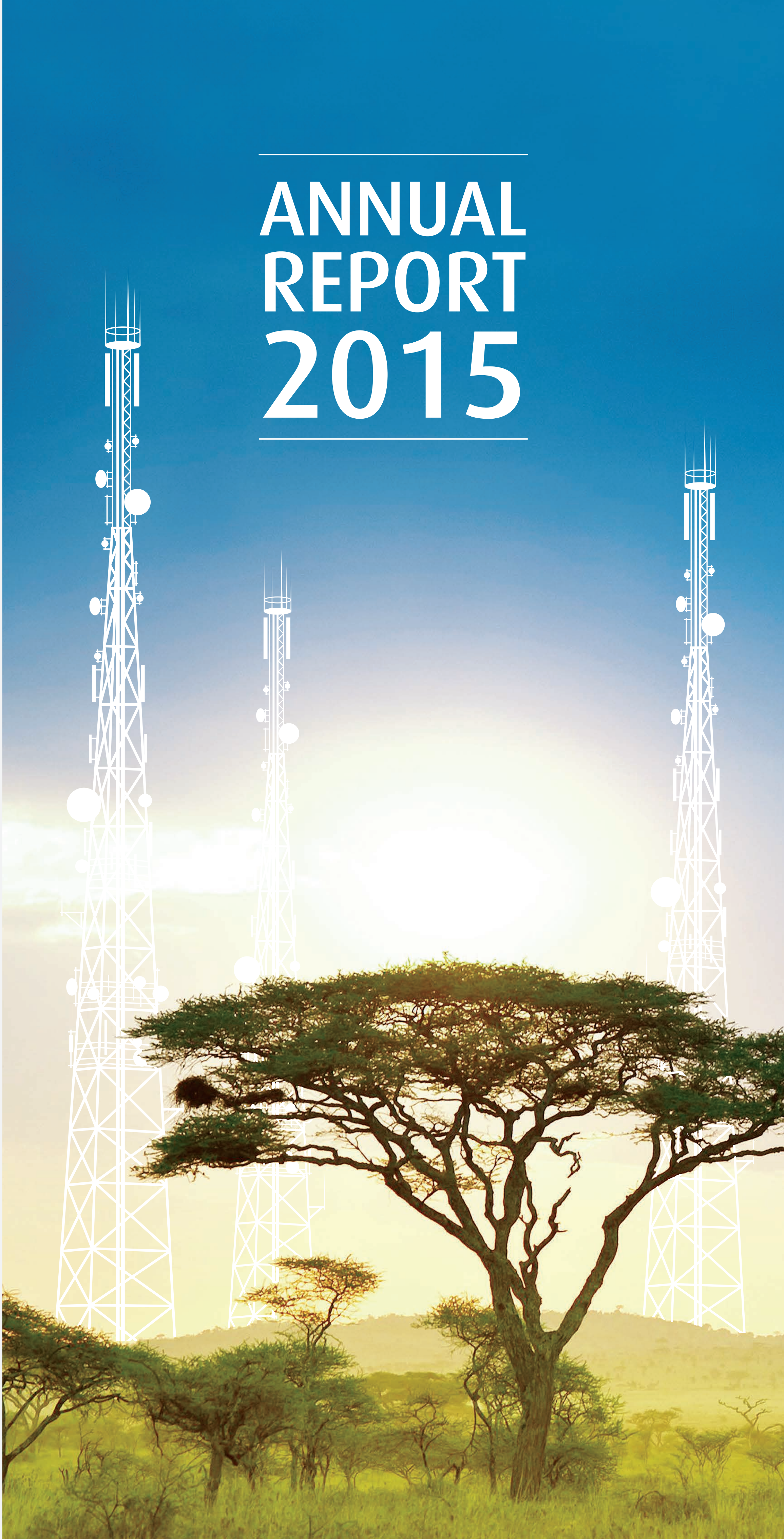
BOTSWANA
TELECOMMUNICATIONS
CORPORATION LIMITED

ANNUAL REPORT 2015



BTCL

KEY FINANCIAL PERFORMANCE INDICATORS

REVENUE GROWTH
(adjusted)

Grow revenue at a rate above national inflation and the average compounded annual growth rate over the previous four years.

TARGET: To increase revenue on a year on year basis, at minimum above the national inflation levels.

Net revenue from all sources including those deferred from previous years but relating to the current accounting period.

2010 - 2011	11.1%
2011 - 2012	10.2%
2012 - 2013	17.6%
2013 - 2014	5.8%
2014 - 2015	1.7%

ADJUSTED RETURN ON AVERAGE CAPITAL EMPLOYED

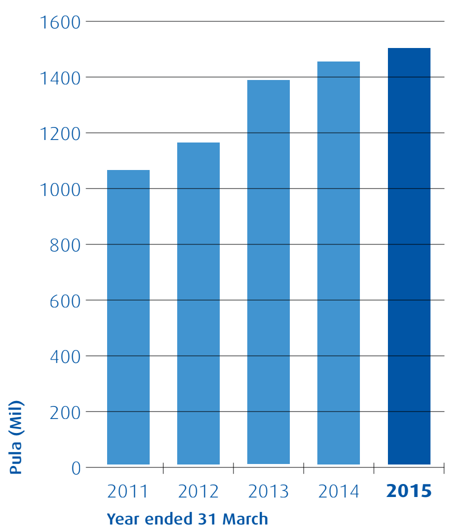
Building networks is a capital-intensive business due to the heavy nature of the funding requirements, so it is essential to ensure that the capital is used as efficiently as possible.

TARGET: to achieve an adjusted return on average capital employed over the business cycle that is comfortably in excess of the Group's weighted average cost of capital, which we estimate to be 13%.

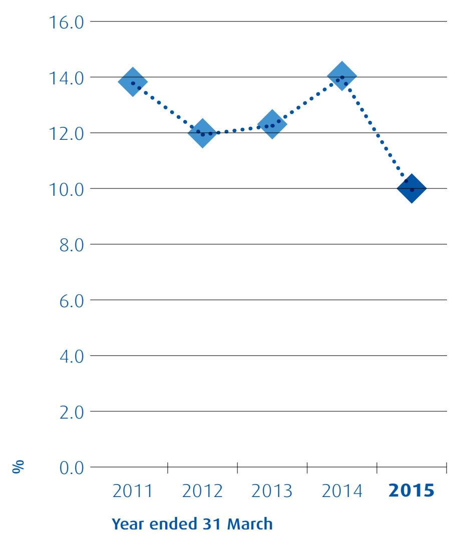
DEFINITION: operating profit before exceptional items divided by average capital employed, expressed as a percentage.

2010 - 2011	13.7%
2011 - 2012	12.0%
2012 - 2013	12.4%
2013 - 2014	14.0%
2014 - 2015	9.9%

Operating Revenue



ROCE - Return on Capital Employed
(Prior to restructuring costs and Impairment Charges)



ADJUSTED EBITDA MARGIN

The generation of earnings is essential to our company growth and to fund future growth in the business. This measure is also commonly used by the industry and stock markets worldwide.

TARGET: to generate an adjusted EBITDA margin which enables us to provide funds for development.

DEFINITION: earnings before interest, tax, depreciation, amortisation and exceptional items divided by revenue, expressed as a percentage.

2010 - 2011	32.9%
2011 - 2012	31.9%
2012 - 2013	32.4%
2013 - 2014	30.8%
2014 - 2015	23.6%

FREE CASH FLOW

BTCL must meet its financial covenants in order to have access to it's debt funding, if and when required.

TARGET: to achieve a positive free cash flow after funding capital expansions and in order to create a dividend growth model.

DEFINITION: cash flow from operations after capital expenditure expressed in Pula.

2010 - 2011	Pula (32.4) mil
2011 - 2012	Pula 14.9 mil
2012 - 2013	Pula 68.5 mil
2013 - 2014	Pula 310.4 mil
2014 - 2015	Pula 86.6 mil

NET DEBT MANAGEMENT

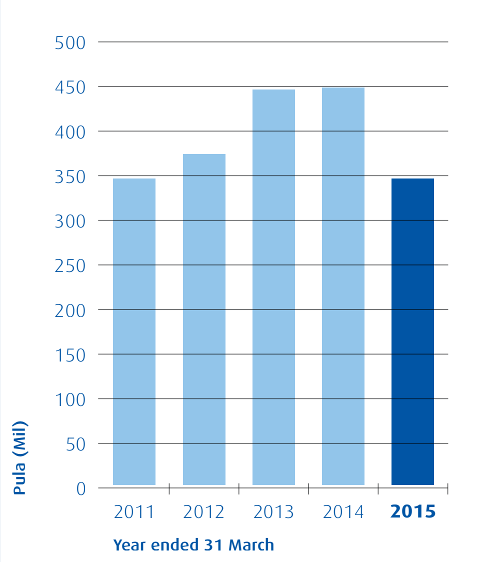
Debt, whilst it is necessary in the event of expansion, can also bring onerous requirements on cash flow management and other operating conditions. So it is important that the level of debt is progressively managed.

TARGET: to maintain a healthy balance sheet,sufficient to support our capital expenditure and dividend through the business cycle.

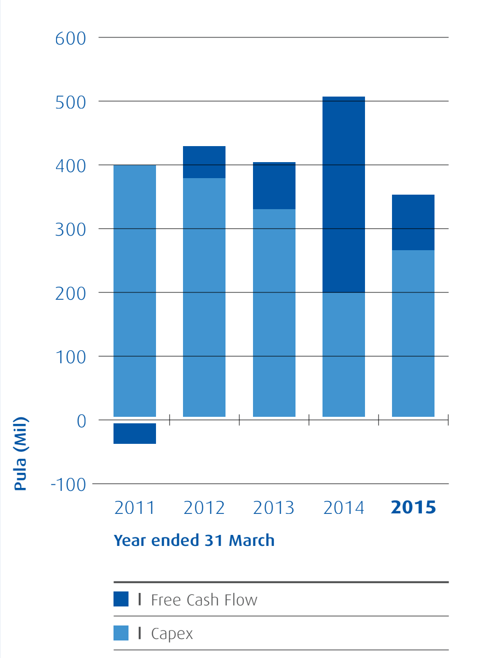
DEFINITION: net debt divided by earnings before interest, tax, depreciation, amortisation and exceptional items.

2010 - 2011	nil
2011 - 2012	nil
2012 - 2013	nil
2013 - 2014	nil
2014 - 2015	nil

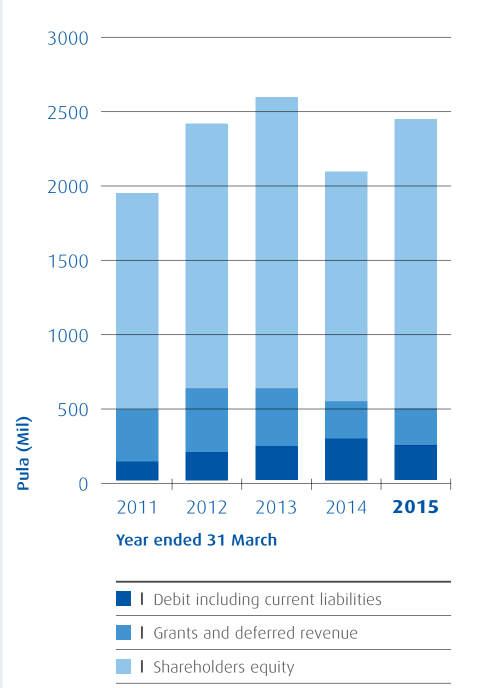
EBIDTA - Net Operating Cash Flow
(Earnings Before Interest Depreciation and Taxation)



Free Cashflow



Capital Structure



WHO ARE WE AND WHAT DO WE DO?

Company
OVERVIEW

LEADERSHIP COMMITMENT
-the choices we make

At BTCL, we believe that an efficient and dependable telecommunications system in Botswana is essential for sustained economic success and human progress of this country.

Information technology and telecommunications bring direct and indirect benefit to the communities. We are optimistic when it comes to developing a sustainable future for our Company and indeed for the industry and Botswana.

We, as one of the major ICT players, wholeheartedly, believe that we hold the power to deliver our country a shared promise to our children and generations that follow us.

We see to it that we run our businesses in a sustainable manner that enables us and the future generation to prosper in this country. BTCL's vision, values and mission amplify our quest to shape the Company for it to become an integral part of the communities in which we will serve for years to come.

OUR CORPORATE VISION

Simply the Best

OUR MISSION

We delight our customers...

...by providing world-class communication, information and content services.

OUR VALUES

TEAMWORK
We are one team, the success of one is the success of all

OWNERSHIP
We take responsibility. It's our problem to solve until someone else on the team accepts it as theirs. We respect deadlines and ensure that our customer, whether internal or external, is aware we are "on their case"

DELIVERY
We get things done. Within the bounds of reasonable risk and relevant governance, we take action on our own initiative and use our knowledge, skills and judgment to resolve challenges

SIMPLE
We are easy to do business with. We take complicated things and make them easy to understand and act upon

PRIDE
We take pride in what we do, who we work with and who we work for

FUN
We have fun... A happy team makes for happy customers

Company
OVERVIEW

BTCL
THE BUSINESS

BTCL was established in 1980 as a body corporate by the BTCL Act to provide, develop, operate and manage Botswana's national and international telecommunications services.

Since then, the Company has evolved to become one of the leading providers in Botswana of voice telephony, both fixed and mobile, as well as national and international internet, data services, virtual private networks and customer equipment to residential, Government and business customers. For services other than customer equipment the Company operates in both wholesale and retail markets.

Part of the Company's growth and success stems from the acquisition of the PTO Licence in 2007, which was one of the three licences issued by BOCRA (then the Botswana Telecommunications Authority). The PTO Licence permits BTCL to offer services of any kind, using any technology (technology neutral), connected with public telecommunications.

BTCL is the only PTO Licence holder operating both the traditional fixed and mobile networks. Because of this unique positioning, the Company is able to offer services in the conventional fixed, mobile and convergent domains, providing mobile, fixed and convergent products and services.

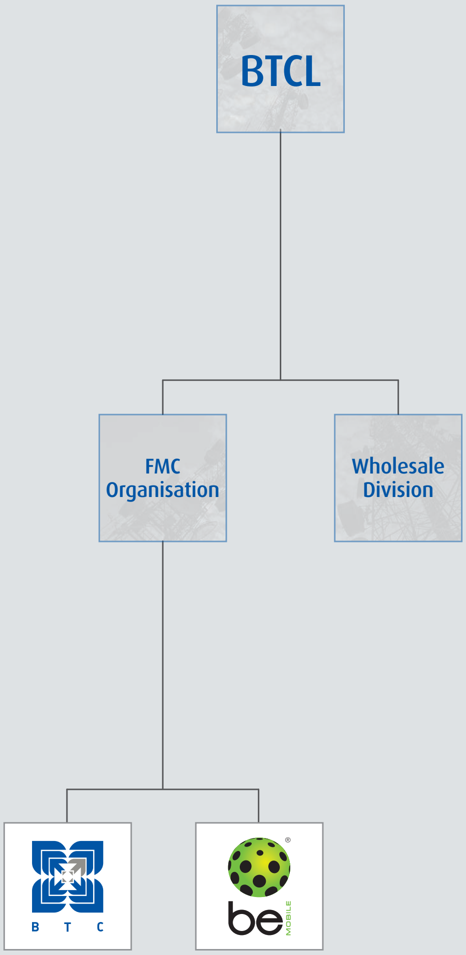
BTCL offers its products and services through two operating business units, namely:

- **BTCL Wholesale**

the wholesale arm of BTCL's business; and

- **FMC Organisation**

which combines beMOBILE, Broadband and Fixed into a single business unit.



The BTCL growth strategy is centred on leveraging its FMC products and services potential. The strategy includes driving mobile and broadband and leveraging BTCL's unique market position as the incumbent supplier of fixed mobile and broadband services in Botswana to create a competitive advantage by combining traditional fixed, mobile, broadband, information and content capabilities to form converged product and service offers.

BTCL was identified in the Privatisation Master Plan of 2005 as a candidate for privatisation. To facilitate BTCL's privatisation process, Parliament, in 2008, passed the Transition Act to enable Government to convert BTCL from a statutory body to a limited liability company under the Companies Act.

Government further adopted a privatisation model for BTCL in 2010. The key features of the Privatisation Model include, amongst others, the following:

44% of BTCL's equity would be made available for ownership by Citizens of Botswana via the BSE;

Government would retain **51% equity;**

The Retained Infrastructure would be placed under a separate entity, wholly owned by Government;

Prior to Listing, **5%** of the total equity of BTCL would be allocated to BTCL's Citizen employees and an Employee Share Trust be established to manage and hold these shares for the employees;

Trading of shares in BSE would be permitted amongst **Citizen investors only**.

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BTCL's
SELECTED PRODUCT RANGE

Product Model	Product Description	Product Benefits	Product Brands
Retail: Fixed Broadband Services	BTCL Fixed Broadband uses the copper loop to provide high speed internet access. BTCL, through various Internet Service Providers (ISPs) uses BTCL's ADSL access to put together broadband packages that includes DSL access and internet bandwidth, so as to provide an all inclusive value added internet access service. Additionally, BTCL offers internet bandwidth to ISPs at the wholesale level to allow them to self provide their customers. Currently, only one ISP has adopted the latter model. The long term goal is get all ISPs to self provide their internet bandwidth.	**High Speed Data Access** BTCL Fixed Broadband & WDSL provides speeds of up to 20Mbps downstream and 512Kbps upstream, depending on line length from a service point as well as line condition. **Simultaneous Voice and Data Connections** BTCL Fixed Broadband enables the customer to make telephone calls and access the internet simultaneously or even send a fax while browsing. **Available Across the Country** BTCL Fixed Broadband is currently available in all major exchanges serving more than 80% of the country's cities and villages (refer to ANNEXURE).	BTCL currently provides three different wholesale packages (bronze, silver and gold). A brief description of the product range is shown below: **Replaced by Fast Broadband** Download speed of 0.5-Mbps-1Mbps **Faster Braodband** Download speed of 2Mbps-4Mbps **Fastest Broadband** Download speed of 10Mbps-20Mbps
Leased Line Data Service Model	A BTCL leased line is a committed bandwidth service suitable for supporting dedicated point-to-point links through a private symmetric, secure and dedicated communication channel connecting two in-country location points leased from BTCL. It offers a fixed bandwidth service between the two points, with speeds ranging from 256kbps to STM4 and can be used to provide voice, data and internet services. BTCL's leased line offering varies depending on the capacity of the link provided. The service is offered through Transmission Division Multiplexing (TDM) technology for bandwidths less or equal to 2Mbps and through Asynchronous Transfer Mode (ATM) technology for bandwidths greater than 2Mbps. The medium of delivery is copper and fibre/Ethernet respectively.	**High-speed data transfer** Cost management – a fixed predictable monthly cost rental. **Guarantee and confidence** a tried and tested solution with a guaranteed high level of service with vastly reduced latency. **Multimedia** A single network can carry all data and image traffic. **Reach** Uses the extensive BTCL network to reach hundreds of locations. Private point to point service with dedicated bandwidth – traffic enjoys exclusive use of the circuit 24hrs a day 7 days a week. **Symmetrical bandwidth for optimisation** upload and download of business critical data. **Scalability** Can easily be upgraded or downgraded at the customer's request.	**Local** – within an area; the two end points are connected to local BTCL exchanges **National** – within a country; the two end points are connected to national BTCL exchanges

Product Model	Product Description	Product Benefits	Product Brands
Frame Relay Data Service	Frame Relay is a high performance, cost-efficient means of connecting an organisation's multiple Local Area Networks (LANs). Like older packet switching services, frame relay uses the transmission links only when they are needed. Essentially, a virtual circuit is used for network services. Frame Relay by its nature is not distance sensitive and allows for shared, burstable bandwidth, which translates into added value for the customer and increased opportunity for revenue generation by BTCL. It provides all the features and benefits of a dedicated network service, without the expense of multiple dedicated circuits.	**Full interconnectivity** All devices are connected to each other **Less hardware** Less hardware is needed for the same amount of connections compared with leased lines **Shared service** Allowing for effective bandwidth utilization **Distance insensitive**	BTCLs frame relay offering varies depending on the size/capacity of the link provided. The service is offered through Transmission Division Multiplexing (TDM) technology for bandwidths ranging from 64kbps to 1920kbps. The medium of delivery is copper.
Metro Ethernet	Data applications demand higher bandwidth for increased flexibility and value added services. Metro provides a diversified range of Internet and Virtual Private Network (VPN) services over a converged IP/Multi Protocol Label Switching (MPLS) infrastructure. The network deploys a tiered IP/MPLS architecture ensuring that it is both scalable and resilient. The BTCL Metro Ethernet service provide a diversified range of VPN services over a converged IP/MPLS infrastructure, to cater for the data communication requirements of a wide spectrum of enterprises, service providers and all businesses in general.	**MPLS combines the best of both worlds** privacy (security) and Quality of service (QoS) of an ATM network; flexibility, higher availability and scalability of IP **BTCL Metro Ethernet offers a converged network** which consolidates multiple networks (voice, video, data, internet) potentially enabling a single access circuit per site. This dramatically reduces the need for managing multiple networks and their associated complexities as well as eliminates duplication in network infrastructure. A Metro Ethernet Network creates a converged platform for providing business grade MPLS VPNs or IP VPNs, QoS and internet services. The access technology of Metro can be frame relay, leased lines, ATM and Ethernet, offering a wide range of possible access speeds that caters for most customer requirements.	**Layer 2 VPNs (L2 VPN)** L2 VPNs provides an end to end connection to an enterprise over the metro network. L2 VPNs based on MPLS emulates frame relay, leased lines and ATM access circuits. **Layer 3 VPNs (L3 VPN)** L3 VPNs provide IP connectivity between customers' branches. L3 VPNs are a foundation for managed services as BTCL is able to participate in the customer's routing. **Internet VPN** This is an internet VPN service offered to BTCL Wholesale customers. This enables BTCL to offer internet access to customers at very high bandwidth capacities. An internet VPN can either be a L2 or L3 VPN. **Quality of Service (QoS)** BTCL offers QoS only on L3 VPNs as they are able to view customers' traffic streams. The BT Metro service offers 4 different QoS packages that are

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TELECOMMUNICATIONS SERVICE PROVISION

BTCL's SELECTED PRODUCT RANGE

Product Model	Product Description	Product Benefits	Product Brands
Metro Ethernet (cont'd)			applied to customers' applications. **Managed CPE** A managed CPE involves managing the customer's wide area network link, including the router (CPE). **Managed IP telephony** within enterprises **Managed LAN services** **Managed Network Security** – managed network based firewall and access control services.
Global Internet Gateway (Botsgate)	The BTCL Botsgate service is the internet access service for customers requiring internet connectivity with the international community.	**Reduced capital & operating costs** (no need to outlay capital on acquiring expensive access technology i.e. modems, telephone lines and routers, (no administration overheads and maintenance costs are also required). **Focus on core activities** **Re-focus to be competitive (ISP)** **Increased Reach**	BTCL offers the Botsgate service in capacities ranging from 1Mbps to 622Mbps, through three different links: - Frame Relay, at a minimum bandwidth of 1Mbps - Leased Line, at a minimum bandwidth of 1Mbps - Metro Ethernet, at a minimum bandwidth of 3Mbps - Wifi, at a minimum bandwith of 5Mbps

Product Model	Product Description	Product Benefits	Product Brands
beMOBILE Products and Services	beMOBILE provides cost effective voice and data communication services in the country.	**Widest Network Coverage** beMOBILE provides the widest network footprint and is available in the most rural areas. **Best Value** beMOBILE provides quality products at the most affordable prices making communication affordable for Batswana. **Corporate Social Responsibility** beMOBILE is giving back to the community through sponsorship of the Premier League to the value more than P24 Million.	**Best Promotions** – through promotions and discounts beMOBILE customers enjoy heavily discounted calls on the beMOBILE network during the day, night and even during weekends). **Mobile Internet browsing** – internet bundles for both prepaid and postpaid segments. Automatic Credit loaded prepaid airtime for corporate employees and unions. **Bulk SMS** – enabling third party providers to send bulk sms to mobile subscribers **Private APNs** - provide a private connectivity environment for wireless Point Of Sale terminals or ATMs to the core banking system or payment systems. **Mobile Office Manager**-MOM (Pay fixed fee –get unlimited staff to staff local calls). **International roaming** (With over 200+ destination countries, beMOBILE customers will remain connected, make and receive calls just as if they are in Botswana. beMOBILE also provide inbound roaming service to visitors from over 150 countries).
VSAT	Diverse as it provides wireless link completely independent of the local terrestrial infrastructure. Can be deployed anywhere anytime.	Provides voice, data, internet services, dedicated bandwidth, disaster recovery, mobile backhauling, broadcasting. Extended geographic reach to the most remote part of Botswana.	VSAT services can be deployed almost anywhere, making it ideal for business continuity and connectivity in remote, hard to reach locations and temporary sites.

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BTCL's SELECTED PRODUCT RANGE

Product Model	Product Description	Product Benefits	Product Brands
Mobile VSAT	Mobile VSAT is communication solution of choice for businesses operating in remote, temporal and emergency areas. It is a niche in technology with broad applications for practically any marketplace.	**Easily accesses remote locations:** Where it would be difficult to facilitate a wire-line arrangement, such as broadcasting Operations, a Mobile VSAT can easily be set up. **Rapid deployment:** At quick one-button deployment, the dish will automatically deploy, lock on satellite and create a high-speed network for any in range computers, smartphones or other wireless devices. **All Weather, All Conditions:** The Mobile VSAT is built for extreme environments. It can handle extreme rain and wind. **Flexible:** Can be easily integrated to complement, or extend any communications network, helping overcome geographical barriers, terrestrial network limitations and other constraining infrastructure issue.	BTCL Mobile VSAT is a revolutionary 2-way high speed Mobile Satellite Internet System for people on the move that need to communicate effortlessly. BTCL Customers now have the ability to conduct business from remote locations similar to the way they do from their central offices from the Mobile platform.
Toll Free	Charges for calls are charged to the called number instead of the caller, hence the name "Toll Free".	Flexibility and cost savings. Efficient marketing tools for any business. Ability to extend business reach. Enhances customer service Provides essential business continuity solutions.	A toll free service presents a unique solution for BTCL business customers to offer seameless experience for their customers making them easily accessible at all times.

Product Model	Product Description	Product Benefits	Product Brands
192	All customers with access to BTCL Fixed telephone lines and beMOBILE network line countrywide can call the National Phonebook enquiries call line 192.	Flexibility and cost savings. Efficient marketing tools for any business. Ability to extend business reach. Offer customers 24/7 quick and efficient response when enquiring for a number from the National Phonebook directory.	
Smart Office	The BTCL SMART OFFICE PBX offers the customer 4 ports for Analogue lines, 8 ports for Hybrid Extensions, One 12 Key Digital Operators Console, One Executive 12 Key Phone, 6 BTCL Speaker Phones and a Telephone Management System. The SMART OFFICE also offers a Battery backup, lighting arrester and a Surge Protector. The system has a Power Failure Transfer Circuit (PFTC) on the 8th extension port of the 408 card. PFTC ensures that a customer has access to the Central Office network during a power outage.	**Hospitality - Keeping your guests happy** That means making check-ins and check-outs faster. Staff can work more flexibly with wireless communications for maximum reachability. From small guest houses to large hotel chains, you'll never keep your guests waiting. **Estate Agents - Communications on the move** Find the right person with the Mobile Extension feature, allowing them to be reached on a single extension number whether at their desk or on a viewing. Inter-branch connectivity also allows offices to share reception resources and deal with heavy call traffic when many of your agents are out of the office. **Insurance - A better communications policy** Most insurance companies need to balance limited agent resources, unpredictable call traffic spikes and demanding callers. The SMART OFFICE provides easy and flexible call queue management to help with the busy periods.	

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BTCL's SELECTED PRODUCT RANGE

Product Model	Product Description	Product Benefits	Product Brands	
		Doctors Surgeries - Putting patients first With features such as Auto Attendant, surgeries can deal with the morning 'telephone rush hour' by allowing callers to select the appropriate department they need to speak to for a prompter response. Further pressure can be taken away from receptionists with Information Messages which can provide frequently requested information such as flu jabs or opening hours. **Retail - Talking shop** Keeping warehouses, shop floors and offices connected is crucial for a smooth retail operation. The wireless freedom of IP DECT means departments can respond quickly and efficiently, allowing requests to be completed while on a call. That's means less call backs, reducing the risk of the dreaded 'telephone tennis'.		
Voice Calls	BTCL's current range of voice services are the National and International Interconnection services which connect BTCL telephone networks to those of other licensed operators so calls can be exchanged between the networks.	This includes calls within BTCL/beMOBILE networks, transit calls from Botswana PTOs and Transit calls from neighbouring and overseas countries. BTCL is best positioned to offer the services to the region by virtue of its geographical location and multiple international links ensuring greater reach and high quality of service. BTCL currently has 12 international interconnects with major operators in the world.	BTCL Access	

Product Model	Product Description	Product Benefits	Product Brands	
MIVOICE	MiVoice unified communications platforms offers a complete range of flexible communications platforms - from modular on premise solutions to a single, cloud-ready software stream that supports a range of deployment models. This solution addresses both medium business and large enterprise needs, providing extensive communication features, robust call control, and support for a wide range of innovative desktop devices and applications.	"Do more with less" has become the mantra of many businesses today. At the same time, IT organisations are striving to focus on more strategic objectives that drive competitive advantage and tangible value for their business. The right platform to manage your communications makes all the difference in organisational productivity and flexibility to respond to changing business environments. Mitel's communications platforms have been helping businesses achieve that for more than 40 years. MiVoice unified communications platforms were designed to address your business's communications needs, no matter what size your business is and to provide your business with the tools for improving employee productivity and business efficiency, so that you can expect a tangible return on your communications investment.		
MIVOICE CONFERENCE PHONE	This an easy-to-use conference phone that boasts of 16 built-in microphones and superior audio & Video quality plus the ability to seamlessly share ideas and files with in-room presentation display capabilities.	Superior sound quality with high-definition (22khz) audio. Automatic video call escalation once an audio call is placed. Built-in high-resolution seven-inch color touch-screen display with full multimedia support and in-room presentation display capabilities. An embedded Picsel SmartOffice Suite enables the ability to view and modify PowerPoint®, Word, Excel® and PDF files.		

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BTCL's
SELECTED PRODUCT RANGE

Product Model	Product Description	Product Benefits	Product Brands	
		Web browser allows multimedia support for access to cloud-based services, such as Gmail, Exchange Web for contact dialing and chat functions. Provides the ability for multimedia content to be sent to remote parties over the video stream. Can be connected to other third-party videoconferencing and collaboration systems. Flexible bandwidth deployment options allow it to work within an existing network environment.		
MICONTACT CENTER	MiContact Center Enterprise Edition is ideal for sophisticated contact centers of all sizes. From small, single sites to distributed, multisite, virtual contact centers, it seamlessly scales to address any need. Designed to ensure business continuity, it is a robust, resilient and highly available solution. It delivers extensive custom reporting, sophisticated voice and multimedia workflow routing, highly customized interactive voice response (IVR), and easily customized integrations for Customer Relationship Management (CRM) and Work Force Management (WFM).	Management and Reporting Applications MiContact Center Enterprise Edition provides a rich tool-set for business and operational insight into your contact center's performance, including historical reporting and management tools, real-time status, and call accounting. Media Distribution and Routing Applications Build a modern and reliable contact center environment with visual, drag-and-drop designing tools that seamlessly integrate traditional ACD with sophisticated voice and multimedia workflows and multiple contact points, such as email, chat, and social media. Supervisor and Agent Productivity Applications MiContact Center Enterprise Edition provides state-of-the-art tools enabling contact center staff to work efficiently and flexibly. From the right phone solutions to seamless integration for remote agents, and CRM integration, Mitel lets you build a contact center that		

Product Model	Product Description	Product Benefits	Product Brands	
	MiVoice unified communications platforms offers a complete range of flexible communications platforms - from modular on premise solutions to a single, cloud-ready software stream that supports a range of deployment models. This solution addresses both medium business and large enterprise needs, providing extensive communication features, robust call control, and support for a wide range of innovative desktop devices and applications.	works the way you do. Mitel Portfolio Integrations MiContact Center solutions integrate across the portfolio to extend the capabilities of the contact center. These integrations include: · Workforce Management · Quality Monitoring and Call Recording · Outbound Dialing and Campaign Management Third-Party Contact Center Applications. These solutions include: · Customer Relationship Management · Presence and Chat Engines · Social Media Monitoring		
MICOLLAB UPCOMING	MiCollab delivers unified messaging, mobility, teleworking, and audio, web and video conferencing services tailored to the needs of today's mobile workforce.	**Get more done – from anywhere** · Single point of access to all communications and collaborations tools. · Mobile-first design – all desktop functionality is available natively on mobile and tablet devices. · Build better connections using IM, voice, video or full web collaboration from any location and on any device. **Easy administration** · Manage all collaboration tools using a single, user-friendly, Web-based interface · Maintain just one server, which can be deployed however suits you best – on premises or in virtualised environments · APIs integrate MiCollab with your other business applications,		

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BTCL's SELECTED PRODUCT RANGE

Product Model	Product Description	Product Benefits	Product Brands	
		such as email, calendars and CRM. **Reduce costs** · By giving your employees a better way to communicate, you can reduce travel time and expenses, improve productivity, and remain competitive.		
MEET ME CONFERENCE	This service offers instant access to conference calls via landlines and mobiles for any business, inclusive of email, SMS notification and Outlook calendar integration. Meet Me Conference provides customers virtual meeting rooms.	· Ease of deployment · Immediate service delivery · Listen and comment when necessary · Make contribution at an appropriate time · Service convergence (Email, SMS, Fixed & mobile) · Manage time and costs by joining and living the conference as and when required · Immediate exchange of information which is especially important when deadlines are involved. · Meetings can be scheduled in a timely fashion, as you can avoid accommodating a variety of travel schedules and accommodation issues. · People (including outside guest speakers) who wouldn't normally attend a distant FTF meeting can participate. · Routine meetings are more effective since one can audio conference from any location equipped with a telephone including mobile. · Follow-up to earlier meetings can be done with relative ease and little expense. · Socializing is minimal compared to an FTF meeting; therefore, meetings are shorter and more oriented to the primary purpose of		

Product Model	Product Description	Product Benefits	Product Brands
		the meeting. • Communication between the home office and field staffs is maximised.	
E-FAX (NEW)	This is a solution which involves the use of a Fax Server connected to the internet and the telephone network to send and receive faxes. The Fax Server receives an incoming fax from the telephone network (sent from an email), and converts it into an image that can be in TIFF, PDF or DOC formats etc. This image along with an email containing details of the fax, such as sending fax number, time received etc., are sent to the sender's email address. The reverse is also possible, whereby a fax can be sent from a fax machine to the designated email address, of which mobility aspect becomes a key advantage e.g. Email enabled mobile phone In short, this product is a modernised facsimile service that utilises the versatility and flexibility of the internet.	Among others, the key benefits for this service include; 1. Software or hardware (fax machine) not a key requirement for service access 2. Free activation 3. Confidentiality since incoming faxes are stored in the inbox 4. Faxes do not get lost 5. Ability to send faxes anywhere in the world 6. Companies can have records of all outgoing faxes 7. Ultimately saves time, space, paper and money	Product branded **EaziFax..** The fax tariffs only apply to the fax sender, and the service is free to the fax recipient.

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CONVERGENCE OF NETWORKS AND SERVICES

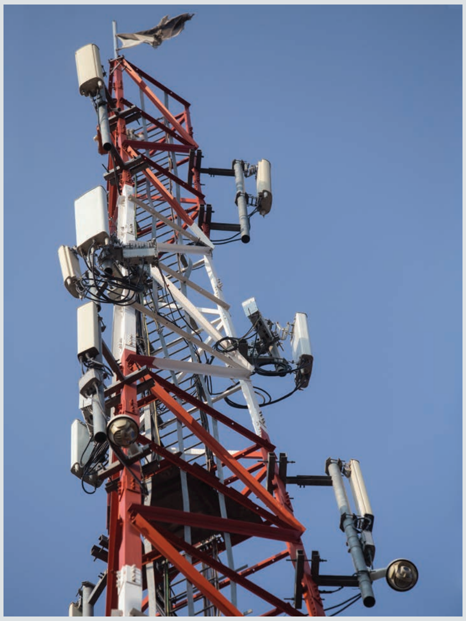
Digital Commitment

The future is digital and we are on it already. To thrive in a digital world, we have to strengthen our core communications platforms and continue to build expansive modern platforms which encompass innovative and differentiated digital services with mobility to extend the coverage to people anywhere anytime.

The convergence of fixed and mobile technologies with cloud computing with the emergence of social and lifestyle platforms will create opportunities for businesses and for us. Proliferation of smartphones, tablets and laptops and the exponential growth in demand for internet mobility is changing the customer behaviour and expectations. Mobile internet is an enchanting phenomenon which altered how people lives, works and entertains themselves in the current ever changing world and we are geared for it. With this change, the dynamics of marketing and advertising has changed from traditional lines to digital media.

Accelerate Mobility

Be faster, be in touch, be simpler, be secure – beMOBILE. BTCL believes that the internet must be available and accessible to everyone, and that mobile internet is a significant tool to reduce the digital divide. 3G and the intended 4G coverage represent the future of high speed mobile internet access. BTCL managed to increase the market share and the mobile revenue and is fast becoming the major source of revenue.



Leverage Wireline Momentum

The speed and capability of BTCL networks enable BeMobile customers to make most of their powerful smartphones and superphones with the latest mobile business, gaming, and information and entertainment apps. The number of smart phones launched was in excess of ten in 2014/15, adding to the best line up in the mobile market place including the in-demand smartphones from Apple, Blackberry, Samsung, Sony etc.

Despite the innovation and growth in mobile cellular applications, wire lines still remain one of the primary medium for internet and data transmission. With the next generation technologies, business services like cloud computing, video streaming etc., which need huge bandwidth, wireline technology will still remain relevant and we will take advantage of that.

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TELECOMMUNICATIONS SERVICE PROVISION

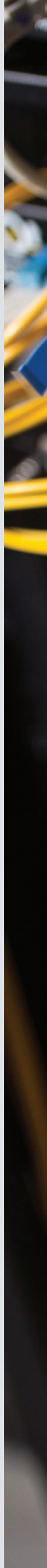
BTCL STRATEGY TOWARDS THE NEXT GENERATION NETWORKS AND DEVICES

BTCL's network has been built over time, based on a number of technologies and platforms such as Voice platform, IP platform, Data platform etc. Although these platforms can interface with each other they do so very inefficiently. For this reason BTCL is well on path to modernize the network based on the Next Generation Network (NGN) architecture. So far, the focus has been on the migration of voice services from the old TDM based architecture. BTCL is taking advantage of the Broadband capability of the NGN network to diversify provision of broadband services so that they can be offered through both the Data and the NGN networks on a complementary basis.

NGN aims to facilitate the convergence of voice and data networks into a single unified packet based multiservice network. It enables the development of advanced IP based multimedia services quickly and independently of the transport layer. Broadband services and IP voice are key features of the NGN network. When it is complete BTCL will be in a position to evolve the network into the next stage of development where the fixed and mobile networks and internet are offered over a single unified platform termed IP-Multimedia subsystem (IMS). Once it is implemented the customer will have a seamless communications platform where there is no consciousness of the underlying network. In line with the NGN development BTCL is deploying an IP (Internet Protocol) transport network around the country. This will cater for all IP transport requirements for BTCL and the entire customer base. Having one converged network for all access types is a significant benefit of layered architecture. This can improve service quality and allows the efficient introduction of new multimedia services based on IMS. Operators can increase network efficiency using optimized transport and coding solutions and will not need the over-capacity required when the networks are separated. Significant cost savings can arise from having one network with fewer nodes and lower operating costs.

From an investment perspective, it is possible to optimise the use of control and media processing resources, hence reducing the need to replace technologies and the cost of network updates.

In addition to making converged user services faster and easier to introduce, the common shared resources will also increase operational efficiency in the network. The network evolution path is unique for each operator and depends on many factors including the business environment, cultural heritage, regulations, end user behaviour and PC and mobile penetration rates. The transformation will be done step by step towards the target network with an all-IP-solution based on IMS.




Channel 2
Int
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Channel1
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SECONDARY
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ON:NORMAL
OFF:BYPASS
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ALARMS

Business Review
TELECOMMUNICATIONS SERVICE PROVISION

ACHIEVE A COMPETITIVE COST STRUCTURE SUPPORTED BY A STRONG FINANCIAL ARCHITECTURE

In the modern world of communication, it is essential that the economics of core consumer and enterprise businesses remain strong. That means a competitive cost structure enabled through a strong financial base. We will continue to leverage our solid financial base to achieve a competitive cost structure which can afford a competitive pricing. Our profit retention philosophy should survive in the post privatisation era.

We focus our investments based on demonstrable business models and cash flow returns as well as those business propositions which can leverage on the investments and resources we already have. In order for us to charge a better price to the customers, they must be creating an improved customer service

Better technologies, as well as a wider range of devices and contents, have fed the customer's appetite for doing more over the internet. We are on the drive to increase the network speed and capacity of the networks and the connectivity. Along with this investment, we are reshaping our pricing regime that are outside the traditional set guidelines which can support a sustainable revenue models to support continued investments in networks and technologies.

OUR NETWORK ARCHTECURE

The IP Core network provides a resilient IP transport network which is able to provide Ethernet interfaces to all BTCL access networks that are carried over the Metro Ethernet network. It has a 10Gbps capacity and is transported to the BTCL main centres through the BoFiNet DWDM Network.

Transmission Infrastructure
Botswana's transmission network comprises of microwave radio equipment and fibre systems.

Mobile Network
BTCL currently operates a nationwide 2G/3G and 4G/LTE WCDMA network under the brand name beMobile. The network covers over 90% of the population centres across the country. The network offers both prepaid and post-paid mobile phone services, with a range of voice, packet data and content based services.

IP Platforms
Botswana has built Internet Protocol (IP) based network that provides the connectivity backbone for virtually all of its current data services, with an extensive foot print. These transport and associated information system are continuously upgraded to meet customer demand. Post-network separation, BoFiNet owns almost all of the fibre network systems from which BTCL lease capacity.

PSTN
BTCL provides fixed line and value added fixed lines voice services over PSTN. PSTN provides analogue lines, ISDN lines and Centrex lines. Value added fixed line services which include call waiting, calling line identification are available in most areas.

Intelligent Network and Messaging Platforms
BTCL advanced intelligent network platforms provides 0800 calling services. With enhanced call management services. It can handle voice mail systems both fixed and mobile voice mail boxes and can support interactive call prompting services.

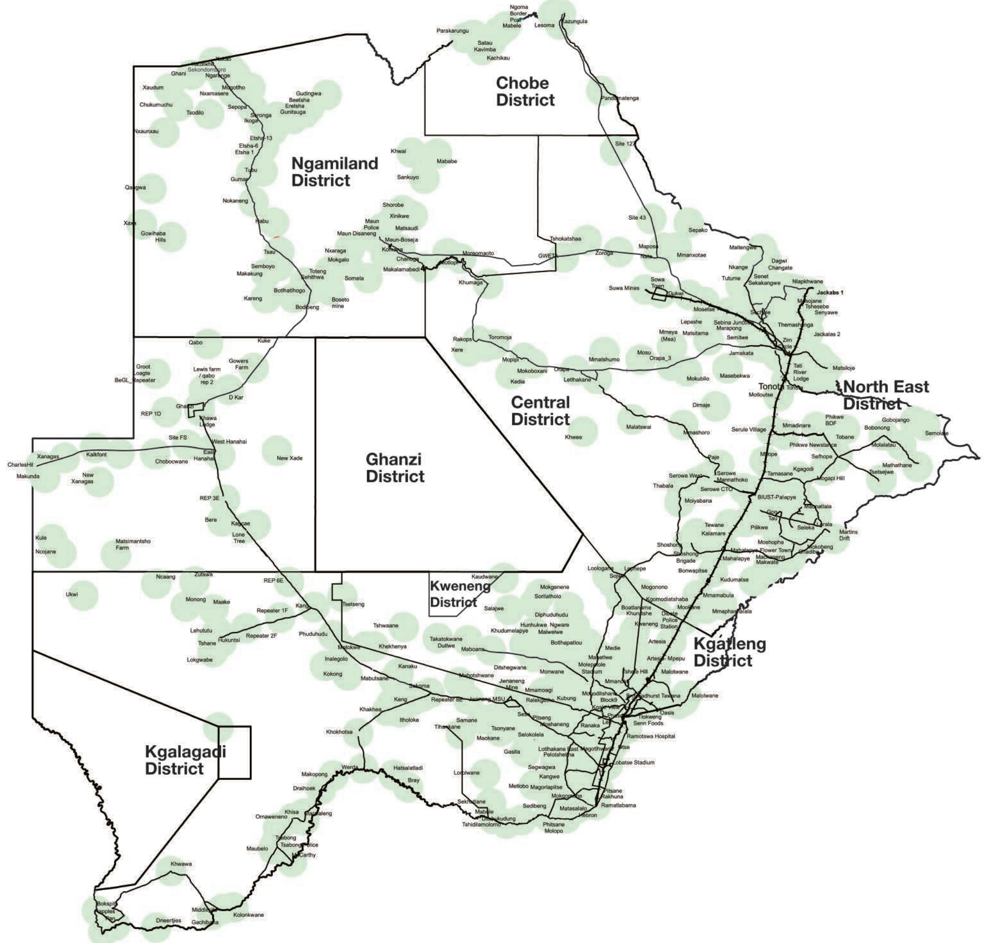
Integrated Services Digital Network (ISDN)
BTCL ISDN is a digital service and is capable of transmitting voice, video and data from one location to another. ISDN services are available in most urban areas.

Access Networks
BTCL provides customer access networks based on copper and fibre optic cable technologies. They are capable of providing ADSL based voice, data and internet over exchanges across the country.

Broadband and IP Services
BTCL operates high speed internet access service using both copper based DSL and the fibre based technologies. BTCL broad band services are available in most part of Botswana.

The NGN voice network is based on IP technology. Apart from the traditional voice services It also supports advanced voice services such as VoIP, Multimedia conferencing, Sip Trunking and Sip Video calling.

Business Review
TELECOMMUNICATIONS SERVICE PROVISION

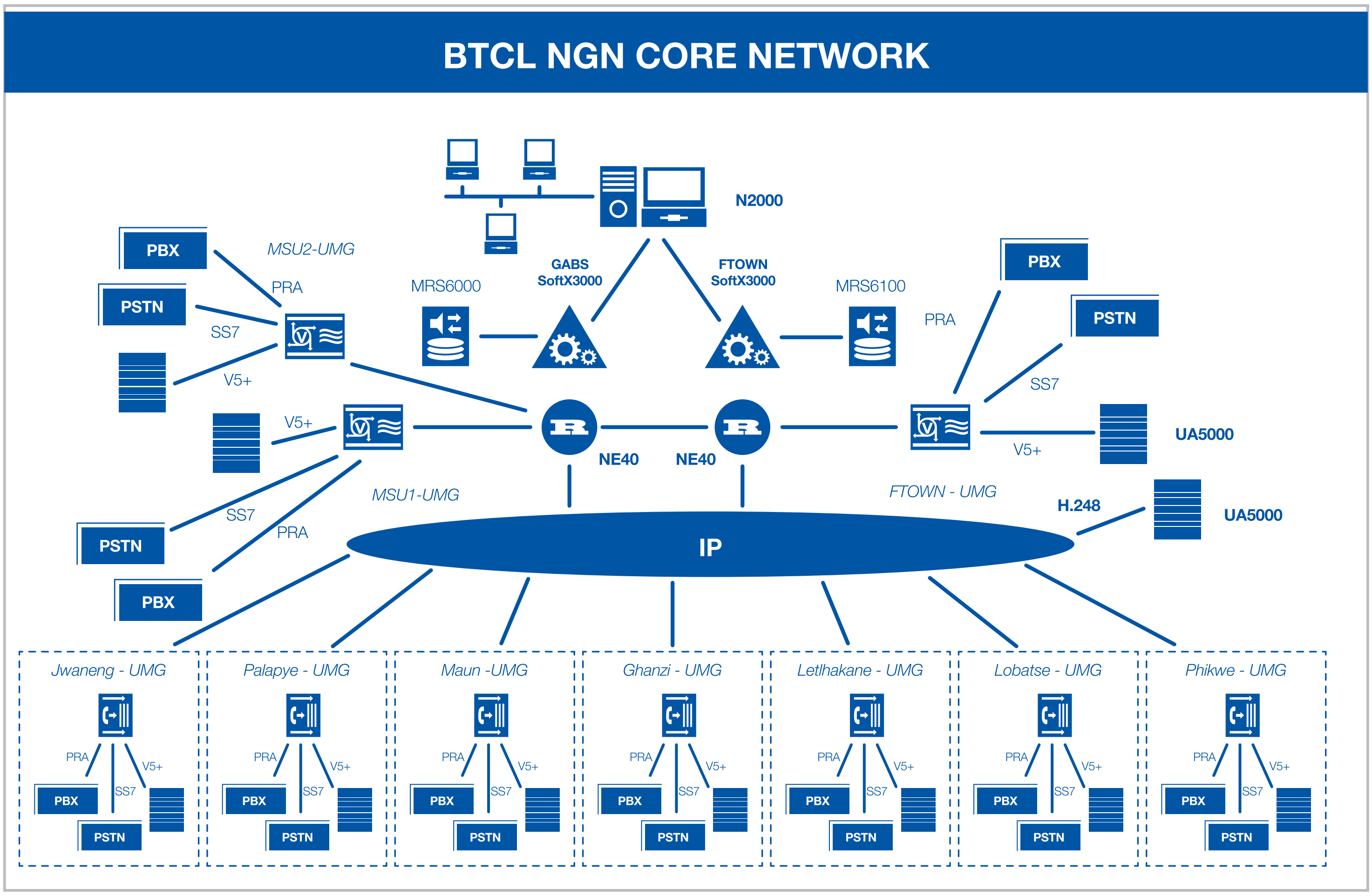


NETWORK FOOTPRINT

A fundamental competitive advantage of BTCL is that its fixed, mobile and other products and services are offered in a convergent portfolio, given its legacy position as an incumbent fixed network operator. BTCL has a PTO Licence issued by the regulator, BOCRA. BTCL is, however, the only PTO Licence holder operating both the traditional fixed and mobile networks.

BTCL has gained significant competitive advantage in the mobile domain, particularly in remote areas because of its extensive mobile coverage (c.90% population coverage).

BTCL contracted has provided telecommunication services to hundreds of under-serviced communities around the remotest parts of the country via mobile telephony, based on the GSM/GPRS-EDGE standard. The contract included Tele-centres, (commonly referred to as Kitsong Centres) which are internet

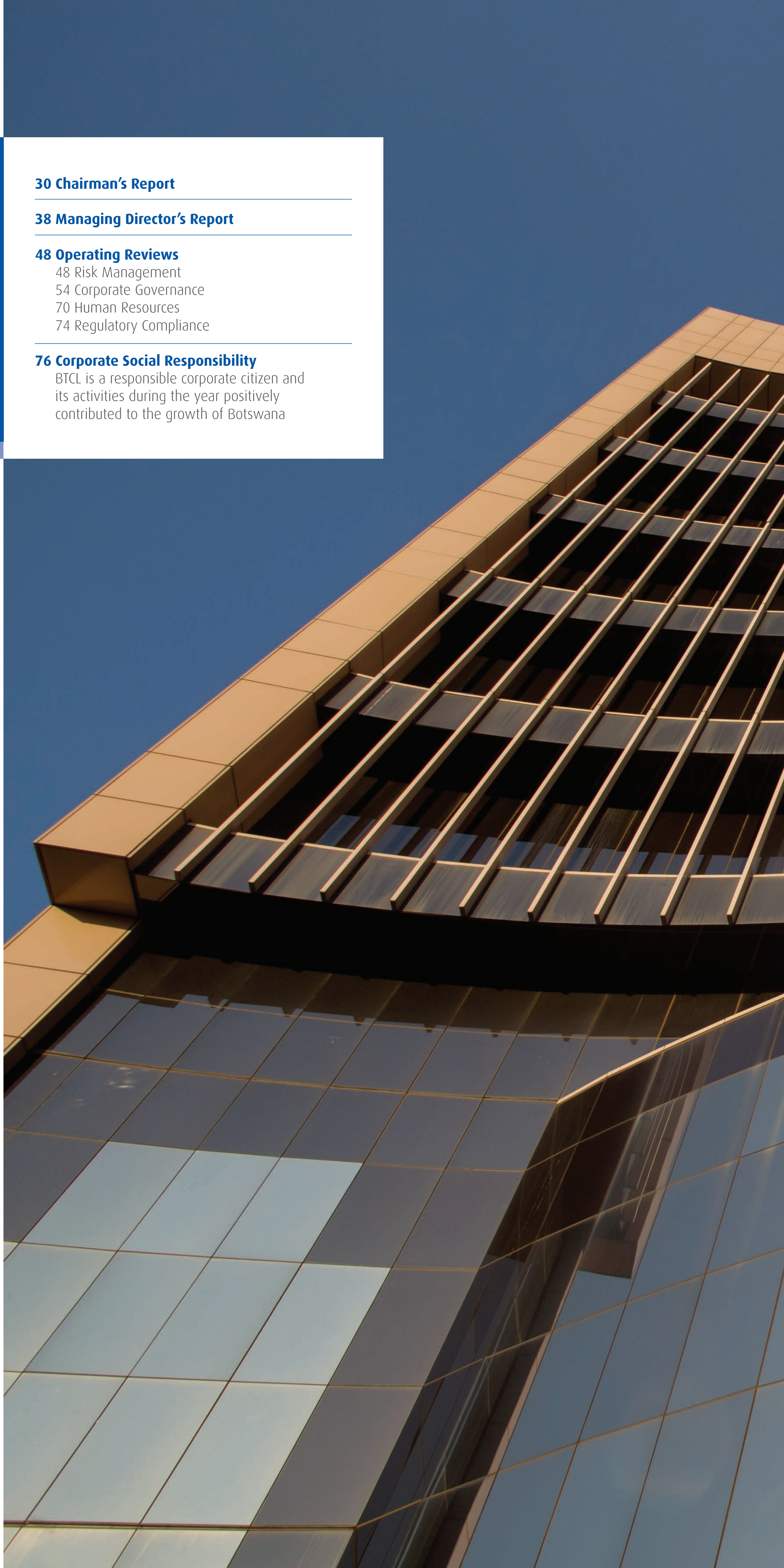


cafes dimensioned and targeted for the rural communities, with typing, printing, photocopying, pre-paid calling, fax and internet services.

This network strength results 65% market share in fixed broadband and data services, 90% in fixed network voice services and 17% in mobile connections. The mobile market share is notable in so far as it has been achieved within seven years against two very prominent and well established brands. No other operator has assets deployed as widely across both fixed and mobile services space, a key strength that will be further leveraged through the Accelerating Change programme. A further Pula 104 million is planned to be spent during 2015/16 to further enhance mobile network quality.

The existence of BTCL's copper access network means BTCL is the only operator with capacity and capability to offer ADSL services. This affords BTCL a market opportunity to offer voice and ADSL services through the copper network to its home, SOHO, SMME and Corporate customers. With the advent of technologies such as Ethernet over Copper (EoC) and Fibre To The "x" (FTTx), BTCL will in future be able to offer improved broadband internet speeds over its copper network of up to 20 Mbit/Sec. 10 and 20 Meg WDSL services have been launched in the market place. Opportunities also abound to capitalise on FTTx solutions to accommodate higher broadband throughput speeds0.

WHAT'S HAPPENED DURING THE YEAR?




MEGALENG

BTCL
CHAIRPERSON REPORT

Daphne Motlagomang Matlakala
Board Chairperson

"BTCL HAS NOW REACHED A PIVOTAL POINT WHERE WE EXPECT TO REMAIN VIABLE IN THE HIGHLY COMPETITIVE LOCAL TELECOMMUNICATIONS SERVICE INDUSTRY"

To All Stakeholders

I am deeply thankful to all those who have contributed to the Company's sustainability during the past two years of my tenure as BTCL Board Chairperson. Despite the uncertainties surrounding the network separation, we remained steadfast in our commitment, working seamlessly without compromising quality of service to the customer.

Such remarkable progress, both at operational level and readying the organisation for the Initial Public Offering, would not have been possible if it was not for your continued support.

A key focus area for BTCL in 2014/15, post asset separation and establishment of BoFiNet to manage the national backbone network, has been an in-depth review of our strategy.

We are resolute that the local telecommunications industry still presents us with the best growth opportunities going forward. With our unique product and service offerings, BTCL is well placed to fully explore the market and achieve its strategy of providing Fixed and Converged and Mobile products and services.

Turning Point

The Company returned to previous levels of profitability, following impairment of its assets attributed to the separation of the backbone network the previous year. (i.e 2013/14).

BTCL has now reached a pivotal point where we expect to remain viable in the highly competitive local telecommunications service industry.

We are now actively seeking to stabilise our core business while pursuing new opportunities to provide excellent communication solutions to customers.

Growth Initiatives

To address some of the challenges post asset separation our focus will be in innovating and creatively marketing fixed and mobile capabilities, offering fixed and mobile and converged products and services, defending the existing business and sustaining a high performance and customer centric culture.

We also endeavour to control costs through business transformation while building alliances and strategic partnerships for the benefit of our customers.

As BTCL grows and pursues its portfolio diversification strategy, we also seek to align our business priorities – that is serving the interests of our customers and looking after our employees.

BTCL CHAIRPERSON REPORT

"BTCL RECOGNISES THE IMPORTANCE OF INSTILLING A CULTURE AMONG ITS EMPLOYEES WHICH IS FOCUSED ON SERVICE EXCELLENCE"

Employees And Safety

BTCL continues to improve its employee productivity targets during the year. We are on a journey to become an employer of choice.

In 2014/15 BTCL did not record any serious work related accidents, injuries or sickness. The result is a testimony to the enduring commitment of BTCL and its employees to workplace safety.

To embed safety, risk management and sustainability processes into the Company's daily operations, BTCL introduced updated Safety, Health, Environment, Community (SHEC) systems and processes, including quantitative risk assessment reviews for major hazards across the Company.

Community

BTCL's Community Partnerships Programmes ensures BTCL's community investments are better focussed and more reflective of the community needs. Through our robust Social responsibility programme, we continue to plough profits back

into communities wherever they may be.

We are also keen to improve our supplier and stakeholder relationships, a key factor towards improving value.

Customers

BTCL recognises the importance of instilling a culture among its employees which is focused on service excellence, fair treatment and acting responsibly. Customers remain our purpose of existence.

We have embarked on an internal campaign to promote and enhance service excellence within BTCL; a perquisite for customer satisfaction.

Investing For Tomorrow

We are optimistic about our ability to sustain BTCL's role as the foremost provider of telecommunications services in Botswana connecting Botswana consumers, business and government agencies. This year, we made significant infrastructure investment with emphasis on quality and reliability.

Outlook

The focus remains on solidifying and reinforcing on the Company's transformation objectives, which can grow and sustain the Company into the future.

BTCL BOARD OF DIRECTORS

Daphne Motlagomang Matlakala
Board Chairperson and Independent member

DATE OF APPOINTMENT
Appointed to Board April 2012, appointed Chairperson July 2014

NATIONALITY
Motswana

DIRECTORSHIPS
- Malebeswa Matlakala Legal Consultants
  Business: Law firm providing legal services
  Position: Partner
- Tsela Alliance (Proprietary) Limited
  Business: Investments in immovable property
  Position: Director
- Provenance Holdings (Proprietary) Limited
  Business: Dormant
  Position: Director

QUALIFICATIONS
BA Law (University of Botswana and Swaziland), Bachelor of Laws LLB (University of New South Wales, Australia), and Master of Laws LLM (Legislative Drafting) (Edinburgh University, Scotland)

EXPERIENCE
Daphne has been in private practice since 2012. Before that she was Secretary for Legislative Drafting, as well as Deputy Attorney-General in the Attorney General's Chambers of the Republic of Botswana. During the span of her career she has developed expertise in, among others, legislative drafting, statute law revision, regulatory matters, international environmental law matters, international water law, public procurement and commercial law.

Gerald Nthebolan
Deputy Board Chairperson and Independent member

DATE OF APPOINTMENT
Appointed to Board August 2013, re-appointed July 2014, appointed Deputy Board Chairman in July 2014

NATIONALITY
Motswana

DIRECTORSHIPS
- Key Enterprise (Proprietary) Limited
  Business: Dormant
  Position: Director

QUALIFICATIONS
B.Sc (Hons) (Computer Science) (Leicester Polytechnic), and MBA (General) (De Montfort University)

EXPERIENCE
Gerald is currently the Head of Information Management of Debswana Diamond Company Limited, having held this position from 2007. Prior to this, Gerald has fulfilled various positions at Debswana Diamond Company (Proprietary) Limited from 1993 to 2006 and also worked in the Botswana Ministry of Works, Transport and Communication between 1992 and 1993.

Paul Taylor
Managing Director

DATE OF APPOINTMENT
Appointed Chief Executive Officer in June 2011 and as Managing Director on 1 November 2012

NATIONALITY
British

DIRECTORSHIPS
-

QUALIFICATIONS
BTec, Dip.M, FCIM, I.Eng, MIET, EAIIB

EXPERIENCE
Paul Taylor is a seasoned business leader with over 30 years' experience in the telecommunications sector with the last 16 years operating at Board level at various blue-chip companies. He has significant international exposure, having lived in Asia, the Middle East, the UK, Mainland Europe and the Caribbean, and working in over 60 countries. He is a member of the Advisory Board of the Graduate School of Business of the University of Botswana and is a member of Africom100 – the most influential 100 people in the communications industry in Africa.

Paul has been with BTCL for over 4 years, during which the business saw considerable revenue and profit growth whilst readying for privatisation and Listing. Paul specialises in leading transformation and delivering on challenging short-term budget targets.

Paul previously served a CEO of Cable and Wireless Switzerland and Deputy Chief Commercial Officer with Turk Telekom. He has also led a significant number of corporate finance deals involving mergers and acquisitions, IPOs and successful license bids across the world. Most notable was the successful public offering and Listing of 15% of Turk Telecom on the Istanbul Stock Exchange. Paul's educational background began in telecommunications engineering with post-graduate studies in business and marketing. He is a Fellow of the UK's Chartered Institute of Marketing, an Incorporated Engineer and a Member of the Institute of Engineering and Technology.

Alan Phemelo Boshwaen
Board Member and Independent member

DATE OF APPOINTMENT
Appointed to Board September 2010, re-appointed September 2013

NATIONALITY
Motswana

DIRECTORSHIPS
- Foxwarren (Proprietary) Limited
  Business: Investment in immovable property
- Bosh Properties (Pty) Ltd
  Business: Dormant
- Botswana Innovation Hub (Pty) Ltd
  Business: Development of science and technology sectors within Botswana
  Position: Chief Executive Officer
- Letshego Financial Services Company Limited
  Business: Financial services

QUALIFICATIONS
BA (Industrial Relations and Psychology) (University of Kent at Canterbury, UK) and MBA (University of Cape Town, RSA)

EXPERIENCE
Alan is the Chief Executive Officer of Botswana Innovation Hub (Proprietary) Limited. He is Chairman of the Advisory Board of the University of Botswana's Faculty of Business Alan has held several senior management positions with various public and private companies over the past 28 years including Botswana International Financial Services Centre and Barclays Bank of Botswana Limited. His work experience also includes having held the position of Senior Account Relationship Manager at Standard Chartered Bank Botswana Limited and Industrial Relations Officer at De Beers Botswana Limited.

BTCL **BOARD OF DIRECTORS**

Serty Leburu
Board Member - Independent member

DATE OF APPOINTMENT
Appointed to Board April 2009, re-appointed July 2014, appointed Deputy Board Chairman in July 2014

NATIONALITY
Motswana

DIRECTORSHIPS
- The Touch Holdings (Proprietary) Limited
  Business: Lodging & Recreation
- House of Glam (Proprietary) Limited t/a Camelot Spa
  Business: Leisure & Lifestyle
- Sponsor a Child Trust
  Business:Trust providing for the under-privileged especially children
  Position: Trustee & Treasurer
- Ba-Isago University College
  Business: University Education
  Position: Board Member

QUALIFICATIONS
B. Comm (University of Botswana), Chartered Management Accountant with the Chartered Institute of Management Accountants (UK)

EXPERIENCE
Serty is currently Deputy Chief Executive Officer at Botswana Housing Corporation (BHC), a job she has held for almost 3 years. Before joining BHC she was with Standard Chartered Bank for 5 years. At Standard Chartered Bank she held numerous positions including Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer and Chief Operations Officer. Serty has also worked for one of the biggest mining companies in the world, Debswana Diamond Company (Proprietary) Limited for more than 17 years in varied capacities, as a technical expert, a manager and a leader in the business. Her years of diversified experience, exposure and qualifications allow her to be able to lead, direct, advise and contribute, technically and strategically, to achieve the required goals in any commercial and non-commercial business environment

Professor Rejoice Tsheko
Board Member - Independent member

DATE OF APPOINTMENT
Appointed to Board August 2013, re-appointed July 2014, appointed Deputy Board Chairman in July 2014

NATIONALITY
Motswana

DIRECTORSHIPS
- Aldebo Investment(Proprietary) Limited t/a McGills
  Business: Construction & Retail of Fencing and Water Engineering Materials

QUALIFICATIONS
B.Sc in Agricultural Engineering (McGill University) and PhD from the University of Newcastle upon Tyne

EXPERIENCE
Rejoice is currently an Associate Professor in the Department of Agricultural Engineering and Land Planning. He was the Head of Department from 2001 to 2007. He has been a member of the BCA Governing Council and also a member of the WaterSA editorial board (WaterSA is published by the Water Research Commission in RSA) Professor Tsheko's research interest is digital image processing and remote sensing His research laboratory receives data through a multi-service dissemination system based on standard Digital Video Broadcast (DVB) many years of experience dealing with space technology. Professor Tsheko has agencies and space industry ISPs.

Choice Pitso

Board Member - Independent member

DATE OF APPOINTMENT
Appointed to Board April 2012 to December 2013, re-appointed July 2014

NATIONALITY
Motswana

DIRECTORSHIPS
-

QUALIFICATIONS
BA (Soc Sciences) (University of Botswana), MSc (Human Resource Management) (Manchester University)

EXPERIENCE
Choice is Human Resources Manager at Metropolitan Botswana Limited. Choice has over 15 years cross industry experience as the Head of Human Resources in various organisations including Laurelton Diamonds, Botswana Agricultural Marketing Board and Debswana Mining Company. She specialises in the resolution of organisation design issues resulting in successful delivery of organisational restructuring and staff downsising projects.

Kaelo Biki Radira

Company Secretary

DATE OF APPOINTMENT
Appointed to Board September 2010, re-appointed September 2013

NATIONALITY
Motswana

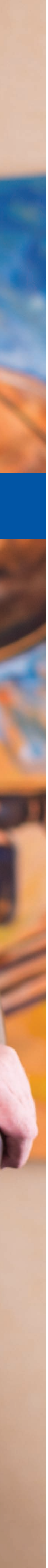
DIRECTORSHIPS
-

QUALIFICATIONS
LLB (University of Botswana)

EXPERIENCE
Kaelo, an attorney by profession, has been in the corporate world for over 16 years. He has served as a board secretary for 15 years in both the banking and telecommunications industries. Prior to BTCL, Kaelo has held various executive management roles including leading the credit risk and legal functions of National Development Bank. Kaelo's current role as Company Secretary of BTCL encompasses the following functions: legal, regulatory and competition, corporate communication, investor relations and enterprise risk management portfolios. Furthermore, Kaelo's responsibilities include the development and implementation of policies and strategies to manage BTCL's legal and regulatory affairs, ensuring compliance with regulatory requirements and licence conditions. Kaelo also advises the BTCL Board on legal and regulatory issues.

BTCL
MANAGING DIRECTOR'S REPORT

Paul Taylor
Managing Director



"WE CONTINUE TO ENHANCE OUR MOBILE NETWORK COVERAGE WHILST SOLIDIFYING THE EXISTING FIXED LINE CUSTOMER BASE WITH VARIED DATA SERVICES FOR IMPROVED CUSTOMER EXPERIENCE"

Readying for the Future

The past year has been challenging, yet satisfying, considering the level of transformation that has been taking place within BTCL.

We aim to continue building key Fixed Mobile Converged capabilities and strategic competencies to grow the business and improving operational efficiencies. As a people centered organisation, employee engagement remains the basis to attract and retain our core talent.

Developments

We continue to enhance our mobile network coverage whilst solidifying the existing fixed line customer base with varied data services for improved customer experience. We are now one team, currently working towards a unified single coherent brand structure.

As we continue to re-define our existing business positioning for the future, we have been creatively marketing our fixed and mobile capabilities and offering converged products and services where feasible.

BTCL is also moving its wholesale business to higher value managed services while entrenching a high performance customer centric culture towards improved operational efficiency and effectiveness.

Customer Centricity

Inovation is a catalyst for growth. We recognise that innovation is the key to our ability to satisfy our customers in a responsible manner. In line with our process re-engeneering exercise As part of our customer retention strategy, we will continue to re-engineer our processes and automate our systems.

BTCL also recognises the importance of instilling a culture amongst its staff, which is focused on treating all customers fairly and responsibly while offering the best value for money.

During the past year, we launched value awareness campaigns, to ensure our team members have a positive attitude, appreciate customer needs and consistently deliver quality service. We are fully committed to building and maintaining positive relationships with our customers.

We are now one team and offer all BTCL products and services from one (single) point of contact at any of our service centres countrywide. Plans are also at an advanced stage to offer a single bill for all BTCL related services and products . We continue on our journey to offer a seamless exprience to our customers.

BTCL
MANAGING DIRECTOR'S REPORT

"INNOVATION IS A CATALYST FOR GROWTH. WE RECOGNISE THAT INNOVATION IS THE KEY TO OUR ABILITY TO SATISFY OUR CUSTOMERS IN A RESPONSIBLE MANNER"

BTCL Privatisation

With asset separation complete BTCL is just about ready for the Initial Public Offering. We are ready to re-commence the privatisation project.

Investment

During the year, BTCL made an investment in the beMOBILE core network with additional cell sites and capability to handle next generation technologies (3G and 4G).

Further investment and upgrades to facilitate high speed broadband access is planned for the coming financial year in support of Government National Broadband Strategy and implementation of the Maitlamo ICT policy.

Transformation

The transformation program that is currently underway in BTCL will further enhance our resilience in the face of continuing volatility and uncertainty in the market place.

Significant progress has already been made to

improve BTCL internal efficiencies. This would mean BTCL cost structure will improve over the years, with cost savings coming from already improved supply chain, internal processes and optimisation of funds usage.

Financial Performance

The financial year just ended also reflects growth. Due to prudent financial planning and innovation, we have been able to improve on our performance. BTCL financials for year under review reflect an upward trajectory; a positive sign ahead of the IPO.

The Future

We are optimistic, that in the year ahead, we will continue on the path to grow while offering reliable and quality service to our customers and the Nation. BTCL will continue to transform and make significant investment where feasible and develop strong relations with stakeholders. We strive to represent excellent value for money on our journey to become “simply the best”.

BTCL **EXECUTIVE MANAGEMENT**

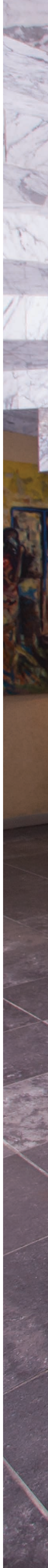
The following pages contain a summary of the senior management team's key responsibilities and experience.

The Executive Management Committee of BTCL (consisting of the MD, COO and 11 General Managers) (the "Exco") was appointed following the FMC re-structuring of the business to better deliver against the fixed and mobile and convergence vision. The team represents a good balance of those from within the industry and those who are new to it. Additionally, the team is predominantly local with only one expatriate member.

Contracts of employment for executive members (which expire between November 2015 and August 2017) shall in principle be renewed for 3 years upon expiry of current contracts. The Board has resolved to extend or renew contracts to the extent that no Exco member, other than the Managing Director, will have less than three years contracted time remaining on their contract.

The Managing Director's current contract expires in July 2016.

Front: Paul Taylor, Boitumelo Masoko, Abel Bogatsu, Christopher Diswai
Back: Thabo Nkala, Anthony Masunga, Mokgethi Nyatseng, Goitseone Tshiamiso, Boitshepo Puleng, Pilot Yane, Same Read Kgosiemang



BTCL
EXECUTIVE MANAGEMENT

Paul Taylor
Managing Director

QUALIFICATIONS
BTec, Dip.M, FCIM, I.Eng, MIET, EAIIB

NATIONALITY
British

RESIDENCE
Plot 50359, Khama Crescent, Gaborone

ABBREVIATED CV
Paul is a seasoned business leader with over 30 years of experience in the telecommunications sector with the last 16 years operating at board level at various blue-chip companies. He has significant international exposure having lived in Asia, Middle East, UK, Mainland Europe and the Caribbean, and worked in c.60 countries. He is a member of the advisory board of the Graduate School of Business of the University of Botswana and is a member of Africom100.

Paul has been with BTCL for over four years. In that time the business has seen considerable revenue and profit growth whilst re-positioning itself for privatisation and subsequently, Listing. Contemporaneously the organisation has begun the transformation journey re-aligning its assets and resources to better deliver against the FMC strategy. Paul specialises in leading transformation efforts whilst at the same time delivering on challenging short-term budget targets. His skills span the complete business spectrum with emphasis on marketing, sales and customer care.

Previous experience includes a four year period as Chief Executive Officer of Cable and Wireless Switzerland and Deputy Chief Commercial Officer with Turk Telekom where he was primarily responsible for the development of sales, marketing and customer care capabilities. Paul has also led and been involved in a significant number of corporate finance deals involving mergers and acquisitions, IPO's and successful licence bids across the world. The most notable of these was the successful public offering and subsequent listing of 15% of Turk Telecom on the Istanbul Stock Exchange in 2009 in which Paul led the Commercial and Operations team working on the listing. Paul's educational background began in telecommunications engineering with significant post-graduate studies in both business and marketing. He is a Fellow of the UK's Chartered Institute of Marketing, an Incorporated Engineer and a Member of the Institute of Engineering and Technology.

Anthony Masunga
Chief Operating Officer

QUALIFICATIONS
BSc Computer Science from McGill University (Canada) MBA from De Montfort University (UK), Executive Development Program, University of Stellenbosch Business School (RSA)

NATIONALITY
Motswana

RESIDENCE
Plot No. 55116, Phakalane, Gaborone

ABBREVIATED CV
Anthony has been in the IT and telecommunications industry for over 18 years. He has worked in various portfolios and programmes where his roles ranged from business leadership, commercial leadership, business strategy development, programme management, product development, technology innovation and strategy development, to business planning. His most recent assignments included establishment and growth of the new market entrant, beMOBILE (BTCL's mobile service offering); spearheading the transformation of BTCL's wholesale organisation (development and delivery of the 3 year wholesale strategy); Prior to joining BTCL, Anthony was the Chief Technical Officer at Mascom Wireless Botswana. Anthony also served in the Executive Council of the Botswana Information Technology Society (BITS) and COBIT (an advocacy body for local ICT companies). As Chief Operating Officer, Anthony is responsible for supporting the delivery of the BTCL business strategy within a framework agreed by the BTCL Board and ensuring creation and delivery of shareholder value.

Thabo Nkala
General Manager: Technology

QUALIFICATIONS
BSc (UB), MSc, MBA

NATIONALITY
Motswana

RESIDENCE
Plot No. 53195, Phakalane Phase 2, Gaborone

ABBREVIATED CV
Thabo possesses over 25 years' experience in the ICT industry, having worked in private, parastatal, Government and international organisations. His duties as General Manager (Technology) include providing networks and IT-related inputs to the creation and maintenance of a BTCL business strategy and to direct BTCL's technical operations within the framework of an agreed business strategy. Thabo's current role encompasses technology planning, network build and performance, access network operations, core network operations, IT services and mobile network services departments.

Goitseone Tshiamiso
General Manager: Customer Care (Acting)

QUALIFICATIONS
BSc Information Systems (Information Management) (UB)
Chartered Institute of Secretaries (CIS), Management Development Programme (Stellenbosch Business School)

NATIONALITY
Motswana

RESIDENCE
Plot No. 11050, Broadhurst, Gaborone

ABBREVIATED CV
Goitseone's role as GM Customer care is to provide professional customer care inputs to the creation and maintenance of a BTCL strategy that will create and deliver shareholder value. To direct BTCL's customer activities within an agreed framework, meeting targets for return on investment, profitability and customer satisfaction. The division comprises of Post Sales Services, Billing & collections Management, Contact Center and integrated Channel Management.

Abel Bogatsu
General Manager: Finance

QUALIFICATIONS
B.Comm (UB), FCCA-UK, FCPA (Bots.)

NATIONALITY
Motswana

RESIDENCE
Makakatlela Ward, Oodi

ABBREVIATED CV
Abel is a Chartered Accountant and has over 21 years' experience in the profession. He is experienced in financial accounting, management reporting and control, financial systems, credit management, strategic planning, performance management and transformation.

As General Manager: Finance, Abel's duties includes providing professional finance inputs to the creation and maintenance of the BTCL business strategy, to direct BTCL's financial management within the framework of an agreed business strategy and to meet operational targets for return on investment, profitability and customer satisfaction. Abel's current role incorporates finance controller, treasury and cash management, budget planning and analysis, asset management, revenue assurance and fraud management.

Same Read Kgosiemang
General Manager: Internal Audit

QUALIFICATIONS
Higher National Diploma - Accountancy and Business Studies (Botswana Institute of Administration and Commerce)
Chartered Institute of Management Accountants (CIMA, UK)

NATIONALITY
Motswana

RESIDENCE
Plot No. 43085, Ngwapa Way, Phakalane

ABBREVIATED CV
Same is a Chartered Management Accountant and has held various senior management positions at Water Utilities Corporation, Local Enterprise Authority and now at BTCL. He has acquired a wealth of experience in the fields of Internal Audit, Risk Management, Finance, Human Resources, IT and SHE.

As General Manager: Internal Audit, Same's key role is to ensure that BTCL achieves its strategic objectives through independent and objective assurance and consulting activities carried out by the internal audit department, which evaluates and improves the effectiveness of risk management, control and governance processes.

Kaelo Radira
Company Secretary

QUALIFICATIONS
LLB (University of Botswana)

NATIONALITY
Motswana

RESIDENCE
Plot No. 34914, Gaborone

ABBREVIATED CV
Kaelo, an attorney by profession, has been in the corporate world for over 16 years. He has served as a board secretary for 15 years in both the banking and telecommunications industries.

Prior to BTCL, Kaelo has held various executive management roles including leading the credit risk and legal functions of National Development Bank.

Kaelo's current role as Company Secretary of BTCL encompasses the functions of legal, regulatory and competition, corporate communication, investor relations and enterprise risk management portfolios. Furthermore, Kaelo's responsibilities include the development and implementation of policies and strategies to manage BTCL's legal and regulatory affairs, ensuring compliance with regulatory requirements and licence conditions. Kaelo also advises the BTCL Board on legal and regulatory issues.

Mokgethi Nyatseng
General Manager: Wholesale

QUALIFICATIONS
BSc-Electrical Engineering (Drexel University, USA) BSc-Biomedical Engineering (Drexel University, USA) MBA (Mancosa, South Africa)

NATIONALITY
Motswana

RESIDENCE
Plot No. 25165, Block 9, Gaborone

ABBREVIATED CV
Mokgethi possesses 11 years' experience in the ICT industry, with a strong commercial track record, and has vast experience and knowledge in market development and building collaborative customer relationships.

His role as General Manager: Wholesale includes leading a team of senior managers in creating a viable BTCL Wholesale business strategy which delivers customer satisfaction and to create and maintain a comprehensive business strategy for BTCL Wholesale that will contribute to the delivery of shareholder value for BTCL.

Mokgethi previously worked as a Wholesale Strategy Implementation Programme Manager at BTCL and also serves as the Vice President of the Junior Chamber International Botswana board.

Boitumelo Masoko
General Manager: Sales

QUALIFICATIONS
Bachelor of Arts-Social Sciences (University of Botswana)
MSc-Strategic Management (University of Derby-UK)
EDP (UNISA, Stellenbosch)

NATIONALITY
Motswana

RESIDENCE
Plot No. 15615, Extension 44, Gaborone

ABBREVIATED CV
As General Manager Sales, Boitumelo's key role is to contribute to the delivery of the Shareholder value for BTCL through revenue generation by driving acquisition of high value customers and retention of the Retail customers . The retail business which she heads contributes over 70% of the BTCL total revenue. She manages a strong team of Account Managers, Sales Engineers and Bid Specialist the BTCL stores Front line staff who provides, sales and customer care to retail customer including Government, Corporates, SME and Consumer and SOHO customers for mobile and fixed products and services. Boitumelo is also responsible for production and distribution of the BTCL Phonebook.

She possesses great capabilities in stakeholder management with good interpersonal skills and is an influential communicator at all levels . She has strong passion for customer service, managing change, inspirational leadership and delivery of positive results.

BTCL
EXECUTIVE MANAGEMENT

Boitshepo Puleng
General Manager: Support Services (Acting)

QUALIFICATIONS
Honours Degree Manufacturing Engineering and Management, Loughborough University, UK
Senior Management Development Programme; Stellenbosch, RSA. Bulletproof manager, CrestCom International

NATIONALITY
Motswana

RESIDENCE
Kgaleview, Plot 51493, Gaborone

ABBREVIATED CV
Puleng is a procurement and supply chain executive with invaluable knowledge of managing projects, resources, staff and is highly focused with a comprehensive understanding of logistics, procurement and the supply chain. He is responsible for developing policies on BTCL procurement and logistics management, optimal management of procurement processes to reduce waste in the supply value chain, managing forecasts for inventory planning and warehousing and security. He is also responsible for ensuring full compliance with national employment legislation, regulatory and competition requirements and that BTCL conforms to investors' expectations. He has a total of ten years' work experience in production, telecommunications, total quality management (TQM), logistics and supply chain management (SCM).

Pilot Yane
General Manager: Marketing (Acting)

QUALIFICATIONS
MBA; Bcomm University of Botswana;
Grad. Dip in Marketing; IMM Graduate School, RSA
Cit. in Mktng Innovative Technologies ; Harvard Business School, USA Senior Management Development Programme; Stellenboch, RSA

NATIONALITY
Motswana

RESIDENCE
Phakalane, Plot 32415, Gaborone

ABBREVIATED CV
Pilot is a well rounded marketing executive with 18 years of experience across service industries from air transport to telecommunications. His experience spans from operational to strategic commercial management in the areas of sales, project management, costing & pricing, portfolio management, brand management and marketing communications. Pilot is currently charged with accelerating the transformation of BTCL's marketing function into a customer focused, innovative and effective delivery engine that supports revenue generation and the existing customer satisfaction efforts of BTCL. He is currently leading the BTCL rebranding exercise that is meant to usher in a single BTCL brand, that will drive Fixed Mobile Convergence vision of the company.

Christopher Diswai

General Manager: Sterategy

QUALIFICATIONS
B Eng, Dip. M, MBA, MIET, CSMO

NATIONALITY
Motswana

RESIDENCE
Plot 823, Rasesa

ABBREVIATED CV
Christopher possesses over 23 years' experience in the ICT industry. He is highly experienced in strategic planning and management; program and project management; business transformation, change and operations management. He is a full Member of the Institute of Engineering and Technology (UK) and a Certified Strategy Management Officer.

Prior to joining BTCL, Christopher worked for Lacell SU, in Bujumbura, Burundi as the founding Chief Technical Officer, for the start-up mobile network operator, where he was responsible for the formulation and alignment of Lacell's technology strategy with its business vision. Prior to that, he worked for Orange Botswana in various leadership roles, where his responsibilities included network planning and optimisation; setting up and establishing the ISP Business unit as well as the management of the organisation's strategic transformational programmes and time-to-market (TTM) programme. His board experience includes being a member of the Board of Directors of the West Indian Ocean Cable Company (WIOCC) international consortium, on which he has served from 2009 to date. He also served in the Management Committees of the successfully delivered multibillion dollar East African Submarine System (EASSy) and the West African Cable System (WACS) international consortia between the years 2009 and 2013.

In his current role as General Manager Strategy, Christopher is responsible for leading the overall BTCL strategic planning and delivery function. He is responsible for driving efficiency and performance improvement through the development of robust strategic, corporate and business plans. This includes for delivery of the ongoing Accelerating Change programme. BTCL's Strategy Division consists of Business and Commercial Strategy; Service and Technology Strategy; Knowledge Management and the Corporate Programme Management Office.

Masego Pigeon Ndwapi

General Manager: Human Resources (Acting)

QUALIFICATIONS
Bachelor of Social Sciences Honours (University of Keele)
Psychotechnician (SHL)
CPA (BIOSS)

NATIONALITY
Motswana

RESIDENCE
Lot No. 17, Modipane

ABBREVIATED CV
Masego has been in the telecommunications industry for over five years with her main focus and speciality being the provision of professional human resource inputs to the creation and maintenance of BTCL's business strategy that will deliver shareholder value. Masego is also involved in determining the direction of and managing BTCL's human resources within a strategic framework that supports the achievement of business targets for profitability and customer satisfaction.

Prior to this appointment she was Head of Department - HR Strategy and Policy responsible for the provision of professional advice and inputs to the creation and maintenance of a BTCL HR strategy that will deliver shareholder value as well as developing a framework of policies which clearly defines all human resources management and organisation development management interventions within BTCL. During this period she acted as Group General Manager Corporate Affairs and successfully led the organisational readiness project, a major change initiative that was a precursor to the BTCL fixed mobile convergance structure deployment.

Before joining BTCL, Masego worked for numerous organisations within different industries, such as, Debswana, Motor Company of Botswana, Botswana Diamond Valuing Company and DTCB;

Masego is also a member of the Botswana Telecommunications Corporation Limited Pension fund and BTCL representative on the Commonwealth Telecommunication Organisation.

RISK MANAGEMENT

High quality management of risks is one of BTCL's priorities. BTCL considers risk as a natural part of any business process and the management of risk as a key operating and integral component of it's activities. BTCL as an organisation faces a wide range of risks, both internal and external to the organisation, which can have significant impacts on the outcome of its operations. BTCL considers risk management to be fundamental to good governance practices and, hence as an integral part of corporate governance process. BTCL recognises that, the process of risk management is crucial for the business to succeed and meet its objectives and add value to it's business.

The activities of risk management are governed by the following principles at BTCL, which are aligned with its strategy and business model. They are:

- The integration of the culture of risks management throughout the BTCL's attitudes, values, processes, decision making and business planning;
- An organisational and governance model that assigns all risks to those responsible for 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;
- Comprehensive approach to all risks, both that are internal and external, and to draw up a periodical complete list of risks, their nature, impact and management;

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

BTCL Risk Philosophy

BTCL 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 risks. The risk management process therefore aims to ensure that a more inter-dependent and more explicit connection exist between managing the business and managing the risks. BTCL also believes that it can manage risks only if its employees are equipped to manage risks. BTCL believes that it is the corporate culture which facilitates the enterprise wide risk management process. BTCL also recognises that in order to add value to its business, it needs to take business risks. There are risks in every activity it is involved in. Business risks that carry no compensating gains are therefore avoided or minimised. BTCL's view is that it is not possible to eliminate the risks entirely and therefore manage risks rather than to eliminate completely.

Understanding strategic, operational, compliance and financial risks is a vital element of BTCL's risks management and oversight process. BTCL's risk management and oversight programme is not an end in itself, but a process to support management in achieving it's set goals. BTCL understands that no matter how comprehensive its risk management and control system can be, it cannot be assumed to be exhaustive, nor can it provide certainty that it will prevent negative developments in BTCL's business or that its mitigating actions will be fully effective. It is important to note that new, as yet unknown, risks could still be identified. It is important to note that, any of the risks identified in this report could have a material adverse effect on BTCL'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 BTCL is essential to and underpins the delivery of the BTCL's objectives. The Board is responsible for the oversight of the risk management processes which includes that risks are identified and appropriately managed across the Company. It has delegated the responsibility to the Audit and Risk Committee for reviewing the effectiveness of the Company's internal controls, including the systems established to identify, assess, manage and monitor risks. 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 are coordinated by Divisional Risk Champions. The Company's risk management policy requires all operating divisions and business units identify and assess the risks to which they are exposed. Risk registers are used to document identified risk events, their cause, possible consequences and the controls.

Risks are then analysed as to the likelihood of occurrences and also their potential impacts on the business. Actions are developed and put in place to mitigate or eliminate unwanted exposure. Individual Managers are allocated responsibility for assessing and managing the risks identified within their business areas. Risks and their corresponding mitigating actions 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 senior management and to the Board.

BTCL Enterprise-Wide Risk Management Process

In order to manage risk, BTCL identifies and analyses risks it faces, ranks them by the likelihood of occurrences and significance of consequences, and determines the most effective ways to manage them. BTCL's Headline Risk Register groups the risks into five broader perspectives - people, processes, technology, customers and shareholders. High level Risk Assessment also take place under different dimensions, such analyses could include, core risks, market risks, network obsolescence risks, internal processes risks, regulatory compliance risks etc. (see Table below). These are followed up by a more detailed systematic analysis and identification at business unit or departmental levels.

THE PROCESS WE FOLLOW...

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

1

DEFINING THE RISKS

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

2

SETTING THE RISK APPETITE

BTCL's risk appetite is determined by 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 BTCL's consolidated risks profile.

3

ASSESSING THE IMPACT OF THE RISKS ON THE ORGANISATION SHOULD THEY HAPPEN

Risks are assessed based on their potential impact on the business (i.e customers, business systems, employees, financial position, reputation etc).

4

ASSESSING THE LIKELIHOOD OF THE RISKS HAPPENING

Risks are assessed based on the likelihood of them happening after taking into account controls in place to mitigate them. Control strategies usually considered are:

- Accepting the Risk
- Transferring the Risk to a third party
- Elimination of the Risk by adopting an Exit Strategy
- Building controls into operational process, additional quality control or by involving top staff in managing the Risk
- Avoiding the Risk in other ways

5

CLASSIFYING THE RISKS

We classify risks as critical, high, medium and low based on their impact and likelihood of them occurring. So where a risk has a high likelihood of occurring and the impact on our business, financial position or reputation is assessed high, it would be considered critical.

6

MONITORING AND REPORTING THE RISKS

We capture all risks, operational, tactical and strategic risks across the Group in our risk system, Some of the routine processes that are part of the normal day-to-day operations to early identify, prevent and control risks are:

- Disaster Recovery Plans
- Loss Control Security Programmes
- Safety Awareness Programmes (SHE)
- Environmental Impact Assessments
- Planned and Preventive Maintenance programmes
- Compliance and Assurance Audits
- Regular Monitoring of the Market and Financial Indicators
- Internal and external Audit reviews
- Structured Training

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's to leverage market opportunities based on risk return balance.

BTCL
OPERATING REVIEWS
RISK MANAGEMENT (cont'd)

Principal Risks and Risk Management

As part of the implementation of the Company's strategy to grow and protect the business, BTCL management has identified the need to respond to the changing business environment. It has sought to do so by diversifying the markets and products in which the Company operates. BTCL as an important player in the telecommunications sector in Botswana and faces a multitude of risks. Understanding and managing the risk are therefore important for BTCL to achieve its goals. At BTCL, managing risk is part of its corporate culture, and is embodied in every job. BTCL has adopted a distributed enterprise-wide Risk Management Framework where risks are managed within the major functional departments. The Head of Risk Management is responsible for ensuring that all business risks are assessed, included in the Risk Register and managed on an ongoing basis.

CONTEXT	RISK DESCRIPTION	MITIGATING FACTORS
CORE RISKS		
BTCL's future success is dependent on attracting and retaining key personnel in whom intellectual capital resides.	Failure to attract and retain key personnel, in the long term, could impede BTCL's ability to execute its strategic business objectives and growth strategy.	One of BTCL's key strategic pillars is to build a high performance and customer centric culture, by, among other things, capitalising on the BTCL workforce profile, skills and competencies; seeking and fostering strategic alliances and partnerships to facilitate and realise the skills and talent in our workforce. It is anticipated, that through the above strategies, employee morale and engagement shall be significantly improved thus building a sense of belonging amongst the employees. Another employee retention strategy is to build competitive reward systems, which coupled with the job satisfaction strategies above, are entrenched to help mitigate the threat of loss of key executive personnel and employees.
Non-exclusivity of various supply and distribution agreements.	A few of BTCL's supply and distribution agreements are non-exclusive and can be terminated at short notice. This type of agreement is standard in the industry. This presents the risk that the service providers could potentially choose to distribute their products through other distribution channels or use other service providers to perform value added services.	BTCL mitigates this risk by ensuring that, for major and strategic network infrastructure and equipment, it enters into long term contracts with equipment vendors. These contracts are supported by master services agreements. Long term support contracts for equipment, software and services are also deployed to ensure continued systems support and service delivery.
BTCL is a high volume business with profitability that is very sensitive to variation in margins.	The backbone provider, BoFiNet, determines the margins available to network/telecoms operators. BTCL may not always be able to pass on to the retailer or customer any margin compression enforced by the backbone provider. Therefore, an increase in pricing of certain products supplied by the backbone provider may reduce BTCL's margins and threaten BTCL's profitability	As a means of mitigating the threat posed by margin erosion resultant from the introduction of the backbone provider, in the service provision value chain, BTCL intends to move its Wholesale business to higher value managed and hosted services, through the provision of end-to-end business solutions capable of supporting all wholesale processes and products in a responsive and agile manner. On the retail front, a strategy focusing on high value high-margin products and growing ARPU has also been adopted, to defend the existing business.
Increased competition in the Botswana telecommunications sector	One of the Government's objectives, expected to be achieved by privatising BTCL and creating BoFiNet, is to stimulate competition in the telecommunications market in Botswana - in essence, to increase penetration of the internet and mobile data services across the country. Frameworks, potentially enabling new entrants to the market with lower barriers to entry and therefore lower fixed costs than BTCL. Such new market entrants may have an impact on BTCL's pricing.	· BTCL will need to adapt in order to thrive in this new environment. To address this, BTCL is strengthening its brand, accelerating the introduction of new products and converged services that will promote customer loyalty and increase BTCL's market share. · BTCL has also provided inputs towards the new Unified Licensing Framework, with a view to positively influencing the final shape and form of the new Unified Licensing Framework and will continue to engage with BOCRA on sustainable tariff plans. · The Company from time to time engages with potential strategic business partners to consider ways to co-operate and develop markets so as to ensure BTCL's continued competitiveness, as represented by the Vodafone partnership.

CONTEXT	RISK DESCRIPTION	MITIGATING FACTORS
MARKET RISKS		
Strategy and planning risks - The risk set out below is not peculiar to the operations of BTCL. It is a general market risk which applies to all companies operating in the Botswana telecommunications sector.	There is a risk that BTCL may not achieve its business objectives. This will consequently impact on growth prospects and profitability.	Continuous planning and review processes will mitigate the exposure to these risks.
Economic and market risk - The risk set out below is not peculiar to the operations of BTCL. It is a general market risk which applies to all companies operating in the Botswana telecommunications sector.	Weak economic conditions will result in weaker or low demand, inadequate infrastructure, inadequate market and limited access to new human resources. This will impact on operations, profitability, cash flow and uncertainty in collecting receivables.	To mitigate these, BTCL has to create new and innovative affordable services, efficient credit policies and better credit management.
Competition risks	There is a rise in competition in the market as a result of the Separation Restructuring and further market liberalisation. This has led to loss of some key customers and revenue with potential adverse effects on BTCL profitability. Wholesale customers migrating to BoFiNet. Retail customers migrating to new market entrants.	The risk mitigation is for BTCL to develop compelling tariff plans and innovative products whilst further enhancing customer service and experience.
FINANCIAL RISKS		
Forex risk	Fluctuating forex rates resulting in high volatility of cash inflows and outflows may have an adverse impact on BTCL implementing its strategic plan. It presents challenge of foreign currency risks as certain transactions are denominated in foreign currency with international operators and foreign suppliers. This has an impact on investments, costs of operation and continuity of business.	BTCL must continue to maintain capital structure at optimal levels as well as ensuring that the timely management of the Company's capital expenditure program and the related payment commitments, cash balances, and cash conversion cycle are managed in order to mitigate this risk.
Credit risk	In the event of a failure to collect revenue or of a counter party defaulting on its contractual obligations, BTCL may face challenges of business sustainability, profitability and business continuity. The Company is exposed to this risk from its operating activities (primarily for trade receivables) and from its financing activities including making deposits with banks and financial institutions.	BTCL must maintain a well-managed credit policy with performance of credit evaluations on customers requiring credit in order to mitigate such risks.
NETWORK OBSOLESCENCE, FAILURES AND QUALITY OF SERVICE		
Rapid technological changes and ineffective information technology infrastructure	This may diminish BTCL's ability to support its customer's current and future needs in an efficient and effective manner. This will, in turn, affect BTCL's quality of service and ability to pursue new business opportunities which use technology to improve efficiency and further require the use of new technology as an enabler for new products and services. If BTCL's ability to provide network services is limited by an inability to keep up with technological advancement, there will be a loss of customers and business continuity and cost of work processes may be adversely affected. BTCL is subject to business continuity risk, including through single points of failure such as the Network Operation Centre. BTCL endeavours to deliver a unified network platforms and systems, and evolve towards high VANS. All these initiatives are dependent on the capability of the network and systems to support the business.	The mitigation for these risks is for BTCL to prioritise network modernisation and optimisation, deployment of cost efficient technology and further rollout power back-up systems.

BTCL
OPERATING REVIEWS
RISK MANAGEMENT
(cont'd)

CONTEXT	RISK DESCRIPTION	MITIGATING FACTORS
INTERNAL PROCESS RISKS		
BTCL has committed to FMC process optimisation and process automation for efficiency and effectiveness and to further create and deliver shareholder value.	Nonadherence to these new processes and the slow implementation of process automation affects internal controls and smooth operations as processes drive forward the realisation of BTCL's business objectives.	To mitigate this risk, BTCL has to implement world class best practices and appropriate cost effective processes with regular reviews to be responsive to the ever changing telecommunication market and to ensure that BTCL maintains its competitive edge.
Execution of the Accelerating Change programme - The Accelerating Change programme is focused on delivering improved process automation levels, readying the business for a post-FMC environment and delivery of higher value products and services as well as improved time to market, whilst reducing systems estate operating costs. This shall be achieved through delivery of world class and integrated Operations Support and Business Support Systems (OSS/BSS) and enhanced billing capability.	If the Accelerating Change programme is not efficiently and timeously executed, BTCL may not realise all the intended benefits of the programme.	So as to ensure that the Accelerating Change programme is delivered consistent with BTCL business needs, BTCL has engaged the services of a business systems delivery assurance services provider, highly experienced in such complex business systems transformation programmes, to assist with the upskilling of BTCL personnel as well as to ensure delivery of a systems fit for purpose in a timely manner.
REGULATORY COMPLIANCE RISKS		
Potential non-compliance with licence requirements	Non-compliance with the terms and conditions of licences may lead to the licence being revoked and a subsequent inability of BTCL to carry on the part of its business to which the revoked licence relates.	BTCL strives to ensure vigilance in terms of internal checks and controls, including stringent governance controls, so as to minimise any potential events of regulatory non-compliance.
Regulatory price controls	Significant price controls by the regulator that may put pressure on BTCL market share, competitive position and future profitability.	On-going initiatives to improve operational efficiency and the quality of information would enable BTCL to cope with an ever changing regulatory landscape. These Cost Control Business Transformation initiatives are aimed at improving operational efficiency and include the unification of networks and minimisation of IT platforms to ensure flexibility and agility in products and services offerings.

CORPORATE GOVERNANCE

TOWARDS A DYNAMIC AND HIGH STANDARDS OF CORPORATE GOVERNANCE

BTCL is committed to the highest standards of business integrity, ethical values and professionalism in all its activities. This has been a defining feature of the business since the Company's foundation in 1980. The Company places strong emphasis on achieving and upholding the highest principles of business ethics and corporate governance and reporting.

BTCL understands that adhering to sound principles of corporate governance is critical to earning and maintaining the trust of key stakeholders and, ultimately achieving its performance goals. The methods it employs to achieve the goals are as important as the goals themselves.

The key features of BTCL's approach to corporate governance also include:

- providing all stakeholders and the financial investment community with clear, concise and timely information about the Company's operations and results;
- ensuring appropriate business and financial risk management; and
- acknowledging the Company's social responsibility and providing assistance and development support to the communities in which it operates, and to deserving institutions at large.

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

- the King Code III
- the Companies Act;
- the International Financial Reporting Standards;
- the Global Reporting Initiative's (GRI) Sustainability Reporting - guidelines on economic, environmental and social performance.

BOARD ORGANISATION AND STRUCTURE

The governing body of the Company is the Board consisting of the Chairman, the Managing Director and five other independent members appointed by the shareholders in line with the Companies Act.

BTCL has a unitary Board. The Company is led and controlled by the Board. Considerable thought is given to board balance and composition and collectively the board believes that the current mix of knowledge, skill and experience meets the requirements to lead the company effectively.

The BTCL Board is responsible for setting the direction of the Company through the establishment of strategies, key policies and the approval of financial objectives and targets. It monitors the implementation of strategies and policies through a structured approach to reporting by executive management and recognises the responsibility for the management of relationships with its various stakeholders.

The BTCL Board has six Non-Executive Directors, including the chairperson. Non-Executive Directors bring with them diversity of experience, insight and independent judgment on issues of strategy, performance, resources and standards of conduct. The Managing Director together with the Executive Management are involved with the day-to-day business activities of BTCL and are responsible for ensuring that the decisions, strategies and views of the BTCL Board are implemented. The Managing Director cannot hold the position of Chairman.

The members of the Board have declared their interests and are free from any business or other relationship which could reasonably be said to interfere with the exercise of their judgement.

The BTCL Board for the year under review was constituted by the following members:

Member	Position	Date and Period of Appointment	Qualifications
Ms. Daphne Motlagomang Matlakala	Chairperson, Independent Member	Appointed on April 2012 to the Board and appointed Chairperson in July 2014	BA, (Law) (UB), Bachelor of Law (NSW), Master in Law LLM (Edinburgh)
Mr. Gerald Nthebolan	Vice Chairperson, Independent Member	Appointed in August 2013, re-appointed October 2015, appointed as Deputy Board Chairperson in July 2014	BSc (Hon) (Computer Science), MBA (De Monfort)
Mr. Paul Taylor	Managing Director	Appointed on 19 July 2011	BTec, Dip M, FCIM, I Eng, MIET, EAIIB
Mr. Alan Boshwaen	Independent Board Member	Appointed on September 2010, reappointed September 2013	BA (Industrial Psychology) MBA
Ms. Serty Leburu	Independent Board Member	Appointed on April 2009, re-appointed for three years to 31 March 2012	B Com (UB), ACMA
Professor Rejoice Tsheko	Independent Board Member	Appointed in April 2014	BSc (Agriculture Engineering) (McGill University), PhD (University of Newcastle)
Ms. Choice Pitso	Independent Board Member	Appointed in April 2012 and re-appointed in October 2015	BA (Soc Sciences) (UB), MSc (HR management) (Manchester)
Mr. Kaelo Biki Radira	Company Secretary	Appointed in April 2011	LLB (UB)

Nominations and Appointment of Directors

The BTCL Board regularly reviews its required mix of skills and experience and other qualities such as its demographics and diversity in order to assess the effectiveness of the BTCL Board. This review is by means of a self-evaluation of the BTCL Board as a whole, its committees and the contribution of each individual Director.

The Chairman of the BTCL Board is responsible for ensuring a prudent and ongoing process of Director selection and development. The Chairman may, if in the Chairman's view appropriate, co-opt other BTCL Board members to assist in this process, either informally or formally.

The Nomination Committee is charged with responsibility for Director selection:

- makes recommendations to the BTCL Board who in turn make recommendations to the shareholders on the size and composition ofthe BTCL Board generally, and the balance between executiveand Non-Executive Directors appointed to the BTCL Board;
- makes recommendations to the BTCL Board on the appointment of new executive and non-executive Directors, (skill and experience, demographics and diversity being taken into account in this process);
- procure as far as possible that new Directors undergo an appropriate induction process which, in addition to ensuring such Directors understand their fiduciary duties, will familiarise them with the Company's operations, senior management and its business environment, and make explicit the BTCL Board's and the Chairman's expectations of them.

The appointment of Directors is required to be approved by shareholders in general meeting other than casual vacancies which may be filled by the BTCL Board and require approval only at the immediately succeeding annual general meeting of the Company. The Managing Director is bound by a contract of employment with agreed and set target, which are appraised by the Board from time-to-time.

BTCL
OPERATING REVIEWS

CORPORATE GOVERNANCE (cont'd)

Responsibilities of the Board and the Executive Management

BTCL is led by a Board that brings leadership, commitment and rigour to the business of the organisation, as well as its governance in pursuance of its 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 in order to assist it in its effective fulfilment of its responsibilities.

The Board, directly or through its sub-committees:

- Approves the BTCL'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 the acquisition and divestments;
- Assess key business risks and monitors the management of those risks;
- Ensures the effectiveness of internal control systems; and
- Evaluates and monitors the performance of senior management.

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

As part of its responsibility, the Board also ensures that BTCL makes a fair representation of the financial position, results of operations, statement of changes in equity and cash flow statements in conformity with the International Financial Reporting Standards. The Board has delegated these responsibilities to the management of the Company. In preparing these financial statements, the management on behalf of the Board has:

- Selected suitable accounting policies and applied them consistently;
- Made judgement and estimates that are reasonable and prudent;
- Followed applicable International Financial Reporting Standards; and
- Prepared financial statements on a going concern basis.

The Chairman is responsible for leading the Board and, with the assistance of the Managing Director. Whilst the members have access to the Auditors, Executive Management and to such information as is necessary to carry out their duties and responsibilities fully and effectively, the Board also seeks professional advice as and when necessary. All Directors have unlimited access to the advice and services of the Company Secretary, who is responsible to the BTCL Board for ensuring that BTCL Board procedures are followed.

Division of Responsibilities Between The Board and The Executive Management

There is a clear division of responsibilities between the Executive Management and the BTCL Board. The Executive Directors and the Executive Management have the responsibility for the day-to-day running of the business and the execution of the Company's strategy, subject at all times to the policies and positions adopted by the BTCL Board.

Ethical Standards

Members of the Board and staff members are required to conduct themselves according to the highest ethical standards. The Company strives at all times to make relevant disclosures of information to stakeholders in a transparent manner.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BTCL
OPERATING REVIEWS
CORPORATE GOVERNANCE (cont'd)

BOARD COMMITTEES

The BTCL Board has an Audit and Risk Committee; a Human Resources, Remuneration and Nomination Committee; and a Technology and Investment Committee, constituted in accordance with section 20.3.2 of the Company Constitution. These committees are fully mandated by the BTCL 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

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. The members are financially literate in the fields of financial and sustainability reporting, internal financial controls, external audit processes, internal audit processes, corporate law, risk management, sustainability issues, information technology governance and general governance processes within the Company. There are no relationship that exists that could interfere with the Audit and Risk Committee members' independence from management.

The mandate of the Audit and Risk Committee includes:

- ensuring compliance with applicable legislation
  and requirements of regulatory authorities;
- matters relating to financial accounting, accounting policies reporting and disclosure;
- appointment and retention of external auditors
  and the external audit policy;
- review/approval of external audit plans, findings, problems, reports and fees;
- compliance with the Code of Corporate Practices and Conduct; and
- internal audits.

The Audit and Risk Committee sets the principles for recommending the use of external auditors for non-audit services. BTCL occasionally uses external auditors for some non-audit services, namely taxation advice and associated services.

The Committee meets at least four times a year and the external auditors and appropriate members of executive management, including those involved in internal audit, risk management control and finance, attend these meetings. The external auditors have unrestricted access to the Audit and Risk Committee.

The members of the Audit and Risk Committee for the year under review were Mr Alan Boshwaen (Chairperson), Ms. Serty Leburu, and Ms. Choice Pitso.

Human Resources, Remuneration and Nomination Committee

The Company's Human Resources, Remuneration and Nominations Committee is composed of at least three Non-Executive Board Members, and is advised, if required, by independent outside experts.

The Committee's mandate includes:
- recommending to the Board nominations for Board membership, General Managers and Managing Director appointments;
- ensuring alignment of the remuneration strategy and policy with BTCL's business strategy, desired culture, shareholders' interests and commercial well-being;
- determining remuneration packages needed to attract, retain and motivate high performing executives without paying more than is necessary for this purpose;
- ensuring that remuneration levels relative to other comparable companies are pitched at the desired level taking relative performance into account;
- ensuring adequacy of retirement and health care funding for senior executives; and
- identifying candidates and making recommendations for the appointment of Directors.

On behalf of the BTCL Board, the Human Resources, Remuneration and Nomination Committee:
- reviews remuneration levels of senior executives;
- reviews performance-based incentive schemes, and the related performance criteria and measurements, including share option allocations; and
- reviews fees payable to non-executive Directors (as a separate process from executive remuneration reviews) for confirmation of the BTCL Board.

The Committee meets four times in a year.

The members of the Human Resources, Remuneration and Nomination Committee for the year under review were Ms. Choice Pitso (Chairperson), Prof. Rejoice Tsheko and Mr. Alan P. Boshwaen.

Technology and Investment Committee

The Company's Technology and Investment Committee is composed of three Non-Executive Board Members and the MD. 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, including, to:

- review BTCL'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 BTCL'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 / projects including monitoring and reviewing post implementation results of all such key technology projects;
- ensure that the Company's business and technology plans are integrated;
- 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; and
- 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; and
- availability of information and information systems in a timely manner.

On Investment Activities, including, to:

- review the performance of BTCL investments linked to the overall investment strategy;
- consider capital projects, acquisitions and disposal of assets in line with the BTCL'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;
- approves and advises 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; and
- oversee the proper value delivery of Technology and ensuring 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 Acquisition Activities, including, to:

- evaluate and revise mergers and acquisition 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 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, including, to:

- review quarterly reports on the decisions of the Tender Committee of Management;

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OPERATING REVIEWS

CORPORATE GOVERNANCE (cont'd)

- award tenders in line with BTCL's approved procurement policy and tender regulations;
- review significant technology expenditures, including the
- associated budget for BTCL and its business segments; and
- receive reports from management, as and when appropriate, concerning the implementation of BTCL's technology initiatives, including the cost compared to budget, the expected benefits and the timelines of implementation.

The members of the Board Technology and Investment Committee during the reporting year were Mr. Gerald Nthebolan, Ms. Serty Leburu and Prof. Rejoice Tsheko.

Ad hoc Committees

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

Board Meeting

Board meetings are convened by 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 were taken between board meetings by written resolution in accordance with the Company's founding documents.

Attendance and Meetings of the Board and Board Committees

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

Remuneration of Members of the Board

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

MEMBER	POSITION	AMOUNT (Pula)
Ms. Daphne Motlagomang Matlakala	Chairperson	31,710
Mr. Gerald Nthebolan	Vice Chairperson	20,790
Mr. Paul Taylor	Managing Director	-
Mr. Alan Boshwaen	Director	23,100
Ms. Serty Leburu	Director	22,050
Professor Rejoice Tsheko	Director	24,360
Ms. Choice Pitso	Director	26,204

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CORPORATE GOVERNANCE (cont'd)

INTERNAL CONTROLS

To meet its responsibility with respect to providing reliable financial information, BTCL maintain financial and operational systems of internal control. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management's authority, that the assets are adequately protected against material loss or unauthorised acquisition, use or disposal, and those transactions are properly authorised and recorded. The system includes documented organisational structures and division of responsibilities, established policies and procedures to foster a strong ethical climate and the careful selection, training and development of people. External auditors will report material internal control weaknesses that they identify during the course of their external audit to management and the Audit and Risk Committee. Corrective actions will be taken to address control deficiencies as they are identified. The BTCL Board, operating through its Audit and Risk Committee, oversees the financial reporting process and internal control system.

The Company has an Internal Audit function that report directly to of 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.

Whilst no system of internal control can provide absolute assurance against material misstatements or loss, the Company's systems are designed to provide the Board with reasonable assurance that the procedures in place are operating effectively. 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 the management, the Audit and Risk Committee and the Internal Audit Department, the Board was of the opinion that the systems of internal controls can be reasonably relied upon, and that there was no material or fundamental breakdown in the system of internal control during the year under review.

Internal Audit Function

BTCL 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 reviews and 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.

Operations, Planning and Empowerment

A rolling three year corporate planning process that facilitates and encourages the involvement of staff through Annual Plans that articulate strategies at Functional, Individual Business Units, Strategic Business Units, Departments, Regional and corporate offices ensure employee empowerment. Employee participation improves the sense of ownership, the reduction of bureaucracy and speedier decision making.

Key policies, processes and control procedures are communicated throughout the Company. Non-compliance is reviewed and any areas of weaknesses identified are addressed and promptly reported to the Board. Continuing actions are taken throughout the year to embed risk management and internal control into the day-to-day operations of the Company.

In relations to potential major contracts or acquisitions, external advisors, together with senior management within the Company, are appointed under clearly defined scopes to carry out commercial, financial and legal due diligence. The Board is kept fully up to date with any issues arising during such due diligence.

Monitoring Results and Management Reporting

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 in 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 endeavored 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 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 actions are established and risk owners appointed. Business risks are reviewed on a semi-annual basis.

Going Concern

The financial statements have been prepared on a going concern basis since, having made relevant enquiries; the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Approval of Annual Financial Statements

The financial statements of the Company were reviewed by the Audit and Risk Committee, approved by the Board and were signed accordingly on behalf of the Company by the Chairman and the Managing Director.

External Auditors

In terms of the Companies Act, 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

The Board is conscious of its responsibility and is unequivocally committed to upholding ethical behaviour in conducting its business. The Board, through the Corporate Legal Department, strives to ensure that the businesses of the Company comply with the laws and regulations of Botswana.

Relationship with Employee Representatives

The Company's staff other than those in the management cadre are entitled to join the recognized sstaff unions. Regular consultative meetings between management and the two registered trade unions are conducted to share relevant information and consult on a number of staff issues to foster good employer / employee relationships.

Environment, Health, Safety and Sustainability

The Company strives to conform to and 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.

BTCL
OPERATING REVIEWS
CORPORATE GOVERNANCE (cont'd)

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

In an attempt to improve the corporate governance principles and to enhance the Board's accountability, the Company has voluntarily decided to subject itself to world class codes on Corporate Governance (the 2009 King Code on Corporate Governance www.kingIII.co.za). The statement below, which is based on the codes published by the Kings 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 2015, other than with the exceptions stated below:

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 BTCL. BTCL recognises that good governance emanates from effective, responsible leadership, which is characterised by the ethical values.
P 1.2	The Board should ensure that the company is and is seen to be a responsible corporate citizen.	✓	BTCL Corporate Social Responsibility reports adequately reflects that the Company's commitment to Corporate citizenship.
P 1.3	The Board should ensure that the company's ethics are managed effectively.	✓	BTCL has a code of conduct as part of 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. BTCL's risk management process takes into account the full range of risks including strategic and operational risk covering all areas of performance.
2.3	The Board should provide effective leadership based on an ethical foundation.		In line with best practice the Board has adopted a King III inspired Board charter which espouses ethical leadership.
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 Board should ensure that the company's ethics are managed effectively.	✓	On-going
2.6	The Board should ensure that the company has an effective and independent audit committee.	✓	BTCL 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.	✓	Board, through its audit and risk committee oversees the management of risks companywide.
2.8	The Board should be responsible for information technology (IT) governance.	✓	The Board through the technology and investment committee (TIC) discharges its responsibility of ensuring the IT governance. The TIC periodically reports to the Board on the adequacy of the IT governance.
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 BTCL legal team. In the Board's view, BTCL is in compliance with all laws and regulations (see also 6.1).
2.10	The Board should ensure that there is an effective risk-based internal audit.	✓	The internal Audit function has adopted a risk based methodology.
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 resulting from customers, employees, shareholders, government agencies, local communities etc.

PRINCIPLE	DESCRIPTION OF PRINCIPLE	COMPLIANCE	COMPLIANCE STATUS AND ADDITIONAL COMMENTS
2.12	The Board should ensure the integrity of the company's integrated report.	✓	Currently, only the annual financial statements are reviewed by the audit and risk committee and the Board. However, from the next financial year, the significant components of the Annual Report will be reviewed by the Board before its 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 are expected to 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, confirm 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 the directors dictates that the Directors act in the best interest of the Company and that all conflict of interests are 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 has a disaster recovery plan and the company always ensure that it meets the solvency tests. The company also prepare a three year business plan incorporating financial forecasts to early detect 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 fulfill the role of chairman of the board.	✓	The Board Chairperson is an independent nonexecutive 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) 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 in the board are filled by non-executive directors. Although, in the future, some members of the management may be appointed to the board, it is envisaged that the number of non-executive directors will be more than 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. Post IPO, the selection method is expected to include representatives from the key shareholder groups. The process is yet to be defined.
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 lawyer, suitably qualified to handle the company secretarial matters of the company.
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. However, such process is not well documented. Going forward, the company will document the target setting and evaluation in appropriate detail.
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-a-viz the audit and risk committee, the investment committee and the 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.	✓	Currently, except the Managing Director, all other Directors are remunerated only for the time spent at the meetings in line with the Government guidelines. Post IPO, this is expected to change.

BTCL
OPERATING REVIEWS

CORPORATE GOVERNANCE (cont'd)

PRINCIPLE	DESCRIPTION OF PRINCIPLE	COMPLIANCE	COMPLIANCE STATUS AND ADDITIONAL COMMENTS
2.26	Companies should disclose the remuneration of each individual director and certain senior executives.		The Annual Report adequately discloses all remuneration paid to director, their shareholdings and other relationships to the company.
2.27	Shareholders should approve the Company's remuneration policy.		The company remuneration policies are approved only by the board.
3. Audit Committees			
3.1	The Board should ensure that the company has an effective and independent audit committee.	✓	BTCL 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.	✓	BTCL has an effective and independent audit and risk committee which membership comprises professionally qualified accounting people 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 coordinated approach to all assurance activities.		
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function.	✓	The Audit Committee periodically reviews the expertise and resourcing of the finance function.
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 as well as 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 the approach. The committees is of the view that the risks are adequately being 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 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 audit and risk 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, its impact and the likelihood. The risk that can be tolerated and the risks that it is willing to take are continuously looked at by the audit and risk committee.
4.3	The risk 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 assist 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, implement and monitor the risks.

PRINCIPLE	DESCRIPTION OF PRINCIPLE	COMPLIANCE	COMPLIANCE STATUS AND ADDITIONAL COMMENTS
4.5	The Board should ensure that risk assessments are performed on a continual basis.	✓	The Audit and Risk Committee met four times during the 2014/15 financial year for consideration of various matters including discussions of the risk assessments, and 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 risks frameworks and methodologies and ensures that unpredictable risks are well managed. This process is, however, on-going.
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.	✓	Although, the risk management is a part of the daily process within BTCL, such actions needed to be documented.
4.9	The Board should receive assurance regarding the effectiveness of the risk management process.	✓	The audit and risk management 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, its impact and the level of responses are included in the Annual Report.
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 risks and the governance. It has delegated the responsibility for IT governance4 issues through the managing director to the appropriate management personal.
5.2	IT should be aligned with the performance and sustainability objectives of the company.	✓	IT is a significant component of BTCL's operations. Most of its operations are based on IT platforms, technologies and processes and are important to it's performance and sustainability. As such, adequate attention is being given by BTCL.
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 IT function is delegated to the management as well as other functions with 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 management and decision making around the utilisation of IT resources to facilitate the achievement of the company's objectives.
5.6	The Board should ensure that information assets are managed effectively.	✓	In BTCL, the IT assets are an integral part of the overall assets 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 BTCL legal team. In board's view, BTCL is in compliance 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. Further enhancement in terms of documentation may be needed in the future.
6.3	Compliance risk should form an integral part of the company's risk management process.	✓	Compliance to laws and regulations are identified under different risk dimensions, such as market risks, regulatory risks, finance risks etc and are adequately looked at.

BTCL
OPERATING REVIEWS

CORPORATE GOVERNANCE (cont'd)

PRINCIPLE	DESCRIPTION OF PRINCIPLE	COMPLIANCE	COMPLIANCE STATUS AND ADDITIONAL COMMENTS
6.4	The Board should delegate to management the implementation of an effective compliance framework and processes.		BTCL has adequate level of responsibilities for ensuring that compliance to laws and regulations ae attended to.
7. Internal Audit			
7.1	The Board should ensure that there is an effective risk based internal audit.	✓	The internal Audit function has adopted a risk based methodology.
7.2	Internal audit should follow a risk based approach to its plan.	✓	The IA function presents a risk-based audit plan to the board for approval prior to its implementation.
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management.	✓	The IA function periodically reports to the Board on the status of internal control issues raised and also progress made on implementing corrective actions.
7.4	The Board should ensure that there is an effective risk based internal audit.	✓	The Audit Committee reviews the internal auditors report on a quarterly basis.
7.5	The Board should ensure that there is an effective risk based internal audit.	✓	The IA function reports functionally to the Audit Committee and administratively to the Managing Director.
8. Governing Stakeholder Relationships			
8.1	The Board should appreciate that stakeholder's perceptions affect a company's reputation.	✓	The board is aware the reputational risk and its effect on the Company's operations, performance and results. It takes the reputational issues seriously and are discussed at the board meetings regularly.
8.2	The Board should delegate to management to proactively deal with stakeholder relationships.	✓	BTCL management structure and the orgainsational responsibility adequately deal with the issues relating to 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 various board committees to and, in some instances, to the management to address the relationship with stakeholders.
8.4	Companies should ensure the equitable treatment of shareholders.	✓	BTCL is an equal opportunity employer and carries out its activities with utmost impartiality and on ethical guidelines. As such no stakeholders are treated differently outside the prescribed government guidelines (e,g citizen empowerment, local preference trade policies etc).
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	✓	BTCL has adopted a responsible practice in communicating with various stakeholders.
8.6	The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	✓	BTCL 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.		
9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting.	✓	Done and included as part of the Annual Report.

BTCL
OPERATING REVIEWS

HUMAN RESOURCES

OUR PEOPLE
Our Passion - Building a Climate For Action

Leadership + Unlock potential in individuals/ teams + Support and engage + Live our Values in your teams = High Performing BTCL

Leadership	Unlock potential in individuals/ teams	Support and engage	Live our Values in your teams
Know your teams Understand their strengths and development areas	**Grow your Teams** in the community they work in Focus on their needs to deliver for our customers Foster a learning environment	Be the change you wish to see, **inform employees and gather their input** on desired change **Reward them** -Recognise efforts, celebrate successes **Inspire them** – cultivate ownership, delivery, make things simple and take pride in the what they deliver	**Teamwork** **Ownership** **Simple** **Delivery** **Pride** **Have Fun...**

Build and sustain a performance based culture where teams pull together for our customers as

ONE team.

Focus

BTCL's human resources strategy aims to develop the capability of the team so as to deliver shareholder value and to continuously improve the level of employee engagement so as to contribute to improved customer service levels. As part of the transition, processes were re-engineered and supported by the new structure.

The strength of employee key competencies is BTCL's greatest differentiating factor in the telecommunications sector. Recruiting and retaining talented people is one of the main aims of the Company. As part of achieving this objective, BTCL treats every employee fairly and with respect. Being a respectable employer in Botswana is paramount to BTCL.

With the convergence of all separately run business units into one Company, the Company runs a unitary job, performance measurement and pay structure.

Headcount is currently at 943 as at March 2015 against an establishment of 950 revised from 1092. Almost all staff (at 99 per cent) are citizens. Out of the 943 staff at the end of the year, 333 (35.3%) were women and 610 (64.7%) were men. Ninety five (95) per cent of the total staff possesses tertiary level qualifications.

Staff Turnover

Staff turnover at BTCL has consistently been below a 5% benchmark with average tenure of 15 to 20 years and has been consistent for the past three years.

Turnover April 2014 to March 2015 is 4.7% as compared to same period last year April 2013 to March 2014 which was 1.98%. Staff that have worked continuously within the relevant business area for over 3 years is 92.48%.

Staff Cost

The overall staff cost increased by 8% within the approved budget, staff cost to revenue has been maintained at 25%.

	Year Ended 31 March		
	2015	**2014**	**2013**
Total Employees at 31 March	**943**	**932**	**962**
Productivity			
Revenue per employee (in Pula 000s)	1,627	1,571	1,439
Value created by employee (in Pula 000s)	852	885	831
Average employee cost (in Pula 000s)	392	353	314

The revenue per employee and the value creation increased from the previous year as did the average employee cost. However, the value created dropped to Pula 852,000 from Pula 885,000 in the previous year.

BTCL
OPERATING REVIEWS
HUMAN RESOURCES (cont'd)

Performance Management

BTCL has implemented a Performance Management System ("PMS") which aims to establish a performance based culture through robust measurement of business targets across all divisions. These targets are drawn from the overall company scorecard per the Shareholder Compact in any given year which comprises of key perspectives: **Shareholder; Customer; Processes and Technology and People.**

Alignment of objectives with BTCL's overall business deliverables is a key test used to assess the effectiveness of the PMS. To strengthen the performance calibration process, further checks, as indicated below, were introduced to the PMS to enhance the quality of the system:

- employee output against actual ratings which tests for any leniency (overrating) or underrating of individuals against actual performance;
- performance spread of ratings across all levels (executive, management, and non-management); and
- inter–divisional performance spread to ensure alignment of each division's spread to the actual unit/division's performance in supporting the overall company scorecard.

Reward Packages

In addition to offering an attractive reward package, BTCL also introduced a bonus scheme in July 2004 as a key enabler so as to drive performance. The Company saw the need to develop an incentive scheme that would reward and motivate employees to deliver improved performance, ultimately resulting in a high performing organisation.

The employee bonus scheme has evolved since its inception to be more aligned with BTCL's aim of building a high performance organization by first aligning performance against targets for each division and its respective units to ensure that the contribution to bottom-line results is commensurate to the level of bonus awarded. Initially the bonus model was based on the percentage of an employee's salary. This model was further adjusted in 2013 to be more performance based.

The bonus model provides for how bonuses are to be paid to employees at all levels of the Company, including the executive, and all bonuses are to be approved by the Human Resources, Remuneration and Nomination Committee of the BTCL Board and by the BTCL Board itself.

Safety, Health and Environment

The BTCL Policy on Safety, Health and Environment (SHE) commits to operations and practices that are intended to prevent harm to employees, contractors and members of the public and damage to the environment and/or property. Through implementation of the Plan of Action, all the principles of the SHE Policy will be achieved. BTCL continues to promote the health and welfare of its employees through bi-annual Health and Wellness Expositions, ongoing Health monitoring of employees and support to sporting and physical activities form a core of the SHE activities.

Staff Welfare

We are committed to wellness initiatives and wellness promotion. We continue to lead a host of wellness and health initiatives to help our employees achieve success with their goals. We had the following initiatives in place, during the year under review:

- Inter divisional games
- Inter Telecoms games
- Team Building Exercises
- Makgadikgadi 2014 Walk
- Y-Care Walks

Training and Development

BTCL has provided cross-training for multiple roles which engenders enhanced job satisfaction providing employees the opportunity for career advancement within BTCL. By restructuring the whole organisation, employees were mapped against each role in the FMC structure. The majority of employees, especially at the managerial level, were assessed to ensure their level of fitness for the role. Development plans have been designed for each individual's needs. These are currently being finalised to inform the overall training plan that is aligned to the business strategy.

BTCL continues to upskill its teams to ensure that it has the best trained employees. BTCL collaborates with world class institutions to provide relevant skills training for its employees. Such institutions include:

- Botswana Accountancy College;
- Botswana International University of Science and Technology;
- Institute of Development Management - Botswana Campus;
- Oxford University;
- University of Botswana;
- University of Stellenbosch Business School; and
- UNISA

BTCL's technicians are among the best in the market due to skills transferred from BTCL's technical training partners such as:

- Cisco Networking Academy;
- Commonwealth Telecommunications Organisation - Programme for Development and Training;
- Comztek;
- Ericsson Academy;
- Huawei University of Technology;
- Mitel;
- Snap Tech;
- Torque IT

Employer - Employee Relationship

The Company enjoys stable employee relations. In the year under review, both disciplinary and grievances matters were below 1% (relative to its total staff complement) against universal benchmark of 5%.

BTCL has seen increased participation in the employee engagement survey from a low participation rate of 36% in 2012 to 99% in 2015, with an increase in the engagement score from 2.68 to 3.

BTCL and Union Relationship

BTCL enjoys cordial industrial relations. BTCL recognises Botswana Telecommunications Employees Union (BOTEU) as the sole employee representative. The parties signed a recognition agreement in March 2012 that is valid until March 2016. This agreement stipulates rules of engagement between the Parties; and adherence to such rules has promoted the cordial relations that prevail within the Company.

The parties to the agreement have since engaged during major projects such as the recent FMC restructuring exercise, salary negotiations and policies relating to employee conditions of service.

The bargaining unit comprises employees in the non-management cadres of the company amounting to a total possible membership of around 57% of the total staff complement. At 31 March 2015, 422 members of the bargaining unit were union members representing c.44% of all employees.

The Union is fully supportive of business initiatives and often shares a platform with management at various speaking engagements and briefings around the country.

Pension

BTCL operates a non-contributory pension scheme for all permanent staff. BTCL Staff Pension Fund is a defined contribution scheme. At 31 March 2015, the fund stood at Pula 450 428 732 million with 608 active members and 842 deferred members.

REGULATORY COMPLIANCE

COMPLIANCE TO REGULATORY RULES IS ONE OF THE BTCL'S STRATEGIC PRIORITIES

Notwithstanding the challenging regulatory framework, BTCL continues to be well positioned to be in full compliance with the regulatory framework under which it operates. These comprises of the Communications Regulatory Authority Act of 2012 and the PTO Licence (the Licence). As required by the Act, BTCL has established procedures to comply with the regulatory requirements. Regulatory risks are also rigorously and systematically controlled at each of the businesses, through structured procedures at both the business units and head office and by support systems, such as the Regulatory and Competition Affairs Office, for monitoring and controlling the entire regulatory process.

Botswana Regulatory Structure

The Botswana Communications Regulatory Authority (BOCRA), the converged regulator for Botswana, came into operation on 1 April 2012 with the introduction of the Communications Regulatory Authority Act of 2012. BOCRA is empowered to regulate telecommunications, broadcasting, postal services and ICT sectors in Botswana. BOCRA's mandate enable it to implements regulations to create a level playing field, promote competition, enhance availability of wider range of services and, above all, ensure that the customer's interests are protected and upheld. Such regulations may take the form of Licence Conditions and Directives with telecommunications operators and service providers in Botswana.

BTCL's regulatory obligations under the Communications Regulatory Authority Act

In 1996, BTCL (then BTCL) was awarded a licence for the provision of fixed line public telecommunication services in Botswana by the Botswana Telecommunications Authority, the predecessor organisation to the BOCRA. Later, in March 2007, BTCL was awarded a PTO Licence, a technology neutral licence, which allowed BTCL for the first time to offer any type of public telecommunications service. The implementation of the PTO Licence transformed BTCL, permitting it to provide all type of wired and wireless, notably the mobile cellular services. Under the Communications Regulatory Authority Act, BTCL is required to submit a tariff proposal in writing to the Authority, for approval, for the different services or products it offers.

The Service Neutral Licensing Framework

BTCL operates in a more liberalised environment as the service neutral Public Telecommunications Operators Licence (PTO Licence) allows BTCL and the other operators to provide public telecommunications services of any description, which includes any service provided over a mobile / cellular, fixed wired or wireless network.

Thus, BTCL has unified all its operations under a single umbrella, the BTCL Group, to facilitate efficient service delivery.

The PTO Licence issued to BTCL is subject to the provisions of both the Communications Regulatory Authority Act and the terms and conditions set out in BTCL's PTO Licence. The PTO Licence was granted to BTCL for a period of fifteen years which expires on 20 March 2022.

The Proposed New Licencing Framework

BOCRA, in line with its mandate, is considering implementing a new Unified Licensing Framework commencing from September 2015. The current BTCL PTO Licence will remain in force until a licence is granted, expected to be issued before February 2017. BOCRA has guaranteed that any licences issued under the new framework would be on more favourable terms than the current ones. BTCL will be required to apply for conversion, indicating licences it wants to convert into.

The new Unified Licensing Framework is expected to ensure continued market growth and improvement of the service quality, taking into account convergence of technologies and evolution to next generation networks.

BTCL's Licence fees

The licence fees payable by BTCL under the current PTO Licence include the following:

- a universal access and service levy of 1% of annual gross turnover of BTCL;
- an annual fee for the operation of the licenced system of Pula 2.3 million;
- an annual fee for the provision of the licenced services of Pula 0.3 million;
- a turnover related fee equal to 3% of annual net turnover payable quarterly in arrears; and
- spectrum fees of Pula 2.4 million.

Universal Service and Access Obligations

BOCRA during January 2014 announced the imposition of the Universal Service and Access Levy contributions by select Service Providers effective April 2014. The Levy has been set at one percent (1%) of the Operators annual gross revenues and shall go into a Universal Access and Service Fund.

Regulations and Competitive Environment

BTCL is bound by all competition legislations and subscribe to avoiding anti-competitive behaviour. As regulated markets become reformed, the future licensing conditions are expected to promote competition among various operators.

BTCL
SUSTAINABILITY REPORT

CORPORATE SOCIAL RESPONSIBILITY

SUSTAINABLE DEVELOPMENT AND CORPORATE SOCIAL RESPONSIBILITY: A SHARED ACCOUNTABILITY @ BTCL

CSR is about how companies manage the business processes to produce an overall positive impact on society and is the basis on which business renegotiates and aligns the boundaries of its accountability. At BTCL, we have a number of stakeholders with whom we engage on a daily basis.

BTCL's philosophy is that its business can contribute to its own wealth creation and, at the same time, also create overall societal wealth by considering the positive effects our actions have on the other stakeholders around us. We believe that our business is about inclusiveness of all stakeholders. Whilst as a business we are committed to performing well for our shareholders, we are also, as a good corporate citizen, committed to making a major contribution to the wellbeing of the country and its citizens.

All stakeholders want us to report on matters that are important to them and us. In this streamlined CSR reporting, we focus on our performance with respect to all material issues including our overall accountability to the society, our effort to foster improved customer engagement, our achievement thus far within the business place and the future plans to build momentum for sustainable initiatives in the societies we work.

At BTCL, there is a growing recognition of the significant effects of the activities of BTCL – on its employees, the customers, the communities, the environment, the competitors, the business partners, the investors, the shareholders, the trade unions, the governments and other stakeholders.

We know that our business is an integral part of the communities in which we operate and that our long-term success is based on continued good services we provide to a wide range of businesses, individuals, groups and institutions. We also know that in order for us to thrive the communities in which we operate also must thrive.

Moreover, the citizens have high expectations of us in terms of responsible behaviour. Customers expect goods and services to reflect socially and environmentally responsible business behavior including affordable and competitive prices. Aspiring investors and future shareholders will be searching for enhanced financial performance in the Company that integrates the social and environmental considerations and its risks and opportunities.

We, at BTCL, believe that we have all the above attributes to become one of the most recognised socially responsible corporate citizens in Botswana. In this report, prepared in line with the guidelines of Global Reporting Initiative (GRI) guidelines, we review our commitment to sustainable development in Botswana, particularly the ICT development, our practices and, indeed, our achievement thus far in meeting those commitments.

THE BUSINESS IN SOCIETY

BTCL
SUSTAINABILITY REPORT

BTCL Lives the Vision 2016 -in a summary

BTCL continues to embark on a number of sustainable projects towards attainment of Vision 2016. With about less than three hundred days to go before the 30th September 2016 deadline; BTCL's position towards achievement of Vision 2016 has been impressive – through continued and relentless telecommunications products and services and initiatives that can speak to the pillars of a Prosperous, Innovative, Healthy Compassionate and Educated Nation. Whilst we have contributed towards the Vision 2016, we are already embarking on our contribution towards Vision 2036. As we move towards a knowledge based society, they not only help boost digital inclusiveness but through ICT services increase efficiency and provide access to new markets thereby creating new opportunities. Besides a knowledgeable citizen is an empowered one and communication is an integral part of that.

Towards a Prosperous, Educated and Informed Nation

As a leading provider of Information Communication Technology (ICT), the Company in partnership with the Botswana Government embarked on the Nteletsa Rural Infrastructure Project to bring services to previously marginalised communities.

ICT is a socio-economic enabler. By bringing such services to Batswana, BTCL has not only ensured that Batswana keep in touch but created employment as well. Over One hundred and fifty (150) Kitsong Centres/ telecentres , have been set up as part of the project, in previously under developed regions. The Centres provide data and voice services to the village communities in the form of internet access, payphones, charging of mobile phones, selling of beMOBILE airtime and beMOBILE SIM cards and are equipped with photocopiers, printers, faxes and payphones. The Kitsong Centres are run and operated by locals providing much needed employment.

Local Empowerment

BTCL also continues to empower local business as the Company procurement policy favours local suppliers thus further driving prosperity for our nation.

Innovation

As a technology based company, BTCL has introduced service offerings comparable to those in developed world which are the major drivers of economies throughout the world, underpinned by robust mobile, broadband and voice telecommunications services that are available countrywide. Over 90% of the population have access to telecommunications facilities in Botswana.

Compassionate Citizen

BTCL prides itself on being a good corporate citizen that ploughs profits back into the community. The Company continues to be responsive to the needs of the communities in which it operates. The company has donated millions of Pula to different charitable causes across Botswana through engagement in high quality, cost effective, sustainable, need based community activities through short and long term partnerships (see below).

Healthy Nation

BTCL through its mobile network, beMOBILE, actively supports sports by sponsoring the Premier Football League to the tune of P30 million over a three year period. Those who are healthy are more productive and live longer lives. BTCL's view is that that a healthy, knowledgeable and skilled citizenary not only determines the growth and economic success of a country but helps build a stronger open society.

Sustainable Business Practices
-Living up to our commitments

At BTCL, we believe, businesses play a pivotal role both in in the efficient use of natural capital and in the wealth creation in a society. Hence, the management of CSR is important for us, especially with respect to our markets, corporate reputation, brands and the broad engagement of stakeholders.

Creating a Different Kind of Company

BTCL's technology provides infrastructure for enabling environmental improvements through out the Botswana economy. Principally, as a technology outfit, we support sustainable development in every facet of our operations, having in mind that people are at the center of attention for quality service. Through mindful application of the advances offered by industry technology, we work hard to promote a balanced and sustainable ICT development in Botswana. The aim is to achieve a technically and ecologically sustainable country, region and a world for the future generations. For BTCL, sustainable development means also creating good environmental and social results which are financially supportable.

BTCL will pursue its business in a profitable, safe and ethical manner, at the same time, demonstrating its social responsibility and environmental awareness. State-of-the-art Technology to Botswana

BTCL's aim is to bring state-of-the-art technology where possible at affordable prices with an aim of achieving a balance between economy, ecology and society. In the telecommunications world of today, it is important to be a provider of latest and innovative technological solution to all customers in keeping with the latest world standards.

Infrastructure Investments

BTCL's main line of business requires substantial investment in telecommunications infrastructure. Over the years, BTCL has invested millions of Pula. The asset base of the Company's telecommunications network currently stands over P1.2 billion.

Network Coverage

In fixed and mobile communications, we already cover over 90% of the population.

Rural Telecommunications Development

Botswana has a small population that is spread across a vast country. Where it is feasible BTCL utilises its resources to provide services to remote villages. So far, BTCL under the Nteletsa Project, has connected over 300 villages around the country at a cost in excess of Pula 300 million. These projects were a partnership between the Government of Botswana and BTCL where the Government funds the capital cost whilst BTCL maintains the infrastructure on an ongoing basis.

Supporting Small and Medium Size Enterprises and Service Providers

BTCL procurement policy encourages local manufacturers and service providers through a well defined and documented local preference scheme, where price preferences are given based on the level of local value addition and citizen participations.

It is also BTCL's procurement policy that certain construction and maintenance contracts are offered to citizen contractors where ever possible. These span across the fields of network construction and maintenance to non-core assets maintenance. BTCL believes that through its engagement with small and medium size enterprises, it can empower them in their quest for growth and sustainability.

We encourage citizen empowerment, where we employed a preference scheme in purchasing goods and supplies. By buying local goods and services, we promote an efficient supply industry.

Economic Performance - Value Creation

BTCL's aim is to create value for its shareholders, customers and employees. BTCL's revenue from sale of goods and services for the year was Pula 1,495 million. BTCL's value addition has grown from Pula 642 million in 2010/11 to Pula 783 million in 2014/15. Of the value created during the year, Pula 360 million was paid to staff as salaries costs. The Government received Pula 45 million in the form of licence fees.

VALUE ADDED STATEMENT (P)

	2015	2014	2013	2012	2011
Sales of goods and services	**1,495,244**	**1,463,931**	**1,384,222**	**1,173,909**	**1,065,112**
Interest Income	**26,066**	**25,144**	**18,451**	**13,415**	**21,311**
Bought out cost of services	(738,087)	(648,932)	(603,034)	(511,002)	(444,244)
Value created (added)	**783,223**	**840,143**	**799,639**	**676,322**	**642,179**
Employee cost	(360,344)	(626,374)	(302,628)	(262,937)	(251,567)
Depreciation	(177,673)	(175,112)	(181,684)	(150,729)	(141,330)
Licence fees	(44,636)	(35,429)	(31,220)	(25,610)	(19,025)
Earnings Before Interest and Tax (EBIT) (after retrenchment)	**200,570**	**3,228**	**283,923**	**237,046**	**230,257**
Interest	-	(208)	(184)	(184)	(2,866)
Earnings	**200,570**	**3,020**	**283,923**	**236,862**	**227,391**
Dividend	-	-	(70,981)	(59,216)	(56,848)
Retained earnings	**200,570**	**3,020**	**212,942**	**177,647**	**170,543**
Employees	943	932	962	942	950
Revenue per employee	1,586	1,571	1,439	1,246	1,121
Value created per employee	831	901	831	718	676

BTCL employs **943 staff** all over the country, whilst also creating indirect employment opportunities to a much larger community.

Customer Focused
-A better experience

At BTCL we truly subscribe to the notion that being 'simply the best' will ensure a sustainable organisation that has loyal and happy clients.

Best and Fair Business Practice

Connecting with our customers is an important part of our business improvement process. BTCL is committed to best and fair business practices to achieve customer's total trust. The value statement guides BTCL in its dealings with customers by providing policy guidelines for the provision and disconnection of services. BTCL is mindful of the prices it charge to it's customers and strive to strike a balance between its affordability to it's customers whilst remaining profitable.

Every interaction our team members have with our customers is an opportunity to listen, gather feedback and determine if our products and services are delivering the value the customers perceive. Wherever we do business, we see ourselves as member of the local society, and as a good corporate citizen we actively contribute to the communities and its environment.

Products and services

BTCL basic products (voice telephony both fixed and mobile and internet) are available in most population centres across Botswana. Once the availability of network and the creditworthiness of a customer is assessed positive, there are no further barriers for obtaining basic telephony services.

Building customer confidence

BTCL has continued to benchmark itself against the world's best telecommunications operators to create a culture within the Company that is world class, customer focused and acceptable quality.

BTCL also participates in a number of Trade Fairs in Botswana as part of its customer and society educational campaigns.

Customer care and after-sales service

As a brand that is responsive and provides innovative and unique products, customer care is in the forefront of our delivering service and to that end it is our desire to deliver services that depict our brand values. With the use of the BTCL customer care centres, we are able to service clients' right across the country with BTCL and beMOBILE products and services. With a fully resourced and 24hr call centre, servicing our clients, we are able to at all times provide a unique and helping service experience to our customer.

BTCL has special customer equipment for disabled and those require assisted services.

Pricing

Tariff for BTCL main products are included in the BTCL Telephone Directory. A detailed tariff guide is available from BTCL Service centres nationwide, or from BTCL website www.BTC.bw. Changes in tariffs are regularly published in the media. BTCL's charges are mostly usage related and hence easily understood. BTCL's tariff take into account the affordability of customer groups it service. It has special packages for old age pensioners whilst low income communities are, where possible, covered via mobile phones and payphones.

Customer Complaints

Customer complains are received via the 24 hour call centres or any one of the BTCL offices. Such complains can range from service delivery to service level, billing queries, misuses and abuses. There is a procedure in use for registering and resolving complains. There is also an escalation process for those irate customers who need further investigations such as abuse of phones, vandalism etc.

Distribution Network

One of the cornerstones of the BTCL products is the visibility and accessibility in most parts of the country. The procedure for obtaining any products or services areas are set out in the Botswana Telephone Directory or it's website www.BTC.bw.

On the direct distribution front, BTCL has outlets countrywide. beMOBILE branded stores in major urban centres service mobile customers specifically. On the whole, BTCL has a far bigger footprint of service centres than any other operator in Botswana. As we expand our network, the distribution channel would continue to grow commensurate with our coverage.

Customer Information Sharing

Our aim is to offer our customers the best technological solutions at affordable prices. We hold a number of seminars, product launches, information sharing forums such as Trade Fairs and Expos etc. These gatherings give us an opportunity to understand the customer requirements, emerging technological trends, level of customer satisfaction and dissatisfaction and give us insights into areas where we need further improvements.

Community at heart
- a better life for all

BTCL 'ke ya rona rotlhe'. This is a company born out of Botswana, built for Batswana and run by Batswana. It should thus be no surprise that the communities that we operate in are very close to our collective hearts at BTCL.

Community Involvement

BTCL perceives community relationship as a core attribute that adds value to its business. We achieve this through building critical relationships, contributing to the well being of the communities, developing corporate image and enhancing corporate reputations.

As a leading corporate citizen, during the year BTCL participated in a variety of community related initiatives:

Supporting Sport

BTCL through its mobile network, beMOBILE renewed its sponsorship of the elite Botswana premier league. beMOBILE is sponsoring the PREMIER FOOTBALL LEAGUE to the tune of P10 million per season over a three year period, to a total of Pula 30 million.

Promoting the Arts

BTCL GROUP in collaboration with Thapong Visual Arts Centre sponsored a competition to design the cover of the BTCL phonebook. BTCL donated Pula 200,000 to the Centre and to the three winning schools to help promote the arts as a career. This is a platform for the young artist to develop skills to unleash them nationally.

Sponsoring Education

BTCL is an ongoing sponsorer to the University of Botswana Foundation to the amount of Pula 1.5 million to promote research and development in the telecommunications related fields with the reduced tariff, stakeholders will also see even greater value in BTCL service offerings that is expected to go long way in supporting the National ICT policy and aspirations of the nation as espoused in Vision 2016 – towards the pillar that speaks to an informed and educated nation moving towards a knowledge based society.

Giving Back to Communities

The other events in which BTCL participated and donated include:

- Donated Pula 350,000 to Kuru Trust Organisation to help San people to preserve, revive and showcase their culture during the annual Kuru Dance Festival;
- Supported the adopt a school campaign by the Ministry of Educations and Skills Development to the tune of Pula;
- Supporting the President's Housing Appeal to the tune of Pula 400,000;
- Participation at the World Telecommunication and Information Society Day (WTISD) by donating computers and printers at a cost of Pula 450,000;
- Sponsoring deserving charitable causes by awarding free airtime to the amount in excess of Pula; and
- Official opening of the Northern Botswana Confederation of Commerce and Industry fair at Pula 350,000.

Giving Back to the Community

Promoting ICT

BTCL recently slashed its prices of wholesale internet bandwidth and, was followed by a similar reduction in its retail dedicated internet products. This will facilitate further up take of internet products and services among the consumers.

The Company also donated prizes at the World Telecommunications and Information Day commemorations and donated computers and

a point to multi-point radio to the community of Shorobe to facilitate internet service in that area, costing in excess of Pula 180,000 and participated in the Africom to improve the brand visibility to the cost of Pula 650,000.

As part of its CSR, the Company donated four houses in Maokatumo village, estimated to costs in excess of Pula 400,000

Investing in the Future

BTCL Group continues to participate in events and forums to promote economic growth and attract investment into the country. The Group continued to fund the Northern Trade Fair organized by the Botswana Confederation of Commerce (BOCCIM) to the value of Pula 350,000 and the Ghanzi Agricultural Show to the tune of Pula 250,000 whilst particuipating in the Global Expo in Gaborone.

Skills Development

The BTCL takes a proactive role in skills development especially in the area of Information Communication Technology. The Company has also renewed its commitment to the University of Botswana by donating Pula 1.5 million to support ICT courses.

BTCL
SUSTAINABILITY REPORT

Environmentally Responsible

Our carbon footprint is something we as an organisation pay particular attention to in everything we do or cause to be done (e.g. commissioning work through a supplier) we ensure that all efforts to limit our impact on the planet are top of mind.

Sustainability Evolution - Our Strategy

We are committed to operating in a way that advances sustainability and reduces negative environmental impacts.

Our commitment to the evolution of the sustainability concept is guided by continuous improvements in:

- Eliminating waste and encouraging recycling of all materials we use;
- Increasing eco-efficiency by optimizing resources use;
- Stimulating and using innovation, emerging technologies and alternative, renewable resources;
- Harnessing, where feasible, renewable energy sources such as solar;
- Using innovative and lower impact environmentally friendly products; and
- Disposing responsibly the products containing environmentally destructive substances.

Services such as Internet, teleconferencing, videoconferencing, electronic commerce, and media-conferencing are prime examples of BTCL's technologies that directly and indirectly reduce energy and material consumption. On the whole, BTCL is one of the significant facilitators in the environmental sustainability initiatives in Botswana and a smallest consumer of natural resources.

Environmental Impact Assessments of Telecommunications Developments

The Company's policy is to comply with all relevant legislations, particularly the Environmental Impact Assessment Act. We carry out Environmental Impact Assessment for all major projects. In this process, we consult communities of the areas and their consent is received before a project is undertaken. BTCL has been environmentally concerned for quite some time, whether in digging up trenches for cable installations or siting a microwave tower on a hill top, all our actions take into account the likely destructions to the environment.

Product Approval

BTCL's products and services are type approved by BOCRA, the regulator. Where we sell or lease third party products such as customer equipments, mobile phones etc, are based on already type approved suppliers holding valid certificates.

Equipment Standards

BTCL's own equipments and materials used in its network are standardised based on the technical specifications approved by it's own Tender Committee. BTCL procures these equipment from approved suppliers after taking into account the radio frequency emissions, other environmental hazards etc. BTCL's network, equipment and products have very little impact on the environment, including climate changes, pollution, ozone layer depletion and radio activity.

Waste minimisation

BTCL is mindful of its waste. Most equipment, such as vehicles, furniture, generators etc are disposed through public auctions after its economical use. Computers are often refurbished and distributed to schools and other needy. Faulty customer premises equipment and excess materials to requirements on projects are recovered, serviced and reused.

Recycling of materials

Through our established programmes, we recover and sell copper and fibre cables, batteries, oil, used phones and integrated circuit boards etc. We believe that every material we recover and recycle can have some effect on the global resources utilisation initiatives. Further all packaging materials such as wooden crates, boxes, cable drums are also disposed of through auctions or other environmentally acceptable ways.

BTCL
SUSTAINABILITY REPORT

Stakeholder Relationships

BTCL is an organisation that is totally aware of the importance of the relationships it has with its stakeholders. Being Botswana's telco comes with responsibilities. We have to keep a close eye on the needs and ambitions of those that we work closely with.

Sustainable Alliances and Partnerships

Our Valued Business Partners cover a wide range of suppliers, principals, agents and institutions and these relationships are built over a number of years. In the financial market, we have worked with nearly all banking institutions in Botswana. BTCL's growth has depended greatly on our ability to initiate and build successful partnerships, forging highly valued relationships with a multitude of associates. Whether it is global giants or a local supplier of a service in a remote village, sustainable relationship plays a vital role in our quest to provide world class service. This philosophy has enabled us to forge, secure and maintain unique partnerships throughout our existence.

Our customers are varied, from major Governmental Department or a major multinational to a SME or an individual in a rural village. We have served them all with dedication and equity.

Stakeholder Relationship

We value the opportunity to engage in dialogue with the key stakeholders. Stakeholder engagement is increasingly recognised as creating value, contributing to BTCL's resilience. Through ongoing open dialogue and relationships of trust, integrity and respects, we chart the progress of the Company during the most critical times. BTCL reports to the Ministry of Transport and Communication which directs BTCL in terms of overall communications industry policy decisions. Privatisation (IPO) issues are co-ordinated by the Public Enterprise Evaluation and Privatisation Agency (PEEPA). Matters relating to regulations are dealt through the Botswana Communications Regulatory Authority (BOCRA).


SOURCE

HOW HAVE WE PERFORMED?

BTCL
TEN-YEAR OPERATIONAL STATISTICS

Year ended 31 March 2015

	2015	2014	2013
Statement of operational data (P 000's)			
Revenue (adjusted)	1,495,244	1,463,931	1,384,222
Cost of services excluding depreciation	391,345	361,909	386,644
Selling and distribution costs	46,746	42,955	34,510
Employee costs	360,344	329,134	302,097
Other operating costs, repairs and maintenance	344,632	279,497	213,100
Earnings before interest, depreciation, taxation and amortisation (EBIDTA)	352,177	450,436	447,871
Depreciation net of amortisation	177,673	175,112	181,684
Operating profit	174,504	275,324	266,187
Interest income	26,066	25,144	18,451
Earnings before interest and taxation (EBIT)	200,570	300,468	284,638
Interest costs (Financing costs)	-	208	184
Earnings (Net income) before restructuring costs	200,570	300,260	284,454
Restructuring costs and retrenchment costs	-	297,240	531
Earnings (Net income) before taxation (EBT)	200,570	3,020	283,923
Taxation	53,814	2,880	10,277
Profit for the year	146,756	140	273,646
Net operating cash flow * (Pula million) (prior to restructuring costs)	352,177	450,436	447,871
Capital expenditure	264,498	194,846	333,896
Balance sheet data (P 000's)			
Total assets	2,404,101	2,129,932	2,607,343
Current liabilities (excluding current portion of long-term debts)	227,672	234,085	218,976
Long-term debts (including current portion, net of protection)	-	1,416	1,416
Employee related provisions	60,212	73,175	42,065
Tax liabilities	-	-	10,277
Development grant and deferred income	193,287	232,936	340,980
Shareholder's equity	1,922,930	1,588,320	1,993,629
-	-	-	
Earnings ratios			
Revenue (adjusted) (Turnover) growth (%)	2.1	5.8	17.6
Earning per share (Pula) (800,000,000 shares)	0.18	0.00	0.34
EBIDTA to revenue margin (%)	23.6	30.8	32.4
Operating profit to revenue (%)	11.7	18.8	19.2
Return on average equity (%)	11.4	0.2	15.1
Return on average capital employed (%)	10.2	0.2	12.7
Return on average operating assets (%)	8.8	0.1	11.4
Other operational data			
Access lines connected	163,000	150,000	150000
Staff strength	934	932	962
Economic data			
Inflation (consumer price inflation)	4.50	8.20	6.20
Value of Pula (1 Pula equals to US $)	0.10	0.11	0.15
Cash and cash equivalents	366.0	353.5	405.6

	2012	2011	2010	2009	2008	2007	2006
	1,173,909	1,065,112	958,444	835,900	799,173	743,843	685,957
	353,857	290,386	291,595	248,512	217,533	214,361	203,015
	36,098	11,883	6,443	7,853	8,598	9,607	9,087
	262,937	251,567	209,835	196,274	190,557	182,027	170,170
	146,657	161,000	130,803	114,538	106,292	101,138	53,267
	374,360	350,276	319,768	268,723	276,193	236,710	250,418
	150,729	141,330	159,377	151,653	152,933	146,928	128,097
	223,631	208,946	160,391	117,070	123,260	89,782	122,321
	13,415	21,311	30,891	45,873	59,252	59,526	53,097
	237,046	230,257	191,282	162,943	182,512	149,308	175,418
	184	2,866	10,228	21,228	29,168	31,337	36,524
	236,862	227,391	181,054	141,715	153,344	117,971	138,894
	-	-	-	22,761	95,017	-	-
	236,862	227,391	181,054	118,954	58,327	117,971	138,894
	-	-	-	-	-	-	-
	236,862	227,391	181,054	118,954	58,327	117,971	138,894
	374,360	350,276	319,768	268,723	276,193	236,710	250,418
	380,456	401,915	348,318	167,727	371,994	125,226	130,392
	2,383,432	1,947,461	1,823,075	1,658,263	1,643,236	1,601,661	1,567,235
	193,312	175,242	272,420	194,344	204,887	115,854	104,255
	1,416	1,416	58,734	107,273	200,813	238,711	279,473
	42,414	39,519					
	367,087	270,831	213,596	228,220	239,301	277,938	297,218
	1,779,203	1,460,455	1,278,325	1,128,426	998,235	969,158	886,289
	-	-	-	-	-	-	-
	10.2	11.1	14.7	4.6	7.4	8.4	6.9
	0.30	0.28	0.23	0.15	0.07	0.15	0.17
	31.9	32.9	33.4	32.1	34.6	31.8	36.5
	19.1	19.6	16.7	14.0	15.4	12.1	17.8
	14.6	16.6	15.0	11.2	5.9	12.7	16.7
	12.4	14.1	12.7	9.7	6.0	10.1	12.5
	10.9	12.2	11.0	8.5	5.4	9.4	11.6
	150,000	150,000	156,000	156,000	142,282	136,946	132,000
	942	950	905	905	1,057	1,067	1,079
	8.20	6.20	9.20	10.60	9.80	7.20	13.80
	0.14	0.15	0.15	0.13	0.16	0.18	0.18
	292.863	283.3	344.1	399.7	404.1		

FINANCIAL REVIEW AND MANAGEMENT DISCUSSION

In this Financial Review and Management Discussion (FR&MD), we, our, us and Company mean BTCL and its business units. All figures in this FR&MD are in millions of Pula, unless stated otherwise. Please refer to glossary for a list of defined terms.

This Financial Review and Management Discussion reviews the financial and operating performance of BTCL business units and other financial conditions for the year ended 31 March 2015 in comparison with the previous two (and in some cases four years) as considered necessary. It explains the performances of BTCL and its various business segments using a variety of measures, some of which are not defined under IFRS, and, therefore, termed as "non-GAAP measures". It provides commentary on the revenue and costs, the operating profit performance, the asset bases, the financing and the capital structures and analyses it over operating segments or line of business. BTCL believes that such analysis provides a narrative description of the trends and performances. It also analyses the risks associated with the business, its view on those risks and the actions that are taken by BTCL to mitigate them.

This review is focused principally on the trading results of BTCL before specific items. Specific items (such as restructuring costs, one-off retrenchment expenses etc.), by virtue of their size or nature, are excluded from the detailed analysis because they are predominantly transitional in nature. This is also consistent with the way the financial performance is measured by management as it allows a meaningful comparison of the operating results over the three years.

About Our Business

BTCL was established in 1980 as a body corporate by the BTCL Act to provide, develop, operate and manage Botswana's national and international telecommunications services. Since then, the Company has evolved to become one of the leading providers in Botswana of voice telephony, both fixed and mobile, as well as national and international internet, data services, virtual private networks and customer equipment to residential, Government and business customers. For services other than customer equipment the Company operates in both wholesale and retail markets. In October 2012, as part of the Government's privatisation programme, a new Government owned infrastructure holding vehicle, BoFiNet, was formed to house and operate the Retained Assets on behalf of Government.

Depreciation and development grants

All depreciation charges for plant, machinery, equipment and non-telecommunications assets are grouped together with the amortization of development grants (included under other income – note 3) as they all relate to the non-current assets of the Company. The development grant amounted to Pula 24.4 million (2014 – Pula 42.7 million).

Repairs and maintenance – other equipment

Repairs and maintenance relating to other equipment (note 2.3) are grouped together with other operating costs.

Deferred revenue

Deferred revenue, as included under "Other Income" (note 3) has been added to operating revenue (other), amounting to Pula 15.3 million (2014 – Pula 9.4 million).

Profit / loss on disposal of assets

Losses and, similarly profits, on disposal of assets are grouped under other operating costs for consistency.

One-time impairment and re-structuring costs

For the financial year 2013/14, the impairment charges in the relating to plant and machinery of Pula 266.1 million (see note 2.1 and 7) together with restructuring costs of Pula 31.2 million (note2.4) have been grouped together under the heading öne-time impairment and re-structuring costs, as these expenses are significant, of one time and not recurring in nature.

The above groupings have eliminated the need for analyzing the "other income and other expenses", as most of its components are included under other appropriate headings.

Shares and Share capital

Subsequent to the conversion of the Corporation into a Company under the Companies Act in 2012/13, 1,000,000 shares of Pula 1 each have been issued to the shareholder, the Government of Botswana. At the time of the Initial Public Offering (IPO), the number of shares in issue has been increased to 800,000,000 shares. In order for the purpose of consistency, the analysis and indicators included for the past five years are based on 800,000,000 shares.

A further 250,000,000 shares will be issued to public as part of the IPO, thus increasing the share in issue, post IPO, to 1,050,000,000.

Summary of Significant Achievements

Following the refocus of its business into a one single and integrated company geared towards sustainable market share and profitability, the Company achieved the following significant milestones during the year:

- Increased profitability (before gains on property revaluation, restructuring costs and one time impairment charges) to Pula 146.8 million from Pula 0.1 million in the previous year;
- Continuing to be a debt free enterprise;

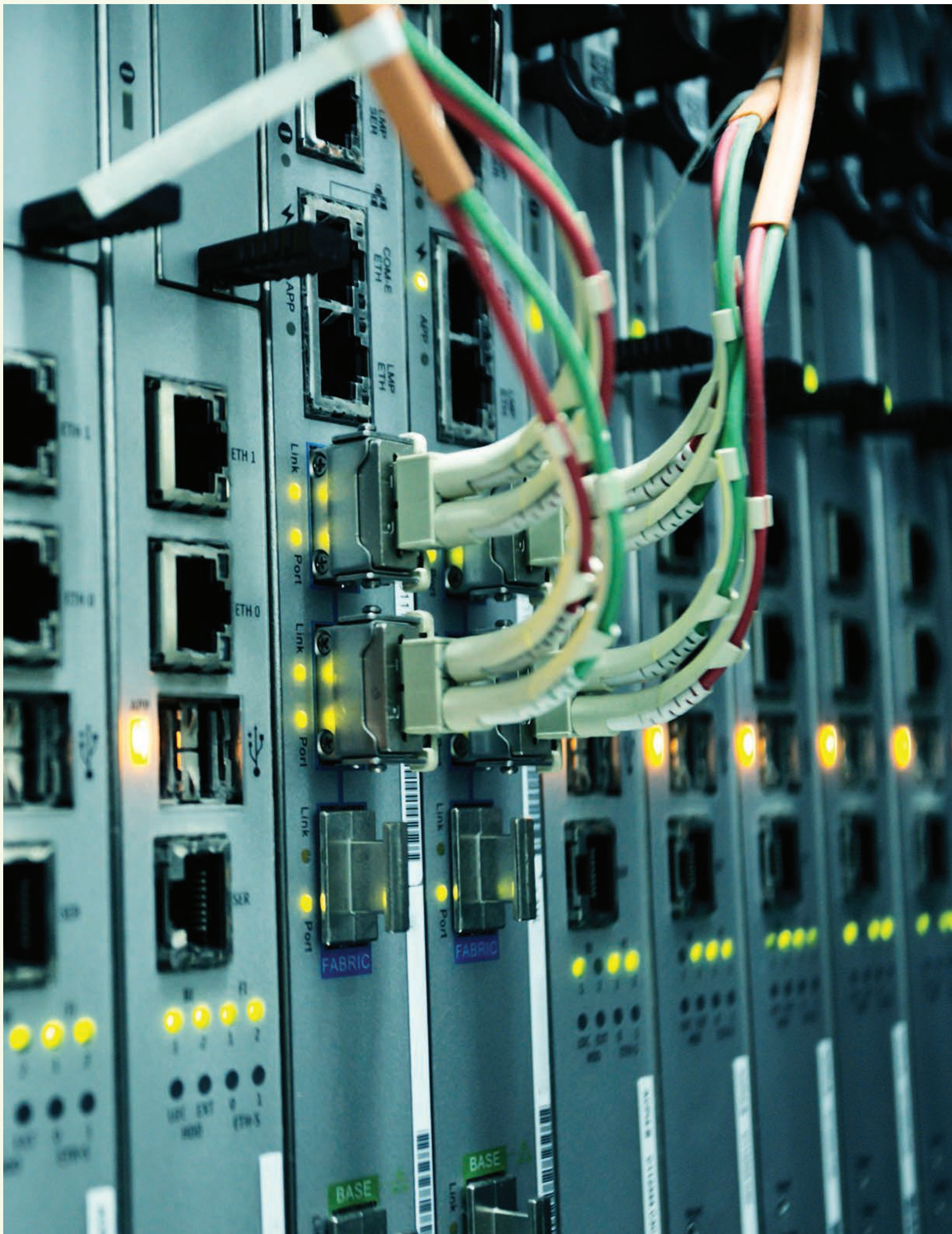
However, it did not achieve:

- The revenue growth that was anticipated. The current year's revenue grew by 1.7 per cent against the compounded annual growth rate of 11.0 per cent per annum which it achieved over the last four years.
- the envisaged Earnings Before Interest, Depreciation, Taxes and Amortisation (EBIDTA) (before property gain, onetime impairment and restructuring cost). EBIDTA decreased to Pula 352.2 million in the current year from 450.3 million in the previous year.

Nevertheless, these results for financial year 2014/15 were a favorable achievement considering the realignment of business following the asset separation.

As we enter the financial year 2015/16, BTCL will continue to articulate its four long-term financial targets and priorities:

- To grow the profitability above its cost of capital, thereby creating economic value in the Company;
- To maintain a healthy dividend policy;
- To grow further the Earnings Before Interest, Depreciation, Taxes and Amortisation (EBIDTA) and free cash flow;
- To maintain a healthy balance sheet with manageable outside debt to fund its capital expenditure.



BTCL FINANCIAL REVIEW

Strategic Overview

The revenue for the Company increased from Pula 1,464.0 million in last year to Pula 1,4506.1million this year, indicating an increase of 1.8 per cent. BTCL's majority of the income is derived from three operating segments – i.e. BTCL Fixed (Pula 395.9 or 26.2 per cent), beMOBILE (Pula 422.7 or 28.6 per cent) and Data (Pula 532.7 or 36 per cent). The mobile revenue is the fastest growing market at 15.4 per cent, whilst the revenue from fixed line has shown a smaller growth at 3.5 per cent. The data declined by 3.2 per cent following the realignment in the customer base following the asset separation and the transfer of related business to BoFiNet. At this rate of growth, the mobile revenue is expected to be the biggest revenue source within the next two years whilst the other two sources are expected to remain or increase marginally from the current levels.

The increasing revenue streams of BTCL indicate that its brands are achieving a growth in terms of its awareness in the market place. In particular, it is pleasing to note that beMOBILE now has the market share of 17.0 per cent, and is ranked third in the country in terms of market share. The growth in customer numbers and the revenue for its mobile business – beMOBILE - has been very impressive.

The remainder of the BTCL's income involves the traditional voice call businesses, which shows reasonable level of growth. With the forecast increase in inter-mobile operator's traffic, this increase was expected. The international revenue, however, did show an increase of 11.8 per cent to Pula 55.8 million.

The overall costs excluding the depreciation and amortization, finance costs and other exceptional items increased from Pula 1,013.7 million to Pula 1,143.1 million or 12.8 per cent this year. The costs were, in most of the cases, contained within a reasonable range, and within the inflationary trends except for the employee costs. The employee related costs increased by 9.5 per cent to Pula 360.3 million whilst the cost of providing services increased by 8.1 per cent to Pula 391.3 million. The other significant increases were also noted resulting from debtors impairment of additional Pula 22.0 million, consulting fee of Pula 12.0 million and repairs to non-telecommunication of Pula 10.0 million.

As a result of the increasing costs by Pula 129.4 million and fairly stagnated overall revenue, the Operating profit declined from Pula 275.3 million to Pula 174.5 million, a drop of 36.6 per cent. The drop in profitability was forecasted, given the revenue losses and it's effect on the cost structure arising from the asset separation.

One of BTCL's key tenets of the strategy is to derive an increasing proportion of its revenue growth from the data related products via the fixed and mobile platforms. In spite of the shifting of revenue sources, BTCL did almost maintain the revenue in terms of volume and value. With the advantage of having both platforms in one network (fixed mobile convergence), the future potential looks exciting for BTCL.

Operating Environment Overview

During the financial year, the Botswana's general economic climate remained stagnant with slow economic recovery worldwide. These conditions generally contributed to lower or reduced customer demand for telecommunications services in Botswana. Further, the asset separation also created uncertainty in terms of customer retention, pricing, loss of control over network revenue source etc.

Results of Operations based on income statements as published

BTCL's results for the past three years, as presented in the annual financial statements are summarised below:

	2015	2014	2013	2012	2011
	P mil	P mil	P mil	P mil	P mil
Revenue - Sales of goods and services	1,480.0	1,454.5	1,356.9	1,173.9	1,065.1
Interest income	26.1	25.1	18.5	13.4	21.3
Revenue	**1,506.1**	**1,479.6**	**1,375.4**	**1,187.3**	**1,086.4**
Cost of sales	(566.1)	(551.2)	(566.8)	(512.3)	(427.7)
Gross profit margin	**940.0**	**928.4**	**808.6**	**675.0**	**658.8**
Other Income	39.7	52.1	66.6	42.0	25.3
Selling and distribution costs	(46.7)	(43.0)	(34.5)	(36.1)	(11.9)
Administrative expenses	(416.7)	(376.2)	(357.9)	(309.2)	(297.9)
Other expenses	(315.7)	(260.9)	(198.7)	(134.6)	(144.0)
Operating profit margin	**200.6**	**300.4**	**284.1**	**237.1**	**230.3**
Financing costs incl preference dividend	0.0	(0.2)	(0.2)	(0.2)	(2.9)
Profit before staff retrenchment costs	**200.6**	**300.2**	**283.9**	**236.9**	**227.4**
Restructuring costs and one time charges	0.0	(297.2)	-	-	-
Profit before taxation	**200.6**	**3.0**	**283.9**	**236.9**	**227.4**
Taxation	53.8	(2.9)	(10.3)	-	-
Profit attributable to Ordinary Shareholders	**146.8**	**0.1**	**273.6**	**236.8**	**227.4**
Earnings before Interest, Depreciation, Taxation and Amortisation (EBIDTA)	352.2	450.4	447.9	374.4	350.3
EBIDTA as a percentage of operating revenue (%)	23.6	30.8	32.4	31.9	32.9
Average capital employed	2,036.1	2,142.1	2,289.2	1,981.2	1,661.4
Return on Capital Employed (%)	9.9	14.1	12.4	12.0	13.7

BTCL **FINANCIAL REVIEW**

2015 compared to 2014

The 2014/15 operating results showed improvement from that of the previous year, 2013/14. The increase in BTCL revenue during 2014/15 compared to 2013/14 was primarily due to increase in mobile services. Mobile revenue registered the highest growth as expected at 15.4 per cent to Pula 422.7 million (2014 - 366.4 million), making it the best performer among the revenue streams. Mobile revenue now accounts for 28.0 per cent (2014 – 25.0 per cent) of the revenue of the Company. This was expected and, it is forecasted that, this stream will continue to grow in future. The Fixed Network revenue which comprises the local access and call revenue now accounts for Pula 395.8 million (2014 – Pula 382.3 million) or 26.7 per cent (2013 – 26.1 per cent). The Data and Private Networks maintained its revenue at almost the same level as that of the previous year, at Pula 532.7 million (2014- 550.6 million), a marginal decline of 3.2 per cent. The Data and Private Circuit revenue at Pula 532.7 million, now accounts for 36.0 per cent (2014: 37.6 per cent) of BTCL revenue.

The cost of sales as a percentage of overall revenue was lower than that of the previous year. Primarily, the costs of sales at Pula 566.1 million including direct depreciation was 37.6 per cent as opposed to 37.3 per cent in the previous year. The gross (profit) margin, excluding the one-time impairment of the network (see below), increased by Pula 11.6 million to Pula 940.0 million (2013/14: Pula 928.4 million). Further increases were also noticed in other operating costs at Pula 315.7 million from Pula 250.8 million. The resulting operating profit before restructuring and one-time impairment costs decreased from Pula 300.5 in 2013/14 to Pula 200.6 million in 2014/15. The profit attributable to ordinary shareholders was, however, at an impressive level of Pula 146.8 million (2013/14 – Pula 0.1 million).

2014 compared to 2013

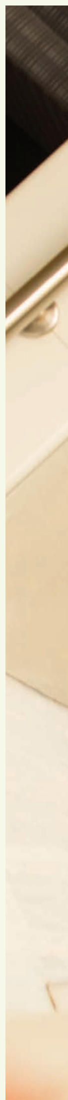
The 2013/14 operating results showed marginal improvement from that of the previous year, 2012/13. The increase in BTCL revenue during 2013/14 compared to 2012/13 was primarily due to increase in mobile and data revenues. Mobile revenue registered the highest growth as expected at 12.6 per cent to Pula 366.3 million (2013 – Pula 325.4 million), making it the best performer among the revenue streams. Mobile revenue now accounts for 25.0 per cent (2013 – 23.5 per cent) of the overall revenue of the Company. This was expected and, it is forecasted that, this stream will continue to grow in future. The Network revenue which comprises the local access and data networks now accounts for Pula 653.9 million (2013 – Pula 611.0 million) or 44.7 per cent (2013 – 44.1 per cent).

The cost of sales as a percentage of revenue was lower than that of the previous year. Primarily, the costs of sales including direct depreciation was 37.9 per cent as opposed to 41.8 per cent in the previous year. The gross (profit) margin, excluding the one-time impairment of the network (see below), increased by Pula 119.8 million to Pula 928.4 million (2012/13: Pula 808.6 million). Further increases were also noticed in other operating costs at Pula 260.9 million (excluding restructuring costs of Pula 31.2 million) from Pula 198.7 million. The resulting operating profit before restructuring and one-time impairment costs increased from 283.9 in 2012/13 to 300.2 million in 2013/14. This was impressive given the uncertainty that surrounded the network separation and escalating trend in costs. The profit attributable to ordinary shareholders was, however, at the lowest level at Pula 0.1 million (2012/13 – 273.6 million).

Of the non-cost of sales related expenses, the selling and distribution costs escalated by Pula 8.5 million or 24.6 per cent. This was necessary on account of the increased discounts and promotional events that were undertaken by beMOBILE. All other expenses remained within acceptable limits.

As part of the network separation and in line with the Government Directive, BTCL transferred all the fibre network assets and the related capital grants and deferred revenue to BoFiNet at a net cost of Pula 284.2 million (see note 16). Further, it also cash funded BoFiNet's initial set up cost of Pula 121.5 million. Furthermore, in line with the recommended good practice, BTCL also included in 2013/14 a one time impairment charge of Pula 266.1 million in the income statement.

As a result of the above and the funding of the establishment of BOFINET, which is considered as a dividend in specie, the shareholders equity reduced from a healthy Pula 1,993.7 million to Pula 1,588.3 million this year.



Results of Operations based on re-grouped financials

It is traditional for BTCL to re-group and analyse its financial results based on revenue and costs drivers. In this analysis, the trading results are re-grouped with similar revenue and cost drivers in order to achieve a fair comparison. BTCL's results for the past five years based on such basis are summarised below:

	2015	2014	2013	2012	2011
	P mil	P mil	P mil	P mil	P mil
Revenue - Sales of goods and services (adjusted)	1,495.2	1,463.9	1,384.2	1,173.9	1,065.1
Cost of sales (excl depreciation and impairment)	(391.4)	(361.9)	(386.6)	(353.9)	(290.4)
Depreciation charge – direct, net of development grant	(150.4)	(146.6)	(141.4)	(118.0)	(112.0)
Gross profit *	**953.4**	**955.4**	**856.2**	**702.0**	**662.7**
Employee costs	(360.3)	(329.1)	(302.1)	(262.9)	(251.6)
Selling and distribution costs	(46.7)	(43.0)	(34.5)	(36.1)	(11.9)
Depreciation charge - indirect	(27.3)	(28.5)	(40.2)	(32.8)	(29.3)
Other operating costs	(344.6)	(279.5)	(213.3)	(146.5)	(161.0)
Operating profit *	**174.5**	**275.3**	**266.1**	**223.7**	**208.9**
Financing costs incl preference dividend	(0.0)	(0.2)	(0.2)	(0.2)	(2.9)
Interest income	26.1	25.1	18.5	13.4	21.3
Profit before restructuring costs *	**200.6**	**300.2**	**284.4**	**236.9**	**227.3**
Restructuring costs	(0.0)	(297.2)	(0.5)	-	-
Profit before taxation	**200.5**	**3.02**	**83.9**	**236.9**	**227.3**
Taxation	(53.8)	(2.9)	(10.3)	-	-
Profit after taxation, attributable to ordinary shareholders	**146.7**	**0.1**	**273.6**	**236.9**	**227.3**
Earnings before Interest, Depreciation, Taxation and Amortisation (EBIDTA)	352.2	450.4	447.9	374.4	350.3
EBIDTA as a percentage of operating revenue (%)	23.6	30.8	32.4	31.9	32.9
Average capital employed	2,036.1	2,142.1	2,289.2	1,981.2	1,661.4
Return on Capital Employed (%)	9.9	14.1	12.4	12.0	13.7

* gross and operating profits before one-time impairment and restructuring costs.

BTCL
FINANCIAL REVIEW

SALES OF PRODUCTS AND SERVICES

KEY TRENDS

In 2014/15, total product revenue rose to Pula 1,495.2 million up from Pula 1,463.9 million in the previous year, reflecting an increase of 2.1 per cent. The increase in revenue for 2013/14 over its previous year was 5.7 per cent.

Mobile revenue is the highest performer registering a growth of 15.4 %. This stream facilitated a growth in voice revenue to P 711.6 million or 10.3% increase over the previous year.

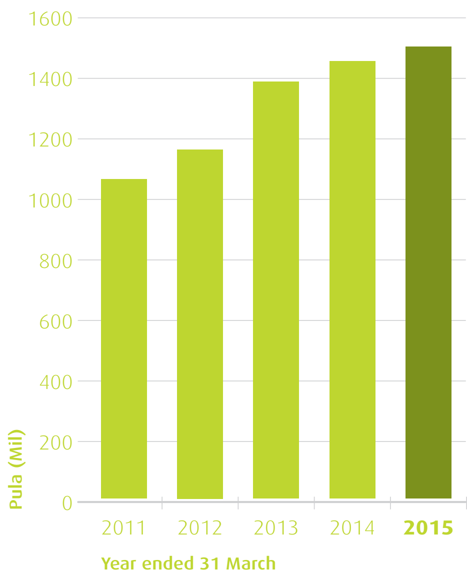
Revenue from data networks at Pula 532.70 million is impressive given the re-alignment within network streams following the assets separation to BoFiNet.

The compounded annual growth rate was almost 8.5 per cent a drop from 10.0 per cent last year.

	2015	2014	2013
Sales of Goods and Services	**P mil**	**P mil**	**P mil**
Network Revenue - local access	106.9	103.3	101.5
- data and private circuits	532.7	550.7	509.5
Total Network Revenue	**639.6**	**653.9**	**611.0**
Voice Revenue - national calls	233.1229.1	221.6	
- mobile	422.7366.3	325.4	
- international calls	55.849.9	57.6	
Total Call Revenue	**711.6**	**645.3**	**604.6**
Equipment sales and rentals	**91.1**	**107.6**	**91.7**
Other Services	**52.9**	**57.1**	**76.9**
Total Revenue	**1495.2**	**1463.9**	**1384.2**

WHAT IT MEANS?

Operating Revenue

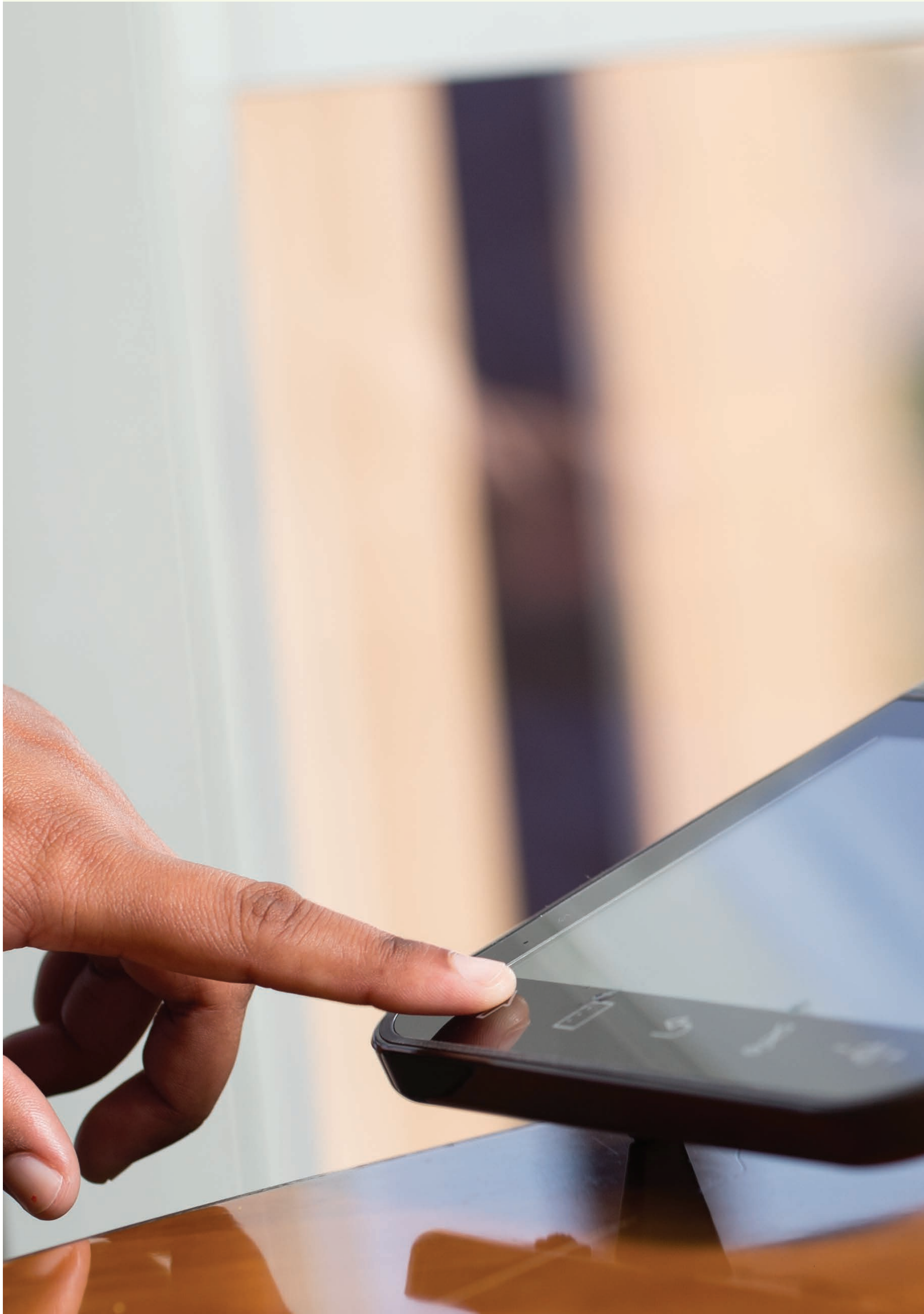


All major revenue streams, registered growths as shown above. This is impressive, given the global economic slowdown where most of the local revenue streams of telecommunications operators have come under severe pressure. **BTCL's varied revenue status indicates its maturity as a network provider, more than a simple voice operator.**

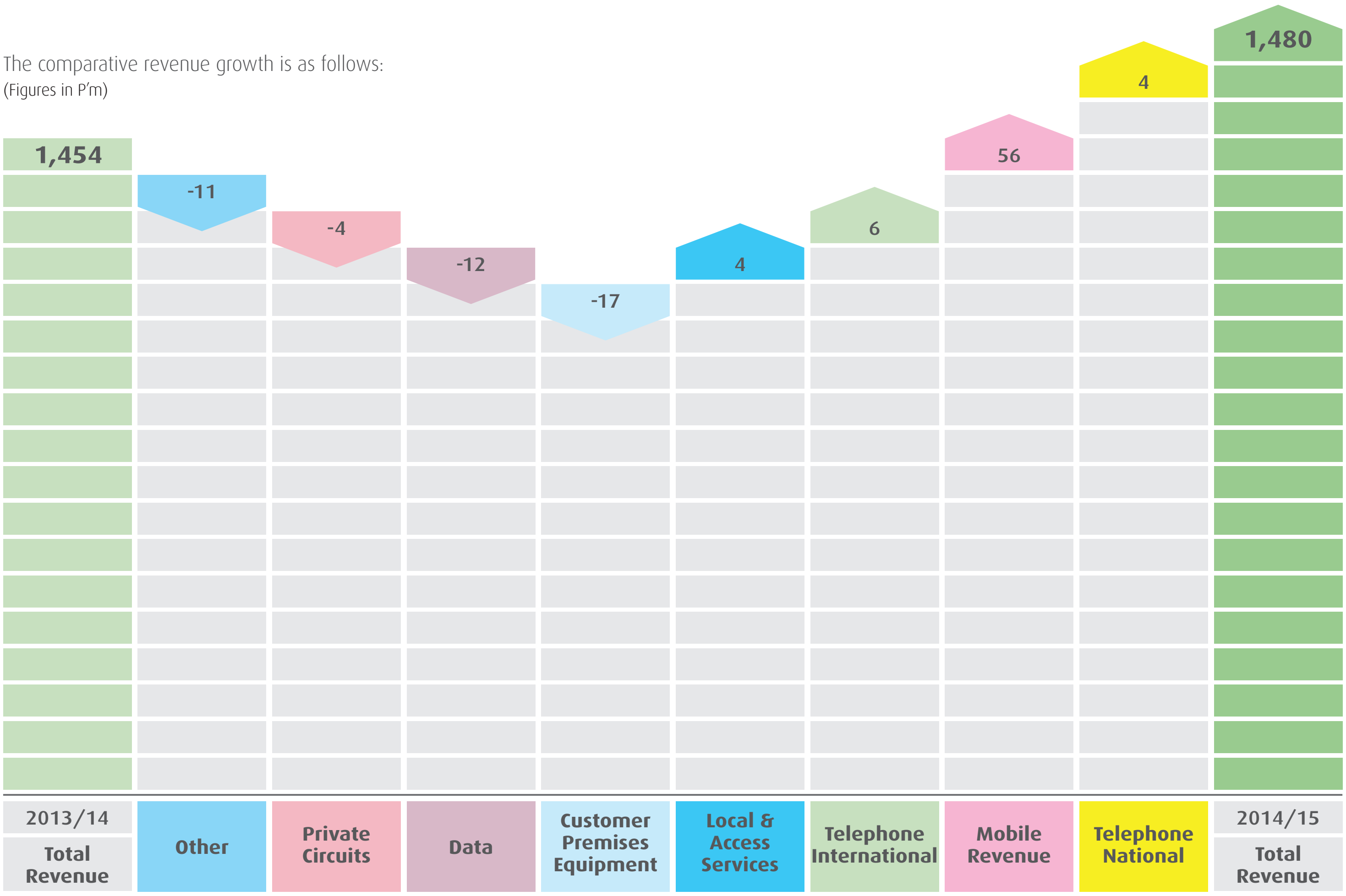
BTCL FINANCIAL REVIEW

Mobile revenue registered the highest growth as expected at 15.4 per cent (2014 - 12.6 per cent) to Pula 422.7 million (2013 – Pula 366.3 million), making it the best performer among the revenue streams. Mobile revenue now accounts for 28.3 per cent (2014 – 25.0 per cent) of the overall revenue of the Company. Market share wise, be MOBILE has 17 per cent of the share in Botswana and ranked in the third place. beMOBILE boasts one of the best footprint coverage in Botswana. This was expected and it is forecasted that this stream will continue to grow in future.

The Network revenue which comprises the local access and data networks now accounts for Pula 639.6 million (2014 – Pula 653.9 million) or 44.7 per cent (2013 – 44.7 per cent). The two growing sectors now demonstrate stability towards the BTCL's new business model. The fact that BTCL was able to grow its overall revenue in each of the last few years in a near saturated and competitive market with challenging economic conditions indicates the resilience and the revenue potential of services it provides.



The comparative revenue growth is as follows:
(Figures in P'm)



VOICE CALL REVENUE

Voice call revenue comprises the national and international call income from both fixed and mobile networks. This revenue stream is still one of the main sources of income for BTCL. International call income comprises of outgoing calls charges originated on BTCL network and terminating charges for incoming calls from international operators.

KEY TRENDS

Voice call revenue is still a major source of income at Pula 11.6 million (2014 – Pula 645.3 million), registering an impressive 10.3 % growth.

Main contributor for this growth is from the mobile sector, which has grown 15.4 % from the previous year to Pula 422.7 million.

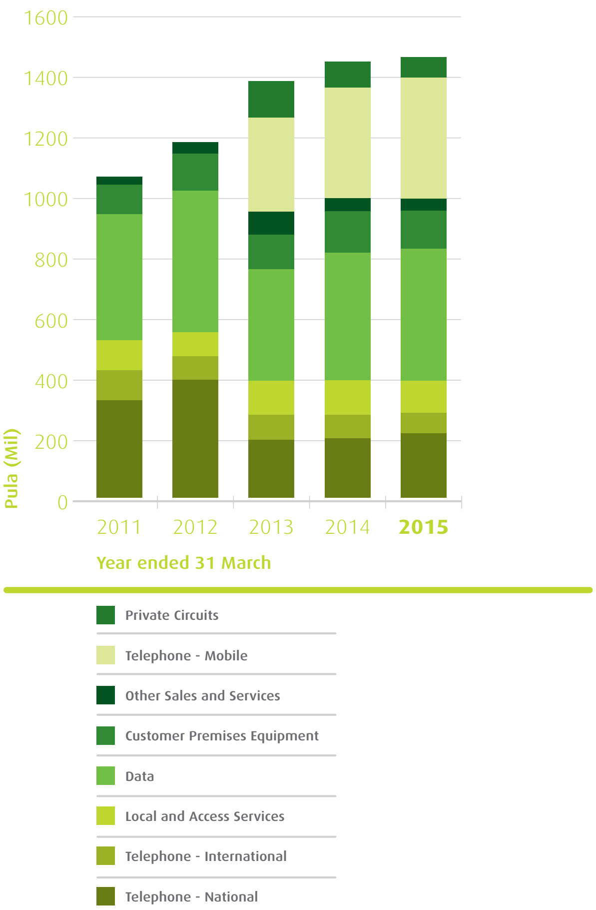
Call income from international operations surprisingly increased by 11.8 % to Pula 55.8 million from Pula 49.9 million and Pula 57.6 million respectively. The international telephone call income as a percentage of all revenue reduced to 3.7 per cent in 2014/15.

	2015	2014	2013
Sales of Goods and Services	**P mil**	**P mil**	**P mil**
Voice Revenue - national calls	233.1	229.1	221.6
- mobile	422.7	366.3	325.4
- international calls	55.8	49.9	57.6
Total Call Revenue	**711.6**	**645.3**	**604.6**

WHAT IT MEANS?

Operating Revenue

Sales of Goods and Services



The increase in voice call income was predicted in BTCL's forecasting models. The introduction of beMOBILE services is a major contributor to this increase. With competitive and attractive pricing of calls within the beMOBILE network and between beMOBILE and fixed network, the traffic will increase in the future. **The international call revenue is no longer a significant source of income for BTCL. This trend will continue in the future.**

BTCL
FINANCIAL REVIEW

NETWORK SERVICES AND DATA REVENUE

Network revenue includes local access rentals, charges for data networks including those managed and unmanaged and internet bandwidth wholesaling and retailing. The private data network services and high-speed Internet access service provided through digital subscriber line (ADSL) technology and managed data networks for residential, Government and business customers were the main contributors of this revenue stream.

KEY TRENDS

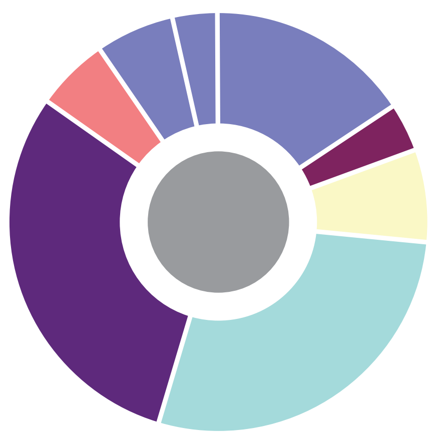
Data revenue continued to increase, principally driven by the demand for private networks, ADSL and Internet. Currently, these services account for 42.7 per cent (2014 – 45.0) of the overall income.

Income from data services alone registered a growth of 8.1 per cent.

	2015	2014	2013
Sales of Goods and Services	**P mil**	**P mil**	**P mil**
Network Revenue - local access	106.9	103.3	101.5
- data and private circuits	532.7	550.7	509.5
Total Network Revenue	**639.6**	**653.9**	**611.0**

WHAT IT MEANS?

Revenue Source



- Telephone - national
- Telephone - international
- Local and Access Services
- Telephone mobile
- Data
- Private circuits
- Customer premises equipment
- Other sales and services

New business model envisages the data services as one of the primary driver of its revenue sources. BTCL's broadband products, over the fixed line remained customer's preferred choice because of its capacity, reliability and quality. BTCL has introduced various product lines which offered reduced entry level prices, effectively removing the barriers for internet entry. The prices are expected to further reduce in the future. **The trends reflect the Company's targeted shift from being a simple voice telephony provider to a composite telecommunications solution provider where broad band networks becomes the key business driver.**

OTHER INCOME SOURCES

The other income sources comprise of sale and rental of customer premises equipment, rental of BTCL properties and other miscellaneous services. Their decline and their contribution to overall income were expected.

KEY TRENDS

Revenues from equipment sales and other revenues decreased by 12.5 % to Pula 144.0 million (2013/14 – Pula 167.7 million).

	2015	2014	2013
Sales of Goods and Services	P mil	P mil	P mil
Equipment sales and rentals	91.1	107.6	91.7
Other Services	52.9	57.1	76.9
Total Revenue	1495.2	1463.9	1384.2

OPERATING COSTS

Operating costs comprise costs of services and goods sold, direct selling and distribution costs, net employee costs (costs of retrenchments dealt with separately), depreciation and other operating costs.

KEY TRENDS

Overall the total operating costs without one-time restructuring and impairment charges increased by 6.2% from Pula 1,013.6 million to Pula 1,142.9 million.

The overall increase in costs of 11.1 % is higher than the inflation (5%) and the increase in the overall revenue (2.1 %).

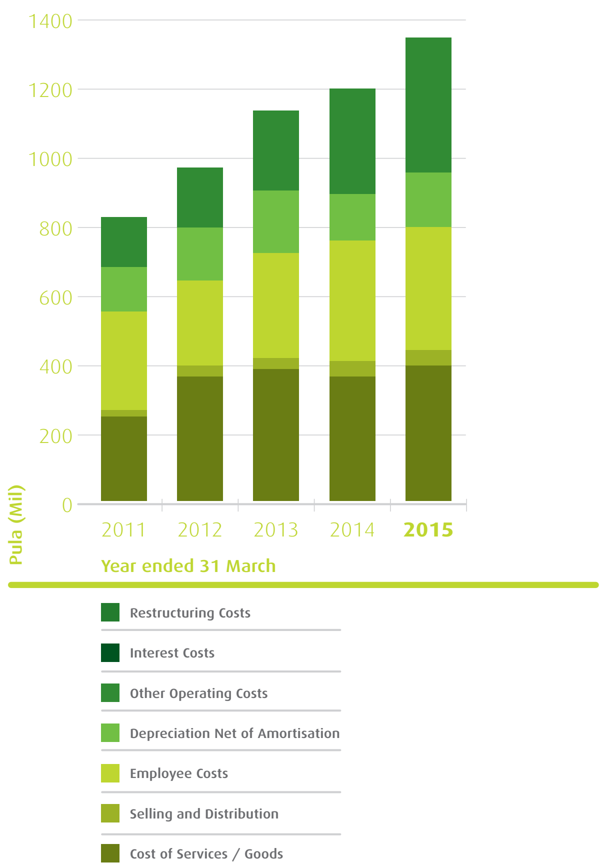
Direct cost of goods and services increased from Pula 362.0 million to P 391.3 million, amounting to a decrease of 8.1 %.

Other operating costs escalated by 23.3 per cent to Pula 344.6 million (2014 – Pula 279.5 million). This category excludes any anticipated retrenchment costs, which was included under restructuring and one time charges in the previous years. The main contributors to this increase are the consulting costs associated with the IPO and the impairment charges on customer account balances.

	2015	2014	2013
Operating Costs	**P mil**	**P mil**	**P mil**
Cost of goods and services (excl depreciation)	391.3	362.0	386.6
Selling and distribution	46.7	43.0	34.5
Net employee costs	360.3	329.1	302.1
Depreciation less recognized capital grant	177.6	175.1	181.6
Other Operating Costs	344.6	279.5	213.3
Operating costs prior to restructuring	**1,320.5**	**1,188.7**	**1,118.1**
Restructuring and one time impairment charges	0.02	97.2	0.0
Total operating costs (adjusted for recognized capital grant)	**1,320.5**	**1,485.9**	**1,118.1**

WHAT IT MEANS?

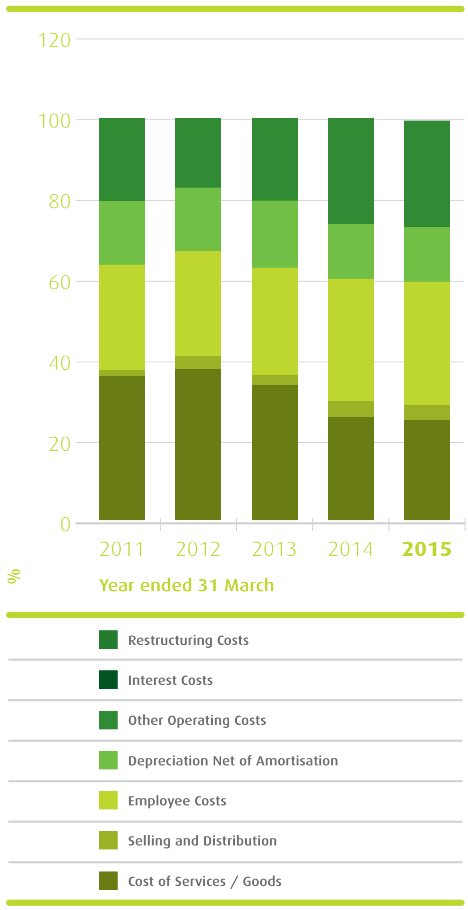
Cost Structure



As stated last year, the drop in direct cost of goods and services is temporary. The direct cost of goods and services has increased to Pula 391.3 million in the current year from Pula 362.0 million and Pula 386.6 million in the previous two years respectively. **The depreciation charge maintained at previous year's level at Pula 177.6 million and is likely to increase in the current year following acquisition of new equipment.**

BTCL FINANCIAL REVIEW

Cost Structure



Cost of goods and services

Cost of goods and services as analysed here comprises mainly of costs directly attributable to international carriers and national operators on outbound and transit calls, licence fees and space segment rentals and material costs. It excludes depreciation charges on land and building, plant and machinery.

Payment to international and national carriers and operators, which amounts to more than half of cost of direct costs, increased to Pula 221.4 million from 191.4 million and Pula 175.5 million in the last two years. This category also includes the lease charges for capacity rentals to BoFiNet. The increase is also attributable to the increasing traffic between the beMOBILE network and other operators resulting from the increasing customer base of beMOBILE and the take up of its services. Whilst this is a welcome trend, it also indicates the customers varied choices in the market place. The license fees paid to the regulatory authority - BOCRA – now amounted to Pula 44.6 million as compared to Pula 35.4 million, an increase of 26.0 per cent. The BOCRA license fee is proportionately related to the revenue earned and, effectively, now amounts to 3 per cent of the overall revenue.

There has been a significant reduction in the space segment rentals and the licence fees from Pula 29.6 million to Pula 13.9 million.

Net Employee Cost

The net employee cost at Pula 360.3 million (2014 - Pula 329.1million), after capitalisation for time spent on capital jobs, increased by Pula 31.2 million or 9.5 per cent from that of the previous year. The increase is in line with the expectation as a result of pegging the pay structures to the industry standards.

The total number of employees at end of March 2015 stood at 919 as compared 932 a year ago.

Retrenchment costs

During the year, there were no costs applicable to retrenchment of staff.

One time Impairment Charge for Plant and Machinery

During the year, there were no impairment charges to the income statement. In 2013/14, BTCL, after considering the likely cash flows that could arise from the loss of revenue resulting from the transfer of the back bone plant and equipment to BOFINET, recognised an one-time impairment charge amounting to Pula 266.1 million.

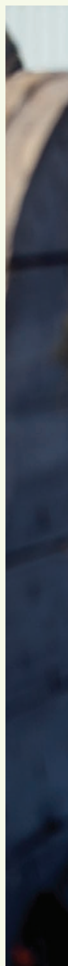
In the view of the Company, a further significant impairment charge may become necessary in 2015/16 on account of the differential between the market value of the business (i.e the enterprise value) and the net asset value of the Company.

Selling and distribution costs

The direct selling and distribution costs accounted for Pula 46.7 million, in comparison to Pula 43.0 million and Pula 34.5 million in the previous two years. The increase was due mainly as a result of the increased marketing costs attached to beMOBILE customers as part of the new customer take-on drive.

Depreciation

The charge comprises of depreciation of land and building, plant and machinery and other equipment directly related to providing services. The following is an analysis of the respective depreciation charge and the amortisation of capital grant related to such assets.



	2015	2014	2013
	P mil	P mil	P mil
Land and building	7.4	8.4	8.4
Network assets	156.4	175.4	164.9
Other plant and equipment	27.4	28.5	40.2
Intangible assets (software and network management systems)	10.9	5.5	6.8
Less: amortization of development grant	(24.4)	(42.7)	(38.7)
Total charge	**177.7**	**175.1**	**181.6**

Excluding any impairment charges, the annual depreciation charge relating to all telecommunications assets is a significant component of the operating costs and indicates the nature of capital intensity of the business. The depreciation charge, as a component of the overall net carrying value, has also decreased over the years and, now accounts for 15.3 per cent (6.5 years) (CHECK), reflecting the stabilised cost structure in BTCL business model and the expected useful lives of assets.

Without the backbone networks, it is now expected that, more and more funds will now be spent on network platforms and on the customer-end related equipment. Consequently, the depreciation charge, expressed as a percentage of the overall costs is likely to remain at the same level, in percentage terms as well as in monetary terms. BTCL will continue to rationalise its investments through vendor partnerships, life cycle costing, and competitive purchasing of capital assets.

Other operating costs

This category of costs include repairs and maintenance expenses of non-telecommunications equipment and other operating expenses such as consultancy and legal costs, impairment provision relating to customer account balances etc.

The main components of other operating costs were the impairment provision on customer account balances (Pula 64.7 million as compared to Pula 42.6 million in the previous year), the legal and consultancy costs relating to privatisation and IPO (Pula 41.1 million as compared to Pula 29.6 million in the previous year), mobile service and other performance improvement initiatives. These costs are essential for BTCL to position itself for the privatization and IPO to public.

The other operating costs amounted to Pula 344.6 million (2014 - Pula 279.5 million and 2013 – Pula 213.6 million).

BTCL
FINANCIAL REVIEW

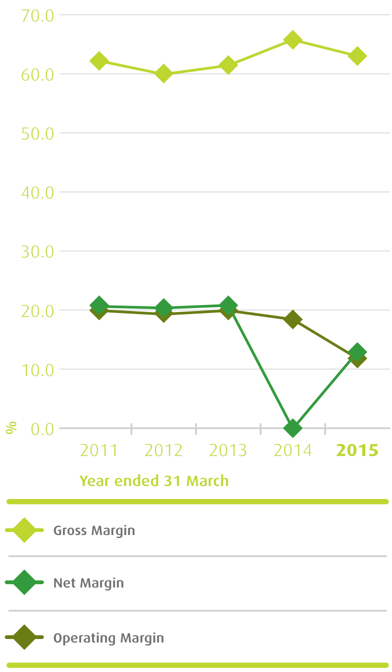
Gross, Operating and Net income and margins

The following table summarises the gross, operating and the net margins.

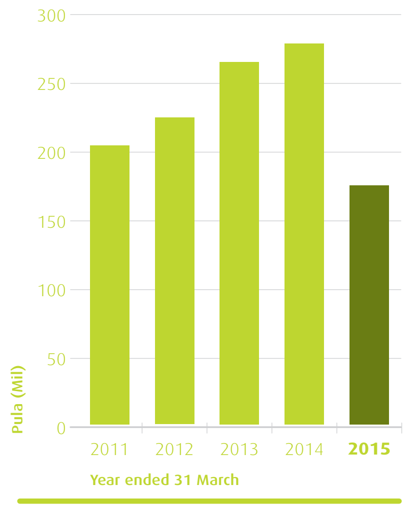
	2015	2014	2013	2012	2011
	P mil	P mil	P mil	P mil	P mil
Revenue - Sales of goods and services (adjusted)	1,495.2	1,463.9	1,384.2	1,173.9	1,065.1
Gross profit margin prior to impairment charges (incl interest income)	979.7	980.5	874.7	715.4	684.0
%	65.5	67.0	63.2	61.0	64.2
Gross profit margin prior to impairment charges (excl interest income)	953.6	955.4	856.2	702.0	662.7
%	63.8	65.3	61.9	59.8	62.2
Operating profit margin prior to impairment charges (excl interest income)	174.5	275.3	266.1	223.7	208.9
%	11.7	18.8	19.2	19.1	19.6
Net Profit margin before restructuring costs	200.6	300.2	283.9	237.0	227.3
%	13.4	20.5	20.5	20.2	21.3
Net profit margin before tax	200.6	3.0	283.9	236.9	227.4
%	13.4	0.2	20.9	20.2	21.4
Net profit margin after tax	146.8	0.1	273.6	236.9	227.4
%	9.8	0.0	19.8	20.2	21.4

* Margins recorded, excluding the one-time charge for re-structuring and impairment.

Margins Trend
Gross, Operating and Net Margins



Net Income
(before interest income and restructuring costs)



The operating performance recorded indicates improvements from that of the previous year, showing better trading results as compared to the previous year.

Gross margin trend

The gross margin excluding the interest income posted a steady performance, reflecting a healthy 65.5 per cent (2014 – 67.0 per cent and 2013 – 63.2 per cent). The continued performance in the upper 50.0 per cent range is encouraging and reflects the strategies adopted by BTCL relating to the pricing policies and (direct) cost containment over the years. BTCL was able to maintain this trend despite the severe competition and the uncertainty over the separation of the back bone networks.

Operating margin trend

The operating margin, excluding the interest income but prior to impairment charges and restructuring costs, has significantly reduced to Pula 174.5 million (2014 – Pula 275.3 million and 2013 - Pula 266.1 million). Expressed as a percentage of revenue, the ratio has decreased to around 11.7 per cent from the 19.0 per cent level in the previous two years. The total operating costs as a percentage of total income was 88.3 per cent in the current year as opposed to 81.1 per cent in the previous two years.

Net profit margin trend

The net profit margin at Pula 200.6 million, excluding one-time impairment charges and restructuring costs was at 13.4 per cent, as compared to 20.5 percent in the previous two years. The decline is a reflection of increases in non-direct costs and the new business model following the assets separation. As the customers shift from the traditional service platforms to alternative technologies such as mobile, the net profit margin will come under pressure. BTCL's strategy is to offset any losses from migration of services and customer churn through increased income via new sources including mobile and data.

Earnings before Interest, Depreciation, Taxation and Amortisation

	2015	2014	2013	2012	2011
	P mil	**P mil**	**P mil**	**P mil**	**P mil**
Revenue - Sales of goods and services (adjusted)	1,495.2	1,463.9	1,384.2	1,173.9	1,065.1
Earnings before interest, depreciation, taxation and amortization (Pula mil) (EBIDTA) (excluding interest income)	352.2	450.4	447.7	374.5	350.2
EBIDTA as a percentage of operating revenue	**23.6**	**30.8**	**32.3**	**31.9**	**32.9**

This level of performance indicates the stability of BTCL's operational capabilities.

BTCL
FINANCIAL REVIEW

INTEREST INCOME AND FINANCING COSTS

Interest income

The interest income was Pula 26.1 million as compared to Pula 25.1 million and Pula 18.5 million in the previous two years, resulting from the improved management of bank balances and the interest rates. The bank balances averaged Pula 360.0 million (2013/14 – Pula 380.0 million) yielding approximately 7.0 per annum (2013/14 – 6.6 per cent). This is considered satisfactory following the slight improvement in the interest rates for money market funds in Botswana.

BTCL has repaid all its borrowings and is now totally debt free. With the separation of the back bone network and the resultant revenue, the challenge remains is to finance the future expansions with its own resources.

Financing cost

BTCL is debt free and has no financing costs. Comparatively, the financing costs were at Pula 0.2 million. BTCL has a good credit rating and therefore will be able to source necessary funding from traditional banking sector and capital markets.

The income received and the corresponding cash balances can be analysed as follows for the three years:

	2015	2014	2013	2012	2011
	P mil	P mil	P mil	P mil	P mil
Interest earned on					
- on short term deposits	26.1	25.1	18.5	13.4	21.3
Total Interest Income	**26.1**	**25.1**	**18.5**	**13.4**	**21.3**
Cash balances					
- Cash at bank	19.0	19.6	28.8	24.8	16.3
- Cash at bank (short term deposits)	347.0	333.9	376.8	268.1	267.0
Total cash balances	**366.0**	**353.5**	**405.6**	**292.9**	**283.3**

	2015	2014	2013	2012	2011
	P mil	P mil	P mil	P mil	P mil
Profit before financing costs but including interest income (Pula mill)	200.6	300.4	284.6	237.1	230.2
Financing costs (Pula mill)	(0.0)	(0.2)	(0.2)	(0.2)	(2.9)
Net Income after financing costs (Pula mill)	**200.6**	**300.2**	**284.4**	**236.9**	**227.3**
Earnings before interest, depreciation, taxation and amortization (Pula mil) (EBIDTA) (excluding interest income)	**352.2**	**450.4**	**447.7**	**374.5**	**350.2**
Interest cover (times) EBIDTA : interest	**n/a**	**2252.0**	**2238.5**	**1872.5**	**120.8**
Interest cover (times) Profit before financing costs : interest	**n/a**	**1502.0**	**1423.0**	**1185.5**	**79.4**

Net income before financing costs stood at Pula 200 million (2013/14 - Pula 300.4 million and 2012/13 - Pula 284 million).

Capital expenditure

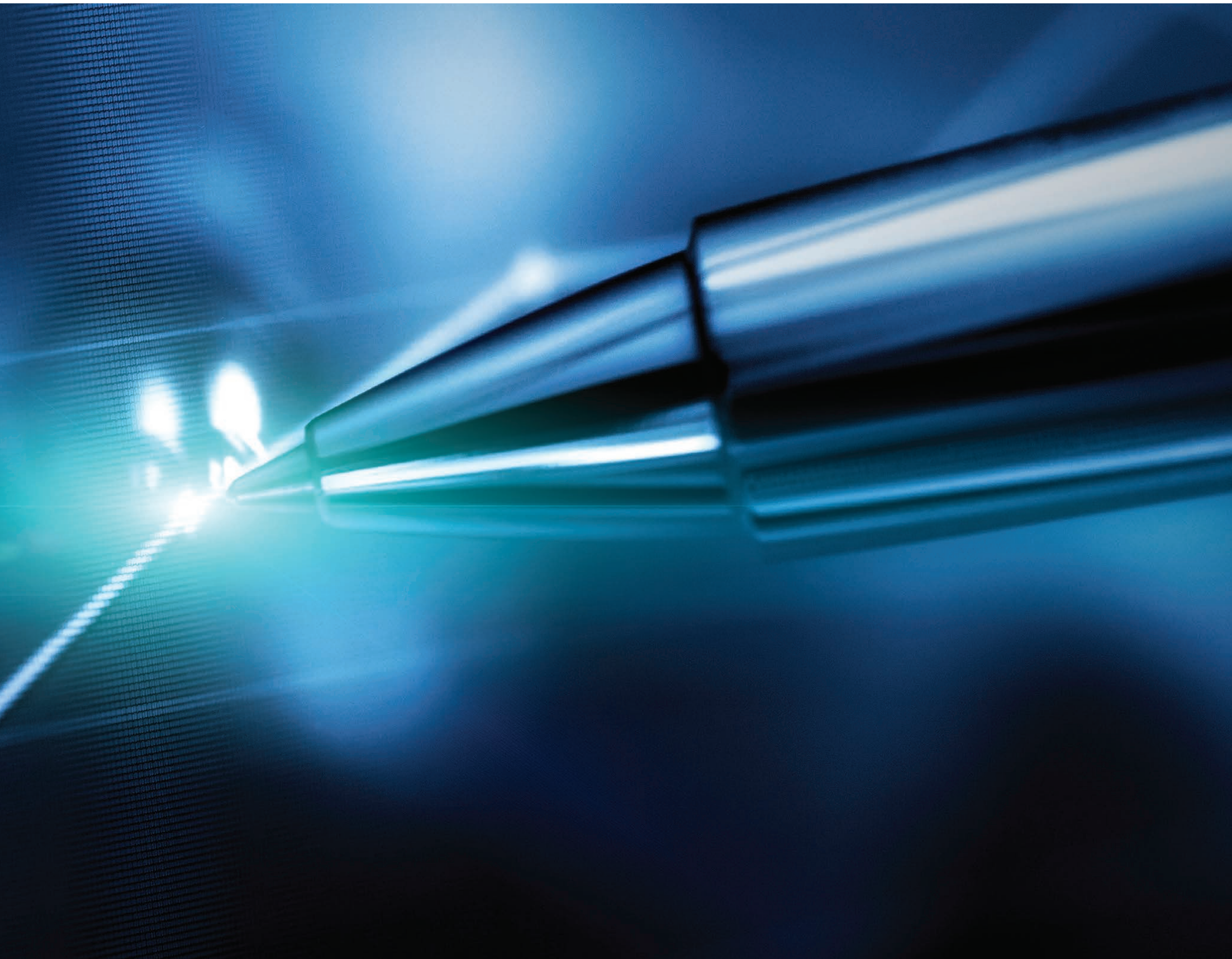
Capital expenditure for the year under review was Pula 264.5 million (2013/14 – Pula 194.8 million and 2012/13 - Pula 333.9 million) – a level much closer to the previous years). With the expansion of beMOBILE network around the country, most of this capital expenditure was spent on repeater sites and switching equipment. The other significant expenses involved the improvement to Intelligent Network platforms (CHECK).

The cash available for investments (generated during the year from operations), expressed as a percentage of the capital expenditure during the year amounted to 179.7 per cent (2012/13 – 142.8 per cent and 2011/12 – 74.3 per cent), indicating that all of the internally generated funds during the year were entirely utilised to fund the capital expenditure. It should be noted that the cash available for investment is computed after taking into account the dividend and the income taxes paid, which amounted to an exceptional Pula 497.8 million (see introductory paragraph)..

The expenditure also expressed in multiples of Earnings before Interest, Depreciation, Taxation and Amortisation (EBIDTA) accounted for 2.3 times. Expressed as a per cent of revenue, the capital expenditure amounted to 13.3 per cent (2012/13 – 24.1 per cent and 2011/12 – 32.4 per cent) of revenue, indicating a substantially lower level of investment in network, far less than the previously set targets. With the increase in revenue levels and transfer of the responsibility attached to the back bone network to BOFINET, the ratio will reduce to a level of around 15 per cent.

	2015	2014	2013	2012	2011
	P mil	P mil	P mil	P mil	P mil
Revenue - Sales of goods and services (adjusted)	1,495.3	1,463.9	1,384.2	1,173.9	1,065.1
Earnings before interest, depreciation, taxation and amortization (Pula mil) (EBIDTA) (excluding interest income) (D)	**352.2**	**450.4**	**447.7**	**374.5**	**350.2**
Cash flow available for operations during the year after payment of income tax (A)	270.0	136.6	417.5	282.6	361.5
Grant funding (B)	nil	21.8	114.8	71.1	51.2
Total cash flow available	270.0	158.4	532.3	353.7	413.2
Capital expenditure and redemption of shares (C)	266.8	194.8	332.9	380.5	401.9
Free cash flow	3.2	(36.4)	199.4	(26.8)	11.3
Self-financing from operations ratio (%) (C/A)	99.0	(58.2)	142.8	74.3	90.0
Grant and revenue financing ratio (%) (B/C)	nil	nil	6.5	30.1	17.7
EBIDTA : Capital expenditure multiple (D/C)	1.32	2.31	1.35	0.98	0.87
Capital expenditure to revenue (%)	17.8	13.3	24.1	32.4	37.7

The amount of "cash flow available for investment during the year" is arrived at after taking into account the financing income and costs, the proceeds from sale of property, plant and equipment and the repayment of loans.



FINANCING AND CAPITAL MANAGEMENT

BTCL's financing strategy remained unchanged and prudent as ever during the financial year – i.e. to remain self-financing and profitable. The investment in capital assets was financed entirely by internally generated funds, those of the current and previous years. Hence, no new loans were acquired during the year.

Cash flow

The Company continued to remain cash positive. The cash provided by the operations was Pula 243.9 million as compared to Pula 111.5 million (2013/14) and Pula 399.1 million (2012/13) in the previous two years. BTCL's operational capability to generate cash flow combined with the well-managed conservative debt structure ensures that BTCL has significant capital capacity that can be tapped quickly and effectively as new opportunities emerge.

	2015	2014	2013	2012	2011
	P mil	P mil	P mil	P mil	P mil
Net cash flow from operations	243.9	111.5	399.1	212.3	297.6
Net cash flow used in investing activities	(238.4)	(169.7)	(314.5)	(364.8)	(377.0)
Cash flow from financing activities	(2.3)	-	21.8	156.8	8.4
Increase or (decrease) in cash resources	**3.2**	**(58.2)**	**106.4**	**4.3**	**(71.0)**

Liquidity

Cash flows provided by operating activities of continuing operations, prior to working capital changes and dividend payment, totalled Pula 314.6 million as compared to Pula 446.3 million in the previous year.

BTCL believes that its internal resources coupled with the unutilised borrowing capacity, is sufficient to finance its operating requirements, anticipated capital expenditure, and dividend payments during the financial year 2015/16.

	2015	2014	2013	2012	2011
	P mil	P mil	P mil	P mil	P mil
Long term debt including current portion	-	-	-	-	-
Total Shareholders' Equity	1,922.9	1,588.3	1,993.6	1,779.2	1,460.5
Total Capital Employed (average)	**2,036.1**	**2,142.0**	**2,289.2**	**1981.2**	**1661.4**
Total Assets	**2,404.1**	**2,130.0**	**2,607.5**	**2,383.4**	**1947.5**
Return on Capital Employed % (before impairment and restructuring costs)	**10.2**	**0.2**	**12.7**	**12.4**	**14.1**
Gearing (Debt to Equity ratio)%	**nil**	**nil**	**Nil**	**nil**	**4.5**
Solidity (Equity to total assets) %	**94.5**	**74.6**	**76.5**	**74.6**	**75.0**

During the year, BTCL remained debt-free, as all of its capital expenditure was financed by the internally generated funds and from the accumulated cash pool. This is the result of actions taken by the Company over number years as part of its prudent financial management policy aimed to reduce and manage its debt levels.

The solidity, which reflects the financing of the assets of BTCL, expressed as the ratio of total shareholder's equity to total assets, improved to 94.5 per cent as compared to was 74.6 per cent at 31 March 2014 and 76.5.per cent at 31 March 2013, reflecting a healthy financing structure.

BTCL's recorded current liabilities (excluding current portion of loan term loans) was Pula 279.7 million as compared to Pula 343.6 million as at end of the last financial year. The excess current assets over those current payable balances improved to Pula 541.6 million as compared to Pula 144.8 million a year ago.

The cash and cash equivalents decreased to Pula 366.0 million from Pula 353.5 million last year. Various assets and liabilities including cash and short-term debt can fluctuate significantly on a month-to-month basis depending on short-term liquidity needs.

BTCL
FINANCIAL REVIEW

Net debt

BTCL financial position has been strong over the past few years, as demonstrated in the table below.

	2015	2014	2013	2012	2011
	P mil	P mil	P mil	P mil	P mil
Long-term debt including current portion	**nil**	**nil**	**nil**	**nil**	**nil**
Cash and bank	19.8	19.6	28.8	24.8	16.3
Short-term deposits	347.0	333.9	374.8	268.1	267.0
Total cash and short-term deposits	**366.0**	**353.5**	**405.6**	**292.9**	**283.3**

BTCL has already entered into negotiations with the banks to acquire new funding for its network expansion programme. With the expected cash inflow from the IPO, the Company is expected to have significant cash resources to fund the network expansion programme for the next two years.

Capital Commitments

At end of March 2015, the contracted capital commitments that had not been delivered amounted to Pula 108.7 million (2014 – Pula 12.9 million) Further, an amount of Pula 323.9 million (2014 – Pula 317.6 million) remained authorised but not contractually committed by that date.

Off-Balance Sheet Arrangements

As discussed in the financial statements, there are no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on BTCL's financial conditions, changes in financial position, results of operation, liquidity, capital expenditure or capital resources with the exception of the following:-

- Operating leases (note 20)
- Capital commitments (note 19)
- Banking facilities (note 18.2.1)

Retirement Benefit Costs and Pension Fund

BTCL operates a defined contribution pension fund called BTCL Staff Pension Fund, for its eligible citizen employees. The pension fund is a separate legal entity managed by trustees appointed by the BTCL Board and staff union representatives. BTCL contributes to the fund 14 per cent of the pensionable earnings of the members with member's contributions limited to voluntary basis to the pension fund directly. Pension contributions on behalf of employees are charged to income statement in the year to which they relate to and as the related service are provided.

At the balance sheet date, BTCL has no further financial obligations to the staff except for any unpaid current contributions.

Financial Risk Management

BTCL holds financial instruments mainly to finance its operation: to finance capital development; for the temporary investment of short term funds; and to manage currency and interest rate risks that may arise.

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

BTCL has a centralized treasury operation whose primary role is to manage liquidity, funding, investments and manage risks that may arise from interest rates and currency exchange rates.

The main risks arising from its financial instruments are cash flow, interest rate risk, liquidity risk, foreign currency risk and credit risk.

Interest rate risk management

BTCL has interest bearing financial assets and financial liabilities which exposes it to interest cash flow volatility. As far as possible, BTCL locks its interest rates to Pula denominated fixed rate loans.

At the end of the year, the BTCL was debt free. There were no loans obtained during the year. At the same date, the Company's assets, which are subject to interest rate risk, amounted to Pula 19.0 million of cash and bank balances (variable interest rate deposits) and Pula 347.0 million in short-term deposits.

During the year, BTCL received Pula 26.1 million in interest income whilst there were no financing cost incurred this year. The volatility arising from 1 per cent change in either direction of the interest rate is considered not significant at Pula 19.2 million.

Foreign currency risk management

A significant proportion of BTCL's current revenue is invoiced in Botswana Pula, and a significant element of its operations and costs arise within Botswana. BTCL undertakes certain transactions denominated in foreign currencies with the international operators and other foreign suppliers. As a result, a foreign currency risk exist when fluctuations in currency rates occurs. BTCL hedges part of the risk by entering into forward exchange contracts and by holding foreign currency (UD Dollar and Euro) deposit accounts.

BTCL is exposed mainly to South African Rand, US Dollar and SDR (Special Drawing Rights). At the end of the year, the net exposure to foreign currencies, after setting-off corresponding effects on assets denominated in foreign currencies, amounted to Pula 4.6 million with a 10 per cent increase or decrease in foreign exchange rates expected to have an effect equivalent to Pula 0.5 million.

BTCL's exposure to foreign currency liabilities and assets are set out in note 23 of the Annual Financial Statements.

Credit risk management

BTCL's exposure to credit risk arises mainly from its trading related receivables and liquid funds with banks. Trade receivables, net of impairment (Pula 339.1 million at end of March 2015), consists of amounts receivables from 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.

BTCL's significant credit risk exposure relating to a single counterparty or groups of counter parties having similar characteristics is restricted to the Government of Botswana and its various operating agencies. At end of the year, the amount owed by this group amounted to Pula 26.7 million. The Government of Botswana credit rating is considerably high, hence, poses no credit risk.

On the other hand, the credit risk on liquid cash funds (Pula 366.0 million) is similarly limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Liquidity risk management

BTCL ensures that its liquidity is maintained by entering into short and medium term financial instruments to support operational and other funding requirements. Short-term funding requirements are reviewed on a monthly basis through cash flow forecasts. At end of March 2015 the Company also had Pula 110.0 million in un-drawn facilities with various banks (see note 18.2.1 – Annual financial statements).

BTCL
LOOKING AHEAD

FUTURE PROSPECTS

BTCL is on the right path with a new business model. It has superior quality networks and access coverage. As we go forward, BTCL hopes that its strategies based on Fixed-Mobile Convergence will yield the right services, increased revenue and higher profitability. It is likely that the traditional revenue sources may continue to perform at the current levels whilst the mobile and data would keep higher growth.

BTCL is first and foremost a telecommunications company. BTCL's revenue expectations for the years ahead reflect its drive for growth, particularly in broadband services, internet and mobile communications. This trend makes the foundation for the fixed-mobile convergence during the coming years, which will enable BTCL to provide a number of new products and to become a modern telecommunications company. Capital expenditure will include completion costs for mobile network and further upgrade of Next Generation Network. With the management of funds properly, the Free Cash Flow available in the Company is expected to return to positive territory.

The telecommunications market in Botswana will change and expected to grow even further. This will be evidenced by the demand for high speed Internet access, proliferation of consumer end products which uses broadband and the introduction of various solutions combining fixed line and mobile communications. The growth in the internet based products and services are changing the landscape of telecommunications in Botswana.

WHAT'S NEXT?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CLARK
MADE IN
SOUTH AFRICA
telecom

BTCL STRATEGY GOING FORWARD

The BTCL growth strategy is centred on leveraging its fixed, mobile and convergent products and services potential.

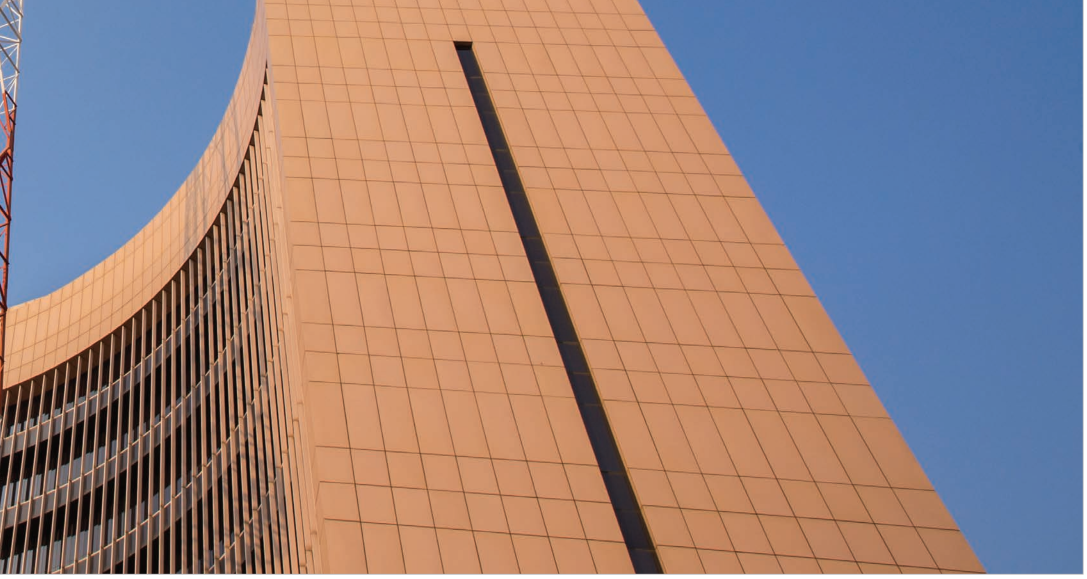
The strategy, we commonly refers to as Fixed and Mobile and Convergence (FMC), will leverage the BTCL unique market position in Botswana, creating competitive advantage through the combining of traditional, mobile, broadband, information and content capabilities to form single line and converged service offers.

THE STRATEGY MAP

Direction – Towards 2016/17

20% Mobile Market Share by Revenue 2016/17
22% of Revenue from data in 2016/17
10% of Data Revenue from FMC in 2016/17

Stakeholders	**Long Term Stakeholder Value** (New Revenue Sources; Increase Customer Value; Improve Cost Structure; Improve Asset Utilisation)			
Customer	**Customer Value Proposition** (Price; Quality; Timeliness; Features; Products & Services; Customer Service; the Brand)			
Process	**Innovation Culture** (Build the Franchise)	**Customer Management Processes** (Increase Customer Value)	**Operational Processes** (Provide Operational Excellence)	**Social & Environmental Processes** (Be a Good Citizen)
Technology	**Strategic Technologies** All IP/NGN Network; Business Systems Capabilities; Automation; Operational Efficiency; Improved QoS; Reduced Infrastructure Costs			
People	Strategic Skills & Competencies; Employee Development	Climate for Action - High Performing Team; Customer Centric Culture	Leadership & Governance; Leadership Development	



BTCL's strategic plan focuses on:

- leveraging BTCL's unique market position in Botswana, as the sole fixed and mobile operator, combining its mobile and fixed networks coverage, to smartly package unique Fixed and Mobile value propositions;
- moving BTCL Wholesale to higher value managed services, by offering managed (hosted) data services to mitigate the threat posed by direct competition with BoFiNet and others entering the managed data services market;
- defending the existing business. This entails sophisticated bundling and packaging of traditional products, promoting BTCL tariffs, which are the lowest in Botswana, and marketing the BTCL network presence, both fixed and mobile, which provide the widest coverage in the country, as well as increased focus on customer satisfaction;
- enhancing the Company's high performance and customer centric culture; leveraging the newly adopted telecommunications industry eTOM framework and the associated FMC organisation and also through seeking and fostering strategic alliances and partnerships to facilitate and realise the skills and talent in our workforce;
- mitigating the effects of the low levels of international work experience and exposure of the BTCL workforce;
- controlling costs through business transformation by unifying networks and minimising the IT platforms estate, ensuring flexibility and agility in products and service offerings;
- innovating and growing revenues through building strategic alliances and partnerships, so as to improve levels of innovation, research and development capabilities within BTCL;
- creating strategic sourcing (and outsourcing) partnerships such as the strategic partnership with Vodafone; and
- supporting Government ICT Initiatives. These include the national ICT Policy (Maitlamo), the e-Government Programme (1-Gov) and the National Broadband Strategy.

BTCL STRATEGY GOING FORWARD

BTCL's growth areas in the short term are mobile and broadband (fixed and mobile), with converged offers providing the major opportunity in the mid-term.

BTCL will make significant investments in growing its mobile and broadband (both fixed and mobile) business. The intention is to create a new dynamic from the opportunities in these fields and the inherent confidence within BTCL generated by the Accelerating Change programme.

The mobile investment will be augmented by significant investment in the fixed line network. It is envisaged that there will be added, in the short term, 50 EoC sites and 20 additional ADSL sites. WDSL is expected to be deployed at 180 base stations.

When allied to the FMC objective of a reinvigorated organisation, whose processes have been re-engineered, whose culture has changed, and whose identity is intended to be transformed into a single, vital, wholly recognised household name, coupled with enhancements in relation to systems efficiencies, cost-reduction and the capabilities and opportunities presented by the strategic alliance with Vodafone, it becomes clear that BTCL is poised to meet its growth prospects with a singular strength and determination.

With these sectoral advantages (in mobile and fixed) to hand, it is altogether an exciting prospect for BTCL to look forward to the even greater advantages provided by a converged fixed and mobile offering, that will combine traditional fixed, mobile, broadband, information and content capabilities and services.

It is from this unique vantage point that BTCL intends distinguishing itself in the Botswana telecommunications market and achieving its mission statement of delighting its customers "by providing world-class communication, information and content services."

Equally there will be a parallel focus on the enhancement of customer service, call centre performance, the launch of new and innovative products and other value added services.

The advent of BoFiNet has resulted in a significantly changed telecoms operating landscape in Botswana, resulting in a greater need to review and revalidate the current BTCL strategy for continued sustainability and business profitability.

Accelerating Change

Accelerating Change is a business transformation programme designed to ensure BTCL will meet its strategic objectives in an ever-changing, fast-moving business environment. The programme addresses: business processes, business systems, organisation and culture and is aimed at delivering a sustainable business model for the new competitive environment. The Accelerating Change programme requires investment of up to Pula 780 million (i.e US$80 million) over a two year period.

BTCL recognises that development of the telecommunications market in Botswana and specifically the increasing competition that the launch of BoFiNet is designed to promote, means that the organisation will need to adapt in order to achieve its strategic ambitions. Convergence of Fixed and Mobile markets provides growth opportunities for BTCL. Revenue growth in future will be focused around data, mobile and the introduction of new, higher margin bundled products enabled as a result of convergence. However, to exploit these opportunities, BTCL recognises the need to focus on its customers, bring new products and services to market quickly and increase its operational efficiency.

Through the Accelerating Change business transformation programme, BTCL will address the organisational changes, business process improvements, unification of business systems and cultural changes required to succeed. This programme's initiation phase contained assessment of business processes and capabilities of the organisation. From this analysis, an organisational structure and portfolio of projects was defined that would transform and enable the business to achieve its strategic objectives as a Fixed and Mobile and Converged (FMC) organisation. Under the current leadership team, significant milestones along the transformation journey were achieved with the deployment of a new organisation structure aligned to enhanced business processes. Also achieved was the development and approval of a technology strategy that will provide the systems infrastructure to support deployment of new products and services as well as delivering operational efficiency through increased automation.

The delivery of Accelerating Change continued through 2014/15 and will, it is expected, conclude in the 2015/16 financial year. The focus in the forthcoming period will be to invest in deployment of new technology through a business systems implementation programme. A range of projects are currently in progress that will fundamentally change and enhance the way the business performs. These projects range from developing the BTCL brand, marketing capability and launch of new products and services, through to cultural change and staff development and other initiatives to improve the management of the business.

The key outcomes and benefits of this programme are as follows:

From an internal perspective:

- alignment to strategic vision by focusing on the FMC organisation, high performing culture, converging the brand and creating a customer centric environment;
- improved operational efficiency by ensuring a reduced systems estate, enhanced automation and improved processes bringing new products to market faster;
- higher margin revenue opportunities by bundling FMC broadband offers; and
- reduced cost structures for delivery of services.

From a customers perspective:

- improved customer centricity as a result of a single point of contact for all products and services;
- improved services levels as a result of convergent billing (one bill), quicker service delivery and more sophisticated portfolio of products;
- improved Quality of Service levels; and
- greater loyalty due to improved share of spend, higher cost of change and better value for money for our customers.

From a financial perspective:

- the financial benefit expected to be derived from the Accelerating Change programme is estimated at P1.2bn over a four (4) year period. The benefit is mainly determined from improved operational efficiency as a result of the systems and processes to be implemented.

BTCL's commitment to delivery of the Accelerating Change programme underlines the Company's vision of its future operating model and readiness to succeed as a privatised business.

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015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Financial
Documents
Admin

BOARD APPROVAL OF THE **ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 March 2015

BOARD APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The Members of the Board are responsible for the annual financial statements 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 Finance and Audit Committee, which consists of three members of the Board and the Managing Director, meets at least twice 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 Finance and Audit 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 Corporation 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 have occurred during the period under review.

The financial statements have been prepared on the 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 160 to 202 which were approved on August 27 , 2015 are signed on its behalf by

Daphne M. Matlakala
Chairperson

Paul Taylor
Managing Director

GENERAL **INFORMATION**

For the year ended 31 March 2015

Directors

Daphne Matlakala	Chairperson (appointed-24th July 2014)
Leonard Makwinja	Chairman(retired 30th May 2014)
Paul Taylor	(Managing Director)
Serty Leburu	
Alan Boshwaen	
Choice Pitso	
Gerald Nthebolan	
Professor Rejoice Tsheko	

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 1st November 2012.The BTC Transition Act provides in section 13 that on the Conversion date,the BTC ACT is repealed and BTCL will now be required to comply with all requirements of the Companies Act of 2003.

Registered Office

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

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

REPORT OF THE INDEPENDENT AUDITORS

For the year ended 31 March 2015

TO THE MEMBERS OF BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED

Report on the financial statements

We have audited the annual financial statements of Botswana Telecommunications Corporation Limited, which comprise the statement of financial position as at 31 March 2015, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 160 to 202.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of Botswana (Companies Act, 2003), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Botswana Telecommunications Corporation Limited as of 31 March 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of Botswana (Companies Act ,2003).

Ernst + Young

Ernst & Young
Practicing Member: Bakani Ndwapi (19980026)
Certified Auditor

Gaborone 29/9/15

STATEMENTS OF
COMPREHENSIVE INCOME

For the year ended 31 March 2015

	Notes	2015 P'000	2014 P'000 Restated
Sale of goods and services	1	1,479,988	1,454,487
Interest income	4.1	26,066	25,144
Revenue		1,506,055	1,479,631
Cost of services and goods sold	2.1	(566,070)	(817,231)
Gross Profit		939,985	662,400
Other income	3	39,652	52,114
Selling and distribution Costs	2.2	(46,745)	(42,955)
Administrative expenses	2.3	(416,656)	(376,240)
Other Expenses	2.4	(315,666)	(292,091)
Operating profit		200,569	3,228
Finance costs	4.2	-	(208)
Profit before tax		200,569	3,020
Income tax expense	6	(53,814)	(2,880)
Profit for the year		146,755	140
Other comprehensive income not to be reclassified to profit/loss in subsequent periods			
Gains on property revaluation		241,976	-
Income tax effect		(53,235)	-
Other comprehensive income for the year, net of tax	15	188,741	-
Total comprehensive income for the year		335,496	140
Earnings per ordinary shares(thebe):	11	14.68	0.01

STATEMENT OF **FINANCIAL POSITION**

For the year ended 31 March 2015

	Notes	2015 P'000	2014 P'000
ASSETS			
Non current assets			
Property, plant and equipment	7	1,526,439	1,246,163
Intangible asset	8	29,758	5,630
Deferred tax assets	6.1	26,611	89,750
		1,582,808	1,341,544
Current assets			
Inventories	10	93,928	91,347
Trade and other receivables	12	327,388	343,579
IRU prepayment	12	34,000	-
Cash and cash equivalents	21.2	365,977	353,462
		821,293	788,387
Total assets		2,404,101	2,129,932
EQUITY AND LIABILITIES			
Capital and reserves			
Stated Capital	14	228,892	228,892
Preference Share Capital	13	-	885
Revaluation reserve	15	351,574	174,267
Accumulated profits		1,342,464	1,184,275
		1,922,930	1,588,319
Non current liabilities			
Development grants	17	167,983	174,108
Preference shares-liability portion	13	-	1,416
Deferred revenue	18	-	6,716
Employee related provisions	20	33,529	15,810
		201,512	198,050
Current liabilities			
Trade and other payables	19	227,672	233,692
Interest payable on preference shares	16	-	392
Current portion of development grants	17	24,397	42,670
Current portion of deferred revenue	18	907	9,444
Employee related provisions	20	279,659	343,563
Total equity and liabilities		2,404,101	2,129,932

STATEMENT OF **CHANGES IN EQUITY**

For the year ended 31 March 2015

	Notes P'000	Stated Share Capital P'000	Preference Share Capital P'000	Revaluation Reserve P'000	Accumulated Profits P'000	Dividends P'000	Total P'000
Balance at 1 April 2013		228,892	885	185,701	1,578,150	-	1,993,628
Profit for the year/Total comprehensive income		-	-	-	140	-	140
Depreciation transfer for land and buildings	15	-	-	(11,434)	11,434	-	-
Dividend in specie proposed		-	-	-	(405,449)	405,449	-
Dividend in specie declared		-	-	-	-	(405,449)	(405,449)
Balance at 31 March 2014		228,892	885	-	1,184,275	-	1,588,319
Profit for the year				-	146,755	-	146,755
Gains on property revaluation			-	241,976			
Income tax effect	6.1			(53,235)			
Other comprehensive income	15			188,741			188,741
Total comprehensive income				188,741	146,755	-	335,496
Depreciation transfer for land and buildings	15	-	-	(11,434)	11,434	-	-
Redemption Preference Share Capital		-	(885)	-	-	-	(885)
Balance at 31 March 2015		228,892	-	351,574	-	1,342,464	1,922,930

STATEMENT OF CASH FLOWS

For the year ended 31 March 2015

	Notes	2015 P'000	2014 P'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating profit before working capital changes	21.1	314,609	446,252
Working capital adjustments:			
Increase in inventories		(2,581)	(33,125)
Decrease/(Increase) in trade and other receivables and prepayments		15,351	(91,377)
(Decrease)/Increase in trade and other payables		(6,044)	3,323
Cash generated from operations		321,335	325,074
Dividend paid	16	-	(121,245)
Interest on preference shares paid	16	(368)	-
Income tax paid		(77,070)	(92,318)
Net cash from operating activities		243,897	111,511
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Investment to expand operations:			
Purchase of property, plant and equipment		(231,492)	(192,837)
Purchase of intangible assets		33,006)	(2,009)
Interest income	4.1	26,066	25,144
Net cash used in investing activities		(238,432)	(169,702)
CASH FLOWS USED FROM FINANCING ACTIVITIES:			
Redemption of 8% Preference Shares	13	(2,301)	-
		(2,301)	-
Increase/(Decrease) in cash and cash equivalents		3,164	(58,191)
Net foreign exchange difference		9,351	6,105
Net cash and cash equivalents at beginning of the year		353,462	405,548
Cash and cash equivalents at end of the year	21.2	365,977	353,462

ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 March 2015

PRESENTATION OF FINANCIAL STATEMENTS

The financial statements are presented in Botswana Pula. The functional currency is also the Botswana Pula. All values are rounded to the nearest thousand (P'000) except when otherwise indicated. The Financial Statements of the Company for the year ended March 31,2015 were authorised for issue by the Members of the Board in accordance with a resolution on the 27 August 2015.

CORPORATE INFORMATION

Botswana Telecommunications Corporation Limited is incorporated and domiciled in Botswana. The headquarters is situated at Megaleng, Khama Crescent, Gaborone, Botswana.

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(Companies Act 2003).

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 2014.

The changes in accounting policies result from the adoption of the following new standards, interpretations and amendments to the standards

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on BTCL.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively.

These amendments have no impact on BTCL, since there are no offsetting arrangements.

AS 36 Recoverable Amount Disclosures for Non-Financial Assets — Amendments to IAS 36

The amendments to IAS 36 Impairment of Assets clarify the disclosure requirements in respect of fair value less costs of disposal. The amendments remove the requirement to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant.

In addition, the IASB added two disclosure requirements:

- Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal.
- Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendments harmonise disclosure requirements between value in use and fair value less costs of disposal. The amendments must be applied retrospectively.

As a result of the amendments, entities are no longer required to disclose information that was regarded as commercially sensitive by preparers. Nevertheless, additional information needs to be provided. In general, it is likely that the information required to be disclosed will be readily available. This amended is effective for annual periods beginning on or after 1 January 2014.This amendments have no impact on BTCL.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on BTCL as BTCL has not novated its derivatives during the current or prior periods.

IFRIC 21 Levies

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on entity.

ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 March 2015

PRESENTATION OF FINANCIAL STATEMENTS (continued)

Annual Improvements 2010-2012 Cycle

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the entity.

Annual Improvements 2011-2013 Cycle

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the entity, since BTCL is an existing IFRS preparer.

Standards issued but not yet effective

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

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the entity.

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Entity. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same entity
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

IFRS 9 Financial Instruments

Classification and measurement of financial assets

All financial assets are measured at fair value on initial recognition, adjusted for transaction costs if the instrument is not accounted for at fair value through profit or loss (FVTPL). Debt instruments are subsequently measured at FVTPL, amortised cost or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.

Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) (without subsequent reclassification to profit or loss).

Classification and measurement of financial liabilities

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI.

The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model.

The ECL model applies to: debt instruments accounted for at amortised cost or at FVOCI; most loan commitments; financial guarantee contracts; contract assets under IFRS 15; and lease receivables under IAS 17 Leases.

Entities are generally required to recognise either 12-months' or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition (or when the commitment or guarantee was entered into). For some trade receivables, the simplified approach may be applied whereby the lifetime expected credit losses are always recognised.

Hedge accounting

Hedge effectiveness testing is prospective, without the 80% to 125% bright line test in IAS 39, and, depending on the hedge complexity, can be qualitative.

A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measureable.

Classification and measurement of financial assets

The time value of an option, any forward element of a forward contract and any foreign currency basis spread, can be excluded from the designation as the hedging instrument and accounted for as costs of hedging.

More designations of groups of items as the hedged item are possible, including layer designations and some net positions.

Transition

Early application is permitted for reporting periods beginning after 24 July 2014. The transition to IFRS 9 differs by requirements and is partly retrospective and partly prospective. Despite the requirement to apply IFRS 9 in its entirety, entities may elect to apply early only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard.

Impact

The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and business model under which they are held.

The impairment requirements will generally result in earlier recognition of credit losses. The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Entity is an existing IFRS preparer, this standard would not apply.

IAS 1 Disclosure Initiative – Amendments to IAS 1

This is effective for annual periods beginning on or after 1 January 2016. The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements.

The amendments clarify

- The materiality requirements in IAS 1
- That specific line items in the statement of comprehensive income and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of Other Comprehensive Income of associates

ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 March 2015

Standards issued but not yet effective (continued)

and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to statement of comprehensive income.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of comprehensive income.

Early application is permitted and entities do not need to disclose that fact because the Board considers these amendments to be clarifications that do not affect an entity's accounting policies or accounting estimates. These amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement.

Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Entity. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception -Amendments to IFRS 10, IFRS 12 and IAS 28

This amendment is effective for annual periods beginning on or after 1 January 2016. The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. This amendment is not applicable to the entity.

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

This amendment is effective for annual periods beginning on or after 1 January 2016. The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. This amendment is not applicable to the entity.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Entity is currently assessing the impact of IFRS 15 and discontinuation of the cash cap method and analysing breakage on prepaid arrangements. The entity plans to adopt the new standard on the required effective date.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Entity.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than

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For the year ended 31 March 2015

the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Entity given that the Entity has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under

IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply.The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016. These amendments are not expected to have any impact to the entity as the entity does not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Entity's financial statements.

Annual improvements 2012-2014 cycle (issued in September 2014)

Amendments to IFRS5 Non-Current Assets Held for Sale and Discontinued Operations

Changes in methods of disposal

- Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5.
- The amendment must be applied prospectively.The changes are effective 1 January 2016. BTCL currently will not be impacted by this amendment.

Amendments to IFRS 7 Financial Instruments:

Disclosures

Servicing contracts

- The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.
- The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.
  Applicability of the offsetting disclosures to condensed interim financial statements
- The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.
- The amendment must be applied retrospectively.The changes are effective 1 January 2016. BTCL is currently assessing the impact of this amendment.

Amendments to IAS 19 Employee Benefits Discount rate: regional market issue

- The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- The amendment must be applied prospectively.The changes are effective 1 January 2016. BTCL will not be impacted by this amendment.

Amendments to IAS 34 Interim Financial Reporting

Disclosure of information 'elsewhere in the interim financial report'

- The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report).
- The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 March 2015

Standards issued but not yet effective (continued)

- The amendment must be applied retrospectively.The changes are effective 1 January 2016. BTCL will not be impacted by this amendment as it does not prepare interim financial reports.

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, because the remainder of the revenue in the transaction is contingent upon BTCL providing the monthly services.

Determining the value allocated to each deliverable can require complex estimates due to the nature of goods and services provided. The entity generally determines the fair value of individual elements based on prices at which the deliverable is usually sold on a standalone basis, after considering volume discounts where appropriate.

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 discount 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 judgment 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 amortizing 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 2014/2015.Further details are given in Note 17

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. Futher details are given in Note 7.

Lease classification

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.Further details are given in Note 23.

Finance leases

The company has transferred some of the immovable property to Botswana Fibre Networks (BOFINET) (see Note 7) as per government directive. BTCL entered in to a possession and use agreement that gives BOFINET full control of these assets pending legal tittle transfer. BTCL does not charge BOFINET for the use of these assets nor have the right to control physical access to the underlying assets. On 1 April 2014 BTCL entered into a ten year indefeasible right of use (IRU) to acquire capacity from Botswana Fibre Networks (BOFINET). Because BTCL has no control over the use of these assets and will not obtain the majority of the benefits

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For the year ended 31 March 2015

from the assets, the possession and use and IRU agreements are not considered to be leases in terms of IFRIC 4 .

Related parties

Government, parastatals and key management personnel are considered as being related to the company.The government is still a related party despite privatisation as the shares are currently held 100% by the Government of Botswana .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. Further details are given in Note 24 .

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. Further details are given in Note 10.

Depreciation Charges and Residual Values

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 design 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 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. Further details are given in Note 7.

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. Further details are given in Note 12.

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, such as preference shares – liability portion 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. Further details are given in note 25.9

ACCOUNTING POLICIES

EMPLOYEE BENEFITS

Post employement benefits

The company operates a defined contribution pension fund for its eligible citizen employees. The fund is registered under the Pension and Provident Funds Act (Chapter 27:03). The Corporation contributes to the fund 14% 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)

Termination benefits

The cost of termination benefits is recognized 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 recognized if it is probable that the offer will be accepted and the number of employees accepting the offer can be reliably estimated.

ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 March 2015

Termination benefits (continued)

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.

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:

National & International Telephone services comprise of the following product and /or 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.

Postpaid products

BTCL 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 recognized based on usage.

Interconnect - national and international

National and international interconnect revenue is recognised on a usage basis. This is revenue that BTCL realises from network interconnection and access interconnection with other Telecommunications or Cellular 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:

Sale of goods

Customer Premises Equipments includes sale of equipments such as 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 comprise of the following products and or 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 comprise of the following products and or services:

Interest income

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

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.

ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 March 2015

Construction contracts

Construction contracts include cost of works 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.

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 comprise of the following products and or services:

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.

Postpaid 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 recognized based on usage. All post paid products are sold by BTCL, there are no dealers or agents involved.

Interconnect - national and international

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

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.

Customer Loyalty Programmes

Award credits given to mobile prepaid customers are accounted for as a separate component of the initial sales transaction.The amount allocated to the award credit is equal to the fair value of the awards for which the credits could be redeemed.

INVENTORIES

Inventories comprise items of equipment used in the construction or maintenance of plant (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.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

There were no borrowing costs capitalised during the period under review.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment 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.

ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 March 2015

PROPERTY, PLANT AND EQUIPMENT (continued)

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 fromits fair value.

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. 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

ACCOUNTING
POLICIES (CONTINUED)

For the year ended 31 March 2015

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 re coverable 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 the revaluation reserve after reversing the portion previously recognised in profit or loss.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will principally be recovered through sale rather than continuing use. For an asset to be classified as held for sale it must be available for immediate sale in its present condition and the sale must be highly probable. Management must be committed to the sale , which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets and disposal groups held for sale are measured at the lower of the asset's carrying value before being classified as held for sale and its fair value less cost to sell . Fair value is the price that is deemed reasonable in an arm's length transaction. While a non-current asset is classified as held for sale, it is not depreciated (or amortised).Interest and other expenses attributable to the liabilities of an asset held for sale continues to be recognised.

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 as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised,but are tested for impairement annually,either individually or at the cash-generating unit level.

Licences

The company made upfront payments to purchase licenses.Licences for the use of intellectual property are granted for periods ranging between 5 and 15 years depending on the specific licences.The licences are renewed at little or no cost and are assessed as having an indefinite useful life. As a result the licences are not amortised.

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. Profits and losses 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 USD rate is linked to the Special Drawing Rights (SDR) rate, which is fixed at 1.51824:1 (SDR).

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.

ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 March 2015

INDEFEASIBLE RIGHT OF USE(IRU) (continued)

The assets are not specified under the IRU arrangements and BTCL 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, a statutory body, was converted to a public company limited by shares issued on the 1st November 2012.The financial interest of the Botswana Government in the Corporation, (being the Notional Share Capital, Equity Portion of Preference Shares and Equity Application Account) was converted into one million shares in the capital of the company. As at the date of conversion to date , the Government of Botswana remains the sole shareholder. Any act lawfully performed by the Corporation under the BTC Act and before the conversion date, shall continue to be valid and shall be performed by the Company as per the BTC Transition Act.

Prior to conversion to a public company the company was constituted in terms of the Botswana Telecommunication Corporation Act CAP 72:02. The Act did not provide for share capital. However, by agreement with the Government of Botswana, the company created a notional share capital account of P21.03 million. These shares were neither registered under the Companies Act nor recorded by the Registrar of Companies. The Notional share capital (excluding the capital portion of preference shares) was recognized at the fair value of the consideration received by the company at a notional par value. The notional share capital did not have any attached rights and obligations and rights and obligations with respect to dividends were not constituted. However, dividends based on a Government directive CAB 40/2004 and which were not linked to the value of the share capital, were paid.

By agreement with the Government of Botswana, the company created an equity application account being loans convertible to equity of P207.86 million. The money set aside through the equity application account was recognized at the total value of the consideration received by the company and at a notional par value. The equity application account did not have any attached rights and obligations and constituted an equity contribution by the Government of Botswana. The equity did not have any rights to dividends as rights and obligations attached thereto were not constituted.

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.

TAXATION

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.

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 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.

ACCOUNTING **POLICIES (CONTINUED)**

For the year ended 31 March 2015

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.

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.

Financial Assets

The company's principal financial assets are cash and cash equivalents and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short term deposits with an original maturity of three months or less. Cash on hand and cash equivalents are carried at amortised cost using the effective interest rate method. For the purpose of the Statement of cash flows, cash and cash equivalents consist of cash and deposits, net of outstanding bank overdrafts.

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.

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 include the liability portion of preference shares and trade and other payables.

Compound financial instruments

The company evaluates the terms of each non derivative financial instrument issued by the Corporation to determine whether it contains both a liability and an equity component. Where the financial instrument is determined to be a compound financial instrument, such components are classified separately as financial liabilities, and/or equity instruments in accordance with the requirements of IAS 32.

As at year end, the company had in issue, preference shares that were considered to be a compound financial instrument. The company determines the carrying amount of the liability component by measuring the fair value of the liability by discounting future contractual dividend payments for the preference shares at the risk adjusted interest rate. The carrying amount of the equity instrument, represented by the option of the company to redeem the preference shares, is then determined by deducting the fair value of the financial liability from the total consideration received of the compound financial instrument as a whole. The liability portion of the preference shares are carried at amortised cost using the effective interest rate method.

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

ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 March 2015

Derecognition of financial assets and liabilities (continued)

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.

Assets carried at amortised cost

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.

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 AND DIVIDENDS IN SPECIE

Management and shareloders determines the amount of dividends distributed. Dividends proposed after the reporting date is shown as a component of equity and reserves and not as a liability. The liability to pay dividends is recognised when dividends are authorised by management and the shareholder. Dividends are still payable to Botswana Government despite corporatisation as it is still the only shareholder.

Management and Shareholder may declare dividends in specie. BTCL measures a liability to distribute non-cash assets as a dividend at the carrying amount of the assets to be distributed.

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.

Restructuring provisions

Restructuring provisions are recognised only when the recognition criteria for provisions are fulfilled.The Company has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the number of employees affected and a detailed timeline. Detailed communication plan to affected employees in a sufficiently specific manner to raise expectation in them that the Company will carry out the restructuring.

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.

Corporation 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.

ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 March 2015

Corporation 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.

GENERAL POLICIES

Business Combinations

Business combinations are accounted for using the acquisition method, unless it is a combination involving entities or businesses under common control. Common control business combinations are accounted for using the pooling of interest method and comparative information is restated as if the business combination had occured previously. The amounts are restated as if the transaction had taken place at the beginning of the comparative period. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition costs incurred are expensed.

Financial Guarantee Contracts

Financial guarantee contracts issued by the company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make the payment when due in accordance with the terms of a debt instrument. Financial contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

	2015 P'000	2014 P'000
1 SALES OF GOODS AND SERVICES		
Telephone - national	233,115	229,108
Mobile Revenue	422,710	366,349
Telephone - international	55,801	49,908
Local and Access Services	106,836	103,276
Data	450,134	463,130
Private circuits	82,612	87,433
Customer Premises Equipment	91,106	107,601
Other Services	37,676	47,682
	1,479,988	1,454,487
2 OPERATING COSTS		
2.1 Cost of services and goods sold :		
Payment to International carriers and local operators (Interconnection)	221,441	191,371
Depreciation		
Land and buildings	7,415	8,391
Plant and Machinery	156,388	175,372
Amortisation of Intangible assets	10,922	5,508
Impairment of Property ,Plant and equipment	-	266,051
Equipment and material costs	70,438	77,554
Write(up)/down of inventories - Note 10	8,801	(2,949)
Cost of directory sales	2,933	2,872
Cost of phones & prepaid cards	29,177	28,006
License fee - BOCRA	44,636	35,429
Space segment rentals and other licence fees	13,919	29,626
Total cost of services and goods sold	566,070	817,231

Space segment rentals relates to access to some satelites which the entity rents.
Licence fees relates primarily to such licences as computer software licences.

	2015 P'000	2014 P'000
2.2 Selling and distribution costs:		
Installation of Customer Premises Equipment	8,578	13,145
Product Marketing costs	38,168	29,810
	46,745	42,955
2.3 Administrative expenses		
Employee costs:		
Salaries and wages	317,756	296,322
Pension fund and group life contributions (defined contribution plans)	15,736	15,199
Training costs	5,653	4,302
Other related costs	21,527	14,671
Total employee costs	360,670	330,495
Employee costs relating to assets constructed capitalised	(325)	(1,360)
Total employee costs charged to profit or loss	360,345	329,135
Depreciation - Other equipment	27,345	28,511
Repairs and maintenance- Non Telcom equipment	28,966	18,596
Total Administrative expenses	416,656	376,240

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2015

	2015 P'000	2014 P'000
2.4 Other expenses		
Other operating expenses-Note 2.4	315,666	282,000
Loss on disposals	-	10,091
Total other expenses	315,666	292,091
Total operating costs	1,345,137	1,528,517
Operating costs include the following items :		
Audit fees - Current year	1,400	1,400
- Prior year	252	252
Board members' fees	154	110
Restructuring costs	-	31,190
Consultancies	41,111	29,558
Legal costs	363	6,839
Debtors impairment	64,656	42,648
Operating lease charges - rentals	11,795	10,172
Foreign exchange net gains	(3,743)	(7,216)
3 OTHER INCOME		
Development grant recognised as income - Note 17	24,397	42,670
Deferred revenue recognised as income	15,254	9,444
	39,652	52,114
4 INTEREST INCOME/ FINANCE COSTS		
4.1 Interest income:		
Call Accounts	26,066	25,144
	26,066	25,144
4.2 Finance costs:		
Preference shares interest	0	184
Accrued interest (13%)	0	24
	-	208
5 EARNINGS PER SHARE		
Profit attributable to ordinary shareholder for basic and diluted earnings per share	146,755	140
Stated Capital-Number of shares	1,000,000	1,000,000
Earnings per share(Pula)	146.76	0.14

The Company has Stated capital of 1,000,000 shares during the financial year.
The Government of Botswana is still the sole shareholder.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2015

	2015 P'000	2014 P'000
6 INCOME TAX		
The components of income tax expense for the year ended are:		
Statement of Comprehensive income		
Taxation expense		
Corporate tax	43,911	102,906
Deferred taxation	9,903	(100,026)
Taxation expense	53,814	2,880
Tax rate reconciliation		
Profit before tax	200,569	3,020
Company tax at 22%	44,125	664
Non-taxable income	(5,367)	(5,968)
Non-deductible expenses	15,056	7,530
Citizen training allowance	-	465
Assets not qualifying for capital allowances	-	188
Taxation expense	53,814	2,880
6.1 DEFERRED TAX		
Accelarated depreciation for tax purposes	(88,372)	(91,02)
Unrealised gain	2,413	3,527
Revaluation of land and buildings(OCI)	53,235	-
Indefeseable right of use	7 480	
Unutilised scratch cards	(2,235)	(2,256)
Other	868	-
Deferred tax assets	(26,611)	(89,750)
Assessed loss		
Balance brought forward	-	54,365
Movement for the year	-	(54,365)
Total	-	-
6.2 MOVEMENT IN DEFERRED TAX ASSET		
Opening balance	(89,750)	10,276
Movement in Profit and Loss	9,904	(100,026)
Movement in other comprehensive income	53,235	-
Closing balance	(26,611)	(89,750)

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2015

	Land & Buildings P'000	Plant & Equipment P'000	Other Equipment P'000	Plant & Equipment in the Course of Construction P'000	Total P'000
7 PROPERTY, PLANT AND EQUIPMENT					
31 March 2015					
COST OR VALUATION					
At beginning of the year	229,064	3,033,297	367,444	6	3,629,811
Revaluation	339,807	-	-	-	339,807
Additions	247	223,455	6,947	843	231,492
Reclassification- land and buildings	78,280	(33,253)	(45,027)	-	-
Reclassification -Network assets	-	97,655	(97,655)	-	-
Reclassification -Intangible assets	-	(53,330)	-	-	(53,330)
Retired	-	(998,605)	(42,196)	-	(1,040,800)
At end of the year	647,398	2,269,220	189,514	849	3,106,980
DEPRECIATION AND IMPAIRMENT					
At beginning of the year	19,768	2,078,339	285,542	-	2,383,648
Depreciation charge for the year	7,415	-	156,388	27,345	191,148
Reclassification- land and buildings	44,259	(16,204)	(28,055)		-
Reclassification -Network Assets	-	77,379	(77,379)		-
Reclassification -Intangible assets		(51,286)	-		(51,286)
Retired	-	(998,605)	(42,196)	-	(1,040,800)
Revaluation	97,831	-	-	-	97,831
At end of the year	169,273	1,246,010	165,258	-	1,580,541
NET BOOK VALUE					
At beginning of the year	209,296	954,959	81,903	6	1,246,163
At end of the year	478,125	1,023,210	24,255	849	1,526,439

A fixed asset project was undertaken to ensure that BTCLs fixed asset register complied with the requirements of IFRS at 31 March 2015. This entailed:

The revaluation of land and buildings was performed in accordance with BTCL's accounting policies at 31 March 2015 by Willy Kathurima associates. The revaluation adjustment is reflected in Note 15 and as reported in the Statement of Comprehensive income.

The count and valuation, where possible of the identifiable asset components in Botswana, asset classifications, components and appropriate depreciation classes were standardised and residual values applied.

The standardisation of asset components through the fixed asset project resulted in significant reclassifications between the classes of tangible and intangible assets. The effect was that certain:

1) Other plant and equipment was reclassified to network assets and improvements to land and buildings.
2) Network assets were reclassified to land and buildings (cost of construction and improvements to network sites) and intangibles (network systems comprising network software and licenses).

Obsolete and fully depreciated assets which are of no future economic benefit to BTCL were retired

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2015

	Land & Buildings P'000	Plant & Equipment P'000	Other Equipment P'000	Plant & Equipment in the Course of Construction P'000	Total P'000
7 PROPERTY, PLANT AND EQUIPMENT					
31 March 2014					
COST OR VALUATION					
At beginning of the year	266,265	3,492,810	513,184	1,198	4,273,457
Disposals (Transfers to BOFINET)	(49,058)	(706,116)	(10,715)	-	(765,889)
Other Disposals	-	(115,405)	-	(1,198)	(116,603)
Additions	-	167,617	25,214	6	192,837
Reclassification	11,857	194,391	(160,239)	-	46,009
At end of the year	229,064	3,033,297	367,444	6	3,629,811
DEPRECIATION AND IMPAIRMENT					
At beginning of the year	30,163	2,000,138	391,493	-	2,421,794
Depreciation charge for the year	8,391	175,372	28,511	-	212,274
Impairment	-	266,051	-	-	266,051
Disposals (Transfers to BOFINET)	(7,631)	(415,614)	(7,768)	-	(431,013)
Other disposals	-	(106,144)	-	-	(106,144)
Reclassification	(11,155)	158,535	(126,69)	-	20,686
At end of the year	19,768	2,078,339	285,542	-	2,383,648
Net book value					
At beginning of the year	236,102	1,492,672	121,691	1,198	1,851,663
At end of the year	209,296	954,959	81,903	6	1,246,163

The presidential directive cab 21/2012 approved the transfer of some main telecommunication infrastructure which includes among others the local and national fibre system and also the management of both East Africa Sea Cable (EASSY) and West Africa Cable System (WACS) to a Special Purpose Vehicle, named Botswana Fibre Network (BOFINET).

The government of Botswana further instructed BTCL to fund the establishment of BOFINET. The assets were transferred at Netbook Value. Total Netbook value of Assets (Excluding Inventory) transferred to BOFINET is P334,876,193(note 9). The effective date of transfer was 31st December 2013. (Further details are in note 15,17 and 23).

During the year BTCL embarked on an assets class clean up exercise in order to align the classes in the Fixed Asset Register with the Annual Financial Statements.The amounts are shown under reclassification line in note 7 and 8.

Impairment amount of P266 050 988 (note 9) represent a write-down of certain property,plant and equipment.This was recognised in the statement of comprehensive income as a cost of sales. The impairment amount was determined by comparing the carrying amount and the valuation as at the reporting date.

Revaluation of Land & Buildings
If land & buildings were measured using the cost model, the carrying amount would be as follows:

	2015 P'000	2014 P'000
Cost	173,707	95,179
Depreciation	(104,724)	(58,165)
Carrying amount	68,983	37,014

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2015

	Computer & Billing Software P'000	Network Management System P'000	Total P'000
8 INTANGIBLE ASSETS			
31 MARCH 2015			
COST			
At beginning of the year	108,678	10,439	119,117
Additions	33,006	-	33,006
Reclassification from network assets	-	53,330	53,330
Reclassification to network systems	(30,719)	30,719	-
At end of the year	110,965	94,488	205,453
AMORTISATION			
At beginning of the year	103,773	9,714	113,487
charge for the year	10,444	478	10,922
Reclassification from network assets	-	51,286	51,286
Reclassification to network systems	(17,139)	17,139	-
At end of the year	97,078	78,617	175,695
NET BOOK VALUE			
At beginning of the year	4,905	725	5,630
At end of the year	13,887	15,871	29,758
31 MARCH 2014			
COST			
At beginning of the year	135,367	27,750	163,117
Additions	1,742	267	2,009
Reclassification	(28,431)	(17,578)	(46,009)
At end of the year	108,678	10,439	119,117
AMORTISATION			
At beginning of the year	103,980	24,685	128,665
charge for the year	4,839	669	5,508
Reclassification	(5,046)	(15,640)	(20,686)
At end of the year	103,773	9,714	113,487
NET BOOK VALUE			
At beginning of the year	31,387	3,065	34,452
At end of the year	4,905	725	5,630

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2015

9 ASSET IMPAIRMENT

During prior year, the company reduced its fixed line incumbent assets base due to technology changes which is in line with global trend. The company is also facing increased competition from other operators as well as the tightened regulatory environment.

In addition, the asset base of the company significantly reduced by P334 876 193 due to transfer of assets ordered by the Government of Botswana which is the sole shareholder. The assets were transferred to a newly formed and 100% Government owned company named Botswana Fibre Network (BOFINET).

In determining the recoverable amount of BTCL cash generating unit (CGU) a discounted Cash flow valuation method was used. The whole business is regarded as one CGU .The recoverable amount was lower than a carrying amount indicating that the assets are impaired. Impairment amount of P266 050 988 was determined and it represents a write-down of some of the property, plant and equipment. All the impaired fixed line incumbent assets fall under plant and equipment asset category (note 7).

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 the growth rate of 6% was applied .

Assumptions

Discount rate (WACC) 2014: 13 %

Management determined these rates based on past experience as well as external sources of information.

For the financial year 2015,management is of the view that no impairment indicators were identified ,hence no further impairment

	2015 P'000	2014 P'000
10 INVENTORIES		
Comprising:		
Consumable stores	29,481	32,245
Customer premises equipment	39,535	32,535
Other inventories	24,911	26,565
	93,928	91,347

The above inventory is disclosed at the lower of cost and estimated net realisable value. The inventory write down was P8,801,000 in the current year and in 2014 there was a write up amounting to P2,949,000.

11 EARNINGS PER ORDINARY SHARES

The calculation of earnings per ordinary shares is based on 1,000,000 ordinary shares of no par value in issue throughout the year and profit for the year. Profit for the year for the ordinary shares is Pula 146,755,000 (2004: Pula 140,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2015

	2015 P'000	2014 P'000
12 TRADE AND OTHER RECEIVABLES		
Trade receivables	198,408	180,523
Receivables from related parties	35,490	76,233
Trade receivables from interconnect balances	127,120	98,470
Staff advances	8,391	1,586
Receivables from Global connectivity projects (EASSy & WACS	9,455	14,024
Other receivables	91,203	54,391
	470,068	425,227
Prepayments and deposits	22,246	18,622
IRU prepayment	34,000	-
Debtors impairment	(164,926)	(100,270)
	361,388	343,579

The company's trade and other receivables are non-interest bearing. For terms and conditions relating to related party receivables, refer to Note 24. 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 24.

Trade and other receivables at 31 March 2015

	2015 P'000	2014 P'000
Neither past due nor impaired	105,903	120,858
Past due but not impaired		
less than 30 days	28,743	47,868
between 30 days and 60 days	25,649	36,925
between 60 days and 90 days	36,795	21,846
more than 90 days	74,946	97,458
Net carrying amount	272,036	324,956

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
At 31 March 2015			
At beginning of year	59,778	40,492	100,270
Additional amounts raised (note 2)	15,855	48,801	64,656
At end of year	75,633	89,293	164,926
At 31 March 2014			
At beginning of year	25,595	30,502	56,097
Additional amounts raised	34,183	13,620	47,803
Release of the provision during the year	-	(3,630)	(3,630)
At end of year	59,778	40,492	100,270

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2015

	2015 P'000	2014 P'000
13 PREFERENCE SHARES		
2 301 000 - 8% redeemable cumulative preference shares of P1 each, held by the Government of Botswana		
Total nominal value	2,301	2,301
Liability portion of preference shares disclosed under non current liabilities	(1,416)	(1,416)
Redemption of Preference shares	(885)	-
Equity portion of preference shares disclosed separately	-	885
Preference shares were redeemed at their nominal value of P2,301,000 by cash during the year.		
These shares were non-convertible and were redeemable at the option of BTCL.		
14 STATED CAPITAL		
Balance at the beginning and end of the year	228,892	228,892
Stated capital is made up as follows:		
Issued and fully paid		
1,000,000 ordinary shares of no par value	228,892	228,892
Preference shares		
2,301,000- 8% redeemable preference shares(Note 13)	-	2,301

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

	Number of shares	
	2015	2014
Shares of no par value in issue at the beginning of the year	1,000,000	1,000,000
Shares of no par value in issue at the end of the year	1,000,000	1,000,000

	2015 P'000	2014 P'000
15 REVALUATION RESERVE		
Properties revaluation reserve		
Balance at the beginning of the year	174,267	185,701
Depreciation transfer for land and buildings	(11,434)	(11,434)
Increase for the year	188,741	-
Balance at the end of the year	351,574	174,267
Total other reserves	351,574	174,267

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2015

	2015 P'000	2014 P'000
16 DIVIDENDS AND PREFERENCE SHARE INTEREST		
Preference share interest		
Preference share interest owing at the beginning of the year	392	184
Accrued interest -13% on outstanding balance	0	24
Adjustment of accrued interest on outstanding balance	(24)	
8% redeemable cumulative preference shares- declared during the year	0	184
Amount paid during the year	(368)	-
Amount payable at end of year	-	392
Equity dividends:		
Dividend declared (ratified by board)	-	405,449
Total dividends	-	405,841
Dividend per share	-	-
Dividends in specie:		
Fixed Assets transferred to Bofinet	-	334,875
Inventory transferred to Bofinet	-	5,257
Deferred Revenue and grants amortized	-	(55,928)
Bofinet Funding	-	121,245
	-	405,449
Dividends declared	-	405,449

In the prior years to November 2012 dividends amounting to 25% of the company profits were payable to the Government in line with the requirements of the Government directive CAB 40/2004. Since BTCL is now required to pay tax in terms of the Income Tax Act this obligation now falls away. BTCL shall now declare dividends in compliance with the relevant provisions of the Companies Act.

There are no dividends proposed for the 2015 financial year.

In the prior year (2014) the shareholder (Government of Botswana) gave BTCL a directive to fund the new telecommunication establishment by the name BOFINET. They are 100% owned by the government and their mandate is to manage the main telecommunication network in the country. BTCL was further directed to transfer some of the assets to BOFINET. The assets were transferred at carrying amount. A dividend in Specie has been declared against the value of assets transferred and ratified by the Board effective 31 December 2013.

	2015 P'000	2014 P'000
17 DEVELOPMENT GRANTS		
Balance at the beginning of the year	216,778	263,408
Transfer to BOFINET	-	(3,960)
Recognised as income during the year	(24,397)	(42,670)
Balance at end of the year	192,380	216,778
Current portion of development grant	24,397	42,670
Non-current portion of development grant	167,983	174,108
	192,380	216,778

The cumulative grants received to date are P509,325,983.70 (2014:509,325,983.70). 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2015

	2015 P'000	2014 P'000
18 DEFERRED REVENUE		
Balance at beginning of the year	16,160	77,571
Deffered revenue transferred to BOFINET	-	(51,968)
Deferred revenue recognised as income		
- Fibres	-	(123)
- Network Upgrade -Government of Botswana (GOB)	(15,254)	(15,501)
-Transkalahari Upgrade (DWDM)	-	6,181
Balance at end of the year	907	16,160
Current portion of deferred revenue	907	9,444
Non-current portion of deferred revenue	-	6,716
	907	16,160

The deferred revenue in 2014 comprised an amount received from the Water Utilities Corporation (2014:P7,059,000) for the usage of four fibres from Mmamashia to Letsibogo Dam for a period of 25 years.The ownership of the equipment utilised to provide these services vests with the Company. This was transferred to Bofinet on 31st December 2013.

Network upgrade comprise of P151,495,933 from the Government of Botswana to upgrade the network and systems; and a further P42,000,000 to upgrade the DWDM network.

The deferred revenue recognised as income in 2014 relating to Transkalahari Upgrade (DWDM) was re-assessed and decreased to P6,181,000.

The Government of Botswana through the Ministry of Transport and Communication transferred the following assets to BOFINET amongst others: Transkalahari National Backbone Network Upgrade project - Dense Waivelength Division Multiplexing (DWDM) including project vehicles and routers(Gaborone and London) .The effective date of transfer was 31st December 2013.

	2015 P'000	2014 P'000
19 TRADE AND OTHER PAYABLES		
Trade payables	122,338	32,364
Interconnection balances	9,630	36,126
Accruals and Other payables .	95,703	165,202
	227,672	233,692

	Leave Pay P'000	Gratuity P'000	Restructuring Costs P'000	Other P'000	Total P'000
20 EMPLOYEE RELATED PROVISIONS					
Opening balance (2014)	20,233	15,810	25,000 12,132	73,175	
Charged to employee expenses	(7,811)	(29,790)	(25,000)	(12,890)	(75,491)
Utilised	9,866	47,509	-	5,153	62,528
Closing balance (2015)	22,288	33,529	-	4,395	60,212

Employee related provisions comprise of leave pay, gratuity and other. In terms of BTCL policy, employees are entitled to accumulate vested leave benefits, there is no cap to the number of days that can be accumulated within the leave cycle. Gratuities are normally paid at the end of an employee's contract which in the case of BTCL is on average between 1 to 3 years. All employees affected by the restructuring exercises were fully paid off during the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2015

		Notes	2015 P'000	2014 P'000
21	**STATEMENT OF CASH FLOWS**			
21.1	**Operating profit before working capital changes:**			
	Net Profit before financing costs		200,569	3,228
	Adjustment for non cash movements:			
	Depreciation and amortisation of intangible assets	7-8	202,070	217,782
	Impairment of Property ,Plant and Equipment	7	-	266,051
	Loss on disposal of property, plant and equipment	2.4	-	10,091
	Interest income	4	(26,066)	(25,144)
	Exchange loss unrealised		(9,351)	(6,105)
	Development grant recognised as income	16	(24,397)	(42,670)
	Deferred revenue recognised as income			
	- fibres	17	-	(123)
	- Network Upgrade -GOB	17	(15,254)	(15,501)
	- Transkalahari Upgrade(DWDM)	17	-	6,181
	Profit from miscellaneous sale		-	404
	Movement in provisions	19	(12,963)	31,109
	Adjustment for deferred revenue		-	949
	Operating profit before working capital changes		314,609	446,251

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 and payable at both the beginning and end of the year.

			2015 P'000	2014 P'000
21.2	**Net cash and cash equivalents at end of the year:**			
	Cash at bank and on hand		19,008	19,571
	Short term deposits		346,969	333,891
	Net cash and cash equivalents at end of the year		365,977	353,462

The call deposits had effective interest rates of between for 1% and 3% (2014: 0.25% and 4.15%). Short- term deposits are made for varying periods of between one day and three months,depending on the immediate cash requirements of the Company. At year end the short term deposits were maturing within 90 days (2014:90 days).

21.2.1 Banking Facilities

The Corporation has facilities with its bankers amounting to P110,000,000 (2014 : P110,000,000) in respect of letters of credit and guarantees.The banking facilities are unsecured.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2015

	2015 P'000	2014 P'000
22 CAPITAL COMMITMENTS		
Contracted but not paid	108,656	123,943
Authorised but not contracted	323,902	317,615
Total capital commitments	432,558	441,558

These commitments will be financed by equity contributions, development grants, long term borrowings and internally generated funds.

23 OPERATING LEASE COMMITMENTS-COMPANY AS LESSEE

Future minimum lease payments payable under non-cancellable operating leases are as follows:

	2015 P'000	2014 P'000
Operating leases	20,141	8,538
	20,141	8,538
Balance due within one year	6,669	8,538
Balance due between two and five years	8,286	-
Balance due after five years	5,186	-
	20,141	8,538

OPERATING LEASE COMMITMENTS-COMPANY AS LESSOR

Future minimum lease receivables under non-cancellable operating leases as at 31 March 2015 are as follows:

	2015 P'000	2014 P'000
Operating leases	6,114	7,616
Balance due within one year		
Balance due between two and five years	2,887	3,804
Balance due after five years	1,846	2,310
	6,114	7,616

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 Corporation 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.`

24 RELATED PARTY TRANSACTIONS

Relationships

Owner with 100% ownership	Government of Botswana
Members of the Board of Directors	Refer to General information Page 158
Members of Key management	Paul Taylor
	Anthony Masunga
	Abel Bogatsu
	Joy-Marie Marebole
	Thabo Nkala
	Mokgethi Nyatseng
	Christopher Diswai
	Same Kgosiemang
	Boitumelo Masoko
	Masego Mathambo
	Kaelo Radira

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2015

Trading transactions

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

	Revenue billed		Balance due	
	2015 P'000	2014 P'000	2015 P'000	2014 P'000
Sales and outstanding balances from related parties				
The Government of the Republic of Botswana	382,443	396,809	26,757	71,238
Parastatals	69,769	59,491	8,733	4,995
	452,212	456,300	35,490	76,233
Purchases from related parties				
Parastatals	269,759	257,179	20,866	35,317

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 BTCL P9,455,477.63 (2014 : P14,024,933.82) for payments which were made on behalf of the government towards procuring the Indefeasible right of use (IRU). BTCL 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 offered BTCL an IRU worth Pula 340 million for 10 years which translates to an annual charge of Pula 34 million.During the year Pula 68 million has been paid to date.

Government of Botswana

The Government of Botswana has provided a letter of support worth Pula 250 million to BTCL .Please refer to Note 29.2 for more details.

	2015 P'000	2014 P'000
Compensation of key management personnel		
Short term benefits	12,030	10,383
Termination benefits	4,156	3,692
	16,186	14,074

The Compensation of Key management personnel figures above are inclusive of remuneration paid to members of the Board of Directors of BTCL and executive management. The remuneration for key management staff is determined by the remuneration committee and that of directors is consistent with Government rates.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2015

24 RELATED PARTY TRANSACTIONS (continued)

Directors' Interests
Emoluments per director (in Pula) (2015)

Director	Fees	Remuneration	Performance bonus	Fringe and other benefits	Total
Leonard Makwinja	6,090	-	-	-	6,090
Paul Taylor (Managing Director)	-	3,790,670	643,243	362,349	4,796,261
Alan Boshwaen	23,100	-	-	-	23,100
Choice Pitso	26,204	-	-	5,789	31,993
Serty Leburu	22,050	-	-	-	22,050
Cecil Masiga	-	-	-	-	-
Rejoice Tsheko	24,360	-	-	-	24,360
Gerald Nthebolan	20,790	-	-	-	20,790
Daphne Matlakala	31,710	-	-	-	31,710
Total emoluments paid by BTCL	154,304	3,790,670	643,243	368,138	4,956,354

Directors' Interests
Emoluments per director (in Pula) (2014)

Director	Fees	Remuneration	Performance bonus	Fringe and other benefits	Total
Leonard Makwinja	29,610	-	-	-	29,610
Paul Taylor (Managing Director)	-	2,254,144	695,652	387,148	3,336,944
Alan Boshwaen	12,600	-	-	-	12,600
Choice Pitso	10,920	-	-	5,789	16,709
Serty Leburu	14,280	-	-	-	14,280
Cecil Masiga	840	-	-	-	840
Dr Geoffrey Seleka	11,760	-	-	-	11,760
Gerald Nthebolan	8,400	-	-	-	8,400
Daphne Matlakala	22,050	-	-	-	22,050
Total emoluments paid by BTCL	110,460	2,254,144	695,652	392,937	3,453,193

25 FINANCIAL RISK MANAGEMENT

25.1 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.

25.2 Currency risk:

The Company undertakes certain transactions denominated in foreign currencies with international operators and other foreign suppliers. Hence, exposure to exchange rates 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):

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2015

	Exchange Rates		Amount in Foreign Currency	
	2015	2014	2015	2014
Currency				
Liabilities:				
Euro	0.0910	0.0810	(313,360)	(8,530)
Rand	1.1875	1.1705	(3,746,886)	(3,562,138)
SDR	0.0703	0.0737	(2,754,133)	(3,438,599)
US Dollar	0.0970	0.1100	(1,859,354)	(1,145,992)
GBP	0.0668	0.0672	-	(46,440)
Assets:				
SDR	0.0750	0.1737	3,445,973	3,540,216
US Dollar	0.1035	0.1175	665,926	924,120
Combined Net Liability Position			(4,561,834)	(3,737,363)

The Company's currency risk exposure is partly hedged by USD ,EURO and RAND deposit accounts held which at 31 March 2015 amounted to USD 54,826.86 (2014: 42,231) ; EURO 1,107.95(2014:739) and RAND 467,622.14 (2014: 652,260).

25.3 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 Group'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.

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

	2015 Pula	2014 Pula
10% decrease		
Euro	(2,852)	(69)
Rand	(444,943)	(416,948)
Special Drawing Rights (SDR)	(19,362)	(25,342)
United States Dollar	(18,036)	(12,606)
British Pound	-	(312)
Net Effect	(485,191)	(455,277)
10% increase		
Euro	2,852	69
Rand	444,943	416,948
Special Drawing Rights (SDR)	19,362	25,342
United States Dollar	18,036	12,606
British Pound	-	312
Net Effect	485,191	455,277

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2015

25 FINANCIAL RISK MANAGEMENT (continued)

25.4 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: P26,757,063 (2014: P71,237,816.54)
Banks: P3,095,976.87 (2014: P4,021,793.40)

Guarantees given to financial instituition in respect of loans relates to loans given to employees where the Company has an agreement with the Bank that in an event that employees default payments, the liability to the Bank then lies with the Company.

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.

	2015 Pula	2014 Pula
Trade debtors and other receivables	339,142	324,956
Short term call deposits	346,969	333,891
Cash and bank	19,008	19,571
	705,118	678,418

25.5 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).

25.6 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.

25.7 Interest income and expense by financial instrument category

	Loans and Receivables P'000	Financial Liability at Amortised Cost P'000	Total P'000
2015			
Interest income	26,066	-	26,066
Net interest (income) / expense	26,066	-	26,066
2014			
Interest income	(25,144)	-	(25,144)
Interest expense	-	208	208
Net interest (income) / expense	(25,144)	208	(24,936)

25.8 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.

	Less than 1 month P'000	1 - 3 months P'000	3 months to 1 year P'000	Total P'000
2015				
Trade and other receivables	105,903	91,187	74,946	272,036
Cash at bank and on hand	19,008	-	-	19,008
Short term deposits	-	346,969	-	346,969
	124,911	438,156	74,946	638,013
2014				
Trade and other receivables	-	224,900	118,679	343,579
Cash at bank and on hand	19,571	-	-	19,571
Short term deposits	-	333,891	-	333,891
	19,571	558,791	118,679	697,041

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2015

25 FINANCIAL RISK MANAGEMENT (continued)

Financial Liabilities	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
2015						
Trade and other payables	-	227,672	-	-	-	227,672
	-	227,672	0	0	-	227,672

Financial Liabilities	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
2014						
Trade and other payables	-	233,692	-	-	-	233,692
Preference share liability	-	-	0	-	1,416	1,416
Preference share dividends	-	-	392			392
	0	233,692	392	0	1,416	235,500

25.10 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.

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.

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
2015		
Interest rate risk		
Change in interest rate	+1%	19,229
	-1%	(19,229)
2014		
Interest rate risk		
Change in interest rate	+1%	15,874
	-1%	(15,874)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2015

26 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, characteristics and risks of the property. Fair value of the properties was determined using the market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location (urban vs rural) and condition of the specific property. As at the date of revaluation on 31 March 2015, 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 country. 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)	Significant unobservable inputs (level 3)
		2015 P'000	2014 P'000
Land & Buildings	31/3/2015	339,807	236,102

		Price range per square meters		Total square meters	Average value per square metre
The significant unobservable valuation inputs were:					
Land		From	To		
Urban areas	Pula	1002500	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 current revaluation done as at 31 March 2015 have been disclosed above. At the time of the previous revaluation as at 31 March 2012, the use of market comparable valuation method did not involve the unobservable inputs noted above i.e. price per square metre.

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 method approach. Rural land improvements were valued on the basis of the replacement cost of the land improvements.

27 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 (2014: 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2015

27 CAPITAL RISK MANAGEMENT (continued)

	2015 P'000	2014 P'000
Debt		
Trade and other payables	227,672	233,692
Preference shares liability portion	-	1,808
Total debt	227,672	235,500
Equity		
Stated Capital	228,892	228,892
Revaluation reserve	351,574	174,267
Accumulated profits	1,342,464	1,184,275
Total equity	1,922,930	1,587,434
Total capital	2,150,601	1,822,934
Gearing ratio	12%	15%

Total capital is derived by adding total equity and total debt less cash and short term deposits.

28 SEGMENT REPORTING

In Sptember 2014, BTCL 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. Therefore operating expenses, assets, liabilities are operated at a group level. Monthly management accounts are reported as such, only separating revenues. There is therefore no identifiable operating segments. All operations takes place in Botswana.This is still applicable for current reporting period.

29 OTHER SIGNIFICANT EVENTS

29.1 Listing Disclosures

The listing of BTCL in the Botswana Stock exchange that was expected in the financial year 2014/15 financial year did not take place as planned. The Government of Botswana has issued a further intention to list BTCL shares in the financial 2015/16. The date of the listing is yet to be issued at the date of signing this report. The government and the company will be offering a total of 49% of the company shares, of which 44% will be available for purchase by citizens and citizens companies. The remaining 5% will be offered to BTCL citizen employees through an Employee Share Scheme (ESP).5

29.2 Offer for subscription and Government support

Should the listing of BTCL proceed, BTCL intends to raise up to P250m through an offer for subscription to finance its operations. The Government of Botswana has already approved the offer for subscription through Presidential directive CAB 32(A) /2014 dated 26 November 2014.

Furthermore, the Government of Botswana confirmed in the prior year that should the IPO or the offer for subscription be unsuccessful, they will ensure that BTCL is or will be put in a position to meet its financial obligations as they fall due and that BTCL will duly perform and comply with all its financial obligations in the year 2016 going forward. The Government has issued the letter of support of up to P250 million on 2nd October 2014. Refer to Note 24.

30 COMMITMENT AND CONTINGENCIES

The entity entered into capacity arrangement with BOFINET for 10 years effective 01 April 2014. As per the agreement,the grantor grants the grantee an indefeaseble, exclusive and irrevocable right of use of the transmission (IRU). BTCL will be purchasing bandwidth capacity for Pula 340 million over the 10years thus Pula 34 million per year. The payment schedule is as below:

First payment-P68 million paid on 31 July 2014
Second payment-P96 million payable on 1st April 2015
Third payment-P96 million payable on 1st April 2016
Final payment-P80 million payable on 1st April 2017

31 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period.

NOTES

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BOTSWANA TELECOMMUNICATIONS CORPORATION LIMITED
Megaleng Khama Crescent | Plot 50350 PO Box 700 | Gaborone, Botswana