522	-	-	175,254	6,781,776	26,758,184	33,539,960	(60,608)	33,479,352
Transfer to retained earnings										
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
Total transfer to retained earnings	-	(631,052)	-	-	-	(631,052)	631,334	282	-	282
Transactions with owners of the company										
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)
Total transactions with owners of the company	1,224,100	-	1,224,100	-	-	(1,224,100)	(10,878,750)	(10,878,750)	-	(10,878,750)
Balance at 31 December 2012	69,525,100	32,019,810	-	(236,806)	(142,496)	31,640,508	65,827,534	166,993,142	228,466	167,221,608
Total comprehensive income										
Profit for the period	-	-	-	-	-	-	30,145,197	30,145,197	(412,218)	29,732,979
Other comprehensive income	-	1,703,721	-	-	111,054	1,814,775	-	1,814,775	84,818	1,899,593
Total comprehensive income	-	1,703,721	-	-	111,054	1,814,775	30,145,197	31,959,972	(327,400)	31,632,572
Transfer to retained earnings										
Transfer to retained earnings on disposal of revalued property, plant and equipment	-	(633,382)	-	-	-	(633,382)	633,382	-	-	-
Transfer from deferred tax to retained earnings on disposal of revalued property, plant and equipment	-	-	-	-	-	-	139,344	139,344	-	139,344
Total transfer to retained earnings	-	(633,382)	-	-	-	(633,382)	772,726	139,344	-	139,344
Transactions with owners of the company										
Dividends declared and paid	-	-	-	-	-	-	(13,296,250)	(13,296,250)	-	(13,296,250)
Balance at 31 December 2013	69,525,100	33,090,149	-	(236,806)	(31,442)	32,821,901	83,449,207	185,796,208	(98,934)	185,697,274

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

COMPANY	Stated capital	Revalution reserve	Equity-settled employee benefit reserve	Reserve arising on partial disposal of subsidiary	Foreign currency translation reserve	Total reserves	Retained earnings	Attibutable to owners of the company	Non - controlling interests	Total
	Pula	Pula	Pula	Pula	Pula	Pula	Pula	Pula	Pula	Pula
Balance at 1 January 2012	68,301,000	-	-	(365,522)	-	(365,522)	11,236,926	79,172,404	-	79,172,404
Total comprehensive income										
Profit for the period	-	-	-	-	-	-	204,978	204,978	-	204,978
Transactions with owners of the company										
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
Total comprehensive income										
Profit for the period	-	-	-	-	-	-	14,315,122	14,315,122	-	14,315,122
Transactions with owners of the company										
Dividends declared and paid	-	-	-	-	-	-	(13,296,250)	(13,296,250)	-	(13,296,250)
Balance at 31 December 2013	69,525,100	-	-	(365,522)	-	(365,522)	1,582,026	70,741,604	-	70,741,604

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	GROUP		COMPANY	
	31 DEC 2013 Pula	31 DEC 2012 Pula	31 DEC 2013 Pula	31 DEC 2012 Pula
Cash flows from operating activities				
Profit for the period	29,732,979	26,624,507	14,315,122	204,978
Adjustments for:				
Finance income	(2,935,556)	(1,735,581)	(1,369,153)	(1,050,697)
Finance costs	223,248	123,074	-	869,883
Dividends received	-	-	(13,296,250)	-
Depreciation of property, plant and equipment	4,725,224	4,645,684	-	-
Loss (gain) on disposal of property, plant and equipment	171,975	(296,477)	-	-
Income tax expense	4,294,665	5,079,207	313,330	57,814
Operating income before working capital changes	36,212,535	34,440,414	(36,951)	81,978
Movement in inventories	(3,610,800)	557,476	-	-
Movement in trade and other receivables	(1,548,315)	(115,550)	200	646,018
Movement in trade and other payables	3,479,818	3,440,974	(16,628,765)	17,794,966
Cash generated from operating activities	34,533,238	38,323,314	(16,665,516)	18,522,962
Income tax paid	(10,012,319)	(6,322,675)	(183,788)	(271,992)
Net cash generated from operating activities	24,520,919	32,000,639	(16,849,304)	18,250,970
Cash flows from investing activities				
Purchase of property, plant and equipment	(14,200,823)	(8,482,463)	-	-
Finance income	2,935,556	1,735,581	1,369,153	1,050,697
Subscription of shares in subsidiary	-	-	(200)	-
Dividends received	-	-	13,296,250	-
Proceeds on disposal of property, plant and equipment	687,615	11,074,946	-	-
Net cash (used in)/generated from investing activities	(10,577,652)	4,328,064	14,665,203	1,050,697
Cash flows from financing activities				
Finance costs	(223,248)	(123,074)	-	(869,883)
Dividends paid	(13,296,250)	(10,878,750)	(13,296,250)	(10,878,750)
Net cash used in financing activities	(13,519,498)	(11,001,824)	(13,296,250)	(11,748,633)
Net movement in cash and cash equivalents	423,769	25,326,879	(15,480,351)	7,553,034
Exchange difference on the balance of cash held in foreign currencies	(21,788)	11,819	-	-
Cash and cash equivalents at the beginning of the year	50,082,908	24,744,210	25,355,375	17,802,341
Cash and cash equivalents at the end of the year	50,484,889	50,082,908	9,875,024	25,355,375
Represented by:				
Bank and cash balances	50,857,246	50,864,812	9,900,183	25,355,375
Bank overdraft	(372,357)	(781,904)	(25,159)	-
	50,484,889	50,082,908	9,875,024	25,355,375

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 DECEMBER 2013

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 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) that is engaged in the business of establishing and managing private cemeteries in Botswana.

These consolidated financial statements are presented in Botswana Pula, which is the Group's functional currency. All amounts have been rounded to the nearest Pula, unless otherwise indicated.

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
Amendment to IAS 1 – Presentation of items of other comprehensive income	Annual periods beginning on or after 1 July 2012
IFRS 7 - Financial instruments: disclosures (offsetting of assets and liabilities)	Annual periods beginning on or after 1 January 2013
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
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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

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

2.1 Standards and interpretations effective in the current period (continued)

New/Revised International Financial Reporting Standards	Effective Date
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
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

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
Amendment to IAS 32 – Financial Instruments : Presentation – Offsetting financial assets and financial liabilities	Annual periods beginning on or after 1 January 2014
Amendment to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets	Annual periods beginning on or after 1 January 2014
Amendments to IFRS 10, IFRS 12, and IAS 27 – Investment Entities	Annual periods beginning on or after 1 January 2014
IFRIC 21 Levies	Annual periods beginning on or after 1 January 2014
IFRS 7 - Financial instruments: disclosures (initial application of IFRS 9)	To be determined
IFRS 9 - Financial Instruments : (Classification and measurement)	To be determined
IFRS 9 - Financial Instruments : (Financial liabilities and derecognition)	To be determined

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 these annual financial statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

3. Significant accounting policies

3.1 Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3.2 Basis of preparation
The consolidated 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"). The Group controls an entity when it is exposed to or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of subsidiaries acquired during the year are included in the consolidated financial statement from the effective date the Group obtains control until the date on which the control ceases.

Changes in the Group's ownership interests in existing subsidiaries

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 Group 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 acquisition method. The consideration in a 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. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

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.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration is recognised in profit or loss.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

3. Significant accounting policies (continued)

3.4 Business combinations (Continued)
If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquiree's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest and in a business combination achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition date amount of the identifiable assets acquired and liabilities assumed. Any gain on bargain purchase is recognised in profit or loss immediately.

3.5 Goodwill
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
Revenue is measured at the fair value of the consideration received or receivable.

3.6.1 Sale of goods
Revenue from the sale of coffins and caskets is recognised when all the following conditions are satisfied:
- The Group has transferred to the buyer significant risks and rewards of ownership of the goods;
- The Group 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.

Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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

3.6.3 Income from package scheme
The Group through its operating subsidiaries acts as an authorised agent 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. Administration fee and share of profit is recognised on a monthly basis.

3.6.4 Dividend revenue
Dividend income is recognised in profit or loss on the date that the company's right to receive payment is established.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

3. Significant accounting policies (continued)

3.7 Finance income and finance costs
Finance income 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.

Finance 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 finance costs are recognised in profit or loss in the period in which they are incurred.

3.8 Taxation
Income tax expense represents the sum of the tax currently payable and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or other comprehensive income.

3.8.1 Current tax
The current tax 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 Group'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. 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 reporting date 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 assets 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 at the reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Group 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 Group intends to settle its current tax assets and liabilities on a net basis.

3.9 Property, plant and equipment
Land and buildings and motor vehicles held for use in the production or supply of goods or services, or for administrative purposes, measured at cost and subsequent measurement is at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

3. Significant accounting policies (continued)

3.9 Property, plant and equipment (continued)
Any revaluation increase arising on the revaluation of such land and buildings and motor vehicles is recognised in other comprehensive income and accumulated in equity under the heading revaluation reserve. Any revaluation decrease is recognised in profit or loss.

Upon disposal of any item of property, plant and equipment that is stated at revalued amounts, the revaluation surplus in respect of that item of property, plant and equipment included in revaluation reserve is transferred to retained earnings through the statement of changes in equity. Any corresponding deferred tax in respect of that item of property, plant and equipment is also similarly transferred to retained earnings.

Properties in the course of construction, production, rental, 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 Group'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;
- 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 Group 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 Group 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.

The 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 or cash-generating unit 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 to the extent that a revaluation surplus exists.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

3. Significant accounting policies (continued)

3.11 Impairment of tangible assets (continued)
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 realiable 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 Share-based payments
Equity-settled share-based payments to employees and other 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.

3.14 Financial Instruments
Financial assets

The Group'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 amortised 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 amortised 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

3. Significant accounting policies (continued)

3.14 Financial Instruments (continued)

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. Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group in terms that the Group would not consider otherwise.

Financial assets, such as trade receivables, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Collective assessment is carried out by grouping together assets with similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group'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 amortised cost would have been had the impairment not been recognised.

Financial liabilities

The Group'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 amortised 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 amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments 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

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Derecognition of financial liabilities

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

3.15 Retirement benefit costs

The Group 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. Accrual for these benefits is raised in profit or loss in the period in which they arise.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

3. Significant accounting policies (continued)

3.16 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.

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 Group'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 2013. 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

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

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.

Impairment loss on receivables
The Group reviews its receivables to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in profit or loss, the Group 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 Group makes an annual assessment of the impairment of goodwill, based on discounted cash flows of estimated future earnings.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

	GROUP		COMPANY	
	31 DEC 2013 Pula	31 DEC 2012 Pula	31 DEC 2013 Pula	31 DEC 2012 Pula
5 Revenue				
Sale of goods and services				
Revenue from sale of goods	67,454,876	63,693,060	-	-
Revenue from rendering of services	6,832,765	3,857,635	-	-
Income from package scheme				
Commission earned	9,961,210	8,683,701	-	-
Administration fees earned	6,707,310	5,854,367	-	-
Share of profit	20,285,625	15,815,609	-	-
Dividends				
Dividends	-	-	13,296,250	-
	111,241,786	97,904,372	13,296,250	-
Revenue analysed by nature of customers				
Non-package scheme customers	54,695,268	50,091,546	-	-
Package scheme customers	19,592,373	17,459,149	-	-
Sale of goods and services	74,287,641	67,550,695	-	-
Income from package scheme	36,954,145	30,353,677	-	-
	111,241,786	97,904,372	-	-

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 2013

6 Operating segments (continued)

Information about operating segments:

	Botswana	Zambia	South Africa	Inter-segment eliminations	Total
	Pula	Pula	Pula	Pula	Pula
31 DECEMBER 2013					
Revenue from external customers	98,305,346	12,936,440	-	-	111,241,786
Inter-segment revenues	3,429,841	-	-	(3,429,841)	-
Finance income	3,286,782	15,976	268	(367,470)	2,935,556
Finance costs	(223,248)	(320,876)	(46,594)	367,470	(223,248)
Depreciation	(3,650,413)	(1,074,811)	-	-	(4,725,224)
Income tax	(5,396,832)	821,576	65,291	215,300	(4,294,665)
Reportable segment profit after tax	31,648,148	(1,374,057)	(176,324)	(364,788)	29,732,979
Reportable segment assets	214,610,330	12,368,670	603,890	(11,205,473)	216,377,417
Additions to segment non-current assets	11,287,260	2,913,563	-	-	14,200,823
Reportable segment liabilities	(28,226,509)	(12,583,851)	(947,888)	11,078,105	(30,680,143)
31 DECEMBER 2013					
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)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

	GROUP		COMPANY	
	31 DEC 2013 Pula	31 DEC 2012 Pula	31 DEC 2013 Pula	31 DEC 2012 Pula
7 Finance income				
Interest income:				
Bank deposits	2,935,556	1,735,581	1,369,153	1,050,697
8 Finance costs				
Interest on bank overdrafts and loans	125,200	36,149	-	-
Interest paid to Botswana Unified Revenue Service	98,048	86,925	-	-
Interest paid to related companies	-	-	-	869,883
	223,248	123,074	-	869,883

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

		GROUP		COMPANY	
		31 DEC 2013	31 DEC 2012	31 DEC 2013	31 DEC 2012
9	**Income tax**	Pula	Pula	Pula	Pula
9.1	*Income tax recognised in profit or loss*				
	Tax on manufacturing income	363,390	1,504,756	-	-
	Tax on non-manufacturing income	7,852,894	5,001,656	313,330	57,814
	Current taxation	8,216,284	6,506,412	313,330	57,814
	Prior year over provision on current tax	-	(991,339)	-	-
	Deferred tax arising from origination and reversal of temporary differences.	(1,757,187)	(435,866)	-	-
	Prior year over provision on deferred tax	(2,164,432)	-	-	-
	Income tax expense	4,294,665	5,079,207	313,330	57,814
	Taxation reconciliation:				
	The charge for the period can be reconciled to the accounting profit as follows:				
	Profit before tax	34,027,644	31,703,714	14,628,452	262,792
	Tax on manufacturing income	389,833	1,242,822	-	-
	Tax on non-manufacturing income	6,068,557	4,919,751	3,218,259	57,814
		6,458,390	6,162,573	3,218,259	57,814
	Less: Effect on income not taxable	-	-	(2,925,175)	-
	Prior year over provision on current tax	-	(991,339)	-	-
	Prior year over provision on deferred tax	(2,164,432)	-	-	-
	Effect of expenses not deductible in determining taxable profit	707	(92,027)	20,246	-
	Income tax expense	4,294,665	5,079,207	313,330	57,814
9.2	*Deferred tax balances*				
	Balance at the beginning of the year	8,937,576	7,395,316	-	-
	Movement through other comprehensive income	413,863	1,922,711	-	-
	Transfer to retained earnings on disposal of revalued property, plant and equipment.	(139,344)	(282)	-	-
	Deferred tax arising on temporary differences charged to income	(3,921,619)	(435,866)	-	-
	Foreign currency exchange difference	82,578	55,697	-	-
	Balance at the end of the year	5,373,054	8,937,576	-	-
	Disclosed as under:				
	Deferred tax asset	2,030,843	675,019	-	-
	Deferred tax liabilities	(7,403,897)	(9,612,595)	-	-
		(5,373,054)	(8,937,576)	-	-
	Analysis of deferred taxation by type of temporary difference:				
	Capital allowances	(1,870,383)	752,179	-	-
	Tax loss	(2,030,843)	(675,019)	-	-
	Revaluation of property, plant and equipment	9,274,280	8,860,416	-	-
		5,373,054	8,937,576	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

10 Profit before tax

Profit before tax is stated after taking into account the following:

	GROUP		COMPANY	
	31 DEC 2013 Pula	**31 DEC 2012 Pula**	**31 DEC 2013 Pula**	**31 DEC 2012 Pula**
Audit fees	434,306	375,320	20,000	10,000
Depreciation of property, plant and equipment	4,725,224	4,645,684	-	-
Directors' remuneration - managerial services	3,518,165	2,887,162	-	-
- fees for services as directors	779,669	600,000	-	-
Foreign exchange gains	(484,598)	(980,081)	-	-
Employee remuneration and benefits	25,528,654	20,209,883	-	-
Operating lease expenses	2,421,897	1,021,788	-	-
Loss (gain) on disposal of property, plant and equipment	171,975	(296,477)	-	-
Employee remuneration and benefits	25,528,654	20,209,883	-	-
- Salaries and wages	23,672,233	18,683,237	-	-
- Staff rent	1,254,000	1,140,000	-	-
- Staff welfare	602,421	386,646	-	-

11 Earnings per share

	GROUP	
	31 DEC 2013 Pula	31 DEC 2012 Pula
Basic earnings (Pula per share)	0.25	0.22
Diluted earnings (Pula per share)	0.25	0.22

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	30,145,197	26,758,184
Shares at the beginning of the year (number)	120,875,000	120,000,000
Shares issued for no consideration in respect of share-based employee benefits in April 2012	-	875, 000
Shares at the end of the period (number)	120,875,000	120,875, 000
Weighted average number of ordinary shares for the purposes of basic earnings per share	120,875,000	120,656, 250

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:

Shares at the beginning of the year (number)	120,875,000	120,000,000
Effect of shares issued in April 2012	-	656,250
Weighted average number of ordinary shares	120,875,000	120,656,250

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

12 Property, plant and equipment

Group	Leasehold 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 2012	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	(11,088,822)	-	(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
Revaluation	47,167	-	(936,331)	-	-	-	(889,164)
Additions	4,317,382	626,758	5,755,313	1,533,909	920,446	1,047,015	14,200,823
Disposals	-	-	(859,590)	-	-	-	(859,590)
Effect of movements in exchange rate	-	-	137,736	209,975	-	-	347,711
Balance at 31 December 2013	79,676,795	3,625,436	21,899,275	8,255,975	3,102,739	7,726,755	124,286,975
Accumulated depreciation							
Balance at 1 January 2012	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
Depreciation on revalued assets	(1,281,804)	-	(1,778,441)	-	-	-	(3,060,245)
Charge for the year	1,189,674	-	2,308,200	816,018	110,562	300,770	4,725,224
Effect of movements in exchange rate	-	-	17,665	129,831	-	-	147,496
Balance at 31 December 2013	-	-	547,424	3,797,273	1,357,727	3,132,807	8,835,231
Carrying amount							
As at 1 January 2012	81,423,503	-	12,969,423	3,485,849	862,317	3,851,507	102,592,599
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 2013	79,676,795	3,625,436	21,351,851	4,458,702	1,745,012	4,593,948	115,451,734

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

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	31 DEC 2013	31 DEC 2012
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	2,800,000
Kanye	Tribal Lot 1554	Leasehold	50 years	11/Jan/2001	1,470,000	1,500,000
Mahalapye	Tribal lot 4959	Leasehold	50 years	27/May/1998	1,960,000	2,100,000
Molepolole	Tribal Lot 62 & 63	Leasehold	50 years	18/Sep/2002	1,470,000	1,500,000
Thamaga	Tribal Lot	Leasehold	50 years	1/Jul/2003	1,372,000	1,400,000
Masunga	Tribal Lot	Leasehold	50 years	1/Apr/1990	784,000	800,000
Tutume	Tribal Lot	Leasehold	50 years	1/Jul/1989	882,000	900,000
Francistown	Plot 6183	Leasehold	25 years	1/Feb/1998	3,000,000	3,000,000
Selebi-Phikwe	Tribal Lot 4240	Leasehold	50 years	18/Dec/1987	1,372,000	1,400,000
Serowe	Tribal Lot 2400	Leasehold	50 years	16/Sep/2003	137,200	190,000
Serowe	Tribal Lot 164	Leasehold	50 years	1/Jan/1986	2,058,000	1,800,000
Palapye	Tribal Lot 404	Leasehold	50 years	1/Sep/1989	529,200	532,000
Gumare	Tribal Lot	Leasehold	50 years	26/Sep/2001	362,600	370,000
Letlhakeng	Tribal Lot	Leasehold	50 years	-	29,400	30,000
Tsamaya Tati	Tribal Lot	Leasehold	50 years	1/Jan/1995	285,246	285,246
Shakawe	Tribal Lot	Leasehold	50 years	1/Oct/1995	362,600	370,000
Maun	Tribal Lot 522	Leasehold	50 years	22/Aug/2000	1,176,000	1,200,000
Tonota	Tribal Lot	Leasehold	50 years	1/Nov/2000	548,800	560,000
Kang	Lot 163	Leasehold	50 years	16/Aug/1996	75,000	75,000
Pilane	Plot 30	Leasehold	50 years	1/Oct/1977	3,430,000	2,100,000
Gaborone	Plot 68327	Freehold	50 years	Freehold	20,500,000	20,500,000
Francistown	Portion 2 of Farm 369-NQ	Leasehold	50 years	1/Jul/2011	8,000,000	8,000,000
					78,604,046	77,412,246

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

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 (2012: 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 end of December 2013 based on an independent valuation performed by Apex Properties (Proprietary) Limited, in accordance with generally accepted valuation standards.

Motor vehicles were last valued end of December 2013 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	
	31 DEC 2013 Pula	31 DEC 2012 Pula	31 DEC 2013 Pula	31 DEC 2012 Pula
Leasehold land and buildings	46,625,723	47,815,397	-	-
Motor vehicles	7,942,330	11,002,400	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

	GROUP		COMPANY	
	31 DEC 2013 Pula	31 DEC 2012 Pula	31 DEC 2013 Pula	31 DEC 2012 Pula
13 Goodwill				
Carrying amount	26,822,003	26,822,003	-	-
Goodwill arose on :				
Re-structure of ownership FSG Manufacturing (Proprietary) Limited and FSG Services (Proprietary) Limited on 1st January, 2004	26,012,840	26,012,840	-	-
Acquisition of FSG (Zambia) Limited on 1st April 2007	809,163	809,163	-	-
	26,822,003	26,822,003	-	-
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	809,163	-	-
	26,822,003	26,822,003	-	-

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 5% growth rate of income for a five-year period and an average cost of capital of 10.5% (2012: 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% (2012: 10%).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

	GROUP		COMPANY	
	Percentage holding		Carrying amount	
	31 DEC 2013	31 DEC 2012	31 DEC 2013	31 DEC 2012
	%	%	Pula	Pula
14 Investments in subsidiaries				
FSG Manufacturing (Proprietary) Limited	100	100	26,730,128	26,730,128
FSG Services (Proprietary) Limited	100	100	13,453,972	13,453,972
FSG (Zambia) Limited	70	70	3,880,204	3,880,204
FSG Private Cemeteries (Proprietary) Limited	100	100	21,250,000	21,250,000
FSG Assurance (Proprietary) Limited	100	-	100	-
FSG Investments (Proprietary) Limited	100	-	100	-
Botswana Funeral Services Group (Proprietary) Limited	100	100	181	181
			65,314,685	65,314,485

	GROUP		COMPANY	
	31 DEC 2013	31 DEC 2012	31 DEC 2013	31 DEC 2012
	Pula	Pula	Pula	Pula
15 Inventories				
Raw materials	935,735	1,030,178	-	-
Work in progress	26,621	32,398	-	-
Finished goods	13,343,065	9,349,244	-	-
Consumables	257,365	346,435	-	-
	14,562,786	10,758,255	-	-
Less: inventories classified as non-current	(3,301,402)	(3,343,188)	-	-
	11,261,384	7,415,067	-	-

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	
	31 DEC 2013	31 DEC 2012	31 DEC 2013	31 DEC 2012
16 Trade and other receivables				
Trade receivables	1,900,002	1,199,637	-	-
Provision for doubtful debts	(496,928)	(496,928)	-	-
	1,403,074	702,709	-	-
Other receivables	3,609,126	2,749,633	140	340
	5,012,200	3,452,342	140	340

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 (2012: 60). No interest is charged on outstanding balances due from third parties. Amounts due from related parties accrues interest at 10% per annum (2012: 11%).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

	GROUP		COMPANY	
	31 DEC 2013	31 DEC 2012	31 DEC 2013	31 DEC 2012
	Pula	Pula	Pula	Pula

16 Trade and other receivables (continued)

Allowance for doubtful debts

The allowance 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 allowance during the year is as follows:

	GROUP 31 DEC 2013 Pula	GROUP 31 DEC 2012 Pula	COMPANY 31 DEC 2013 Pula	COMPANY 31 DEC 2012 Pula
Movement in allowance for doubtful debts				
Opening balance	496,928	449,264	-	-
Raised during the year	-	69,935	-	-
Written off during the year	-	(22,271)	-	-
Closing balance	496,928	496,928	-	-

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.

	GROUP 31 DEC 2013 Pula	GROUP 31 DEC 2012 Pula	COMPANY 31 DEC 2013 Pula	COMPANY 31 DEC 2012 Pula
Ageing of past due but not impaired				
61-90 days	106,097	86,750	-	-
91-120 days	51,557	55,940	-	-
above 120 days	597,237	-	-	-
Total	754,891	142,690	-	-

17 Stated capital

	GROUP 31 DEC 2013 Pula	GROUP 31 DEC 2012 Pula	COMPANY 31 DEC 2013 Pula	COMPANY 31 DEC 2012 Pula
120,875,000 (2012: 120,875,000) Ordinary shares of no par value	69,525,100	69,525,100	69,525,100	69,525,100

	Ordinary Shares		Ordinary Shares	
	31 DEC 2013	31 DEC 2012	31 DEC 2013	31 DEC 2012
In issue at 1st January	120,875,000	120,000,000	120,000,000	120,000,000
Exercise of share options in April 2012	-	875,000	-	875,000
In issue at 31st December - fully paid	120,875,000	120,875,000	120,000,000	120,875,000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

	GROUP		COMPANY	
	31 DEC 2013 Pula	31 DEC 2012 Pula	31 DEC 2013 Pula	31 DEC 2012 Pula
18 Trade and other payables				
Trade payables	4,149,456	3,752,293	-	-
Accruals and other liabilities	11,044,663	8,693,507	238,932	159,299
Related party payables (note 20)	6,110,380	5,202,773	4,130,516	20,838,914
	21,304,499	17,648,573	4,369,448	20,998,213
19 Bank overdraft	372,357	781,904	25,159	-

The average credit period is 60 days (2012: 60 days). No interest is incurred on outstanding balances due to third parties. Amounts due to subsidiaries accrues interest at 10% per annum (2012: 11%).

The Group has an overdraft facility of P5,140,000 (2012: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 2013

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 33.9% (2012: 28.4%) 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 with related parties during the year were as follows:

	GROUP		COMPANY	
	31 DEC 2013	31 DEC 2012	31 DEC 2013	31 DEC 2012
	Pula	Pula	Pula	Pula
Dividend received included in investment revenue				
FSG Manufacturing (Proprietary) Limited	-	-	6,648,125	-
FSG Services (Proprietary) Limited	-	-	6,648,125	-
	-	-	13,296,250	-
Botswana Life Insurance Limited - Funeral package scheme				
Commission received	9,961,210	8,683,701	-	-
Adminstration fees received	6,707,310	5,854,367	-	-
Share of profit	18,697,462	15,815,609	-	-
	35,365,982	30,353,677	-	-
Management fees received included in other income				
FSG Manufacturing (Proprietary) Limited	-	-	-	240,000
Transactions with other related parties are as follows:				
Directors' remuneration - management services	3,518,165	2,887,162	-	-
Rental paid to companies under the control of certain shareholders/directors	960,000	600,000	-	-
Balances with related parties as at 31 December were as follows:				
Amounts included in trade and other payables				
FSG Manufacturing (Proprietary) Limited	-	-	-	14,799,126
FSG Services (Proprietary) Limited	-	-	-	6,039,788
FSG Assurance (Proprietary) Limited	-	-	4,130,516	-
Combined Consortium Limited	244,465	218,924	-	-
Botswana Life Insurance Limited	5,865,915	4,983,849	-	-
	6,110,380	5,202,773	4,130,516	20,838,914

Note: The above payables have no fixed terms of repayment. Inter-group payables carry an interest rate of 10% per annum.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

	GROUP		COMPANY	
	31 DEC 2013	31 DEC 2012	31 DEC 2013	31 DEC 2012
	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	1,488,148	845,230	-	-
Between two and five years	2,258,114	2,942,684	-	-
	3,746,262	3,787,914	-	-

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 2013:

-for the sum of P67,000 (2012: P67,000) in favour of Botswana Unified Revenue Service as security towards operating a deferred VAT account.

-for a total sum of P48,000 (2012: P48,000) in favour of Botswana Power Corporation, in lieu of security deposit for supply of power.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

23 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 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 2012.

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	
	31 DEC 2013	31 DEC 2012	31 DEC 2013	31 DEC 2012
Related party balances	-	-	10%	11%
Bank call accounts	2 - 6.5%	3 - 6.5%	2 - 6.5%	3 - 6.5%
Bank overdraft balances	9 - 9.5%	11%	-	-

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

	GROUP		COMPANY	
	31 DEC 2013	31 DEC 2012	31 DEC 2013	31 DEC 2012
	Pula	Pula	Pula	Pula
Related party payables	-	-	4,130,516	20,838,914
Bank balances on hand	50,857,141	50,822,952	9,900,183	25,355,375
Bank overdraft	372,357	781,904	25,159	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

23 Financial risk management (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	
	31 DEC 2013	31 DEC 2012	31 DEC 2013	31 DEC 2012
	Pula	Pula	Pula	Pula
Increase of 50 basis points				
Related party payables	-	-	(20,653)	(104,195)
Bank balances on hand	254,286	254,114	49,501	126,777
Bank overdraft	(1,862)	(3,910)	(126)	-
Increase in profit before tax	252,424	250,204	28,722	22,582
Decrease of 50 basis points				
Related party payables	-	-	20,653	104,195
Bank balances on hand	(254,286)	(254,114)	(49,501)	(126,777)
Bank overdraft	1,862	3,910	126	-
Decrease in profit before tax	(252,424)	(250,204)	(28,722)	(22,582)

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 2013

23 Financial risk management (continued)

Credit risk (continued):

	GROUP		COMPANY	
	31 DEC 2013	31 DEC 2012	31 DEC 2013	31 DEC 2012
	Pula	Pula	Pula	Pula
Trade receivables	1,403,074	702,709	-	-
Other receivables	3,609,126	2,749,633	140	340
Bank balances	50,857,246	50,864,812	9,900,183	25,355,375
	55,869,446	54,317,153	9,900,323	25,355,715

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

	Gross	Impairment	Gross	Impairment
	31 DEC 2013 Pula	31 DEC 2012 Pula	31 DEC 2013 Pula	31 DEC 2012 Pula
Not past due	648,184	-	1,056,947	354,238
Past due 61 -120 days	157,654	-	142,690	142,690
Past due, above 120 days	1,094,164	496,928	-	-
	1,900,002	496,928	1,199,637	496,928

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

	GROUP		COMPANY	
	31 DEC 2013	31 DEC 2012	31 DEC 2013	31 DEC 2012
	Pula	Pula	Pula	Pula
Balance at the beginning of the year	496,928	449,264	-	-
Movement in impairment	-	47,664	-	-
Balance at the end of the year	496,928	496,928	-	-

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	
	31 DEC 2013	31 DEC 2012	31 DEC 2013	31 DEC 2012
	Pula	Pula	Pula	Pula
Related party payables	6,110,380	5,202,773	4,130,516	20,838,914
Trade payables	4,149,456	3,752,293	-	-
Other payables	11,044,663	8,693,507	238,932	159,299
Bank overdraft	372,357	781,904	25,159	-
	21,676,856	18,430,477	4,394,607	20,998,213

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

23 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
2013	Pula	Pula	Pula
Related party payables	6,110,380	6,110,380	6,110,380
Trade payables	4,149,456	4,149,456	4,149,456
Other payables	11,044,663	11,044,663	11,044,663
Bank overdraft	372,357	372,357	372,357
	21,676,856	21,676,856	21,676,856

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

Company	Carrying amounts	Contractual cash flows	12 months or less
2013	Pula	Pula	Pula
Related party payables	4,130, 516	4,130, 516	4,130, 516
Other payables	238,932	238,932	238,932
	4,369, 448	4,369, 448	4,369, 448

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

23 Financial risk management (continued)

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 Zambia Kwacha.

The Group's exposure to foreign currency risk, based on notional amounts, is analysed as follows;

	31 DEC 2013		31 DEC 2012	
	Foreign currency amount	Pula equivalent	Foreign currency amount	Pula equivalent
Group				
2012				
South African Rand denominated assets	(602,182)	(499,736)	(650,480)	(597,978)
South African Rand denominated liabilities	984,426	816,951	1,041,138	955,523
Zambian Kwacha denominated assets	(2,371,207)	(3,952,012)	(3,420,970)	(5,105,925)
Zambian Kwacha denominated liabilities	1,315,937	2,193,228	1,629,821	2,432,569
Net exposure		(1,441,568)		(2,315,811)

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	
	31 DEC 2013	31 DEC 2012	31 DEC 2013	31 DEC 2012
Currency	Pula	Pula	Pula	Pula
South African Rand	62,699	17,026	-	-
Net increase in profit before tax	62,699	17,026	-	-
Zambian Kwacha	(83,752)	(127,303)	-	-
Net decrease in profit before tax	(83,752)	(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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

23 Financial risk management (continued)

Foreign currency risk:

	GROUP		COMPANY	
	31 DEC 2013	31 DEC 2012	31 DEC 2013	31 DEC 2012
Currency	Pula	Pula	Pula	Pula
South African Rand	62,699	17,026	-	-
Zambian Kwacha	(83,752)	(127,303)	-	-
Net decrease in profit before tax	(21,053)	(110,277)	-	-

Foreign exchange rates at reporting date:

	31 DEC 2013	31 DEC 2012
South African Rand	BWP 1 / ZAR 1.21	BWP 1 / ZAR 1.09
Zambian Kwacha	BWP 1 / ZMK 0.60	BWP 1 / ZMK 0.67

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).

The Group does not have any financial assets carried at fair value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

24 Financial risk management (continued)

Fair values: (continued):

Categorisation of assets and liabilities

Pula

Group	Total	Financial assets and liabilities				Current/non-current distinction	
2013		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
Assets							
Property, plant and equipment	115,451,734	-	-	-	115,451,734	-	115,451,734
Goodwill	26,822,003	-	-	-	26,822,003	-	26,822,003
Inventories	14,562,786	-	-	-	14,562,786	11,261,384	3,301,402
Trade and other receivables	5,012,200	-	5,012,200	-	-	5,012,200	-
Deferred taxation	2,030,843	-	-	-	2,030,843	-	2,030,843
Current tax assets	1,640,605	-	-	-	1,640,605	1,640,605	-
Cash and cash equivalents	50,857,246	-	50,857,246	-	-	50,857,246	-
	216,377,417	-	55,869,446	-	160,507,971	68,771,435	147,605,982
Liabilities							
Deferred taxation	7,403,897	-	-	-	7,403,897	-	7,403,897
Amounts due to related companies	6,110,380	-	6,110,380	-	-	6,110,380	-
Trade and other payables	15,194,119	-	15,194,119	-	-	15,194,119	-
Taxation payable	1,599,390	-	-	-	1,599,390	1,599,390	-
Bank overdraft	372,357	-	372,357	-	-	372,357	-
	30,680,143	-	21,676,856	-	9,003,287	23,276,246	7,403,897

	Total	Financial assets and liabilities				Current/non-current distinction	
2012		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
Assets							
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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

23 Financial risk management (continued)

Fair values: (continued):

Pula

Company	Total	Financial assets and liabilities				Current/non-current distinction	
2013 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	65,314,685	-	-	-	65,314,685	-	65,314,685
Trade and other receivables	140	-	140	-	-	140	-
Current tax assets	89,791	-	-	-	89,791	89,791	-
Cash and cash equivalents	9,900,183	-	9,900,183	-	-	9,900,183	-
	75,304,799	-	9,900,323	-	65,404,476	9,990,114	65,314,685
Liabilities							
Bank overdraft	25,159	-	25,159	-	-	25,159	-
Current tax liabilities	168,588	-	-	-	168,588	168,588	-
Trade and other payables	4,369,448	-	4,369,448	-	-	4,369,448	-
	4,563,195	-	4,394,607	-	168,588	4,563,195	-

	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 and liabilities	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	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

24 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 assets, fairly valued, exceed their liabilities.

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

	31 DEC 2013	31 DEC 2012
	Pula	Pula
Botswana Funeral Services Group (Proprietary) Limited	(343,998)	(195,193)
FSG (Zambia) Limited	(215,181)	-
	(559,179)	(195,193)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 DECEMBER 2013

25 List Of Subsidiaries

Set out below is a list of subsidiaries of the Group.

FSG LIMITED

		2013	2012
FSG Manufacturing (Proprietary) Limited	Botswana	100%	100%
FSG Services (Proprietary) Limited	Botswana	100%	100%
FSG Private Cemeteries (Proprietary) Limited	Botswana	100%	100%
FSG Assurance (Proprietary) Limited	Botswana	100%	100%
FSG Properties (Proprietary) Limited	Botswana	100%	100%
FSG Investments (Proprietary) Limited	Botswana	100%	100%
FSG (Zambia) Limited	Zambia	70%	70%
Botswana Funeral Services (Proprietary) Limited	South Africa	100%	100%

Ownership interest is shown in percentages as at 31st December of each year.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2014 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 20th June 2014 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 2013.
3. To re-elect directors of the company:
   In terms of the Constitution, Milivoje Nikolic, Lynette Sybil Nikolic and Catherine Lesetedi-Letegele 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 2013.
5. To approve the remuneration of the auditors for the year ended 31 December 2013.
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: 16 May 2014

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, 20th June 2014.

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 ______________________ 2014

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 20th June 2014.

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 satisfied 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.