btc
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Botswana Telecommunications Corporation Limited
Annual Report 2018

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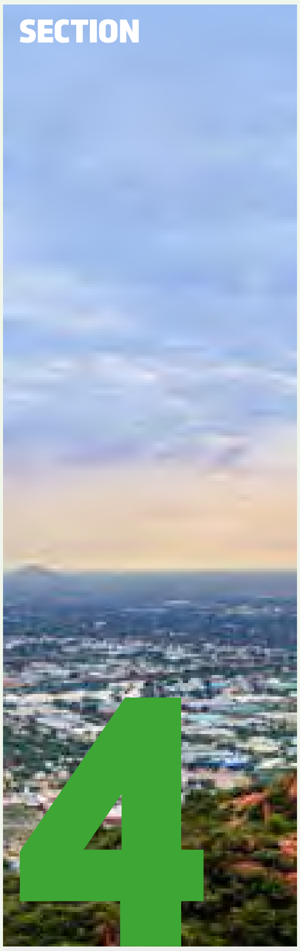

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ABOUT THIS REPORT

Dear Reader
Thank you for taking the time to read our year ending 31st March 2018 Annual Report. We take transparency at BTC very seriously. To this end, we have endeavoured to make this report as simple and clear to read all the while ensuring that all best practice disclosures are available. To achieve this balance between an attractive looking report and an informative document has taken many man hours to achieve.

This year we have themed this Report around the idea that BTC is: "All around you all the time." As a reader, we hope you will notice the fine detail in the design of this report to demonstrate this idea. From images taken from across Botswana to the lines that connect our illustrations, one will notice that every detail aims to support the content that talks to our overarching theme.

We hope you find this report informative and easy to read. We at BTC welcome all feedback as it will help us make this an even better report in the future. However for now we hope that you enjoy this current report.

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ANNUAL FINANCIAL STATEMENTS

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10 YEAR HISTORY KEY MILESTONES

2007
BTC awarded a Public Telecommunications Operator license.

2008
BTC launches its mobile service under the brand name "beMOBILE"

2012
Botswana Government announces separation of network assets from BTC into a special purpose vehicle and announces privatisation plan for BTC.

2013
BTC is incorporated as a limited company under the Companies Act 2003.

2014
BTC completes its obligation to transfer the network assets to Botswana Fibre Network (BoFiNet) and readies for privatisation.

2015
BTC delivers Government Broadband Data Network

2016
BTC lists on the BSE, becoming the first and only telecommunications services provider listed on the local bourse. The first privatisation initiative in Botswana 's history, brings over 50,000 Batswana shareholders to BTC

2016
BTC integrates its beMOBILE and BTC brands into one, reflecting its position as a one-stop shop communication business. BTC no longer goes to market as beMOBILE, fixed lines or Broadband, but as one united BTC, with a single refreshed brand.

2017
BTC launches 4G network

2017
BTC embarks on network transformation

2018
BTC launches a new converged billing platform

ABOUT BTC

Botswana Telecommunications Corporation Limited (BTC) is a Botswana Stock Exchange (BSE) listed telecommunications service provider offering fixed line, mobile services (voice, SMS, data) and fixed broadband through **ADSL**, Fixed **LTE** and fibre to individual consumers, enterprises and other licensed service providers.

ADSL - Asymmetric Digital Subscriber Line

LTE - Long Term Evolution

BTC has interconnections and relationships with multiple service providers in the region, making it a trusted partner for both provisioning of services to neighbouring countries and as a partner for transit product and services.

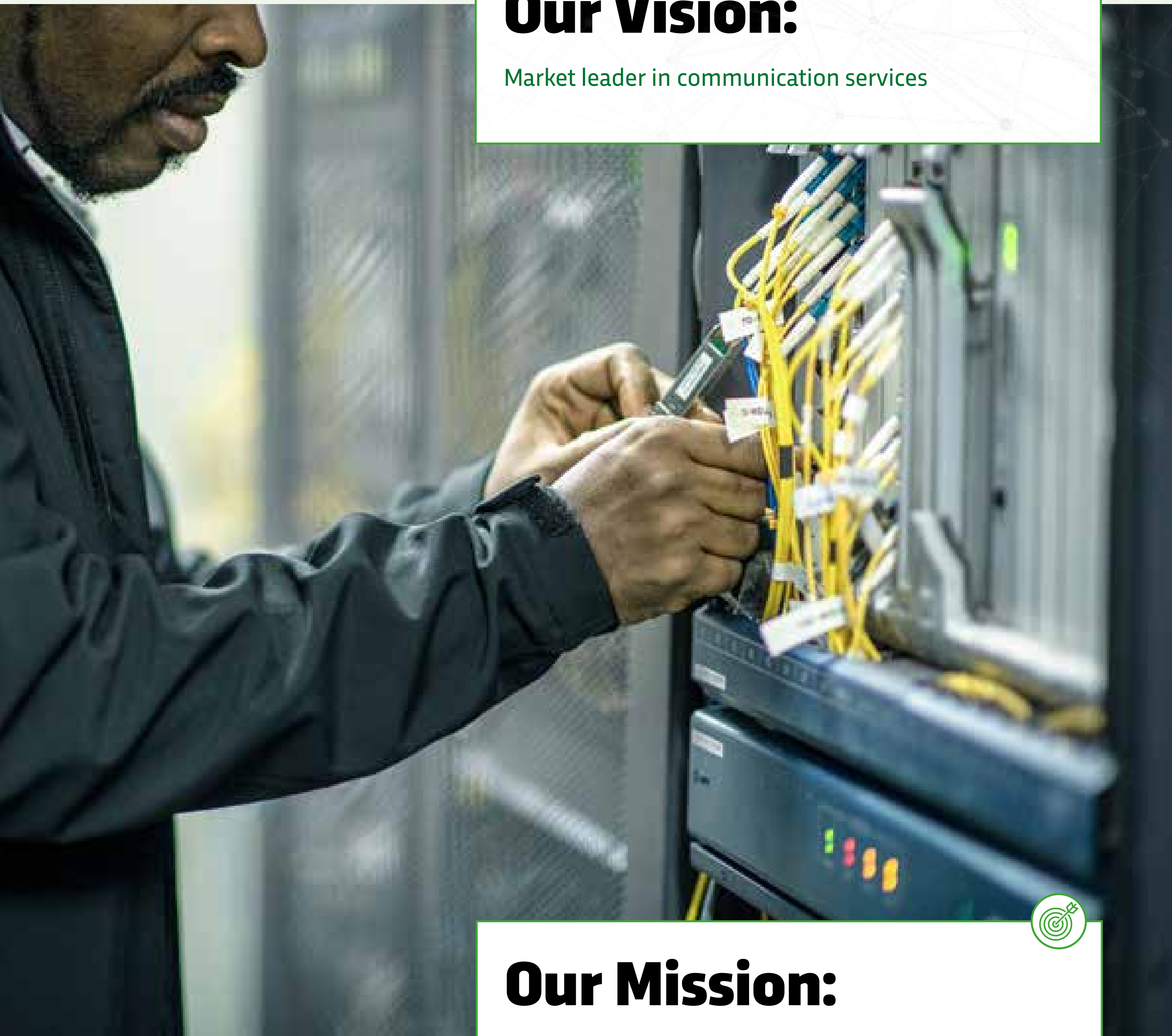
OUR VALUES

We will uphold the following Values in all our dealings with customers and key stakeholders:

Teamwork	We work effectively and efficiently, collaborate in the workplace with the pursuit of a common goal.
Ownership	We exhibit a sense of pride in the work we do and take accountability for the quality of our efforts and the organisation as a whole.
Delivery	We commit to the best customer experience through effective, efficient and agile service delivery within defined timeframes.
Simple	We provide seamless, easy to understand solutions and services to both our internal and external customers.
Innovation	We are agile and adapt to and embrace environmental changes.

Our Vision:

Market leader in communication services



Our Mission:

We provide superior customer experience through innovative communication solutions

OUR PRODUCTS AND SERVICES

Our product portfolio offers both mobile and fixed products and services through which customers can have access to voice, SMS and broadband.

Our mobile and fixed products are offered in both prepaid and post-paid packages. BTC also offers customers value added services which are mainly content based such as caller ring tones (CRBT) and Magic Voice on mobile and the intention is to introduce more value-added services to enhance our customer value proposition.

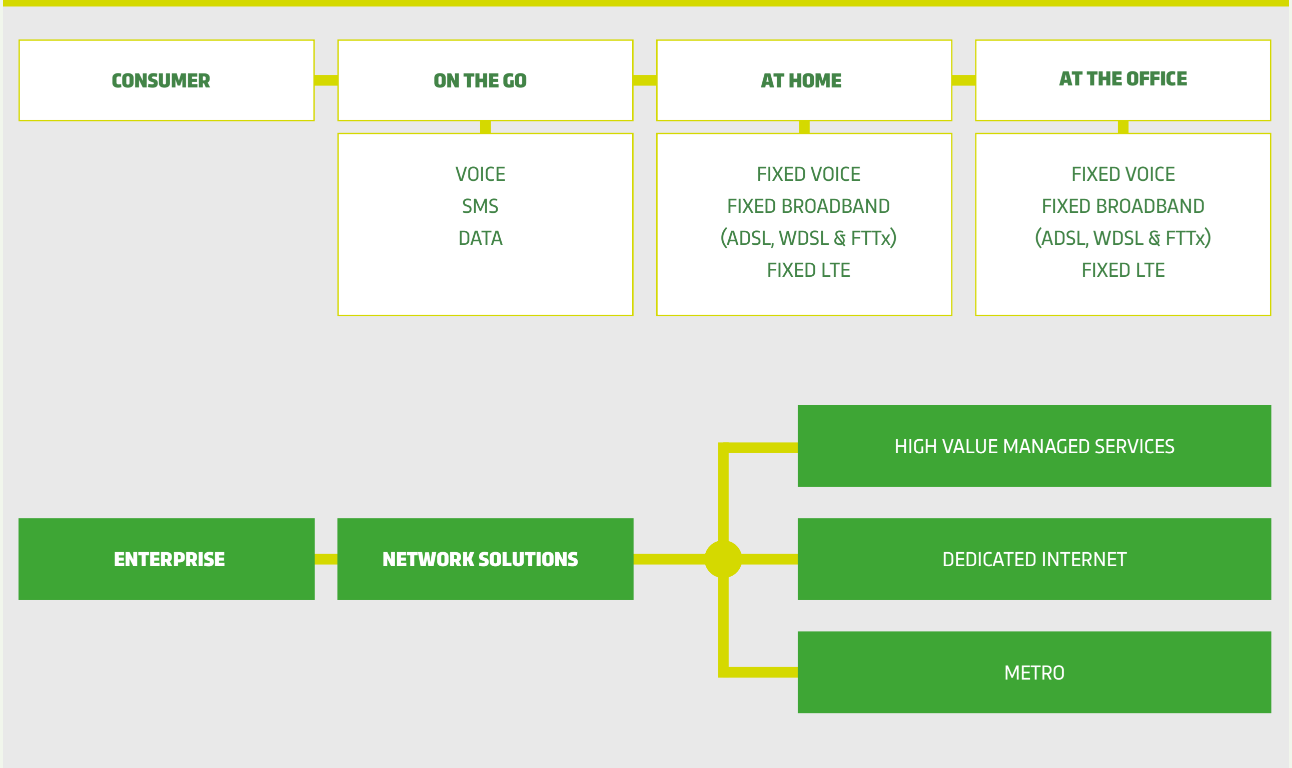
Customer Base

Our customer base comprises individual consumers, enterprise and government entities. BTC offers fixed broadband to all our customers. Both residential and enterprise customers can choose the level of bandwidth depending on their needs and requirements. In order to satisfy our enterprise customers' high demand for broadband internet, we offer them dedicated connectivity solutions which provide uncontended bandwidth and guaranteed quality.

Product Portfolio

Fixed services constitute 37% of our product portfolio, mobile 35% and broadband 29%. BTC has seen a steady growth in mobile and we believe this will continue to be our primary growth driver as we position more data centric products to the different customer segments. Voice services predominate on fixed lines.

OUR OFFERINGS



OUR STORE FOOTPRINT

OUR BUSINESS STRUCTURE

BTC has three distinct operational areas comprising

Commercial Unit

The Commercial unit of the business comprises: Marketing, Consumer Sales and Enterprise Sales & Service Quality. The commercial side of the business focus is to serve all our customers, from consumer and enterprise side as well as Government. It is also tasked with ensuring that the customer experience is seamless.

Technology Unit

The Technology unit comprises: Information Systems (IS), Technology (Telecommunications Networks), Corporate Security Services, and Transformation office. The Technology division is focused on Network Planning, Network Build, Network Management and control, Access Network and Core Network Operations. The IS division focuses on Billing & Value Added Services (VAS), IT Infrastructure, and Business Applications Support. The Transformation division drives all strategic corporate programmes and initiatives of a transformational nature to deliver the corporate strategy, and driving the organisation's innovation and digital strategies. Security Services function oversees the company-wide security from Access control, network/infrastructure security, cyber-security and information security.

Support Unit

The Support unit comprises of Support Services & Human Resources, Risk and Internal Audit, Finance, Company Secretary and Stakeholder Relations. These functions provide support to the core functions of the business.

HIGH LEVEL ORGANISATIONAL STRUCTURE

- **BOARD OF DIRECTORS**
  - **MANAGING DIRECTOR**
    - **CHIEF COMMERCIAL OFFICER**
      - GM - MARKETING
      - GM - CONSUMER SALES
      - GM - ENTERPRISE SALES
      - HEAD OF SERVICE QUALITY
    - **CHIEF OPERATIONS OFFICER**
      - GM - INFORMATION SYSTEMS
      - GM - TECHNOLOGY
      - GM - TRANSFORMATION
      - HEAD OF SECURITY SERVICES
    - GM - FINANCE
    - GM - SUPPORT SERVICES & HUMAN RESOURCES
    - GM - RISK & INTERNAL AUDIT
    - COMPANY SECRETARY
    - HEAD OF STAKEHOLDER RELATIONS

CORPORATE INFORMATION

Botswana Telecommunications Corporation Limited (BTC)

Incorporated in the Republic of Botswana

Company Registration number 2012/12936

Registered Office

Head Office
Khama Crescent, Plot 50350,
P O BOX 700, Gaborone, Botswana

Transfer Secretaries

PriceWaterhouseCoopers (Pty) Limited

Plot 50371
Fairgrounds Office Park
P O Box 294
Gaborone, Botswana

Auditors

Ernst & Young

2nd Floor, Letshego Place
Khama Crescent
P O Box 41015
Gaborone, Botswana

Company Secretary

Sidney Mganga

Bankers

African Banking Corporation Botswana Limited
Barclays Bank Botswana Limited
First National Bank Botswana Limited
Stanbic Bank Botswana Limited
Standard Chartered Bank Botswana Limited
Bank Gaborone Limited


btc

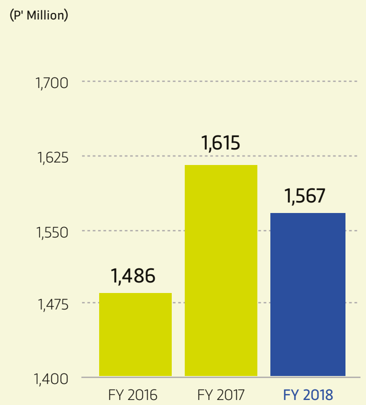
02

OUR PERFORMANCE SUMMARY

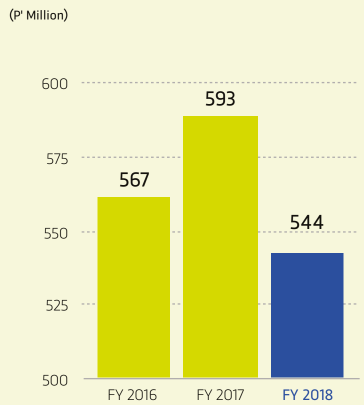
Advancements in technology are impacting the ICT sector the world over and continue to impact the market structure and competition dynamics. The regulatory environment has to adapt and adopt to this fast-changing landscape to enable a conducive environment for all operators to do business.

FINANCIAL HIGHLIGHTS

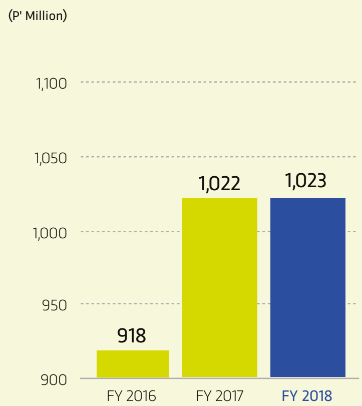
Operating Revenue



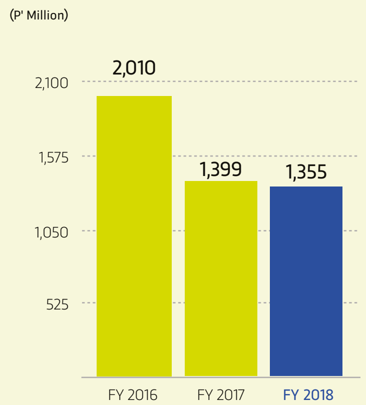
Mobile Revenue



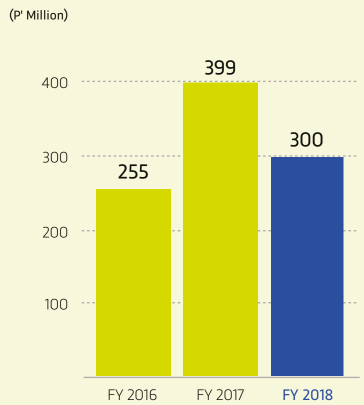
Fixed Line (Data & Voice) and other Revenue



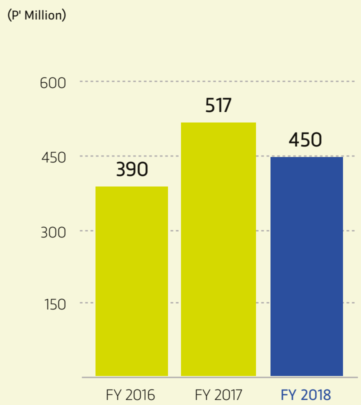
Total Costs



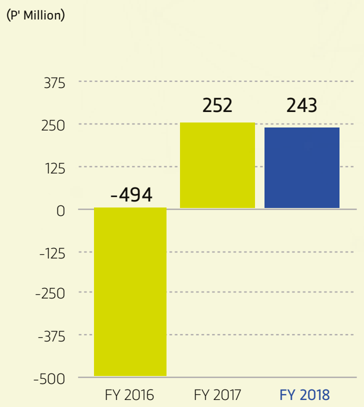
Capital Expenditure



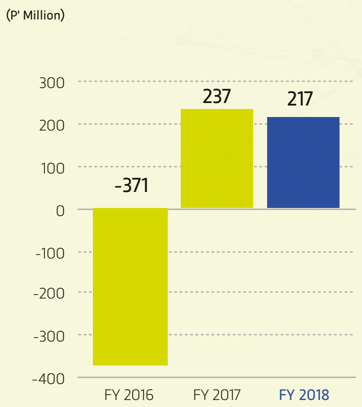
Cash at the end of the year



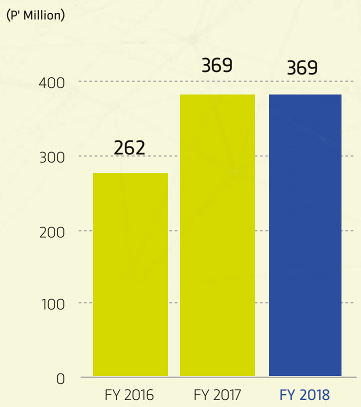
Operating Profit (excl. Interest received)



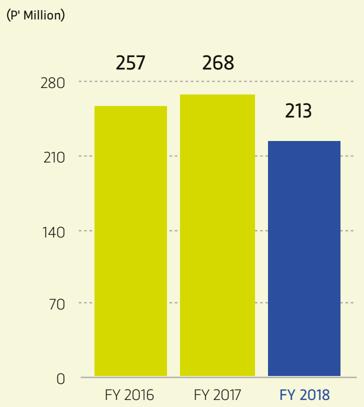
Net Profit After Tax



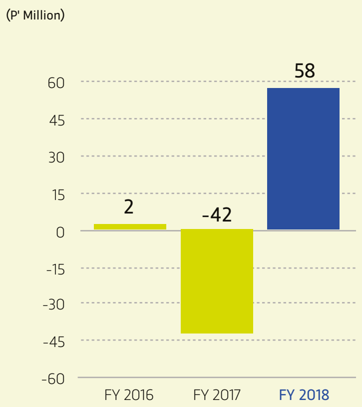
Earnings Before Interest, Tax Depreciation and Amortisation



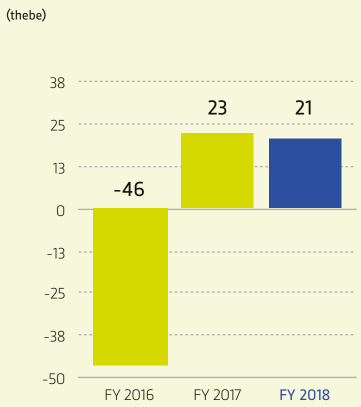
Net Cash from Operating Activities



Free Cash Flow



Basic and Diluted Earnings Per Share



CHAIRPERSON'S STATEMENT

I am honoured to present to you, our valued stakeholders, our 2018 Annual Report.

The year ended 31 March 2018 marks the end of the first year of our three-year strategy cycle to 2020, which is focused on Growth and Transformation, and two years since our debut on the Botswana Stock Exchange. We continue with our journey to transform the operations of BTC to enable sustainable growth of stakeholder value. Although BTC transitioned from a parastatal when it converted to a public company limited by shares in 2012, the real work of transforming the operations of the business began post listing. As our shareholders expect a return on their investment, we want to deliver a solid performance focused on our two-prong strategy of both transformation and growth. The goal is to deliver to our shareholders, a fully transformed, agile and profitable company by 2020.

Laying The Foundation

The Board's main focus for the year under review was to lay a solid foundation, which will ensure that the appropriate business model, policies, resources and governance structures are in place for the successful delivery of the strategy, results of which we expect to see in the upcoming financial year and beyond. As indicated in my last statement, the delivery of the strategy will focus on five strategic themes: Growth, Customer Experience, Efficiency, Innovation and High-Performance Culture. These themes were specifically identified to target areas of much needed focus as identified by research.

Lorato Boakgomo - Ntakhwana
Board Chairperson

CHAIRPERSON'S STATEMENT continued

During the year under review, the Company made great strides in implementing initiatives in line with these focus areas. These initiatives include:

- A substantial investment in our network to expand and optimise the 4G network coverage, improve the quality of our service, increase Internet speeds in line with customer demands, and enhance our overall value proposition and customer experience.
- The Launch of a converged billing platform, which is a very big undertaking for any telecommunications service provider, that will enable us to consolidate our billing systems into one single platform. The system will help us reduce IT operational costs, enhance efficiencies and allow for other capabilities such as offering converged products.
- The realignment of the organisational structure to align our processes and resources for delivery of the revised strategy. The revised structure will also allow a more targeted approach to the delivery of services to the market. (for more detail on the high level organisational structure please refer to page 9 of the Annual Report.)
- Initiation of the streamlining and optimisation of key processes and review of key policies, such as the Remuneration Policy and Procurement Policy and processes, amongst others.
- Significant investments in refurbishing our Head Office and Retail Stores to improve both the work and retail environments, which in turn are expected to improve employee productivity and customer experience.
- The recent relaunch of our Innovation Programme, which will be targeting innovators from within and outside BTC. Details of the Programme will be available in the coming months. We will further enhance and explore partnerships with like-minded institutions to explore ways to strengthen the spirit of innovation within BTC and in our country.

The Board places strong emphasis on improved BTC customer experience and is very supportive of Management's efforts to enhance customer experience. This will increase confidence in our business and enable us to deliver the expected shareholder return and overall stakeholder value.

Operating Environment and Performance

During the year under review, the economic environment was very subdued; according to Bank of Botswana, real Gross Domestic Product (GDP) grew by 2.4 percent in 2017, compared to 4.3 percent in 2016. We saw a reduction across board in Information and Communication Technology (ICT) spend impacting on our revenues, which declined by 3 percent. There was intense competition in the telecommunications and ICT sector, with the entry of new players within the telecommunications space and threat of entry from non-telecommunications players, for example, financial technology (fintech) companies. We embrace these developments and are coming up with innovative solutions to counter some of the threats they present and seize the opportunities they provide.

Despite the challenging economic and operating environment, our business remained resilient and we had another profitable year; albeit slightly lower than the previous year, we registered a Profit After Tax of P217m. The Board is comfortable that the Company's cash position of P450m is sufficient to cover its short-term obligations, and therefore decided to return some profits to shareholders through payment of dividends. The Board declared a total annual gross dividend of 13.43 thebe per share (P141m), which is within our dividend policy's range of 50-65 percent of earnings. The company remains debt free.

Our operational performance is discussed in greater detail in the Managing Director's Report on page 21 of the Annual Report.

Regulatory Developments and Compliance

Advancements in technology are impacting the ICT sector the world over and continue to impact the market structure and competition dynamics. The regulatory environment has to adapt and adopt to this fast-changing landscape to enable a conducive environment for all operators to do business.

There is pressure for operators to reduce tariffs. We continue to advocate for a regulatory framework which helps bring about efficiencies that will help in tariff reductions, and promote innovation, and sustainability. We therefore continue to keep an eye on regulatory developments and look for opportunities to contribute to shaping the regulatory landscape. We do our utmost to ensure compliance with all regulatory requirements and engage with all our regulatory bodies on a regular basis.

Stakeholder Engagement

Stakeholder engagement is key towards building a sustainable business. We value our relationships with all our stakeholders and engage with them on an on-going basis. Our stakeholder base is very broad and has different needs and areas of interests; from

Government as policy maker, Regulators as the Licensing Authority, Shareholders as owners of the Company and providers of capital, to Communities as consumers of our products and services, etc. Their feedback is important for sustainable value creation.

I am pleased that our relationship with all our stakeholders remains solid and continues to grow from strength to strength. In view of this, I was delighted when the Company conducted a Stakeholder Satisfaction Survey which determined the satisfaction index and it registered at 86% for the year under review.

Giving Back to Society

As BTC, we are committed to contributing to the socio-economic development of Botswana and are passionate about the potential of ICT in achieving the country's developmental goals and the fourth industrial revolution. The BTC Foundation is a vehicle through which we deliver our Corporate Social Investment (CSI) initiatives. For the year under review we continued to partner with like-minded institutions to positively impact our communities. As an example, we supported Government initiatives to broaden access to ICT and bridge the digital divide between the rural and urban communities; we once again participated in the annual World Telecommunications and Information Society Day, which was held in Masunga. The BTC Foundation donated 20 computers and Internet connectivity for 1 year valued at P144,904 to Masunga ICT Skills Centre. The Centre is open to use by all members of the community. Also, BTC manages and provides technical support to 149 Kitsong Centres across the country, which are the "Go To" ICT centres in rural areas.

Our focus however goes beyond ICT; we also look to support sustainable initiatives in the areas of:

1. Entrepreneurship and Innovation;
2. Wellness and Sports;
3. Environment; and
4. Arts and Culture.

During the period under review, we once again sponsored Thapong Visual Arts for the Thapong Artist of the Year Awards and BTC Phonebook Competition to the value of P268,203. The awards are open to local artists and aim to develop Arts at grass root level.

We are currently developing a corporate sustainability agenda, which will further guide our CSI initiatives going forward.

Governance

We continue to strengthen and enhance our corporate governance by ensuring that we have the right people and processes in place to fulfil our duty as a Board. During the period under review, we engaged a Governance expert for a Board refresher course and orientation on the latest governance principles, King IV, and to review the Company's governance documents, most of which were developed before the Company listed. The workshop findings reassured us that the Board of BTC is well equipped to fulfil its duties. The findings confirmed that the Board's skills, experience and diversity are suitable for an effective Board.

During the year, there were changes to our Board. Prof. Rejoice Tsheko and Mr. Gerald Nthebolan retired, whilst Mr. Allan Boshwaen resigned. The changes were effective 31st October 2017. We thank them for their commitment and invaluable contribution during their time on the Board and wish them well in their future endeavours. Two new members joined the Board, namely; Mr. Andrew Johnson and Mr. Ranjith Priyalal de Silva.

We have identified an additional two candidates, Mr. Thari Pheko and Mr. Bafana Molomo, to increase our Board complement and further broaden the Board's experience and skillset. Their names will be presented for approval at the upcoming shareholders' Annual General Meeting and their brief profiles are available on page 168 of the Annual Report.

Appreciation

People remain an integral part of all we do. We are extremely grateful to our staff, customers, and other stakeholders for the role they play in helping us achieve our mandate, and for trusting us to transform and grow this company for the benefit of all stakeholders.

Lorato Boakgomo - Ntakhwana
Board Chairperson

MANAGING DIRECTOR'S STATEMENT

Dear shareholders and prospective investors

The BTC story and purpose have not changed, and our focus remains centred on Growth and Transformation. We exist for the sole purpose of empowering Batswana to advance their lives through connectivity. Everything that we do as a company is premised on enabling Batswana to Live Connected through our products and services. We will in turn reap the benefits of their connectivity and deliver value to all our stakeholders. Our Vision remains that of being "the market leader in communication services."

It is against this background that I present our Annual Report for the financial year ended 31 March 2018. I am pleased to announce that 2017-18 was yet another profitable year for us, as the Company recorded a Profit After Tax of P217million. We were able to achieve this despite a subdued economic environment which saw a reduction across the board in Information and Communication Technology (ICT) spend, from enterprises and Government entities, to households and individual consumers. Competition in the telecommunications sector continued to intensify with the entry of new Internet service providers leading to downward pressure on prices. The fact that we have been able to record a Profit After Tax of P217million, though 8% down from the previous year, is testament to the resilience of our business model and the commitment and hard work of our people, of which I am proud.

Anthony Masunga
Managing Director

P217 million
Net Profit After Tax

P369 million
EBITDA

Financial Performance Overview

The 8% decrease in Profit After Tax to P217m (FY17: P237m) was on the back of a 3% decline in revenue to P1 567m (FY17: P1 615m), a 9% increase in administrative expenses to P440m (FY17:P402m) and a P10m increase in the tax charge from prior year. Gross profit, however, grew by 3% due to an 11% reduction in cost of sales to P601m (FY17:P676m). The Company made significant savings on transmission and bandwidth costs on negotiated and competitive price offerings from our suppliers.

MANAGING DIRECTOR'S STATEMENT continued

The revenue decline is mainly attributable to pressure on mobile revenue, as other revenue lines remained relatively flat. We also saw an increase in the uptake of data-centric products, and this is in line with market trends. Our fixed business (both voice and broadband) is still a major revenue contributor at 65%.

Total comprehensive income increased by 13% to P269m as a result of the revaluation of land and buildings which is done every three years. The increase in the valuation is supported by investment in real estate, which included Head Office refurbishment and Retail Store transformation.

Market Share

We have been able to maintain our mobile market share in the face of a shrinking overall mobile market subscriber base and an intensely competitive landscape. Botswana has traditionally been a dual sim market, with mobile penetration in excess of 100%. During the year under review we have seen a decline in mobile market penetration rates after several years of significant increases. Mobile market penetration stood at 159%, down from 171% in the prior year. The decline in penetration levels is also partly attributable to the sim registration requirements, which have resulted in some simcards falling off the market, and we expect a true picture to the subscriber base to emerge over time.

We are still the dominant player in the fixed broadband market with 68% market share, but have seen an increase in competition in the space from new and existing players. We however strongly believe that we can capitalise on our extensive fixed network and derive more value from it, on the back of an increase in Internet usage in the residential segment, and in the year under review we registered a 4% increase in fixed broadband usage. There is an overall increase in demand for higher speeds and larger data capacities.

Our Three-Year Strategy to 2020

We continued to implement our 3-year strategy of Growth and Transformation, with a focus on the three transformation Pillars: Commercial, Technological and Cultural Transformation. With this strategy our goal is to deliver a fully transformed, agile company by 2020, positioned to compete with the best in the industry within the region, and to deliver sustainable value to all our stakeholders. During the year under review, we laid the foundations which will enable us to grow and transform in line with our strategic agenda.

Commercial Transformation

On the commercial front, we have laid a foundation for a segmented approach to market which will enable us to provide our customers with innovative relevant products that deliver value. As of the date of this statement, we have already been able to deliver some new products through an integrated broadband programme. Examples of this are newly launched products targeting the SMME sector, such as Net Connect and Net Connect Plus, and a new high-speed residential broadband product of up to 50Mbps.

We have embarked on a variety of customer engagement projects to acquire feedback that will enable us to have a more intimate understanding of the needs of our customers in order provide them with appropriate value propositions. We have also embarked on optimising our product and service delivery and distribution channels, anchored by effective market research and a clear product roadmap.

Customer Experience

In an effort to continually improve our customers' experience at all our customer touchpoints, we undertake customer satisfaction surveys to continuously measure the effectiveness of our customer experience initiatives and use the feedback to prioritise areas of improvement. We endeavour to provide a seamless, simple and easy to deal with customer experience throughout our wide retail store network, our omnichannel contact centre that operates 24/7, and most importantly, the technician footprint that reaches even the most remote areas of Botswana. Our focus is on "getting it right the first time," a theme applied across all operational processes for efficient service delivery.

We have embarked on a variety of programmes to continually improve service turnaround times, key processes and our operating environment. For example, we have made significant investments in refurbishing our Head Office and in the ongoing retail store transformation to improve both the work and retail environments, which in turn are expected to improve employee productivity, performance and customer experience.

Customer experience for us is a journey, and we are continually looking for ways to delight our customers.

Technology Transformation

Our commercial achievements were supported by ongoing technology transformation driven by network capacity expansion and the modernisation of both the mobile and fixed networks.

We have embarked on projects to enhance and optimise our 4G mobile broadband coverage to improve the quality of our network and increase Internet and data speeds. In response to the increase in demand for data centric product offerings, we invested P121m in fixed broadband expansion and LTE/4G mobile broadband optimisation to increase network coverage and enhance our value proposition. In line with our strategy, the delivery of these technology initiatives will span a 3-year period.

We strongly believe that the improved quality of our network and increased network capacity will be a key competitive differentiator, enabling us to retain existing customers and attract new ones. We have also laid the foundation for building a digital organisation, the core of which is the implementation of a converged billing platform which has enabled us to consolidate our billing systems into one single system able to deliver converged offerings from the fixed and mobile business streams. The platform will also allow us to offer self-care or self-service capabilities and further enhance our customers' experience.

New Technologies

In response to technology trends, we have adopted modernised, faster and cost effective technologies which are aligned with our customers' demands and expectations. During the year, we migrated customers to new, scalable and more efficient technologies. We expect that efficiencies and usage will improve as we complete the migration phase and retire old technologies, and anticipate increased demand of our services in the long term as a result of improved network service quality.

Cultural Transformation

The technology and commercial transformation milestones would not have been achieved without the support of the people side of the organisation. Our people are integral to the delivery of our strategy and we invest in them to create an enabling environment for them to excel and succeed, in the confidence that consequently BTC will excel.

We seek to transform into a high performing Company that is characterised by superior leadership ability and a pool of talented results-oriented employees. We therefore initiated several Behavioural Change Programmes during the year under review to promote trust across the organisation, which in turn leads to speed of execution and agility.

An organisational structure realignment exercise was undertaken during the year to better integrate the organisation and to enhance operational efficiencies across all business units. The new structure will deliver improved efficiencies in support of our business strategy.

As part of the transformation, we aim to have the right people, with the right competencies in the right positions to help us deliver our strategy. For example, during the year we appointed a Chief Operations Officer (COO), Aldrin Sivako, and a Chief Commercial Officer (CCO), Edward Wicks, responsible for the Technical and Commercial arms of the business respectively. Both bring extensive experience and broad perspective to their respective positions. These appointments have strengthened our leadership capabilities and mitigated high level succession risk.

MANAGING DIRECTOR'S STATEMENT continued

We continue to have a cordial working relationship with our union, Botswana Telecommunications Employees' Union (BOTEU), premised on mutual respect and understanding of each other's objectives. This is evidenced by the smooth execution of the recently completed organisational structure review.

In the long-term we aim to align the interests of employees to those of the Company to ensure employees are fully vested in the performance of the Company.

Regulatory Developments

The regulatory landscape continues to evolve; a major highlight for the year being the tariff rebalancing (the removal of off-net premiums), which has benefitted smaller players. There is pressure for operators to reduce tariffs, especially data tariffs, which are still prohibitive for many consumers. We expect that the new ICT licensing framework which is currently in development will bring about efficiencies which will help in tariff reductions.

We continue to lobby the Regulator for a more equitable and competitive landscape which is in the best interest of network operators and the public. One such area of discussion is number portability which we believe will significantly contribute to levelling the playing field.

The Regulator continues to strengthen the process of enforcing compliance with sim registration requirements. This initiative is expected to result in simcard disconnections and a reduction in the mobile subscriber base across the board.

-3%
Total Operating Costs

13.9%
Net Profit Percentage

I strongly believe that the steps we have taken this year have indeed laid the foundation to achieve our strategy. I am confident that we have both the right strategy and the right team to deliver a transformed BTC by 2020.

Outlook

The Company is optimistic about its future outlook on the back of positive economic forecasts and the significant investments it has made in the network, IT enterprise systems, retail shops and working environment. We are optimistic that these investments will allow us to seize opportunities that exist in the market, enhance customer experience and create value for all our shareholders.

I strongly believe that the steps we have taken this year have indeed laid the foundation to achieve our strategy. I am confident that we have both the right strategy and the right team to deliver a transformed BTC by 2020.

Appreciation

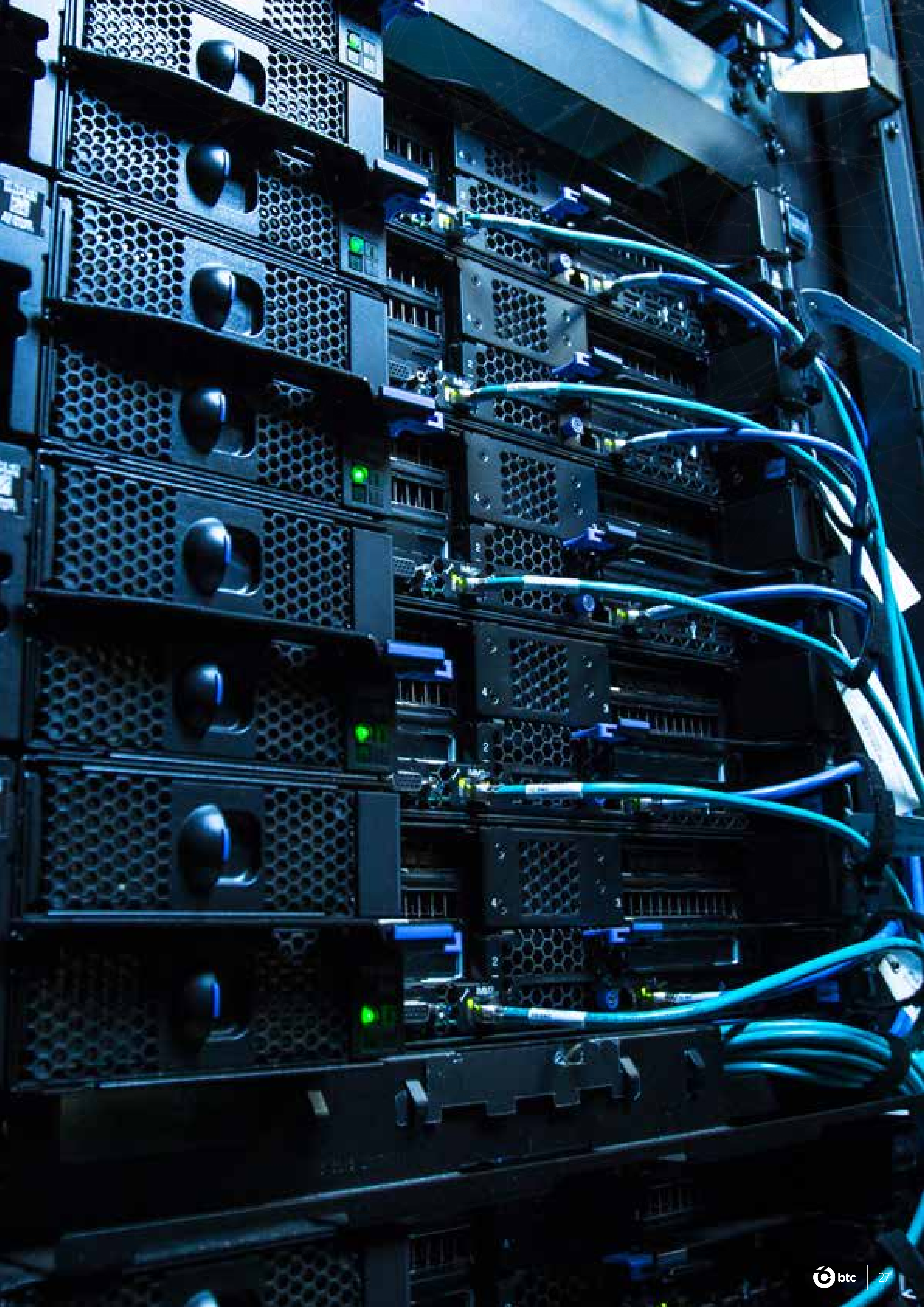
I would like to thank the Board and the Executive team for their support and assistance this past year. To our employees, thank you for all the hard work and dedication. To our customers, thank you for your continued support and unwavering loyalty, and to our shareholders, thank you for the confidence that your investment represents.

Anthony Masunga
Managing Director

03

OUR STRATEGIC PERFORMANCE REVIEW

The Strategic intent pursued by BTC is to create shareholder value through the delivery of innovative solutions, increasing mobile and broadband market share, and to fix the basics in order to be able to deliver a superior experience.



STRATEGIC THEMES

Our Strategic Intent

The strategic intent pursued by BTC is to create shareholder value through the delivery of innovative solutions, increasing mobile and broadband market share, and to fix the basics in order to be able to deliver a superior customer experience.

BTC has identified five broad thematic areas central to executing this intent. These key result areas are Growth, Customer Experience, Efficiency, Innovation, and a High-Performance Culture.

The strategic plan focuses on five key themes:

1. Growth

BTC growth will be driven by an improved mobile and broadband customer experience, new products, and new market growth locally and regionally.

2. Customer Experience

BTC will create a superior customer experience by delivering the right products and services to customers in response to established needs.

3. Efficiency

The Company will demonstrate cost leadership through improved revenue margins, reduced operational costs, and improved returns.

4. Innovation

BTC will develop new products and lines of business that give the Company a competitive advantage.

5. High Performance Culture

BTC seeks to transform itself into a high performing Company that is characterised by superior leadership ability and talented people who are results oriented.

BRAND PURPOSE

Our Brand Purpose is to enable Botswana and our people to advance and to live a brighter life by connecting them wherever they go.

Coverage Wherever You Go

Widest coverage network always connecting people to opportunities wherever they go

Simplicity and Ease

Expertise in service innovation to simplify convergence and provide an easy user-experience

Convergence for a Better Botswana

BTC is the only Public Telecommunications Operator (PTO) with a fixed mobile convergence infrastructure to boost the economy and the spirit of Botswana

STRATEGIC FOCUS TO 2020

BTC's three-year strategic focus to 2020 remains one of Growth and Transformation, anchored by three transformation Pillars:

01

Commercial Transformation

Our approach to the market is segment based; we want to engage with our customers and get necessary insights to improve our value proposition to them and give them a seamless customer experience. To gain revenue and market share, we have developed an integrated Commercial strategy with an intent of giving value to our customers.

02

Technological Transformation

BTC is transforming and modernising its network and at the same time improving the quality of user experience. BTC continuously aims to offer customers the widest coverage, fastest speeds and best network quality. We consistently invest in our networks to achieve this, and to make our services more affordable. Investing in the latest generation network technology will allow us to lower operating costs while improving capacity to handle increased traffic volumes. This means that BTC can pass more cost savings on to customers and provide higher levels of service quality on demand, even as volumes increase.

03

Cultural Transformation

BTC seeks to transform into a High Performing Company that is characterised by superior leadership ability and talented people with the requisite skills, who are results oriented. This will enable BTC to remain competitive and sustainable.

This transformation will be delivered in alignment with the strategic intent of the Company.

Our Strategic themes and Strategic Focus help ensure we are well on our way to realising our Vision to be the market leader in communication services.

STRATEGIC PERFORMANCE REVIEW

The Commercial Unit

Our Brand Promise

The BTC brand proposition is premised on powering Batswana with connectivity to advance their lives. We endeavour to bring the brand to life through delivering benefits that matter to our customer segments and resonate with their connectivity needs.

We strive to deliver innovation in experience and technology, that differentiates us and enables progress of the people and of the country. BTC provides world class communication, information and broadband services. We believe in making telecommunications simple and accessible and to that end, we strive to deliver service that epitomises our brand value. Our fixed mobile convergence offering, provides customers with one stop shop convenience, delivered in a simplistic and accessible fashion. At BTC our purpose is to make customers LIVE CONNECTED, through our products and services to enable them to advance their lives.

Commercial Strategy

In line with our Vision of becoming the market leader in communication services in Botswana, we aim to provide our customers with a superior customer experience through quality products and services. Our approach to the market is segment led, and this approach requires gaining a deeper understanding of our customers' needs so that we can offer them appropriate products and services. Our aim is to create value propositions that are relevant to the various consumers, business and government segments. Our aim is to create network leadership perception through relevant value propositions and reliable product rollout. Our approach for mobile and fixed broadband is to offer higher speed packages that will enable customers to have a better internet experience and enable greater online content through a simplified value proposition.

Our Approach to the Market

The development of new markets and business channels is anchored by effective market intelligence, market research and clear criteria for market entry. We reach out to all our customers covering the length and breadth of our beautiful country by expanding our channels and giving small businesses an opportunity to contribute to the growing telecommunication industry. The Consumer Sales function is responsible for making our products and services available to the end-user; both individuals and residential customers.

Growing Mobile Business

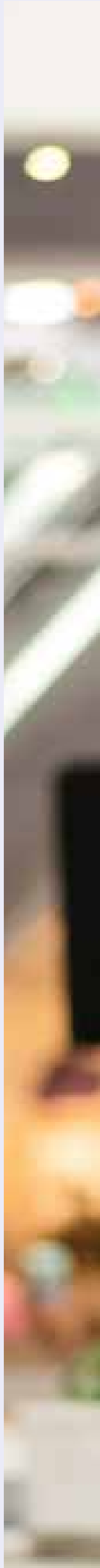
With our 4G Long Term Evolution (LTE) optimisation strategy and the right products on offer to the various customer segments, the focus of our mobile business is to grow mobile data by accelerating data usage through offerings that encourage uptake of our mobile data bundles. Our mobile customer acquisition approach is based on upgrading our existing customers and encouraging them to switch to mobile data. This strategy is aimed both at those customers who have a LTE enabled devices, as well as at those customers who do not yet have a suitable device, who may aspire to experience our 4G network by ensuring that we avail a full range of affordable LTE devices and medium-high tier LTE devices in our BTC shops.

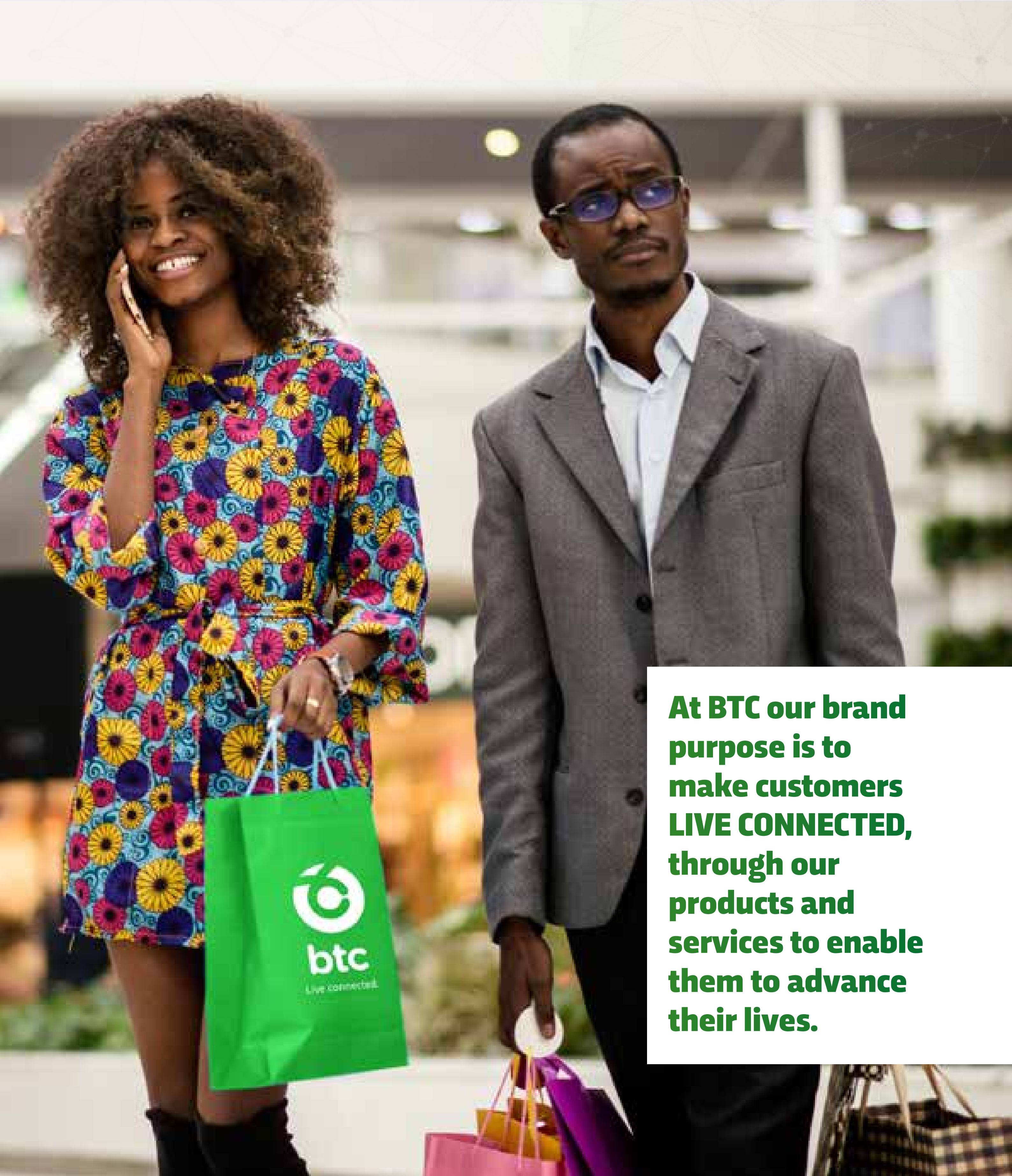
BTC launched its new 4G driven propositions for customers to experience the superior speed of our 4G network, which is much faster than 3G. It is the ideal network for customers with smartphones who want faster Internet speed and reliability. Our strategy going forward is to introduce more data centric products and services and affordable LTE devices to enable more of our customers to experience this service.

Growing Fixed Broadband

Fixed broadband is still a growth area for BTC as there are still significant opportunities to grow in the market. We believe that the Botswana market demands high speed broadband offerings, and during the year under review BTC embarked on a high-speed Fixed Broadband (FBB) project which was piloted by Phakalane residents. Our intent in the next financial year is to expand and optimise our FBB network infrastructure so as to be able to offer bandwidth speeds up to 50Mbps and increase network coverage to extend our mobile data offerings to a greater population.

During the next financial year, our intent is to optimise our FBB and LTE network infrastructure so as to be able to offer bandwidth speeds up to 50Mbps and increase our 4G network coverage to extend our mobile data offerings to a greater population.





At BTC our brand purpose is to make customers LIVE CONNECTED, through our products and services to enable them to advance their lives.

STRATEGIC PERFORMANCE REVIEW continued

The Commercial Unit

Channel Optimisation

1. Mobile Airtime Sales

Our channel includes indirect sales structure which emphasises the last end of the sales chain, the runners - commonly known as 'bo Mma Dikhukhu', where local businesses sell our mobile services, especially airtime. This ensures the availability of BTC mobile airtime in all corners of the country, allowing our customers to take advantage of the broad coverage and high-quality network. This channel further enhances BTC service points where our third-party partners in the indirect channel are able to provide BTC services such as sim replacement, sim registration and broadband sales.

2. BTC Stores

BTC has made an undertaking that customers visiting our stores should have a pleasant and exciting experience. This commitment is delivered through all 22 stores strategically distributed across the country to bring our services closer to the people. With the new and modernised BTC stores across the country, BTC provides customers with one-stop-shop where customers can buy any of our products and services, fixed or mobile. These include applying for new service, making any changes to an existing service, buying mobile devices, airtime and sim cards, and sim replacement. Customers using the stores can also pay their bills and make enquiries. We continue investing in training of the stores' staff to elevate competency levels to ensure that BTC always provides excellent customer experience, so that all customers visiting our stores will walk out as happy customers. BTC also has a technician footprint that reaches corners of Botswana to ensure that we install and manage faults faster for our customers.

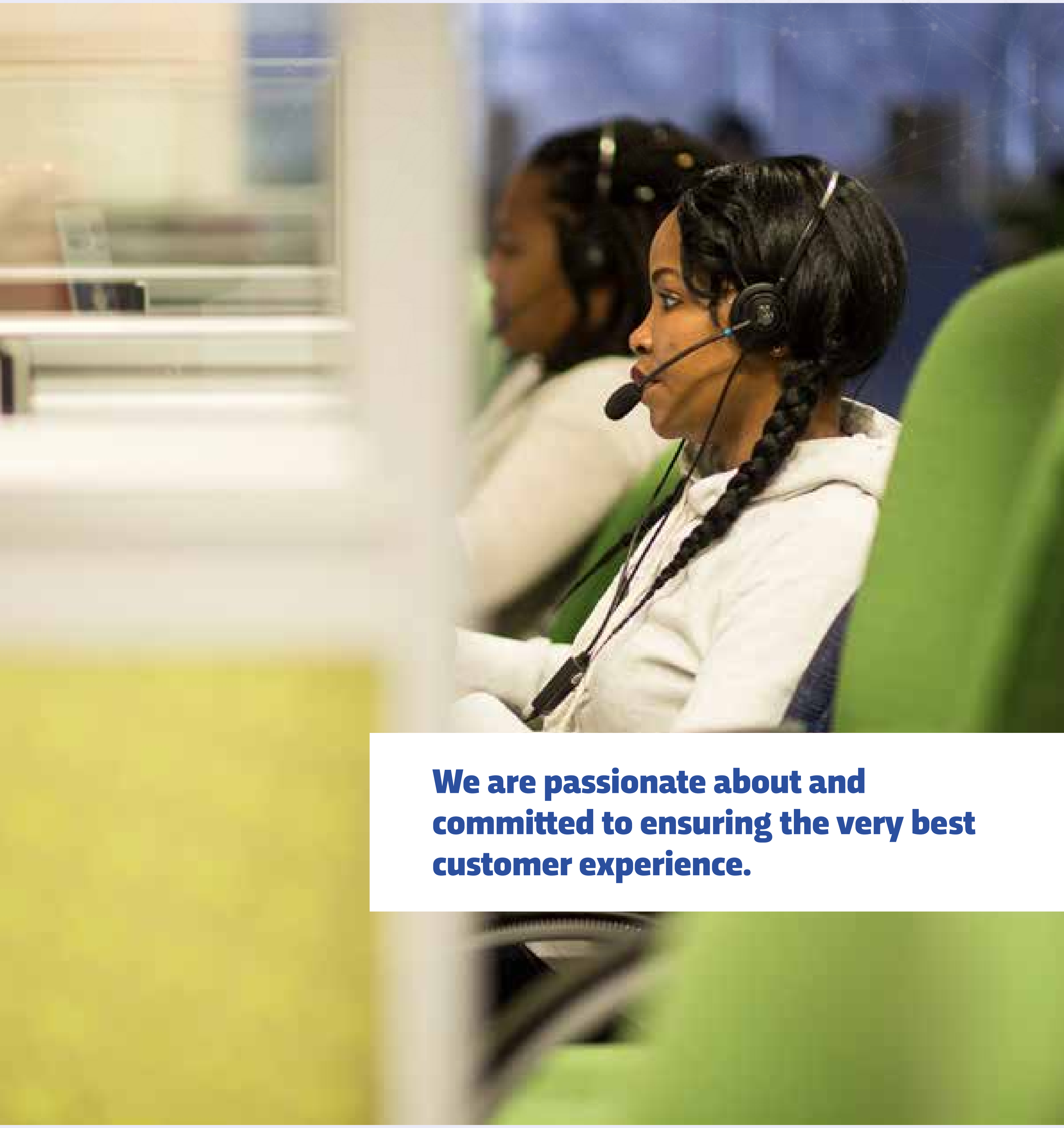
3. Relationship Management

Enterprise segment is a critical and significant segment to BTC and we facilitate and support their operations by providing ICT services that are relevant to their businesses. A team of dedicated Relationship Managers are assigned to this segment to ensure personalised relationships.

Our Enterprise approach is to be the partner of choice for this segment so that our services advance and support their business needs. Our approach to servicing enterprise business is based on building one-on-one partnerships to empower the businesses to realise their strategies. The Enterprise function also manages various partners including roaming and interconnect partners.

4. Contact Centre

The contact centre services both Consumer and Enterprise customers. It provides 24-hour service support, where customers can make enquiries regarding products or bills and log queries any time of the day or night with professional agents who are always ready to serve them. A bouquet of convenient and relevant customer interaction channel options has been made available to ensure that BTC has aligned itself to the different customer segment preferences. These operate different time scales to align with customers' support requirement patterns and include voice, SMS, email, fax and IVR channels.



We are passionate about and committed to ensuring the very best customer experience.

STRATEGIC PERFORMANCE REVIEW
continued

The Commercial Unit

Easy to Deal with Customer Experience

The simplicity approach which BTC has embarked on is the cornerstone of the Customer Experience Strategy which concentrates on the implementation of service standards and service quality goals. . We strive towards "getting it right the first time" as a theme applied to propelling service delivery across operational processes for efficiency and service excellence. BTC employed touchpoint service satisfaction metrics, conducted frequently both internally and externally by independent consultants as a way of continually reinforcing these standards and benchmarking performance against customer expectations. The customer support model, is a transparent and clear escalation matrix providing an avenue for the "Voice of the Customer" to be heard right up to the MD's office. It includes options for customers to engage the Regulator should the need arise. This escalation matrix is made available through the BTC Website, Directory and Retail Stores should the customer require it.

Retail Transformation

The Retail Transformation Initiative is part of the BTC Customer Experience Strategy that focuses our commitment to improve service delivery and processes for our retail stores. This initiative has resulted in the new fresh look of our stores that aligns with giving customers an experiential service.

Commercial Sponsorship – BTC Premier League Sponsorship

In line with our Brand Strategy of connecting people to opportunities and advancing Batswana's life for the greater good, the BTC Premiership sponsorship is key. This dates back as 2008 when the first three-year sponsorship was signed with the Botswana Football Association with the aim of establishing the BTC football asset to act as a vehicle to deliver the brand promise of connecting our consumers through the beautiful game of football. The narrative here was the fact that, regardless of how different & diverse people may be 'Football Connects us." Throughout the year, BTC as a corporate sponsor, has shown confidence and belief in this property as it continues to plough back into the communities it operates in through supporting these local teams and contributing to uplifting the overall stature of football in Botswana.

Throughout the years we have been part of football in Botswana. We endeavour to keep our consumers engaged through various initiatives, rewarding the players and administrators of the game for excellence and the perseverance they display throughout the season. Thus, we impact individual lives and extended communities.

We will therefore continue to give our full support in uplifting the game of football and urge supporters, players and administrators of the game to also take advantage of the vast products and services that enable this sponsorship. We look forward to an exciting season and we hope you can Live Connected through the BTC Premiership.


Offers
Why BTC
btc
beFREE
Top 10
Best Sellers

STRATEGIC PERFORMANCE REVIEW
continued

The Technology Unit

Network Coverage and Reliability

Notwithstanding the vast geographical and sparsely populated terrain in which we operate, the BTC network footprint covers over 90 percent of the country including all major towns and villages. Through the Universal Service Access Fund, BTC provides services to remote villages that have a population of 250 or more.

Our Network

The technologies targeted for future growth are centred on Fibre To The "x" (FTTx) and LTE and the majority of future investment will be based on such.

BTC has determined that the Botswana market demands high speed broadband with the highest quality of internet experience. To meet this demand, BTC has strategically embarked on an aggressive broadband rollout using FTTx technology for fixed internet services using the existing copper network and fibre where necessary. BTC has already succefully deployed Fibre To The Cabinet (FTTC) in urban areas.

BTC has also found it necessary to invest a significant amount of Capital to deploy LTE across the country. The LTE network will provide the fastest possible mobile broadband speed within the allocated spectrum using the latest technologies with one of the leading international vendors. The rollout will ensure adequate coverage in all targeted locations. In other areas BTC has partnered with the Universal Access and Service Fund (UASF) to extend the 4G network to improve coverage in rural areas.

Spectrum & Licenses

BTC has spectrum on the following frequencies:

- GSM900 – 6Mhz,
- GSM1800Mhz - 12Mhz,
- UMTS2100 - 10Mhz,
- LTE1800 – 10Mhz,
- fixedLTE2300Mhz – 40Mhz
- Point-to-Multi Point 3500Mhz – 30Mhz

These spectrums will enable BTC to provide highest speed wireless internet services across the country at the highest throughput ever experienced in Botswana.

Modernisation of the Telecommunications Infrastructure

BTC continues to make investments in modernising the telecommunications infrastructure and more than P300 million has been set aside for 2018/2019. The investments will be in fixed network modernisation and mobile network expansion.

BTC continues to explore growth opportunities, especially in the broadband space, where penetration levels are still low and the demand for data services is on the increase. During the past year, BTC has spent millions to modernise its telecommunications infrastructure, upgrading and extending both mobile and fixed networks.

Investment in the mobile telecommunications infrastructure is expected to improve the quality of service resulting in reductions in network congestion rates and drop call rates. Call setup rates improved for both 2G and 3G networks. Network systems availability was at 100% against the set target of 99.9%. Improvement on quality of service will have a positive impact on our Customer Satisfaction.

BTC continues to enhance the ability of the transmission network to support the radio network by connecting more base stations with fibre and high-speed IP microwave transmission thus improving the quality of service and extending access. The continual enhancement of the telecommunications environment is a basis for competitiveness in the telecommunications industry and is an important element in ensuring customer satisfaction.

We monitor a number of internal and external Key Performance Indicators (KPIs) to identify challenges. Continual monitoring of these impacts has helped in guiding installations of additional capacity where it is needed thereby resolving capacity constraints.

Modernise Enterprise IT Infrastructure

Through carefully planned network and IT infrastructure consolidation, BTC is creating a flexible, scalable IT environment that supports future growth, deliver efficiency in our operations as we transition towards a digital business. BTC has invested in a converged billing system and is consolidating its IT infrastructure in a private data centre.

The Converged Billing System

The consolidation of the BTC billing systems into a single system will enable us to offer our customers converged offerings from the fixed and mobile business streams. The project is being delivered in two phases:

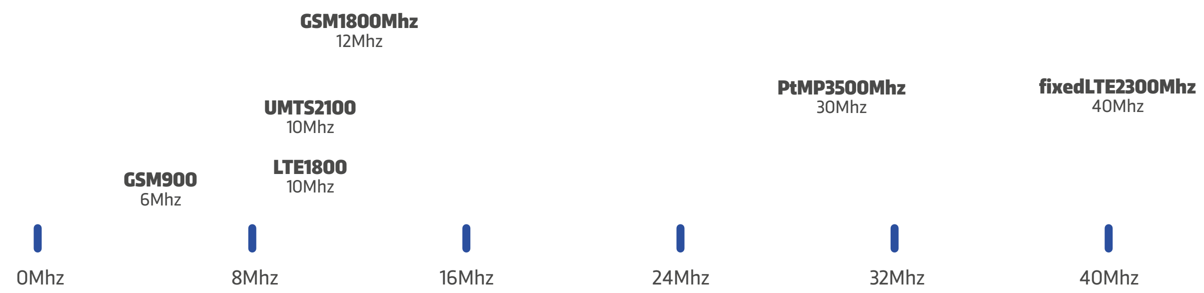
- Phase 1: Migration of the fixed prepaid and mobile services was delivered during the 2017-18 financial year.
- Phase 2: Migration of the fixed post-paid services is targeted for delivery during the 2018-19 financial year.

The converged billing platform is expected to yield the following key benefits amongst others:

- Simplify the systems architecture and minimise systems integration points
- Reduce total cost of ownership
- Improve service turnaround time
- Enhance customer experience

Spectrum & Licenses

BTC has spectrum on the following frequencies:



These spectrums will enable BTC to provide highest speed wireless internet services across the country at the highest throughput ever experienced in Botswana.

04

OUR SUSTAINABILITY REVIEW

BTC is building and maintaining a sustainable business fit for the future. An organisation that is responsible and a valuable component of a Botswana that we are all proud of. To do this BTC focuses on its staff, their well-being and their development. We do this while we assist our Nation to move forward with meaningful investments in the communities that help society.

LEADERSHIP - BOARD OF DIRECTORS

Ms. Lorato Boakgomo-Ntakhwana

Independent Non-Executive Chairperson

Board Chairperson

Member - Human Resources, Remuneration and Nomination Committee

Date of Appointment:
October 2016

Nationality: Motswana

Ms. Boakgomo-Ntakhwana is a career banker whose professional experience spans over 30 years. She previously held a position of Deputy CEO of FNB International and Portfolio Executive for Emerging Countries. Prior to this role, she was the CEO of First National Bank of Botswana Limited. She has been associated with the FirstRand Group since August 2008 where she served as a Board Member and Board Committee Member in several countries. Currently, she is the Managing Director of Sally Dairy.

Ms. Boakgomo-Ntakhwana has a Bachelor of Commerce dgree from the University of Botswana and an MBA from Loyola College in Baltimore, USA, and holds several other professional qualifications.

Mr. Andrew Johnson

Independent Non-Executive Director

Chairperson - Technology and Investment Committee

Member - Audit and Risk Committee

Date of Appointment:
May 2017

Nationality: South African

Mr. Johnson is a telecommunications expert whose career in the industry spans over 33 years, with a special focus on mobile telecommunications and fibre infrastructure development. He has worked as Chief Technical Officer for the MTN Group, Chief Executive Officer for MTN Rwanda, and Chief Technical Officer for MTN Uganda, as well as other positions within MTN Group. Prior to that, he worked as a telecommunications engineer for Eskom.

Mr. Johnson has extensive business and technology management consulting experience within the Sub-Saharan Africa and the Pacific regions for the African Development Bank, World Bank and other entities and operators. He is currently Principal Consultant at Tubitayeho Telecomms Consulting in South Africa. He previously served as a Director for MTN subsidiaries in Cameroon, Cote d'Ivoire, Nigeria, Rwanda and Uganda, whilst working for MTN Group and MTN International.

Mr. Johnson holds a BSc (Eng) Electrical-Light Current, from the University of the Witwatersrand in South Africa, with a specialisation in Telecommunications and Alternative Energies.

Mr. Ranjith Priyalal de Silva

Independent Non-Executive Director

Chairperson - Audit and Risk Committee

Member - Human Resources, Remuneration and Nomination Committee

Date of Appointment:
May 2017

Nationality: Sri Lankan

Mr. de Silva is a Chartered Accountant whose expertise covers Auditing, Accounting, Tax Planning, Financial Investigations and Fiscal Management. Now retired, he has over 36 years of experience in the profession mainly spent at PriceWaterhouseCoopers (PwC) Botswana, where he was a partner for 19 years and Chief Operating Officer for 9 years. While still with PwC Botswana, he served a large portfolio of Audit/Tax Clients and provided Business Advisory Services to many large privately-owned corporates in Botswana.

Mr. de Silva is an Independent Non-Executive Director for three Old Mutual subsidiaries in Botswana and Debt Participation Capital Funding Limited.

He is a member of numerous professional bodies including, Associate Member of the Chartered Institute of Management Accountants (CIMA) of UK and Fellow Member of the Botswana Institute of Chartered Accountants (BICA) and the Institute of Chartered Accountants of Sri Lanka.

Ms. Choice Pitso

Independent Non-Executive Director

Chairperson - Human Resources, Remuneration and Nomination Committee

Date of Appointment:
April 2012

Nationality: Motswana

Ms. Pitso is Head of Human Resources at Metropolitan Botswana. She has over 15 years of diverse industry experience as Human Resources Manager in various organisations including Laurelton Diamonds Botswana, Botswana Agricultural Marketing Board (BAMB), and Debswana Mining Company. Her experience includes development and implementation of human resources strategies across human resources functional areas such as Human Resources Operations Management, Talent & Succession Management, Change Management, Rewards Management and Employee Relations, as well as provision of HR internal consultancy.

She holds an MSc Human Resource Management from the University of Manchester, UK, and a BA Social Sciences degree from the University of Botswana *UB). She is also a member of the Institute of People Management (IPM), South Africa, and previously served as Publicity Secretary for Botswana Institute of Human Resources Management (IHRM).

Mr. MacLean Letshwiti

Independent Non-Executive Director

Member - Technology and Investment Committee

Date of Appointment:
October 2016

Nationality: Motswana

Mr. Letshwiti is a respected entrepreneur whose expertise spans business management, commercial and industrial development, and project appraisal and monitoring. He was instrumental in setting up Avis Rent-a-Car.

He is currently a Director of several companies, namely: Kalahari Mining and Machinery, Laurelton Diamonds Botswana (a subsidiary of Tiffany and Co. and a company listed on the New York Stock Exchange), and Avis Rent-A-Car. He has served on a number of Boards of listed companies, including Botswana Insurance Holdings Limited (BIHL) Group, of which he was Chairman. He was also a Board Member of Botswana Housing Corporation (BHC), among other entities.

Mr. Letshwiti holds a Bachelor of Arts degree in Administration from the University of Botswana (UB) and Swaziland (Botswana campus) and other professional and leadership qualifications.

Ms. Serty Leburu

Independent Non-Executive Director

Member - Audit and Risk Committee, Technology and Investment Committee

Date of Appointment:
April 2009

Nationality: Motswana

Ms. Leburu is currently the Executive Director of Botswana Accountancy College (BAC). She was previously a Deputy Chief Executive Officer-Support Services at Botswana Housing Corporation (BHC). She served as Deputy Chief Executive Officer at Standard Chartered Bank of Botswana before joining BHC. Prior to joining Standard Chartered Bank, she spent 17 years in the Diamond Mining Sector.

She has broad experience in all areas of strategy, finance, governance, supply chain, risk management, general administration and leadership.

Ms. Leburu graduated with a Bachelor of Commerce degree from the University of Botswana (UB) and is a Fellow Chartered Accountant (FCMA) with a CIMA qualification.

Mr. Anthony Masunga

Executive Director

Managing Director

Date of Appointment:
January 2017

Nationality: Motswana

As Managing Director, Mr. Masunga is tasked with leading the growth and transformation of BTC post listing to deliver shareholder value. He provides overall leadership to the business including ensuring adherence to the highest corporate governance standards, management of all financial and technical systems and processes, and development and management of the human resource capital.

He was previously the Company's Chief Operating Officer, Acting Group General Manager Commercial and Privatisation Programme Manager, and is the founding General Manager of beMOBILE (now BTC Mobile).

He has over 20 years' experience in the field of Telecommunications and Information Technology.

Mr. Masunga holds a BSc Computer Science degree from McGill University (Canada) and an MBA from DE Montfort University (UK). He is an Alumni of the University of Stellenbosch Business School, having completed their Executive Development Programme.

LEADERSHIP - EXECUTIVE MANAGEMENT

Mr. Anthony Masunga

Managing Director

Date of Appointment:
January 2017

As Managing Director, Mr. Masunga is tasked with leading the growth and transformation of BTC post listing to deliver shareholder value. He provides overall leadership to the business including ensuring adherence to the highest corporate governance standards, management of all financial and technical systems and processes, and development and management of the human resource capital.

He was previously the Company's Chief Operating Officer, Acting Group General Manager Commercial and Privatisation Programme Manager, and is the founding General Manager of beMOBILE (now BTC Mobile).

He has over 20 years' experience in the field of Telecommunications and Information Technology.

Mr. Masunga holds a BSc Computer Science degree from McGill University (Canada) and an MBA from DE Montfort University (UK). He is an Alumni of the University of Stellenbosch Business School, having completed their Executive Development Programme.

Aldrin Sivako

Chief Operations Officer

Date of Appointment:
October 2017

Aldrin is responsible for the technical arm of the business, being the Information Systems Division, Technology Division, and the Transformation Office. He provides leadership in implementing the Company's information systems and technology strategy, corporate programmes portfolio delivery and identifying and forging relationships with strategic partners.

Aldrin has 19 years of experience in the telecommunications industry.

He is highly experienced in strategy formulation and execution, business development, product development/ management, technology planning and design (fixed, mobile and technology convergence) and project management.

He holds a Master of Business Administration degree from the Management College of South Africa (MANCOSA) and a Bachelor of Engineering (Hons) degree in Telecommunication Systems from Coventry University (UK). He is an Alumni of the University of Stellenbosch Business School Executive Development Programme.

Edward Wicks

Chief Commercial Officer

Date of Appointment:
April 2018

Edward oversees the commercial arm of BTC, directing and driving performance in the Dynamic Marketing, Enterprise Sales, Consumer Sales and Quality of Service functions within the organisation. He is responsible for the delivery of the Company's commercial strategy.

Edward has been in the telecommunications industry for more than 24 years and has indepth knowledge and expertise in most aspects of telecommunications. This includes Commercial Management, Strategic Marketing, Product Development, Business Development and Distribution. He has held various senior positions and directorships in numerous companies. As a strategic consulting expert, he has been involved in launching two new mobile networks.

Edward holds a Bachelor of Commerce (Honours) degree from the University of Edinburgh.

Abel Bogatsu

General Manager Finance

Date of Appointment:
November 2010

Abel oversees the operation and management of all financial systems and processes within the business, which includes Treasury, Budgeting, Credit and Financial Control, etc., to ensure compliance with regulatory and financial reporting standards. He also provides professional finance input into the creation and maintenance of a BTC business strategy that delivers shareholder value.

He has more than 24 years' experience in both the private and public sectors.

Abel possesses a Bachelor of Commerce degree in Accounting from the University of Botswana and is a Fellow of the Association of Chartered Certified Accountants (ACCA) and the Botswana Institute of Accountants (BICA).

Same Read Kgosiemang

General Manager Internal Audit and Risk Management

Date of Appointment:
September 2011

Same's role is to ensure that BTC has and maintains a robust Risk and Internal Audit Strategy. He oversees the Risk and Internal Audit Division, providing BTC Management and Board with an independent and objective assurance on risk management, internal controls and governance processes.

Reporting to the Managing Director and the Board, Same has to ensure business continuity, sustainability and compliance with best practice corporate governance and reporting standards.

He has close to 23 years' experience in Internal Audit and Risk Management.

Same is an Associate Member of the Chartered Institute of Management Accountants (CIMA) UK, and a Fellow Member of the Botswana Institute of Chartered Accountants (BICA). He is also a member of the Institute of Internal Auditors(IIA) USA and the Institute of Risk Management (IRM) in the UK.

Sidney Mganga

Company Secretary

Date of Appointment:
May 2018

Sidney is tasked with advising the Board and Company on governance matters and providing secretarial services to the Board. He also oversees the Legal and Regulatory functions of the Company to ensure compliance with statutory and regulatory requirements.

He has over 15 years' cumulative private sector experience in legal, compliance and regulation.

Sidney holds a Bachelor of Laws (LLB) degree from the University of Botswana (UB) and is also an Associate Chartered Company Secretary from the Institute of Chartered Secretaries and Administrators (ICSA). Sidney also completed a Post Graduate Certificate in Advanced Tax & Audit from the Botswana Accountancy College (BAC). He has also undergone Senior Management Development Programme (SMDP) training with the University of Stellenbosch Business School.

Mmamotse M. Monageng

General Manager - Support Services & Human Resources

Date of Appointment:
January 2017

Mmamotse provides professional input and directs the BTC Human Resources function within an agreed strategic framework that supports the achievement of business objectives. In a bid to promote high employee satisfaction and inculcate a high performance culture.

She is also tasked with providing strategic guidance in the delivery of the shared services model to the business. by overseeing property management, fleet management and safety health and environmental services.

Mmamotse has more than 14 years of experience in the industry.

She holds a Bachelor of Commerce degree majoring in Human Resource Management and Industrial Relations from Curtin University of Technology in Western Australia.

LEADERSHIP - EXECUTIVE MANAGEMENT continued

Peter Olyn

General Manager Technology

Date of Appointment:
January 2018

Peter is mandated with planning, building and managing the operational functions of the vast BTC telecommunications network. He is also tasked with developing strategic plans to transform and deploy the BTC network to achieve business targets.

He has over 17 years' experience in the telecommunications industry.

Peter holds a Bachelor of Engineering in Electronics and Electrical Engineering from the University of Botswana (UB). He is also an Alumnus of the Stellenbosch Business School, Senior Management Development Training Programme.

Justice Ramphethu

General Manager Transformation (A)

Date of Appointment:
June 2018

Justice's role is to drive the delivery of transformational, strategic programmes in line with BTC's corporate strategy. He is responsible for Corporate Strategy Management ensuring effective monitoring and reporting on Strategy Execution, Innovation & Digital Strategy and Quality & Processes functions.

He has 14 years' cumulative experience. This includes 11 years in the telecommunications industry.

Justice possesses a Bachelor of Science degree in Computer Science from the University of Botswana (UB). He is currently pursuing a Master's degree in Strategic Management. He has also undergone Senior Management Development Programme (SMDP) with the University of Stellenbosch and has professional training in Project Management.

Frank Marumo

GM Information Technology (A)

Date of Appointment:
January 2018

Frank directs BTC's overall Information Technology operations, including development and deployment of IT services, with a focus on efficiency, service quality, reliability, and customer satisfaction. He reports to the Chief Operations Officer.

Frank has 14 years of experience in the telecommunications industry, mostly spent at BTC.

He has a Bachelor of Engineering (Systems and Computer Engineering) degree from Carleton University in Canada and a Masters degree in Strategic Management from Derby University. He is also an alumnus of the both the Executive Development Programme and Senior Management Development Programme from the University of Stellenbosch.

Solomon Rabewu

General Manager Enterprise Sales (A)

Date of Appointment:
April 2018

Solomon is tasked with developing and maintaining a robust sales strategy for the Enterprise Market segment (Corporates, Government and Licensed Operators). He also directs the operational management of the Enterprise Sales Division.

He has 28 years' experience in the telecommunications industry mostly spent at BTC.

Solomon holds a Diploma in Telecomm Management and a Diploma in Telecommunications (C&C part2) both attained from CTO & Alliances Consulting. He has also undergone Senior Management Development Programme (SMDP) training with the University of Stellenbosch. He is currently studying for a Chartered Company Secretaries and Administrators qualification.

Boitumelo Masoko

General Manager Consumer Sales

Date of Appointment:
October 2017

Boitumelo's role is to create and maintain a targeted strategy for the consumer market (mass, residential and SMME). She is responsible for developing a comprehensive sales plan for customer acquisition, retention and revenue growth. She was previously responsible for the overall Sales function of the business.

She has over 22 years' experience in the telecommunications industry, spent mainly at BTC.

Boitumelo holds a Bachelor of Arts in Social Sciences degree from the University of Botswana (UB) as well as a Masters degree in Science in Strategic Management from the University of Derby. She is also an alumna of the University of Stellenbosch Executive Development Programme.

Malebogo Mosinyi

General Manager Marketing (A)

Date of Appointment:
April 2018

Malebogo oversees the Marketing, Brand management and Product Development functions of the business. She is tasked with ensuring a professional, targeted, segmented, and focused approach to market.

She has over 12 years' work experience. This is mainly from the Financial and FMCG sectors.

Malebogo holds a Master of Commerce in Management degree specialising in International Trade Law and Policy from the University of Cape Town (UCT), and a Master's degree in Economics and a Bachelor of Arts degree in Social Science, both from the University of Botswana (UB). She has undergone Senior Management Development Programme (SMDP) training with the University of Stellenbosch.

HUMAN RESOURCES

BTC values its employees and pursues employment practices which are designed to attract, retain and develop talented employees who are able to have positive impact on the Company and associated communities. This is through providing the best service and improving stakeholder satisfaction levels. BTC adheres to established policies and guidelines in its recruitment, and wherever possible, the Company seeks to benchmark itself against industry best practice. BTC is an equal opportunity, equal access employer.

Rewards and Remunerations

The Executive Management, in conjunction with the Human Resources and Remuneration and Nomination Committee, continuously reviews the Company's reward and incentive schemes. The Company has a Performance Appraisal System, the outputs of which are used as inputs for training the employees and administering the reward system.

Code of Conduct

BTC employees are subject to and governed by a comprehensive conditions of employment Code of Conduct which prohibits any corrupt and unethical behaviour. The Company encourages staff to conduct themselves in an ethical manner while doing business and in their daily lives.

Learning and Training

Besides formal job-related skills development, the Company encourages training and provides all employees with learning opportunities through our e-learning initiatives that focus on upskilling and leadership development, to enable them to lead, both inside and outside the organisation.

BTC also conducts seminars, workshops and courses aimed at providing our employees with broader personal development and improvements to their quality of life.

BTC is committed to enhancing local skills in the telecommunications and ICT fields through the provision of technical and management training.

Investing in Talent

BTC manages talent through its Performance Development Programme, which involves monitoring employee performance against annual objectives and setting training and development goals. The programme also forms the basis for nurturing high-potential employees and identifying candidates for succession programmes.

Employee Engagement

BTC promotes engagement and consultation with employees through a variety of activities and initiatives. For example, the Managing Director undertakes a countrywide tour of BTC operations to cascade the strategic direction of the organisation to all employees, with clear objectives and deliverables. Information on the performance of the organisation is shared with staff at this forum and the interaction contributes towards buy in and employee engagement.

Employees also receive quarterly updates on the Company's strategy through an in-house newsletter, intranet and the Managing Director's updates.

The Company also promotes social interaction among employees through participation in sporting codes and inter-country sporting competitions involving Botswana, Lesotho, Swaziland and Namibia.

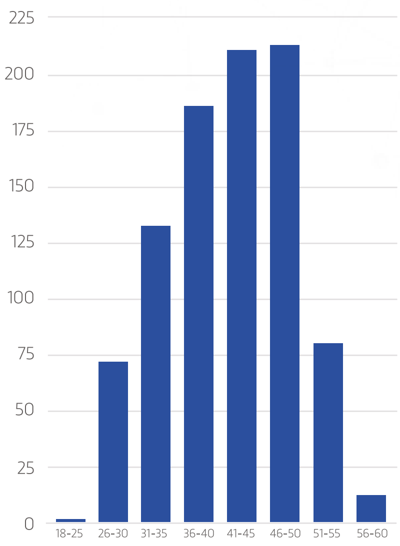
Health, Safety and Wellness

We are committed to health and safety in the workplace as part of our social responsibility towards our employees and our customers. BTC works to ensure that everyone in the Company has a clear understanding of, and focus on, safety. We are constantly testing our safety performance and operational methods and regularly conduct independent safety surveys throughout the Company.

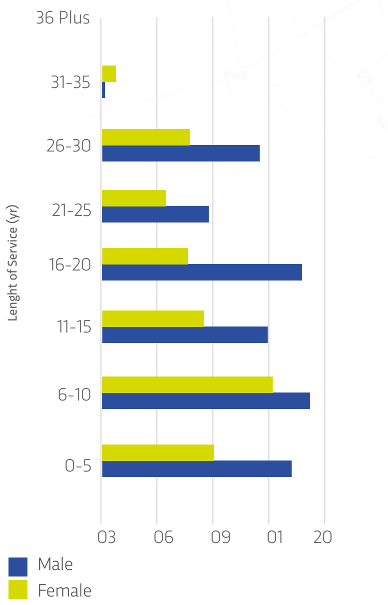
BTC also undertakes financial literacy training and employee counselling, including for alcohol and drug abuse, and periodically carries out voluntary tests for non-communicable diseases as part of its sport and wellness activities.

	2018	2017	2016
Total Employees at 31 March	920	924	944
Productivity			
Revenue per Employee	1703	1748	1579
Value created by Employee	915	871	752
Average Employee cost	440	402	396

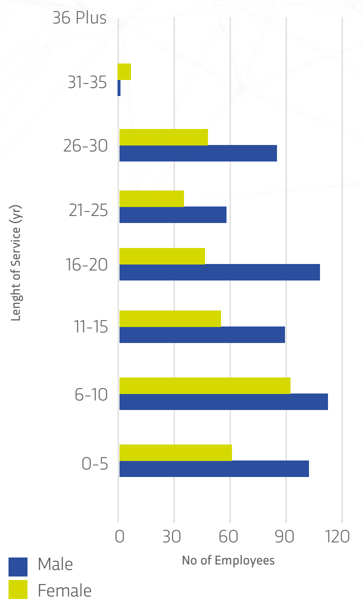
Age Analysis
No. of employees



Age & Gender Analysis of BTC Team
No. of employees



Length of Service & Gender Analysis



Health, Wellness & Welfare

ACTIVITY	COMMENTS
Occupational health medical examination	Pre – employment medicals and high risk annual medicals were conducted for employees working at heights and those deployed in Debswana mines. No ill health retirements cases were recorded this year.
Monthly health promotions and motivational topics	Financial literacy, alcohol & drug abuse, diabetes, hypertension, endometriosis, HIV/AIDS, breast cancer and blood donation drive
Wellness and Sports Day	548 employees underwent health screening and employees engaged in the following sporting activities: walks, biking, aerobics, netball, volleyball and football
Employee Assistance Program (EAP)	240 employees were assisted with counselling. There was a significant increase in attendance of counselling sessions due to organisational structure alignment
Pest Control	Pest control conducted at BTC sites across the country
Fire Drills	Fire drills conducted

HUMAN RESOURCES

Environmental Protection

In all our operations, BTC endeavours to reduce its carbon footprint. It continues to promote and encourage a paperless work environment and the revamped Head Offce is equipped with motion sensitive smart lights. BTC disposes its obsolete equipment in an environmentally responsible manner.

Cultural Transformation

- BTC seeks to transform into a high-performance organisation that is characterised by superior leadership ability and a pool of talented, results-oriented employees. This will ensure that BTC delivers shareholder value.
- BTC seeks to strengthen leadership capability through targeted training to bridge identified gaps though a mixture of on-the-job and classroom training for both technical and management cadres.
- A behavioural change programme was rolled out to staff during the year under review to promote trust across the organisation which leads to speed of execution and agility.
- BTC has completed the review of its organisational structure with a view to align the structure to the current corporate strategy by ensuring that BTC is commercially focused with clear market segments. The organisational structure has been successfully implemented and is fully operational.
- In a quest to drive a high-performance culture, BTC has completed revamping Head Office and some outstation offices to enable the Company to not only optimise the use of its infrastructure and reduce rental costs, but to provide a conducive environment for employees. This has resulted in delivering working environments that promote a high-performance culture.

SHE Report

12
Incidents

8
Lost Time Injuries

4
Recoverable Cases (minor injuries)

We appreciate that our staff need to be motivated and challenged, as well as provided with the tools and environment that allow them to thrive.

STAKEHOLDER ENGAGEMENT REPORT

BTC recognises the value in maintaining and managing key relationships as part of its strategic objective towards building a sustainable business.

The Company has a broad stakeholder base which includes individuals, groups of individuals and organisations. Stakeholders are individuals or groups that have an interest in the business of BTC, whether through consumption of BTC products and services, investment in the Company, the provision of goods and services to BTC or who are affected by the Company's performance or the way BTC conducts its business. It is vital for the Company to be aware of, and responsive to, the needs and expectations of various stakeholders in order to derive significant and mutually beneficial value from the relationships.

BTC maintains these key relationships through direct and indirect engagement on various platforms. The engagements are an opportunity for BTC to share information about its performance, prospects or any material developments or changes within the Company.

These messages include but are not limited BTC's:

- Viability as an investment option which delivers value to shareholders;
- Adherence to the highest corporate governance standards;
- Contribution to the economy;
- Support for local businesses;
- Business sustainability; and
- Responsibility as a corporate citizen that gives back to Batswana and supports initiatives that uplift lives.

Furthermore, BTC aims to enhance transparency and access to information on Company operations and performance to:

- Increase support for company strategy, Management, and the Board of Directors;
- Build and maintain relationships with existing and potential investors;
- Receive important feedback and early warning of potential issues;
- Increase brand affinity and liquidity for Company shares; and
- Recognition as a Company that plays a major role in the development of Botswana.

The Company intends to Intensify, build and maintain stakeholder relationships towards building a sustainable business. For the year under review, the Company conducted a Stakeholder Satisfaction Survey which determined the satisfaction index at 86%

BTC Stakeholder Engagement Feedback

STAKEHOLDER	KEY AREAS OF INTEREST	METHOD OF ENGAGMENT
Employees	• Conditions of Service • Career Progression • Staff Welfare • Company Performance • Training and Development	• MD Staff Addresses • Divisional/Departmental meetings • Intranet - Mowana • Company Newsletter • Leadership roadshows (Patronage visits)
Customer	• Quality of Service • Better value offerings • Service turnaround times • Access to services	• Call centres and retail outlets • Social Media • Bulk SMS • Product launches • Consumer fairs • Focus groups
Suppliers	• Timely payment and favourable terms • Debriefing on tenders	• Breakfast meetings • Formal one on one meetings • Site visits
Government and Regulators	• Licensing and compliance • Quality of service and network performance • Tariff reduction • Governance	• Participation in policy forums • Formal periodic briefings • Ad hoc engagement
Shareholders and Analysts	• Return on Investment (share price and dividends) • Access to Information • Business Sustainability	• Annual General Meeting • Print and Broadcast media • Formal one on one meeting (Institutional Investors) • Annual and interim financial reports and presentations • Stakeholder Satisfaction Survey • X-news (BSE news platform)
Media	• Access to Information • Quality of Service • Company Performance	• One on one interviews • Media briefings • Radio interviews • Media releases • Annual and interim financial reports and presentations • Radio talk shows • Social media updates • Editors' forums
Community and Local Leadership	• Access to Services • Quality of Service • CSI Projects/Donations	• Formal engagements • Corporate Social Responsibility events • Print and broadcast media • Surveys

CORPORATE SOCIAL INVESTMENT REPORT

Corporate Social Investment (CSI)

As BTC, we acknowledge that our business is an integral part of the communities in which we operate and that in order for us to thrive, the communities in which we operate must also thrive. This is why we donate 1% of the Company's Profit After Tax to causes which support and uplift communities.

BTC established the BTC Foundation in 2014 to coordinate and deliver the Company's CSI initiatives. The Foundation is governed by a Board of Trustees. It adopted a three-year strategy, 2014 - 2017, which focused on supporting community projects that are aligned to five focus areas: health, sports development, education, poverty, environment and arts and culture.

The Foundation partners with like-minded organisations and communities to sponsor and support sustainable, socially uplifting projects and initiatives. The Company also encourages staff to volunteer, through BTC Foundation sponsored projects, and use their personal spare time, talents and resources to aid and support deserving social causes.

During the year under review, The Foundation participated in a number of projects and initiatives in delivery of its strategy.

Arts and Culture

In a bid to support the development of arts and culture in Botswana, The BTC Foundation partnered with Thapong Arts Centre to sponsor the BTC Phone Book Cover Competition and the Thapong Artist of the Year Awards (TAYA) to the tune of P268,203.00. Students were given an opportunity to design the 2018 Phone Book cover whilst professional artists participated in the TAYA. The winners of the Phone Book Cover Competition and the TAYA competitions walked away with grand prizes of P40,000.00 and P45,000.00 respectively.

Education and Skills Development

BTC is passionate about the potential of ICT skills in bridging the digital divide and transforming lives. During the year under review, we partnered with the Ministry of Transport and Communications and participated in the World Telecommunication Information Society Day (WTISD) which was held in Masunga. The BTC Foundation donated 20 computers and Internet connectivity for a year to the value of P144,903.96 to Masunga ICT Skills Centre. The Skills Centre is open to use by all members of the community.

Health and Wellbeing

The BTC Foundation sponsored and donated to several initiatives which promote health and wellbeing and address the needs communities as follows.

1. Sponsored the Jwaneng Desert Bush Walk to the value of P35,000.00. BTC Foundation Trustees, Executive Committee (EXCO) and staff participated in the walk. The money raised was donated to educational projects through the Ministry of Basic Education.

2. Sponsored "Team Chain Ring" for the cancer cycling tour dubbed "Ride for Pink" to raise cancer awareness. The BTC Foundation donated P15,000.00 to Cancer Association Botswana towards the purchase of a vehicle to be used to perform the Association's duties.

3. Supported the Albinism Society of Botswana through the purchase of fundraising gala dinner tickets worth P2,500.00. The proceeds of the dinner were to assist in addressing the needs of people with albinism in Botswana.

Sports Development

In support of the Presidential Charity Trust, the BTC Foundation participated in the 2nd Annual President's Charity Cycling Challenge. BTC was represented by the BTC Cycling Club, led by the Managing Director, Mr. Anthony Masunga. The Foundation contributed P 20,000.00 in support of the event.

Poverty

The BTC Foundation partnered with the Office of the President in the "Presidential Housing Appeal" initiative, and donated P17,000.00 towards the initiative. This is aimed at helping disadvantaged members of society to give them dignity through the provision of housing.

The 2017 - 2020 BTC Foundation Strategy

The year under review marks the final year of the initial BTC Foundation strategy. We revised and adopted a new BTC Foundation Strategy to align it to the Corporate Strategy. The new BTC Foundation strategy is focused on Corporate Social Investment which is sustainable and delivers social impact. Under the revised strategy, our CSI will now focus on the following key areas:

1. Enterpreneurship and Innovation
2. Wellness and Sports
3. Environment
4. Art and Culture

We are in the process of developing a corporate sustainability agenda, which will further guide our CSI initiatives going forward.

World Telecommunication Information Society Day (WTISD)

20th May 2017

Event Overview

The BTC Foundation sponsored the 2017 World Telecommunication Information Society Day celebrated under the theme "BIG Data for Big Impact."

BTC was main sponsor of the Girls in ICT Day at Masunga Senior Secondary. The BTC Foundation sponsored 20 computers and Internet connectivity for a year to the Masunga ICT Skills Centre.

"Ride for Pink"

20th May 2017

Event Overview

The BTC Foundation partnered with 'Team Chain Ring' to sponsor a cancer cycling tour dubbed "Ride for Pink" to raise cancer awareness.The BTC Foundation donated P15,000.00 to Cancer Association Botswana towards the purchase of a vehicle

CORPORATE SOCIAL INVESTMENT REPORT continued

Albinism Society Gala Dinner

17th July 2017

Event Overview

The BTC Foundation procured Gala Dinner tickets for P 2,500.00 in supporting Albinism Society of Botswana.

Jwaneng Desert Bush Walk

29th July 2017

Event Overview

The BTC Foundation partnered with the CSI Concepts Foundation to sponsor the 3rd Annual Desert Bush Walk: Winter 2017 themed "Sports and Tourism - giving back to Health and Education" held in Jwaneng on the 29th of July, 2017. BTC Foundation trustees, EXCO and staff participated in the walk. The walk attracted more than one thousand (1000) people including those from neighbouring countries of South Africa, Namibia, Lesotho.

The President's Charity Cycle Challenge

3rd September 2017

The BTC Foundation in partnership with the Presidential Charity Trust on the 3rd of September participated in the 2nd annual President's Charity cycling Challenge.

BTC was represented by the BTC Cycling Club, led by BTC Managing Director, Mr. Anthony Masunga.

CORPORATE SOCIAL INVESTMENT REPORT continued

2018 Phone Book Cover Reveal and TAYA Awards

28th November 2017

Event Overview

The BTC Foundation held the 2018 Phone Book cover reveal and Thapong Artist of the Year Awards event on the 23rd November 2017 at Thapong Visual Arts Centre in support of arts and culture.

Students were given the opportunity to design the 2018 Phone Book cover whilst professional artists participated in Thapong Artist of the Year Awards (TAYA).

National Housing Appeal (Mahalapye)

20th February 2018

Event Overview

The BTC Foundation partnered with the Office of the President in the "National Housing Appeal" initiative previously Presidential Housing Appeal.

05

OUR GOVERNANCE

Corporate Governance Statement of Commitment

BTC is dedicated to the implementation of effective structures, policies and practices that enhance corporate governance and create sustainable value for our shareholders and stakeholders. The Board believes that excellent corporate governance is fundamental in ensuring a sustainable and successful business, and as such remains committed to ensuring that the Company is managed in a responsible manner with integrity, fairness, transparency and accountability.

As a listed entity, the Company strives to achieve and uphold the highest principles of business ethics, corporate governance and reporting. In complying with the guidelines of the BSE Code of Corporate Governance, the Company has complied with the principles of King III and is aligning itself to ensure compliance with the King IV Code of Good Governance by the end of the 2019 financial year. BTC's corporate governance practices are continually being reviewed and improved by benchmarking against accepted international best practice.

CORPORATE GOVERNANCE continued

Corporate Governance

The Board is the custodian of corporate governance and is responsible for ensuring that the business of BTC is conducted according to sound corporate governance principles. This is done through approving key policies and ensuring that the Company meets its obligations to all stakeholders. The Board directs BTC's strategic planning, its risk assessment, internal controls, financial and operational management to ensure that the Company's obligations to its stakeholders are understood and observed. The Company also acknowledges its corporate social responsibility and provides assistance and development support to the communities in which it operates, and to deserving institutions at large.

Adherence to sound principles of corporate governance by BTC is critical to earning and maintaining the trust of key stakeholders and, ultimately achieving its performance goals, while acknowledging that the methods it employs to achieve these goals are as important as the goals themselves.

The BTC Board is committed to the practice of good corporate governance and subscribes to the following:

- The King Code III of Good Governance, and now transitioning to King Code IV
- The Companies Act
- The BSE Listings Requirements
- The International Financial Reporting Standards
- The Global Reporting Initiative's (GRI) Sustainability Reporting - guidelines on economic, environmental and social performance.

Compliance with King III

In addition to complying with the BSE Code of Corporate Governance, the Company has complied with the principles of King III and is aligning itself to ensure compliance with the King IV Code of Good Governance by the end of the 2019 financial year.

The Company believes that compliance with recognised best practices will provide superior levels of performance in terms of sustainable returns to all stakeholders. The Company takes into consideration not only the interests of the Company and its shareholders, but the wider environment including suppliers, employees and the community as a whole. A representative of our stakeholders is included on page 51 of this report.

This Report is prepared in compliance with the principles of King III. Where the Directors have deemed it impractical to apply certain recommended practices, the rationale is explained under the relevant section.

Board's Governance and Structure

The governing body of the Company is the Board which consists of the Chairperson, the Managing Director and five other independent members appointed by the shareholders in line with the Companies Act. The Company has a unitary Board structure with the majority of members being Non-Executive Directors. The preponderance of Independent Non-Executive Directors is strongly encouraged on the Board.

The roles of the Chairperson and the Managing Director are separate, and the composition of the Board ensures a balance of authority precluding any one Director from exercising unfettered powers of decision making. The Board retains full control over the Company and monitors executive management in the implementation and execution of strategies and policies. The Board is assisted in fulfilling its responsibilities by the following sub-committees:

- Audit and Risk Committee
- Human Resources Committee
- Technology and Investment Committee
- Nominations Committee (ad hoc)

The responsibility of the implementation and monitoring of corporate governance in BTC rests with the Board, which is assisted by the above-mentioned sub-committees. The delegation of authority to Committees does not absolve nor transfer any of the responsibilities of the Board to the respective Committees, and the Board remains ultimately accountable to the shareholders of the Company.

The Board is led by a Non-Executive Chairperson. During the financial year under review, the Board was chaired by Ms. Lorato Boakgomo-Ntakhwana who is an Independent Non-Executive Director.

The Chairperson has no executive function but meets regularly with Senior Executive Management to monitor progress and discuss relevant business issues, and is available to respond to stakeholder queries or other issues relating to BTC. Non-Executive Directors have the opportunity to meet separately without the BTC Managing Director as and when circumstances warrant.

Definition of independence

For purposes of this report, Directors are classified as follows:

- **Executive Directors** are involved in the day-to-day management of BTC and are in its full time employ
- **Non-Executive Directors** includes Directors who may be nominees or representatives of a shareholder
- **Independent Non-Executive Directors** are those Directors who are neither involved in the day-to-day management of BTC, nor are nominees or representatives of a shareholder.

Board Charter

The Board operates in terms of a formal Charter which is reviewed and adopted annually, the purpose of which is to regulate the conduct of its business in accordance with sound corporate governance principles. The objectives of the Charter are to ensure that all Directors acting on behalf of BTC are aware of their duties and responsibilities and the legislation and regulations affecting their conduct. Furthermore, it seeks to ensure that sound corporate governance principles are applied in all dealings by the Directors. The Charter sets out the responsibilities to be discharged by Directors collectively and individually. The Charter is available upon request from BTC.

Appointment of Directors

In making Board appointments, the broad principles that are followed are to maintain an independent and vibrant Board that constructively challenges Management's strategies and evaluates performance against agreed benchmarks and applicable codes of conduct. A balance is maintained among Non-Executive Directors which ensures that the majority of these are independent Directors. The BTC Board regularly reviews its required mix of skills and experience and other qualities such as its demographics and diversity so as to assess the effectiveness of the Board. This review is by means of a self-evaluation of the BTC Board as a whole, its committees and the contribution of each individual Director.

The Directors are chosen for their business acumen and their wide range of skills and experience. The Board gives strategic direction to BTC, appoints the Managing Director and ensures that succession planning is in place. In appointing Directors, emphasis is placed on achieving the necessary balance of skills, experience, professional and industry knowledge to meet BTC strategic objectives. The selection and appointment of Directors is a formal and transparent process, and a matter for the whole Board assisted by the Nominations Committee, and is subject to approval by the shareholders at the general meeting of the company. All BTC Directors are subject to an annual performance evaluation. Succession planning is also reviewed regularly. Shareholders are ultimately responsible for the composition of the Board and it is in their interests to ensure that the Board is properly constituted.

CORPORATE GOVERNANCE continued

During the financial year under review, the following appointments and resignations took place:-

Appointments

- Mr. Andrew Johnson was appointed as an Independent Non-Executive Director on 30 May 2017.
- Mr. Ranjith Priyalal De Silva was appointed as an Independent Non-Executive Director on 30 May 2017.

Retirements

- Professor Rejoice Tsheko retired as a Non-Executive Director on 31 October 2017.
- Mr. Gerald Nthebolan retired as a Non-Executive Director on 31 October 2017..

Resignation

- Mr. Allan Boshwaen resigned as a Non-Executive Director on 31 October 2017

For the year under review the BTC Board was constituted by the following directors:

MEMBER	POSITION	DATE AND PERIOD OF APPOINTMENT	QUALIFICATIONS
Ms. Lorato Boakgomo-Ntakhwana	Chairperson	Appointed in October 2016	BA Commerce (UB); MBA (Loyola College, USA)
Mr. McLean Letshwiti	Independent Member	Appointed in October 2016	BA Administration (BOLESWA)
Mr. Gerald Nthebolan	Vice Chairperson, Independent Member	Appointed in August 2013 (*retired October 2017)	BSc (Hon) Computer Science (Leicester Polytechnic, UK); MBA (De Monfort University, UK)
Mr. Anthony Masunga	Managing Director	Appointed in January 2017	BSc (Computer Science); MBA, (McGill University, Canada); MBA (De Montfort University, UK)
Mr. Alan Boshwaen	Independent Member	Appointed in September 2010 (*resigned October 2017)	BA Industrial Psychology (University of Kent at Canterbury UK); MBA
Ms. Serty Leburu	Independent Member	Appointed in April 2009	BCom (UB), Fellow of the Chartered Institute of Management Accountants of UK (FCMA)
Professor Rejoice Tsheko	Independent Member	Appointed in April 2014 (*retired October 2017)	BSc Agriculture Engineering (McGill University, Canada); PhD (University of Newcastle, UK)
Ms. Choice Pitso	Independent Member	Appointed in April 2012	BA Social Sciences (UB), MSc HR Management (Manchester, UK)
Mr. Andrew Johnson	Independent Member	Appointed in May 2017	Bsc (Eng) Electrical – Light Current, (specialization in Telecommunications and Alternative Energies) University of the Witwatersrand, South Africa.
Mr. Ranjith Priyalal De Silva	Independent Member	Appointed in May 2017	i. Fellow Member of the Botswana Institute of Chartered Accountants (FCA) ii. Fellow Member of the Institute of Chartered Accountants of Sri Lanka (FCA) iii. Associate of the Chartered Institute of Management Accountants of UK (ACMA)

The Managing Director is engaged on a fixed term contract of employment with agreed and set targets which are appraised by the Board from time to time. The contract may be renewed if the Board is satisfied with his/her performance.

Responsibilities of the Board and the Executive Management

BTC is led by a Board that brings leadership, commitment and rigour to the business of the organisation, as well as its good governance in pursuance of its statutory mandate, ensuring proper and effective control of the Company's business and carrying out periodic evaluation of corporate performance.

The Board is also responsible for guiding corporate governance by establishing committees and structures within the organisation to assist it in its effective fulfilment of its responsibilities.

The Board delegates certain functions to well-structured Sub-committees without necessarily abdicating its own responsibility. The Board, directly or through its sub-committees:

- Approves BTC's corporate strategies, annual budgets and business plans
- Approves significant capital expenditure projects, selection of suppliers and major financial proposals
- Assesses the comprehensive system of reporting on financial and non-financial matters, strategy and other operational matters
- Ensures compliance with applicable laws and regulations
- Approves acquisitions and divestments
- Assesses key business risks and monitors the management of those risks
- Ensures the effectiveness of internal control systems
- Appoints senior management, evaluates and monitors their performance.

Management is required to implement the Company's approved plans and strategies and to support the Board. The Board monitors management's performance on an ongoing basis.

Division of Responsibilities between the Board and Executive Management

There is a clear division of responsibilities between the Executive Management and the BTC Board. The Executive Directors and the Executive Management have responsibility for the daily operations of the business and the execution of the Company's strategy, subject to the policies and positions adopted by the BTC Board.

Ethical Standards

Members of the Board and all employees are required to conduct themselves according to the highest ethical standards. The Company strives always to make relevant disclosures of information to stakeholders in a transparent manner.

Sound corporate governance structures remain integral to how we do business.

CORPORATE GOVERNANCE continued

BOARD SUB-COMMITTEES

In the course and scope of discharging their mandate, the Directors are empowered to delegate part of their duties to various Board sub-committees. Certain functions of the Board are facilitated through the main sub-committees including the Audit and Risk Committee, the Human Resources Committee, Remuneration and Nominations Committee and the Technology and Investment Committee; each constituted in accordance with section 20.3.2 of the Company Constitution. These sub-committees have formal charters and report to the Board on regular intervals. The Committees are fully mandated by the BTC Board as to their membership, scope of authority, responsibilities and duties. These committees are chaired by Non-Executive Directors and are comprised of a majority of Non-Executive Directors. The Board is supported by specialist Committees as follows:

Audit and Risk Committee

Members

Mr. Ranjith Priyalal De Silva (Chairperson)
Mr. Andrew Johnson
Ms. Serty Leburu

Overview

The Committee operates within defined terms of reference as set out in its Charter and the authority granted to it by the Board, and meets at least quarterly with more meetings being held when necessary. The internal and external auditors attend these meetings and have unrestricted access to the Chairperson. The Company's Audit and Risk Committee is composed of at least three Independent Non-Executive Board Members and is chaired by a Non-Executive Director. There are no relationship overlaps that could interfere with the Audit and Risk Committee members' independence from Management.

The main responsibility of the Audit and Risk Committee is to assist the Board in discharging its responsibilities under the Companies Act and ensuring compliance with other applicable legislation and requirements of regulatory authorities. In particular, it monitors financial controls, accounting systems and reporting, compliance with legal and statutory requirements, evaluation and the management of risk and internal control systems, and the effectiveness of the internal and external auditors. The Committee also evaluates BTC's exposure and response to significant risks, including risks to its sustainability.

The activities of the Audit and Risk Committee are set out in the Report of the Audit and Risk Committee on page 67.

Human Resources, Remuneration and Nomination Committee

Members

Ms. Choice Pitso (Chairperson)
Ms. Lorato Boakgomo-Ntakhwana
Mr. Ranjith Priyalal De Silva

Overview

The Committee operates within defined terms of reference as set out in its charter and the authority granted to it by the Board, and meets at least quarterly with more meetings being held when necessary. The Company's Human Resources, Remuneration and Nominations Committee is composed of at least three Non-Executive Board Members.

The Committee's mandate includes:

- Recommending to the Board nominations for Board membership and the appointment of General Managers and the Managing Director
- Ensuring alignment of the remuneration strategy and policy with BTC's business strategy
- Determining remuneration packages needed to attract, retain and motivate high performing staff without paying more than is necessary for this purpose
- Ensuring that remuneration relative to other comparable companies is pitched at the desired level taking relative performance into account.

On behalf of the BTC Board, the Human Resources, Remuneration and Nomination Committee

- Reviews remuneration levels of staff
- Reviews performance-based incentive schemes, the related performance criteria and measurements, including share option allocations
- Reviews fees payable to Non-Executive Directors (as a separate process from executive remuneration reviews) for confirmation of the BTC Board.

The report of the Human Resources, Remuneration and Nominations Committee is included on page 68.

Technology and Investment Committee

Members

Mr. Andrew Johnson (Chairperson)
Ms. Serty Leburu
Mr. Maclean Letshwiti

Overview

The Committee operates within defined terms of reference as set out in its charter and the authority granted to it by the Board and meets at least quarterly with more meetings being held when necessary. The Company's Technology and Investment Committee is composed of no fewer than three Non-Executive Board Members. The role of the Committee is to assist the Board to ensure that it fulfils its corporate governance and oversight responsibilities for the Company's strategy in relation to Technology and Investment opportunities.

The duties of the Committee include the following:

On Technology, to:

- Review BTC's technology planning and strategy, including the financial, tactical and strategic benefits of proposed significant technology-related projects and initiatives
- Receive reports on existing and future trends in technology that may affect BTC's strategic plans, including monitoring overall industry trends
- Provide oversight over new innovative technology developments for future deployment within the Company
- Increase awareness of key technology changes and innovations within the Company and in the marketplace
- Review and endorse technology investments and projects including monitoring and reviewing post implementation results of all such key technology projects
- Consider the negative impact that technology could have on the environment and provide sustainable solutions for Management's action
- Ensure that there are appropriate systems in place for the management of information assets and the performance of data functions
- Ensure that there are systems in place for private information (such intellectual property, investment decisions and tendering processes) to be treated by the Company as an important business asset and that all personal information that is processed by the Company is identified
- Ensure that an Information Security Management System (ISMS) is developed and incorporates the following high-level information security principles:
- Confidentiality of information
- Integrity of information
- Availability of information and information systems in a timely manner.

On Investment activities, to:

- Review the performance of BTC investments linked to the Company's overall investment strategy
- Consider capital projects, acquisitions and disposal of assets in line with the BTC's overall strategy
- Consider changes in the scope of projects that exceed limits, as may be determined by the Board from time to time, in approving the tender regulations, whether once-off or collectively, of the approved project estimate
- Approve and advise the Board on any other investment
- Consider the viability of the capital projects and/or acquisitions and/or disposals and the effect they may have on the Company's cash flow, as well as whether they comply with the Company's overall strategy
- Ensure that appropriate due diligence procedures are followed when acquiring or disposing of assets
- Oversee the proper value delivery of Technology and ensure that the expected return on investment from significant Technology investments and projects is delivered and that the information and intellectual property contained in the information systems are protected.

On Mergers and Acquisitions activities, to:

- Evaluate and revise mergers and acquisitions approval policies for investment, acquisition, enterprise services, joint venture and divestiture transactions, and consider requests from Management to approve such proposed transactions
- Evaluate the execution, financial results and integration of completed investment, acquisition, enterprise services, joint venture and divestiture transactions
- Report to the Board, and make recommendations to the Board, as to the scope, direction, quality, investment levels and execution of investment, acquisition, enterprise services, joint venture and divestiture transactions
- Oversee and recommend strategic alliances
- Oversee loans and loan guarantees of third party debt and obligations
- Oversee investor relations activities.

On material tender decisions, to:

- Review quarterly reports on the decisions of the Management Tender Committee
- Award tenders in line with BTC's approved procurement policy and tender regulations
- Review significant technology expenditures, including the associated budget for BTC and its business segments
- Receive reports from management, as and when appropriate, concerning the implementation of BTC's technology initiatives, including the cost compared to budget, the expected benefits and the timelines of implementation.

Ad-hoc Committees

Ad-hoc Committees are appointed by the Board, as and when necessary, to consider specific issues before submission to the Board for a final decision. The Board, as it finds necessary, determines the terms of reference of such committees.

Board and Committee Meetings

A minimum of four (4) Board meetings are scheduled each financial year to consider strategic and key issues, financial matters, operational performance and any specific proposal for capital expenditure and investment, where applicable. Additional meetings are convened on an ad-hoc basis to consider extraordinary items of importance which may require urgent attention.

Board meetings are convened by a formal notice incorporating a detailed agenda together with relevant written proposals and reports. Information is distributed in a timely manner prior to Board meetings to facilitate adequate preparation for thorough discussion at these meetings. A number of decisions may be taken between Board meetings by written resolution in accordance with the Company's founding documents.

CORPORATE GOVERNANCE continued

Attendance and Meetings of the Board and Board Committees

The BTC Board is expected to meet at least quarterly and retains full control over the Company. The BTC Board monitors Management, ensuring that material matters are subject to BTC Board approval, and reserves to itself a range of key decisions to ensure that it retains proper direction and control of the Company.

A summary of meetings held and attended is presented below:

	MAIN BOARD		TECHNOLOGY & INVESTMENT COMMITTEE		AUDIT AND RISK COMMITTEE		HUMAN RESOURCES & REMUNERATION COMMITTEE	
	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance
Ms. Lorato Boakgomo-Ntakhwana	✓	9/9					✓	1/1
Mr. Gerald Nthebolan (resigned)	✓	4/5	✓	4/5				
Mr. Alan Boshwaen (resigned)	✓	3/5			✓	2/4	✓	1/2
Professor Rejoice Tsheko (resigned)	✓	5/5	✓	5/5			✓	2/2
Ms. Serty Leburu	✓	8/9	✓	6/7	✓	3/5		
Ms. Choice Pitso	✓	8/9			✓	3/3	✓	4/4
Mr. Maclean Letshwiti	✓	8/9	✓	6/6				
Mr. Andrew Johnson	✓	6/6	✓	3/3	✓	2/2		
Mr. Priyalal De Silva	✓	6/6			✓	2/2	✓	1/1
Mr. Anthony Masunga	✓	9/9	✓	7/7	✓	5/5	✓	4/4

REPORT OF THE AUDIT AND RISK COMMITTEE

The Committee is pleased to present its report for the financial year ended 31 March 2018.

The report is presented in accordance with the recommendations contained in the King III Report on Corporate Governance. The Committee operates within defined terms of reference as set out in its charter and the authority granted to it by the Board.

Pre-approved permissible non-audit services performed by the external auditors include taxation. Prohibited non-accounting services include valuation and accounting work where their independence might be compromised by later auditing their work. The Audit Committee ensures that there is appropriate independence relating to non-audit services provided by the external auditors.

During the period under review the following activities, among others, were carried out:

- Reviewed and commented on the Annual Financial Statements and the accounting policies and ensured that the Annual Financial Statements of the Company comply with all statutory requirements;
- Monitored compliance with accounting standards and legal requirements;
- Reviewed the quality and effectiveness of the external audit process, the External Auditor's Report to the Committee and management's responses;
- Reviewed interim reports, results announcements and other releases of price-sensitive information;
- Reviewed significant judgements and/or unadjusted differences resulting from the audit, as well as any reporting decisions made;
- Recommended the re-appointment of Ernst & Young as the registered Independent Auditors;
    - Set the terms of Ernst & Young's engagement;
    - Determined the fees to be paid to Ernst & Young and ensured that the fees are fair and equitable;
    - Maintained a non-audit services policy which determines the nature and extent of any non-audit services that Ernst & Young may provide to the Company;
- Ensured that the Company's existing combined assurance model addresses the significant risks facing the Company;
- Formed an integral component of the risk management process and, amongst others, monitored:
    - Financial reporting risks
    - Internal financial controls
    - Fraud risks as they relate to financial reporting
    - Information technology (ICT) risks as they relate to financial reporting;
- Played an oversight role in respect of the internal audit function to ensure its effectiveness:
    - Approved the Internal Audit Annual Operational Plan;
    - Monitored closure of reported audit findings;
- Reviewed developments in corporate governance and best practice and considered their impact and implications on the Company and in particular ensured that the principles of King III are embedded throughout the Company;
- Satisfied itself that the General Manager Finance is appropriately qualified and experienced to fulfil his role and that the Finance function is suitably resourced and skilled to carry out its obligations; and
- Reviewed the text of various reports, including the Going Concern Statement, Corporate Governance Report and directors' report for inclusion in the Integrated Annual Report for the year ended 31 March 2018.

Annual financial statements

The Audit and Risk Committee has evaluated the consolidated annual financial statements for the year ended 31 March 2018 and ensured that they comply, in all material aspects, with the requirements of the Companies Act and appropriate International Financial Reporting Standards. The Committee has therefore recommended the annual financial statements for approval to the Board. The Board has subsequently approved the financial statements, which will be open for discussion at the forthcoming Annual General Meeting.

Conclusion on fulfilment of duties and obligations

Given the above, the Committee is of the opinion that it has appropriately addressed its key responsibilities in respect of:

- Internal control
- Financial accounting control
- Risk management
- Selected stakeholder reporting that relates to the Audit and Risk Committee
- Statutory and regulatory requirements.

The Chairperson of the Audit and Risk Committee will be available at the Annual General Meeting to answer queries about the work of the Committee.

Ranjith Priyalal De Silva
Chairperson

CORPORATE GOVERNANCE continued

REPORT OF THE HUMAN RESOURCES, REMUNERATION AND NOMINATION COMMITTEE

The Committee is pleased to present its report for the financial year ended 31 March 2018. This report sets out the Company's remuneration philosophy.

Remuneration philosophy

The remuneration philosophy applies to all the Company's operations. It is the Company's philosophy to:

- Appropriately compensate employees for the services they provide the Company;
- To reward and recognise employees for the attainment of specific Company performance targets as well as the attainment of individual performance goals through variable pay;
- To inculcate a positive culture through proper recognition structures;
- Attract and retain talented, skilled and high performing employees to effectively manage the operations and growth of the business;
- Motivate employees to perform in the best interests of the Company and its stakeholders; and
- To assist its employees on career development through training and development.

Remuneration levels are positioned relative to other comparable organisations, the current economic environment, and individuals' personal performance and the Company's business model. Remuneration comprises of elements of fixed remuneration and performance-based (at-risk) remuneration.

Remuneration structure

The various elements of the remuneration structure are discussed below.

Remuneration

The basic element of remuneration is a base salary that is required to attract and retain a given set of skills, competencies and experience.

Employee benefits and retirement funding

Other components of reward are given to employees. These are subject to local competitive practice and legislation. The Company provides, where appropriate, through third parties, additional elements of compensation:

- Pension or Retirement savings, comprising full or partially matched (with employee) contributions towards retirement savings, subject to local competitive practice and legislation;
- Gratuity
- Group Life Assurance;
- Medical Aid; and
- Allowances

Short term incentives (STI)

Employees have an element of STI based remuneration, comprising one of the following:

- A pool-based Performance Incentive Bonus which award is at the Boards discretion;
- The bonus is triggered by the achievement of the budgeted Profit Before Tax (PBT) as determined by the Board at the beginning of the financial year under review; and
- Individual award is based on performance.

Non-Executive Directors' Remuneration

The remuneration for the non-executive directors for the year ended 31 March 2017 was approved by the shareholders at the Company's Annual General Meeting on 31 October 2017.

Choice Pitso
Chairperson

Directors; Remuneration and Shareholding

Except for the Managing Director, members of the Board are not entitled to monthly or annual salaries. Members of the Board and Sub-committees are paid a sitting allowance.

The aggregate number of Botswana Telecommunications Corporation Limited shares held directly by Directors as at March 2018 is 604,488. Details of the shareholding are as per the table below:

MEMBER	POSITION	DIRECTORS REMUNERATION (AMOUNT IN PULA)	DIRECTORS SHAREHOLDING (NUMBER OF SHARES)
Ms. Lorato Boakgomo-Ntakhwana	Chairperson	201,000	254,488
Mr. Gerald Nthebolan (retired)	Vice Chairperson	48,000	N/A
Mr. Anthony Masunga	Managing Director	2,869,880*	250,000
Mr. Alan Boshwaen (resigned)	Director	34,000	N/A
Ms. Serty Leburu	Director	122,000	NIL
Professor Rejoice Tsheko (retired)	Director	67,000	N/A
Ms. Choice Pitso	Director	122,000	100,000
Mr. McLean Letshwiti	Director	90,000	NIL
Mr. Andrew Reginald Johnson	Director	101,000	NIL
Mr. Ranjith Priyalal De Silva	Director	57,000	NIL

* Managing Director's remuneration includes bonus in respect of financial year ended 31 March 2017 and other allowances.

Internal Audit

The Company has an Internal Audit function that reports directly to the Audit and Risk Committee to provide assurance on the adequacy and effectiveness of controls to mitigate risks to its strategic, operational, financial and compliance objectives. Internal controls however can only provide reasonable and not absolute assurance against material misstatements or loss. The key elements of the system of internal control are delegation, operations, planning and empowerment, competence, monitoring and reporting, and Internal Audit.

The systems are designed to provide reasonable assurances to the integrity and reliability of the financial statements and other operational information. Such systems of internal controls are designed to manage rather than eliminate the risks of failure to meet business objectives, providing reasonable but not an absolute assurance against material loss or misstatement.

Based on the information received from management, the Audit and Risk Committee and the Internal Audit Division, the Board believes that the systems of internal controls can be reasonably relied upon, and that there was no material threat in the effectiveness of the system of internal control during the year under review.

Internal Audit Function

According to the King III Code of Corporate Governance, the key responsibility of Internal Audit is to the Board and/or its committees in discharging its governance responsibilities. It is for this reason that BTC has an independent Internal Audit function which administratively reports directly to the Managing Director, with a dual reporting responsibility to the Audit and Risk Committee. The Internal Audit process provides an assurance that significant risks are subject to periodic review and that control processes are in place and weaknesses are identified and mitigated. The Internal Audit is also expected to advise the Board whether the Company's framework of risk management, internal control and governance processes, as designed by the management, is adequate and functioning. The Internal Audit Department has an Internal Audit Charter setting out the independence of the function, which has been adopted by the Audit and Risk Committee and signed by the Chairperson of that Committee.

BTC's Internal Audit function is designed to add value and enhance the Company's operations. It helps the Company to accomplish its strategic objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

CORPORATE GOVERNANCE continued

The Internal Audit process provides an assurance that significant risks are subject to periodic review, control process are in place and weakness are identified and mitigated. In performing its duties, Internal Audit is principally guided by the Institute of Internal Auditors' professional practice framework, King III and other relevant standards in undertaking internal audit responsibilities.

The Internal Audit Charter places considerable emphasis on:

- Independence of the internal audit function;
- Integrity and professionalism within internal audit; and
- Risk-Based Internal Auditing.

The Internal Audit function reports administratively to the Managing Director and functionally to the Board via the Audit and Risk Committee. Internal Audit also advises the Board on the Company's risk management framework, control effectiveness and compliance to laws and regulatory requirements.

The Internal Audit follows a risk-based methodology to develop the annual audit plan, which is reviewed and approved by the Audit and Risk Committee. The Chairperson of the Audit and Risk Committee appraises the Board on the duties of the Internal Audit function on quarterly basis. All the work is conducted by appropriately qualified and experience team members and follows the Institute of Internal Audit Standards.

A summary of audit results, progress against delivery of the audit plan and progress in closing both Internal and External Audit findings items are presented bi-weekly to the Executive Management and quarterly to the Audit and Risk Committee. The Committee actively reviews the Internal Audit submissions and appraises the Board.

Through the anonymous tip-offs line, managed by Deloitte, Internal Audit investigates all reported cases and conveys its findings and recommendations to the Managing Director and the Audit and Risk Committee.

Monitoring Results and Management Reporting

Effective internal controls should prioritise the timing of information required as per the applicable laws and needs of management. All reporting of financial and other results is carried out as an effective monitoring mechanism; actual results are compared against the annual plans and against the historical trends of the previous years.

Risk Management

Effective risk management is integral to the Company's objectives of consistently adding value to the business. Management is continuously developing and enhancing its risk and control procedures to improve the mechanisms for identifying and monitoring risks. Operating risk is the potential for loss to occur through a breakdown in control information, business processes and compliance systems. Key policies and procedures are in place to manage operating risk exposure involving segregation of duties, transaction supervision, monitoring, financial and managerial reporting.

In addition to the above, the Board has endeavoured to ensure that control systems, designed to safeguard the Company's assets and maintain proper accounting records that facilitates the production and availability of reliable information, are in place and are functioning as planned.

The programme ensures that a wider range of risks, arising as a result of the Company's diverse operations, are effectively managed in support of the uninterrupted communications services to Botswana and the creation and preservation of shareholder wealth. The significant business risks to the Company, financial, operational and compliance, which could undermine the achievement of the Company's business objectives are identified, mitigation is established, and risk owners appointed. Business risks are reviewed on a semi-annual basis.

A Risk Management Report is included on page 78 to 83.

Going Concern

The Board has considered and recorded all relevant facts and assumptions and has concluded that BTC has adequate resources to continue in operational existence for the foreseeable future. Their statement in this regard is also contained in the statement of Director's responsibility for the Annual Financial Statements.

Approval of Annual Financial Statements

The financial statements of the Company were reviewed by the Audit and Risk Committee, approved by the Board and can be signed off by any two Directors. In practice, however, they are usually signed on behalf of the Company by the BTC Chairperson and the Managing Director.

External Auditors

The external auditors provide an independent assessment of BTC's systems of internal financial control and express an independent opinion on the Annual Financial Statements. The external audit function provides reasonable assurance on the accuracy of financial disclosures within the approved thresholds of materiality. The external auditors' plan is reviewed by the Audit and Risk Committee to ensure all significant

areas of concern are covered, without infringing on the external auditor's independence and right to the audit.

Close cooperation between the internal and external auditors ensures that there is adequate coverage of all material areas within BTC. In terms of the Companies Act, the Shareholders' at the Annual General Meeting appointed Ernst & Young, a firm of Certified Auditors, as the auditors for the year under review.

Compliance with Laws and other legal Requirements

BTC considers compliance with applicable laws, industry regulations, codes and its own ethical standards and internal policies to be an integral part of doing business. BTC's Company Secretary function facilitates the management of compliance through analysing statutory and regulatory requirements, drafting compliance management plans and subsequently implementing those plans throughout the Company and monitoring the implementation of suggested controls to ensure compliance with applicable statutory and regulatory requirements.

The Compliance Checklist and Legal Register rolled out to the business covers dissemination of new legislation, handling of regulatory visits, development and review of risk universes, and various regulatory reporting procedures.

Various pieces of legislation including the Companies Act, the BOCRA Act and the Financial Intelligence Act (FIA) were analysed for purposes of developing and reviewing the risk universes of the business. The Board is conscious of its responsibility and is unequivocally committed to upholding ethical behaviour in conducting its business. The Board, through the Company Secretary's office, strives to ensure that the businesses of the Company comply with the laws and regulations of Botswana.

Company Secretary and Professional Advice

The Company Secretary is Mr. S Mganga. All Directors have unlimited access to the advice and services of the Company Secretary, who is accountable to the Board for ensuring that all prescribed procedures are complied with, and that sound corporate governance and ethical principles are adhered to. Any Director is entitled to seek independent professional advice concerning the discharge of his or her responsibilities at BTC's expense, though the encouraged practice is to arrange this through the Company Secretary.

Relationship with Employee Representatives

As part of maintaining harmonious relations and a conducive employee relations climate within the Company, the Botswana Telecommunications Employee Union (BOTEU) and Management continue to engage each other through the established communication, consultation and negotiation forums.

Environment, health, safety and sustainability

The Company strives to conform to, and to exceed, environmental, health and safety laws in its operations and also seeks to add value to the quality of life of its employees through preventative health programmes.

Prevention & detection of Fraud and Errors

An effective internal control system should provide for prevention and detection of fraud and errors.

CORPORATE GOVERNANCE continued

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

To improve the corporate governance principles and to enhance the Board's accountability, the Company voluntarily decided to subject itself to the world class code on Corporate Governance, the King Code on Corporate Governance (www.kingIII.co.za). The statement below, which is based on the code published by the King Committee, measures the degree of its compliance to the respective codes. The Company has complied with the Codes of Best Practice throughout the financial year ended 31st March 2018, other than with the exceptions stated below:

COMPLIANCE WITH KING III PRINCIPLES

PRINCIPLE	DESCRIPTION OF PRINCIPLE	COMPLIANCE	COMPLIANCE STATUS AND ADDITIONAL COMMENTS
1. Ethical Leadership and Corporate Citizenship			
P 1.1	The Board should provide effective leadership based on an ethical foundation.	✓	In accordance with the Board Charter, the Board is the curator of the values and ethics of BTC. BTC recognises that good governance emanates from effective, responsible leadership, which is characterised by ethical values.
P 1.2	The Board should ensure that the Company is and is seen to be a responsible corporate citizen.	✓	BTC Corporate Social Responsibility reports adequately reflects the Company's commitment to good corporate citizenship.
P 1.3	The Board should ensure that the Company 's ethics are managed effectively.	✓	BTC has a code of conduct integral to the Company's employment conditions, which promotes, amongst other things the ethical values of responsibility, accountability, fairness and transparency.
2. Boards and Directors			
2.1	The Board should act as the focal point for, and custodian of, corporate governance.	✓	In accordance with the Board Charter, the Board is committed to the highest standards of corporate governance
2.2	The Board should appreciate that strategy, risk, performance and sustainability are inseparable.	✓	The Board, in accordance with the Board Charter, is responsible for aligning the strategic objectives, vision and mission with performance and sustainability considerations. BTC's risk management process considers the full range of risks including strategic and operational risks covering all areas of performance.
2.3	The Board should provide effective leadership based on an ethical foundation.	✓	See 1.1 above
2.4	The Board should ensure that the Company is and is seen to be a responsible corporate citizen.	✓	See 1.2 above
2.5	The Bboard should ensure that the Company 's ethics are managed effectively.	✓	See 1.1 above
2.6	The Board should ensure that the Company has an effective and independent Audit and Risk Committee.	✓	BTC has an effective and independent Audit and Risk Committee reporting to the Board and chaired by a Non-Executive Director.
2.7	The Board should be responsible for the governance of risk.	✓	The Board, through its Audit and Risk Committee, oversees the management of risks companywide.

PRINCIPLE	DESCRIPTION OF PRINCIPLE	COMPLIANCE	COMPLIANCE STATUS AND ADDITIONAL COMMENTS
2.8	The Board should be responsible for information technology (IT) governance.	✓	A Technology and Investment Committee responsible for this function is in place.
2.9	The Board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	✓	A compliance framework is monitored by the BTC legal team. In the Board's view, BTC is in compliance with all laws and regulations (see also 6.1).
2.10	The bBoard should ensure that there is an effective risk-based internal audit.	✓	The Internal Audit function, with the help of the external auditors, handles this function prudently
2.11	The Board should appreciate that stakeholder's perceptions affect the Company's reputation.	✓	As part of the risk assessment process, the Board through its Audit and Risk Committee evaluates all risks relating to reputational issues arising from customers, employees, shareholders, government agencies, local communities, etc.
2.12	The Board should ensure the integrity of the Company's Integrated Report.	✓	Annual financial statements are reviewed by the Audit and Risk Committee and the Board. Further the significant components of the Annual Report are reviewed by the Board before being officially released.
2.13	The Board should report on the effectiveness of the Company's system of internal controls.	✓	As part of the Internal Audit Charter, the Internal Auditors review the company's internal control systems and provide a report to the Audit and Risk Committee and to the Board. The Audit and Risk Committee as part of its reporting, confirms the adequacy of the internal controls in operation at the Company.
2.14	The Board and its Directors should act in the best interests of the Company.	✓	The terms of appointment and the acceptance of appointment as Directors dictate that the Directors act in the best interest of the Company and that all conflicts of interest are declared and/or reported and adequately dealt with.
2.15	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act.	✓	The Company always ensures that it meets the solvency tests. The company also prepares a three-year business plan incorporating financial forecasts for early detection of any financial distress situations.
2.16	The Board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board.	✓	The Board Chairperson is an Independent Non-Executive Director chosen at the Annual General Meeting of the company. The Managing Director, the equivalent of the CEO, is not the Chairperson of the Board.
2.17	The Board should appoint the chief executive officer and establish a framework for the delegation of authority.	✓	The Managing Director (equivalent to the chief executive) is appointed by the Board on a fixed period contract basis. The company has a well-defined organisational structure with strategies, targets and authority to achieve them.
2.18	The Board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	✓	Currently, all but one of the positions on the Board are filled by Non-Executive Directors.
2.19	Directors should be appointed through a formal process.	✓	Currently, Directors are selected by the Nominations Committee and approved by the Board at the Annual General Meeting.
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes.	✓	Currently, the Directors are inducted through a process of dissemination of relevant and pertinent company information, which is yet to be formalised.
2.21	The Board should be assisted by a competent, suitably qualified and experienced company secretary.	✓	The Company Secretary is a legal professional, suitably qualified to handle the company secretarial matters of BTC.

CORPORATE GOVERNANCE continued

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

PRINCIPLE	DESCRIPTION OF PRINCIPLE	COMPLIANCE	COMPLIANCE STATUS AND ADDITIONAL COMMENTS
2.22	The evaluation of the Board, its committees and the individual directors should be performed every year.	✓	The Company carries out a self-evaluation of itself and the targets set.
2.23	The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	✓	The Board has appointed three sub-committees viz. the Audit and Risk Committee, the Technology and Investment Committee and the Human Resources, Remuneration and Nominations Committee.
2.24	A governance framework should be agreed between the group and its subsidiary Boards.	✓	Each committee has terms of reference. All memberships to these committees are approved by the Board.
2.25	Companies should remunerate directors and Executives fairly and responsibly.	✓	All Directors except the Managing Director are currently remunerated only for time spent at meetings, in line with the fees approved by shareholders
2.26	Companies should disclose the remuneration of each individual director and certain senior executives.	✓	The Annual Report adequately discloses all remuneration paid to Directors, their shareholdings and other relationships to the Company.
2.27	Shareholders should approve the Company's remuneration policy.	✓	The Company's remuneration policies are approved only by the Board save for the remuneration philosophy which has to be approved by shareholders.
3. Audit Committees			
3.1	The Board should ensure that the Company has an effective and independent Audit Committee.	✓	BTC has an effective and independent Audit and Risk Committee reporting to the Board and chaired by a Non-Executive Director.
3.2	Audit Committee members should be suitably skilled and experienced independent Non-Executive Directors.	✓	BTC has an effective and independent Audit and Risk Committee comprising qualified accounting professionals and chaired by an Independent Non-Executive Director.
3.3	The Audit Committee should be chaired by an Independent Non-Executive Director.	✓	The Audit and Risk Committee is chaired by an Independent Non-Executive Director.
3.4	The Audit Committee should oversee integrated reporting.	✓	The annual financial statements are evaluated and approved by the Audit and Risk Committee.
3.5	The Audit Committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities.	✓	The Audit and Risk Committee ensures that internal audit function provides the umbrella guarantee in collaboration with other assurance providers namely Risk Management, Regulatory Compliance, Revenue Assurance and Fraud Management. External auditors also review the work carried out by Internal Audit to provide assurance and determine the level of reliance to be placed on internal audit work.
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the Company's finance function.	✓	All members of the Audit and Risk Committee are adequately qualified.

PRINCIPLE	DESCRIPTION OF PRINCIPLE	COMPLIANCE	COMPLIANCE STATUS AND ADDITIONAL COMMENTS
3.7	The Audit Committee should be responsible for overseeing of internal audit.	✓	The Internal Audit function's annual audit plans are approved by the Audit and Risk Committee. The Internal Audit function periodically reports to the Board and has unfettered access to the Committee.
3.8	The Audit Committee should be an integral component of the risk management process.	✓	The Audit and Risk Committee periodically reviews the company's risk profile and risk management approach. The Committee is of the view that the risks are being adequately addressed.
3.9	The Audit Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	✓	The Audit and Risk Committee recommends the appointment of the external auditor to the Board and to the Annual General Meeting.
3.10	The Audit Committee should report to the Board and shareholders on how it has discharged its duties.	✓	The Audit and Risk Committee formally reports to the Board after each meeting. A report of the Committee is included in the Annual Report.
4. The Governance of Risk			
4.1	The Board should be responsible for the governance of risk.	✓	The Board is aware of this risk and has delegated this task to the Audit and Risk Committee.
4.2	The Board should determine the levels of risk tolerance.	✓	The Board has established levels of risks, their impact and likelihood. The risk that can be tolerated and the risks that it is willing to take are continuously examined by the Audit and Risk Committee. A risk register is in place to address this.
4.3	The Risk and Audit Committee or Audit Committee should assist the Board in carrying out its risk responsibilities.	✓	The Audit and Risk Committee is a sub-committee of the Board and assists the Board in its responsibility for the governance of risks.
4.4	The Board should delegate to management the responsibility to design, implement and monitor the risk management plan.	✓	The Board has delegated to management the responsibility to design and implement risk management measures and to monitor the risks.
4.5	The Board should ensure that risk assessments are performed on a continual basis.	✓	The Audit and Risk Committee meets periodically to consider various matters including discussions of the risk assessments, risk framework and methodology.
4.6	The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	✓	The Audit and Risk Committee looks at the risk frameworks and methodologies and ensures that unpredictable risks are well managed. This is an on-going process.
4.7	The Board should ensure that management considers and implements appropriate risk responses.	✓	The annual risk management report is submitted to the Audit and Risk Committee and to the Board containing the risk responses. These are periodically monitored.
4.8	The Board should ensure continual risk monitoring by management.	✓	A risk register is in place for purposes of managing all risks.
4.9	The Board should receive assurance regarding the effectiveness of the risk management process.	✓	The Audit and Risk Committee provides the required level of comfort in the evaluation of the effectiveness of the risk management process.
4.10	The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	✓	A risk management report containing all high level and operational risks, their impact and the level of responses are included in the Annual Report.

CORPORATE GOVERNANCE continued

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

PRINCIPLE	DESCRIPTION OF PRINCIPLE	COMPLIANCE	COMPLIANCE STATUS AND ADDITIONAL COMMENTS
5. The Governance of Information Technology (IT)			
5.1	The Board should be responsible for information technology (IT) governance.	✓	The Board understands the importance of the information technology governance and associated risks. It has delegated the responsibility for IT governance issues through the Managing Director to the appropriate management personnel.
5.2	IT should be aligned with the performance and sustainability objectives of the Company.	✓	IT is a significant component of BTC's operations, most of which are based on IT platforms, technologies and processes and are crucial to its performance and sustainability. As such, adequate attention is being given to IT.
5.3	The Board should delegate to management the responsibility for the implementation of an IT governance framework.	✓	The responsibility for investing, implementing and managing the IT function is delegated to the management as well as other functions within the IT infrastructure.
5.4	The Board should monitor and evaluate significant IT investments and expenditure.	✓	Responsibility for managing the IT governance framework is delegated to management. The framework supports effective and efficient decision-making around the utilisation of IT resources to facilitate the achievement of the Company's objectives.
5.5	IT should form an integral part of the Company's risk management.	✓	The management of IT-related risk is the duty of management. Risks relating to IT are part of the overall risk management function within BTC. IT management ensures good project management principles are applied.
5.6	The Board should ensure that information assets are managed effectively.	✓	In BTC, the IT assets are an integral part of the overall asset structure of the Company and are, therefore, adequately managed.
5.7	A Risk Committee and Audit Committee should assist the Board in carrying out its IT responsibilities.	✓	IT risk management is part of the overall risk management profile of the Audit and Risk Committee.
6. Compliance with Laws, Rules, Codes and Standards			
6.1	The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	✓	A compliance framework is monitored by the BTC legal team. In the Board's view, BTC is compliant with all laws and regulations.
6.2	The Board and each individual Director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the Company and its business.	✓	The induction process for new Board members attempts to sensitise the Directors with all laws and regulations affecting the company as well as their roles and responsibilities which include fiduciary duties.
6.3	Compliance risk should form an integral part of the Company's risk management process.	✓	Compliance to laws and regulations is identified under different risk dimensions, such as market risks, regulatory risks, finance risks, etc., and are adequately considered.
6.4	The Board should delegate to management the implementation of an effective compliance framework and processes.	✓	BTC has an adequate level of responsibilities ensuring compliance with all applicable laws and regulations.

PRINCIPLE	DESCRIPTION OF PRINCIPLE	COMPLIANCE	COMPLIANCE STATUS AND ADDITIONAL COMMENTS
7. Internal Audit			
7.1	The Board should ensure that there is an effective risk based internal audit	✓	The Company has a dedicated Internal Audit function responsible for this detail
7.2	Internal audit should follow a risk-based approach to its plan.	✓	See 7.1 above
7.3	Internal audit should provide a written assessment of the effectiveness of the Company's system of internal control and risk management.	✓	The Internal Audit reports quarterly to the Audit and Risk Committee on audits carried out in order to assess effectiveness of the internal controls.
7.4	The Audit Committee should be responsible for overseeing internal audit.	✓	See 7.1 above
7.5	Internal audit should be strategically positioned to achieve its objectives.	✓	See 7.1 above
8. Governing Stakeholder Relationships			
8.1	The Board should appreciate that stakeholder's perceptions affect a company's reputation.	✓	The Board is aware of reputational risk and its potential effect on the company's operations, performance and results. It takes reputational issues seriously and these are regularly discussed at Board meetings.
8.2	The Board should delegate to management to proactively deal with stakeholder relationships.	✓	The BTC management structure and the organisational responsibility adequately deal with the issues relating to the various stakeholders.
8.3	The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company.	✓	The Board has delegated its responsibilities to address the relationship with stakeholders to various Board committees to and, in some instances, to the management.
8.4	Companies should ensure the equitable treatment of shareholders.	✓	BTC is an equal opportunity employer and carries out its activities within ethical guidelines and with the utmost impartiality. As such, all shareholders are treated equitably and receive information simultaneously
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	✓	BTC has adopted a responsible practice in communicating transparently and effectively with its various stakeholders.
8.6	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	✓	BTC has dispute resolution mechanisms with various stakeholder, such as customers, employees, suppliers, community, shareholders, etc.
9. Integrated Reporting and Disclosure			
9.1	The Board should ensure the integrity of the Company's Integrated Report.	✓	The Board upholds globally recognised high standards of reporting and rigorously ensures the integrity of any data before disclosure for reporting purposes.
9.2	Sustainability reporting and disclosure should be integrated with the Company's financial reporting.	✓	Sustainability reporting is included as part of the Annual Report.

RISK MANAGEMENT REPORT

BTC considers risk as a natural part of any business process and the management of risk as a key operating philosophy and an integral component of its activities. BTC faces a wide range of risks, both internal and external to the organisation, which can have significant impact on the outcome of its operations.

Risk management is fundamental to good corporate governance practices and an integral part of the corporate governance process. BTC recognises that the process of risk management is crucial for the business to succeed, meet its objectives and add value for the shareholders.

Risk management activities at BTC are governed by the following principles, which are aligned with its strategy and business model. These are:

- The integration of the culture of risk management throughout BTC's values, processes, decision making and business planning;
- An organisational and governance model that assigns all risks to those responsible for their control and management;
- Independence of the risk function, covering all risks and providing an adequate separation between the risk generating functions and those responsible for its control and supervision;
- A complete framework of process control mechanisms for managing and controlling risks; and
- A comprehensive approach to all risks, both internal and external, involves drawing up a risk universe and clearly defining the risks, their nature, impact and mitigation strategy.

BTC therefore, has developed and implemented a Risk Management Policy Framework, which integrates the process of managing risks into the Company's overall strategy management, governance processes and effective reporting. This framework helps the Company to manage risk in a systematic, transparent and cost-effective manner.

BTC Risk Philosophy

BTC recognises that an effective risk management process is fundamental to achieving its business goals. The Company is aware that business opportunities can be enhanced through better management of risk. The risk management process therefore aims to ensure that a more inter-dependent and more explicit connection exist between managing the business and managing risks. BTC also believes that it can manage risks only if its employees are equipped to manage risks and believes that it is the corporate culture which facilitates the enterprise-wide risk management process. BTC therefore recognises that in order to add value to its business, it needs to take business risks. BTC's view is that it is not possible to eliminate risk entirely and therefore manages risk rather than seeking to eliminate it completely.

Understanding strategic, operational, compliance and financial risks is a vital element of BTC's risk management and oversight process. BTC's risk management and oversight programme is not an end in itself, but a process to support management in achieving its set goals. BTC understands that no matter how comprehensive its risk management and control system may be, it cannot be assumed to be exhaustive, nor can it provide certainty that it will prevent negative developments in BTC's business or that its mitigating actions will be fully effective. It is important to note that new, as yet unknown, risks may still be identified and that any of the risks identified in this report could have a material adverse effect on BTC's financial position, results of operations, liquidity or the actual outcome including those referred to in the forward-looking statements contained in this Annual Report.

Risk Management Responsibility

The effective management of risks within BTC is essential to and underpins the delivery of the Company's objectives. The Board is responsible for the oversight of the risk management processes which stipulate that risks are identified and appropriately managed across the Company. It has delegated the responsibility for reviewing the effectiveness of the Company's internal controls, including the systems established to identify, assess, manage and monitor risks, to the Audit and Risk Committee of the Board. The overal internal Risk function is the responsibility of the General Manager, Internal Audit and Risk Management. The day-to-day responsibility for risk identification, analysis, evaluation, mitigation, reporting and monitoring rests with the operating divisions and business units of the Company and these are coordinated by the Head of Risk Management and Divisional Risk Champions. The Company's risk management policy requires all operating divisions and business units to identify and assess the risks to which they are exposed. Risk registers are used to document identified risks, their cause, possible consequences and control mechanisms.

On identification, risks are analysed as to the likelihood of occurrence and potential impact on the business. Action plans are then developed and put in place to mitigate or eliminate unwanted exposure to identified risks. Individual managers are allocated responsibility for assessing and managing the risks identified within their business units. Risks and their corresponding mitigations are subject to review within the Company. Established business reporting systems exist to ensure that significant risks are escalated through operating division or business units to the Executive Committee and the Board.

RISK MANAGEMENT REPORT continued

BTC Enterprise-Wide Risk Management Process

In order to manage risk, BTC identifies and analyses risks it faces, ranks them by the likelihood of occurrence and significance of consequences, and determines the most effective ways to manage them. BTC's Headline Risk Register groups the risks into five broad categories - people, processes, technology, customers and shareholders. High level risk assessment takes place under different dimensions and such analysis include, operational risks, market risks, network obsolescence risks, internal processes risks, regulatory/compliance risks, etc. (see table below). These assessments are followed up by a more detailed systematic analysis and identification at business unit or departmental level.

The process we follow

The process of defining, assessing, classifying and monitoring risks is set out below:

1. Defining the risks

Various levels of management in each operating business unit define risks according to risk tolerance at the project, process, operational, tactical and strategic levels.

2. Setting the risk appetite

BTC's risk appetite is determined by the type of risk. This allows for a more controlled way of managing risk levels. Aggregation of total risk is done qualitatively, and the management assesses the acceptability of BTC's consolidated risks profile.

3. Assessing the impact and likelihood of the risks on the organisation should they occur

Risks are assessed based on the likelihood of occurrance and the possible impact on the business (i.e. customers, business operating systems and process, employees, financial position, brand & reputation, etc.)

4. Determining the risk response

Control strategies usually considered are:

- Accepting the risk
- Transferring the risk
- Elimination of the risk by adopting an exit strategy
- Avoiding the risk in other ways

5. Classifying the risks

BTC classifies risks as, high, medium or low based on their impact and the likelihood of occurrance. Therefore where a risk has a high likelihood of occurrance and the impact on our business, financial position or reputation is assessed as high, it would be considered critical.

6. Monitoring and reporting the risks

We capture all risks across the business; operational, tactical and strategic, into our risk system.

Some of the routine processes that are part of the normal day-to-day operations to identify, prevent and control risks are:

- Planned and preventive maintenance programmes
- Compliance and assurance audits
- Regular monitoring of the market and financial indicators
- Internal and external audit reviews
- Risk awareness training
- Business continuity and disaster recovery programmes
- Security management programmes
- Safety awareness programmes (SHE)
- Environmental impact assessments

Our risk management approach and practices continued to focus on minimising the adverse impact of risks on our business objectives and to enable the Company to leverage market opportunities based on a risk return balance.

Business Continuity Management

Business Continuity Management (BCM) is an integral part of good management practice and corporate governance, and BTC has therefore instituted an organisation-wide Business Continuity Management (BCM) programme. This programme is implemented using a comprehensively defined Business Continuity Management Framework, which has been modelled on the leading industry standard – ISO22301, global leading practices and guidelines from institutes such as the Business Continuity Institute (BCI), the Disaster Recovery Institute (DRI), and the King III report which proposes the integration of people, technologies and processes as part of organisation-wide risk management and the implementation of a robust arrangement for business resilience.

BTC's BCM programme provides a comprehensive and systematic process of prevention, protection, preparedness, mitigation and response for business continuity and recovery. It ensures that adaptive and proactive measures are implemented to reduce the likelihood of unexpected disruption to business critical functions. This prepares BTC to deal with disruptive incidents that might otherwise prevent it from achieving its objectives to protect the interest of key stakeholders, shareholders, reputation and brand.

Disaster Recovery Plans have been developed, documented and annually tested for all functions that have been identified as critical to the organization including the following areas:

- Transport network systems
- Switching systems
- Access systems
- Power and mechanical systems
- Satellite systems
- Data systems
- IP systems
- Enterprise systems
- Mobile systems
- IT systems
- Billing systems
- SHE management.

The primary core of BTC's Business Continuity Management is to ensure a high level of service availability to the customers, to ensure that appropriate priority is given to systems during failures, that resources for recovery and fault restoration are available, crises are managed and cleared on time, and to provide guidance for recovery, escalation and crisis coordination

Business Continuity Management (BCM) is an integral part of good management practice and corporate governance.

RISK MANAGEMENT REPORT continued

Risks that could affect BTC business

There are a number of risk factors that may affect BTC's businesses. These top 10 risks are as follows:

CONTEXT	RISK DESCRIPTION	MITIGATING FACTORS
Competition	Stiff competition from VANS providers in the Botswana telecommunication sector.	BTC is strengthening its brand, accelerating the introduction of new products and converged services that will promote customer loyalty and increase BTC's market share..
Economic Decline	Economic pressures with associated high unemployment, decline in consumer spending, inflationary pressures on disposable income, cost cutting measures by key customers, increase in utility tariffs result in low demand and a decrease in spending power on BTC products.	Stricter budget control and enhanced management reporting, the creation of new innovative affordable services, and efficient credit management.
Regulatory Pressure	Regulatory pressure to reduce tariffs may impact on BTC market share & competitive position. Non-compliance to statutory and regulatory requirements and best corporate governance standards.	Enhance initiatives to improve operational efficiency and the quality of information to enable BTC to cope with an everchanging regulatory landscape. Full compliance to regulatory requirements by ensuring vigilance on internal controls monitoring and strict governance controls.
Technology Risks	Network obsolescence, network failures, inadequate visibility & monitoring of the network system, data integrity, cyber security breaches, theft & vandalism of network elements and poor vendor contracts leads times.	Derive value from technical partnerships and prioritisation of network modernisation and optimisation deployment.
Business Continuity Management	No network resilience and redundancy on critical systems and lack of adherence to Business Continuity Management (BCM) plans.	Enhanced implementation of a robust Business Continuity planning, processes and awareness.
Innovation	BTC's failure to provide solutions vs. pushing products, revenue erosion due to product cannibalisation and lack of sales skill set.	Entrenched culture of innovation with clear processes and governance.
Quality of Service	Increased churn due to poor quality of service and standards, slow turnaround times on installation and maintenance resulting in bad customer experience and product performance.	Timely delivery of capital projects and compliance with service standards.

We believe in identifying potentials risks and proactively mitigating them.

CONTEXT	RISK DESCRIPTION	MITIGATING FACTORS
Converged Billing System	Converged billing implementation glitches that included loading recharge, USSD codes and voice notification.	End to end project management to enhance efficiency.
Critical Skills	Limited critical skills in key areas (e.g. Internet Protocol (IP), Information Technology (IT), Cost & Pricing).	Training, capacity building and talent management, and succession planning.
Corporate Culture	Low productivity levels Poor customer service High turnover of key talents & skills.	Develop and implement a cultural transformation agenda.

06

OUR FINANCIAL REVIEW

10 YEAR REVIEW

SELECTED FINANCIAL, OPERATIONAL AND BUSINESS DATA Year ended 31 March	2018	2017	2016
Statement of operational data (P 000's)			
Sale of goods and services	1,566,908	1,615,022	1,485,839
Cost of services excluding depreciation	461,955	541,448	471,427
Selling and distribution costs	41,096	48,728	42,188
Employee costs	404,732	371,576	373,454
Other operating costs (incl.repairs and maintenance - non telecom equipment and profit on disposal of PPE)	289,696	283,934	336,476
Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA)	369,429	369,336	262,295
Depreciation and amortisation	126,645	117,868	234,289
Earnings Before Interest and Taxation (EBIT)	242,784	251,468	28,006
Interest income	21,131	23,075	26,451
Interest costs (Financing costs)	-	-	-
Earnings (Net income) before restructuring costs	263,915	274,543	54,457
Impairment of property ,plant and equipment	-	-	522,404
Restructuring costs and retrenchment costs	-	-	-
Profit Before Taxation (PBT)	263,915	274,543	(467,947)
Taxation	(46,564)	(37,194)	97,127
Profit /(loss) for the year	217,351	237,349	(370,820)
Capital expenditure	299,793	398,969	254,570
Balance sheet data (P 000's)			
Total assets	2,432,868	2,326,024	1,949,019
Current liabilities	198,401	197,583	173,290
Long-term debts	-	-	-
Employee related provisions	59,654	40,752	55,636
Tax liabilities	3,072	-	-
Development grant and deferred income	109,078	138,530	167,983
Shareholder's equity	2,062,663	1,949,159	1,552,110
Total Equity and Liabilities	2,432,868	2,326,024	1,949,019
	-	-	-
Earnings ratios			
Revenue (Turnover) growth (%)	(3.0)	8.7	(0.6)
Earning per share (Pula) (1,050,000,000 shares)	0.21	0.23	(0.46)
EBITDA to revenue margin (%)	23.6	22.9	17.7
Operating profit to revenue (%)	15.5	15.6	1.9
Return on average equity (%)	13.2	15.7	(26.9)
Return on average capital employed (%)	12.4	14.4	2.8
Return on average operating assets (%)	11.1	12.9	2.5
Other operational data			
Staff strength	924	919	944
Economic data			
Inflation (consumer price inflation)	2.80	3.00	2.50
Value of Pula (1 Pula equals to US $)	0.10	0.09	0.09
Cash and cash equivalents	450.1	517.0	390.0

	2015	2014	2013	2012	2011	2010	2009
	1,495,244	1,463,931	1,384,222	1,173,909	1,065,112	958,444	835,900
	399,924	375,054	397,505	363,583	302,171	291,595	248,512
	38,168	29,810	23,649	26,372	98	6,443	7,853
	360,344	329,134	302,097	262,937	251,567	209,835	196,274
	344,632	279,497	213,631	146,657	161,000	130,803	114,538
	352,176	450,436	447,340	374,360	350,276	319,768	268,723
	177,673	175,112	181,684	150,729	141,330	159,377	151,653
	174,503	275,324	265,656	223,631	208,946	160,391	117,070
	26,066	25,144	18,451	13,415	21,311	30,891	45,873
	-	208	184	184	2,866	10,228	21,228
	200,569	300,260	283,923	236,862	227,391	181,054	141,715
	-	266,051					
	-	31,190	-	-	-	-	22,761
	200,569	3,020	283,923	236,862	227,391	181,054	118,954
	(53,814)	(2,880)	(10,277)	-	-	-	-
	146,755	140	273,646	236,862	227,391	181,054	118,954
	264,498	194,846	333,896	380,456	401,915	348,318	167,727
	2,404,101	2,129,932	2,607,343	2,383,432	1,947,461	1,823,075	1,658,263
	227,672	234,085	218,976	193,312	175,242	272,420	194,344
	-	1,416	1,416	1,416	1,416	58,734	107,273
	60,212	73,175	42,065	42,414	39,519		
	-	-	10,277				
	193,287	232,936	340,980	367,087	270,831	213,596	228,220
	1,922,930	1,588,320	1,993,629	1,779,203	1,460,455	1,278,325	1,128,426
	2,404,101	2,129,932	2,607,343	2,383,432	1,947,463	1,823,075	1,658,263
	-	-	-	-	-	-	-
	2.1	5.8	17.9	10.2	11.1	14.7	4.6
	0.18	0.00	0.34	0.30	0.28	0.23	0.15
	23.6	30.8	32.3	31.9	32.9	33.4	32.1
	11.7	18.8	19.2	19.1	19.6	16.7	14.0
	11.4	0.2	15.1	14.6	16.6	15.0	11.2
	10.2	13.0	12.7	12.4	14.1	12.7	9.7
	8.8	11.4	11.4	10.9	12.2	11.0	8.5
	934	932	962	942	950	905	905
	4.50	8.20	6.20	8.20	6.20	9.20	10.60
	0.10	0.11	0.15	0.14	0.15	0.15	0.13
	366.0	353.5	405.6	292.863	283.3	344.1	399.7

FINANCIAL REVIEW AND MANAGEMENT DISCUSSION

Financial Summary

Performance Indicators	2018	2017	2016	2015
Sales Growth	-3.0%	8.7%	0.4%	1.8%
Gross Profit Percentage (Excluding interest received)	63.0%	59.6%	53.2%	63.5%
Net profit percentage	13.9%	14.7%	-25.0%	9.9%
Return on Average Capital Employed	11.4%	13.2%	-25.6%	8.9%
Return on Assets	9.1%	11.1%	-17.0%	6.5%
Return on Invested Capital	12.2%	15.0%	-34.2%	0.0%
Return on Shareholders Equity	10.8%	13.6%	-21.3%	8.4%
Solvency ratio	1.4	1.6	1.6	1.1
Solvency ratio (excluding development grants)	1.0	1.0	1.0	0.7
Asset Turnover Ratio	0.66	0.76	0.68	0.65
Acid Test Ratio	3.3	3.6	3.3	2.6

Financial Review and Management Discussion

Financial Summary

Results of Operations based on Statement of Profit and Loss as Published

For the year ended 31 March

P' millions	2018	2017	Change P'Million 2017/18	% Change 2017/18
Operating Revenues	1,566.9	1,615.0	(48.1)	-3%
Cost of Sales	600.9	675.6	(74.7)	-11%
Gross Profit	966.0	939.5	26.6	3%
Other Income	30.9	35.5	(4.6)	-13%
Selling and Distribution Costs	41.1	48.7	(7.6)	-16%
Administrative expenses	439.7	402.3	37.4	9%
Other expenses	273.3	272.5	0.8	0%
EBIT	242.8	251.5	(8.7)	-3%
Net interest income	21.1	23.1	(1.9)	-8%
Profit Before Tax (PBT)	263.9	274.5	(10.6)	-4%
Income tax credit/ (expense)	(46.6)	(37.2)	(9.4)	25%
Profit for the year	217.4	237.4	(20.0)	-8%

Profit for the year was P217m. This was 8% lower than previous year due to lower operating revenues which were down by P48m (-3%) year on year. However Total Expenditure also declined by 3% (P44m) limiting the decline in PBT to -4% (P10m). Due to a higher tax expense, higher by 25% (P9.4m) compared to previous year, the profit for the year declined by P20m (-8%) from P237m.

The lower operating revenue arose primarily as a result of lower mobile revenue of P 49.2 m (-8%) which in turn resulted primarily from reduced pre-paid voice traffic and revenues.

The lower operating expenditure of P1.335billion (2017: P1.399 billion) was a result of lower national and international carrier payments which declined by P 60.8m (-21.0%) but was offset by an increase in employee costs of P 33.2m (8.9%).

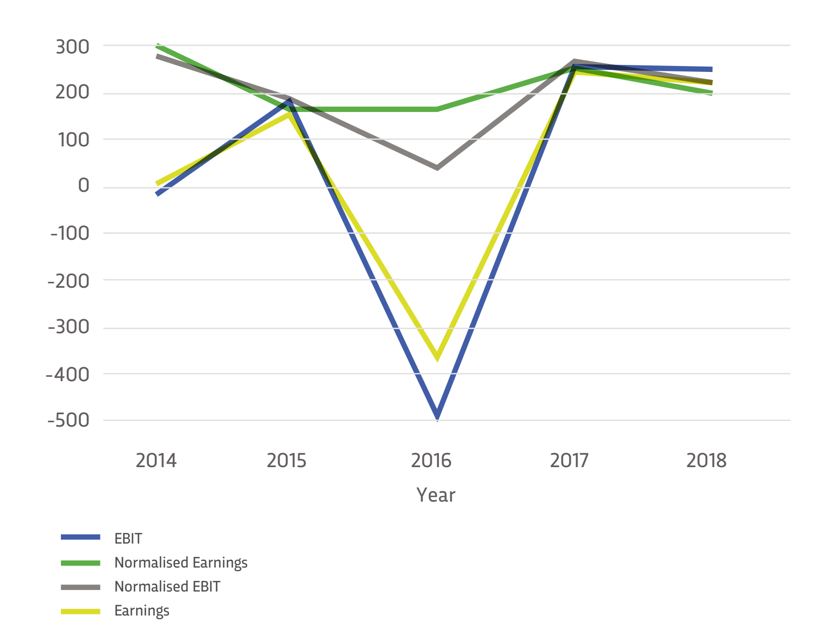
FINANCIAL REVIEW AND MANAGEMENT DISCUSSION
continued

Earnings After Interest and Tax (EAIT) and Earnings Before Interest and Tax (EBIT)

After smoothing out earnings for non-recurring revenue and expenses such as revenues and expenses from once off projects, impairments of property, plant and equipment in 2014 and 2016 as well as privatisation and restructuring costs, the following trend emerges:

P' millions	2014	2015	2016	2017	2018	CAGR
EBIT	-21.7	174.5	-494.4	251.5	242.8	
Normalised EBIT	275.3	184.8	33.0	259.7	216.7	-5.8%
Earnings	0.1	146.8	-370.8	237.4	217.4	528.9%
Normalised Earnings	297.4	157.1	156.6	245.6	191.2	-10.5%

EBIT AND EAIT



The changing pattern of earnings reflects the effects of industry structural changes starting with the separation of assets leading to the establishment of Botswana Fibre Networks (100% Government Owned) in 2014 and the impairment of assets that occurred as a result of the separation, the impact of new pricing structures post separation in 2015 and 2016 which led to a further impairment of PPE in 2016. Normalised Earnings grew in 2017 after shaking off these events. The mobile market however was hit by a decline in subscriber base in 2017 dragging down the prospect of mobile revenue growth in 2018 on the back of a slowing economy in 2017/18 which negatively impacting BTC mobile prepaid revenue streams.

Revenue Analysis

P' millions	2018	2017	2016	2015	2014	CAGR	2018	2017	2016	2015	2014
Total Revenue							Revenue Contribution				
Fixed Voice	524.1	520.7	488.6	490.9	472.6	3%	33%	32%	33%	33%	32%
Mobile	544.3	593.4	567.4	492.1	424.7	6%	35%	37%	38%	33%	29%
Fixed Data	468.3	472.0	402.3	472.8	527.5	-3%	30%	29%	27%	32%	36%
Other	30.2	28.9	27.5	24.1	29.7	0%	2%	2%	2%	2%	2%
Total Revenue	1,566.9	1,615.0	1,485.8	1,480.0	1,454.5	2%	100%	100%	100%	100%	100%

P' millions	17/18	16/17	15/16	14/15	17/18	16/17	15/16	14/15
Change in revenue					Change in revenue - percentage			
Fixed Voice	3.4	32.0	(2.3)	18.3	0.7%	6.6%	-0.5%	3.9%
Mobile	(49.2)	26.0	75.3	67.4	-8.3%	4.6%	15.3%	15.9%
Fixed Data	(3.7)	69.8	(70.6)	(54.7)	-0.8%	17.3%	-14.9%	-10.4%
Other	1.4	1.4	3.4	(5.5)	4.7%	5.0%	14.0%	-18.7%
Total Revenue	(48.1)	129.2	5.8	25.5	-3.0%	8.7%	0.4%	1.8%

CAGR = Compound annual growth rate (2014-2018)

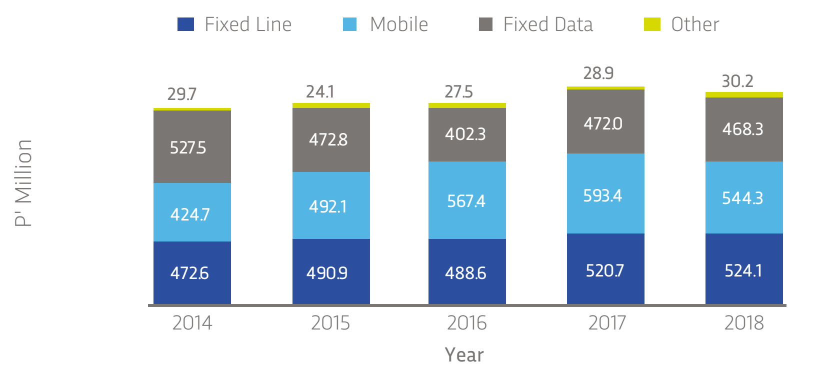
Trend Analysis

The revenue trend indicates a softening or decline in growth across all revenue streams.

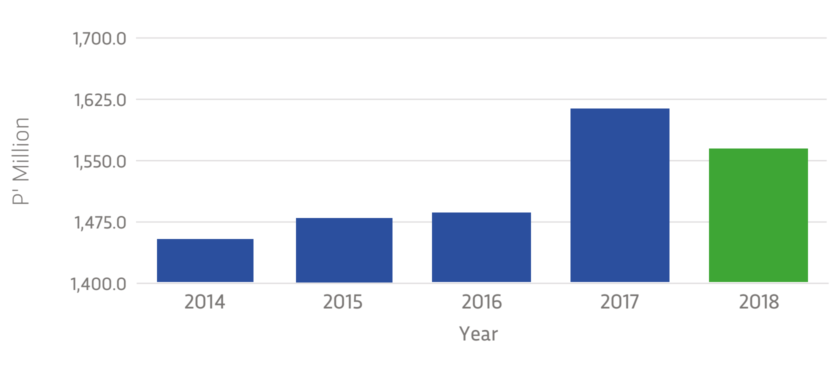
The total revenue decline in 2017/18 was P 48.1 million (-3%) with the decline in mobile contributing P 49.2 million (-8.3%) to the decline. Fixed line revenue (Data, Voice and Other) only grew by P 1.0 million or 0.1%. Data revenue suffered a small decline of 0.8% primarily as a result of falling data product prices induced by competition and regulatory pressures.

Overall revenue has been increasing over the years from 2014 to 2017 but experienced a 3% decline in 2018. Over the period since 2014, Mobile revenue has experienced the greatest growth with a CAGR of 6% followed by Fixed line revenue growth with a CAGR of 3%. Fixed Data has experienced declining growth (CAGR -3%) as a result of tariff reductions following the separation of assets that established a new entrant at wholesale level enabling other new smaller ISP's to enter into the fixed data sector of the market.

Operating Revenue



Operating Revenue



FINANCIAL REVIEW AND MANAGEMENT DISCUSSION
continued

Fixed Line Revenue

Operating Revenue

P' millions	2018	2017	2016	Change P'Million 2017/18	Change P'Million 2016/17	% Change 2017/18	% Change 2016/17
Voice	260.4	278.2	263.6	(17.7)	14.5	-6%	6%
Access	121.7	115.1	121.4	6.6	(6.3)	6%	-5%
Interconnect	21.3	19.4	18.5	1.9	0.9	10%	5%
Customer Premises Equipment	120.7	108.1	85.1	12.6	22.9	12%	27%
Total Fixed Voice Revenue	524.1	520.7	488.6	3.4	32.0	1%	7%

Total fixed line voice revenue grew marginally by P 3.4 million to P 524.1 million a 1% increase. Flat growth was achieved despite a decline in voice traffic of P 17.7 million (-6%) which was offset by an increase of P 12.6 million (12%) in the customer premises equipment (CPE) sales revenue. The overall average performance has been achieved despite global industry trends of declining voice traffic as customers switch to IP based services such as VoIP and OTT services such as Skype and WhatsApp.

Fixed voice revenues which comprises national, international and interconnect call revenue experienced a decline principally from a decline in international outgoing and fixed-to-mobile call traffic.

The decline in fixed to mobile revenue declined moderately after experiencing a sharp increase in the 2017 financial year end.

Access revenue grew by P 6.6 million (6%) buoyed by improved ISDN sales whilst line rental revenue remained steady.

Interconnect revenue grew by P 1.9 million (10%) owing to improved traffic throughput and despite lower interconnect prices.

PABX sales contributed significantly to the P 12.6 million increase in the CPE category and helped to maintain the overall revenue in this category at a steady state.

Trend Analysis

The trend in fixed line voice revenue indicates that the overall contribution of voice calls to the overall category is declining.

In 2014 and 2015 voice contributed 56% to the total category and in 2018 it contributed 6% less at 50%. The contribution within the customer premises category has grown from 16% in 2014 to 23% in 2018. Overall CAGR growth in this revenue group is 3%.

FINANCIAL REVIEW AND MANAGEMENT DISCUSSION
continued

Mobile Revenue

P' millions	2018	2017	2016	Change P'Million 2017/18	Change P'Million 2016/17	% Change 2017/18	% Change 2016/17
Voice	409.8	440.3	433.5	(30.5)	6.8	-7%	2%
Interconnect	34.2	42.5	40.5	(8.3)	2.1	-20%	5%
Data	66.9	66.3	46.4	0.5	20.0	1%	43%
Short Messaging Services	27.9	40.3	43.9	(12.4)	(3.7)	-31%	-8%
Customer Premises Equipment	5.5	4.0	3.2	1.5	0.8	37%	25%
Total Mobile Revenue	544.3	593.4	567.4	(49.2)	26.0	-8%	5%

Overall mobile revenue declined by P 49.2 million (-8%) from P 593.4 million to P 544.3 million. Mobile contributed 35% to total revenue in 2018 (2017: 37%) which is down from the peak revenue contribution in the 2016 financial year of 38%.

In line with declining industry wide voice call revenues and subdued economic conditions, mobile voice revenue declined by P 30.5 million (-7%). Prepaid voice contributed the most to the decline in mobile revenue and was also the main factor that lowered BTCs overall revenue growth in the 2018 financial year.

The decline in mobile voice revenue contributed 62% of the overall decline in the mobile revenue category.

Interconnect revenues contributed P 8.3 million to the overall decline in revenue within this stream which declined by 20% from P 42.5 million in 2017 to P 34.2 Million. This decline is attributable to declining interconnect rates in accordance with a directive issued by BOCRA in 2017.

Data which is a future growth area for mobile revenue replacing voice, growing marginally to P 66.9 million, up P 0.5 million from 2017.

Short Messaging Services declined significantly by P 12.4 million (31.0%) from P 40.3 million to P 27.9 million with the service being replaced by OTTs (Over the top) data applications such as WhatsApp. This made up 25.2% of the overall decline in the mobile category.

Mobile Customer premises equipment comprising handsets, modems and related items grew by P 1.5 million to P 5.5 million, a 37% increase.

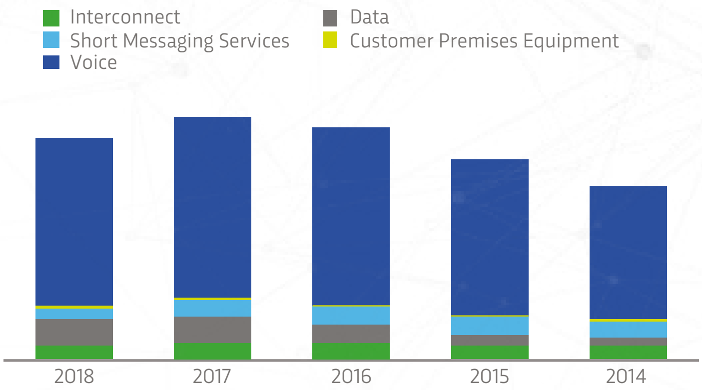
Trend Analysis

The contribution of mobile voice to this revenue category reached a peak in 2016 with an overall contribution of 78% and has since declined to a contribution of 75% in 2018 (2017: 74%).

Mobile data contributed 4% in 2014 and is now contributing 12% of the total revenue in this category and we expect it to be the future growth engine within the mobile revenue category.

SMS revenue is declining in line with expectation, in 2014 it contributed 10% and is now contributing 5% to total mobile revenue.

Mobile Revenue



The contribution of Customer Premises Equipment is flat at 1% but promises to grow in contribution in the years ahead with a drive to improve smartphone density in the network.

P' millions	2018	2017	2016	2015	2014	CAGR	2018	2017	2016	2015	2014
Mobile Revenue							**Mobile Contribution**				
Voice	409.8	440.3	433.5	382.9	325.3	6%	75%	74%	76%	78%	77%
Interconnect	34.2	42.5	40.5	37.1	37.5	-2%	6%	7%	7%	8%	9%
Data	66.9	66.3	46.4	24.3	16.2	43%	12%	11%	8%	5%	4%
Short Messaging Services	27.9	40.3	43.9	44.1	42.2	-10%	5%	7%	8%	9%	10%
Customer Premises Equipment	5.5	4.0	3.2	3.8	3.6	11%	1%	1%	1%	1%	1%
Total Mobile Revenue	544.3	593.4	567.4	492.1	424.7	6%	100%	100%	100%	100%	100%

FINANCIAL REVIEW AND MANAGEMENT DISCUSSION
continued

Fixed Data Revenue

P' millions	2018	2017	2016	Change P'Million 2017/18	Change P'Million 2016/17	% Change 2017/18	% Change 2016/17
Fixed Data Revenue							
Usage	113.5	99.5	96.2	14.0	3.3	14%	3%
Access	301.3	300.4	302.2	0.9	(1.8)	0%	-1%
Customer Premises Equipment	53.5	72.1	3.9	(18.6)	68.3	-26%	1771%
Total Fixed Data Revenue	468.0	472.0	402.0	(3.7)	69.8	-1%	17%

Fixed data revenue declined marginally by P 3.7 million (-1%) from P 472 million to P 468 million. Fixed Data Revenue contributes 30% (2017: 29 %) to total overall revenue and is down from a 36% overall contribution to total revenue in 2014.

Usage revenue comprises Internet Bandwidth sold to ISPS, large Corporates and Government as well as ADSL internet bandwidth. Usage revenue grew by P 14 million (14%) to P 113.5 million. The largest contributor to this increase was derived from high capacity internet leased lines sales to Corporates and Government which contributed P 12.6 million of the P 14.0 million with the balance being growth in the ADSL internet bandwidth consumer market.

Access revenue grew by P 0.9 million to P 301.3 million. Access data comprises retail and wholesale national and international leased lines, ADSL access and Frame Relay and Metro Ethernet. National Leased lines contributed significantly to the low performance which was mitigated by a commensurate ADSL access growth. National leased lines using obsolete technology are being migrated to Metro Ethernet which attracts lower unit prices per Megabyte. Metro Ethernet and Frame Relay Revenue remained at the same levels.

Customer premises equipment comprises ADSL and Data modems. The category contains a once off special project revenue in 2017 and 2018 which will fall away in 2019. The balance of the revenue in this category does not contribute significantly to the overall contribution in the category. Usage revenue and Access revenue contribute roughly 27% and 73% respectively to the overall category.

P' millions	2018	2017	2016	2015	2014	CAGR
Fixed Data Revenue						
Usage	113.5	99.5	96.2	119.8	135.6	-4%
Access	301.3	300.4	302.2	343.5	360.0	-4%
Customer Premises Equipment	53.5	72.1	3.9	9.5	32.0	14%
Total Fixed Data Revenue	468	472	402	473	528	-3%

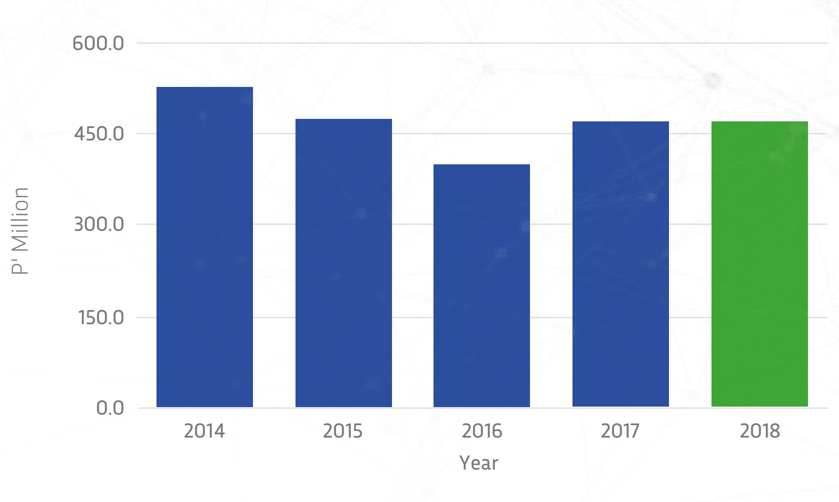
CAGR = Compounded Annual Growth Rate

Trend Analysis

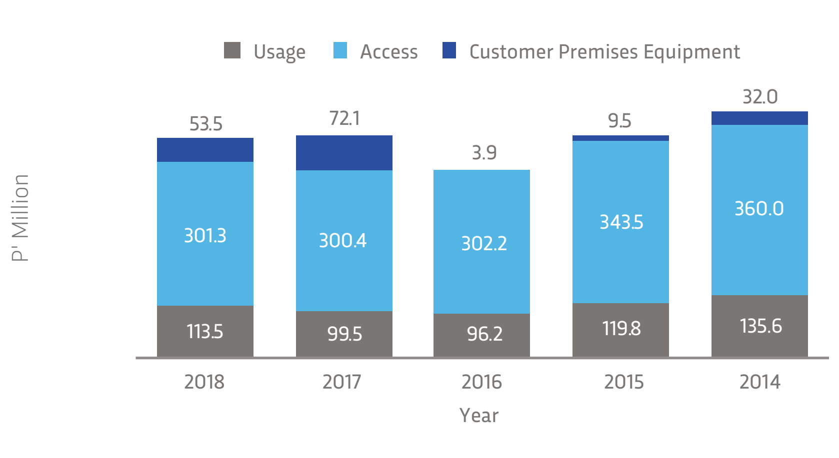
The overall decline in usage revenue with a CAGR of -4% is attributable to lower prices and competition within the market.

The overall trend is however a positive one from the 2017 financial year. Access revenue has declined because of price pressure on network products, revenues however have stabilised remaining roughly the same from 2016 onwards.

Fixed Data Revenue



Fixed Data Revenue



FINANCIAL REVIEW AND MANAGEMENT DISCUSSION
continued

Other Revenue

P' millions	2018	2017	2016	Change P'Million 2017/18	Change P'Million 2016/17	% Change 2017/18	% Change 2016/17
Other Revenue							
Directory Services	12.5	12.4	12.8	0.1	(0.5)	1%	-4%
Value Added Services	2.3	2.7	2.1	(0.5)	0.6	-17%	31%
Property Rentals	1.7	2.3	3.2	(0.6)	(0.9)	-27%	-27%
Cost of Works	9.2	10.5	7.0	(1.2)	3.4	-12%	49%
Third Party Collection Fees	4.6	1.0	2.4	3.6	(1.4)	351%	-57%
Total Other Revenue	30.2	28.9	27.5	1.4	1.4	5%	5%

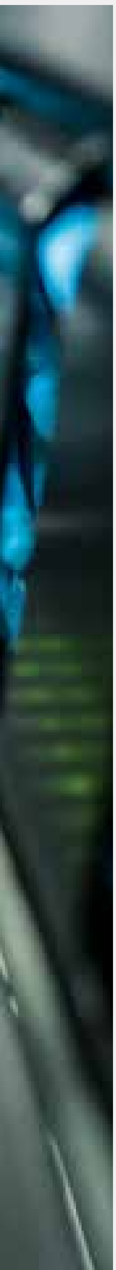
Other Revenue contributed a steady 2% to the overall operating revenue with Directory Services and Cost of Works (customer network builds) as the main anchors for this stream. Third party collections are on the rise compensating for the decline in Value added services and property rentals.

Operating Costs

Operating costs comprise cost of services and goods, depreciation, employee and administration costs, other operating as well as sales and marketing costs.

P' millions	2018	2017	Change P'Million 2017/18	% Change 2017/18
Total Operating Costs				
Cost of services and goods	462.0	541.4	(79.5)	-14.7%
Network Depreciation and amortization	138.9	134.1	4.8	3.6%
Employee costs	404.7	371.6	33.2	8.9%
Selling and distribution costs	41.1	48.7	(7.6)	-15.7%
Other operating and administrative costs	308.3	303.2	5.1	1.7%
Total Operating Costs	1,355.0	1,399.1	(44.1)	-3.1%

P' millions	2018	2017	2017/18	2017/18
Total ongoing operating costs	1,347.7	1,340.7	7.0	0.5%
Once off operating costs	7.3	58.4	(51.0)	-87.4%
Total Operating Costs	1,355.0	1,399.1	(44.1)	-3.1%



Total operating costs of P 1399 million in 2017 declined by P 44.1 million or -3.1% to P 1355 million in 2018. The decline was largely attributable to lower Costs of Services and Goods in 2018 which declined by P79.5 million to P 462 million.

The normalised total operating costs after adjusting for once off expenses (special projects and restructuring/ privatization costs) results in a mild P 7.0 million (0.5%) increase in Total Operating Costs from P 1340.7 million in 2017 to P 1347.7 million in 2018.

The rise in employee costs of P33.2 million (8.9%) was largely attributable to a performance increment paid in the 2018 financial year and increased training costs. Operating and other administrative costs increased by P 5.1 million to P 308.3 million and increase of 1.7%.

Total Operating Costs

P' millions	2018	2017	2016	2015	2014	CAGR	2018	2017	2016	2015	2014
Total operating costs											
Cost of services and goods	462.0	541.4	471.4	399.9	375.1	5.3%	34%	39%	23%	30%	25%
Network Depreciation and amortisation	138.9	134.1	250.2	174.7	189.3	-7.4%	10%	10%	12%	13%	12%
Impairment of Property, Plant and equipment	0.0	0.0	522.4	0.0	266.1	-100.0%	0%	0%	26%	0%	17%
Employee costs	404.7	371.6	373.5	360.3	329.1	5.3%	30%	27%	19%	27%	22%
Selling and distribution costs	41.1	48.7	42.2	38.2	29.8	8.4%	3%	3%	2%	3%	2%
Other operating and administrative costs	308.3	303.2	350.0	372.0	339.2	-2.4%	23%	22%	17%	28%	22%
Total operating costs	1,355.0	1,399.1	2,009.7	1,345.1	1,528.5	-3.0%	100%	100%	100%	100%	100%

P' millions	2018	2017	2016	2015	2014	CAGR
Total operating revenue	1,566.9	1,615.0	1,485.8	1,480.0	1,454.5	1.9%
Total operating cost	1,355.0	1,399.1	2,009.7	1,345.1	1,528.5	-3.0%
Percentage of revenue	86%	87%	135%	91%	105%	

P' millions	2018	2017	2016	2015	2014	CAGR
Total ongoing operating costs	1,347.7	1,340.7	1,482.3	1,334.8	1,231.3	2.3%
Once off cost of sales costs	7.3	58.4	5.0	10.3	31.2	
Total Impairment of Property, Plant and Equipment costs	0.0	0.0	522.4	0.0	266.1	
Total operating costs	1,355.0	1,399.1	2,009.7	1,345.1	1,528.5	-3.0%
Total ongoing operating costs as a % of revenue	86.0%	83.0%	99.8%	90.2%	84.7%	

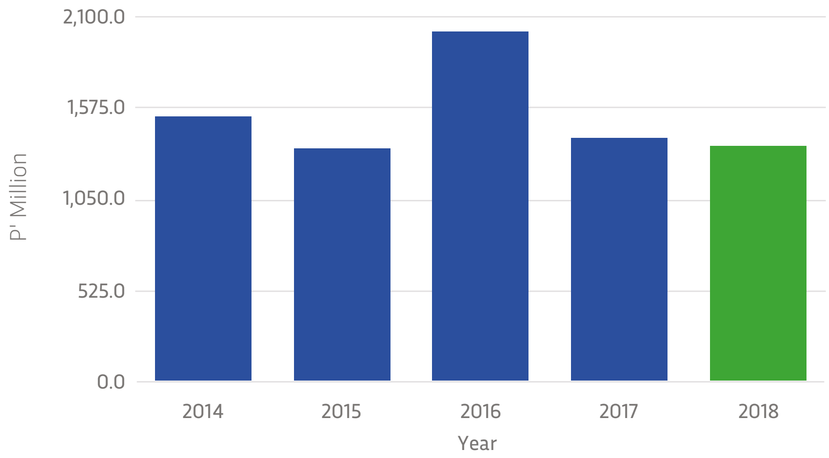
CAGR = Compound Annual Growth from 2014 -18

The overall -3.1% CAGR (2014-18) decline in total operating costs was matched with an equivalent 1.9% CAGR (2014-18) rise in operating revenue. Total Operating costs have been declining since 2016 from P 2009.7 million to P 1355.0 million in 2018. Total operating revenues have risen to P 1566.9 in 2018 from P 1485.8 million in 2016.

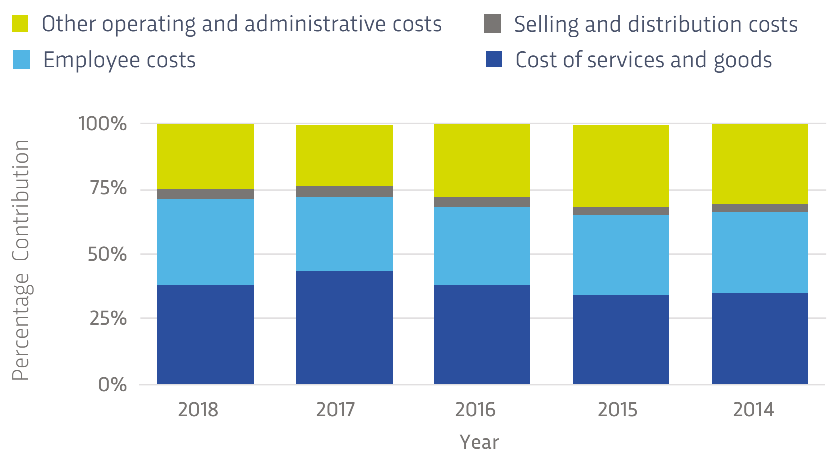
FINANCIAL REVIEW AND MANAGEMENT DISCUSSION
continued

Operating Cost Trend

Total Operating Costs



Total Operating Costs



-11%

Cost of Services and Goods Sold

-0.3%

Selling and Distribution Costs

-3%

Total Operating Costs

Cost of Services and Goods Sold

P' millions	2018	2017	Change P' Million 2017/18	% Change 2017/18	2018	2017	2016	2015	2014	CAGR
Cost of services and goods sold					**Cost of Sales (Trend)**					
Payment to International and local operators	228.5	289.3	(60.8)	-21.0%	228.5	289.3	268.3	221.4	191.4	5%
Depreciation and Amortisation	138.9	134.1	4.8	3.6%	138.9	134.1	250.2	174.7	189.3	-7%
Equipment and material costs	100.6	157.4	(56.8)	-36.1%	100.6	157.4	80.3	70.4	77.6	7%
Installation of Customer Premises Equipment	27.4	8.3	19.1	229.6%	27.4	8.3	6.1	8.6	13.1	20%
Write down of inventories	26.6	5.3	21.3	398.3%	26.6	5.3	(7.0)	8.8	(2.9)	0%
Cost of directory sales	2.3	2.4	(0.10	-4.4%	2.3	2.4	2.5	2.9	2.9	-6%
Cost of prepaid cards	1.8	3.3	(1.5)	-45.3%	1.8	3.3	2.7	2.7	0.0	0%
Cost of phones	13.5	22.3	(8.8)	-39.4%	13.5	22.3	55.4	26.5	28.0	-17%
License fee - BOCRA	46.3	40.7	5.6	13.7%	46.3	40.7	46.9	44.6	35.4	7%
Space segment rentals and other licence fees	15.1	12.4	2.6	21.0%	15.1	12.4	16.1	13.9	29.6	-16%
Total Cost of services and goods sold	600.9	675.6	(74.7)	-11.1%	600.9	675.6	721.6	574.6	564.3	2%
Percentage of revenue	38.3%	41.8%			38.3%	41.8%	48.6%	38.8%	38.8%	
Normalised cost of services and goods sold	593.6	617.2	(23.6)	-3.8%	593.6	617.2	716.7	564.3	533.1	
Percentage of revenue	37.9%	38.2%			37.9%	38.2%	48.2%	38.1%	36.7%	
Cost of services and goods sold (excl. Depn & Amort)	462.0	541.4	(79.5)	-14.7%	462.0	541.4	471.4	399.9	375.1	
Percentage of revenue	29.5%	33.5%			29.5%	33.5%	31.7%	27.0%	25.8%	

The above table excludes impairment of property, plant and equipment.

The cost of services and goods as adjusted for non-recurring costs indicates a consistent percentage of cost of services to overall revenue (+/- 38.8%) despite variations between cost items within the group. The cost of services declined by P 74.7 million or -11.1% to P 600.9 million (2017: P 675.6 million) which is attributable to the large decrease in Payments to International and National Operators of P 60.8 million and the decline in Equipment and Material costs of P 56.8 million. This decline was softened by increases in Customer Premises Installation Costs of P 19.1 million and Write down of Inventories of P 21.3 million.

The payment to local carriers decreased by P 60.8 million from P 289.3 million to P 228.5 million (-21%). This was attributable to lower interconnect tariffs introduced by BOCRA as well as more favorable rates with respect to internet bandwidth purchases. Lower International call carrier rates and traffic resulted in lower payments to other carriers for outbound international traffic.

Equipment and Material cost which includes network related repairs and maintenance and operating costs declined by P 56.8 million to P 100.6 million. After adjusting for non-recurring items this cost item remains flat. In 2017 this item included a once-off project

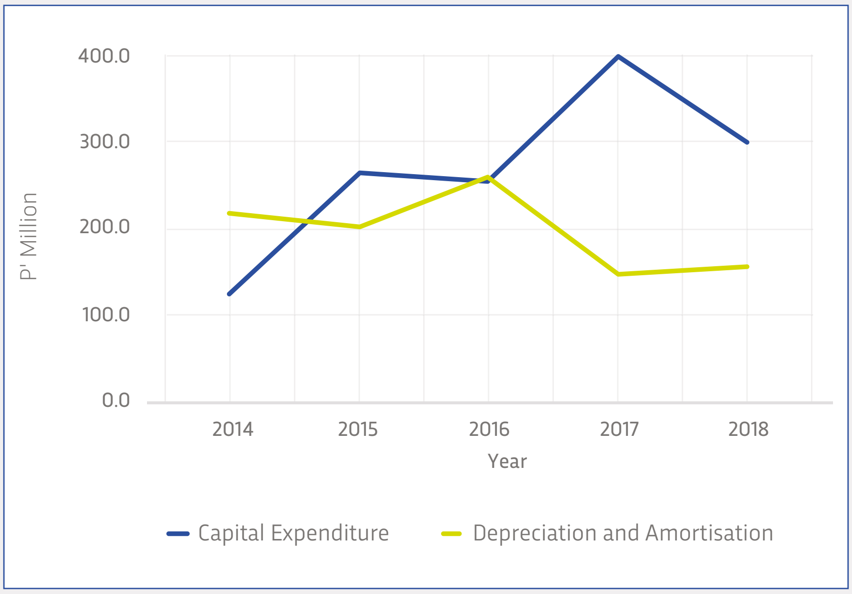
FINANCIAL REVIEW AND MANAGEMENT DISCUSSION
continued

Depreciation and Capital Expenditure

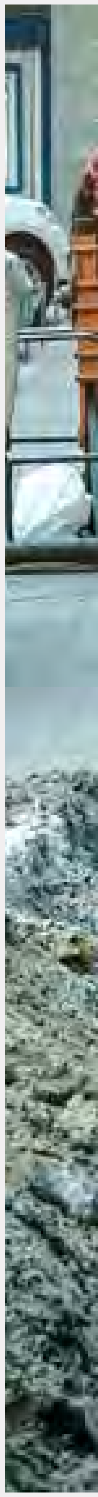
				Change P' Million		% Change	
P' millions	2016	2017	2018	2016/17	2017/18	2016/17	2017/18
Capital Expenditure	254.57	399.0	299.8	144.4	(99.2)	56.7%	-24.9%
Depreciation and Amortisation	259.59	147.3	156.1	(112.3)	8.8	-43.2%	6.0%

The depreciation and amortisation cost increased marginally in 2018 by P 8.8 million or (6%) from P 147.3 million in 2017 to P 156.1 million. In 2016/17 the depreciation and amortization charge declined by P 112.3 million (-43.2%) as a result of the effect of the impairment of property, plant and equipment (P 522.4 million) in 2016

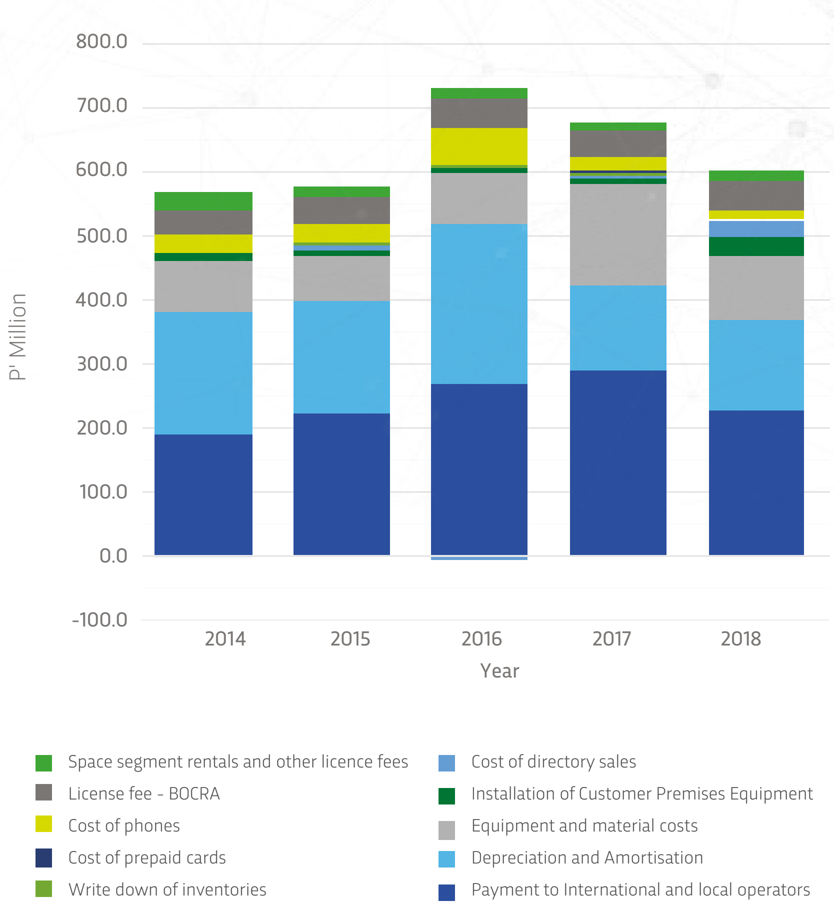
P' millions	2014	2015	2016	2017	2018
Capital Expenditure	124.5	264.5	254.6	399.0	299.8
Depreciation and Amortisation	217.8	202.1	259.6	147.3	156.1
Depreciation > Capex	93.3	(62.4)	5.0	(251.6)	(143.7)
Impairment of Poperty, Plant and Equipment	266.1	0.0	522.4	0.0	0.0
Capital Expenditure to revenue	7.9%	16.4%	17.1%	27.0%	20.6%



In the long term we aim to keep our capital expenditure around the same level as depreciation. In 2017 and 2018, Capital Expenditure exceeded depreciation by P251.6m and P143.7m respectively. Capital Expenditure increased with the expansion of the mobile network and introduction of 4G/LTE network, implementation of new billing platform, and the revamp of Head Office (BTC HQ) and retail shops. The gap was further widened by the fact that Depreciation dropped during the 2 years as a result of the impairment of property, plant and equipment in 2016. The gap in 2018, narrowed with capital expenditure dropping by P100m causing the Capital Expenditure to Revenue ratio to drop from 27% to 20.6%.



Cost of Sales



The chart above clearly depicts the declining payment to operators, the reducing depreciation charge resulting from the writing-off of the impairment on property, plant and equipment P 266.1 million in 2014 and P 522.4 million in 2016.

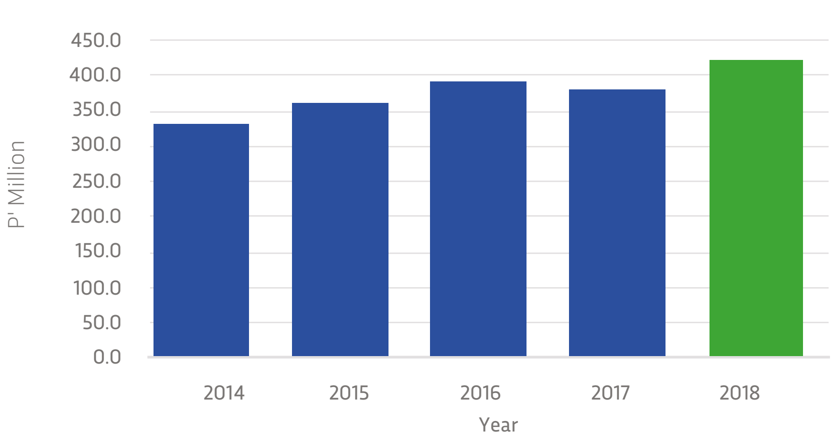
FINANCIAL REVIEW AND MANAGEMENT DISCUSSION
continued

Employee Costs

P' millions	2018	2017	2016	2015	2014	CAGR
Employee costs:						
Salaries and wages	377.5	344.5	341.9	317.8	296.3	6.2%
Pension fund and group life contributions (defined contribution plans)	16.5	18.0	17.2	15.7	15.2	2.0%
Training costs	10.4	2.8	9.5	5.7	4.3	24.7%
Other related employee costs*	17.1	16.7	24.7	21.5	14.7	4.0%
Total employee costs	421.5	381.9	393.2	360.7	330.5	6.3%
Capitalized to Project Work-in-Progress	(16.8)	(10.3)	(19.7)	(0.3)	(1.4)	
Total employee costs charged to profit and loss	404.7	371.6	373.5	360.3	329.1	5.3%
Growth in Employee Costs (P' million)	39.6	(11.3)	32.5	30.2		
Growth in Employee Costs (% age)	10%	-3%	9%	9%		
Percentage of revenue	27%	24%	26%	24%	23%	24.8%

CAGR = Compound annual growth rate from 2014-2018

Total Employee Costs



Total employee costs in 2018 are a little higher than normal and increased by P 39.6 million to P 421.5 million (10%) largely due to a higher training bill as a result of the introduction of a new billing platform and once off productivity bonuses. The average employee cost for 2014 to 2018 as a percentage of revenue is 24.8%. Employee costs directly attributable to work-in-progress network projects are capitalised.

Selling And Distribution Costs

P' millions	2018	2017	Change P'Million 2017/18	% Change 2017/18
Selling and distribution costs				
Product Marketing costs	26.5	38.2	(11.7)	-31%
Sponsorship	14.6	10.5	4.1	39%
Total Sales and Distribution Costs	41.1	48.7	(7.6)	-15.7%
Percentage of revenue	2.6%	3.0%		

P' millions	2018	2017	2016	2015	2014	CAGR
Selling and distribution costs						
Product Marketing costs	26.5	38.2	29.6	27.6	25.1	1.3%
Sponsorship	14.6	10.5	12.6	10.5	4.7	32.8%
Total Sales and Distribution Costs	41.1	48.7	42.2	38.2	29.8	8.4%
Percentage of revenue	2.6%	3.0%	2.8%	2.6%	2.0%	2.6%

CAGR = compound annual growth rate from 2014-2018

Selling and distribution costs declined by P 7.6 million to P 41.1 million from P 48.7 million in 2017. The reduced cost attributable to a winding down of the re-branding exercise that took place in 2017. The corporation will be focusing its marketing and advertising efforts on products and promotions in order to derive the highest return on marketing spend. The average selling and distribution cost as a percentage of revenue for 2014 to 2018 is 2.6% of revenue. The Compounded Annual Growth Rate (CAGR) for 2014-2018 was 8.4%.

FINANCIAL REVIEW AND MANAGEMENT DISCUSSION
continued

Other Operating And Administration Costs

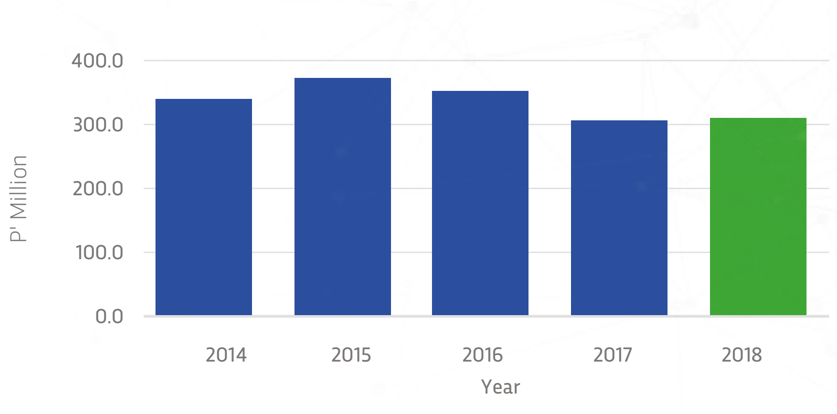
P' millions	2018	2017	Change P' Million 2017/18	% Change 2017/18
Other operating and administration costs				
Dealer rebates and commission	88.2	97.5	-9.3	-9.5%
Billing and Software Licenses	64.3	65.7	-1.4	-2.2%
Other administrative	9.3	9.4	-0.1	-1.1%
Consultancy	35.0	43.5	-8.5	-19.5%
Travel and entertainment	17.5	14.7	2.8	18.7%
Operating lease charges - rentals	17.1	14.0	3.1	22.1%
Financial charges	13.7	13.3	0.3	2.5%
Utilities -electricity and water	12.2	6.2	5.9	94.9%
Vehicle running costs	10.8	8.2	2.6	31.3%
Property upkeep	10.2	10.0	0.2	1.6%
Radio Licence fees - BOCRA	5.1	5.2	-0.1	-1.8%
Stationery	3.5	7.3	-3.8	-51.6%
Audit and directors fees	2.8	3.7	-0.9	-24.6%
Exchange gain	-16.3	-26.3	10.1	-38.2%
Total other operating and administrative expenses	273.3	272.4	0.8	0.3%

Dealer rebates and commissions declined by 9.3 million (-9.5%) to P 88.2 million and this is attributable to the decline in pre-paid mobile revenue sales. Consultancy costs declined by P 8.5 million (19.5%) to P 35.0 million with listing activities now completed.

Exchange gains decreased which increased the overall cost in the category by P 10.1 million as the gain reduced from P 26.3 million to P 16.3 million. The gain is largely a function of the discounted forex rates that the banks provide on the purchase of large baskets of foreign currency for payments of operating and capital expenditure requirements.

Trend Analysis

Total Operating and Expenditure



Total operating expenditure has declined as evidenced by a CAGR (2014-2018) of -2.4%. Dealer commissions and rebates are variable in line with pre-paid mobile sales. Billing and Support charges has stabilized at P 65 million after peaking at P 72.9 million in 2016. These two items plus consultancy costs contributed 61% (2017: 68%) of the total cost in this category.

Margin Analysis

The performance of BTC reflects its steady state position and marginal earnings decline.

Percentages	2018	2017	2016	2015	2014
Margins					
Gross profit (excl. Impairment and interest received)	61.7%	58.2%	51.4%	61.8%	62.1%
EBITDA	25.5%	24.7%	19.4%	25.4%	31.8%
Operating profit percentage	15.5%	15.6%	-33.3%	11.8%	-1.5%
Operating profit percentage (Excl NRC)	14.1%	16.6%	2.2%	12.5%	18.9%
Net Profit %	13.9%	14.7%	-25.0%	9.9%	0.0%
Net Profit % (Excl NRC)	12.5%	15.7%	10.5%	10.6%	20.4%

Gross Profit

The gross profit percentage margin reflects a consistent margin over the last three years being 61.7 % in 2018 and 58.2 % in 2017. The gross profit margins were maintained owing to lower variable interconnect costs caused by lower prices despite the lower revenue figure attributable to lower pre-paid voice revenue.

Operating Margin Trend

The operating margin was maintained at 15.5% (2017: 15.6%) The operating margin prior to restructuring, once off income and expenses and impairments of property, plant and equipment was 14.1% in 2018 compared to 16.6% in 2017, reflecting the impact of non-recurring additional employee cost in 2018.

Net Profit Margin

Percentages	2018	2017	2016	2015	2014
Net profit percentage -adjusted	12.5%	15.7%	10.5%	10.6%	20.4%
Net profit percentage -unadjusted	13.9%	14.7%	-25.0%	9.9%	0.0%

The net profit margin adjusted for impairments and non-recurring revenue and expenses is depicted in the above table and indicates a growing trend from the low 10.5% of 2016 to 12.5% in 2018 (2017: 15.7%). In 2018 the unadjusted net profit percentage of 13.9 % was lower than the 14.7% in 2017.

FINANCIAL REVIEW AND MANAGEMENT DISCUSSION
continued

Cash Flow and Cash Position

Statement of Cash Flows (5 Year)
For the year ended 31 March

P' millions	2018	2017	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating profit before working capital changes	483	370	262	315	446
Working capital adjustments:					
Decrease in inventories	29	15	2	(3)	(33)
Increase in trade and other receivables and prepayments	(122)	(44)	47	15	(91)
Decrease in trade and other payables	(17)	(6)	(57)	(6)	3
Cash generated from operations	373	334	254	321	325
Ordinary dividend paid to shareholders *	(145)	(90)	0	0	(121)
Net Income tax (paid)/refunded	(15)	23	3	(77)	(92)
Net cash from operating activities	213	267	257	244	112
CASH FLOWS USED IN INVESTING ACTIVITIES:					
Investment to expand operations:					
Purchase of property, plant and equipment	(277)	(351)	(224)	(231)	(193)
Purchase of intangible assets	(22)	(48)	(31)	(33)	(2)
Proceeds from disposal of property, plant and equipment	2	7	4	0	0
Interest income received	20	23	26	26	25
Net cash used in investing activities	(278)	(369)	(224)	(238)	(170)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Share issue	0	250	0	0	0
Redemption of 8% Preference Shares	0	0	0	(2)	0
Net cash from financing activities	0	250	0	(2)	0
(Decrease) /Increase in cash and cash equivalents	(65)	149	33	3	(58)
Net foreign exchange difference on cash and cash equivalents	(2)	(22)	(9)	9	6
Net cash and cash equivalents at beginning of the year	517	390	366	353	406
Cash and cash equivalents at end of the year	450	517	390	366	353

SUMMARISED CASH FLOW ANALYSIS

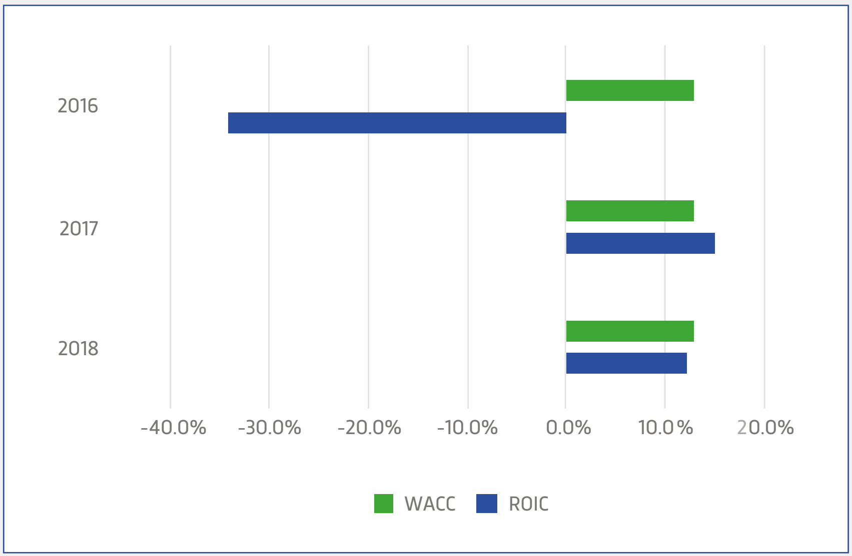
P' millions	2018	2017	2016	2015	2014
Cash generated from operations (prior to taxes paid)	372.9	334.2	254.2	321.3	325.1
Net cash from operating activities	357.8	357.5	256.9	243.9	232.8
Growth in cash flows from operating activities	0.1%	39.2%	5.3%	4.8%	
Investments in Property, Plant and Equipment & Intangibles	299.8	399.0	254.6	264.5	194.8
Net cash from operating activities to capex ratio	1.2	0.9	1.0	0.9	1.2
Net Cash available after investing activities	79.7	(11.4)	32.9	5.5	63.1
(Decrease) /Increase in cash and cash equivalents	(64.8)	148.9	32.9	3.2	(58.2)
Cash and Cash Equivalents at the end of the year	450.1	516.5	390.0	366.0	353.5

Cash from operations after reclassifying dividend payments to financing activities remained unchanged at P 357.8 million in 2018 from P 357.5 million in 2017. The Net cash from operations was sufficient to cover capital expenditure in 2018 amounting to P 299.8 million leaving a surplus of P 79.7 million which was used with available cash funds of P 64.8 million to pay an ordinary dividend of P 144.5 million.

BTC's cash resources and ability to generate cash remains strong despite declining by P 66.5 million from P 516.5 million in 2017 to P 450.1 million in 2018. The decline was driven by larger appropriations to dividend at tax paid of P160m compared to P67m in the previous year.

P' millions	2018	2017
Net cash and cash equivalents at end of the year:		
Cash at bank and on hand	25.6	17
Short term deposits	424.5	500
Net cash and cash equivalents at end of the year	450.1	516.5
Interest received	21.1	23.1

BTC invests unused funds in short term deposits and earned interest revenue of P 21.1 million in 2018 and P 23.1 million in 2017.



Return on Invested Capital (ROIC) has been defined as Net Income divided by shareholders equity plus non-interest bearing debt.

The ROIC of 12.2 % in 2018 is 0.8% below BTC's Weighted Average Cost of Capital (WACC) of 13%. BTC's WACC is high since BTC currently does not require debt funding, which at optimal levels, would result in a lower WACC. The ROIC of 15.0% was 2% above WACC in 2017.

The return on shareholders equity (ROE) was 10.8% down 2.7% from 2017's 13.6%

The 2018 asset turnover ratio of 0.66 (2017: 0.76) is slightly lower as a result of high capital investments which require some lead time after commissioning to generate returns.

Shareholder Value and Return on Shareholder Funds

% age	2018	2017	2016
ROIC	12.2%	15.0%	-34.2%
WACC	13.0%	13.0%	13.0%
ROIC < WACC	-0.8%	2.0%	-47.2%

FINANCIAL REVIEW AND MANAGEMENT DISCUSSION
continued

Dividends

Since the initial public offering in December 2016 BTC has returned P245.9 million in dividend payouts amounting to 23.4% of the P1050.0 million raised in the initial share issue. A further 9.7thebe (P101m) has been declared as final dividend for the financial year 2018. The declaration of dividends is in line with the BTC Dividend Policy which provides for dividend payout ratio of 50-65% of the profits for the year. For the year under review dividends amount to 64.9% of the profits for the year.

Dividend

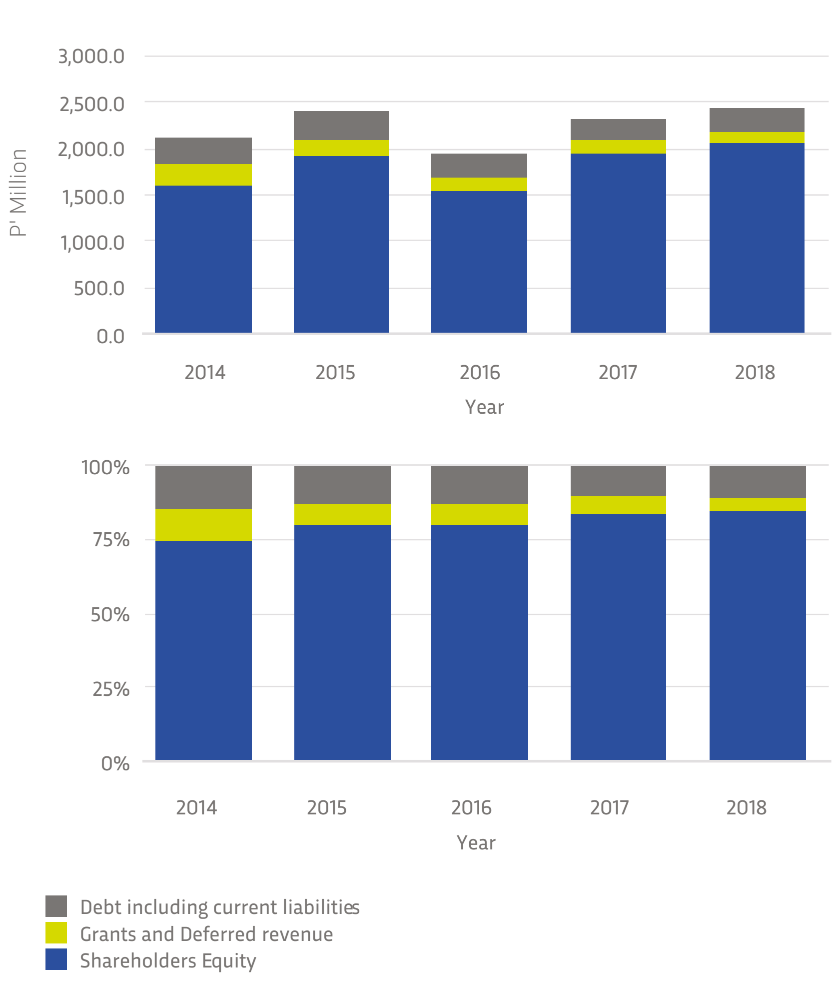
	Thebe	P' millions
Interim Dividend 2018	3.730	39.165
Final Dividend 2017	11.090	116.445
Interim Dividend 2017	3.600	37.800
Final Dividend 2016	5.00	52.500
Total	23.42	245.910

Capital employed

Shareholder's equity, at end of 31 March 2018, stood at P 2,062.7 million (2017: P1,949.2 million) representing a growth of 5.8%. The increase was due to the movement in the Revaluation Reserve resulting from revaluation of land and buildings (P37.4m net of tax and depreciation) and retained profits of P 61.7 million, after payment of ordinary dividends of P 155.6 million during the year.

The graph depicts the increasing share of funding by shareholder's equity as the write-down of the government grant continued progressively over the years. No new grants were received during the year. Whilst debt (current liabilities) increased during the year, its share has been eclipsed by the increase in shareholders' equity is also declining percentage wise.

Capital Structure



Performance Indicators	2018	2017	2016	2015
Sales Growth	-3.0%	8.7%	0.4%	1.8%
Gross Profit Percentage (Excluding interest received)	63.0%	59.6%	53.2%	63.5%
Net profit percentage	13.9%	14.7%	-25.0%	9.9%
Return on Average Capital Employed	11.4%	13.2%	-25.6%	8.9%
Return on Assets	9.1%	11.1%	-17.0%	6.5%
Return on Invested Capital	12.2%	15.0%	-34.2%	0.0%
Return on Shareholders Equity	10.8%	13.6%	-21.3%	8.4%
Solvency Ratio	1.4	1.6	1.6	1.1
Solvency Ratio (excluding development grants)	1.0	1.0	1.0	0.7
Asset Turnover Ratio	0.66	0.76	0.68	0.65
Acid Test Ratio	3.3	3.6	3.3	2.6

The return on average capital employed in 2018 was 11.4% as compared to 13.2% in the prior year. In comparison, the return on capital employed in 2016 and 2015 was -25.6 and 8.9 per cent respectively due to the restructure (separation of assets) of BTC in 2015 the effect of the impairment on property, plant and equipment in the 2016 financial year.

The Company's actual cost of capital is reported as 13.0 per cent (see note 9 to the annual financial statements). The return on total assets declined from 11.1 per cent in 2017 to 9.1 per cent in 2018. This was due to lower profits before interest and tax for the year (-3%) compared to previous year whilst Total assets increased by 5%.

Return on capital employed is calculated using profit before interest and tax on average capital employed and return on assets is calculated on net income after tax on average asset values.

FINANCIAL REVIEW AND MANAGEMENT DISCUSSION
continued

Liquidity and Capital Management

Solvency

The Solvency Ratio is the ability of an enterprise to meet its obligations. The solvency ratio stood at 1.0 for 2018 and 2017. The ratio improved to 1.4 in 2018 and 1.6 in 2017 after deducting government grants which are unlikely to be payable since the company has discharged its obligations with respect to the projects that were funded by the government. Development grants stood at P 109.1 million at the end of the year (2017: P138.5 million).

BTC's financing strategy remained unchanged during the financial year. No debt finance was raised during the year and the company remains debt free. BTC cash flows were sufficient to meet its capital expenditure requirements with a cash flow after investing activities of P 79.7 million (2017: -P 11.4 million) and has sufficient cash to continue funding its capital expenditure requirements.

Off-Balance Sheet Arrangements

We do not consider any transactions to be of "off-Balance Sheet Arrangements" except for the following:

- Operating leases in the normal course of business. The nature of these lease arrangements is discussed in Note 19 of the annual financial statements and generally in respect of rentals network sites and retail shops.
- Development Grants - for additional information regarding grants provided by the Government of Botswana for the development of rural telephony please refer to Note 14 of the Annual Financial Statements.
- Unutilised and unsecured banking facilities amounting to P110.0 million in respect to letters of credit and guarantees (see Note 17.4) of the Annual Financial Statements.

Pension and Other Employment Benefit Plans
BTC sponsors a defined contribution pension plan under which the Company contributes 16 per cent to the BTC Staff Pension Fund with employees contributing 4 per cent (see under Accounting Policies). The Pension Fund is a separate legal entity managed by its trustees. As such BTC does not have any liabilities or commitments in respect of post-employment staff benefits. The employee related provisions for the accrued gratuities, severance pays and leave pays are included in the Statement of financial position and amounted to P 59.7 million, of which P 25.4 million is expected to be paid by March 31, 2019 with the balance of P 34.3 million expected to be paid after that date (see Note 16 to the annual financial statements).

Capital Resources and Liquidity

BTC's ability to maintain positive liquidity going forward depends on its ability to continue to generate cash from operations and access the financial capital markets if necessary, both of which are subject to general economic, financial, competitive, legislative, regulatory and other market factors that are beyond its control.

- As of March 31, 2018, total cash and cash equivalents were P 450.1 million (2017: P 516.5 million). BTC has no outstanding borrowings or letters of credit. BTC has an approved P110.0 million Banking facility which was unutilized at year end. The decrease in the cash balance in 2018 resulted from the ordinary dividend paid during the year. Cash flow from operating activities remained at the same level as in 2017 at P 357.8 million (2017: P 357.5 million) before ordinary dividend payments.

Cash Flow Analysis

The following summarises BTC's cash flows for last five years.

SUMMARISED CASH FLOW ANALYSIS

P' millions	2018	2017	2016	2015	2014
Cash generated from operations (prior to taxes paid)	372.9	334.2	254.2	321.3	325.1
Net cash from operating activities	357.8	357.5	256.9	243.9	232.8
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Net cash from operating activities to capex ratio	1.2	0.9	1.0	0.9	1.2
Net Cash available after investing activities	79.7	(11.4)	32.9	5.5	63.1
(Decrease) /Increase in cash and cash equivalents	(64.8)	148.9	32.9	3.2	(58.2)
Cash and Cash Equivalents at the end of the year	450.1	516.5	390.0	366.0	353.5

Cash Flows from Operating Activities

Net cash from operating activities was driven primarily by the following:

- P242.8 million from operating profits before interest income.
- P156.1 million add back of non-cash flow depreciation and amortisation.
- Increases in accounts receivable and payments to creditors decreased available cash.

Cash Flows from Investing Activities

Net cash used in investing activities during the year ended March 2018 was P 299.8 million with P 277.5 and P 22.3 million of this being attributable to investments in property, plant and equipment and other intangibles respectively. Other intangibles comprise software licenses.

Cash Flows from Financing Activities

An ordinary dividend of P 145 million (2017: P 90 million) was paid to shareholders during the year.

Liquidity and Financial Flexibility

At March 31, 2018, bank current accounts balances were P 25.6 million (2017: P 16.8 million) held for immediate use and P 424.5 million (2016: 499.7 million) in short-term bank with maturity terms of less than 1 year and money market deposits available on 24/48 call.

Loan / Banking Facilities Covenants and Compliance

At March 31, 2018 BTC was in full compliance with the covenants and other provisions of our Banking Facilities, which amounted to P110.0 million. At the same date, BTC had not utilized such facilities and has the right to terminate such Banking Facilities without penalty.

Capital Market Activity

Share Issue and Purchase Programs

In 2017, 800,000 shares of no par value were in issue and a further 250,000 no par value shares were issued to the public through an Initial Public Offering on April 8, 2016 bringing the total number of shares to 1,050,000 shares.
Refer to Note 12 – Stated Capital – for additional information regarding the shares in issue.

Dividends

The Board of Directors declared aggregate dividends of P 155.6 million during the financial year as follows:

Final dividend for 2017 fiscal year	
– 11.09 thebe per share	– P 116.4 million;

Interim dividend for 2018 fiscal year	
– 3.73 thebe per share	– P 39.2 million

The Board of Directors has since approved a final dividend of 9.7 thebe per share for the fiscal year ended March 2018, making it a total dividend of 13.43thebe for the 2018 financial year. The total dividend of 13.4 thebe reflects a 64.9% per cent dividend payout from the profits for the year.

Financial Risk Management

The risks for which the Company is exposed are:

- Foreign exchange rates movements;
- Credit risks;
- Liquidity and Interest rates risks, and;
- Fair value risks

The current market economic conditions and events have not caused BTC to materially modify or change its financial risk management strategies with respect to exposures to interest rate and foreign currency risks.

Foreign Exchange Risk Management

BTC manages its exposure to these foreign exchange risks through its regular treasury operations, when appropriate forward exchange contracts are entered into. Foreign exchange is required by BTC for the payment of operating costs including space segment leasing, termination of international calls, network supplier repairs, maintenance and support contracts as well as for the purchase of plant and equipment, software products and licenses.
The foreign currency and risk exposure for the corporation at 31 March 2018 is insignificant and we refer the reader to note 21.2 and 21.3 of the annual financial statements for more details on foreign exchange risk management.

Credit Risk Management

The credit risk relates to the risk that a counterparty will default on its contracted obligations which may result in non-collection of that debt, ultimately resulting in a loss to the Company. The company is exposed to credit risk from its operating activities, primarily from trade debtors and receivables and from its cash and deposit holdings with financial institutions.

Trade debtors and receivables consist of a large number of customers, mostly post-paid, spread across various industries and geographical areas. Management manages the credit risk through aggressive debt collection (including the use of contract external debt Collectors, credit vetting of new customers and continuous monitoring of recoverability of receivables. Credit risk from balances with Financial Institutions is managed through placement of funds in institution with good credit ratings, registered and regulated by the Bank of Botswana or Non-Banking Financial Institutions Regulatory Authority.

At March 31, 2018 the maximum credit risk exposure with regards to trade and accounts receivable was P 216.0 million (2017: P 205.6 million); short term call deposits and cash with banks of P 450.1 million (2016 – P 516.5 million; and are sufficient to cover all short-term creditor liabilities.

At March 31, 2018 P 53.4 million of the P 216.0 million trade and other receivables was owing by the Government of the Republic of Botswana in comparison to P 82.9 million of the P 205.6 million trade debtors and receivables in 2017.

Liquidity Risk Management

Liquidity risk relates to the ability of the company to meet its obligations, principally trade and other payables. The Company manages this risk by continuously monitoring and analyzing its financial obligations and by maintaining adequate matching reserves, banking facilities and reserve borrowing facilities.
At March 31, 2018 the Company's liquidity was P467.7 million (2017: P521.9 million) This being financial assets of P666.1 million against financial liabilities of P198.4 million. Further information liquidity risk management is disclosed in note 21.8 of the annual financial statements.

Interest Rate Risk Management

The Company has no significant exposure to interest rate risk as it does not have any debts payable to third parties other than the trade and other payables which do not bear any interest. The Company has significant cash resources held with various financial institutions. The consolidated weighted-average interest rates related to BTC's total debt for 2018 and 2017 was nil. Further information on interest rate risk management is disclosed in note 21.9 of the annual financial statements.

07

ANNUAL FINANCIAL STATEMENTS

BOARD APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2018

The Members of the Board are responsible for the annual financial statements prepared in accordance with International Financial Reporting Standards.

The independent auditors are responsible to give an independent opinion on the fairness of the annual financial statements based on their review of the affairs of the Company.

The Audit and Risk Committee, which consists of three members of the Board and the Managing Director, meets at least four times a year with the internal and external auditors, as well as members of senior management, to evaluate matters concerning accounting, internal controls, auditing and financial reporting.

The Members of the Board, supported by the Audit and Risk Committee, are satisfied that management introduced and maintained adequate internal controls to ensure that dependable records exist for the preparation of the annual financial statements, to verify and maintain accountability of assets of the Company to prevent and detect mismanagement and loss of the assets of the Company. Nothing has been brought to the attention of the Board to reasonably indicate any breakdown in the functioning of these controls, procedures and systems during the period under review.

The financial statements have been prepared on a going concern basis, since the Members of the Board have every reason to believe that the Company has adequate resources in place to continue in operation for the foreseeable future.

Against this background, the Members of the Board accept responsibility for the financial statements and the information on pages 122 to 161 which were approved on 21 June 2018 and are signed on its behalf by:

LORATO BOAKGOMO-NTAKHWANA
CHAIRPERSON

ANTHONY MASUNGA
MANAGING DIRECTOR

GENERAL INFORMATION

For the year ended 31 March 2018

DIRECTORS

Lorato Boakgomo-Ntakhwana	Chairperson
Anthony Masunga	Managing Director
Serty Leburu	
Maclean Letshwiti	
Andrew Johnson	(Appointed 1 June 2017)
Ranjith Priyalal De Silva	(Appointed 1 June 2017)
Choice Pitso	(Re-appointed 31 October 2017)
Alan Boshwaen	(Resigned 31 October 2017)
Gerald Nthebolan	(Retired 31 October 2017)
Professor Rejoice Tsheko	(Retired 31 October 2017)

INCORPORATION OF BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

Botswana Telecommunications Corporation Limited was registered as a company under the Companies Act in the Republic of Botswana on the 1 November 2012. The BTC Transition Act provides in section 13 that on the Conversion date, the BTC Act is repealed and BTC will now be required to comply with all requirements of the Companies Act (CAP 42:01).

COUNTRY OF INCORPORATION AND DOMICILE

Botswana

REGISTERED OFFICE

Megaleng, Khama Crescent
Plot 50350
P.O. Box 700
Gaborone, Botswana

COMPANY NUMBER

CO2012/12936

NATURE OF BUSINESS AND PRINCIPAL ACTIVITES

The Company is engaged in the provision of telecommunication services in Botswana. The Company's services and products include fixed and mobile voice telephony, directory services, data services, private circuits and customer premises equipment.

BANKERS

African Banking Corporation Botswana Limited
Barclays Bank Botswana Limited
First National Bank Botswana Limited
Stanbic Bank Botswana Limited
Standard Chartered Bank Botswana Limited
Bank Gaborone

AUDITOR

Ernst & Young
P.O. Box 41015
Gaborone, Botswana

PRESENTATION CURRENCY

Botswana Pula

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 March 2018

To the Shareholders of Botswana Telecommunications Corporation Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Botswana Telecommunications Corporation Limited (the Company) set out on pages 122 to 161 which comprise the statement of financial position as at 31 March 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Botswana Telecommunications Corporation Limited as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act (CAP 42:01).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing the audit of Botswana Telecommunications Corporation Limited. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Botswana Telecommunications Corporation Limited. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How the matter was addressed in the audit
Consideration of impairment of network assets Property, plant and equipment and intangible assets represent a significant portion of the Company's asset base, being 61% of the Company's total assets as at 31 March 2018. We focused on the impairment assessment for BTC as the assessment is sensitive to changes in assumptions (in particular the long term growth rate, the discount rate and the assumptions underlying future operating cash flows) as well as regulatory directives and events both external and internal to the Company. Management computed the recoverable amount, using a discounted cash flow model with assumptions around cash flow forecasts, specifically expectations for revenue and margin developments with due consideration for Regulatory Directive No 1 of 2017, as well as assumptions, including the discount rate and Weighted Average Cost of Capital (WACC). The asset impairment assessment is disclosed in Note 9 to the financial statements together with the key judgements and estimates described in the accounting policies.	Our audit procedures included, amongst others the following: • We considered whether the methods and models used to determine the recoverable amount were appropriate. • We involved EY's internal valuation specialist's to assist us in assessing the appropriateness of the model used and to assist in challenging the assumptions applied within that model. • We challenged whether the discount rate and WACC used were appropriate. • We considered the appropriateness of the revenue and margin growth rates by comparing the rates with the historic trends in revenue and margins within the company and taking into account our own understanding about developments in the industry. • We also compared the company's margin percentage to similar sized companies in the region and to historical trends in the industry. • We performed a sensitivity analysis to understand the effect of changes in key variables on the outcome of the model. • We performed procedures to evaluate management's grouping of data for input into the impairment model. • We also considered the adequacy of the disclosures of the assumptions and judgements applied.
Revenue recognition due to complexity and volume in the revenue process The accuracy of amounts recorded as revenue is an inherent industry risk due to the complexity of billing systems, and the accounting for various products and tariff plans. The Company's revenue is primarily generated from the provision of mobile and fixed-line voice and related value-added services, broadband and other internet related services, information communication technology services and sales of telecommunication products. Furthermore, in the current year, changes in the billing systems added to the complexity of auditing the revenue figure along with changes in the tariff structure. The processing of large volumes of data from multiple element arrangements and the bundled products sold through different billing systems added to the difficulty for us, as auditors. The application of revenue recognition accounting standards is complex and involves a number of judgements and estimates in determining the appropriate measurement and timing of recognition of different elements of revenue within bundled sales packages. Refer to the accounting policy note which describes the revenue recognition accounting policy as well as the significant accounting judgements and estimates relating to revenue.	Our audit procedures included, amongst others the following: • We tested key controls in the overall IT environment in which the billing systems reside. • We tested the key controls over the accuracy in calculation and allocation of revenue to separable elements in bundled transactions under contracts with customers. • We assessed the judgement exercised by the Company on allocation of separable elements in bundled transactions under contracts with customers, with reference to standalone selling prices and other observable market data. • For a sample of transaction records in the systems, we agreed the amounts recorded in the systems to their respective customer contracts, underlying invoices and cash receipts. • We tested key reconciliations used by management to assess the completeness and accuracy of revenue. • We tested the billing system parameters to assess that network activity was appropriately recorded in the correct period. • We considered whether revenue was appropriately deferred by inspecting the unused airtime report extracted from the billing system to assess the amount of revenue that should be deferred. • We compared the total amount of revenue from the billing reports to the journals captured in the general ledger to assess the completeness and accuracy of revenue recorded. • We also considered the adequacy of the disclosures on the assumptions and judgements applied.

Other Information

The directors are responsible for the other information. The other information comprises the Board approval of the annual financial statements general information, which we obtained prior to the date of this report and the annual report, which is expected to be made available to us after that date. Other information does not include the financial statements and our auditor's report thereon.

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

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (CAP 42:01), 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.

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

Those charged with governance are responsible for overseeing the Company's financial reporting processes.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst + Young

Ernst & Young
Practicing Member: Thomas Chitambo (20030022)
Partner
Certified Auditor
Gaborone

26 July 2018

2nd Floor, Plot 22 Khama Crescent,
PO Box 41015, Gaborone, Botswana

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	2018 P'000	2017 P'000
Sale of goods and services	1	1,566,908	1,615,022
Interest income	4	21,131	23,075
Revenue		1,588,039	1,638,097
Cost of services and goods sold	2.1	(600,895)	(675,573)
Gross profit		987,144	962,524
Other income	3	30,908	35,547
Selling and distribution costs	2.2	(41,096)	(48,728)
Administrative expenses	2.3	(439,728)	(402,311)
Other expenses	2.4	(273,313)	(272,489)
Profit before tax		263,915	274,543
Income tax expense	6	(46,564)	(37,194)
Profit for the year		217,351	237,349
Other comprehensive not to be reclassified to profit /loss in subsequent periods			
Gains on property revaluation		66,363	-
Income tax effect		(14,600)	-
Other comprehensive income for the year, net of tax		51,763	-
Total comprehensive income for the year		269,114	237,349
Basic and diluted earnings per share (Thebe):	5	20.70	22.60

STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 P'000	2017 P'000
ASSETS			
Non current assets			
Property, plant and equipment	7	1,418,095	1,208,312
Intangible asset	8	70,236	71,176
Deferred tax assets	6.1	51,634	87,947
		1,539,965	1,367,435
Current assets			
Inventories	10	48,398	77,459
Trade and other receivables	11	394,431	278,428
Income tax receivable	17.2	-	6,153
Related party prepayment	11	-	80,000
Cash and cash equivalents	17.3	450,074	516,549
		892,903	958,589
Total assets		2,432,868	2,326,024
EQUITY AND LIABILITIES			
Capital and reserves			
Stated Capital	12	478,892	478,892
Revaluation reserve	13	360,056	322,720
Accumulated profits		1,223,715	1,147,547
		2,062,663	1,949,159
Non current liabilities			
Development grants	14	79,626	109,077
Employee related provisions	16	34,273	21,245
		113,899	130,322
Current liabilities			
Trade and other payables	15	198,401	197,583
Income tax payable	17.2	3,072	-
Current portion of development grants	14	29,452	29,453
Current portion of employee related provisions	16	25,381	19,507
		256,306	246,543
Total equity and liabilities		2,432,868	2,326,024

STATEMENTS OF CHANGES IN EQUITY

31 March 2018

	Notes	Stated Capital	Revaluation Reserve	Accumulated Profits	Total
		P'000	P'000	P'000	P'000
Balance at 1 April 2016		228,892	337,147	986,071	1,552,110
Profit for the year/total comprehensive income		-	-	237,349	237,349
Issued shares during the year		250,000	-	-	250,000
Ordinary dividend declared	12	-	-	(90,300)	(90,300)
Depreciation transfer for land and buildings	13	-	(14,427)	14,427	-
Balance at 31 March 2017		478,892	322,720	1,147,547	1,949,159
Profit for the year		-	-	217,351	217,351
Other Comprehensive Income	13	-	51,763	-	51,763
Total Comprehensive Income			51,763	217,351	269,114
Ordinary dividend declared	12	-	-	(155,610)	(155,610)
Depreciation transfer for land and buildings	13	-	(14,427)	14,427	-
Balance at 31 March 2018		478,892	360,056	1,223,715	2,062,663

STATEMENT OF CASH FLOWS

31 March 2018

	Notes	2018 P'000	2017 P'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating profit before working capital changes	17.1	483,164	369,765
Working capital adjustments:			
Decrease in inventories		29,061	14,893
Increase in trade and other receivables and prepayments		(122,416)	(44,299)
Decrease in trade and other payables		(16,914)	(6,127)
Cash generated from operations		372,895	334,232
Ordinary dividend paid to shareholders		(144,539)	(89,765)
Net Income tax (paid)/refunded	17.2	(15,100)	23,260
Net cash from operating activities		213,256	267,727
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Investment to expand operations:			
Purchase of property, plant and equipment	7	(277,450)	(351,270)
Purchase of intangible assets	8	(22,343)	(47,699)
Proceeds from disposal of property, plant and equipment		2,061	7,026
Interest income received	4	19,629	23,075
Net cash used in investing activities		(278,103)	(368,868)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Share issue		-	250,000
Net cash from financing activities		-	250,000
(Decrease) /Increase in cash and cash equivalents		(64,847)	148,859
Net foreign exchange difference on cash and cash equivalents		(1,628)	(22,339)
Net cash and cash equivalents at beginning of the year		516,549	390,029
Cash and cash equivalents at end of the year	17.3	450,074	516,549

PRESENTATION OF FINANCIAL STATEMENTS

The annual financial statements are presented in Botswana Pula which is the company's functional currency. All financial information and values are rounded to the nearest thousand (P'000) except when otherwise indicated. The Financial Statements of the Company for the year ended 31 March 2018 were authorised for issue by the Members of the Board in accordance with a resolution on 21 June 2018.

CORPORATE INFORMATION

Botswana Telecommunications Corporation Limited ("BTC" or "the Company") is incorporated and domiciled in Botswana. The headquarters is situated at Megaleng, Khama Crescent, Gaborone, Botswana. BTC services and products include fixed and mobile voice telephony, national and international internet, directory services, data services, virtual private networks and customer premises equipment.

BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis, except as modified by the measurement of certain financial instruments at fair value and the revaluation of certain assets as indicated in the accounting policies below, and on the going concern basis.

Statement of compliance

The financial statements have been prepared in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), interpretations issued by the International Financial Reporting Standard Intepretations Committee and in the manner required by the Companies Act of Botswana (CAP 42:01).

Changes in accounting policy and disclosures

The accounting polices adopted are consistent with those of the previous year, except that during the current financial year the Company has adopted and implemented the following standards interpretations and amendments to standards that are mandatory for financial years on or after 1 January 2017.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The amendments are intended to provide information to help investors better understand changes in an entity's debt. These amendments are not expected to have an impact on the Company's financial statements as the Company does not have liabilities in financial activities.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explains in which circumstances taxable profit may include the recovery of some assets for more than their carrying amount.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2017, they did not have a material impact on the annual financial statements of the Company. The nature and the impact of each new standards or amendments are described below:

STANDARDS ISSUED BUT NOT EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014 the IASB issued a final version of IFRS 9 Financial Instruments which replaces IAS 39: Recognition and Measurement. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition:

- IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk

IFRS 9 Financial Instruments (continued)

- The new model introduces a single impairment model being applied to all financial instruments, as well as an "expected credit loss" model for the measurement of financial assets.
- IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements.
- IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

Overall the company expects no significant impact on its statement of financial position and equity. The company is yet to assess the impact of IFRS 9 on its financial statements.

IFRS 16 Leases

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Under lessor accounting where the company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Lease income is recognised as income in profit or loss on a straight-line basis over the lease term. Contingent rents are recognised as revenue in the period in which they are earned. The standard is effective for annual periods beginning on or after 1 January 2019.

The new standard, in addition to bringing substantial new assets and liabilitiees onto a lessee's balance sheet, will have an impact on reported profit and performance measures such as EBITDA. It is likely that with the changed definition of leases there will be some additional contracts within the scope of the new standard, which will need to be considered by lessors as well as lessees, although lessees may be able to use the limited exemptions which may permit some to remain accounted for as services.

Management has not yet assessed the impact of this standard to the company. Typical areas where the standard will have a significant impact are; arrangements with other operators, shared network assets arrangements, arrangements where network equipment is embedded in the supply of communication services and leases of network sites and retail space.

IFRS 15 Revenue from Contracts with Customers

The FASB and IASB issued IFRS 15, in May 2014. The new standard on revenue recognition replaces IAS 18 Revenue and IAS 11 Construction Contracts and provides a new framework for assessing the accounting for revenue transactions. The new standard applies to annual reporting periods beginning on or after 1 January 2018. On 12 April 2016, clarifying amendments were issued that have the same effective date as the standard itself.

IFRS 15 is based on the principle that revenue is recognised when control of a good or service is transferred to a customer. The standard provides a single, principles based, five-step model to be applied to all contracts and requires entities to reassess contracts with their customers. The core is that an entity should recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in the exchange for the goods or services. Revenue is recognised when a customer obtains control of a good or services. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The standard additionally includes comprehensive disclosure requirements that require entities to provide the users of the financial statements with more informative and relevant disclosure.

When the standard is adopted, it can be applied either on a retrospective basis, requiring the restatement of the comparative periods presented in the financial statements, or on a modified retrospective basis requiring an adjustment to equity on the date of adoption; it is necessary to disclose the impact of IFRS 15 on each line item on the financial statements for the reporting period.

BTC has performed preliminary evaluation of the implications of IFRS 15 during the March 2018 financial year, the impact was determined by evaluating what impact IFRS 15 would have on a select number of contracts determined to be representative of majority of the revenue streams across our business.

IFRS 15 Revenue from Contracts with Customers (continued)

BTC will adopt in the financial year ending 31 March 2019, focusing on the decision points relating to IT systems and adoption methodology. The implementation programme continue to progress satisfactorily following completion of assessment of business impact.

Based on work done to date the following are expected to be representative of the largest impacts to our business as a result of the implementation of IFRS 15.

- Acceleration of revenues (notably handset revenues) and deferral of costs (notably third party contract acquisition costs related to handset revenues) which may be significantly impacted. This will accelerate profits forward in the period being restated
- Result in the recognition of a contract asset; and an increase in equity reserves at 1 April 2018
  IFRS 15 requires separate presentation of contract assets and contract liabilities in the balance sheet. This will result in some reclassifications as of 1 April 2018 in relation to expected discounts/rebates and other associated provisions which are currently included in other balance sheet line items. BTC plans to adopt IFRS 15 using the modified retrospective method only to contracts that are not completed at the date of initial application (i.e. 1 April 2018) applying certain practical expedients.

Key decision points	Potential impact areas
Mobile Prepaid	Sale of sim cards with free network services and sale of handset with free network services.
	Estimate of expected breakage for expected unexercised network services.
	Potential change of classification depending on management's decision on whether network services are one or three performance obligations.
Mobile Post-paid	All post-paid contracts: revenue from network services would be based on usage which not necessarily be the same as the period of invoice. A deferred revenue liability should be recognised for network services that are carried over from the period of invoice.
	BTC would need to account for unexpected unexercised network services (i.e.) as revenue in proportion to the pattern of rights exercised by the customer.
	Contracts for handset and network services. Revenue from handsets should be recognised on delivery of the handset for the full transaction price allocated to the handset and not just for the amount of the upfront deposit or fee received.
	Contracts with free goods, revenue should be allocated to all performance obligation, including for example free sim cards, based on the relative standalone selling price of the performance obligation.
Dedicated leased lines, dedicated internet access and shared internet access	The majority of transactions relate to those where the subscriber does not purchase the customer premise equipment (CPE) outright. As these arrangements contribute to a significant part of the revenue stream, areas of note including:
	· Customer Premises Equipment, which will not be a separate performance obligation and will be allocated to the access performance obligation.
	· Installation and connection, this will not be considered a separate performance obligation under IFRS 15.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The amendments are intended to eliminate diversity in practice, when recognising the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration received or paid in foreign currency. There is no impact of this interpretation on the Company financial statements. The interpretation is effective for annual period beginning on or after 1 January 2018.

Conceptual Framework for Financial Reporting

The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Key provisions

The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards.

The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged as follows:

- The objective of financial reporting
- Qualitative characteristics of useful financial information
- Financial statements and the reporting entity
- The elements of financial statements
- Recognition and derecognition
- Measurement
- Presentation and disclosure
- Concepts of capital and capital maintenance

The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event. The Conceptual Framework, is effective for annual periods beginning on or after 1 January 2020.

IAS 23 Borrowing Costs

Borrowing costs eligible for capitalisation

• The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The amendment also states that an entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. The amendments is effective for annual reporting periods beginning on or after 1 January 2019. This amendment will not have an impact on the Company financial statements. The Company does not have borrowing costs.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment (continued)

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019. The Company does not operates in a complex multinational tax environment, therefore the Interpretation will not affect the financial statements and required disclosures.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and Judgments

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates and judgments concerning the future. Estimates and judgments are continually evaluated and are based on historical factors coupled with expectations about future events that are considered reasonable. In the process of applying the group's accounting policies, management has made the following estimates and judgments that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities as they involve assessments or decisions that are particularly complex or subjective within the next year.

Revenue recognition and presentation

Revenue arrangements including more than one deliverable:

This relates to fixed lines and mobile installations. In revenue arrangements including more than one deliverable, the deliverables are assigned to one or more separate units of accounting and the arrangement consideration is allocated to each of the units of accounting based on the cash cap method. The cash cap method is applied to multiple-element post-paid mobile arrangements. Under the cash cap method, revenue is allocated to the different elements of the agreement, but the value allocated to the handset is limited to the amount of cash received for it, which may be zero.Determining the value allocated to each deliverable can require complex estimates due to the nature of goods and services provided.

Presentation: Gross versus Net

Determining whether the entity is acting as a principal or an agent requires judgement and consideration of all relevant facts and circumstances. When deciding the most appropriate basis for presenting revenue or related costs, both the legal form and the substance of the agreement between the entity and its independent service providers are reviewed to determine each party's respective role in the transaction. Distribution network for prepaid arrangements and sale of content are based on volume and value of transactions. The revenue is recognised gross of discounts. Revenue is recognised net of discounts when the discounts are granted to the customer.

Development grants

Grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Initial capitalisation of costs is based on management's judgement that the attached conditions will be complied with. Revenue is recognised over the useful lives of the assets purchased using the grant. The current portion of development grant is estimated by amortising existing government grants received at reporting date and assuming that there will be no grants received and no additional capital expenditure in the financial year 2017/2018.

Revaluation of land and buildings

Land and buildings are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Management considers that valuations are performed frequently enough (after every three years) to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. The independent valuer has made the following assumptions during the revaluation process and at arriving at the property values:

That the property are free from any structural fault, rot, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of deleterious materials.That the properties are not contaminated and that the sites have stable ground conditions.

Related parties

Government, parastatals and key management personnel are considered as being related to the company. The Government of Botswana is still a related party as the shareholding is 54.16% as at 31 March 2018. Significant management judgment is required to determine as to who qualifies for being a related party, based on the type of the relationship especially on entities also controlled by the Government.

Allowances for slow moving inventory

Based on prior management practice, inventory that has not moved for a 12-month period is considered to have no normal sale value. Obsolete and discontinued products are considered to have no normal sale value. The provision is raised based on the full cost or net realisable value of the product.

Depreciation Charges and Residual Value

For depreciation purposes, a significant component is defined as equal to or greater than 20% of the total cost of the asset and each significant component with different useful lives are depreciated separately. The useful life of an asset is determined with reference to its expected life as prescribed by internal experts. The depreciation method reflects the pattern in which economic benefits attributable to the asset flows to the entity. The useful lives of these assets can vary depending on a variety of factors, including but not limited to technological obsolescence, maintenance programs, refurbishments, customer relationship period, product life cycles and the intention of management. The estimated useful lives assigned to company's of property, plant and equipment are:

Buildings	- 40 years
Leasehold land and buildings	- unexpired portion of lease or 50 years, whichever is shorter
Network Assets	- 5 to 20 years
Other plant and equipment	- 3 to 10 years

The residual value of an asset is determined by estimating the amount that the entity would currently obtain from the disposal of the asset after deducting the estimated cost of disposal, if the asset were already of age and in the condition expected at the end of its useful life. The estimation of the useful life and residual value of an asset is a matter of judgment based on the past experience of the company with similar assets and the intention of management.

Debtors impairment

This allowance is created where there is objective evidence, for example the probability of insolvency/bankruptcy or significant financial difficulties of the debtor, that the company will not be able to collect all the amounts due under the original terms of the invoice. An estimate is made with regards to the probability of insolvency and the estimated value of debtors who will not be able to pay. Financial assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

Impairment of non-financial assets

The company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Management expresses judgement and estimates on the impact of technological changes and expected nature of use of the respective assets in the generation of revenue in the near future. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

Initial Fair Value of financial Instruments

Financial liabilities have been valued based on the expected cash flows discounted at current rates at grant date applicable for items with similar terms and risk characteristics. This valuation requires the company to make estimates about expected future cash flows and discount rates, and hence they are subject to uncertainty.

Determining whether an arrangement contains a lease and lease classification

The company applies judgement when determining whether an arrangement contains a lease. Arrangements that are not dependent on the use of one or more specific assets and do not convey a right to use these assets do not contain a lease. The costs in terms of these arrangements are expensed as incurred.

In determining lease classification as either an operating or finance lease, the Company applies judgement, especially in determining whether the lease term is for the major part of the economic life of the asset and whether at inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the asset.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REVENUE RECOGNITION

Revenue, which excludes value added tax, comprises the value of national & international telephone services, local and access services (rentals & installations), sale of equipment to customers, data communications and other services. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duties. The company provides telephone and data communication services under post-paid and prepaid payment arrangements. The various revenue categories are explained below:

Fixed Telephone National and International services:

Prepaid products
Upon purchase of an airtime scratch and dial card or electronic vouchers the customer receives the right to make outgoing voice calls and data usage to the value of the airtime scratch and dial card. On initial recognition, the amount received is deffered and revenue is recognised as the customer utilises the airtime available or upon expiration of the usage period, whichever comes first. The expiration of the usage period is twelve (12) months.

Post-paid products
BTC post paid services are voice and data communications solutions, whereby the customer pays for the services after usage as per the service agreement contract. Voice services communications solutions include both domestic and international telephone services and ISDN services. Revenue is recognised based on usage.

Interconnect - fixed and mobile
National and international interconnect revenue is recognised on a usage basis. This is revenue that BTC realises from network interconnection and access interconnection with other Telecommunications or mobile operators both Nationally and Internationaly. Interconnect charges include charges for collecting and delivering calls, for installing, maintaining and operating the points of interconnect.

Customer Premises Equipment comprise of the following products and or services:

Customer Premises Equipment
Customer Premises Equipment includes sale of equipments such as private automatic branch exchange (PABX), modems and telephone instruments. Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Local and Access Services:

Subscriptions, connections and other usage for fixed line and mobile services
Revenue includes fees for installation and activation which are recognised as revenue upon activation. Local access services are mainly providing telephone lines to both business and residential customers. Revenue includes fees for installation and activation which are recognised as revenue upon activation. There are no installation and activation fees for mobile.

Data and Private Circuits comprise of the following products and or services:

Data Income
Data income includes services such as internet services, websites & domains, voice mail, caller identification, call forwarding and short message services. Revenue is recognised based on usage

Private circuits
Private circuits are services provided to customers who require exclusive connectivity between two or more geographically separated sites, with an always on service and a guaranteed high level of service availability. Private circuits are used to transport data, internet or voice between two points using a fixed bandwidth. Revenue is recognised based on usage.

Other Services

Other services includes:

Rental income
The main equipment that are rented out are network towers which are leased to other cellular operators and PABXs which are rented to both private and corporate individuals. Revenue is recognised on a straight line basis over the lease term on ongoing leases. The revenue recognised here is classified under other services in note 1.

Construction Contracts
Cost of works are projects such as providing fibre optic access and copper wire access to both residential and business customers. Contract revenue and contract costs are recognised as revenue and expenses, respectively, when the outcome of a construction contract can be estimated reliably. Revenue arising from fixed price contracts is recognised in accordance with the percentage of completion method. The stage of completion is measured by reference to costs incurred to date as a percentage of total estimated costs for each contract.

Other Services (continued)

Site rentals are network towers which are leased to other mobile operators. Revenue is recognised on a straight line basis over the lease term on an ongoing basis.

Interest income

Revenue is recognised as the interest accrues, using the effective interest rate (EIR).

Directory services

Revenue is recognised when telephone directories are released for distribution, as the significant risks and rewards of ownership have passed at that point.

Mobile Revenue

Prepaid products

Upon purchase of an airtime scratch and dial card and electronic vouchers the customer receives the right to make outgoing voice and data calls to the value of the airtime scratch and dial card. On initial recognition, the amount received is deferred and revenue is recognised as the customer utilises the airtime available or upon expiration of the usage period, whichever comes first. Dealers are given discount, which is expensed as part of cost of sales when incurred.

Post-paid products

Mobile post paid services are voice and data communications solutions, whereby the customer pays for the services after usage as per the service agreement contract. Voice services communications solutions include both domestic and international telephone services and ISDN services. Revenue is recognised based on usage. All post paid products are sold by BTC, there are no dealers or agents involved.

Handset Revenue

Revenue from the handset is recognised when the handset is delivered. The bundled arrangement is allocated to each deliverable based on the cash-cap method of each deliverable. The value allocated to the handset is limited to the amount of cash received for it.

Lease classification - rental income

Operating leases

The company as the lessor has entered into property rental lease arrangements. The Corporation has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases. These property lease arrangements relate to: Office space being rented in various locations around Botswana. The lease payments are recognised over the lease term on a straight-line basis.

Finance leases

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments and any unguaranteed residual value accruing to the lessor discounted by the interest rate implicit in the lease.

EMPLOYEE BENEFITS

Post employment benefits

The company operates a defined contribution pension fund for its eligible citizen employees. The fund is registered under the Retirement Fund Act 2014. The Corporation contributes to the fund 16% of the pensionable earnings of the members. Pension contributions on behalf of employees are charged to profit or loss in the year to which they relate to and as the related service is provided.

Short-term employment benefits

The cost of short term employee benefits are recognised when the employee has rendered service to the Company during the annual reporting year. The short -term employee benefits of the Company include the following: salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (car, housing, medical aid and subsidised goods and services).

EMPLOYEE BENEFITS (continued)

Termination benefits

The cost of termination benefits is recognised only if the company is demonstrably committed without any realistic possibility of withdrawing the commitment, by a formal plan to prematurely terminate an employee's employment. When benefits are offered to encourage voluntary departure from the company, the cost is recognised if it is probable that the offer will be accepted and the number of employees accepting the offer can be reliably estimated.

In terms of their conditions of employment, expatriate and contract employees receive gratuities at the end of their contract. The cost of employee benefits is recognised during the period the employee renders services, unless the entity uses the services of employee in the construction of an asset and the benefits received meet the recognition criteria of an asset, at which stage it is included as part of the related item of property, plant and equipment item. Other than the regular contributions made, the company does not have any further liability in respect of its employees' pension arrangements.

DEFERRED TAX

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination, at the time of transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities which affect neither the tax profit nor the accounting profit at the time of the transaction.

The carrying amount of deffered tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deffered tax asset to be utilised.Unrecognised deffered tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future profits will allow the deferred tax asset to be recovered.

INVENTORIES

Inventories comprise items of customer premises equipment used in the construction or maintenance of plant (including work-in-progress), and consumable stores and other inventories. Inventories are stated at the lower of cost, determined on the weighted average basis, and estimated net realisable value after due consideration for slow moving and obsolete items.

Work-in-progress includes contracts carried out for customers and is stated at the lower of cost and estimated net realisable value after due consideration for provisions for any foreseeable losses. Advance payments in respect of such work-in-progress are included under trade and other payables.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, excluding land and buildings is stated at historical cost less accumulated depreciation and subsequent accumulated impairment loss, where applicable. Property, plant and equipment includes all direct expenditure and costs incurred subsequently, to add to, replace part of, or major inspection thereof if the recognition criteria are met.

Subsequent costs are included in the asset's carrying amount or recognised as a component, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance expenditures are charged to profit or loss during the financial period in which they are incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Land and buildings are measured at fair value less accumulated depreciation on buidings and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

PROPERTY, PLANT AND EQUIPMENT (continued)

Land and buildings are revalued independently by professional valuers using the open market value method. Revaluations are conducted at intervals of three years. Any revaluation increase arising on the revaluation of such land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of the asset. The revaluation reserve is amortised over the expected useful lives of land and buildings and an amount equal to the depreciation charge attributable to the revaluation portion of such land and buildings, is transferred from the revaluation reserve to accumulated profits. On subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred to accumulated profits. Improvements to assets held under operating leases are capitalised and depreciated over the remaining lease term.

Capital work-in-progress (plant and equipment in the course of construction) comprises costs incurred in constructing property, plant and equipment that are directly attributable to the construction of the asset. Assets remain in capital work in progress until they have been put into use or are commissioned, whichever is the earlier date. At that time they are transferred to the appropriate class of property, plant and equipment. Further details are given in Note 7.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

DEPRECIATION

For depreciation purposes, a significant component is defined as equal to or greater than 20% of the total cost of the asset and each significant component with different useful lives are depreciated separately. Depreciation is not provided on freehold land as it is deemed to have an indefinite life and plant and equipment in the course of construction as they are not yet available for use.

Depreciation is provided on other property, plant and equipment on a straight line basis. This is from the time they are available for use, so as to write off their cost over the estimated useful lives taking into account any residual values. The residual value of an asset may be equal to or greater than the asset's carrying amount. If it is the case, the asset's depreciation charge is zero until its residual value subsequently decreases to an amount below the asset's carrying amount.

The estimated useful lives assigned to groups of property, plant and equipment are:

Buildings	- 40 years
Leasehold land and buildings	- unexpired portion of lease or 50 years, whichever is shorter
Network Assets	- 5 to 20 years
Other plant and equipment	- 3 to 10 years

Where the expected useful lives or residual values of property, plant and equipment have changed due to technological change or market conditions, the rate of depreciation is adjusted so as to write off their cost or valuation over the remaining estimated useful lives to the estimated residual values of such property, plant and equipment.

The useful lives, residual values and depreciation methods of property, plant and equipment are reviewed at each financial year end, and adjusted in the current period if expectations differ from the previous estimates. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or asset held for distribution; or is included in a disposal group that is classified as held for sale or held for distribution the date that the asset is derecognised. Further details are given in Note 7.

IMPAIRMENT OF NON-CURRENT ASSETS

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which it belongs.

IMPAIRMENT OF NON-CURRENT ASSETS (continued)

An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

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.

Management's estimates of future cash flows are subject to risk and uncertainties. It is therefore reasonably possible that changes could occur which may affect the recoverability of the company's assets. 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 (cash- generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is land or buildings, in which case the impairment loss is treated as a decrease in the revaluation reserve to the extent of the value of this reserve relating to this particular asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or have decreased. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as an increase in other comprehensive income (OCI) after reversing the portion previously recognised in profit or loss.

INTANGIBLE ASSETS

Intangible assets acquired are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.
Amortisation of intangible assets with finite lives is over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation period and amortisation method are reviewed at least at the end of each reporting period for all intangible assets with a finite useful life. The amortisation expense on intangible asset with finite lives is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets.

Computer & billing software and network system

The company made upfront payments to purchase software and network systems (which includes software licenses) for Information technology and Network purposes. The software licences for the use of intellectual property are granted for periods ranging between 5 and 20 years depending on the specific licences and are armotised accordingly. The licences are renewed at little or no cost.

Derecognition of intangible asset

Gains or losses arising from de-recognition of an intangible asset are measued as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

FOREIGN CURRENCY TRANSLATION

Transactions in currencies other than Botswana Pula are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates of exchange approximating those ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Profit or loss arising on translation of foreign currencies attributable to the company are dealt with in profit or loss in the year in which they arise.

The International Telecommunications Union uses USD as the currency to settle international operator debts. The value of the SDR is determined by summing the values in US Dollars based on the market exchanged rates of basket of major currencies (the US Dollars, EUR, Japanese yen, sterling pound).

INDEFEASIBLE RIGHT OF USE (IRU)

The company entered into a capacity arrangement with Bofinet. As per the agreement, the grantor grants the grantee an indefeasible, exclusive and irrevocable right of use of the transmission IRU. The transmission IRU is defined as a network capacity between such points as are referred to in the order form, and in respect of which the grantee is granted an indefeasible, exclusive and irrevocable right of use.

The assets are not specified under the IRU arrangements and BTC does not have any control over the operation or physical access of the asset, thus IFRIC 4 requirements are not met. Although the price paid is not a market related price, it is likely that other users will be able to use more than a significant amount of the output of the asset. Therefore the IRU arrangement does not constitute leases in terms of IFRIC 4. The expense are recognised over the period in which the company receives the service. Payments are recognised as a prepayment if made in excess of the service received and accrued should the services received exceed the payments made.

DEVELOPMENT GRANTS

Grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Grants received by the company to specifically fund the acquisition or construction of property, plant and equipment are reflected as development grants and classified as non-current liabilities. Grants that are going to be used in the next financial year are classified as current liabilities. Where the grant relates to an asset, the fair value of the grant is credited to a deferred income account called development grants and is released to profit or loss on a systematic basis over the expected useful lives of such property, plant and equipment.

DEFERRED REVENUE

As per certain rental agreements, certain amounts of revenue are received in advance. Revenue received in advance for the renting of property, plant and equipment is recognised as income over the remaining life of the lease term.

STATED CAPITAL

Botswana Telecommunications Corporation Limited, a statutory body, was converted to a public company limited by shares issued on the 1 November 2012. On 8 April 2016 the company was listed on Botswana Stock Exchange with authorised 1,050,000,000 authorised shares. Out of the total number of shares listed, 250,000,000 shares were issued on the day of listing. As at 31 March 2018 the company had 1,050,000,000 authorised shares (2017: 1,050,000,000 shares). The Government of Botswana remains the majority shareholder with 54.16% shareholding.

RELATED PARTY TRANSACTIONS

The Government of the Republic of Botswana and its various local authorities and Parastatals constitute a significant portion of the company's revenues. Other related parties are the members of key management personnel. Services to Government, other local authorities, Parastatals and subsidiaries, are provided at arm's length.

CURRENT INCOME TAX

Taxation is provided in the financial statements using the gross method of taxation. Current taxation is charged on the net income for the year after taking into account income and expenditure, which is not subject to taxation, and capital allowances on fixed assets. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the reporting date in the countries where the Company operates and generates taxable income.

Deferred tax

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

Deffered tax assets and deffered tax liabilities are offfset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deffered taxes relate to the same taxable entity and the same taxation authority.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the statement of financial position when the company has become a party to the contractual provisions of the instrument. When financial instruments are initially recognised, they are measured at fair value plus in the case of instruments not at fair value through profit or loss, directlty attributable transactions costs. All regular way purchases and sales of financial instruments are recognised on the trade date, which is the date that the company commits to purchase the instrument.

Trade and other receivables

These are classified as loans and receivables. Subsequent to initial recognition, trade receivables and loans are recognised at amortised cost using the effective interest rate method, which approximates the original invoice amount less an allowance for any uncollectible amounts.

FINANCIAL INSTRUMENTS (continued)

Gains and Losses for Financial Assets

Gains and losses are recognised in profit or loss when the loan and receivable is derecognised or impaired as well as through the amortisation process.

Financial Liabilities and Equity Instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.
Significant financial liabilities are trade and other payables.

Trade and other payables

Liabilities for trade and other payables are subsequently measured at amortised cost using the effective interest rate method which is the present value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

Gains and Losses for Financial Liabilities

Gains and losses are recognised in profit or loss when the loan or payable is derecognised as well as through the amortisation process.

Equity instruments

Equity instruments are recorded net of direct issue costs.

Offsetting of financial assets and financial liabilities (Interconnect balances)

Financial assets and liabilities specifically in relation to interconnect charges are offset and the net amount reported in the statement of financial position when there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Derecognition of financial assets and liabilities

The Company derecognises a financial asset when the right to receive cash flow from the asset have expired and it has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass through arrangement and either the company has transferred substantially all the risks and rewards of the the asset or the company has neither transferred nor retained substantially all the risks and rewards of the the asset but has transferred control of the asset. The asset is only recognised to the extent that the Company has a continuing involvement in the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

IMPAIRMENT OF FINANCIAL ASSETS

The company assesses at each reporting date whether a financial asset or group of financial assets is impaired. An allowance for impaired debts is made when the agreed credit terms are not adhered to and the debtor is disputing the billed amount or was declared insolvent.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

IMPAIRMENT OF FINANCIAL ASSETS (continued)

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. Any subsequent reversal of an impairment loss is recognised by adjusting the allowance account, to the extent that the carrying value of the asset does not exceed the value that would have been its amortised cost at the reversal date, had no impairment been recognised previously.
The amount of the reversal is recognised in the profit or loss.

DIVIDENDS

The Board determines the amount of dividends to be distributed to the shareholders. Dividends shall be declared in respect of each financial period based on the operating results of the period, financial position of the Company, investment strategy, future capital requirements and other factors. The liability to pay dividends is recognised when dividends are declared. The dividend will be paid net of applicable withholding taxes (7.5%) under the Botswana Income Tax Act.

PROVISIONS

General provisions; general provisions are recognised when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A past event is deemed to give rise to a present obligation if, taking into account all of the available evidence, it is more likely than not that a present obligation exists at reporting date.

LEASES

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of specific asset or assets and the arrangement conveys a right to use the asset.

Company as a lessee

Operating leases do not transfer to the company substantially all the risks and benefits incidental to ownership of the leased item. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Company as lessor

Leases where the company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Lease income is recognised as income in profit or loss on a straight-line basis over the lease term. Contingent rents are recognised as revenue in the period in which they are earned.

Finance leases

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments.

	2018 P'000	2017 P'000
1 SALES OF GOODS AND SERVICES		
Fixed Telephone - national	231,461	243,823
Fixed Telephone - international	61,277	34,328
Interconnect (fixed and mobile)	55,473	61,869
Local and access services	102,092	102,336
Mobile revenue (excluding interconnect)	477,653	550,916
Data	395,027	367,618
Private circuits	29,620	38,222
Customer Premises Equipment (CPE)	166,758	173,342
Directory services	12,466	12,351
Other Services	35,081	30,217
	1,566,908	1,615,022
Analysis of Revenues by Business Streams is as follows:		
Fixed Voice		
Voice	260,426	278,152
Access	121,733	115,092
Interconnect	21,252	19,356
Customer Premises Equipment (CPE)	120,663	108,076
	524,074	520,676
Mobile		
Voice	409,791	440,268
Interconnect	34,221	42,513
Data	66,868	66,349
Short Message Service (SMS)	27,798	40,263
Customer Premises Equipment (CPE)	5,508	4,031
	544,186	593,424
Fixed Data		
Usage	113,531	99,502
Access	301,311	300,427
Customer Premises Equipment (CPE)	53,477	72,119
	468,319	472,048
Other Revenue		
Directory services	12,466	12,351
Value Added Services	2,270	2,740
Propery rentals	1,679	2,312
Cost of works	9,233	10,456
Third party collection fees	4,681	1,015
	30,329	28,874
	1,566,908	1,615,022

	2018 P'000	2017 P'000
2 OPERATING COSTS		
2.1 Cost of services and goods sold :		
Payment to International carriers and local operators (interconnection)	228,461	289,301
Depreciation		
Land and buildings	22,955	25,391
Network Assets	92,702	88,926
Amortisation of Intangible assets	23,283	19,809
Equipment and material costs	100,611	157,400
Installation of Customer Premises Equipment (CPE)	27,376	8,307
Write down of inventories	26,591	5,337
Cost of directory sales	2,288	2,393
Cost of prepaid cards	1,801	3,290
Cost of phones	13,513	22,295
License fee - BOCRA	46,264	40,689
Space segment rentals and other licence fees	15,050	12,436
Total cost of services and goods sold	600,895	675,573

Space segment rentals relates to access to some satelites which the entity rents.

Licence fees relates primarily to such licences as computer software licences.

	2018 P'000	2017 P'000
2.2 Selling and distribution costs:		
Product Marketing costs	26,461	38,210
Sponsorship	14,635	10,518
	41,096	48,728
2.3 Administrative expenses		
Employee costs:		
Salaries and wages	360,722	334,197
Pension fund and group life contributions (defined contribution plans)	16,478	17,961
Training costs	10,398	2,758
Other related employee costs *	17,134	16,660
Total employee costs charged to profit or loss	404,732	371,576
Depreciation - other equipment	17,158	13,195
Repairs and maintenance - non-telecommunications equipment	17,838	17,540
Total Administrative expenses	439,728	402,311

*Other related employee costs include medical aid expenses, staff welfare and staff uniforms

		2018 P'000	2017 P'000
2.4	**Other expenses**		
	Other operating expenses analysis is as follows:		
	Audit and directors fees	2,808	3,725
	Billing costs	56,615	52,099
	Consultancy	35,030	43,504
	Exchange gain	(16,288)	(26,346)
	Financial charges	13,675	13,338
	Radio Licence fees - BOCRA	5,083	5,179
	Operating lease charges - rentals	17,091	13,998
	Stationery	3,518	7,271
	Miscellaneous expenses*	9,331	9,454
	Property upkeep	10,166	10,008
	Travel and entertainment	17,452	14,698
	Dealer rebates and commission	88,227	97,501
	Vehicle running costs	10,767	8,202
	Utilities -electricity and water	12,166	6,241
	Licenses - system and software	7,672	13,617
	TOTAL	273,313	272,489

*Miscellaneous expenses

Miscellaneous expenses include the following: outsourced call centre costs, customs and freight, newspapers and periodicals.

		2018 P'000	2017 P'000
3	**OTHER INCOME**		
	Development grant recognised as income (note 14)	29,453	29,453
	Profit on disposal of property, plant and equipment	1,455	6,094
		30,908	35,547
4	**INTEREST INCOME**		
	Interest from short-term and call accounts deposits	21,131	23,075
		21,131	23,075
5	**EARNINGS PER SHARE**		
	Profit attributable to ordinary shareholder for basic and diluted earnings per share	217,351	237,349

	2018 P'000	2017 P'000
Stated capital - number of shares (note 12)	1,050,000,000	1,050,000,000
Earnings per share (Thebe)	20.70	22.60

The Company has stated capital of 1,050,000,000 shares as at 31 March 2018 (2017: 1,050,000,000 shares). The Government of Botswana is still the majority shareholder with a 54.16% shareholding.

6 INCOME TAX

The components of income tax expense for the year ended are:

	2018 P'000	2017 P'000
Statement of Comprehensive income		
Taxation expense		
Corporate tax	24,851	1,403
Deferred taxation	21,713	35,791
Taxation expense	**46,564**	**37,194**
Tax rate reconciliation		
Profit before tax	263,915	274,543
Company tax at 22%	58,061	60,399
Tax loss brought forward	-	(5,926)
Non-taxable income	(80,349)	(96,055)
Non-deductible expenses	47,139	42,986
Taxation expense	**24,851**	**1,404**

6.1 MOVEMENT IN DEFERRED TAX ASSET

	2018 P'000	2017 P'000
Opening balance	(87,947)	(123,738)
Movement in Profit and Loss	21,713	35,791
Movement in other comprehensive income	14,600	-
Closing balance	**(51,634)**	**(87,947)**

All income taxes and deferred tax were computed at the statutory tax rate of 22%.

7 PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Network Assets	Plant & Other Equipment	Capital Work in Progress	Total
Measured at	**Fair value**	**Cost**	**Cost**	**Cost**	
	P'000	**P'000**	**P'000**	**P'000**	**P'000**
2018					
COST OR VALUATION					
At beginning of the year	650,502	2,572,043	212,751	202,599	3,637,895
Additions	76,648	100,361	53,004	47,437	277,450
Disposals	-	-	(7,035)	-	(7,035)
Revaluation	48,068	-	-	-	48,068
At end of the year	775,218	2,672,404	258,720	250,036	3,956,378
DEPRECIATION AND IMPAIRMENT					
At beginning of the year	210,439	2,049,535	169,610	-	2,429,584
Depreciation charge for the year	22,955	92,702	17,158	-	132,815
Disposals	-	-	(5,820)	-	(5,820)
Revaluation	(18,296)	-	-	-	(18,296)
At end of the year	215,098	2,142,237	180,948	-	2,538,283
NET BOOK VALUE					
At beginning of the year	440,063	522,508	43,141	202,599	1,208,312
At end of the year	560,120	530,167	77,772	250,036	1,418,095
2017					
COST OR VALUATION					
At beginning of the year	648,661	2,382,761	200,614	67,850	3,299,886
Additions	1,841	189,282	25,397	134,749	351,270
Disposals	-	-	(13,260)	-	(13,260)
At end of the year	650,502	2,572,043	212,751	202,599	3,637,895
DEPRECIATION					
At beginning of the year	185,048	1,960,609	168,709	-	2,314,366
Depreciation charge for the year	25,391	88,926	13,230	-	127,546
Disposals	-	-	(12,329)	-	(12,329)
At end of the year	210,439	2,049,535	169,610	-	2,429,584
NET BOOK VALUE					
At beginning of the year	463,613	422,152	31,905	67,850	985,520
At end of the year	440,063	522,508	43,141	202,599	1,208,312

7 PROPERTY, PLANT AND EQUIPMENT (continued)

Land and buildings are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The revaluation of land and buildings was performed on 31 March 2018 by Willy Kathurima Associates. The count and valuation, where possible, of the asset components in Botswana, and appropriate depreciation classes were standardised and residual values applied. For fair value disclosures, refer to Note 22.

If land and buildings were measured using the cost model, the carrying amount would be as follows:

	2018 P'000	2017 P'000
Cost	252,196	175,548
Depreciation	(109,324)	(107,024)
Carrying amount	142,872	68,524

	Computer & Billing Software P'000	Network Systems P'000	Total P'000
8 INTANGIBLE ASSETS			
31 March 2018			
COST			
At beginning of the year	131,805	168,163	299,968
Additions	1,104	21,239	22,343
At end of the year	132,909	189,402	322,311
AMORTISATION			
At beginning of the year	121,052	107,740	228,792
Charge for the year	4,171	19,112	23,283
At end of the year	125,223	126,852	252,075
NET BOOK VALUE			
At beginning of the year	10,753	60,423	71,176
At end of the year	7,686	62,550	70,236

8 INTANGIBLE ASSETS (continued)

	Computer & Billing Software P'000	Network Systems P'000	Total P'000
31 March 2017			
COST			
At beginning of the year	128,441	123,828	252,269
Additions	3,364	44,335	47,699
At end of the year	131,805	168,163	299,968
AMORTISATION			
At beginning of the year	111,306	97,712	209,018
Charge for the year	9,746	10,028	19,774
At end of the year	121,052	107,740	228,792
NET BOOK VALUE			
At beginning of the year	17,135	26,116	43,251
At end of the year	10,753	60,423	71,176

9 ASSET IMPAIRMENT

As at 31 March 2018, the Company assessed its property, plant and equipment and finite life intangible assets at the reporting balance sheet date for any indication of impairment. This was done by comparing the carrying amount of the corporation's assets with the recoverable amount of the assets. The recoverable amount was based on the business's value in use, which in turn, was calculated by forecasting the company's future enterprise free cash flows for a period of five years and then determining the value by discounting these free cash flows using a discount rate equal to the weighted average cost of capital (WACC) of 13% (2017: 13%) and a growth rate of 3% (2017: 5%). The entire business was regarded as one cash generating unit (CGU) since common network elements are responsible for the production of all services. The assessment at March 2018, determined the Company's assets to be unimpaired.

Valuation key assumptions

The recoverable amount was determined based on value in use. The calculations used cash flow projections over a period of five (5) years based on financial forecasts and a growth rate of 3% (2017: 5%) was applied.

Assumptions

Discount rate (WACC) 2018: 13 % (2017: 13%)
Management determined these rates as based on past experience as well as external sources of information.

		2018 P'000	2017 P'000
10	INVENTORIES		
	Comprising:		
	Consumable stores	34,868	43,877
	Customer premises equipment	8,365	27,142
	Other inventories	5,165	6,440
		48,398	77,459

The above inventory is disclosed at the lower of cost and estimated net realisable value.

		2018 P'000	2017 P'000
11	TRADE AND OTHER RECEIVABLES		
	Trade receivables	194,535	150,933
	Receivables from related parties	64,360	94,881
	Trade receivables from interconnect balances	76,980	65,049
	Staff advances	10,537	10,362
	Receivables from Global connectivity projects (EASSy & WACS)	9,455	9,455
	Other receivables	1,880	16,601
		357,747	347,281
	Prepayments and deposits	178,395	72,816
	Debtors impairment	(141,711)	(141,669)
		394,431	278,428
	Related party prepayment (Indefeasible Right of Use)	-	80,000
		394,431	358,428

The company's trade and other receivables are non-interest bearing. For terms and conditions relating to related party receivables, refer to Note 20. Trade receivables from interconnect balances and other receivables are generally 30 to 90 days terms, interest free, unsecured and settlement occurs in cash. Staff advances may be up to twelve months and they are non interest bearing. Staff advances and other receivables carrying value approximate their fair value.

Further details on receivables from Global connectivity projects (EASSY and WACS) have been disclosed in note 20.

	2018 P'000	2017 P'000
Trade and other receivables at 31 March 2018		
Neither past due nor impaired	67,517	24,182
Past due but not impaired		
less than 30 days	33,668	12,289
between 30 days and 60 days	29,640	9,944
between 60 days and 90 days	17,429	101,882
more than 90 days	67,782	57,315
Net carrying amount	216,036	205,612

11 TRADE AND OTHER RECEIVABLES (continued)

The movement in the provision for impairment of trade and other receivables is set out below.

	Individually Impaired P'000	Collectively Impaired P'000	Total P'000
31 March 2018			
At beginning of year	76,974	64,695	141,669
Additional amounts raised	3,087	5,798	8,885
Amount utilised during the year	(546)	(8,298)	(8,844)
At end of year	79,515	62,195	141,710
31 March 2017			
At beginning of year	76,122	63,439	139,561
Additional amounts raised	852	9,003	9,855
Amount utilised during the year	-	(7,747)	(7,747)
At end of year	76,974	64,695	141,669

	2018 P'000	2017 P'000
12 STATED CAPITAL		
Balance at the beginning of the year	478,892	228,892
Share issue during the year	-	250,000
Balance at the end of the year	478,892	478,892
Authorised and issued capital		
Authorised shares		
1,050,000,000 (2017: 1,050,000,000) ordinary shares of no par value	478,892	478,892
Ordinaly shares issued and fully paid		
1,050,000,000 (2017: 1,050,000,000) ordinary shares of no par value	478,892	478,892

12 STATED CAPITAL (continued)

The movement within the number of shares issued during the year:

	Number of shares 2018	Number of shares 2017
Shares of no par value in issue at the beginning of the year	1,050,000,000	800,000,000
Share issue during the year	-	250,000,000
Shares of no par value in issue at the end of the year	1,050,000,000	1,050,000,000

During the prior year BTC was listed on the Botswana stock exchange on 8 April 2016 250,000,000 shares were issued to the public and alloted by BTC at no par value.

	2018	2017
Cash dividends on ordinary shares paid:		
Final dividend for 2017: 11.09 Thebe per share (2016: 5 thebe per share)	116,445	52,500
Interim dividend for 2018: 3.73 Thebe per share (2017: 3.6 thebe per share)	39,165	37,800
	155,610	90,300

The dividend is paid net of 7.5% withholding tax as per the Botswana Income Tax Act.

	2018 P'000	2017 P'000
13 REVALUATION RESERVE		
Properties revaluation reserve		
Balance at the beginning of the year	322,720	337,147
Depreciation transfer for land and buildings	(14,427)	(14,427)
Revaluation during the year	51,763	-
Balance at the end of the year	360,056	322,720
Total other reserves	360,056	322,720

		2018 P'000	2017 P'000
14	DEVELOPMENT GRANTS		
	Balance at the beginning of the year	138,530	167,983
	Recognised as income during the year	(29,452)	(29,453)
	Balance at end of the year	109,078	138,530
	Current portion of development grant	29,452	29,453
	Non-Current portion of development grant	79,626	109,077
		109,078	138,530

The cumulative grants received to date are P509,325,984 (2017: P509,325,984). These grants are for the purpose of funding the Company's expansion in rural districts in terms of National Development Plan 8 called Nteletsa projects. The portion of the grants recognised as income during the year is based on the useful life of plant and equipment which was funded by the above grants.

		2018 P'000	2017 P'000
15	TRADE AND OTHER PAYABLES		
	Trade payables	123,498	133,801
	Interconnection balances	34,312	10,723
	Accruals and other payables	40,591	53,059
		198,401	197,583

Trade payables and accrued expenses are non interest bearing and are normally settled on 30-60 day terms and are not secured. Other payables are non interest bearing and have an average settlement date of three months and are not secured.

Interconnection balances relates to terminating charges owing on BTCL outgoing calls to international operators and for other local mobile networks. These are settled on a 30-90 day term and are not secured. Included in accruals and other payables is the mobile deferred revenue amounting to P8,651,363 (2017: P11,364,444).

16 EMPLOYEE RELATED PROVISIONS

	Leave Pay P'000	Gratuity P'000	Other P'000	Total P'000
Opening balance (2017)	17,184	21,245	2,323	40,752
Charged to employee expenses	9,881	32,859	22,016	64,756
Utilised	(3,004)	(19,831)	(23,019)	(45,854)
Closing balance (2018)	24,061	34,273	1,320	59,654

Employee related provisions comprise of leave pay, gratuity and other. In terms of BTC policy, employees are entitled to accumulate vested leave benefits. Of the leave days earned in respect of any period of twelve (12) months, not less than eight (8) days shall be taken no later than six months immediately after the period in respect of which leave is earned. This leave shall be forfeited if not taken. Gratuities are normally paid at the end of an employee's contract which in the case of BTC between 1 to 5 years.

		Notes	2018 P'000	2017 P'000
17	STATEMENT OF CASH FLOWS			
17.1	Operating profit before working capital changes:			
	Net profit before financing costs		263,915	274,543
	Adjustment for non cash movements:			
	Depreciation of property, plant and equipment	7	132,815	127,547
	Amortisation of intangible assets	8	23,283	19,774
	Profit on disposal of property, plant and equipment	3	(1,455)	(6,095)
	Interest income	4	(21,131)	(23,075)
	Related party prepayment (IRU)		80,000	-
	Exchange gain unrealised		16,287	21,408
	Development grant recognised as income	14	(29,452)	(29,453)
	Movement in provisions	16	18,902	(14,884)
	Operating profit before working capital changes		483,164	369,765

For the purpose of the consolidated cash flow statement the working capital changes arising from trade and other receivables and trade and other payables take into account the cash effects of the interest receivable at both the beginning and end of the year.

		2018 P'000	2017 P'000
17.2	Net Income tax		
	Opening balance	6,153	30,535
	Charge for the year (note 6)	(24,851)	(1,402)
	Withholding tax on interest	526	280
	Closing balance	3,072	(6,153)
	Net cash (paid) /refunded	(15,100)	23,260
17.3	Net cash and cash equivalents at end of the year:		
	Cash at bank and on hand	25,568	16,847
	Short term deposits	424,506	499,702
	Net cash and cash equivalents at end of the year	450,074	516,549

The call deposits had effective interest rates of between 0.25% and 1% (2017: 0.4% and 1%).

17.4 Banking Facilities

The Company has facilities with its bankers amounting to P110,000,000 (2017: P110,000,000) in respect of letters of credit and guarantees. The banking facilities are unsecured.

		2018 P'000	2017 P'000
18	CAPITAL COMMITMENTS		
	Contracted but not paid	318,632	343,589
	Authorised but not contracted	221,279	211,305
	Total capital commitments	539,911	554,894

These commitments will be financed by development grants and internally generated funds.

	2018 P'000	2017 P'000
19 OPERATING LEASE COMMITMENTS-COMPANY AS LESSEE		
Future minimum lease payments payable under non-cancellable operating leases are as follows:		
Operating leases	20,757	25,111
	20,757	25,111
Balance due not later than one year	6,469	5,656
Balance due later than one year and not later than five years	11,284	12,089
Balance due after five years	3,004	7,366
	20,757	25,111
OPERATING LEASE COMMITMENTS-COMPANY AS LESSOR		
Future minimum lease receivables under non-cancellable operating leases are as follows:		
Operating leases	2,724	3,213
Balance due not later than one year	1,268	482
Balance due later than one year and not later than five years	1,456	1,395
Balance due after five years	-	1,336
	2,724	3,213

In addition to the above, the Company has entered into service and maintenance contracts with third parties. The majority of the operating leases with the company as lessor are in respect of sites on which radio site premises have been built and sub-let by the company to its customers. These leases comprise of fixed rentals payable on a monthly basis with annual escalations of 10% per annum generally with a one month notice period.

20 RELATED PARTY TRANSACTIONS

Shareholder with 54.16% ownership	Government of Botswana
Members of the Board of Directors	Refer to General information on Page 117
Members of Key management	Anthony Masunga Aldrin Sivako Edward Wicks Abel Bogatsu Peter Olyn Justice Ramphethu Solomon Rabewu Same Kgosiemang Boitumelo Masoko Mmamotse Monageng Sidney Mganga Malebogo Mosinyi Frank Marumo

20 RELATED PARTY TRANSACTIONS (continued)

Trading transactions

The following related party transactions were on an arm's length basis:

	Revenue billed		Balance due	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
Sales and outstanding balances from related parties				
The Government of the Republic of Botswana	405,111	406,664	53,384	82,891
Parastatals	103,462	96,869	10,976	11,990
	508,573	503,533	64,360	94,881
Purchases from related parties				
Parastatals	394,620	201,853	33,789	16,310

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are the rendering or receiving of services and are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

Individually significant transactions

Global Connectivity projects (EASSY and WACS)

The Government of Botswana owes BTC P9,455,478 (2017: P9,455,478) for payments which were made on behalf of the Government towards procuring the Indefeasible right of use (IRU). BTC is now leasing on an arms length basis network capacity from the government of Botswana on an operating lease basis.

BOFINET (Botswana Fibre Network)

BoFiNet is a wholesale provider of national and international telecommunication infrastructure and has offered BTC an IRU worth P340 million for 10 years which translates to an annual charge of P34 million to the Profit or loss account. The P340 million has been fully paid. BoFiNet services all licensed telco Operators both Nationally and Internationally. Botswana Government has acquired stakes in the EASSy and WACS submarine cables, which are managed by BoFiNet.

	2018 P'000	2017 P'000
Compensation of key management personnel		
Short-term benefits	11,999	11,446
Termination benefits	4,826	4,690
	16,825	16,136

The remuneration for key management staff is determined by the Human Resource Renumeration and Nominations Committee.

The non-executive members of the Board do not receive pension entitlement from the Company.

20 RELATED PARTY TRANSACTIONS (continued)

Directors' Interests

Emoluments per director (in Pula) (2018)

Director	Fees	Remuneration	Performance bonus	Fringe and other benefits	Total
Anthony Masunga (Managing Director)	-	1,863,000	800,000	206,880	2,869,880
Lorato Boakgomo-Ntakhwana	201,000	-	-	-	201,000
Maclean Letshwiti	90,000	-	-		90,000
Alan Boshwaen	34,000	-	-	-	34,000
Choice Pitso	122,000	-	-	-	122,000
Serty Leburu	122,000	-	-	-	122,000
Rejoice Tsheko	67,000	-	-	-	67,000
Gerald Nthebolan	48,000	-	-	-	48,000
Andrew Reginald Johnson	101,000				101,000
Ranjith Priyalal De Silva	57,000				57,000
Total emoluments paid	842,000	1,863,000	800,000	206,880	3,711,880

Directors' Interests

Emoluments per director (in Pula) (2017)

Director	Fees	Remuneration	Performance bonus	Fringe and other benefits	Total
Anthony Masunga (Managing Director [acting] from 20/07/2016, appointed 01/01/2017)	-	1,580,249	-	220,436	1,800,684
Paul Taylor (Managing Director-resigned 19 July 2016)		2,685,990		188,511	2,874,500
Lorato Boakgomo-Ntakhwana	220,000	-	-	-	220,000
Maclean Letshwiti	55,000	-	-		55,000
Daphne Matlakala	21,700	-	-	-	21,700
Alan Boshwaen	80,210	-	-	-	80,210
Choice Pitso	110,190	-	-	-	110,190
Serty Leburu	63,090	-	-	-	63,090
Rejoice Tsheko	133,980	-	-	-	133,980
Gerald Nthebolan	79,410	-	-	-	79,410
Total emoluments paid	763,580	4,266,239	-	408,947	5,438,764

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21 FINANCIAL RISK MANAGEMENT

21.1 Financial risk management objectives and policies

The Company's principal financial liabilities are trade payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Exposure to currency, liquidity, interest rate and credit risk arises in the normal course of the Company's business.

21.2 Currency risk:

The Company undertakes certain transactions denominated in foreign currencies with international operators and other foreign suppliers. Hence, exposure to exchange rate fluctuations arise. The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows (the analysis below gives a combined impact of assets and liabilities):

	Exchange Rates		Amount in Foreign Currency	
Currency	2018	2017	2018	2017
Liabilities:				
Euro	0.0875	0.0790	(29,698)	(639,256)
Rand	1.2735	1.3245	(941,002)	(2,916,271)
SDR	0.0720	0.0674	-	(2,729,267)
US Dollar	0.1075	0.0885	(4,802,315)	(3,445,569)
Assets:				
SDR	0.0720	0.0628	-	3,438,318
Rand	1.2020	1.2405	3,295,090	-
US Dollar	0.0875	0.0950	2,933,778	2,338,256
Euro	0.1075	0.0825	2,672	51,686
Combined Net Asset/(Liability) Position			458,525	(3,902,103)

The Company's currency risk exposure is partly hedged by USD, EURO and RAND deposit accounts held which at 31 March 2018 amounted to USD 13,870 (2017: 9,213) ; EURO 57,904 (2017: 2,931) and RAND 957,735 (2017: 798,597).

21.3 Foreign Currency sensitivity analysis

The Company is mainly exposed to the currencies of South Africa (Rand), the United States (US Dollar), the European Union (Euro) and the SDR (Special Drawing Rights) which is a potential claim on the freely usable currencies of International Monetary Fund members.

The following table details the Company's sensitivity to a 10% increase and decrease in the Pula against the relavant foreign currencies. 10% is the sensitivity rate when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit.

21.3 Foreign Currency sensitivity analysis (continued)

The analysis below gives a combined impact of assets and liabilities.

Pre Tax Profit/(Loss)

	2018 Pula	2017 Pula
10% decrease		
Euro	(260)	(5,050)
Rand	(119,837)	(386,260)
Special Drawing Rights (SDR)	-	(18,404)
United States Dollar	(51,625)	(30,493)
Net Effect	(171,722)	(440,207)
10% increase		
Euro	260	5,050
Rand	119,837	386,260
Special Drawing Rights (SDR)	-	18,404
United States Dollar	51,625	30,493
Net Effect	171,722	440,207

21.4 Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions.

Trade receivables

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit.

Cash & cash equivalents

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. The credit risk on liquid funds is low because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Significant concentrations of credit risk

The Company does have significant credit risk exposure to single counterparties or groups of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities and this include sectors such Corporate clients, Government clients, etc. The credit risk related to these counterparties or groups of counterparties is however limited since the counterparties are Government agencies or businesses possessing high credit ratings.

Below is the significant concentration of credit risk per counterparty:
Government agencies: P48,762,005,33 (2017: P32,789,703)
Banks: P1,716,507 (2017: P1,743,823)
The carrying amount of the financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk. The Company holds no collateral with which to secure its financial assets.

21.4 Credit Risk (continued)

	2018 P'000	2017 P'000
Financial assets and other credit exposures		
Trade debtors and other receivables	216,036	205,612
Short term call deposits	424,506	499,702
Cash and bank	25,568	16,847
	666,110	722,161

21.5 Financial instruments designated at fair value through profit and loss

At the reporting date the Company held no financial instruments designated at fair value through profit and loss (FVTPL).

21.6 Financial assets held or pledged as collateral

At the reporting date the Company neither held nor received financial assets as collateral and had not pledged any of its financial assets as collateral.

21.7 Interest income and expense by financial instrument category

	Loans and Receivables P'000
2018	
Interest income	21,131
Net interest income	21,131
2017	
Interest income	23,075
Net interest income	23,075

21.8 Liquidity and interest risk management

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Management has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. Liquidity risk is managed by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Company's expected maturity for its financial assets. The tables have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the group anticipates that the cash flow will occur in a different period.

21.8 Liquidity and interest risk management (continued)

	Less than 1 month P'000	1 - 3 months P'000	3 months to 1 year P'000	Total P'000
Financial Assets				
2018				
Trade and other receivables	67,517	80,736	67,782	216,036
	67,517	80,736	67,782	216,036
2017				
Trade and other receivables	24,182	124,114	57,315	205,611
	24,182	124,114	57,315	205,611

Cash and Cash Equivalents at the end of the year are disclosed on Note 17.3.

The following table details the Company's remaining contractual maturity of its financial liabilities. The tables have been drawn up based on the discounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Less than 1 month P'000	1 - 3 months P'000	3 months to 1 year P'000	1 - 5 years P'000	5+ years P'000	Total P'000
2018						
Financial Liabilities						
Trade and other payables	-	198,401		-		198,401
	-	198,401	-	-	-	198,401
2017						
Trade and other payables	-	200,300	-	-		200,300
	-	200,300	-	-	-	200,300

21.9 Interest rate sensitivity analysis

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relate to the fixed deposits and call deposits with the financial institutions. Refer to note 17.3.

To manage interest rate risk, the Company enters into fixed deposits with financial institutions, in which the Company accrues interest at specified intervals.

The table below has been determined based on the exposure of financial instruments to interest rates at the reporting date. For variable rate assets, the analysis is prepared assuming the amount of the assets held at the reporting date was outstanding for the whole year. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's asssessment of the reasonably possible change in interest rates

21.9 Interest rate sensitivity analysis (continued)

If the Company's interest rates had been 1% higher/lower and all other variables were held constant, the change in the Company's profit and equity reserves would be as shown in the table below:

		Increase/ (decease) in pre tax profit/(loss) for the year P'000
2018		
Interest rate risk		
Change in interest rate	+1%	4,245
	-1%	(4,245)
2017		
Interest rate risk		
Change in interest rate	+1%	4,997
	-1%	(4,997)

22 FAIR VALUE HIERACHY

The revalued land and buildings consist of:

1. Commercial (including certain urban network sites), light industrial and residential properties in the major urban areas in Botswana, and
2. Network sites located outside of the major urban areas in Botswana.

Management determined that these constitute one class of assets under IFRS 13, based on the nature, location (urban vs rural) and conditions of the specific property. Fair value of the properties was determined using the comparable market valuation method. As at the date of revaluation on 31 March 2018, the properties fair values are based on valuations performed by Willy Kathurima Associates, an accredited independent valuer who has 25 years valuation experience for similar properties in Botswana. Fair value measurement disclosures for revalued land and buildings are provided below:

Assets measured at Fair Value	Date of Valuation	Significant unobservable inputs (level 3)
		2018 **P'000**
Land & Buildings	31/3/2018	560,120
		2017 **P'000**
Land & Buildings	31/3/2017	440,063

22 FAIR VALUE HIERACHY (continued)

The significant unobservable valuation inputs were:

		Price range per square metre		Total square meters	Average value per square metre
Land		From	To		
Urban areas	Pula	100	2500	209,163	592
Rural areas	Pula	10	65	566,424	34

Significant increases/(decreases) in estimated price per square metre in isolation would result in a significantly higher/(lower) fair value.

Significant unobservable inputs for the revaluation done on 31 March 2018 have been disclosed above.

Valuation techniques used to derive level 3 fair values

The comparable market valuation method was used to value land, land improvements, buildings, building improvements in urban areas and land in rural areas. Valuation inputs as disclosed above are for the comparable market valuation method. Rural land improvements were valued on the basis of the replacement cost of the land improvements.

23 CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure continuity as a going concern for the Company while at the same time maximising the shareholders' return through the optimisation of the debt and equity balances. The Company has access to financing facilities, the total unused portion amounting to P110 million (2017: P110 million) at the reporting date. The Company expects to meet its other obligations from operating cash flows and the proceeds of maturing financial assets. The capital structure of the Company consists of trade and other payables (note 18), Share capital, reserves and retained earnings.

	2018 P'000	2017 P'000
Debt		
Trade and other payables	198,401	197,583
Total debt	198,401	197,583
Equity		
Stated Capital	478,892	478,892
Revaluation reserve	360,056	322,720
Accumulated profits	1,223,715	1,147,547
Total equity	2,062,663	1,949,159
Total capital	2,261,064	2,146,742
Gearing ratio	10%	10%

Total capital is derived by adding total equity and total debt less cash and short term deposits.

24 SEGMENT REPORTING

BTC refreshed its Fixed, Mobile and Fixed Mobile Convergence strategy in order to bring synergy in its business operations. Both identifiable Fixed and Mobile business units were brought together to share resources including human capital. Monthly management accounts are reported as such, only separating revenues. There is therefore no identifiable geographical segments. All operations takes place in Botswana. This is still applicable for current reporting period.

25 LEGAL PROCEEDINGS AND PROCEDURES

The Company operates in the telecommunications industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position. The Company is also subject to telecommunications regulations and has complied with all regulations. There are no contingencies associated with the Company's compliance or lack of compliance with such regulations.

26 EVENTS AFTER THE REPORTING PERIOD

Restructuring

The Company initiated an organisational structure review exercise to align it to the company's strategy which is focussed on growth and transformation. The alignment processes to the recommendations of the organisational structure review were implemented on 1 May 2018. This is expected to yield enhanced efficiency and productivity within BTC as the Company will be adapting to its new organisational structure. The alignment will ensure that BTC is commercially focused with clear market segments.

Dividends

The BTC Board declared a dividend of 9.70 thebe per share on 21 June 2018, payable to all shareholders registered in the books of the Company at close of business on 20 July 2018 .The dividend will be payable net of 7.5% withholding tax as per the Botswana Income Tax Act on 21 August 2018.

Share Analysis- Ordinary Shareholders

	Shareholders		Shares held	
	Number of holders	% of holders	Shares held	% of issued shares
1-2000	26,770	58.15%	33,336,890	3.17%
2001-5000	10,546	22.91%	44,652,013	4.25%
5,001-10,000	4,503	9.78%	41,492,172	3.95%
10,001- 50,000	3,303	7.17%	83,320,558	7.94%
50,001-100,000	525	1.14%	43,531,892	4.15%
100,001- 500,000	320	0.70%	79,767,602	7.60%
500,001 - 1,000,000	39	0.08%	30,178,266	2.87%
1000,001 - 100,000,000	29	0.06%	124,989,807	11.90%
over 100,000,000	1	0.00%	568,730,800	54.16%
Total	46,036	100.00%	1,050,000,000	100%

Top 25 shareholders

Shareholders	Numer of shares held	% of issued shares
GOVERNMENT OF BOTSWANA	568,730,800	54.16%
FNB BOTSWANA NOMINEES (PTY) LTD RE: ALLANGRAY BPOPF EQUITY PORTFOLIO B	30,924,173	2.95%
FNB BOTSWANA NOMINEES (PTY) LTD RE:AA BPOPF EQUITY	17,739,339	1.69%
FNB BOTSWANA NOMINEES (PTY) LTD RE: BIFM BPOPF-EQUITY	10,746,769	1.02%
FNB NOMS BW (PTY) LTD RE: BPOPF EQUITY PORTFOLIO C - ALLAN GRAY	9,196,382	0.88%
FNB BW NOMS(PTY) LTD RE: IAM BPOPFP 10001031	8,711,891	0.83%
FAROUK ISMAIL	7,269,500	0.69%
BOTSWANA POLICE SAVINGS AND LOANS GUARANTEE SCHEME	5,460,459	0.52%
MOTOR VEHICLE ACCIDENT FUND	4,232,400	0.40%
ALLAN GRAY RE DEBSWANA PENSION FUND	3,363,626	0.32%
INVESTEC RE DPF	3,211,904	0.31%
BOTSWANA PRIVATISATION ASSET HOLDINGS	3,050,000	0.29%
SIMON HIRSCHFELD	2,051,934	0.20%
FNBBN (PTY) LTD RE:KGORI CAPITAL ALEXANDER FORBES RETIREMENT FUND	1,904,575	0.18%
SCBN(PTY)LTD RE: KGORI 133986200001	1,686,696	0.16%
DITIRO CLEMENT LENTSWE	1,380,174	0.13%
FAIZEL ISMAIL	1,369,513	0.13%
STANBIC NOMINEES RE: BIFM	1,358,126	0.13%

Top 25 shareholders (continued)

Shareholders	Numer of shares held	% of issued shares
FNB NOMINEES BOTS RE:KGORI CAPITAL-AON PR 10001064	1,342,632	0.13%
REGINAH DUMILANO SIKALESELE	1,312,256	0.12%
FNB BOTSWANA NOMINEES (PTY) LTD RE: IAM BBDCSPF	1,224,418	0.12%
JAMALUDDIN KADER	1,140,482	0.11%
BAITSENG DIRENG	1,114,545	0.11%
SILVER SHADOWS (PTY) LTD	1,089,588	0.10%
FNB BOTSWANA NOMS(PTY) LTD RE:KGORI CAPITAL NPF	1,043,006	0.10%
OTHERS	359,344,812	34.22%
Total	1,050,000,000	100%

	Shareholders		Shares held	
Category	Number	%	Number	%
Corporate bodies	375	0.81%	42,103,929	4.01%
Nominees companies	55	0.12%	106,618,799	10.15%
Private individuals	45,598	99.05%	331,446,984	31.57%
Trusts	4	0.01%	495,000	0.05%
Non Public shareholders (Includes Directors)	4	0.01%	569,335,288	54.22%
Total	46,036	100%	1,050,000,000	100%

NOTICE OF THE 2018 ANNUAL GENERAL MEETING

Notice is hereby given that the 2018 Annual General Meeting of BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED will be held at Boipuso Hall, Fairgrounds Holdings Gaborone, Botswana on Thursday, 27th September 2018 at 09:00hrs, to transact the following business:

Agenda:

ORDINARY BUSINESS

1. To read the notice convening the meeting.

2. Ordinary Resolution No.1

   Presentation of Annual Financial Statements and report
   To receive, consider and adopt the Audited Financial Statements for the year ended 31st March 2018, together with the Report of the Auditors and Report of the Audit Committee as contained in the annual report.

3. Ordinary Resolution No.2

   Dividends
   To approve a full and final dividend of 13.43thebe per share that was declared by the Directors and paid by the Company.

4. Ordinary Resolution No.3

   Appointment of Directors
   To approve the appointment of the following individuals to the Board, each by way of a separate vote as additional directors in accordance with the provisions of Clause 17.4 of the Constitution.

   a. Mr. Thari Pheko - Non-Executive Director
   b. Mr. Bafana Molomo - Non-Executive Director

   Brief CVs in respect of each director are contained in the annual report.

   The Board recommends the appointment of these directors.

5. Ordinary Resolution No.4

   Remuneration of non-executive directors
   To consider and approve the remuneration paid to Non-Executive Directors for the year ended 31st March 2018.

6. Ordinary Resolution No.5

   Re-appointment of external auditors
   To re-appoint Ernst & Young, upon the recommendation of the Audit and Risk Committee, as the independent registered auditors of the company and to hold office until conclusion of the next AGM.

7. Ordinary Resolution No.6

   Remuneration of external auditors
   To approve the remuneration paid to the auditors for the year ended 31st March 2018.

8. Ordinary Resolution No.7

   Re- election of directors of the Company
   To re-elect by way of separate vote the following Directors of the company, who retire by rotation in terms of Clause 17.4.1 of the Constitution and, being eligible, offer themselves for re-election.

   8.1 Ms. Lorato Boakgomo-Ntakhwana
   8.2 Mr. MacLean Letshwiti
   8.3 Ms. Serty Leburu

   Brief CVs in respect of each director offering themselves for re-election are contained in the annual report.

The Board recommends the re-election of these directors.

9. Ordinary Resolution No.8

   Re-election of the members of the Audit and Risk Committee
   To appoint or re-elect by way of separate vote, the following non-executive directors as members of the Audit and Risk Committee:

   9.1 Mr. Ranjith Priyalal De Silva
   9.2 Ms. Serty Leburu
   9.3 Mr. Bafana Molomo

   The members' appointment or re-election shall be effective from the conclusion of the annual general meeting at which this resolution is passed until the conclusion of the next annual general meeting of the Company.

Brief CVs in respect of each director offering themselves for appointment or re-election are contained in the annual report.

The Board recommends the appointment and re-election of these directors to the Audit and Risk Committee.

SPECIAL BUSINESS

10. Special Resolution No. 1
    To consider and, if thought fit, pass with or without amendment in terms of Section 128 of the Companies Act Cap 42:01 and ratify the donations made by the company to the BTCL Foundation in the sum of P2,582,000 for the year ended 31st March 2018.

11. Any Other Business
    To answer any questions put by shareholders in respect of the affairs and the business of the company.

12. To close the meeting

Voting and Proxies

A member entitled to attend and vote may appoint a proxy (who need not be a member of the company) to attend and vote for him/her on his/her behalf. The instrument appointing such a proxy must be lodged at or posted to the Transfer Secretaries at the below stated address not less than 48 hours before the meeting. PricewaterhouseCoopers, are authorized to receive and count postal votes.

By Order of the Board

Company Secretary

Transfer Secretaries

PricewaterhouseCoopers
P.O. Box 295
GABORONE
Plot 50371
Fairgrounds Office Park
Gaborone

PROXY FORM

For the year ended 31 March 2018

Only for use and completion by holders of Ordinary shares of BTC in certificated or dematerialized "own name registered" form. Other dematerialized shareholders must inform the CSDP or broker of their intention to attend the annual general meeting to be held at Boipuso Hall, Fairgrounds, Gaborone on Thursday 27 September 2018 at 09:00hrs, in order that the CSDP or broker may issue them with the necessary Letters of Representation to attend, or provide the CSDP or broker with their voting instructions should they wish not to attend the annual general meeting in person.

Please read the notes overleaf before completing this form.

I/We____

(Name in block letters)

____Of

(Address) ____

Telephone (work) ____

being a shareholder of BTC and a holder of ____________________________________ number of ordinary shares, hereby appoint

1.____or failing him/her

2.____or failing him/her

3. The Chairperson of annual general meeting as my /our proxy to act for me/us at the Annual General Meeting of the Company to be held at Boipuso Hall, Fairgrounds, Gaborone on Thursday 27 September 2018 at 09:00hrs and at any adjournment thereof for the purpose of considering, and if deemed fit, passing with or without modification, the resolutions and/or abstain from voting as indicated in the resolution to be considered at the said meeting.

		For	Against	Abstain
Ordinary resolution 1	Agenda No 2			
Ordinary resolution 2	Agenda No 3			
Ordinary resolution 3	Agenda No 4			
Ordinary resolution 4	Agenda No 5			
Ordinary resolution 5	Agenda No 6			
Ordinary resolution 6	Agenda No 7			
Ordinary resolution 7	Agenda No 8			
Ordinary resolution 8	Agenda No 9			
Special resolution 1	Agenda No 10			

Signed at:____

Date:____

Signature:____

Assisted by (where applicable):

Full names of signatory/ies if signing in a representative capacity

Each shareholder who is entitled to attend and vote at a General Meeting is entitled to appoint one or more persons as proxy to attend speak and vote in place of the shareholder at the Annual General Meeting and the proxy so appointed need not be a member of the company.

Please read notes 1 -11 on the reverse side hereof

NOTES TO FORM OF PROXY

1. A BTC Shareholder must insert the name of a proxy or the name of two alternative proxies of the Shareholder's choice in the space provided with or without deleting "Chairperson 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 authorize the proxy to vote at the General Meeting as he/she deems fit in respect of the Shareholders votes exercisable thereat, but where the proxy is the Chairperson, failure to comply will be deemed to authorize 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. 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 thereof.

4. The Chairperson of the Annual 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.

5. The date must be filled on this proxy form when it is signed.

6. Any alterations or corrections made to this form of proxy must be initialed by the signatory/ies.

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

8. The authority of a person signing the form of proxy under power of attorney or on behalf of a company must be attached to the form of proxy.

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

10. Forms of Proxy must be lodged or posted to the Transfer Secretaries, PricewaterhouseCoopers, P O Box 295, Gaborone, Plot 50371, Fairgrounds Office Park

11. Dematerialized shareholders, other than with "own name registration", must NOT complete this form of proxy and must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between such shareholders and CSDP or broker.

ANNEXURE A

Mr. Thari G. Pheko

Mr Thari G. Pheko is the founding Chief Executive and Member of BOCRA Board having been the Chief Executive of the Botswana Telecommunications Authority for six years prior to its dissolution on 31 March 2013.

He successfully managed the transition from the then sector specific regulator called the Botswana Telecommunications Authority (BTA) to BOCRA http://www.bocra.org.bw that has a wider integrated ICT regulatory mandate.

Since assuming the position of Chief Executive of BOCRA, Mr Pheko guided the growth of mobile communications through regulation to the current teledensity in excess of 170%, in the process generating corresponding increases in financial performance and contribution to the GDP of Botswana. In parallel, the ICT landscape has been experiencing positive developments leading to the 2015 ITU IDI ranking that placed Botswana among the top five (5) countries in Africa.

Mr. Pheko served in a number of consultancies amongst which was a Consultancy on the Information Society and ICT Development Strategy. The report of the Strategy formed Botswana's input to the World Summit on the Information Society (WSIS).

Mr. Pheko has also consulted for the then Ministry of Communications, Science and Technology during the formulation of the National ICT Policy for Botswana.

Mr. Pheko also serves on the Choppies' Boitumelo Foundation. Choppies is a Botswana multinational grocery and general merchandise retailer headquartered in Gaborone, Botswana listed in both Botswana Stock Exchange and Johannesburg Stock Exchange (JSE).

Mr. Pheko has recently been nominated a Commissioner of the Botswana National Commission for United Nations Educational, Scientific and Cultural Organisation (UNESCO).

Mr. Pheko previously held several directorships private companies including State Owned Enterprises (SEOs) such as Botswana Post, Botswana Couriers. He was a part-time lecturer in Management Information Systems at University of Botswana.

Mr. Pheko holds a B.Sc (Hons) in Business Finance and Economics from University of East Anglia, UK obtained in 1983 and an M.Sc in Management Information Systems obtained in the same university in 1986.

Mr. Pheko has attended numerous Executive Management Programs from internationally acclaimed universities such as University of Cape Town, University of Kent Canterbury, Rugters University and other professional institutions.

Mr. Pheko retired from BOCRA on 30 April 2017 and has chosen to pursue personal interests.

Mr. Bafana Molomo

Mr. Molomo is Co-founder and Managing Partner at Aleyo Capital a Botswana-based private equity fund manager. He was previously the Chief Investment Officer at the Botswana Development Corporation (BDC) having joined BDC in 2015 from Vantage Capital – a leading mezzanine fund manager based in Johannesburg and operating across Sub-Saharan Africa.

At Vantage, Mr. Molomo was a Senior Associate originating and structuring deals in South Africa, Botswana, Namibia and Mozambique. Prior to that he has with VPB in Botswana and Namibia as a senior investment professional in their private equity team. He began his career as an investment analyst. He brings extensive experience in private equity, corporate finance, strategy and project finance.

Mr. Molomo earned a Bachelor of Commerce (Economics and Finance) and an MBA from the University of Cape Town. He also holds a Post-graduate Diploma in Business from the University of Pretoria's Gordon Institute of Business Science. He has also held a number of board roles in hospitality, healthcare, ICT, property, FMCG and beverage companies.

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